

**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
Heartland Divide Wind II

Case No. PU-20-433
OAH FILE NO. 20200421

Exhibit____(ADK-1)

Policy

May 14, 2021

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1 **I. INTRODUCTION**

2
3 Q. PLEASE STATE YOUR NAME AND TITLE.

4 A. My name is Al Krug. I am Senior Vice President, State Regulatory Policy for
5 Northern States Power Company – Minnesota (NSP or Xcel Energy or the
6 Company).

7
8 Q. DID YOU SUBMIT PRE-FILED DIRECT TESTIMONY IN THIS PROCEEDING?

9 A. No. My colleague Mr. Christopher J. Shaw submitted Direct Policy Testimony
10 on behalf of the Company in this proceeding. I am taking his place as the
11 Company’s Policy witness for the remainder of this Case.

12
13 Q. PLEASE DESCRIBE YOUR QUALIFICATIONS AND EXPERIENCE.

14 A. I have worked for Xcel Energy since 1998, initially as a Manager of Renewable
15 Energy and Energy Contract Coordinator. I then served as a Regulatory
16 Consultant for a number of years before becoming Regional Vice President,
17 Regulatory Administration in 2008. I began my current position in 2013. Prior
18 to joining the Company, I worked for over a decade at the Minnesota
19 Department of Commerce, first as a Statistical Analyst and later as a
20 Supervisor in the Electric Regulatory Unit. My statement of qualifications is
21 provided as Exhibit___(ADK-1), Schedule 1.

22
23 Q. WHAT ARE YOUR CURRENT RESPONSIBILITIES?

24 A. In my current role, I develop regulatory strategy for NSP across North
25 Dakota, South Dakota, and Minnesota.

26

1 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS
2 PROCEEDING?

3 A. The purpose of my Rebuttal Testimony is to respond to the Direct Testimony
4 of Commission Advocacy Staff Witness Mr. James A. Heidell filed in this Case
5 and to address a number of the policy issues discussed in Mr. Heidell's
6 testimony regarding the Company's request for an Advance Determination of
7 Prudence (ADP) for the proposed Power Purchase Agreement (PPA)
8 between the Company and Heartland Divide II Wind, LLC, to acquire 200
9 MW of wind energy generation (Heartland Divide II PPA).

10

11 Q. HOW IS YOUR TESTIMONY STRUCTURED?

12 A. My testimony is organized as follows:

- 13 • Section II provides an overview of Mr. Heidell's testimony and the
14 Company's response to Mr. Heidell's recommended conditions;
- 15 • Section III discusses the Renewable*Connect program and how the
16 additional 50 MW of the Heartland Divide II PPA will be treated for
17 ratemaking purposes;
- 18 • Section IV discusses the prudence of the Heartland Divide II PPA in
19 light of Mr. Heidell's testimony;
- 20 • Section V introduces the Company's other Rebuttal witness; and
- 21 • Section VI sets forth my conclusions.

22

1 **II. OVERVIEW OF MR. HEIDELL’S TESTIMONY**

2
3 Q. PLEASE BRIEFLY SUMMARIZE MR. HEIDELL’S DIRECT TESTIMONY AND
4 RECOMMENDATIONS.

5 A. Mr. Heidell’s testimony provides his assessment of the impacts on North
6 Dakota customers of the proposed Heartland Divide II PPA, which the
7 Company executed to support our Retail Electric Service Agreement with
8 Honeycrisp LLC (an affiliate of Google LLC) for a planned data center in
9 Becker, Minnesota (Honeycrisp LLC ESA).

10
11 Mr. Heidell does not specifically recommend that the Commission approve or
12 reject the ADP, but he does recognize several facts which weigh in favor of
13 granting the ADP. For example, Mr. Heidell concludes that the Company
14 reasonably concluded that the Heartland Divide II PPA will lower power costs
15 to our North Dakota Customers. If the Commission does approve the ADP,
16 however, Mr. Heidell recommends several conditions.

17
18 Q. WHAT CONDITIONS DOES MR. HEIDELL RECOMMEND IF THE COMMISSION
19 APPROVES THE ADP?

20 A. If the Commission approves the ADP, Mr. Heidell recommends the
21 Commission include the following conditions:

- 22 1. Mr. Heidell recommends the Commission limit total costs of the
23 Heartland Divide II PPA to the costs identified by the Company in its
24 Application;
- 25 2. Mr. Heidell recommends that North Dakota customers receive
26 financial compensation for their share of the Renewable Energy Credits
27 (RECs) associated with the project;

- 1 3. Mr. Heidell recommends that North Dakota customers be held
2 harmless for any RECs that the Company may have to purchase to
3 satisfy its commitments under the Honeycrisp LLC ESA (Cover
4 RECs); and
- 5 4. Mr. Heidell recommends the Company be required to treat the full 200
6 MW of the Heartland Divide II PPA as a system resource.

7

8 Q. WHAT IS THE COMPANY’S RESPONSE TO MR. HEIDELL’S RECOMMENDATION
9 THAT THE TOTAL COSTS OF THE PPA BE LIMITED TO THE COSTS IDENTIFIED
10 BY THE COMPANY IN THE APPLICATION?

11 A. The Company believes this recommended condition is unnecessary, because
12 (1) we do not expect any contract modifications that would materially change
13 the costs borne by North Dakota customers, and (2) if such a modification
14 occurred, the Company would seek additional Commission review.

15

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

19 A. As stated by the Company in testimony in the Dakota Range III ADP
20 proceeding (Case No. PU-18-430), the Company respectfully disagrees with
21 this recommendation as it is inconsistent with the purpose of acquiring the
22 Heartland Divide II PPA. As acknowledged by Mr. Heidell in his testimony,
23 the Company is procuring the Heartland Divide II PPA to support the
24 Honeycrisp LLC ESA, which requires the Company to retire an amount of
25 RECs coincident with the load of the planned data center. North Dakota
26 customers are receiving the benefit of low-priced wind energy from the
27 Project which will reduce overall system costs, but the Company should be

1 able to dedicate all of the RECs to the Honeycrisp LLC ESA since this
2 resource was procured in part to meet our initial clean energy needs under the
3 agreement. If the Honeycrisp load does not materialize and the Honeycrisp
4 LLC ESA is terminated, the Company will allocate the Heartland Divide II
5 RECs to all NSP System customers consistent with traditional cost causation
6 principles as discussed in Mr. Shaw's Direct Testimony.

7
8 Notwithstanding the Company's concerns, we recognize that a similar
9 condition was imposed by the Commission in its Order approving the ADP
10 for Dakota Range III.

11
12 Q. WHAT IS THE COMPANY'S RESPONSE TO MR. HEIDELL'S RECOMMENDATION
13 THAT NORTH DAKOTA CUSTOMERS BE HELD HARMLESS FOR ANY COVER
14 RECs?

15 A. Mr. Heidell recommended a similar condition in the Dakota Range III ADP
16 (Case No. PU-18-430), and the Company continues to believe that this
17 condition is unnecessary. Because the data center load benefits all NSP System
18 customers, all customers should pay their share of the costs of bringing the
19 load online. Additionally, the Company is permitted under the Honeycrisp
20 LLC ESA to use existing RECs already in the Company's possession as Cover
21 RECs, thus the incremental cost of any Cover RECs that may be needed is
22 likely to be zero.

23
24 That said, the Company recognizes that the Commission approved a similar
25 condition in its Order approving the Dakota Range III ADP.

26

1 Q. WHAT IS THE COMPANY'S RESPONSE TO MR. HEIDELL'S RECOMMENDATION
2 THAT THE COMPANY BE REQUIRED TO TREAT THE FULL 200 MW OF THE
3 HEARTLAND DIVIDE II PPA AS A SYSTEM RESOURCE?

4 A. The Company disagrees with this proposed condition as it is the product of a
5 misunderstanding of how the Company will treat the 50 MW of the Heartland
6 Divide II PPA that will be dedicated to the Renewable*Connect program in
7 Minnesota. Mr. Heidell assumes that, for the 50 MW of the PPA that is
8 excluded from the ADP, the Company will substitute the average system cost
9 of fuel and purchased power in its recovery through the Fuel Clause Rider
10 (FCR). This is incorrect. As described further in Section III below, the
11 resources that serve the Renewable*Connect program, and its predecessor
12 Windsource, are excluded from the FCR in North Dakota. Thus, there is no
13 cost impact to North Dakota for these resources, including the 50 MW of the
14 Heartland Divide II PPA that is dedicated to Renewable*Connect.

15

16 The Company therefore disagrees with Mr. Heidell's recommendation that the
17 entire 200 MW of the Heartland Divide II PPA be considered a system
18 resource because the cost of these resources will be allocated to the
19 Renewable*Connect program and no costs of these projects are expected to
20 be recovered from North Dakota customers, in the FCR or otherwise.

21

22 Q. WHAT OTHER CONCERNS DOES MR. HEIDELL RAISE IN HIS TESTIMONY?

23 A. Mr. Heidell expresses concern regarding the Heartland Divide II resource
24 being located the Midcontinent Independent System Operator's (MISO)
25 Local Resource Zone 3, and the potential basis risks this may create. As
26 discussed further in the rebuttal testimony of Company Witness Ms. Farah
27 Mandich, this concern is unfounded. The Heartland Divide II project location

1 does not present any additional pricing risk beyond that of other wind projects
2 in our portfolio. In fact, Heartland Divide II would be one of several projects
3 in MISO Zone 3 for which the Company is obtaining cost recovery in North
4 Dakota. I also note that the Company has a small amount of load in MISO
5 Zone 3 as well.

6
7 **III. RENEWABLE*CONNECT AND TREATMENT OF THE**
8 **ADDITIONAL 50 MW OF HEARTLAND DIVIDE II**
9

10 Q. WHAT IS THE RENEWABLE*CONNECT PROGRAM?

11 A. Renewable*Connect is a subscription program that the Company offers in
12 Minnesota which allows customers to voluntarily purchase blocks of
13 renewable energy. The Company began offering Renewable*Connect as a
14 pilot program in 2017 to meet customer demand for a voluntary green tariff,
15 consistent with Minnesota's Renewable and High-Efficiency Rate Options
16 statute (Minn. Stat. § 216B.169). The initial pilot sold out within a year, and
17 there is a fully-subscribed waiting list of additional customers seeking to join
18 the program.

19
20 Renewable*Connect is a successor to the Company's Windsource program in
21 Minnesota, which similarly allowed customers to pay a small additional
22 subscription fee to purchase blocks of wind energy on a monthly basis. Like
23 Renewable*Connect, the Windsource program has been popular with
24 Minnesota customers. The Windsource program currently has over 50,000
25 subscribers with more than 2,000 customers on the waiting list, and the
26 program has delivered almost two million megawatt-hours of wind energy to
27 Minnesota customers since its inception in 2003. The Windsource and

1 Renewable*Connect programs are structured substantially the same but
2 Renewable*Connect also includes solar energy as part of the renewable
3 resource mix that is supported by the program.
4

5 Q. WHY IS THE RENEWABLE*CONNECT PROGRAM AT ISSUE IN THIS ADP?

6 A. The Company has proposed to allocate 50 MW of the 200 MW Heartland
7 Divide II PPA to the Renewable*Connect program, to support a 230 MW
8 expansion of the program that was approved by the Minnesota Public Utilities
9 Commission (MPUC) in 2019. Under this expansion, all existing Windsource
10 subscribers and waitlisted customers will eventually be migrated to
11 Renewable*Connect. The remaining 150 MW of the Heartland Divide II PPA
12 will be used by the Company to support the Honeycrisp LLC ESA, similar to
13 the initial 150 MW that was approved for this purpose in the Dakota Range
14 III ADP (Case No. PU-18-430).
15

16 Q. IS THERE PRECEDENT FOR THIS TYPE OF BIFURCATION OF RENEWABLE
17 RESOURCES, WITH A PORTION DEDICATED TO SUPPORTING WINDSOURCE OR
18 RENEWABLE*CONNECT?

19 A. Yes. A portion of the Moraine II Wind Project was dedicated to the
20 Windsource program starting in approximately 2004 and portions of Odell
21 Wind and North Star Solar have been used to serve the Renewable*Connect
22 pilot program since 2017. Each month, the Company assigns a percentage of
23 the output of these projects to the Windsource and Renewable*Connect
24 programs based on the actual usage of participating customers, with the
25 remaining energy treated as a system resource and charged through the fuel
26 riders in each jurisdiction. For the Heartland Divide II PPA, the percentage
27 of the Project that will be dedicated to Renewable*Connect will never exceed

1 25 percent of the monthly output of the Project, with the remaining energy
2 treated as a system resource through the fuel riders.

3
4 Q. DID MR. HEIDELL ADDRESS THE TREATMENT OF THE COSTS OF THE 50 MW
5 OF THE HEARTLAND DIVIDE II PPA THAT WILL SERVE THE
6 RENEWABLE*CONNECT PROGRAM?

7 A. Yes. Mr. Heidell stated in his testimony that he assumes the Company will
8 treat the 50 MW of the Heartland Divide II PPA dedicated to
9 Renewable*Connect in the same way that it treats disallowed PPAs—by
10 charging North Dakota customers the system average cost of fuel for this
11 energy in the FCR.

12
13 Q. IS THIS A CORRECT UNDERSTANDING OF HOW THE COMPANY WILL TREAT
14 THESE COSTS?

15 A. No. Similar to Windsource, the costs and volumes of resources that are
16 procured to serve the Renewable*Connect program are all assigned directly to
17 Renewable*Connect customers in Minnesota. As a result, these values are not
18 included in the system average cost of fuel calculation in the FCR. Further,
19 because all energy from these resources is allocated to the Renewable*Connect
20 program, no costs of these projects are recovered from North Dakota
21 customers, in the FCR or otherwise.

22
23 Q. DOES THIS MEAN ALL RENEWABLE*CONNECT RESOURCES ARE COST-
24 NEUTRAL ON NORTH DAKOTA CUSTOMERS?

25 A. Yes. The entire Renewable*Connect program is structured to be cost-neutral
26 to all non-participants in the program, including North Dakota customers as
27 well as Minnesota customers that do not participate. The Renewable*Connect

1 rate structure includes a neutrality charge to ensure that the non-energy costs
2 of these resources are borne fully by Renewable*Connect program
3 participants.

4
5 Q. IF NO COSTS OF THE 50 MW WILL BE CHARGED TO NORTH DAKOTA, WHY DID
6 THE COMPANY ANALYZE THE ENTIRE 200 MW OF THE RESOURCE ADDITION
7 IN THE APPLICATION?

8 A. The Company modeled the entire 200 MW of the Heartland Divide II PPA
9 in the ADP Application because, notwithstanding the ratemaking treatment
10 of the 50 MW dedicated to Renewable*Connect, the entire output and
11 capacity of the 200 MW Project will serve the full NSP System. Thus from a
12 resource planning perspective it is appropriate to consider the impact of the
13 entire 200 MW resource addition, even though non-Renewable*Connect
14 customers will bear no cost responsibility for the share of the project dedicated
15 to Renewable*Connect. Further, Renewable*Connect contracts are limited to
16 ten years, which is less than the contract term of the PPA. Consequently, to
17 the extent customers leave the NSP service territory or do not renew their
18 participation in Renewable*Connect, Heartland Divide II could provide
19 system-wide energy in the future.

20
21 Q. DID MR. HEIDELL RAISE ANY CONCERNS ABOUT ASSIGNING 50 MW OF THE
22 200 MW HEARTLAND DIVIDE II PPA TO RENEWABLE*CONNECT?

23 A. Yes. Mr. Heidell stated in his testimony that he is unaware of the Commission
24 ever bifurcating a resource into a system resource and a resource dedicated to
25 Minnesota. Further, Mr. Heidell stated that he believes the policy of creating
26 separate resources for different states may be beyond the scope of the ADP,

1 given the Company's previous proposal of the Resource Treatment
2 Framework (RTF), which was not accepted by the Commission.

3
4 Q. IS MR. HEIDELL'S CONCERN REGARDING THE PROPOSED BIFURCATION OF
5 THE HEARTLAND DIVIDE II PPA WARRANTED?

6 A. No. As noted above, the Company has split other renewable resources in the
7 past between serving Windsource or Renewable*Connect and the NSP
8 System writ large. Similarly here, the Company is proposing to allocate the
9 Heartland Divide II PPA based on the need that has been identified for the
10 Honeycrisp LLC ESA and the Renewable*Connect expansion. The 50 MW
11 that is allocated for Renewable*Connect will be treated like any other wind or
12 solar project that was procured to serve this program—all costs of the energy
13 used to meet Renewable*Connect demand will be allocated to
14 Renewable*Connect customers. In other words, although these resources
15 serve the entire NSP System and are relied on for system planning purposes,
16 they are not system resources for ratemaking purposes.

17
18 Q. IS IT APPROPRIATE FOR THE COMPANY TO SEEK AN ADP FOR ONLY A
19 PORTION OF THE HEARTLAND DIVIDE II PPA?

20 A. Yes. The ratemaking treatment of resources that serve Renewable*Connect
21 (or its predecessor Windsource) have not historically been controversial and
22 the Company's rate treatment for those resources has been approved in prior
23 FCR filings. I believe that Mr. Heidel's statement that a bifurcated resource
24 should be handled as part of the Company's proposed Resource Treatment
25 Framework to be misplaced. Further, the Commission's order adopting the
26 Company's 2008 rate case settlement contemplated that resources could be
27 bifurcated.

1
2 Specifically, under the Settlement Agreement in Case No. PU-07-776, the
3 Company is obligated to file an application for an ADP for any proposed new
4 construction or acquisition of a generating resource above 50 MW where
5 “[t]he Company proposes to allocate all or part of the related costs to the
6 North Dakota jurisdiction for recovery in electric rates.” Given this Settlement
7 language and the prior history of bifurcated projects, the Company and
8 Commission Staff clearly contemplated that the Company could seek ADPs
9 and add resources where all, part, or none of the costs would be allocated to
10 North Dakota. Here, the Company proposes to allocate to North Dakota its
11 share of costs of the 150 MW of the Heartland Divide II PPA that will be
12 treated as a system resource. While we cannot definitively state that none of
13 the remaining 50 MW will be treated as a system resource, the Company
14 expects and intends that the entire costs of the remaining 50 MW will be borne
15 exclusively by Renewable*Connect customers.
16

17 Q. WHAT WOULD BE THE IMPACT OF MR. HEIDELL’S PROPOSED CONDITION
18 REQUIRING THE ENTIRE 200 MW HEARTLAND DIVIDE II PPA TO BE
19 TREATED AS A SYSTEM RESOURCE?

20 A. Mr. Heidell’s proposed condition would frustrate the Company’s efforts to
21 expand a very popular program in Minnesota. The Company needs flexibility
22 to develop programs and products to meet the needs of all our customers
23 across all the jurisdictions we serve. It is the Company’s understanding that in
24 the past, the Commission has had little interest in this type of program, but
25 we would certainly be willing to explore creating one if the Commission
26 wanted us to pursue it or our customers demanded it. The Company’s
27 proposed division of the Heartland Divide II PPA to serve two distinct needs

1 is not a new practice and wholly consistent with the Company's management
2 of the integrated NSP System.

3
4 Q. IS IT APPROPRIATE FOR RENEWABLE*CONNECT CUSTOMERS TO HAVE ACCESS
5 TO 50 MW OF THE HEARTLAND DIVIDE II PPA RATHER THAN TREATING IT
6 ALL AS A SYSTEM RESOURCE?

7 A. Yes. The Company procured the additional 50 MW of the Heartland Divide
8 II PPA (on top of what we sought to support the Honeycrisp LLC ESA) for
9 the specific purpose of supporting the planned expansion of the
10 Renewable*Connect program. If not for this program expansion, the
11 Company would only have sought to acquire the 150 MW for the Honeycrisp
12 LLC ESA. Furthermore, any volumes of energy within the 25 percent of the
13 Heartland Divide II PPA dedicated to Renewable*Connect that are not used
14 by the program for each month will be treated as system resources and will
15 bring down the system average cost of fuel in the FCR.

16
17 I would note that Mr. Heidell clearly recognizes that the Heartland Divide II
18 PPA will generate savings for North Dakota customers, which in part drives
19 his recommendation to treat the entire 200 MW as a system resource. Yet
20 despite recognizing the need for the Project and the clear benefits it generates,
21 Mr. Heidell does not expressly recommend approval of the ADP. As
22 discussed further in Section IV below, whether or not Mr. Heidell expressly
23 recommends approval, his testimony indicates that the Project is prudent.

IV. PRUDENCE OF HEARTLAND DIVIDE II

1
2
3 Q. IN LIGHT OF MR. HEIDELL'S TESTIMONY, IS THE HEARTLAND DIVIDE II PPA
4 PRUDENT?

5 A. Yes. Mr. Heidell's testimony confirms that the Heartland Divide II PPA is
6 being procured to support the Honeycrisp LLC ESA, and that the resource
7 addition is expected to lower average system energy costs. Mr. Heidell
8 concluded that the Company's economic analysis of the Heartland Divide II
9 PPA, which found the Project would generate system-wide savings of \$97.4
10 million on a present value of revenue requirement (PVRR) basis over the 25-
11 year term of the PPA, was reasonable. Further, in his own independent
12 economic analysis Mr. Heidell concluded that the Heartland Divide II PPA
13 will generate savings for North Dakota customers, although slightly less
14 savings than estimated by the Company.

15
16 Q. DOES MR. HEIDELL CONCLUDE THE HEARTLAND DIVIDE II PPA IS LEAST
17 COST?

18 A. No. Mr. Heidell concludes the Heartland Divide II PPA is "low cost" but that
19 the Company did not demonstrate it is "least cost" because it is unclear
20 whether, with more time, the Company could have identified a lower-cost
21 wind resource to support the Honeycrisp LLC ESA.

22
23 Q. DOES THE COMPANY AGREE WITH MR. HEIDELL THAT THE HEARTLAND
24 DIVIDE II PPA IS NOT LEAST COST?

25 A. No. The PPA will result in cost savings to North Dakota customers under all
26 scenarios, including Mr. Heidell's analysis. Historically, this has been sufficient
27 to demonstrate compliance with the "least cost" prong of the Commission's

1 resource planning paradigm. The Company's assessment of the Heartland
2 Divide II project's pricing when compared to a relatively recent bidding
3 process and assessment of the overall market, as I describe further below, is a
4 reasonable demonstration that Heartland Divide II is the least cost project
5 available. Mr. Heidell's concerns about the procurement process for the
6 Heartland Divide II PPA appear to be based on the comments filed by the
7 Minnesota Department of Commerce (DOC) on February 3, 2021 in the
8 MPUC proceeding for the Heartland Divide II PPA (MPUC Docket No.
9 E002/M-20-806).

10
11 Q. WHAT CONCERNS DID DOC RAISE IN ITS COMMENTS IN THE MPUC DOCKET?

12 A. In its comments, the DOC acknowledged that the Heartland Divide II PPA
13 is needed under the Honeycrisp LLC ESA and the Renewable*Connect
14 program, but raised a specific concern that the Company did not follow the
15 proper MPUC-approved bidding process in its acquisition of the Heartland
16 Divide II PPA. As a result, the DOC recommended that the MPUC deny
17 approval for the Heartland Divide II PPA.

18
19 Q. WHAT IS THE COMPANY'S RESPONSE TO THE CONCERN REGARDING THE
20 PROCUREMENT PROCESS RAISED BY THE DOC AND, BY EXTENSION, MR.
21 HEIDELL?

22 A. The Company addressed this issue at length before the MPUC; I will provide
23 a brief summary. The Company issued a full request for proposals (RFP) for
24 wind resources in 2019 (2019 Wind RFP), but the 2019 Wind RFP only
25 resulted in one viable PPA to support the Renewable*Connect program since
26 all other projects bid into the RFP were already under contract or did not have
27 transmission certainty. The Company still needed wind resources to support

1 the Renewable*Connect program and the Honeycrisp LLC ESA, and
2 conducted an additional targeted solicitation of resource options in MISO
3 Zones 1 and 3 that had transmission interconnection cost certainty. As I
4 discussed earlier, only two identified projects met that requirement, and
5 ultimately the Heartland Divide II PPA was the only viable project for the
6 needed 200 MW. I note that this process is similar to Otter Tail Power
7 Company's resource procurement process.

8
9 In light of this, the MPUC ultimately allowed the Company to use this
10 informal acquisition process and to bring forward the Heartland Divide II
11 PPA for approval.¹

12
13 Q. HAS THE MPUC MADE A DECISION REGARDING THE HEARTLAND DIVIDE II
14 PPA?

15 A. Yes. In an Order issued on April 28, 2021, the MPUC approved the Heartland
16 Divide II PPA as an energy source to support the Honeycrisp LLC ESA and
17 the Renewable*Connect program. The MPUC Order also authorizes the
18 Company to recover the costs of purchased energy for 150 MW of the Project
19 from all customers through the fuel clause rider and 50 MW from
20 Renewable*Connect participating customers through program tariffs.

21

¹ See *In the Matter of Xcel Energy's Petition for Approval of a Solar Energy Purchase with Elk Creek Solar, LLC for 80 MW of Solar Generation*, Docket No. E002/M-19-568, ORDER APPROVING POWER PURCHASE AGREEMENT WITH CONDITIONS at 7 (November 24, 2020) (requiring certain bidding requirements on a prospective basis).

1 Q. DOES THE MPUC’S APPROVAL OF THE HEARTLAND DIVIDE II PPA RESOLVE
2 MR. HEIDELL’S CONCERNS ABOUT THE PROCUREMENT PROCESS?

3 A. Yes. Mr. Heidell indicates in his testimony that the DOC’s concerns regarding
4 the procurement of the Heartland Divide II PPA make it “possible that NSP
5 did not select the lowest cost resource.” The MPUC noted in its Order that
6 the DOC’s concerns were largely based on the procurement process, but there
7 was “no information in the record suggesting that the energy purchased under
8 the [Heartland Divide II PPA] is priced unreasonably high.” Thus the MPUC’s
9 approval makes clear that the Heartland Divide II PPA is a least cost resource
10 to meet the identified need. As described in the Direct Testimony of Mr. Shaw,
11 the Company’s options for wind resources that could meet the Company’s
12 needs and had transmission cost certainty were limited, given significant
13 transmission constraints and the associated interconnection delays currently
14 present in MISO. Notwithstanding these difficulties, the Company has
15 demonstrated and Mr. Heidell has confirmed that the proposed Heartland
16 Divide II PPA will generate savings for our North Dakota customers.

17

18 **V. OTHER COMPANY REBUTTAL WITNESSES**

19

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

21 A. Yes. In addition to my Rebuttal Testimony, the Company is filing Rebuttal
22 Testimony of the following Witness:

- 23 • Ms. Farah Mandich, whose testimony responds to the MISO zonal
24 issues that Mr. Heidell raised in his Direct Testimony.

25

1 **VI. CONCLUSION**

2

3 Q. PLEASE SUMMARIZE YOUR CONCLUSIONS.

4 A. For the reasons stated above, the Company's addition of the Heartland Divide
5 II PPA is prudent and should be approved.

6

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

8 A. Yes, it does.

