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Surrebuttal Testimony
Christopher J. Shaw

**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 Repowered Wind Portfolio

and

In the Matter of the Application of Northern States Power Company
for an Advance Determination of Prudence for 120 MW Northern Wind Facility

Case Nos. PU-20-425 and PU-21-093
Exhibit___(CJS-2)

Policy Surrebuttal

September 24, 2021

55 PU-21-93 Filed 09/30/2021 Pages: 10
Exhibit 21 - Surrebuttal Testimony of Christopher J. Shaw
Northern States Power Company

60 PU-20-425 Filed 09/30/2021 Pages: 10
Exhibit 21 - Surrebuttal Testimony of Christopher J. Shaw
Northern States Power Company

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TABLE OF CONTENTS

I. INTRODUCTION	1
II. RESPONSE TO MR. JANECEK’S RECOMMENDATIONS.....	2
III. SETTLEMENT	5
IV. CONCLUSION	7

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I. INTRODUCTION

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Q. PLEASE STATE YOUR NAME AND TITLE.

A. My name is Christopher J. Shaw. I am a Regulatory Policy Manager for Northern States Power Company – Minnesota (NSP or Xcel Energy or the Company).

Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY IN THESE PROCEEDINGS?

A. Yes. I filed Direct Testimony supporting the Company’s applications for advanced determinations of prudence (ADP) in both of the consolidated cases, PU-20-425 and PU-21-093. My testimony provided support for the prudence of the Company’s proposed projects, and included discussion of the details of each transaction as well as the policy issues related to each proposed project.

Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

A. I provide the Company’s response to the Surrebuttal Testimony of Charles E. Janecek filed on September 8, 2021 on behalf of the Advocacy Staff of the North Dakota Public Service Commission (Commission). I discuss the prudence of the repowering of four Company-owned wind generation facilities as presented in Case No. PU-20-425 (Wind Repowering Projects), and the Company’s proposed acquisition of the Northern Wind project as presented in Case No. PU-21-093 (Northern Wind Acquisition). I then provide support for the proposed Settlement Agreement (Settlement Agreement) and Joint Stipulation of Capital Expenditure Costs (Joint Stipulation), both of which have been entered into by the Company and North

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1 Dakota Public Service Commission (Commission) Advocacy Staff (Advocacy
2 Staff) in Case Nos. PU-20-425 and PU-21-093.

3
4 **II. RESPONSE TO MR. JANECEK'S RECOMMENDATIONS**

5
6 Q. AS A REMINDER, PLEASE BRIEFLY DESCRIBE THE WIND REPOWERING AND
7 NORTHERN WIND PROJECTS.

8 A. Case No. PU-20-425 involves the repowering of four Company-owned wind
9 generation facilities: 1) Border Winds, a 150 MW facility in Rolette County,
10 North Dakota, 2) Grand Meadows Wind, a 100.5 MW facility in Mower
11 County, Minnesota, 3) Nobles Wind, a 201 MW facility in Nobles County,
12 Minnesota, and 4) Pleasant Valley Wind, a 200 MW facility in Mower County,
13 Minnesota. As I described in detail in my Direct Testimony in Case No. PU-
14 20-425, each individual project involves changes to existing turbines (and
15 associated components) to increase efficiency and electric production.

16
17 In Case No. PU-21-093, the Company requested an ADP for the proposed
18 acquisition of an expanded and repowered 120 MW Northern Wind project.
19 The project consists of two separate projects located in Murray County,
20 Minnesota, which together total 100 MW and are the subject of two power
21 purchase agreements (PPAs), which are both due to expire in 2023. The
22 current owner will repower the existing projects and carry out a 20 MW
23 greenfield expansion, and the Company will then acquire the overall project.
24 I described this project in further detail in my Direct Testimony submitted in
25 Case No. PU-21-093.

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1 Q. HAVE YOU REVIEWED MR. JANECEK'S DIRECT AND SURREBUTTAL
2 TESTIMONY?

3 A. Yes.

4

5 Q. WHAT DID MR. JANECEK RECOMMEND WITH RESPECT TO THE WIND
6 REPOWERING PROJECTS?

7 A. In his Direct Testimony, Mr. Janecek recommended that the Commission
8 approve ADPs for the Grand Meadows and Nobles repowering projects.
9 After the Company presented an updated economic analysis in Rebuttal
10 testimony and Mr. Janecek performed his own updated analysis, Mr. Janecek
11 recommended in his Surrebuttal Testimony that the Commission also approve
12 ADPs for the other two Wind Repowering Projects, the Border Winds and
13 Pleasant Valley projects.

14

15 Q. DID MR. JANECEK RECOMMEND THAT ANY CONDITIONS BE PLACED ON THE
16 ADPs, IF GRANTED?

17 A. Yes. Mr. Janecek recommended that if the Commission approves some or all
18 of the Wind Repowering ADPs, the Commission should impose conditions
19 that would:

20

21 (1) Limit total cost recovery to how the Company defined it in its
22 Application; North Dakota customers should not be responsible for
23 absorbing any cost modifications without further Commission review;
24 and

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1 (2) Require the Company to provide North Dakota customers with
2 their share of the production tax credits (PTCs) generated by the
3 repowered facilities.
4

5 Q. DOES THE COMPANY AGREE WITH MR. JANECEK'S RECOMMENDATION AND
6 PROPOSED CONDITIONS FOR THE WIND REPOWERING PROJECTS?

7 A. Xcel Energy agrees that the Wind Repowering Projects are prudent and that
8 ADPs should be granted. The conditions Mr. Janecek has proposed for the
9 ADPs in this Case are similar to the conditions the Company agreed to in the
10 Settlement Agreement for our 1,550 MW wind portfolio in Case No. PU-17-
11 120. Consequently, the Company is comfortable with agreeing to Mr.
12 Janecek's proposed conditions as part of an overall settlement of these Cases.
13

14 Q. WHAT DID MR. JANECEK RECOMMEND WITH RESPECT TO THE NORTHERN
15 WIND ACQUISITION?

16 A. In his Direct Testimony, Mr. Janecek recommended that the Commission
17 deny the requested ADP for the Northern Wind Acquisition for a variety of
18 reasons. Unlike for the other projects described above, Mr. Janecek did not
19 change this position on Northern Wind in his Surrebuttal Testimony.
20

21 Q. DOES THE COMPANY AGREE WITH MR. JANECEK'S CONCLUSIONS REGARDING
22 THE NORTHERN WIND ACQUISITION?

23 A. No. Based on the project benefits which are presented in further detail in the
24 record of these proceedings, the Company believes that its acquisition of the
25 repowered Northern Wind project is prudent. However, for the purposes of
26 settling these cases, the Company has agreed (1) to not obtain an ADP for the

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1 Northern Wind project and (2) that it be accorded different treatment
2 consistent with the ratemaking treatment for other disallowed resources
3 identified in our most recent rate case. I describe these and other terms of the
4 proposed Settlement Agreement below.

III. SETTLEMENT

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8 Q. HOW DOES THE SETTLEMENT AGREEMENT ADDRESS THE WIND
9 REPOWERING PROJECTS?

10 A. The Settlement Agreement agreed to by the Company and Advocacy Staff in
11 these consolidated Cases adopts Mr. Janecek's position with respect to the
12 Wind Repowering Projects. The Settlement Agreement deems the Wind
13 Repowering Projects prudent up to the capital cost amounts for each Project
14 as set forth in the Joint Stipulation of Capital Expenditure Costs (Joint
15 Stipulation). The Settlement Agreement also states that (1) North Dakota
16 customers will not be responsible for absorbing the costs of any material
17 contract modifications without further Commission review, and (2) that
18 North Dakota customers will receive their full share of the PTCs and
19 Renewable Energy Credits (RECs) associated with each of the Wind
20 Repowering Projects, based on the Company's then-applicable allocation
21 methods.

22
23 Q. PLEASE EXPLAIN THE JOINT STIPULATION THAT WAS FILED BY THE PARTIES
24 WITH THE SETTLEMENT AGREEMENT.

25 A. The Joint Stipulation identifies the amount of the capitalized cost cap for each
26 Wind Repowering Project, consistent with Mr. Janecek's recommendation.

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1 These amounts represent the Company's current estimate of the capital costs
2 of each Project, including the costs of transmission interconnection service
3 under any relevant generator interconnection agreement, but excluding
4 allowance for funds used during construction (AFUDC). These amounts were
5 provided in the Joint Stipulation so that they may be kept Trade Secret until
6 such time as the transactions close. I note that only the Company's actual
7 capital expenditures will be eligible for inclusion in rates. Filing a Joint
8 Stipulation in this manner is consistent with the practice adopted and
9 approved by the Commission in Case Nos. PU-17-120 and PU-19-310.

10
11 Q. HOW DOES THE SETTLEMENT AGREEMENT ADDRESS THE NORTHERN WIND
12 ACQUISITION?

13 A. Due to the Parties' disagreement as to the prudence of the Company's
14 proposed Northern Wind acquisition, the Company agrees in the Settlement
15 Agreement to not pursue an ADP for this Project for the purposes of
16 settlement. The Settlement Agreement does not bar the Company from
17 seeking to recover, on a prospective basis, the costs of the Northern Wind
18 project in a future rate case.

19
20 Q. HOW DOES THE SETTLEMENT AGREEMENT ADDRESS THE NORTHERN WIND
21 ACQUISITION FOR RATEMAKING PURPOSES?

22 A. The Settlement Agreement provides that unless and until full recovery is
23 granted by the Commission, Northern Wind will be given the same
24 ratemaking treatment in North Dakota as the Community Wind North and
25 Jeffers Wind projects as set forth in the Settlement Agreement in the
26 Company's most recent rate case, Case No. PU-20-441 (Order on Settlement,

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1 dated August 18, 2021). Under this structure, the Company will be entitled to
2 recover the system average cost of fuel/kWh from North Dakota customers
3 through the Fuel Cost Rider (FCR) for the generation provided by the
4 Northern Wind project, because the project would still be providing energy
5 for use, in part, by North Dakota customers. Additionally, because North
6 Dakota customers would not be contributing to the costs of the acquisition,
7 the Company will be entitled to retain all wholesale revenues, PTCs, and RECs
8 generated by the Northern Wind project. Thus North Dakota customers will
9 not receive any margins generated by sales from the Northern Winds project,
10 or any PTCs or RECs generated by the project, or any associated revenue
11 from REC sales.

12
13 Q. IS THERE PRECEDENT FOR THIS TYPE OF RATEMAKING TREATMENT FOR A
14 COMPANY RESOURCE?

15 A. Yes. As I noted, the Parties' proposed ratemaking structure for Northern
16 Wind is consistent with the treatment of the Community Wind North and
17 Jeffers Wind projects, as approved by the Commission in Case No. PU-20-
18 441.

IV. CONCLUSION

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22 Q. PLEASE SUMMARIZE YOUR CONCLUSIONS.

23 A. I recommend the Commission adopt the Settlement in this consolidated Case.

24
25 Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

26 A. Yes, it does.

