

MEMO

**TO:** Chairman Sahr  
Vice-Chairman Johnson  
Commissioner Hanson

**FROM:** Karen E. Cremer *KEC*  
Staff Attorney

**DATE:** February 27, 2006

**RE:** Big Stone II - Request to Hire Consultants  
Docket No. EL05-022

**CC:** Patty Van Gerpen, Executive Director  
John Smith, Commission Counsel  
Heather Forney, Deputy Executive Director  
Greg Rislov, Commission Advisor  
Martin Bettmann, Staff Analyst  
Nathan Solem, Staff Analyst  
Bob Knadle, Staff Analyst  
Parties of Record

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On July 21, 2005, the Commission received an Application for a Construction Permit for an Energy Conversion Facility from Otter Tail Power Company on behalf of the project co-owners: Central Minnesota Municipal Power Agency; Great River Energy; Heartland Consumers Power District; Montana Dakota Utilities Co., a Division of MDU Resources Group Inc.; Otter Tail Corporation d/b/a Otter Tail Power Company; Southern Minnesota Municipal Power Agency; and Western Minnesota Municipal Power Agency (hereinafter OTP). The proposed Energy Conversion Facility is a nominal 600 MW coal-fired electric generating facility and associated facilities, which OTP has named Big Stone II, to be located on an industrial site adjacent to the existing Big Stone Plant Unit I in Grant County, South Dakota. The progression of this docket (EL05-022) has brought Staff before you to request permission to hire consultants.

The issues in this docket are highly technical in nature making it necessary for Staff to have outside support in preparing and presenting testimony in this docket. Specifically, Staff requests that the Commission approve the hiring of QSI Consulting, Inc. and Michael K. Madden, Ph.D.

QSI Consulting, Inc. shall prepare, file, and present testimony and exhibits addressing whether or not the proposed facility will pose a threat of serious injury to the environment in the siting area, will substantially impair the health, safety, or welfare of the inhabitants in the siting area and whether OTP is in compliance with all applicable environmental laws and rules. This analysis would include the societal and economic impacts on the people living in Grant and Roberts counties - both during the construction phase and after the plant construction is completed and the plant is operational. It would also include facets such as local schools, local government including law enforcement, the agricultural industry, other industrial or manufacturing components, etc. The environmental effects shall be calculated to reveal and assess demonstrated or suspected hazards to the health and welfare of human, plant and animal communities which may be cumulative or synergistic consequences of siting the proposed facility in combination with any operating energy conversion facilities, existing or under construction. QSI Consulting, Inc.'s proposed budget is an amount not to exceed \$60,000. This includes expenses for a week long hearing in Pierre.

### **QSI PROJECT STAFF**

#### **Mark Stacy**

Mark Stacy will serve as QSI's Project Manager. Mr. Stacy has over fifteen years of experience in the field of public utility regulation and economics, beginning his career as a rate analyst at the Wyoming Public Service Commission, and eventually assuming the role as the Commission's chief economist. During his tenure with the Wyoming Public Service Commission, Mr. Stacy gained extensive experience in a number of utility industries including electric, natural gas, telecommunications, and water utility regulation as well. A significant portion of Mr. Stacy's responsibilities while at the Wyoming Commission involved the regulation of the electric utility industry. Mr.

Stacy was involved in issues ranging from utility demand-side management, to electric utility cost of capital and coal-fired generation facility certifications in the Powder River Basin in northeast Wyoming.

Mr. Stacy received a Master of Science degree in Public Utility and Regulatory Economics and a B.S. degree in Geology from the University of Wyoming.

Mr. Stacy has identified the following team members who, in combination, will best serve the needs of this particular project: Timothy Gates, James Webber, and Olesya Denney, Ph.D.

### **Tim Gates**

Before joining QSI, Mr. Gates held key management positions over a 15-year period with MCI, Inc.'s Law and Public Policy Group. Before joining MCI, Mr. Gates was employed by the Texas Public Utility Commission as a Telephone Rate Analyst in the Telecommunications Division's Engineering Department. Prior to joining the Texas staff, Mr. Gates was employed by the Oregon Public Utility Commission as an Economic Analyst in the Telecommunications Division. Mr. Gates also has experience in the energy industry, having worked with the Bonneville Power Administration (United States Department of Energy), where he was employed as a Financial Analyst. Prior to his career in regulation, Mr. Gates was a forester for public and private firms in the Pacific Northwest. In his ten year forestry career Mr. Gates was immersed in natural resource issues including environmental impacts of various operations on state land. Mr. Gates managed reforestation, herbicide application, precommercial thinning, mensuration, road design and air and water quality issues. He also served as a safety manager, fire information officer and training coordinator.

Mr. Gates holds a Masters of Management Degree with an emphasis in finance and quantitative methods from the Atkinson Graduate School of Management at Willamette University. He also holds a Bachelor of Science Degree in Forest Management from Oregon State University.

## **James Webber**

Mr. Webber's career began in public service where he initially served as an analyst with the Illinois Department of Energy and Natural Resources ("ENR"). During his tenure with the ENR he was responsible for modeling electricity and natural gas consumption, estimating the impact of Demand Side Management initiatives on natural gas and electricity consumption, and the benefits and costs of environmental pollutant mitigation strategies. Throughout his career Mr. Webber has been responsible for cost-of-service analyses, business case modeling, contract negotiations and arbitrations, vendor management, operational process improvement, regulatory affairs and tariff management. Mr. Webber has been called upon to provide expert testimony nearly 100 times in circuit court and before federal and state regulatory agencies throughout the United States.

Mr. Webber holds a M.S. in Economics from Illinois State University as well as a B.S. in Economics and Business Administration from the same institution.

## **Olesya Denney, Ph.D.**

Dr. Denney's professional carrier started in academics in the fields of natural resource and environmental economics, where she focused on research concerning environmental impact of energy industries and teaching a course of Environmental and Natural Resource Economics at Novosibirsk State University (Russia). She continued her environmental economic studies at Oregon State University with her master's thesis on the empirical methods for economic valuation of non-market goods such as open space. In addition to economic theory, Dr. Denney's expertise at QSI consists of statistical and other methods of quantitative analysis, as well as economic cost modeling.

Dr. Denney holds a Ph.D. and M.S. in Economics from Oregon State University, and a B.S. in Economics from Novosibirsk State University (Russia).

Michael K. Madden, Ph.D. shall prepare, file and present testimony and exhibits addressing potential economic impacts on the travel

industry, agricultural, general retail, wholesale trade, health industry, and manufacturing sectors in Grant and Roberts Counties. Michael K. Madden's proposed budget is an amount not to exceed \$18,375 (includes one trip to Pierre, multiple trips would include an additional \$1,737 per trip).

**Michael K. Madden, Ph.D.**

Dr. Madden has been engaged in the successful preparation of economic impact analyses, market feasibility studies and various other research projects for public and private interests for more than 30 years. A significant portion of this work has focused on the visitor industry from nearly every dimension. Past projects have related to the gaming industry, infrastructure feasibility studies, survey projects, market analyses and economic impact analyses.

**ACADEMIC QUALIFICATIONS:**

B. S. 1965. South Dakota State University, Economics and Mathematics. Ph. D. 1970. Iowa State University, Economics and Statistics.

Further information regarding QSI and Dr. Madden's professional and educational backgrounds can be found in the proposals submitted by QSI and Dr. Madden.

Staff believes that QSI and Dr. Madden have the education, experience, and expertise to help Staff present this matter in the most efficient and timely manner thus ensuring that if the facility is permitted it is constructed so that it will produce minimal adverse effects on the environment and upon the citizens of this state. Staff respectfully requests that the Commission approve the hiring of QSI Consulting, Inc. and Dr. Madden as consultants in the Big Stone II permit application, Docket No. EL05-022.