

Applicants' Witness Stephen Thompson

**Chief Operating Officer and Acting President
Central Minnesota Municipal Power Agency (CMMPA)**

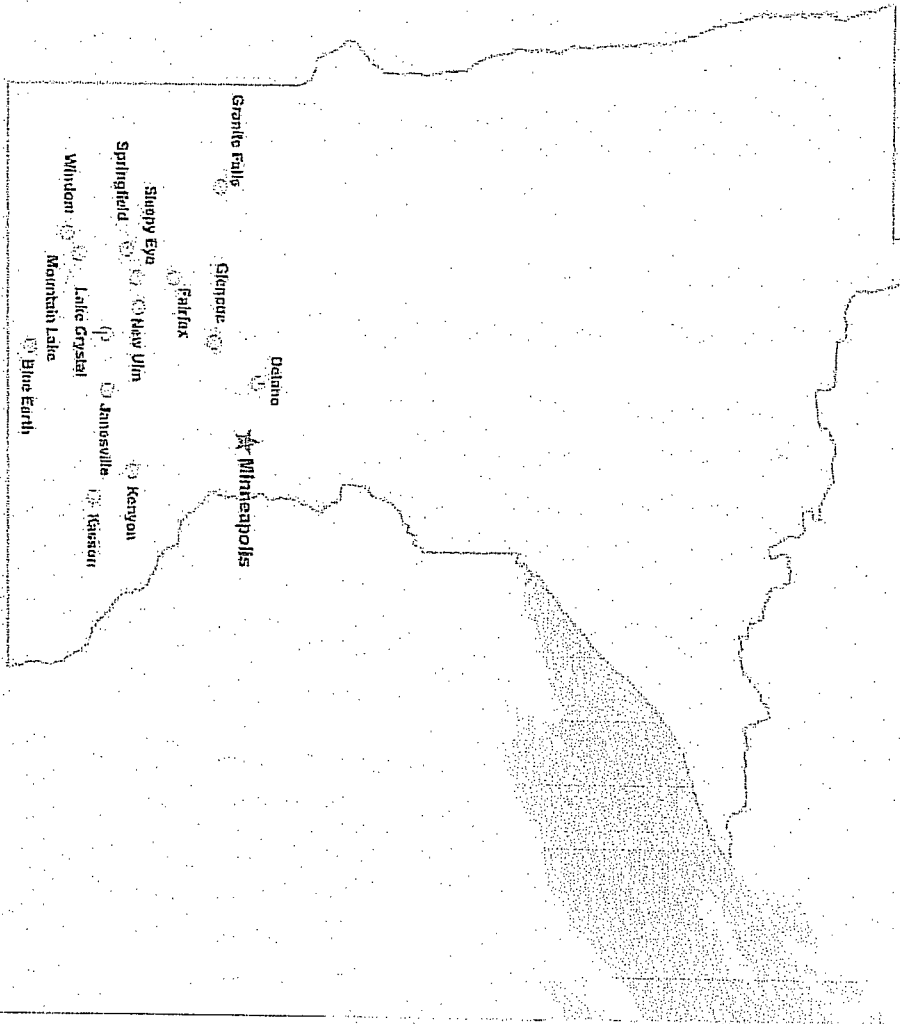
Summary

Applicants' Exhibits 6 and 46

Overview

- **Central Minnesota Municipal Power Agency (CMMPA)**
 - An organization of 14 small municipal distribution utilities in south central Minnesota
 - Board of Directors consisting of 14 representatives, one from each member system
 - Forecasted 163 MW peak demand in 2006
 - Seven employees
- **CMMPA is a project-oriented agency**
 - Each member responsible for their planning their own portfolio; The agency assists and advises them only
 - Members plan and finance their own local peaking generation
 - Agency primarily involved in assisting members in planning, procuring and financing shared baseload resources
 - Members retain autonomy to make final decision of what “projects” they add to their portfolio

CMMPA Members



CMMPA Members

Overview (continued)

- Twelve of the 14 CMMPA members are participating in Big Stone Unit II, plus Willmar, MN, a non-member municipal utility
- Our proposed share in Big Stone Unit II is 30 MW.

Supply Portfolio

- Today, CMMPA purchases almost 100% of its energy
 - Only 30% of these purchases are at fixed, stable prices
 - 70% of these purchases are purchased either directly from the market, or contractual arrangements that closely mirror market prices
 - A majority these market based purchases are non-firm, do not include capacity, are interruptible and require being backed up/hedged by the members' high-cost local diesel peaking generation
- **This legacy resource strategy is no longer viable due to:**
 - Increases in natural gas prices
 - Tight supply or decreasing availability of low-cost surplus economy energy in the market
 - Increasingly-constrained transmission system, resulting in interruptions in delivery

Resource Planning

- CMMPA is not required to file integrated resource plans in Minnesota
 - Too small in size
- CMMPA retained RW Beck to performed three consecutive, power supply studies (in 2002, 2004 and 2006)
 - All three studies economically compared baseload coal generation, natural gas generation and market purchases
 - Each study was a refinement of previous studies
 - Updated load and natural gas price forecasts
 - 2006 study considered DSM and renewables as well
 - Each subsequent study showed similar results, which economically confirmed our need for baseload coal generation

Resource Planning (continued)

- The 2006 RW Beck study is the most comprehensive, up-to-date study, and **supersedes previous analyses**
 - Included an econometric load forecast and system-level analysis
 - Also evaluated DSM and renewables
 - Used leading-edge, Strategist™ computer model
- **2006 RW Beck study results**
 - Capacity deficits without Big Stone Unit II
 - By 2011, our reserve margin will fall below 10%
 - We could economically justify an additional 30 MW more than our current proposed Big Stone Unit II share of 30 MW (or 60 MW in total)
 - The additional 30 MW being economically justifiable from energy cost savings realized from avoided, market-price energy purchases
 - Additional renewable wind energy is desirable
 - DSM beyond current CIP-based efforts is not cost-effective

Need for Baseload (continued)

- CMMPA's needs baseload generation today
 - Until recently, CMMPA was under a full-requirements contract
 - CMMPA currently has no baseload generation
 - CMMPA's alternative to Big Stone Unit II is to continue to purchase from the market
 - Economical market purchases are either not available or deliverable

- Why Big Stone Unit II?

- Members' only capacity is oil- and natural gas-fired peaking units
- We are now at the mercy of rising and volatile natural gas prices, and ongoing tightening of the supply/demand situation in the region
- 70% of our energy supply is non-firm energy, with market-based pricing
- Prices for our wholesale purchases have risen dramatically the past few years

Need for Baseload (continued)

- Participation in the Big Stone Project
 - Provides firm energy from the generator portion of the project
 - Also provides firm delivery from the transmission portion of the project
 - CMMPA need both baseload coal generation and transmission
- Participation in the Big Stone Project allows CMMPA to own generation and transmission
 - And to have more direct control over its future long-term power supply, and protect its members from market volatility
- CMMPA members need reliable, low energy cost, baseload capacity
 - To meet our projected capacity deficits
 - To replace high-priced market purchases and lower our energy prices
 - To stabilize the current volatility of our prices
 - To supplement and back-up our renewables efforts