

**MPUC Docket No. E-6472-/M-05-1993**  
**OAH Docket No. 12-2500-17260-2**

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BEFORE THE  
MINNESOTA OFFICE OF ADMINISTRATIVE HEARINGS  
100 Washington Square, Suite 1700  
Minneapolis, Minnesota 55401-2138

FOR THE  
MINNESOTA PUBLIC UTILITIES COMMISSION  
127 7th Place East, Suite 350  
St. Paul, Minnesota 55101-2147

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In the Matter of the Petition of Excelsior Energy Inc.  
and Its Wholly-Owned Subsidiary MEP-I, LLC For Approval of Terms and  
Conditions For The Sale of Power From Its Innovative Energy Project Using  
Clean Energy Technology Under Minn. Stat. § 216B.1694 and a  
Determination That the Clean Energy Technology Is Or Is Likely To Be a  
Least-Cost Alternative Under Minn. Stat. § 216B.1693

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**SUPPLEMENTAL TESTIMONY AND EXHIBITS OF  
EXCELSIOR ENERGY INC.**

**Andrew Weissman**

**June 19, 2006**

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1 EXCELSIOR ENERGY, INC.

2 BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

3 PREPARED SUPPLEMENTAL TESTIMONY OF

4 ANDREW WEISSMAN

5 **Q Please state your name, current employment position and business address.**

6 A Andrew Weissman. I am Senior Managing Director at FTI Consulting in  
7 Washington D.C. FTI is one of the leading economic and energy markets consulting  
8 firms in the United States.

9 **Q Would you please describe your educational and professional background?**

10 A I have over 30 years of experience as a lawyer, consultant and corporate advisor  
11 in the energy industry. I received a B.A. with high distinction from the University of  
12 Michigan and a J.D. cum laude from Harvard law school. I am responsible for  
13 publication of FTIEnergyBusinessWatch, an in-depth weekly report as well as special  
14 studies on the North American natural gas and oil markets. I have presented numerous  
15 conferences and seminars on the dislocations that have begun to occur in recent years in  
16 the U.S. and global energy markets. Over the past few years, I have presented more  
17 than 20 two-day programs on the emerging energy crisis, attended by over 400  
18 representatives of almost every major energy company in the United States, the FERC,  
19 numerous state regulatory commissions, numerous large industrial users and many of  
20 the premier financial institutions in the United States. I have also been the featured  
21 speaker at seminars or conferences sponsored by Shearman & Sterling, Deloitte  
22 Touche, National Association of Regulatory Commissioners (NARUC), Independent  
23 Petroleum Association of Mountain States, National Coal Transportation Association,  
24 American Coal Council, National Mining Association, American Public Gas Supply

1 Association, New Mexico Oil & Gas Association, the Ohio Oil & Gas Association and  
2 the US Department of Energy's National Renewable Energy Laboratory. I have also in  
3 recent years provided special briefings on issues pertaining to the natural gas crisis for  
4 various governmental agencies, including the FERC's Office of Market Oversight &  
5 Investigation (OMOI), the Department of Energy's Energy Information Agency (EIA),  
6 the Central Intelligence Agency (CIA) and the California Energy Commission (CEC). I  
7 have presented webcasts on the same topic that have been heard by a total audience of  
8 more than 1,000 people, including representatives of more than 175 large energy  
9 companies, industrial users, and state and federal authorities. A copy of my resume is  
10 attached to this testimony as Exhibit AW-1.

11 **Q On whose behalf are you testifying?**

12 A I am testifying on behalf of Excelsior Energy Inc.

13 Scope and Summary

14 **Q What is the scope of your testimony in this proceeding?**

15 A The purpose of my testimony is to confirm that I prepared the report entitled  
16 "Selecting a Robust Generation Resource Plan to Defend Consumers from High Natural  
17 Gas Prices" dated November 23, 2005 (the "November 2005 FTI Report") on behalf of  
18 Excelsior Energy. Excelsior filed the November 2005 FTI Report as Exhibit C to the  
19 Mesaba Energy Report that Excelsior filed with the Minnesota Public Utility  
20 Commission on December 27, 2005. A copy of the November 2005 FTI Report is  
21 included in the original Petition, Mesaba Energy Project Report (Volume I, Exhibit C),  
22 which is attached to the Supplemental Testimony of Thomas L. Osteraas as Exhibit  
23 TLO-2. I also prepared the report entitled "A Critical Choice Point for Minnesota"  
24 dated January 13, 2006 (the "January 2006 FTI Report") that Excelsior is filing as part

1 of its supplemental testimony in this docket today. The January 2006 FTI Report is  
2 attached to this testimony as Exhibit AW-2. I will refer to the November 2005 FTI  
3 Report and the January 2006 FTI Report, together, as the “FTI Reports.”

4 **Q What are the key conclusions of the FTR Reports?**

5 A The FTI Reports demonstrate that (i) fundamental dislocations have occurred in  
6 the global and U.S. natural gas markets in recent years causing increasing volatility and  
7 likely causing persistently high natural gas prices in the coming decades, (ii) Xcel  
8 Energy’s current conversion of two existing coal units to natural gas and its addition of  
9 numerous new gas-fired units by 2011 resulting in an additional of more than 2,000  
10 MW of gas-fired capacity to Xcel’s system will increase dramatically the exposure of  
11 Xcel’s ratepayers to increasingly volatile natural gas prices, and (iii) because of the  
12 abundant domestic reserves of coal and the relative price stability of coal (as opposed to  
13 natural gas), it is in the best interests of Xcel’s ratepayers to rapidly add coal-fueled  
14 baseload resources to Xcel’s generation mix as soon as possible in order to reduce  
15 Xcel’s dependence on natural gas for power generation. Reducing Xcel’s dependence  
16 upon gas-fired generation also will help to: (i) reduce the exposure of Xcel and its  
17 customers to natural gas price spikes; (ii) avoid needless cost increases for other energy  
18 users in Minnesota and other States; and (iii) ensure that adequate supplies of natural  
19 gas are available for other, higher priority uses for which it may not be feasible to  
20 obtain alternative sources of supply.

21 **Q Does this conclude your prepared supplemental testimony?**

22 A Yes.

# **EXHIBITS**

**EXHIBIT NO. \_\_\_\_ (AW-1)**

**Resume**

## *Andrew D. Weissman*

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Economic Consulting

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Member, District of  
Columbia Bar, Bar of the  
U.S. Supreme Court and  
Bar of the U.S. Court of  
Appeals of the District of  
Columbia

A.B. with High Distinction  
from the University of  
Michigan, 1971

J.D. Cum Laude from  
Harvard Law School 1974

Andy is an expert on the U.S. and global oil and natural gas, electricity and coal markets, electric utility industry restructuring, regulatory policy, innovative deal structuring, Clean Air Act issues, power supply planning and the emerging technologies needed to provide alternative sources of energy. Andy also helped to pioneer the market for trading emissions credits in the U.S., negotiating most of the early, path-breaking deals.

He has over 30 years experience as a senior-level consultant and corporate advisor in the energy industry on cutting edge strategic issues, generally at the CEO level.

### **Energy Market Dislocations**

Beginning in the spring of 2002, when the spot market price of natural gas was at \$ 2.25/MMBTU, Andy was among the first to warn of the emerging natural gas crisis. Subsequently, he was one of the first to predict the potential for oil prices to reach \$ 65 per barrel in 2005.

As a result of this work, Andy has become nationally recognized as an expert on the growing imbalance between supply and demand in the U.S. and global oil and natural gas markets, the likely price impacts of these imbalances and the implications for the strategic plans of market participants. He also has been deeply involved in evaluating the potential role of Clean Coal Technologies, Gas-to-Liquids and Coal-to-Liquids projects and Liquefied Natural Gas in meeting future U.S. and global energy needs.

Andy also has more than three decades of experience with electric utility industry restructuring, the U.S. coal industry, regulatory policy and energy financing and has provided advice to major financial investors and to many of the largest energy producers and suppliers in the country over the course of his career.

With many of Andy's earlier predictions now having been borne out, his analyses of the U.S. and global natural gas and oil markets, the U.S. coal market and the U.S. electricity market are now widely sought out by senior executives of major energy companies, large investment firms, large energy users and senior government officials.

He also has been in the forefront of assessing the potential implications nationally and globally of increased utilization of Liquefied Natural Gas, coal gasification, Coal-to-Liquids and Gas-to-Liquids technologies.

### **Speeches, Articles & Special Programs**

In addition to his role as a strategic advisor, Andy lectures frequently on these topics and has written a series of path-breaking articles on the emerging U.S. and global energy crisis that have received widespread attention within the energy industry.

He has been a featured speaker before numerous major industry groups, including the National Association of Regulatory Commissioners (NARUC) (on multiple occasions), the National Rural Electric Co-Operative Association (NRECA) (also on multiple occasions), the Harvard Electricity Program, the Citibank Annual Forum for CFOs, the National Regulatory Conference, the Edison Electric Institute's Legal Affairs Committee, the Western Governors' Association, the National Mining Association, the National Coal Transportation Association, the American Coal Council, the Independent Petroleum Association of Mountain States, the National Western Mining Conference, the New Mexico Oil & Gas Association, the Ohio Oil & Gas Association, the American Public Gas Supply Association, the Florida Gas Supply Association, the Eastern Law & Minerals Institute, Coal Outlook's Annual Conferences, the Deloitte Touché Annual Energy Conference, the Annual Meeting of the Electric Consumers of America (ELCON), the Energy Consumers of America, the Silicon Valley Leadership Group and numerous other industry conferences and events, including programs and events sponsored by numerous large energy companies.

Andy also has provided special briefings on issues pertaining to the emerging U.S. energy crisis and potential new sources of supply to the U.S. Department of Energy's Energy Information Administration (EIA), DOE's National Renewable Energy Laboratory (NREL), the Federal Energy Regulatory Commission's Office of Market Oversight & Investigation (OMOI), the U.S. Central Intelligence Agency (CIA) and a Joint Workshop on LNG sponsored by the California Energy Commission (CEC), the California Public Utility Commission (CPUC) and the California Resources Authority (CRA) in which he was asked to appear as an expert witness by the Staff of the CEC.

He was the featured speaker at a recent Joint Energy Symposium held by Duke University and the University of North Carolina held at Duke University and has spoken previously at other special programs sponsored by Carnegie-Mellon University, the University of New Mexico Law School and the University of Toledo Law School. For the past several years, he also has been a member of the faculty for the Institute of Public Utilities Annual Regulatory Studies Program at Michigan State University ("Camp NARUC").

In addition, Andy has presented more than 20 two-day programs on the Emerging Natural Gas Crisis, attended by more than 250 representatives of almost every major energy company in the U.S., the FERC, numerous state regulatory commissions, numerous large energy users and many of the premier financial institutions in the U.S.

His webcasts on current trends in U.S. energy markets have been heard by a total audience of more than 1,000 people, including representatives of more than 175 large energy companies, industrial users and state and federal regulatory authorities.

Further, Andy has published a series of widely read articles relating to the emerging energy crisis in Edison Electric Institute's Electric Perspectives Magazine, American Oil & Gas Journal, the American Coal Council's American Coal Magazine and Energy Central's "Energy Pulse" web site. His articles on the Energy Pulse web site are by far and away the most frequently read articles ever posted on that site, with downloads by more than 30,000 unique viewers.

He also has been quoted frequently in the Wall Street Journal, Barron's, Business Week and other major national publications on issues pertaining to U.S. and global energy markets and has appeared frequently on national television (including as a featured guest on CNBC's "Kudlow & Cramer" program) to discuss these topics.

### **Expert Testimony and Advice on Strategic Planning, Power Supply Planning & Fuels**

Andy has directed studies on behalf of and provided strategic advice and counseling to more than 40 major integrated electric utilities, large energy users, major financial institutions, independent power producers, coal companies, natural gas suppliers, and power marketers on a broad range of issues. These issues include:

- Development of new strategies to take advantage of major dislocations in fuel markets and power markets;
- Feasibility of entering retail electric markets at the state level;
- Potential strategic benefits of acquiring utility generation and utility distribution systems;
- Potential conversion of fossil-fuel generating units to alternative fuels; and
- Development of long-term power supply procurement strategies.

Andy has presented testimony on numerous occasions before the U.S. Department of Energy and various state regulatory commissions regarding the supply/demand balance in the U.S. natural gas market, the potential impact of reduced availability of natural gas on electricity prices, the potential role of Liquefied Natural Gas in meeting U.S. energy supply needs, energy price forecasts, power supply planning, the projected market price for power, transmission access, transmission pricing and market power issues.

**Pioneering Role with Respect to Trading of Emissions Credits in the U.S.**

Andy also played a pioneering role in establishing the market for trading emissions credits in the U.S., structuring the first publicly announced sale of SO<sub>2</sub> emission rights under the Clean Air Act Amendments of 1990 (between Tennessee Valley Authority and Wisconsin Power & Light), the first industrial deal (between Alcoa Corporation and Ohio Edison) and most of the other early transactions during the first several years after the 1990 Amendments were passed.

During the course of his career, he has structured more than \$ 150 million in emission credits transactions, for both buyers and sellers involving a range of different pollutants.

**EXHIBIT NO. \_\_\_\_\_ (AW-2)**

**January 2006 FTI Report**