

Direct Testimony and Schedule
Kyle S. Neidermire

**STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF THE APPLICATION Docket No. E002, ET6675/CN-17-184
OF NORTHERN STATES POWER
COMPANY AND ITC MIDWEST LLC OAH Docket No. 82-2500-35157
FOR A CERTIFICATE OF NEED FOR THE
HUNTLEY-WILMARTH 345 kV
TRANSMISSION LINE PROJECT

IN THE MATTER OF THE APPLICATION Docket No. E002, ET6675/RP-17-185
TO THE MINNESOTA PUBLIC UTILITIES
COMMISSION FOR A ROUTE PERMIT OAH Docket No. 82-2500-35157
FOR THE HUNTLEY-WILMARTH 345 kV
TRANSMISSION LINE PROJECT

DIRECT TESTIMONY OF

KYLE S. NEIDERMIRE

On Behalf of

NORTHERN STATES POWER COMPANY,
A MINNESOTA CORPORATION

and

ITC MIDWEST LLC

September 6, 2018

Exhibit ____ (KSN-1)

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I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Kyle S. Neidermire, and my business address is 1414 West Hamilton Avenue, Suite 3, Eau Claire, Wisconsin 54701.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed as a Manager, Regional Transmission Initiatives by Xcel Energy Services Inc. In that role, I provide strategic leadership and support for transmission initiatives and policy for Northern States Power Company, a Minnesota corporation, doing business as Xcel Energy (NSPM or Xcel Energy), and Northern States Power Company, a Wisconsin corporation (NSPW), together the NSP Companies.

Q. PLEASE SUMMARIZE YOUR QUALIFICATIONS AND EXPERIENCE.

A. I received a Bachelor of Science degree in construction from the University of Wisconsin – Stout and an Executive Masters in Business Administration from the University of St. Thomas. I have been employed by Xcel Energy Services Inc. or its affiliates since 2008. In 2008, I started to work at Xcel Energy as an Associate Designer responsible for the design and project management of electric power distribution to commercial developments. From 2009 to 2011, I was employed by Xcel Energy as a Consultant for Safety and Technical Training. In that role, I developed, implemented, and evaluated the employee safety program to minimize employee injuries and illnesses. From 2011 to 2013, I worked as a Supervisor in Transmission Field Operations for Xcel Energy where I managed all aspects of field

1 construction, operation, and maintenance of transmission line projects. I
2 have been employed in my current position since July 2013. My current
3 responsibilities include providing strategic leadership and support for long-
4 term transmission policy and initiatives in Minnesota, Wisconsin, Michigan,
5 North Dakota, and South Dakota. I represent Xcel Energy in transmission
6 policy issues and provide oversight for the development and execution of
7 critical transmission projects. This includes the preparation of necessary
8 agreements in structured partnerships as well as associated communications
9 and public relations. My role on the Huntley – Wilmarth 345 kV
10 Transmission Line Project (Huntley – Wilmarth Project or Project) is to
11 provide guidance on the development and management of the Project and
12 the necessary commercial agreements. My resume is attached as
13 Exhibit____(KSN-1), Schedule 1.
14

15 Q. FOR WHOM ARE YOU TESTIFYING?

16 A. I am testifying on behalf of Xcel Energy and ITC Midwest LLC (ITC
17 Midwest) (collectively, the Applicants) for a Certificate of Need and Route
18 Permit for the Huntley – Wilmarth Project.
19

20 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

21 A. The purpose of my testimony is to provide an overview of the proposed
22 Project, summarize Xcel Energy's role in developing the Project, and discuss
23 cost recovery for the Project. I will also introduce Xcel Energy's other
24 witnesses and briefly describe the topics they are going to address.
25

1 Q. WHAT SCHEDULES ARE ATTACHED TO YOUR TESTIMONY?

2 A. Schedule 1: Resume of Kyle Neidermire.

3
4 Q. ARE YOU AVAILABLE TO PROVIDE TESTIMONY IN SUPPORT OF PARTICULAR
5 SECTIONS OF THE CERTIFICATE OF NEED AND ROUTE PERMIT
6 APPLICATIONS?

7 A. Yes. I am testifying in support of the following sections of the Certificate of
8 Need Application: Section 1.1 (Project Description and Ownership); Section
9 2.4.4 (Cost Allocation Under MISO/Rate Impact); Section 5.1.1.3 (Cost
10 Allocation considerations with Lower Voltage Alternative); and Appendix J
11 (Cost Allocation Information). I am also testifying in support of the
12 following section of the Route Permit: Section 1.1 (Project Ownership).

13
14 **II. PROJECT OVERVIEW**

15
16 Q. PLEASE DESCRIBE NORTHERN STATES POWER COMPANY'S OPERATIONS AND
17 SERVICES.

18 A. NSPM is headquartered in Minneapolis, Minnesota, and is engaged in the
19 business of generating, transmitting, distributing, and selling electric power
20 in the states of Minnesota, North Dakota, and South Dakota and providing
21 natural gas service to customers in Minnesota and North Dakota. In
22 Minnesota, NSPM provides electric service to nearly 1.3 million customers.
23 NSPM operates its transmission and generation system as a single integrated
24 system with its sister company, NSPW. The NSP Companies are vertically
25 integrated transmission-owning members of the Midcontinent Independent
26 System Operator, Inc. (MISO). Together, they are among the largest

1 transmission-owning members of MISO with over 8,000 miles of
2 transmission lines and approximately 550 transmission and distribution
3 substations.

4
5 Q. PLEASE DESCRIBE THE HUNTLEY – WILMARTH 345 kV TRANSMISSION LINE
6 PROJECT.

7 A. The Huntley – Wilmarth Project is a joint project with ITC Midwest and
8 consists of a new 345 kV transmission line connecting Xcel Energy's existing
9 Wilmarth Substation north of Mankato, Minnesota, with ITC Midwest's
10 Huntley Substation south of Winnebago, Minnesota. The transmission line
11 will be approximately 50 miles long and the proposed route alternatives
12 traverse Blue Earth, Faribault, Martin, and Nicollet counties in Minnesota.
13 The Project also includes the necessary modifications to the existing Huntley
14 and Wilmarth substations to accommodate this new 345 kV transmission
15 line.

16
17 Q. WHAT IS XCEL ENERGY'S ROLE IN THE PROPOSED PROJECT?

18 A. As the Project Manager, Xcel Energy will be responsible for the construction
19 and maintenance of the proposed 345 kV transmission line. Xcel Energy
20 and ITC Midwest will own the transmission line jointly as tenants in
21 common. Each Applicant will be responsible for the necessary
22 modifications and maintenance of its substation. The equipment and
23 improvements inside the Wilmarth Substation will be owned solely by Xcel
24 Energy. The equipment and improvements inside the Huntley Substation
25 will be owned solely by ITC Midwest.

1 Q. WHY IS THE HUNTLEY – WILMARTH PROJECT NEEDED?

2 A. The Project is needed to relieve transmission congestion in the
3 Minnesota/Iowa border, one of the most congested areas in the region's
4 electric transmission system. The Project will improve the efficiency of
5 MISO's energy market by increasing market access to lower cost wind
6 generation, which results in economic benefits through reduced wholesale
7 energy costs. The Project will also reduce wind generation curtailments,
8 thereby enhancing energy delivery, reducing system generation costs, and
9 providing environmental benefits in the form of lower carbon emissions.
10 Finally, the Project will improve the robustness of the regional transmission
11 system as it is able to better withstand unplanned system contingencies and
12 more efficiently deliver energy from a diverse mix of generation resources.

13
14 Q. WHAT WAS MISO'S ROLE IN DEVELOPING THE PROJECT?

15 A. The Huntley – Wilmarth Project was studied, reviewed, and approved by the
16 MISO Board of Directors as a Market Efficiency Project (MEP) in
17 December 2016 as part of that year's MISO Transmission Expansion Plan
18 (MTEP16) report. To qualify as an MEP, a transmission project must meet
19 the following criteria: (1) greater than 50 percent of the total cost of the
20 candidate project must be attributed to facilities that operate at a 345 kV
21 voltage level or higher; (2) the benefit-to-cost ratio of the candidate project
22 must meet or exceed 1.25; and (3) the total project cost must exceed
23 \$5 million.

1 Q. DOES THE PROJECT MEET THESE THREE MEP CRITERIA?

2 A. Yes. In its MTEP16 analyses, MISO found that the Project meets these
3 three criteria, will provide net economic benefits, and will fully relieve
4 congestion on the transmission system along the Minnesota/Iowa border.
5 More specifically, MISO found under the MTEP16 models that the Huntley
6 – Wilmarth Project would provide \$210 million (2016\$) in adjusted
7 production cost (APC) benefits on a present value basis over 20 years and
8 had a weighted benefit-to-cost ratio of 1.51 to 1.86.

9
10 Q. HOW DID MISO WEIGHT THE BENEFIT-TO-COST RATIOS?

11 A. MISO evaluated the Project benefits using the five different future scenarios
12 or Futures developed for MTEP16. MISO assigned different weighting to
13 each Future based on the likelihood of that Future occurring. The weighted
14 benefit-to-cost ratio is calculated by multiplying the weight of the Future by
15 the benefit-to-cost ratio of that Future.

16
17 Q. HAVE THE APPLICANTS CONDUCTED ANY ADDITIONAL ANALYSIS OF THE
18 ECONOMIC BENEFITS OF THE PROJECT?

19 A. Yes. As discussed by the Applicants' witness Mr. Andrew Siebenaler, the
20 Applicants have continued to analyze the economic benefits of this Project
21 under each of the subsequent MTEP models. Specifically, the Applicants
22 also analyzed the economic benefits of the Project under the MTEP17 and
23 MTEP18 models and using the cost estimates for the routes proposed by the
24 Applicants in the Route Permit Application which range from \$105.8 million
25 to \$138.0 million (2016\$). Under the MTEP17 models, the Project would
26 provide \$276 million (2016\$) in APC benefits on a present value basis over

20 years and have a weighted benefit-to-cost ratio of 1.66 to 2.16. Under the MTEP18 models, the Project would provide \$218 million (2016\$) in APC benefits on a present value basis over 20 years and have a weighted benefit-to-cost ratio of 1.30 to 1.69.

Q. HOW ARE THE ECONOMIC BENEFITS OF THE PROJECT CALCULATED?

A. As described in greater detail in the testimony of Mr. Siebenaler, the economic benefits of this Project are calculated using future scenarios or models developed by MISO as part of its annual MTEP report. Using these MTEP models, MISO and the Applicants calculate the APC savings that the Project will provide over time. These savings are calculated as the difference in total production costs of energy for a generation fleet adjusted for import costs and export revenues with and without the proposed transmission project.

Q. HOW DO THE COSTS FOR THIS PROJECT IMPACT ITS ECONOMIC BENEFITS?

A. In evaluating the economic benefits of the Huntley – Wilmarth Project, a key calculation is the benefit-to-cost ratio. To calculate this ratio, the total cost for the Project is compared to the total APC savings resulting from the Project. The higher the costs, the lower the benefit-to-cost ratio assuming the APC savings stay constant.

Q. HOW DID THIS FACT IMPACT THE APPLICANTS' ROUTE AND DESIGN PROPOSALS FOR THIS PROJECT?

A. In the Route Permit Application, the Applicants proposed nine different routes – each with its own design and associated costs. Applicants included

1 these different routes and designs to enable the Minnesota Public Utilities
2 Commission (Commission) to select a route and design that balances the
3 economic need for the Project while minimizing the Project's impact on the
4 human and natural environment.

5
6 Q. DID THE APPLICANTS PREPARE COST ESTIMATES FOR THE ROUTE AND
7 SEGMENT ALTERNATIVES PROPOSED DURING THE SCOPING PROCESS FOR
8 THE ENVIRONMENTAL IMPACT STATEMENT?

9 A. Yes. As Applicants' witness Mr. Grant Stevenson testifies, the new routes
10 and segment alternatives proposed during the scoping process widen the
11 range of estimated Project costs to \$104.8 to \$160.7 million (2016\$). As
12 detailed by Mr. Siebenaler, Applicants utilized the most recent MTEP
13 models from MTEP18 to calculate a benefit-to-cost ratio range for these
14 route alternatives from 1.11 to 1.71.

15
16 Q. HOW DO THESE DIFFERENT BENEFIT-TO-COST RATIOS IMPACT THE NEED
17 FOR THE PROJECT?

18 A. Under each of the MTEP model versions, the benefit-to-cost ratio of all of
19 the route alternatives currently under consideration is above 1.0. This means
20 that the APC savings of each route alternative is greater than its costs and
21 thus the Project will provide economic benefits to Minnesota customers in
22 terms of lower wholesale energy costs regardless of the route selected by the
23 Commission. However, the higher cost route and design alternatives reduce
24 the net APC savings the Project will provide.

III. COST RECOVERY

Q. PLEASE DESCRIBE AT A HIGH-LEVEL HOW THE COSTS FOR THIS PROJECT WILL BE RECOVERED UNDER THE MISO TARIFF.

A. As an MEP, the Project is eligible for regional cost sharing. For MEPs, the MISO Tariff provides that 20 percent of the Project's costs are allocated to each pricing zone in the MISO Classic area based on load share ratio. The remaining 80 percent of the costs of an MEP are allocated to pricing zones based on the distribution of positive APC savings to the Local Resource Zones.

Q. HOW DOES THE REGIONAL COST SHARING OF AN MEP BENEFIT MINNESOTA RATEPAYERS?

A. The overall objective of the cost allocation method used by MISO for MEPs is to try to align "who pays" with "who benefits" for a particular transmission project. The Huntley – Wilmarth Project benefits customers both inside and outside of Minnesota. Accordingly, the customers who reside outside of Minnesota will help pay for the Project which, in turn, lowers the cost borne by Minnesota ratepayers. Specifically, Xcel Energy calculated that the NSP Companies' load will pay 16.96 percent of the total costs for the Project with the rest of the costs being paid for by the other transmission providers' load that also benefits from the Project.¹

¹ This calculation is based on the 2016 12CP Average Load.

IV. XCEL ENERGY'S WITNESSES

Q. WHO ELSE WILL BE PROVIDING DIRECT TESTIMONY ON BEHALF OF XCEL ENERGY?

A. In addition to my testimony, the following witnesses will provide Direct Testimony on behalf of Xcel Energy for the Applicants:

- Thomas Hillstrom, Xcel Energy: overall routing and environmental considerations for the Project, including specific characteristics of the Purple, Green, Red, and Blue routes; comments provided and additional route alternatives proposed during the scoping period for the Draft Environmental Impact Statement; federal, state, and local agency participation; and public outreach.
- Grant Stevenson, Xcel Energy: Project's costs, schedule, and overall design, including transmission line structures and substation modifications at the Wilmarth Substation.
- Andrew Siebenaler, Xcel Energy: the need for the Project and the alternatives to the Project, including MISO's analysis in MTEP16 that designated the Project as an MEP; Applicants' additional analysis using MTEP17 and MTEP18 Futures; and the different alternatives the Applicants considered to address the need.

Mr. Tom Peterson from ITC Midwest will introduce ITC Midwest's witnesses.

1 Q. WILL THE APPLICANTS SUBMIT TESTIMONY FROM ANY OTHER WITNESSES?

2 A. After reviewing the Direct Testimony filed by other parties, the Applicants
3 may submit testimony from additional witnesses to address new issues raised
4 in other parties' Direct Testimony.

5

6 **V. CONCLUSION**

7

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

9 A. Yes.

KYLE S. NEIDERMIRE

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Strategic leader in the utility industry with a proven track record of large project success through collaboration utilizing strong relationship skills.

Passionate visionary with public policy and regulatory understanding supported by technical industry expertise.

EXPERIENCE

July 2013 – Present | Xcel Energy | Eau Claire, WI

Manager, Regional Transmission Initiatives / Co-Executive Director of CapX2020

Provide strategic leadership and support of long- term transmission initiatives and policy in the mid-west. Represent the company in transmission policy issues and provide guidance and oversight for the development and execution of critical projects. This includes the development of necessary agreements in structured partnerships as well as associated communications and public relations.

- Work with regulators & Xcel Energy leadership to develop relationships within the mid-west to influence and guide transmission initiatives including the development of Xcel's transmission only subsidiaries and guide regulatory understanding for the development of the subsidiaries.
 - Support and advise senior leadership on the discussion, analysis and investigation of potential transmission business investments.
 - Oversee the involvement of transmission in multiple rate cases in the NSP states including executive review of the 2015 & 2017 MI electric rate case, 2014 & 2016 testimony development for the MN rate cases and support of the 2015, 2016, & 2017 WI rate cases.
 - Transmission lead on the Minnesota Integrated Resource Plan including participation in the Operations Plan for operating the Resource Plan. A first of its kind look at how to operate a system with high penetrations of intermittent resources.
 - Guide the development of Return On Equity Optimization efforts by developing transmission business benchmarks
 - Represent CapX2020 members, a group of 11 utilities, in public and policy arenas and support the executive team in analyzing and determining next steps for members.
 - Member of all Cap X 2020 Management Committees representing Xcel Energy's interests in the projects, which consist of over \$2 Billion in capital investment.
 - Oversee the partnership with other investors on the development of cost allocated MISO's MVP and MEP projects.
 - Member of the Advisory Committee representing Xcel on all major decisions and strategic direction of the Badger Coulee project, a \$580 Million 180-mile 345kV transmission line in Wisconsin.
 - Closely work with Xcel's Sourcing department to understand and develop a strategic path influenced by transmission to meet and exceed Operational Excellence metrics focusing on sourcing savings.
 - Change lead for the transmission organization on Productivity Through Technology (PTT), the largest process and technological change in company history.
-

Feb 2011 – July 2013 | Xcel Energy | Eau Claire, WI

Supervisor II, Transmission Field Operations

Coordinated all aspects for construction of electric transmission projects. Managed the field operation and maintenance department for Wisconsin and Michigan.

- Managed schedules and project completion for over \$35 million annually in capital projects.
- Managed all O&M expenses for NSP-WI Transmission and helped to develop a more accurate tracking and budgeting tool for expenses.
- Responsible for hiring, managing and maintaining an effective team of professionals. Attract, recruit and retain a highly motivated technical staff.
- Managed transmission line patrols and coordinated with system sustainability to create Xcel system best practices that ensure timely and successful asset renewal projects
- Developed positive working relationships with the union while growing the department for the first time in 5 years.
- Worked with key stakeholders to develop most constructible projects possible.
- Established and grew relationships with other departments in WI including distribution, sitting and land rights, engineering and project management.
- Collaborated with other transmission providers in the regional MTAG (Midwest Transmission Assistance Group) to ensure proper assistance for maintenance is available when needed.

June 2009 – Feb 2011 | Xcel Energy | Maple Grove, MN

Consultant Safety/Technical Training

Developed, implemented and evaluated the employee safety program to minimize employee injuries and illnesses. Efforts focused on Transmission Line Construction, Substation Construction and Substation Operation & Maintenance.

- Trained 300 employees on corporate safety policies annually
- Active member on multiple Safety Advisory Groups (SAG) to help develop and implement new safety initiatives
- Reviewed all contractors hired by the Operating Company to ensure they meet the standards set by the Contractor Safety Program
- Subject Matter Expert on the ABC process, a root cause analysis, used in accident and incident investigations
- Conducted crew safety observations to ensure safe practices are being followed, coached and trained employees as required
- Developed and trained over 140 safety leaders in leadership skills
- Team Lead for a strategic redesign of the gas distribution training program which affected 5 different bargaining units and over 250 employees
- Change leader on corporate culture change known as our “Journey to Zero”

Additional Experience

- | | |
|--|----------------------|
| • Xcel Energy – Associate Designer | Jan 2008 – June 2009 |
| • Centex Homes - Field Manager | May 2004 – Dec 2007 |
| • Owner/ Operator of C & T Construction, LLC | May 2003 - May 2004 |
| • General Construction Laborer | Summers 1999 – 2002 |
-

EDUCATION

Executive Masters of Business Administration

University of St. Thomas - Minneapolis, MN
Graduated May 2018

Bachelor of Science Degree in Construction

University of Wisconsin- Stout - Menomonie, WI
Graduated May 2004

ACTIVITIES & CERTIFICATIONS

- Member of UW Stout Construction program Board of Advisors 2015 - Present
- Chippewa Valley Theatre Guild Board of Directors 2015 - 2017
- Co-Chair of Xcel Energy's 2015 United Way Campaign for the Chippewa Valley
- Eau Claire Area Chamber of Commerce - Leadership Eau Claire program graduate class of 2015
- Junior Achievements Volunteer 2014 – Present
- Ten Hour OSHA Certified on 1926 Construction Standards
- American Heart Association Heartsaver Instructor, includes CPR, AED & First Aid
- Vice President of Heritage Ponds Multi-family Home Owners Association 2009 – 2011
- Selected by faculty to represent UW Stout in National "Four Year School Competition 2003" sponsored by the National Association of Home Builders, in Las Vegas, NV