

Direct Testimony and Schedule
David B. Grover

**STATE OF MINNESOTA
OFFICE OF ADMINISTRATIVE HEARINGS
FOR THE PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF THE APPLICATION
OF GREAT RIVER ENERGY, NORTHERN
STATES POWER COMPANY (D/B/A
XCEL ENERGY) AND OTHERS FOR
CERTIFICATES OF NEED FOR THREE
345 KV TRANSMISSION LINES WITH
ASSOCIATED SYSTEM CONNECTIONS

PUC DOCKET No. E002/CN-06-1115
OAH DOCKET No. 15-2500-19350-2

TESTIMONY OF
DAVID B. GROVER

On Behalf of

APPLICANTS

NORTHERN STATES POWER COMPANY, A MINNESOTA CORPORATION,
AND
GREAT RIVER ENERGY

May 15, 2008

Exhibit _____

1 I. INTRODUCTION AND QUALIFICATIONS

2
3 Q. PLEASE STATE YOUR NAME AND YOUR BUSINESS ADDRESS.

4 A. My name is David B. Grover and my business address is 414 Nicollet Mall,
5 Minneapolis, Minnesota 55401.
6

7 Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?

8 A. I am employed by Xcel Energy Services Inc. ("XES"), the service company that
9 provides services to Northern States Power Company, a Minnesota corporation
10 ("Xcel Energy"), as Manager of Transmission Regulatory Administration. I
11 recently submitted my resignation and will join ITC Midwest as Manager,
12 Regulatory Strategy (Minnesota), effective May 27, 2008.
13

14 Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL EXPERIENCE.

15 A. I received a Bachelor of Science in Engineering from the University of Illinois in
16 1977 and a Master of Business Administration from the University of Minnesota
17 in 1989.
18

19 I have been employed by Xcel Energy for more than 29 years. In the past, I
20 have worked in various positions within the Power Supply Planning, Distribution
21 Standards, Marketing/Demand-Side Planning, Resource Planning, and Delivery
22 System/Transmission Planning departments. As it pertains to transmission
23 regulatory matters, I have been involved with Xcel Energy's Open Access
24 Transmission Tariff and other regional transmission tariffs for the past 10 years.
25

1 As the Manager of Transmission Regulatory Administration, my current duties
2 include coordinating transmission-related regulatory and compliance filings at the
3 Federal Energy Regulatory Commission (“FERC”), and managing Xcel Energy’s
4 participation with other transmission owners in transmission-related regulatory
5 activities at the Midwest Independent Transmission System Operator (“MISO”
6 or “Midwest ISO”) and the Southwest Power Pool Regional Transmission
7 Organizations. My resume is attached as Schedule 1.

8
9 **Q. FOR WHOM ARE YOU TESTIFYING?**

10 A. I am testifying on behalf of Xcel Energy and Great River Energy, the joint
11 Applicants for Certificates of Need in this proceeding.

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

14 A. The purpose of my testimony is to sponsor Appendix D-5 (Impact of CapX2020
15 Projects on Ratepayers) of the Application.

16
17 **II. IMPACT OF CAPX2020 PROJECTS ON RATEPAYERS ANALYSIS**

18
19 **Q. PLEASE DESCRIBE THE IMPACT ANALYSIS FOUND IN APPENDIX D-5 OF THE**
20 **APPLICATION.**

21 A. As required by the Minnesota Public Utilities Commission’s (“Commission”)
22 Order Designating Applicants and Setting Filing Requirements (June 4, 2007),
23 the impact analysis in Appendix D-5 describes the impact of the three proposed
24 345 kV transmission facilities on ratepayers. The analysis outlines the potential
25 ownership shares of each CapX2020 345 kV project; identifies the approximate
26 annual revenue requirement for each CapX2020 345 kV project by transmission

1 facility owner based on assumed ownership shares; estimates the allocation of
2 these costs among Midwest ISO pricing zones; forecasts each CapX2020 345 kV
3 project owner's charges from each applicable Midwest ISO pricing zone; and
4 summarizes the projected total annual charges to each of the owners of each
5 CapX2020 345 kV project.

6
7 **Q. HOW DID YOU PERFORM THE ANALYSIS?**

8 A. Due to the implementation of the Midwest ISO's Cost Allocation Policy Filing
9 (FERC Docket No. ER06-18), I determined the allocation of each project's cost
10 among the Midwest ISO Pricing Zones based on the assumed results of studies
11 to be performed by the Midwest ISO for each project. Based on the FERC-
12 approved tariff provisions for "baseline reliability projects," project costs were
13 allocated as follows: i) for transmission projects rated 345 kV and above, 20% of
14 the project's revenue requirement is recovered in a Regional Transmission
15 Organizations ("RTO")-wide "postage stamp" charge applied to all load under
16 the Midwest ISO Transmission and Energy Markets Tariff ("TEMT") and the
17 remaining 80% is recovered through a "subregional" allocation to pricing zones,
18 based on analysis of the line outage distribution factor ("LODF") impacts of the
19 project; and ii) for transmission project elements rated 115 kV or above, but
20 below 345 kV, 100% of projects' costs are allocated based on the same LODF
21 analysis. The LODF analysis allocates costs in proportion to where the flow on
22 existing transmission facilities is most impacted by the addition of the project.

1 **Q. IS THIS ANALYSIS DIFFERENT FROM HOW A RATE IMPACT ANALYSIS WOULD**
2 **HAVE BEEN PERFORMED IN THE PAST?**

3 A. Yes. By way of background, the Commission's rules assume that a single utility
4 will construct, own and operate a transmission facility, and recover the majority
5 of the facility's costs from its bundled retail load. In that case, the utility would
6 provide an estimate of the impact on its ratepayers by calculating the annual
7 revenue requirements due to the new facility and dividing the revenue
8 requirements by a forecast of kwh sales. This calculation provides the annual
9 dollars per kwh impact on retail customers of the owning utility.

10
11 Due to the implementation of the Midwest ISO's Cost Allocation Policy Filing,
12 which allocates the costs of all new 345 kV transmission projects on a regional
13 basis, and the expectation that each 345 kV project could be owned by multiple
14 owners, the analysis described above and in Appendix D-5 was performed to
15 estimate the cost to each utility's customers from each of the projects. The
16 MISO allocated costs of each of the projects to the respective utility's customers
17 is independent of which utility owns and constructs each project.

18
19 **Q. PLEASE EXPLAIN WHY THE ALLOCATION OF COSTS IS INDEPENDENT OF**
20 **WHICH UTILITY OWNS AND CONSTRUCTS EACH PROJECT.**

21 A. Under the provisions of the Midwest ISO's Cost Allocation Policy Filing, the
22 costs of eligible 345 kV baseline reliability projects are allocated among the
23 Midwest ISO pricing zones: 20% based on a uniform "postage stamp" charge
24 across all pricing zones and 80% based on the results of a LODF analysis. The
25 LODF analysis examines which existing lines' loadings are significantly impacted
26 by addition of a new line. LODF is a measure of how much of the power that

1 would flow on a new line flows on other lines when the new line is not in-
2 service.

3
4 Both of these cost allocation algorithms are independent of ownership: the
5 postage stamp charge is based only on the cost of the project and total MISO
6 load; the LODF allocation is a function only of the transmission system
7 "topology" (the system layout, how lines are connected).

8

9 **Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?**

10 A. Yes.

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