

STATE OF MINNESOTA

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

**In the Matter of the Joint Application
for Approval and Consent of
Interstate Power and Light Company
and FPL Energy Duane Arnold, LLC**

DOCKET NO. E001/PA-05-__

DIRECT TESTIMONY OF JOHN J. REED

1 **Q. Please state your name and business address.**

2 A. My name is John Reed. My business address is 313 Boston Post Road
3 West, Suite 210, Marlborough, MA, 01752.

4 **Q. By whom are you presently employed and in what capacity?**

5 A. I am Chairman and Chief Executive Officer of Concentric Energy
6 Advisors, Inc. and CE Capital Advisors (together "CEA").

7 **Q. What is your educational background?**

8 A. I have a Bachelor of Science Degree in Economics and Finance from
9 Wharton School, University of Pennsylvania, and have passed the NASD
10 Series 7, 24 and 63 securities license exams.

11 **Q. Please describe your professional experience.**

12 A. I have more than 27 years of experience in the energy industry, and have
13 worked as an executive in and consultant to the energy industry for the
14 past 22 years. Over the past decade, I have directed the financial
15 advisory services of CEA, Navigant Consulting and Reed Consulting

1 hazardous substances at the DAEC site on or prior to the Closing
2 Date. However, the ASA provides that IPL's liability for on-site, pre-
3 closing DAEC environmental claims is triggered only to the extent
4 that the aggregate of such claims exceeds \$1,000,000. In addition,
5 IPL's obligations to indemnify FPLE Duane Arnold for such
6 environmental claims shall survive the Closing Date for a period of
7 three years. This term is very favorable vis-à-vis other transactions.
8 Many sales have resulted in the seller retaining all pre-closing
9 environmental liabilities.

10 **Q. What are the key PPA terms that add value to IPL and its customers?**

11 **A.** The PPA contains numerous price and non-price terms which provide
12 significant value to IPL and its customers. These terms are described in
13 more detail in the testimony of IPL witness Friedman. Highlights of key
14 PPA terms include:

- 15 • Fixed capacity and energy pricing which are both equal to IPL's
16 projected cost of continued ownership through 2014 and reflect the
17 rate design in IPL's current rates. Mr. Hampsher describes in detail
18 the revenue requirement modeling he performed which formed the
19 basis of the DAEC PPA capacity pricing.
- 20 • A target capacity factor equal to 90%, which exceeds DAEC's actual
21 capacity factor which averaged 86.79% over the past four years,
22 provides incentive for improved performance at the plant.
- 23 • The ability of FPLE Duane Arnold to provide replacement power
24 during times when DAEC is operating at less than full power and
25 reductions in capacity prices (up to 100%) if the Buyer does not
26 provide replacement power, ensure that customers only pay for the
27 power they receive.