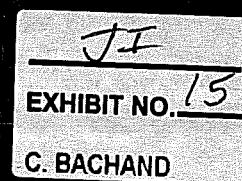
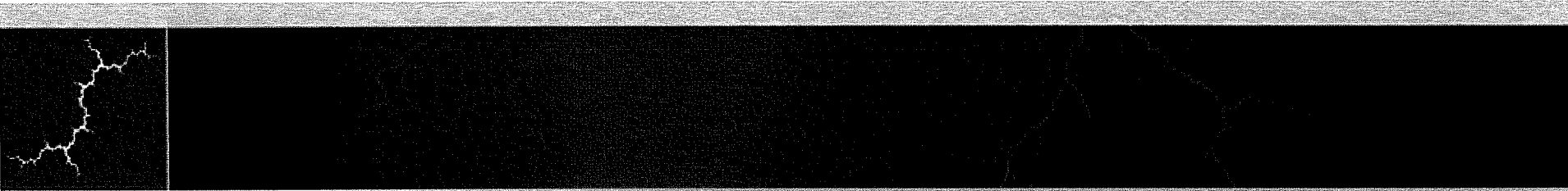


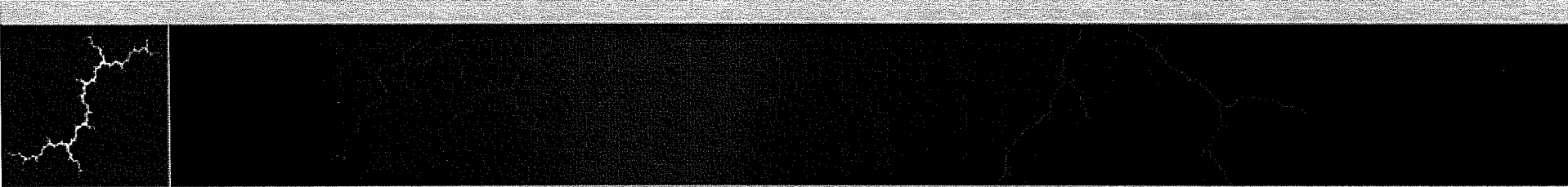
Synapse  
Energy Economics, Inc.

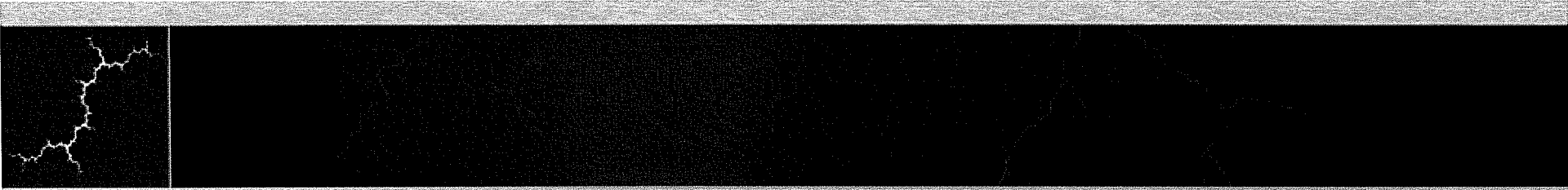
# Summary of the Testimony of David Schlissel and Anna Sommer

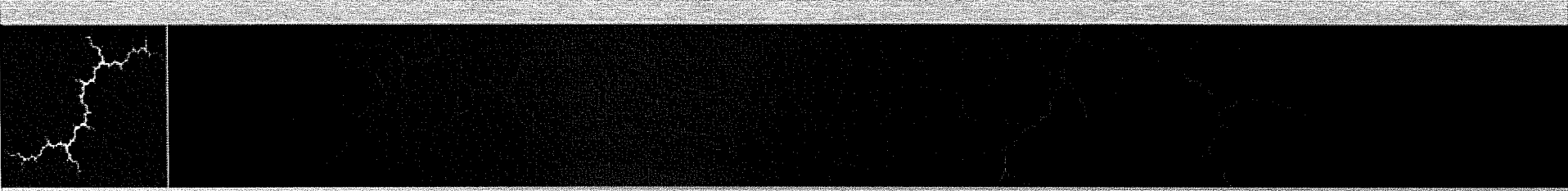
South Dakota Public Utilities Commission  
June 29, 2006

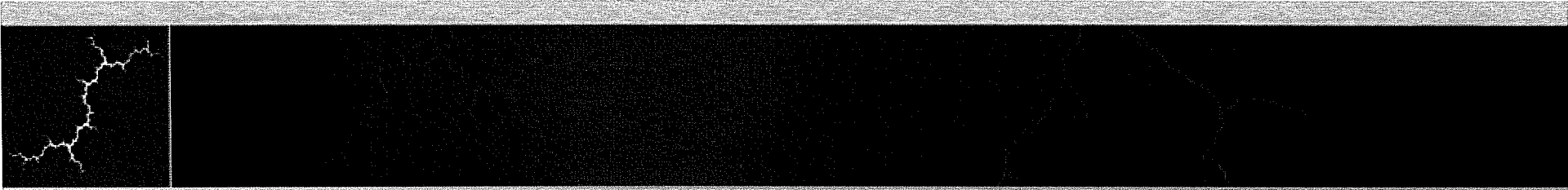


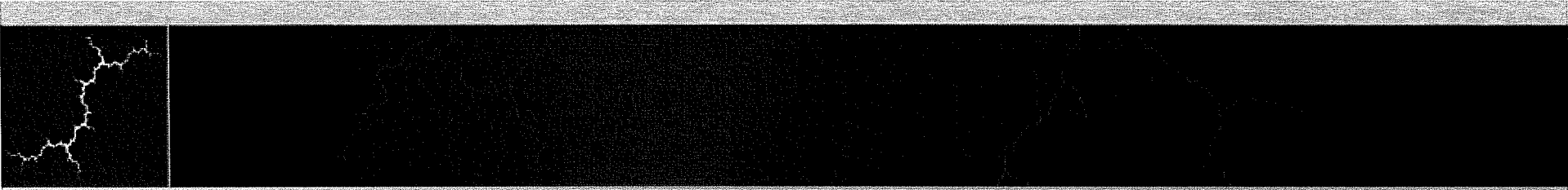
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- In their planning and decision to build Big Stone II the Co-owners have assumed that there will be no regulation of CO<sub>2</sub> emissions during the plant's projected 40 year or longer operating life.
  - However, CO<sub>2</sub> regulation is not speculative even though the timing and stringency of such regulations is uncertain at this time.
  - Congress has examined and continues to examine numerous bills that would limit CO<sub>2</sub> emissions.

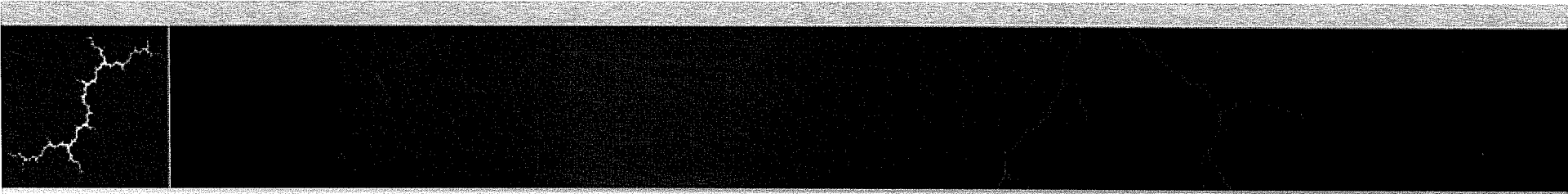
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- We have developed a range of projected CO<sub>2</sub> allowance costs from 2010 through 2030.
  - Under the Synapse CO<sub>2</sub> allowance price forecast Big Stone II would incur an annual penalty of \$35,152,128 to \$137,463,322.
  - Despite uncertainties, this issue must be addressed *now* before the plant is built.
  - There is no economical control technology for CO<sub>2</sub> emissions from pulverized coal plants.

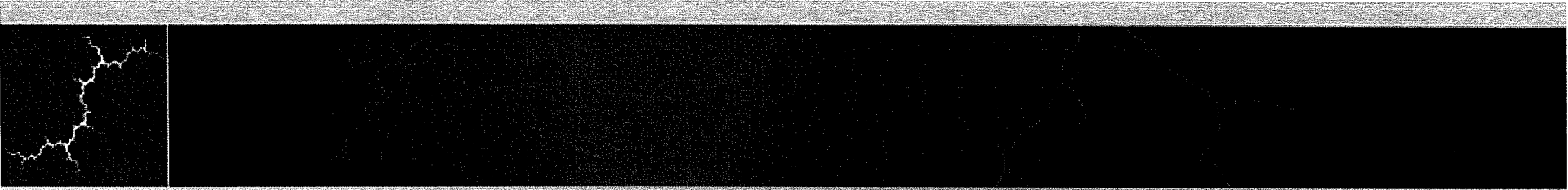
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- An externality is different from a regulatory cost.
  - An externality is a cost caused but not borne by the producer of the cost.
  - We have not considered externality costs in our testimony.
  - We have presented a range of projected direct costs of federal efforts to limit CO<sub>2</sub> emissions.

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- Although the Co-owners have demonstrated that as a group they require additional capacity during peak demand hours starting in or about 2011, they have not shown that they need a 600 MW dispatchable unit.

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- The Co-owners have not shown that a portfolio of resources that includes renewables and DSM would not be more cost-effective than Big Stone II.
  - Now the Co-owners are saying that in future years they will add some renewables and some DSM.
  - However, it appears that some of the wind resources that the Co-owners say that they will add will not be added before the 2015-2020 timeframe, nearly a decade after Big Stone II would be built.

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- Each of the Big Stone II Co-owners is already heavily dependent upon coal. Adding Big Stone II will make them even more dependent.
  - Despite their claimed plans to add wind, other renewables and DSM, the Co-owners will remain highly dependent upon coal and natural gas-fired capacity and thus will continue to be highly susceptible to costs resulting from federal regulation of greenhouse gases.

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- Despite what the Co-owners claim in their testimony, we have not proposed that a gas plant be built in place of Big Stone II.
  - What we have done is to show that there are alternatives that are more economical than Big Stone II.

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- For the purposes of planning and deciding whether to build Big Stone II it is prudent to assume:
    - That at some time in the not-to-distant future the federal government will take meaningful action to reduce emissions of greenhouse gases from power plants.
    - That wind resources in South Dakota, Minnesota and North Dakota will deserve a capacity credit of between 15% and 25% of their rated capacity.
    - That the wind production tax credit will continue to be renewed.