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SURREBUTTAL TESTIMONY

CHARLES E. JANECEK

STATE OF NORTH DAKOTA
BEFORE THE
NORTH DAKOTA PUBLIC SERVICE COMMISSION

NORTHERN STATES POWER COMPANY

CASE NO. PU-20-425

ADVANCED PRUDENCE – FOUR REPOWERED WIND PROJECTS

NORTHERN STATES POWER COMPANY

CASE NO. PU-21-093

ADVANCED PRUDENCE – 120 MW NORTHERN WIND FACILITY

28 PU-21-93 Filed 09/08/2021 Pages: 11
Prefiled Surrebuttal Testimony of Charles Janecek - redacted
Public Service Commission Advocacy Staff Counsel
Mitch Armstrong

33 PU-20-425 Filed 09/08/2021 Pages: 11
Prefiled Surrebuttal Testimony of Charles Janecek - redacted
Public Service Commission Advocacy Staff Counsel
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1 **I. Introduction**

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

3 **A.** My name is Charles E. Janecek and I work as a Principal Consultant for PA Consulting
4 Group, Inc. (PA). My business address is 1700 Lincoln Street, Suite 3550, Denver, CO
5 80203.

6
7 **Q. Have you previously provided testimony in these proceedings?**

8 **A.** Yes. I filed Direct Testimony on behalf of the Advocacy Staff of the North Dakota Public
9 Service Commission (Commission or NDPSC). related to the Northern States Power
10 Company's (NSP or the Company) Application for an Advanced Determination of
11 Prudency (ADP) for wind generation-related expenses.

12
13 **Q. Could you please summarize the Company's Application?**

14 **A.** The Company is requesting an ADP for expenditures related to: 1) the purchase of the
15 120 MW Northern Wind Facility (Northern Wind)¹; and 2) repowering projects at four
16 Company-owned wind generation facilities: Border Winds, a 150 MW facility in Rolette
17 County, North Dakota; Grand Meadows Wind, a 100.5 MW facility in Mower County,
18 Minnesota; Nobles Wind, a 201 MW facility in Nobles County, Minnesota; and Pleasant
19 Valley Wind, a 200 MW facility in Mower County, Minnesota.

20
21 **Q. What is the purpose of your Surrebuttal Testimony?**

22 **A.** I provide my updated economic analysis of the Border Winds and Pleasant Valley
23 projects, based on the Company's revised timeline for the scheduled Commercial

¹ The Company filed an Application for an ADP of the purchase of the Northern Wind Facility in NDPSC Case Number PU-21-093 that Case was subsequently consolidated with the Company's Application for an ADP of four wind repowering projects, which is Case Number PU-20-425.

1 Operation Date (COD) for those two projects. I also provide a response to the Rebuttal
2 Testimony Ms. Farah L. Mandich filed on behalf of the Company.

3
4 **Q. Given your analysis and findings, have your recommendations to the Commission**
5 **regarding approval of the ADPs for the Border Winds and Pleasant Valley projects**
6 **changed?**

7 A. Yes. Because I found the repowering projects would lower revenue requirements in both
8 the near-term as well as long-term compared to allowing the existing projects to retire at
9 the end of their useful life, I recommend the Commission approve the ADP request for
10 the Border Winds and Pleasant Valley projects.

11
12
13 **II. Updated Economic Analyses**

14 **Q. How has the Company's ADP request changed from the Company's original**
15 **Application?**

16 A. In the original Application, the Company stated that it intended to repower the Border
17 Winds and Pleasant Valley projects with both the repowered facilities commencing
18 operations in 2024. In the Rebuttal Testimony filed by Ms. Mandich, the Company
19 indicated that it now intends to delay the projects by approximately one year, with both
20 repowered facilities commencing operations in the fourth quarter of 2025.

21
22 **Q. Why does the Company intend to change the repowering schedule for the Border**
23 **Winds and Pleasant Valley projects?**

24 A. According to Ms. Mandich's Rebuttal Testimony, subsequent to filing the Application,
25 the Company conducted further analysis and concluded that the anticipated economic
26 benefits of the repowering projects could be increased if the existing projects were to
27 receive Production Tax Credits (PTC) to the end of their current PTC eligibility, which is
28 December 2025.

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Q. Has the Company provided updated economic analyses related to the revised schedules?

A. Yes. The Company provided both pro forma and EnCompass modelling results and commentary. Via their revised pro forma analyses, the Company projects approximately [TRADE SECRET DATA BEGINS ██████ TRADE SECRET DATA ENDS] million in savings for Border Winds and Pleasant Valley; this compares to the Company’s original projection of approximately [TRADE SECRET DATA BEGINS ██████ TRADE SECRET DATA ENDS] million in savings for the two projects.

Q. Do you agree with the Company’s projected savings for the revised Border Winds and Pleasant Valley repowering projects?

A. Not completely. I recognize that the current assets, by way of an extended year of receiving PTC benefits and associated lower net revenue requirements, would have increased benefits relative to the original timeline for these projects, as described in the original Application.

However, my analysis found that the projected savings attributable to the repowering project at Border Winds were approximately 12 percent lower than the Company’s projections. For the Pleasant Valley project my analysis found the projected savings were approximately 1 percent lower than the Company’s projections.

Q. Why does your analysis project lower savings than the Company’s analysis?

A. The primary difference lies in the Company’s assumed costs of “make whole” wind power for the existing units. Because the repowering projects will produce more energy through their uprating, to compare the existing assets with the repowered projects on a level playing field, both the Company’s and my analysis assumed a relatively small amount of “make whole” purchased energy by the existing assets for the remainder of the

1 existing asset's expected life.

2
3 The Company's original filing for a 2024 COD of the repowered Border Winds and
4 Pleasant Valley projects assumed this "make whole" energy would be purchased from a
5 generic wind facility that has a 2024 COD. For the revised filing, with a 2025 repowering
6 date, the Company assumed a generic COD 2025 wind facility pricing.

7
8 **Q. How do the Company's generic wind price assumptions impact their projected**
9 **customer savings?**

10 A. The Company changed its generic wind pricing assumption in its analysis of the 2025
11 COD for the repowered projects, as compared to the generic wind pricing assumption
12 used in its analysis for the 2024 COD projects. The pricing change ranged from an
13 increase of approximately [TRADE SECRET DATA BEGINS ██████████ TRADE
14 SECRET DATA ENDS] in 2025 to approximately [TRADE SECRET DATA
15 BEGINS ██████████ TRADE SECRET DATA ENDS] in 2040. After 2040, the
16 Company used the same generic wind pricing assumption for both the 2024 and 2025
17 COD analyses.

18
19 The Company's assumed pricing from a generic 2024 wind unit in the Company's
20 original analysis reflected that generic unit receiving 60% of the PTC, while the generic
21 2025 wind unit in the revised analysis was assumed to receive no PTCs.

22
23 **Q. What did your analysis assume for the pricing of the additional purchased energy?**

24 A. My analysis for the revised 2025 COD of the repowered projects assumed the "make
25 whole" purchased energy would reflect a generic 2024 wind unit pricing, which assumes
26 the generic unit receives 60% of the PTC, as in the Company's original analysis.

1 **Q. Why did you evaluate a scenario where a generic unit coming on-line in 2025**
2 **receives PTCs?**

3 A. The United States Congress is currently evaluating the Biden administration's proposed
4 2022 budget and the Green Act which contain various provisions related to extending the
5 PTC and ITC. While I do not know what legislation may pass this year, there is a
6 reasonable chance that wind built in 2025 will benefit from some level of PTCs and the
7 increased cost assumed by the Company for the "make whole" purchased energy will not
8 materialize.

9
10 **Q. Does the PTC uncertainty have any other implications for this ADP request?**

11 A. Yes. As I described in my Direct Testimony, the Company does not need the energy or
12 capacity from these projects for reliability purposes, meaning the Company is procuring
13 excess energy and capacity. The example of a potential PTC extension illustrates the risks
14 inherent in the Company's strategy of taking a long position in the market while exposed
15 to uncertain market and regulatory conditions.

16
17 **Q. Did your analysis differ from the Company's analysis in any other areas?**

18 A. Yes. Due to an apparent error in the Company's analysis of the Pleasant Valley
19 repowering, I found that the Company's estimate of projected savings for that project
20 were understated.

21
22 The error related to the Company's estimates of the Pleasant Valley facility's revenue
23 requirements. After correcting for the error, I found that the Company's NPV savings
24 estimates were understated by approximately [TRADE SECRET DATA BEGINS ■
25 TRADE SECRET DATA ENDS] million. Combined with the revised purchased wind
26 energy described above, I found the projected Pleasant Valley repowering savings to be
27 approximately 1 percent lower than the Company's projections. Though my projected
28 savings estimates were slightly lower than the Company's, I found that the Pleasant

1 Valley repowering project would likely provide savings to the Company's customers.
2

3 **Q. Could you please summarize the findings of your analysis of the revised project**
4 **timelines?**

5 A. Yes. Though I assumed a lower cost of replacement energy when analyzing the relative
6 benefits of the repowering projects versus the existing projects, my analysis found that
7 both the Border Winds and Pleasant Valley projects would likely provide savings to
8 North Dakota customers if the repowering COD is pushed back from 2024 to 2025. I
9 found that the projected savings are derived primarily from the benefits which accrue
10 from the existing projects receiving an additional year of PTCs prior to the repowering.
11

12 **III. Response to Ms. Mandich**

13 **Q. Do you have responses to Ms. Mandich's Rebuttal Testimony?**

14 A. Yes. While I do not agree with a number of criticisms raised by Ms. Mandich, I believe it
15 is important to focus on two issues: 1) Ms. Mandich's discussion of my Direct Testimony
16 related to my assertion that the Company is placing a "bet" on the MISO energy markets;
17 and 2) Ms. Mandich's discussion of how the Company uses the EnCompass model to
18 optimize future resource additions to the system.
19

20 **Q. Do you agree with Ms. Mandich's discussion related to your Direct Testimony that**
21 **the Company is placing a "bet" on the MISO energy markets?**

22 A. No. Ms. Mandich interpreted my Direct Testimony as being critical of the Company's
23 motivations for pursuing these repowering projects. In fact, I was not referencing the
24 Company's motivations, but rather its strategy. I take no issue with the Company
25 pursuing economic benefits by repowering the wind facilities, but its initial projections
26 indicated it would increase near-term revenue requirements while planning to achieve
27 offsetting savings in the later years of the repowered projects' lives.
28

1 As I noted above, with these repowering projects, the Company is pursuing energy in
2 excess of what it needs to serve its retail load and capacity in excess of its reliability
3 requirements. Further, in addition to the uncertainty of the PTC incentives, energy
4 markets are inherently uncertain, with fluctuating fuel and other commodity pricing,
5 rapidly expanding distributed energy resources, and changing customer behaviors and
6 their associated energy usage. In light of these uncertainties, it is reasonable to
7 characterize the Company's taking a long position as a "bet" on the MISO markets.
8

9 **Q. Do you agree with Ms. Mandich's discussion in her rebuttal testimony related to**
10 **whether the Company's use of the EnCompass model to evaluate these projects is**
11 **appropriate?**

12 A. No. While there are various methodologies for conducting resource planning analyses, I
13 believe it is most appropriate to conduct open optimizations whenever possible. In this
14 case, the Company began with the previous base case. The Company's analysis then
15 "forced in" the repowering and Northern Wind purchase, and then re-optimized the
16 Company's system around these resources. The Company then compared the revenue
17 requirements of the base case with the revenue requirements of the resulting resource
18 portfolio, which had been optimized with the repowering projects already accepted as
19 planned resources.
20

21 A more prudent analysis would be to incorporate the parameters of the repowering
22 projects into options the model could choose from and let them compete against a range
23 of other options to determine whether the planning model would select them as economic
24 options.
25

26 **IV. Summary of Recommendations**

27 **Q. Can you please summarize your initial recommendations made in your Direct**
28 **Testimony?**

1 A. Yes. Based on the Company's original Application and supporting testimony and my
2 analysis, I recommended the Commission approve the ADP requests for the Grand
3 Meadows Wind and Nobles Wind repowering projects and recommended the
4 Commission deny approval for the Border Winds and Pleasant Valley Wind repowering
5 projects ADP requests, and deny approval for the Northern Wind ADP request.
6

7 **Q. Given your analysis and findings, have your recommendations to the Commission**
8 **regarding approval of the ADPs for the Border Winds and Pleasant Valley projects**
9 **changed?**

10 A. Yes. Because I found the repowering projects would likely lower revenue requirements in
11 both the near-term as well as long-term compared to allowing the existing projects to
12 retire at the end of their useful life, I recommend the Commission approve the ADP
13 request for the Border Winds and Pleasant Valley projects, in addition to my
14 recommendation for approval of the Grand Meadows Wind and Nobles Wind ADP
15 requests. My recommendation to deny approval of the ADP request for the Northern
16 Wind project remains.
17

18 **Q. If the Commission approves some or all of the wind projects what conditions or**
19 **qualifications do you recommend?**

20 A. As conditions to its approval of any ADP, I recommend the Commission:
21

- 22 • Limit total cost recovery to how NSP identified it in its Application; ND
- 23 customers should not be responsible for absorbing any cost modifications without
- 24 further Commission review; and
- 25 • Require NSP provide ND customers with the full realization of each facility's
- 26 eligible PTCs per NSP's Application for the ADP.

27 **Q. Does this conclude your testimony?**

28 A. Yes.

