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SURREBUTAL TESTIMONY

JAMES A HEIDELL

STATE OF NORTH DAKOTA
BEFORE THE
NORTH DAKOTA PUBLIC SERVICE COMMISSION

NORTHERN STATES POWER COMPANY

CASE NO. PU-18-430

ADVANCE DETERMINATION OF PRUDENCE – DAKOTA RANGE III WIND FACILITY

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1 **I. Introduction**

2 **Q. Would you please state your name, affiliation, and address?**

3 **A.** My name is James A. Heidell. I am a Director at PA Consulting Group, Inc. (PA). My
4 business address is 1700 Lincoln Street, Suite 3550, Denver, CO 80203.

5
6 **Q. Are you the same James A. Heidell who submitted pre-filed direct testimony in this
7 proceeding?**

8 **A.** Yes.

9
10 **Q. What is the purpose of your testimony?**

11 **A.** The purpose of my testimony is to respond to Northern States Power Company's (NSP or
12 the Company) rebuttal testimony filed in this docket by Ms. Shea, Mr. Martin, and Mr.
13 Halama. This docket is related to the Company's application for an Advance
14 Determination of Prudence (ADP) for the Company's proposed Purchase Power
15 Agreement (PPA) associated with the Dakota Range III wind facility (the Project). The
16 Company is proposing to enter into the PPA to satisfy the terms of an Energy Service
17 Agreement (ESA), which is a Minnesota special retail load contract the Company is
18 entering into with Google, related to Google's Becker data center, which is anticipated to
19 be developed on the site of the former NSP Sherburne County power plant.

20
21 **Q. What are the issues that you will be addressing in your surrebuttal testimony?**

22 **A.** I will be addressing the following four issues:

- 23 • Treatment of the Renewable Energy Credits (RECs) associated with the proposed
24 PPA;
25 • North Dakota's financial responsibility for any RECs needed to serve the Google
26 ESA;

- 1 • NSP’s analysis that the Dakota Range III PPA will provide an additional
2 [TRADE SECRET BEGINS ██████████ TRADE SECRET ENDS] (Net Present
3 Value) of savings beyond the energy and capacity from the project; and
- 4 • North Dakota ratepayer treatment of the PPA, should the North Dakota Public
5 Service Commission (NDPSC, or the Commission) reject the Company’s request
6 for an ADP for the Dakota Range III PPA and the Company proceeds with the
7 ESA.

9 **II. Treatment of RECs**

10 **Q. What is the Company’s rebuttal position regarding the treatment of RECs from**
11 **Dakota Range III?**

12 A. My understanding is that the Company disagreed with my recommendation that, as a
13 condition of the Commission granting the ADP, that North Dakota customers be provided
14 with a financial credit for their share of the PPA’s RECs based upon the North Dakota
15 customers’ share of the Company’s system load. NSP puts forth the argument that
16 Dakota Range III is only an energy resource and that the RECs from the project should
17 all be dedicated to Google consistent with NSP’s obligations under the Google ESA.¹

18
19 **Q. Based upon the Company’s arguments are you changing your recommendation**
20 **regarding treatment of the RECs?**

21 A. No, the Company has made inconsistent arguments as they are requesting that the project
22 be treated as a system resource and that North Dakota customers share in the total cost of
23 the resource. However, the Company is only proposing to share part of the value of the
24 resource with North Dakota customers. The PPA, if acquired as a system resource,
25 provides energy, capacity, and RECs. If the Project is being acquired as a system

¹ Shea Rebuttal, p 3 lines 23 – 26, p4 lines 1 -2.

1 resource and the costs are being allocated as a system resource, then North Dakota is
2 entitled to its proportional share of all of the PPA's products.

3
4 **Q. Are the obligations to retire RECs for the full retail load associated the Google ESA
5 relevant to whether North Dakota is assigned a share of the Project's RECs?**

6 **A.** No, the Google ESA is a retail load contract for which the terms, conditions, and cost
7 recovery are subject to the review and approval of the Minnesota Public Utilities
8 Commission. The cost associated with meeting the retail ESA's special contract
9 provisions is neither a matter for the NDPSC to review, nor a cost for which North
10 Dakota customers should be responsible. If the Dakota Range III PPA is being approved
11 as a system resource, then it should be treated consistently with other PPAs approved by
12 this Commission.

13
14 **Q. Is there any Commission precedent for the treatment of RECs from system
15 resources?**

16 **A.** Yes, Ms. Shea notes that if NSP does not proceed with the ESA, then the RECs will be
17 shared with North Dakota customers as previously directed by the Commission and Ms.
18 Shea references Case No. PU-10-019. In that Order, the Commission approved NSP
19 returning 90% of the net revenue from the sale of North Dakota customers' share of the
20 RECs and passing those revenues back through the Fuel Cost Recovery bill rider. In that
21 Order, the Commission did not identify any exceptions for not allocating North Dakota a
22 share of the RECs produced by system resources and hence there is no precedent for NSP
23 arguing that North Dakota should not receive the value from the RECs

24
25 **Q. Is there any disagreement on treatment of the RECs if the Google ESA is
26 terminated?**

1
2 **Q. Is direct assignment of any incremental costs of RECs to serve the ESA consistent**
3 **with NSP’s cost of service principles?**

4 A. Yes, Mr. Halama in his rebuttal testimony states:

5
6 “To the extent possible, we try to directly assign to each
7 state their portion of overall Xcel Energy costs based on
8 cost causation principles.”⁵

9 In this instance the “cause” for any incremental REC purchases is a
10 Minnesota retail load contract. Any cost incurred to procure RECs beyond
11 Minnesota’s share derived from shared system resources should be
12 assigned to Minnesota just as any other Minnesota customer specific
13 facilities or expenditures. The direct assignment of any REC acquisition
14 costs associated with serving the Google ESA is a clear example of what
15 should be a direct assignment of costs.

16
17 **Q. Is NSP using direct assignment to address other parts of the Google ESA?**

18 A. Yes, NSP has noted that the cost of transmission upgrades that are not classified as
19 network facilities will be directly assigned to Minnesota.

20
21 **Q. Are the issues of assigning incremental REC cost and allocating North Dakota a**
22 **share of the Project’s RECS independent of each other?**

23 A. No, I do not believe the two issues are independent. To the extent that a share of the
24 Project’s RECs are allocated to North Dakota, the Company may need to secure other
25 RECs to match the ESA loads.

26

⁵ Rebuttal Halama p 2, lines 24-26.

1
2 **IV. Additional Savings to North Dakota Attributed to the Google**
3 **Contract**
4

5 **Q. Did NSP identify additional savings associated with the PPA in the Company's**
6 **rebuttal testimony?**

7 A. Yes, the Company identified an additional PVRR of [TRADE SECRET BEGINS
8 ██████████ TRADE SECRET ENDS] of savings associated with the allocation of
9 transmission and Administrative and General (A&G) costs resulting from the shift of the
10 demand and energy allocation factor due to the expected ESA load.⁶
11

12 **Q. Have you evaluated the Company's additional savings estimate?**

13 A. No, the rebuttal testimony and exhibit did not provide enough detail and there was not
14 time to complete a review of a data request prior to filing this testimony. However, I
15 understand the logic of the Company's argument that some transmission costs are
16 allocated based upon the jurisdictions using the 12CP allocation factor as well as some
17 A&G costs. To the extent that the data center load shifts the allocation factor towards
18 Minnesota, there should be a reduction of costs allocated to North Dakota assuming no
19 increases in the costs that are being allocated and that there is a rate case.
20

21 **Q. Do you expect that North Dakota will realize the full PVRR of [TRADE SECRET**
22 **BEGINS ██████████ TRADE SECRET ENDS]?**

23 A. No, I do not. Even when assuming the [TRADE SECRET BEGINS ██████████ TRADE
24 **SECRET ENDS]** was calculated correctly, it is an idealized assumption for two reasons.
25 First, the allocation of the non-fuel costs only occurs in conjunction with a rate case. The
26 idealized calculation assumes an annual adjustment to the cost allocation and I would not

⁶ Schedule 2. Rebuttal Testimony of Halama

1 expect that there are rate cases every year. Second, the calculation assumes no increases
2 in the costs being allocated since it is based upon 2018 data.⁷ The Company has
3 indicated the costs of some of the transmission system upgrades required to accommodate
4 Google's data center load may be classified as network transmission, which would be
5 shared by North Dakota customers. While I do not expect the incremental A&G costs to
6 be large, I also suspect that there will be incremental A&G costs associated with what
7 will likely be the Company's largest load customer on the system.

9 **V. FCR Treatment if ADP is Rejected**

10
11 **Q. Did the Company agree with your recommendation for allocating the PPA's costs in**
12 **the event the Commission rejects the ADP and the Company proceeds with the both**
13 **the PPA and ESA?**

14 **A.** No, Mr. Martin argued that my recommended approach does not isolate all the impacts of
15 the ESA load and that other allocation factors would have to be adjusted as well.⁸

16
17 **Q. Does your recommended approach fully account for all of the potential cost and**
18 **savings issues associated with serving Google's data center load?**

19 **A.** No, it does not. However, I still recommend it as the preferred approach. Mr. Martin
20 appears to be arguing that there is no way to isolate Google's data center load short of
21 system separation. The Commission should have options to address the appropriate
22 treatment of rejected PPAs short of system separation. The Commission has previously
23 adopted an approach that addresses rejected PPAs and the approach does not necessarily
24 isolate all the costs. As I discussed in my direct testimony, the approach recommended
25 by the Company would likely result in increasing costs to North Dakota customers, while
26 historically the Commission has adopted an approach that reduces the shift of costs to

⁷ Rebuttal Testimony Halama, p 9 lines 15 – 18.

⁸ Rebuttal Testimony Martin, p. 9 lines 5 – 18.

1 North Dakota customers because of Minnesota policy decisions that involved procuring
2 expensive resources.

3
4
5 **VI. Recommendations**
6

7 **Q. Based upon your review of NSP's rebuttal testimony do you still recommend**
8 **approval of the ADP for the Dakota Range III PPA?**

9 **A.** Yes, I still recommend approval of the ADP.

10
11 **Q. Based upon your review of NSP's rebuttal testimony do you still recommend that**
12 **the Commission put conditions on approval of the ADP?**

13 **A.** Yes, I still recommend that approval of the ADP include the following two conditions: 1)
14 North Dakota customers receive financial compensation for their share of the RECs
15 created by the PPA; and 2) No cost should be allocated to North Dakota customers
16 should NSP have to purchase RECs to satisfy its commitments under the contract with
17 Google.

18
19 **Q. Does this conclude your testimony?**

20 **A.** Yes.

