

BEFORE THE MINNESOTA OFFICE OF ADMINISTRATIVE HEARINGS
600 North Robert Street
St. Paul, MN 55101

FOR THE MINNESOTA PUBLIC UTILITIES COMMISSION
121 7th Place East, Suite 350
St Paul MN 55101-2147

IN THE MATTER OF THE APPLICATION OF
XCEL ENERGY AND ITC MIDWEST LLC FOR A
CERTIFICATE OF NEED FOR THE HUNTLEY-
WILMARTH 345 KV TRANSMISSION LINE
PROJECT

MPUC Docket No. E002, ET6675/CN-17-184
OAH Docket No. 82-2500-35157

SUR-SURREBUTTAL TESTIMONY OF MARK A. JOHNSON

ON BEHALF OF

**THE MINNESOTA DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES**

CERTIFICATE OF NEED ESTIMATES AND COST CAPS

MARCH 7, 2019

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1 **I. INTRODUCTION**

2 **Q. Please state your name.**

3 A. My name is Mark A. Johnson.

4
5 **Q. Are you the same Mark A. Johnson who submitted Direct Testimony and Surrebuttal**
6 **Testimony earlier in this proceeding on behalf of the Minnesota Department of**
7 **Commerce, Division of Energy Resources (DOC-DER)?**

8 A. Yes.

9
10 **II. PURPOSE**

11 **Q. What is the purpose of your Sur-Surrebuttal Testimony?**

12 A. The purpose of my Sur-Surrebuttal Testimony is to respond to the first question from
13 the Administrative Law Judge's (ALJ) February 8, 2019 Fifth Prehearing Order in this
14 proceeding.

15
16 **Q. Do you respond to any other questions listed on Attachment A?**

17 A. No, I do not. I believe these questions are intended for other parties.

18
19 **III. CERTIFICATE OF NEED COST ESTIMATES**

20 **Q. What is the first question listed in Attachment A of the February 8, 2019 Fifth**
21 **Prehearing Order in this proceeding?**

22 A. The ALJ's first question is:

1 Mr. Johnson stated that he has no concerns about the cost
2 estimates. However, I did not find an explanation as to how the
3 Commission knows that the costs the Applicants' propose for the
4 various routes are themselves reasonable? What assurance does
5 the Commission have that Xcel will make every effort to minimize
6 costs and not overbuild the facilities?
7

8 **Q. How do you respond to the first question about reasonableness of the proposed**
9 **costs?**

10 A. Reasonableness of costs in certificates of need and other resource acquisition
11 proceedings is determined in various ways, depending on the circumstances. For
12 example, if there is available cost information about similar types of resources, that
13 information can be used as a comparison guide. If competitive bidding is used to
14 procure a resource, the result of that process is often considered to result in reasonable
15 costs. In certificate of need proceedings, other entities have the opportunity to file
16 alternatives to the proposed facility. Even when no project alternatives are filed, like
17 this case, typically the applicant introduces evidence of alternatives it considered in
18 determining that the proposed project is more reasonable and prudent than
19 alternatives. The Applicants provided such information here.

20 DOC-DER examined the Applicants' consideration of various alternatives in the
21 Direct Testimony of Matthew Landi; DOC-DER agreed that none of those alternatives
22 were better options. Thus, DOC-DER concluded that the record does not demonstrate
23 that there is a more reasonable and prudent alternative to the proposed facility.
24

1 **Q. How do you respond to the second part of the question about ensuring that utilities**
2 **such as Xcel will make every effort to minimize costs?**

3 A. To give utilities like Xcel reasonable incentives to minimize costs and not overbuild the
4 facilities, the DOC-DER and the Commission use cost caps to hold applicants accountable
5 to their cost estimates. If the applicant is a Minnesota rate-regulated utility, these cost
6 caps prevent the applicant from recovering any cost overruns through their Minnesota
7 rates at least until the first rate case after the facility is built. Moreover, the applicant is
8 required to explain and justify any transmission project cost overruns before being
9 allowed to recover these cost overruns in such a rate case. As a result, the use of cost
10 caps incentivizes applicants not to exceed their cost estimates provided in a CN
11 proceeding.

12
13 **Q. Does this conclude your Sur-Surrebuttal Testimony?**

14 A. Yes.