

Surrebuttal Testimony  
Dean E. Schiro

State of Minnesota  
Before the Office of Administrative Hearings  
For the Minnesota Public Utilities Commission

*In the Matter of a Petition by Excelsior Energy Inc. for Approval of a Power Purchase Agreement Under Minn. Stat. § 216B.1694, Determination of Least Cost Technology, and Establishment of a Clean Energy Technology Minimum Under Minn. Stat. § 216B.1693*

OAH Docket No. 12-2500-17260-2  
PUC Docket No. E6472/M-05-1993

**Transmission and Ancillary Services**

October 31, 2006

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1 **I. INTRODUCTION**

2  
3 Q. PLEASE STATE YOUR NAME.

4 A. My name is Dean E. Schiro.

5  
6 Q. HAVE YOU PROVIDED DIRECT TESTIMONY IN THIS CASE?

7 A. Yes. I provided Direct and Rebuttal Testimony regarding transmission and  
8 ancillary services concerning the proposed Mesaba Unit 1.

9  
10 **II. PURPOSE**

11  
12 Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY IN THIS  
13 PROCEEDING?

14 A. I respond to issues raised in Stephen D. Sherner's Rebuttal Testimony  
15 regarding the transmission infrastructure required to deliver the output of  
16 Mesaba Unit 1 to Xcel Energy's system. Specifically, I address issues related  
17 to transmission planning, Mid-Continent Area Power Pool ("MAPP")  
18 accreditation, and ancillary services.

19  
20 **III. ASSESSMENT**

21  
22 **A Transmission Plan**

23 Q. MR. SHERNER DISAGREES WITH YOUR ASSESSMENT THAT MESABA 1 LLC HAS  
24 NOT PUT FORWARD A PLAN TO IMPLEMENT TRANSMISSION UPGRADES.  
25 PLEASE RESPOND.

26 A. Mr. Sherner and I appear to have been talking about different things. I agree  
27 that Mesaba 1 LLC has made various applications concerning transmission

1 and that a number of studies are being conducted. However, such actions do  
2 not constitute the type of defined plan for implementing the expected  
3 transmission that will be required to deliver Mesaba Unit 1's output to Xcel  
4 Energy's system. My concern is that Mesaba 1 LLC offers no defined plan  
5 for developing and implementing the needed transmission upgrades.  
6 Therefore, I cannot confirm whether and when the transmission upgrades  
7 needed to deliver the Mesaba Unit 1 output to Xcel Energy's system – and  
8 necessary to achieving accreditation for the capacity – will be completed.

9  
10 Q. HAS MESABA 1 LLC SEPARATELY PROVIDED YOU WITH A PLAN FOR  
11 IMPLEMENTING TRANSMISSION INFRASTRUCTURE FOR ITS PROJECT?

12 A. No. While Mr. Sherner informed me in August of Mesaba 1 LLC's intent to  
13 continue to pursue Network Resource Interconnection Service ("NRIS"), that  
14 exchange does not constitute a defined plan for implementing the required  
15 transmission. With Mesaba 1 LLC's claim to a statutory exemption from  
16 Minnesota's certificate of need requirement as the basis for their transmission  
17 in-service schedule, it seems even more important that a defined plan be in  
18 place.

19  
20 Q. WHOSE RESPONSIBILITY SHOULD IT BE TO PLAN FOR THE IMPLEMENTATION  
21 OF THE TRANSMISSION UPGRADES NECESSARY TO DELIVER THE PLANT'S  
22 OUTPUT TO XCEL ENERGY'S CUSTOMERS?

23 A. In this case, given the statutes, that responsibility belongs with the developer  
24 of the generation project, Mesaba 1 LLC. Such a plan would need to be  
25 developed with the participation of the regional transmission owners, MISO,  
26 and other interested parties.

27

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2 Q. WHAT WOULD YOU EXPECT TO SEE IN THE PLAN?

3 A. I would expect to see a detailed listing of

4 • the expected transmission line and substation additions and upgrades,  
5 including facility ratings and configurations;

6 • the actions needed to implement required transmission upgrades,  
7 considering the various applicable regulatory and environmental  
8 requirements;

9 • schedule requirements (lead times and sequencing information) for  
10 implementation of the transmission additions and upgrades;

11 • cost estimates for each component of work.

12

13 I recognize that Mesaba 1 LLC may be exempt from a Certificate of Need for  
14 transmission upgrades, assuming various statutory requirements are met.  
15 Nonetheless, significant details including routing, environmental permitting,  
16 line and transformer ratings, resultant electrical and magnetic field strengths,  
17 structure types will still be required.

18

19 Q. DOES MR. SHERNER'S INDICATION THAT THE PROJECT WILL CONTINUE TO  
20 SEEK NRIS FOR MESABA UNIT 1 ADDRESS ANY OF YOUR CONCERNS?

21 A. No. Such action would be helpful, but would not address my concerns. Mr.  
22 Sherner correctly points out that MISO recently implemented new procedures  
23 for conducting the "deliverability study" associated with a request for NRIS.  
24 Under those new procedures the study should focus more on localized issues  
25 and not the remote issues in other states as previously identified. However,  
26 until completion of such a study, we cannot know what the outcome of such  
27 an analysis will be.

1

2 Q. WOULD YOUR ASSESSMENT OF THE COSTS OR TIMING OF THE NECESSARY  
3 TRANSMISSION INFRASTRUCTURE CHANGE?

4 A. No. Mr. Gonzalez's analysis shows a \$250 million (\$180 delivery plus \$70  
5 interconnection) estimate. Since Mr. Gonzalez's estimate was conducted  
6 focusing on the more localized impacts of a NITS reservation, I think it is  
7 reasonable to conclude that similar results would likely be forthcoming under  
8 the new deliverability test.

9

10 **B. MAPP Accreditation**

11 Q. MR. SHERNER RESPONDS TO THE CONCERN YOU RAISED IN DIRECT  
12 TESTIMONY REGARDING MAPP ACCREDITATION OF MESABA UNIT 1'S  
13 CAPACITY. DO YOU HAVE ANY COMMENTS?

14 A. Yes. First, I note that Mr. Sherner does not disagree with my fundamental  
15 concern that Mesaba Unit 1 may be operational yet MAPP accreditation  
16 cannot be obtained because the transmission delivery improvements are not  
17 finished. As discussed by Ms. Karen Hyde, this situation would have  
18 significant implications for our customers under the terms of the Mesaba 1  
19 PPA. Mr. Sherner's Rebuttal Testimony has not changed Mr. Gonzalez's  
20 assessment of the cost and timing of transmission upgrades required to  
21 deliver Mesaba Unit 1's output to Xcel Energy's system. Thus, the risk that  
22 MAPP accreditation may not be obtained prior to plant operation remains.

23

24 Q. WHAT IS YOUR ASSESSMENT OF MR. SHERNER'S SUGGESTION THAT THE  
25 MAPP ACCREDITATION PROCESS MAY BE CHANGED OR ELIMINATED?

26 A. As it stands today Xcel Energy is a member of MAPP and is subject to the  
27 MAPP resource adequacy requirements. Thus, Mesaba 1 LLC's proposal

1 must be assessed under those applicable requirements. Of the three MISO  
2 changes that Mr. Sherner talks about the only one that would address  
3 accreditation is the MISO Planning Reserves Sharing Group of which  
4 discussions are in its infancy regarding the rules and administration of such a  
5 group. Additionally for Xcel Energy to make any changes to its reserve  
6 membership would require Minnesota Public Utilities Commission approval.  
7 In my opinion we cannot count on potential and significant rule changes as a  
8 basis for ignoring serious risks to Xcel Energy customers.

9  
10 **C. Ancillary Services**

11 Q. MR. SHERNER DISCUSSES YOUR TESTIMONY ON “ANCILLARY SERVICES.”  
12 PLEASE RESPOND.

13 A. Mr. Sherner focuses on the six technical ancillary services that I agree are the  
14 traditional industry definition. I note that other “ancillary” services –  
15 infrastructure, water, rail, etc. – are also addressed by other witnesses in this  
16 proceeding.

17  
18 Q. HOW ARE TRANSMISSION LOSSES ADDRESSED?

19 A. All parties agree that losses need to be considered. Mr. Sherner essentially  
20 agrees that location of generation impacts the degree of transmission losses,  
21 confirming that a generator located far from load can be expected to cause  
22 higher transmission losses than a generator that is located at or near its  
23 intended load. Mr. Sherner testifies to the losses as calculated in the MISO  
24 interconnection documents. That calculation assumes Mesaba 1 LLC delivers  
25 its output to the entire MISO footprint and not exclusively to the Xcel Energy  
26 system. This approach will give significantly different results. As a result,  
27 Xcel Energy had Mr. Gonzalez calculate the transmission losses from Mesaba

1 Unit 1 to the Xcel Energy system. Mr. Gonzalez testifies as to the accuracy of  
2 Mr. Sherner's estimate and the cost impact of incremental losses from Mesaba  
3 Unit 1.

#### 4 5 **IV. CONCLUSION**

6  
7 Q. PLEASE SUMMARIZE YOUR SURREBUTTAL TESTIMONY.

8 A. Mr. Sherner's testimony does not raise any new issues or provide new  
9 information that changes the conclusions I offered in Direct Testimony,  
10 specifically:

- 11 • Mesaba 1 LLC seeks approval of the Mesaba 1 PPA without having a  
12 detailed plan for estimated facilities necessary for delivering the output  
13 to Xcel Energy as a purchaser;
- 14 • The costs and time required to secure the needed transmission service  
15 will be significant;
- 16 • The Mesaba 1 PPA would require Xcel Energy's customers in  
17 Minnesota and adjacent states to pay for the Mesaba Unit 1 capacity  
18 even in the event the generating plant does not receive MAPP  
19 accreditation; and
- 20 • Mesaba 1 LLC fails to account for the cost of ancillary services that will  
21 be needed to deliver output to Xcel Energy.

22  
23 Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

24 A. Yes, it does.