EXHIBIT 7

BEFORE THE

NORTH DAKOTA PUBLIC SERVICE COMMISSION

*Northern States Power Company*

*Advance Prudence – 98.9 Mower Co. Wind Facility, Application, Case No. PU-19-310*

# DIRECT TESTIMONY
# OF
# VICTOR SCHOCK

ON BEHALF OF THE
NORTH DAKOTA PUBLIC SERVICE COMMISSION
ADVOCACY STAFF

February 7, 2020

Q: Provide your name and qualifications.

A: My name is Victor Schock. I am a Public Utility Analyst for the North Dakota Public Service Commission (Commission). I have 15 years of accounting experience and five years of utility regulatory experience.

I received a Bachelor of Science Degree in Accounting from Dickinson State University in 2007. I have testified before the commission on damage prevention, advanced determination of prudence, certificate of public convenience and necessity, and rate cases. Prior to my work with the commission I completed hundreds of financial reviews of both public and private companies as well as government entities in my work as a Credit & Collections Manager with Unisys Corporation.

Q: What is the purpose of your testimony?

A: The commission has appointed me to advocacy staff (Staff) in this proceeding. As such, I will provide the commission with an analysis and recommendation concerning Northern States Power Company's (NSP) request for an Advance Determination of Prudence (ADP) for the proposed purchase and operation of the 98.9 MW Mower County Wind Facility (Project).

Q: Please summarize your testimony.

A: Staff believes that the proposed purchase results in lower cost to customers versus the alternative of continuing to pay the existing PPA price through 2026 and replacing with market purchases thereafter.

Q: What is your recommendation with regard to approving NSP's application for an ADP?

A: My recommendation is that the Commission conditionally approve the ADP. This recommendation is based on the comparison of multiple Present Value Revenue Requirement (PVRR) scenarios with the base case being the

purchase of the Project by NSP. The alternative scenarios that the base case is compared to include continuation of the existing PPA through 2026 which is replaced by market purchases from 2027 through 2045. The market purchases are necessary to ensure the PVRR is comparing similar energy cost scenarios since the existing PPA expires in 2026, and the repowered Project is expected to produce more energy than the Project otherwise would. The other scenarios considered against the base case include high, average and low market energy prices.

Q: What were the results of the various PVRR analysis?

A: The high market energy price scenario resulted in total system savings of $78.8M with the ND share being $4.3M. The average market energy price resulted in total system savings of $33.8M with the ND share being $1.8M. The low market energy price resulted in total system savings of $1.8M with the ND share being $3000.

Q: Why were the only alternative scenarios related to market energy?

A: I believe that the only real alternative to the purchase of the Project is market energy. Therefore it is appropriate to compare with the forecasted market price of energy.

Q: Does your analysis match the expected savings presented by NSP?

A: No. NSP's analysis assumed a North Dakota Return on Equity (ROE) of 10.25% which represents the rate granted during the last rate case, rather than 9.85% which is the rate agreed to by NSP and Staff during the Tax Cuts and Jobs case PU-18-155. Additionally, NSP's analysis assumed that upon the expiration of the existing Purchased Power Agreement (PPA) that NSP would either procure a new PPA or purchase a wind farm of equal size at market prices rather than rely on the marketplace for energy. These differences in

assumptions resulted in NSP estimating total system savings of $48-49M with the ND share being $2.5-3M.

Q: With the range of savings from $3,000 to $4.3 million what do you believe the most likely scenario is?

A: I believe the most likely scenario is between the average and low market energy price, with a likely savings to ND customers of $1-1.5M.

Q: Why do you feel this is the most likely scenario?

A: With the addition of intermittent renewables and very cheap available natural gas generation, the trend of market prices has been flat to downward. While I do not expect that to continue indefinitely, I believe it will contribute to the price of energy being lower that currently anticipated.

Q: Do you view the purchase of this Project as a good thing for ratepayers?

A: No. This is simply a less bad scenario than the alternative, which is to continue paying for the very high priced energy from the existing PPA.

Q: Would you be recommending approval of this Project if the alternative did not include paying for the existing PPA?

A: No. Both the actual cost per megawatt hour (MWh) on an annual basis and the levelized cost of ownership (LCOE) are higher than the forecasted market energy prices for nearly every year of the forecast. The Project results in cost savings due to the comparison of the PPA price to the cost of ownership.

Q: What is your recommendation concerning this request for an ADP?

A: I recommend the Commission conditionally approve the ADP.

Q: What conditions are you recommending the commission require?

A: 1. The Commission should cap the allowed total purchase price at ***[TRADE***

***SECRET BEGINS TRADE SECRET ENDS]*** This is the amount NSP is expecting the final purchase price to be.

2. NSP's shareholders should be responsible for any shortfall as a result of not securing 100% of the PTC rate for this Project.
3. NSP should provide a quarterly construction progress report to the Commission until the Project is in service, indicating the development status.

Q: Why are you proposing to cap the allowed purchase price?

A: Due to the very slim marginal savings between the Project and the existing PPA, a material overrun in price could translate into net cost rather than savings to customers. A cap will serve to protect customers from the potential higher price until such time that NSP can prove the Project results in net savings even at the higher price.

Q: Why are you proposing that NSP shareholders be responsible if the project does not secure 100% of the PTC rate?

A: PTCs represent a significant benefit for any renewable project, and this Project is no exception. PTCs are valued at $25 per MWh as of 2019. This is increased annually by the IRS based on inflation-adjustment factors. Using NSP's anticipated nameplate capacity of ***[TRADE SECRET BEGINS TRADE SECRET ENDS]*** and a capacity factor of ***[TRADE SECRET BEGINS TRADE SECRET ENDS]***, we can expect the Project to receive approximately ***[TRADE SECRET BEGINS TRADE SECRET ENDS]***of PTC value per year for the first ten years of operation. The fact is the Project relies heavily on receiving 100% of the PTC rate to be cost effective for customers, and if it fails to receive 100% of the PTC rate, it may be a net cost rather than a net savings to North Dakota ratepayers. In order to protect ratepayers, I believe it is necessary to put this condition in place.

Q: Does this conclude your testimony?

A: Yes it does.

**STATE OF NORTH DAKOTA**

**PUBLIC SERVICE COMMISSION**

**Northern States Power Company**
**Advance Prudence –98.9 Mower Co. Wind Facility**
**Application**

**Case No. PU-19-310**

## VERIFICATION

**STATE OF North Dakota** )
)
**COUNTY OF Burleigh** )

Victor Schock, being first duly sworn on oath, deposes and states that he has read the testimony and any exhibits submitted in the above captioned matters under his name, that they were prepared by him or under his direction, that he knows the contents thereof, and that the same are true and correct to the best of his knowledge and belief.

Victor Schock

Subscribed and sworn to before me this 6 day of February, 2020.

JOHN G. HAMRE
Notary Public
State of North Dakota
My Commission Expires July 04, 2020

Notary Public
My Commission Expires: 4 July 2020