

Presented by: Tony Clark
Commissioner
Public Service Commission

Before: Energy Development and Transmission
Committee

Honorable Rich Wardner, Chairman

Date: August 19, 2009

TESTIMONY

Chairman Wardner and members of the committee, my name is Tony Clark, and I am a member of the North Dakota Public Service Commission. On behalf of the entire Commission, thank you for the invitation to speak before you today.

The committee has asked the PSC to give an update on its activities in regard energy development in North Dakota.

The PSC continues to be an exceptionally busy agency given our central role to the permitting and development of the electricity and oil and gas businesses in North Dakota. As you are all well aware, the energy business in North Dakota is booming, and the statistics at the PSC bear that out.

Less than a decade ago, North Dakota had effectively zero megawatts of commercial wind energy produced in it. As of today, there are approximately 715 megawatts being produced. By the end of this year, there will likely be approximately 1020 megawatts, possibly more depending on construction schedules. In addition, we have nearly 5000 megawatts worth of projects that have either submitted letters of intent or applications for certificates of site

compatibility. Attached to my testimony is a spreadsheet detailing wind projects, and proposed wind projects in North Dakota. The total estimated investment of all 17 PSC jurisdictional completed and proposed wind projects exceeds \$12.5 billion.

The PSC has completed or been involved in some stage of siting 13 separate electric transmission lines since just 2005. In all, these transmission projects contain 619 miles of line, and represent an investment of over \$525 million.

Since 2005, the PSC has either completed or is in the process of completing 18 separate pipeline siting cases. This represents an investment of over \$612 million. To give you a point of reference, in the preceding ten years, the PSC processed two pipeline siting applications for a total of \$40 million investment.

As an agency, we are proud that we have been able to process these siting cases in an efficient manner, but without cutting any corners or loosening the high standards that are set in law and rule. The average time between a company submitting a complete application and the PSC issuing an order for most of the cases I just mentioned is in the neighborhood of two to four months. The flexibility the legislature has granted us by making siting fees available to the PSC for the processing of these cases has helped greatly. In addition we appreciate the additional FTE that our public utilities division will soon be hiring. As a practical matter, we had reached our limit as far as attempting to do more with the same resources. And as you can see, there is no shortage of work.

The Legislative Council asked us to specifically discuss some of the efforts in which the PSC has been participating in relation to electric transmission development. It is a timely matter for the committee to hear about, because there is a lot happening regionally and nationally.

As you are all aware, there is a great deal of discussion across the nation regarding the need for additional investment in the nation's transmission grid. The push for renewable power and the development of a "smarter" grid are both leading the nation in this direction.

Because the grid is interconnected, it is an issue that impacts all states and it is an issue that cannot be solved in a vacuum. Today I will highlight three efforts to address planning and cost issues as it relates to building the electric transmission grid of tomorrow.

It will be helpful for the committee to think of these three initiatives as progressively larger (geographically) versions of a similar theme.

The first project was begun by five governors in the Upper Midwest. Seeing the need to meet regional demands for renewable power, the governors of North Dakota, South Dakota, Iowa, Wisconsin and Minnesota began the Upper Midwest Transmission Development Initiative (UMTDI). The executive committee consists of two members from each state – one a governor's office representative, one a state regulatory commission representative. In North Dakota, Sandi Tabor and I represent those two entities, respectively. The goal of the UMTDI is to identify renewable energy zones and the load centers to which they need to be connected. Once we have an idea of what the transmission paths will look like, we will be attempting to propose an acceptable means of

allocating the costs for paying for it. It is an attempt to build on the success of the Texas Competitive Renewable Energy Zones (CREZ) process which seems to have worked well for that state in breaking the “chicken and egg” problem that can develop with renewable energy development.

A second project is an outgrowth of the Organization of MISO States (OMS). The OMS is a group of state utility commissioners in the region in which the Midwest Independent Transmission System Operator, Inc. (MISO) is the regional transmission organization (RTO). Basically, the MISO operates the transmission grid for a large part of the Midwest, including much of North Dakota. OMS has been leading a cost allocation and regional planning effort in which it is attempting to do planning similar to UMTDI, but it is inclusive of all generation resources and the entire Midwest region. In addition, OMS, is recognized by the Federal Energy Regulatory Commission as a “regional state entity.” As such, OMS regularly comments and takes part in FERC proceedings. Because the tariffs that govern RTO’s are jurisdictional to FERC, the special status that state commissions have in participating in FERC proceedings is a key element of our advocacy. As such, the North Dakota PSC actively participates both individually, and through our association with OMS. This relationship with FERC is somewhat unique to state utility commissions, there really isn’t another entity in state government that has a similar peer-to-peer relationship with the FERC. Because of this, the PSC devotes a great deal of time to these proceedings as a means of advancing our state’s interests in these matters. All three commissioners take a keen interest in these matters. As the holder of the generation and transmission portfolio, I am currently North Dakota’s representative on the OMS. In addition,

we are fortunate to have Jerry Lein, an engineer and public utility analyst with our staff who has also been very actively involved in these efforts at the regional level.

The third project I will just briefly mention is a more recent development stemming from the stimulus bill passed earlier this year. As part of a directive to the US Department of Energy, there will be an effort to conduct an interconnection wide transmission planning effort. This means that there will be a planning exercise involving the entire eastern interconnect, which includes approximately 40 states and the District of Columbia, everything from Saskatchewan to Texas, and all the way to the east coast. This effort is in its initial stages, so I won't elaborate much further except to say that states are very interested in participating fully in this process so that we are not merely "observers" to a top-down federal planning process. Again, Sandi Tabor and I have been selected as North Dakota's representatives to this emerging project.

Finally, I will mention a specific issue that Chairman Wardner asked that I describe. It may be a helpful illustration of the kind of work that the PSC does on these kinds of matters, as well as instructive of the importance of the transmission issues to all North Dakotans.

A number of months ago, Otter Tail Power Company and Montana Dakota Utilities sent letters to MISO indicating that they would be withdrawing from MISO if certain issues related to cost recovery for generator interconnections could not be resolved.

When a generator seeks to interconnect with the regional grid, there can be costs associated with that direct interconnection. Under the methodology

existing under FERC-approved MISO tariffs, the network upgrade costs are effectively split 50-50 between the generator and the local transmission owner, in this case, Otter Tail or MDU and the developer. Traditionally generation was built relatively close to where it was used, so this didn't cause a great deal of concern. Those who benefitted from the power paid for it, either through transmission costs or generation costs. But lately, we are seeing significant amounts of wind generation proposed purely for export to consumers hundreds of miles away. The outcome of such costs being dumped on local transmission companies like Otter Tail and MDU could equate to North Dakota consumer rate impacts of up to \$20 per customer (a 20-30 percent retail rate increase), per month for an average residential consumer, using conservative estimates. And this is all for power that is not needed nor used by North Dakotans.

Clearly, Otter Tail, MDU and the PSC were all very concerned about this. In response, to the concerns, and as an acknowledgment to their validity, the MISO recently proposed tariff changes that would require the generator to pay all or most of these costs – thereby ensuring that the consumers who actually benefit from the power pay for the power. I along with representatives from the utilities went to visit FERC officials this summer to encourage them to look favorably on the requested changes. In addition, the entire PSC weighed in with formal comments in the FERC docket. And collectively, the OMS submitted comments supportive of the change as well. It is an example of how the PSC works with our utilities and our fellow state regulators to participate in federal proceedings that have a tremendous impact on consumers and energy

development in North Dakota. As of this date, the FERC has not acted, but we are hopeful that a fix will be approved soon.

Mr. Chairman, that concludes my formal testimony. If you have any questions, I would be happy to take them at this time.

North Dakota Active Wind Projects

Updated 8/13/2009

<u>Project Name</u>	<u>Owner</u>	<u>Location</u>	<u>Turbines</u>	<u>Capacity (MW)</u>	<u>Manufacturer</u>	<u>Notes</u>
Minot Wind Project	BEPC - PrairieWinds	S. of Minot	2	2.6	Nordex N60	In Service
Edgeley/Kulm Wind Project	FPLE / BEPC	Edgeley	27	40	GE 1.5 MW	In Service
Edgeley/Kulm Wind Project	FPLE / Otter Tail	Edgeley	14	21	GE 1.5 MW	In Service
Valley City Wind Project	Minnkota Power Cooperative	Valley City	1	0.9	NEG Micon NM52/900	In Service
Petersperg Wind Project	Minnkota Power Cooperative	Petersberg	1	0.9	NEG Micon NM52/901	In Service
	Sacred Heart Monastery	Richardton	2	0.13	Silver Eagle	In Service
Fort Totten Wind Project	Spirit Lake Sioux Nation	Fort Totten	1	0.1	Micon 108	In Service
Belcourt Wind Project	Turtle Mountain Chippewa Tribe	Belcourt	1	0.1	Micon 108	In Service
	North Valley Carreer and Technology C	Grafton	1	0.065		In Service
	3 Affiliated Tribes	New Town	1	0.065		In Service
Velva Wind Project	EHN / Xcel Energy	Velva	18	12	Vestas V80	In Service
	Turtle Mountain Community College	Belcourt	1	0.66	Vestas V47	In Service
	FPL Burleigh County Wind LLC	Wilton	33	49.5	GE 1.5 MW	In Service
Oliver County Wind	FPL - Oliver County Wind LLC	Center	22	50.6	2.3 MW Turbines	In Service
Oliver County Wind II	FPL - Oliver County Wind LLC	Center	32	48	GE 1.5 MW	In Service
Langdon Project	FPL- Langdon Wind, LLC	Cavalier County	79	118.5	GE 1.5 MW	In Service
Langdon Project	Otter Tail Corporation	Cavalier County	27	40.5	GE 1.5 MW	In Service
Langdon Expansion	FPL- Langdon Wind, LLC	Cavalier County	26	40	GE 1.5 MW	In Service
	Tatanka Wind Power, LLC	Dickey/McIntosh County	60	90	Acciona AW 1500	In Service
Ashtabula Wind Project	FPL - Ashtabula Wind, LLC	Barnes County	133	200	GE 1.5 MW	In Service
	Just Wind, LLC	Logan County	160	368	Siemens 93/2.3 MW	Permit Issued 4/29/09
Luverne Wind Farm	M-Power LLC	Griggs/Steele Counties	105	157	GE 1.5 MW	Under Construction
	CROWNBUTTE WIND POWER LLC	Adams/Bowman Counties	133	200	GE 1.5 MW	Letter of Intent Filed February 2008
Prairie Winds Project	BEPC - PrairieWinds ND 1, Inc.	Ward County	77	115.5	GE 1.5 MW	Permit Issued 8/12/09
Rugby Wind Farm	Iberdrola, Inc. f/k/a PPM Energy	Rugby	71	149.1	Suzlon 2.1 MW S88	Under Construction
Dickey County Wind Farm	Rough Rider Wind 1, LLC	15 miles NW of Ellendale	100	150	GE 1.5 MW	Permit Issued 8/12/09
Oliver County Expansion	FPL Energy, LLC	6 miles NW of Center	667	1,000		Letter of Intent Filed June 2008
Border Winds	Sequoia Energy U.S. Inc.	Rolette and Towner Ctys	66	150		Hearing Scheduled November 2009
Heartland Wind Farm	Heartland Wind Farm, LLC	Ward, Burke, Mountrail Ctys		2,000		Letter of Intent filed July 2008
Allete, Inc. (MN Power)	Bison 1 Wind Project	Oliver County		125		Letter of Intent Filed October, 2008
Merricourt Project	enXco	McIntosh/Dickey ctys		150		Letter of Intent Filed Dec 2008
	Just Wind, LLC	Emmons County		900		Letter of Intent Filed Dec 2008
Allete, Inc. (MN Power)	Bison 1 Wind Project	Oliver @ Morton Counties	33	75.9		Hearing Scheduled August 25, 2009
Ashley Wind Power Project	CPV Ashley Renewable Energy Compan	McIntosh County	212	487.6		Letter of Intent filed June 2009

Total

6,743.72