

February 3, 2017

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. IP6961/CN-16-215

Dear Mr. Wolf:

Attached are the comments of the Minnesota Department of Commerce (Department) in the following matter:

Application for a Certificate of Need for Blazing Star Wind Farm Project.

The Petition was filed July 20, 2016 by:

Christina K. Brusven
Fredrikson & Byron, P.A.
200 South Sixth Street, Suite 4000
Minneapolis, MN 55402

The Department recommends that the Minnesota Public Utilities Commission (Commission) issue a Certificate of Need to Blazing Star Wind Farm, LLC and is available to answer any questions the Commission may have.

Sincerely,

/s/ MICHAEL RYAN
Rates Analyst

MR/lt

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS OF THE
MINNESOTA DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

DOCKET No. IP6961/CN-16-215

I. INTRODUCTION

A. EXEMPTION

On March 8, 2016, Blazing Star Wind Farm, LLC (Blazing Star, the Applicant, or the Petitioner) filed a *Request for Exemption from Certain Certificate of Need Application Content Requirements* (Exemption Petition). The Project is expected to not exceed 200 MW. The facility is expected to be located on approximately 37,200 acres in Lincoln County in southwest Minnesota and span across three townships: Hansonville, Hendricks, and Marble.

The Exemption Petition requested that the Minnesota Public Utilities Commission (Commission) approve exemptions from certain Certificate of Need (CN) application content requirements. For certain requirements, alternative data was proposed. Specifically, Blazing Star requested that the Commission grant full or partial exemptions to Minnesota Rules:

1. 7849.0240, subp. 2(B): Promotional Activities;
2. 7849.0250, subp. B(1) – (5): Description of Certain Alternatives;
3. 7849.0250(C) (1) – (9): Details Regarding Alternatives;
4. 7849.0250(C) (7): Effect of Project on Rates Systemwide;
5. 7849.0250(D): Map of Applicant's System;
6. 7849.0270: Peak Demand and Annual Consumption Forecast;
7. 7849.0280: System Capacity;
8. 7849.0290: Conservation Programs;
9. 7849.0300: Consequences of Delay;
10. 7849.0330: Transmission Facilities; and
11. 7849.0340: No Facility Alternative.

On March 16, 2016, comments on the Exemption Petition were filed by the Minnesota Department of Commerce, Division of Energy Resources (Department or DOC). On April 28, 2016, the Commission issued an Order approving the Exemption Petition.

B. CN PETITION

On July 20, 2016, Blazing Star filed its *Application for Certificate of Need* (Petition). On August 2, 2016, the Department filed comments on the completeness of the Petition. The Commission issued its *Order Accepting Application as Substantially Complete and Directing Use of Informal Review Process* (Completeness Order) on September 19, 2016.

On December 6, 2016, the Commission issued a *Notice of Comment Period on the Merits of the Application for a Certificate of Need* (Notice) which established comment and reply comment deadlines of February 6, 2017 and March 6, 2017, respectively, regarding the merits of the Petition. In response to the Notice, below are the comments of the Department regarding the merits of the *Petition*.

II. DEPARTMENT ANALYSIS

Minnesota Statutes, section 216B.2421, subd. 2 (1) defines a large energy facility (LEF) as:

... any electric power generating plant or combination of plants at a single site with a combined capacity of 50,000 kilowatts or more and transmission lines directly associated with the plant that are necessary to interconnect the plant to the transmission system.

Since the proposed Project would have a design capacity of approximately 200 MW (200,000 kilowatts), it qualifies as an LEF. Minnesota Statutes, section 216B.243, subd. 2 states that “no large energy facility shall be sited or constructed in Minnesota without the issuance of a certificate of need by the Commission . . .” Therefore, a CN application must be approved by the Commission before the proposed facility can be sited or constructed.

There are several factors to be considered by the Commission in making a determination in CN proceedings. In general, these factors are located in different sections of Minnesota Statutes. Some of the general statutory criteria are reflected in a more specific way in Minnesota Rules, part 7849.0120. However, some statutory criteria do not appear to be reflected in rules. To clarify the analysis, the Department groups all of the statutory and rule criteria into one of five factor categories.¹ The Department addresses each of the statutory and rule criteria below.

The Department notes that we rely on the Environmental Report (ER) for an analysis of the effects of the proposed Project and the alternatives upon the natural and socioeconomic environments. At the time these comments are being submitted, the ER has not been completed and is being conducted simultaneously in Docket No. IP-6961/WS-16-686. The Department recommends that the Commission consider the ER when it is filed.

¹ Need Analysis, Link to Planning Process, Alternatives Analysis, Socioeconomic Analysis, and Policy Analysis.

A. *NEED ANALYSIS*

Overall, the need analysis is governed by Minnesota Rules, part 7849.0120 (A) which states that a CN must be granted upon determining that:

... the probable result of denial would be an adverse effect upon the future adequacy, reliability, or efficiency of energy supply to the applicant, to the applicant's customers, or to the people of Minnesota and neighboring states.

The rule lists five distinct criteria. The Department presents the analysis of the need for the proposed Project in two parts. The first part is designed to address the accuracy of the forecast underlying the claimed need. The second is designed to address any broader reliability needs. Each is addressed separately below.

1. *Forecast Analysis*

a. *Accuracy of the Forecast*

In the Exemption Petition Order, the Commission granted Blazing Star an exemption to Minnesota Rules, part 7849.0270, which requires an applicant to provide information regarding its system peak demand and annual energy consumption. Instead, to fulfill this requirement, Blazing Star was required to provide information about regional demand, consumption and capacity.

In the Petition, Blazing Star indicated that, "The Project is needed to meet the growing demand for additional renewable resources needed to meet the RES [Renewable Energy Standard] and other clean energy requirements in Minnesota and neighboring states." Blazing Star also stated that a review of utilities' Integrated Resource Plans (IRP), Request for Proposals (RFP), and other similar documents confirms the need for additional renewable generation in the upcoming years. Blazing Star cited recent IRPs for Xcel Energy (Xcel), Minnesota Power (MP), and Otter Tail Power Company (OTP) as an indication of need by Minnesota utilities to purchase greater than 1,000 MW of renewable energy by 2020.² Therefore Blazing Star believes that the up to 200 MW provided by the Project will help to meet the need for renewable energy.

The Department agrees with Blazing Star's assessment of the need for wind resources in Minnesota. The Department notes that in Xcel's most recent IRP, the Commission found that:

Despite slight variation in the exact timing and magnitude, the record clearly showed that acquisition of wind and possibly solar resources in the next five years represents the least-cost method of meeting Xcel's near-term resource needs. The Commission

² Petition at pg. 23.

finds that the record shows that it is reasonable to acquire at least 1000 MW of wind by 2019. This acquisition is least-cost even though Xcel does not show a planning capacity deficit until the mid 2020s because it will provide incrementally lower-cost energy, thereby reducing system costs. Upon submission of evidence such as price, bidder qualifications, rate impact, transmission availability and location, additional acquisitions may be approved.³

In addition to the statement above, the Order also stated in point three, that it is reasonable to acquire at least 1,000 MW of wind by 2019. Of relevance, Xcel Energy filed a petition on October 24, 2016 requesting Commission approval to build, own, and operate a 750-MW wind portfolio (Docket No. E002/M-16-777). The petition identified “Blazing Star I,” a 200-MW project, as one of the projects in the portfolio.⁴ At this time, the Commission has not approved Xcel’s purchase of the proposed Project or its output.⁵ Therefore, the Department does not limit the assessment of the forecasted need to the need identified in Xcel’s most recent IRP.

In MP’s most recent IRP,⁶ the Commission’s Order required MP to initiate a competitive-bidding process to procure 100-300 MW of installed wind capacity. In the Order the Commission stated that it concurred with MP and the Department that “procuring additional wind generation in the near term, while it would not provide significant capacity, would benefit MP’s system by supplying low-cost energy at a fixed price.”

In OTP’s ongoing IRP, the parties have also addressed the potential for wind additions.⁷ Both OTP and the Department agree that adding 100 MW of wind by 2018, another 100 MW of wind by 2020, and another 100 MW of wind by 2022 is reasonable. Finally, in the ongoing IRP of Missouri River Energy Services (Docket No. ET10/RP-16-509) the Department’s December 1, 2016 comments indicated that additional wind resources may be economic.

The Department notes that the utilities subject to the Minnesota RES reported in the 2015 *Biennial Transmission Projects Report* that there is sufficient capacity to meet their 2025 milestones. The report indicates that acquired capacity exceeds needed capacity by 1,182 MW, 1,317 MW, and 718 MW for 2016, 2020, and 2025, respectively (inclusive of both MN and other jurisdictions).⁸ The Department notes that the generation capacity that the utilities claim has been acquired to meet the RES is not necessarily located within Minnesota. Further, some non-Minnesota utilities own or have power purchase agreements with wind generation projects located in Minnesota (see Dockets ET6657/CN-07-1425 and

³ Docket No. E002/RP-15-21 Order, pg. 7.

⁴ See page 2 of Xcel’s October 24, 2016 Petition in Docket No. E002/M-16-777.

⁵ The Department notes that Minn. Stat. § 216B.243, subd. 5 requires the Commission to make a determination on a Certificate of Need application within 12 months. The procedural schedule for Docket No. E002/M-16-777 has not yet been set.

⁶ Docket No. E015/RP-15-690

⁷ Docket No. E017/RP-16-386

⁸ Docket No. E999/M-15-439: Transmission Projects Report 2015, at Chapter 8.5.2, pg. 142

IP6829/CN-09-1046). The Department notes that the forecasted energy sales and associated capacity needs upon which the sufficiency claim was made in the *Biennial Transmission Projects Report* were not independently verified; nonetheless, individual utilities may need renewable energy even when the total is sufficient because some utilities may have surplus amounts of renewable energy while other utilities may continue to need more renewable energy (or may need to purchase renewable energy credits) to meet the RES.

In summary, considering the potential need for wind resources to meet renewable energy standards in Minnesota and the region, the significant need for wind resources based on recent IRPs, and the cost competitiveness of wind as indicated in Docket No. E002/M-16-777, the Department concludes that Blazing Star's forecast of the need for the renewable energy expected to be produced by the proposed Project is reasonable.

b. Overall State Energy Needs

Also related to the forecast analysis is Minnesota Rules, part 7849.0120 C (1) which states that the Commission is to consider "the relationship of the proposed facility, or a suitable modification thereof, to overall state energy needs." A review of the most recently approved resource plans shows that Minnesotans are still expected to demand more electricity over time. The proposed Project could help Minnesota meet its energy needs while supporting the state's renewable energy and greenhouse gas emissions-reduction goals (see Minnesota Statutes, section 216H.02). Therefore, the Department concludes that the proposed Project fits the state's overall energy needs.

2. Reliability Analysis

Minnesota Statutes, section 216B.243, subd. 3 (5) states that, in assessing need, the Commission shall evaluate the "benefits of this facility, including its uses to . . . increase reliability of energy supply in Minnesota and the region." Blazing Star will need to apply to the Midcontinent Independent System Operator (MISO) in order to interconnect to the transmission grid. MISO engineers study the impact on the reliability of the electrical system of each addition to the grid, and the Department relies upon MISO's analysis. Therefore, the Department concludes that this criterion has been met.

B. LINK TO PLANNING PROCESS

This section discusses the following aspects of this proposal: size, type and timing; renewable preference; and analysis of demand-side management (DSM) as an alternative to the proposed Project.

1. Size, Type, and Timing

Minnesota Rules, part 7849.0120 B (1) states that the Commission is to consider "the appropriateness of the size, the type, and the timing of the proposed facility compared to those of reasonable alternatives."

a. Size

Regarding size, the Department notes that, collectively, information submitted by the utilities subject to the Minnesota RES indicates that there is enough capacity in aggregate to meet need through 2025, but this does not incorporate the fact that individual utilities with insufficient capacity will need additional renewable generation to meet the RES. Further, the data in the *2015 Biennial Transmission Projects Report* indicate that renewable capacity will expire between 2020 and 2025 due primarily to the expiration of power purchase agreements.⁹ If the proposed Project is granted a CN and is implemented, it will have to compete with the other wind energy projects in the wind energy market to fulfill the identified needs.

Furthermore, the Petition stated that the Project is sized to take advantage of economies of scale while also making efficient use of existing transmission capacity. Based on the discussion above regarding forecasted wind energy needs and the Applicant's economic incentives, the Department concludes that the proposed Project's size is not excessive and therefore is reasonable.

b. Type

The Commission's Exemption Order granted Blazing Star a full exemption to Minnesota Rules, part 7849.0250 (B) (1) – (3), and (5). The Petitioner requests a partial exemption to data requirement (4) to the extent that the Rule requires discussion of non-renewable alternatives. Blazing Star stated that since the goal of the project is to provide renewable energy that will help utilities satisfy Minnesota's RES, information regarding non-renewable alternatives would not be relevant. Given these factors, along with the preference for renewable, non-carbon-emitting energy resources in Minnesota Statutes, the Department concludes that the proposed Project's type is reasonable.

c. Timing

Blazing Star stated that the Project is expected to be operational by the end of 2018. The timing of the proposed Project generally coincides with the anticipated need for wind additions of multiple utilities as discussed in the forecast section above. To summarize, recent IRPs for Xcel Energy (Xcel), Minnesota Power (MP), and Otter Tail Power Company (OTP) reflect a need by Minnesota utilities to purchase greater than 1,000 MW of wind energy by 2020.

The project would also help a utility meet Minnesota's RES, but it is important to note that there is unlikely to be a one-to-one relationship between CN applications and Minnesota RES obligations. More specifically, the Department notes that:

⁹ Docket No. E999/M-15-439: Transmission Projects Report 2015, at Chapter 8.5.1, pg. 141.

- There will not likely be a one-to-one match between CN applications based on the regional need for renewable generation and Minnesota utilities' RES compliance level;
- Additional renewable resources will be needed for certain Minnesota utilities to meet their 2025 RES requirements due to capacity expirations;
- Capacity additions are typically added in "chunks" due to the benefits of economies of scale;
- The renewable energy production tax credit will be gradually phased out starting in 2017 and is currently scheduled to sunset at the end of 2019.¹⁰ This may lead to earlier wind additions than might be the case otherwise; and
- There are uncertainties involved in accomplishing the associated transmission additions or upgrades needed for integrating the output of previously approved and variously located wind generation projects.

Finally, the Department notes that Minnesota Rules, part 7849.0400 requires the recipient of a CN to notify the Commission if the proposed in-service date is delayed by more than one year. In summary, the Department concludes that the timing of the proposed Project is reasonable.

2. Renewable Preference

There are two sections of Minnesota Statutes that provide a preference for renewable resources in resource planning decisions. First, Minnesota Statutes, section 216B.243, subd. 3a states that:

The commission may not issue a certificate of need under this section for a large energy facility that generates electric power by means of a nonrenewable energy source, or that transmits electric power generated by means of a nonrenewable energy source, unless the applicant for the certificate has demonstrated to the commission's satisfaction that it has explored the possibility of generating power by means of renewable energy sources and has demonstrated that the alternative selected is less expensive (including environmental costs) than power generated by a renewable energy source. For purposes of this subdivision, "renewable energy source" includes hydro, wind, solar, and geothermal energy and the use of trees or other vegetation as fuel.

Second, Minnesota Statutes, section 216B.2422, subd. 4 states that:

The commission shall not approve a new or refurbished nonrenewable energy facility in an integrated resource plan or a certificate of need, pursuant to section 216B.243, nor shall the

¹⁰ <https://energy.gov/savings/renewable-electricity-production-tax-credit-ptc>

commission allow rate recovery pursuant to section 216B.16 for such a nonrenewable energy facility, unless the utility has demonstrated that a renewable energy facility is not in the public interest.

Minnesota Statutes indicate a clear preference for renewable facilities in resource acquisition decisions. The proposed Project meets that preference.

3. *DSM Analysis*

The Commission's Exemption Order exempted the Petitioner from providing information on conservation programs, Minnesota Rules, part 7849.0290 and the potential for reducing the need for this generation project because Blazing Star does not have retail customers and does not operate any conservation programs. However, it is unlikely that the regional needs for wind energy at the scale indicated by Blazing Star could be met through conservation programs.

C. *ANALYSIS OF ALTERNATIVES*

Overall, the analysis of alternatives is governed by Minnesota Rules, part 7849.0120 B which states that a CN must be granted upon determining that "... a more reasonable and prudent alternative to the proposed facility has not been demonstrated by a preponderance of the evidence on the record." The rule then proceeds to list four distinct criteria. The Department breaks down its analysis of the alternatives to the proposed facility into four broad areas:

- alternatives analysis;
- reliability analysis;
- distributed generation (DG); and
- preference for an innovative energy project (IEP) as defined in Minnesota Statutes.

Each area is addressed separately below.

1. *Alternatives Analysis*

a. *Non-CN Facilities Analysis*

Minnesota Rules, part 7849.0120 A (4) states that the Commission is to consider "the ability of current facilities and planned facilities not requiring certificates of need to meet the future demand." The primary alternatives to the proposed facilities are purchases from renewable facilities outside Minnesota or construction of renewable Minnesota facilities that are small enough not to require certificates of need (less than 50 MW).

As an independent power producer (IPP), Blazing Star is a producer or seller, rather than purchaser, of electric generation. A renewable facility of less than 50 MW would not

contribute as substantial an amount of renewable energy towards the Minnesota RES or towards a utility's need for additional wind resources, and would not benefit as much from economies of scale as the proposed Project. Also, the Petitioner has the incentive to site generation in an economically efficient manner inside or outside Minnesota. Further, the Department notes that any party wishing to do so may propose an alternative to the proposed facility; at this time, no party filed such a proposal in this proceeding. Therefore, the Department concludes that current and planned facilities not requiring a CN have not been demonstrated to be more reasonable than the proposed Project.

b. Cost Analysis

Minnesota Rules, part 7849.0120 B (2) states that the Commission is to consider "the cost of the proposed facility and the cost of energy to be supplied by the proposed facility compared to the costs of reasonable alternatives and the cost of energy that would be supplied by reasonable alternatives." In its Exemption Order, the Commission granted Blazing Star an exemption to Minnesota Rules, part 7849.0250 (C), which requires an applicant to provide a description of alternatives that could provide electric power at the asserted level of need. Only details regarding renewable alternatives need be provided, including an estimate of the proposed Project's effect on wholesale rates in Minnesota or the region.

As noted earlier, Xcel Energy filed a petition on October 24, 2016 requesting Commission approval to build, own, and operate a 750-MW wind portfolio. The petition identified "Blazing Star I," a 200-MW project, as one of the projects in the portfolio, indicating that the projected costs for the projects in its portfolio are lower than any of Xcel's past renewable resource additions.¹¹ Xcel's statement is consistent with Commission decisions made in recent IRPs requiring significant near-term wind resource additions, as discussed in the forecast section above.

The Petition also included a discussion of alternatives to the proposed Project, including, but not limited to hydropower, biomass, solar, and emerging technologies. Blazing Star relied on cost information from the U.S. Department of Energy's Energy Information Administration.¹² Blazing Star concluded that wind energy resources are cost effective when compared with other renewable resources. The Department concludes that the data provided is reasonable and demonstrates wind energy's cost advantages and disadvantages relative to other renewable sources.

Blazing Star stated that the proposed Project's energy production will be modest in comparison to the annual energy consumption of Minnesota and the region. However, because the proposed Project would not be subject to fluctuations in fuel costs, the Project could help stabilize or lower electricity prices in the state and region. For the most part, the Department concurs with Blazing Star's conclusion. The Department agrees that a wind facility the size of the proposed Project is not likely to have a significant effect on MISO wholesale prices. As far as wind resources in aggregate, wind facilities are the "first"

¹¹ See page 2 of Xcel's October 24, 2016 petition in Docket No. E002/M-16-777.

¹² Petition, pg. 20, Table 3: Renewable Technology Costs.

resources accepted under the production protocols of MISO. Therefore, since pricing in the MISO market is based on the last (marginal) resource (typically natural gas or inefficient coal), electricity produced by wind facilities in aggregate can decrease the amount of natural gas, or whatever is the highest priced option at a given time, that is used for generating electricity.

c. *Natural and Socioeconomic Environments Analysis*

Minnesota Rules, part 7849.0120 B (3) states that the Commission is to consider “the effects of the proposed facility upon the natural and socioeconomic environments compared to the effects of reasonable alternatives.” The proposed facility will have relatively minor pollution impacts. Also the Petitioner stated that approximately 80 to 90 acres of agricultural land would be permanently removed from production. Therefore, consideration of the effects on the natural and socioeconomic environments using the Commission’s approved externality values would not significantly impact the overall cost analysis. Further, as no reasonable alternatives to the proposed Project have been identified, comparing the effects of the proposed Project with another wind project of this size is not likely to result in significant differences. Therefore, the Department concludes that this sub-criterion has been met.

2. *Reliability Analysis*

Minnesota Rules, part 7849.0120 B (4) states that the Commission is to consider “the expected reliability of the proposed facility compared to the expected reliability of reasonable alternatives.” Blazing Star estimates that the proposed Project will have an availability of at least 97 percent, which it states is consistent with industry standards.¹³ The Petitioner also estimates a capacity factor of approximately 45 to 50 percent.¹⁴ The Department confirmed that the proposed expected capacity factor is within the National Renewable Energy Laboratory’s *Utility-Scale Energy Technology Capacity Factors* range.¹⁵ Further, since the proposed facility is a wind farm with a number of turbines, if there is a problem with one turbine, the other turbines remain available for producing power. This design will minimize the impact of problems experienced with any single turbine. Therefore, the Department concludes that this subcriterion has been met.

3. *Distributed Generation Analysis*

Minnesota Statutes, section 216B.2426 states that:

The Commission shall ensure that opportunities for the installation of distributed generation, as that term is defined in section 216B.169, subdivision 1, paragraph (c), are considered in any proceeding under section 216B.2422, 216B.2425, or 216B.243.

¹³ Petition, pg. 21.

¹⁴ Petition, pg. 15.

¹⁵ http://www.nrel.gov/analysis/tech_cap_factor.html as of January 10, 2017.

Minnesota Statutes, section 216B.169 states:

For the purposes of this section, the following terms have the meanings given them . . . (c) “High-efficiency, low-emission, distributed generation” means a distributed generation facility of no more than ten megawatts of interconnected capacity that is certified by the commissioner under subdivision 3 as a high efficiency, low-emission facility.

The Department notes, first, that no proposals for distributed generation as an alternative to the proposed Project have been filed in this proceeding. Second, the Department notes that potential buyers of the proposed Project’s output should have an incentive to use the lowest cost resource available. If the buyer is an investor-owned utility (IOU), the Commission will have the opportunity to review the Purchased Power Agreement or facility purchase to ensure that the price and terms are reasonable. Non-IOU generation and transmission utilities are non-profit, compete for distribution utility clients, and therefore have an incentive to reduce costs. Therefore, the Department concludes that a potential buyer of the proposed Project’s output has the incentive to consider all resources available, including distributed generation. The Department concludes that the requirement to consider distributed generation has been met.

4. Innovative Energy Project (IEP) Preference

Minnesota Statutes, section 216B.1694, subd. 2 (a) (4) states that an IEP:

... shall, prior to the approval by the commission of any arrangement to build or expand a fossil-fuel-fired generation facility, or to enter into an agreement to purchase capacity or energy from such a facility for a term exceeding five years, be considered as a supply option for the generation facility, and the commission shall ensure such consideration and take any action with respect to such supply proposal that it deems to be in the best interest of ratepayers.

This statute does not apply since the proposed facility is not a fossil-fuel-fired generation facility.

D. SOCIOECONOMIC ANALYSIS

Overall, the socioeconomic analysis is governed by Minnesota Rules, part 7849.0120 C which states that a CN must be granted upon determining that:

... by a preponderance of the evidence on the record, the proposed facility, or a suitable modification of the facility, will provide benefits to society in a manner compatible with

protecting the natural and socioeconomic environments,
including human health.

Blazing Star stated that the proposed Project will provide a large amount of renewable energy with minimal environmental impact, which will help meet the RES and other needs for wind energy resources. Further, the Applicant stated that the Project will benefit the local economies through lease payments, energy production taxes, jobs (both temporary construction and permanent operations and maintenance jobs), and other local spending. Finally, Blazing Star noted that the Project will be situated on agricultural land and that turbine placements will be chosen to minimize the proposed Project's effect on land use, noise, and shadow flicker.

As noted above, the Department relies on its Environmental Report (ER) for its socioeconomic analysis in a CN proceeding. As of the date of the submission of these comments, the ER is not yet complete. It is scheduled to be completed no later than March 2017. Therefore, the Department recommends that the Commission consider the ER that will be filed by the Energy Facilities Permitting Staff of the Department in the Commission's decision in this matter in Docket No. IP-6961/WS-16-686.

E. POLICY ANALYSIS

There are several remaining criteria in statutes and rules that are applicable to a CN but do not closely fit into the need, planning, alternatives, and socioeconomic categories discussed above. Therefore, these criteria are grouped into a final category of policy consideration. In this policy section, the Department addresses criteria related to:

- policies of other state and federal agencies;
- promotional practices;
- RES compliance;
- environmental cost planning;
- transmission planning compliance; and
- carbon dioxide emissions.

1. Other State and Federal Agencies

Minnesota Rules, part 7849.0120 D states that a CN must be granted on determining that:

... the record does not demonstrate that the design, construction, or operation of the proposed facility, or a suitable modification of the facility, will fail to comply with relevant policies, rules, and regulations of other state and federal agencies and local governments.

Again, Blazing Star indicated that the proposed Project serves overall state and regional energy needs and addresses federal and state renewable energy policies. The Applicant further stated that the proposed Project will meet or exceed the requirements of all federal,

state, and local environmental laws and regulations.¹⁶ Blazing Star provided a table listing the potential permits and approvals needed for the proposed Project (see Table 8 in the CN Petition). This table appears to be comprehensive. The Department has no reason to believe that the Applicant will fail to comply with the requirements of the listed federal and state agencies and local and tribal governments.

Further, the Department notes that state agencies authorized to issue permits for the proposed Project are required to present their position and participate in the public hearing process (see Minnesota Statutes, section 216B.243, subd. 7). The Department observes that the Commission has consistently considered state agency input in its final CN decisions. Therefore, the Department concludes that the record at this time does not demonstrate that the design, construction, or operation of the proposed Project, or a suitable modification of the facilities, will fail to comply with relevant policies, rules, and regulations of other state and federal agencies and local governments.

2. Promotional Practices

Minnesota Rules, part 7849.0120 A (3) states that the Commission is to consider “the effects of promotional practices of the applicant that may have given rise to the increase in the energy demand, particularly promotional practices which have occurred since 1974.” In its Exemption Order, the Commission granted Blazing Star an exemption to Minnesota Rules, part 7849.0240, subp. 2 (B) which calls for the Applicant to provide a summary of the promotional practices that may have given rise to the demand for the facility. The exemption was granted because Blazing Star does not have captive retail customers and there is no authorized rate of return to consider. Nonetheless, the Applicant stated that it has not engaged in promotional activities that could have given rise to the need for the electricity to be generated by the Project.¹⁷ Therefore, the Department concludes that this subcriterion has been met.

3. RES Compliance

a. Compliance with Minnesota Statutes, section 216B.1691

Minnesota Statutes, section 216B.243, subd. 3 (10) states that the Commission shall evaluate “whether the applicant or applicants are in compliance with applicable provisions of sections 216B.1691” Minnesota Statutes, section 216B.1691 relates to Minnesota’s requirements regarding the provision of renewable energy to Minnesota’s retail customers. Given that Blazing Star has no retail customers in Minnesota, the Department concludes that this statutory criterion is not applicable.

¹⁶ Petition, pg. 13.

¹⁷ Petition, pg. 4.

4. *Environmental Cost Planning*

Minnesota Statutes, section 216B.243, subd. 3 (12) states that the Commission shall evaluate “if the applicant is proposing a nonrenewable generating plant, the applicant’s assessment of the risk of environmental costs and regulation on that proposed facility over the expected useful life of the plant, including a proposed means of allocating costs associated with that risk.” In this case, Blazing Star is proposing a renewable generation facility. Therefore, this statute does not apply.

5. *Transmission Planning Compliance*

Minnesota Statutes, section 216B.243, subd. 3 (10) states that the Commission shall evaluate:

... whether the applicant or applicants are in compliance with applicable provisions of section 216B.1691 and 216B.2425, subdivision 7, and have filed or will file by a date certain an application for certificate of need under this section or for certification as a priority electric transmission project under section 216B.2425 for any transmission facilities, or upgrades identified under section 216B.2425, subdivision 7.

Blazing Star stated that the proposed Project will not require the construction of any new transmission facilities beyond the internal collection system and substation. Power from the proposed Project will be transmitted from 10 34.5 kV feeder lines to the new substation. The substation will interconnect at the Brookings to Lyon County 345 kV line.¹⁸ Since Minnesota Statutes, section 216B.2425 is applicable only to entities that own or operate electric transmission lines in Minnesota, it appears that this statute does not apply in this case.

6. *Carbon Dioxide Emissions*

Minnesota Statutes, section 216H.03, subd. 3 states that:

... on and after August 1, 2009, no person shall: (1) construct within the state a new large energy facility that would contribute to statewide power sector carbon dioxide emissions; ...

The Department notes that the proposed Project will not contribute to statewide power sector carbon dioxide emissions.

¹⁸ Petition, pg. 36.

III. SUMMARY OF DEPARTMENT ANALYSIS

In these comments, the Department addresses the following statutory criteria:

Statutory Criteria: Minn. Stat. §216B.243	Where Addressed in these Comments	Department's Statement
Minn. Stat. § 216B.243, subd. 3 (9)	N/A	The proposed Project is not a transmission line.
Minn. Stat. §§ 216B.243, subd. 3a and 216B.2422, subd. 4	Section II, B, 2 Page 7	Minnesota Statutes indicate a clear preference for renewable facilities. The proposed facility meets that preference.
Minn. Stat. § 216B.2426	Section II, C, 3 Page 10	No proposals for distributed generation as an alternative to the proposed Project have been filed in this proceeding. Potential buyers of the proposed Project's output should have an incentive to use the lowest cost resource available, including distributed generation. The Department concludes that the requirement to consider distributed generation has been met.
Minn. Stat. § 216B.1694, subd. 2 (a) (5)	Section II, C, 4 Page 11	This statute does not apply since the proposed facility is not a fossil-fuel-fired generation facility.
Minn. Stat. §§ 216B.243, subd. 3 (10) and 216B.1691	Section II, E, 3 Page 14	Given that the Applicant has no retail customers Minnesota, the Department concludes that this statute does not apply.
Minn. Stat. § 216B.243 subd. 3 (12)	Section II, E, 4 Page 14	In this case, the applicant is proposing a renewable generation facility. Therefore, this statute does not apply.
Minn. Stat. §§ 216B.243, subd. 3 (10) and 216B.2425, subd. 7	Section II, E, 5 Page 14	Since Minnesota Statutes, section 216B.2425 is applicable only to entities that own or operate electric transmission lines in Minnesota, this statute does not apply in this proceeding.
Minn. Stat. §§ 216B.243, subd. 3 and 216B.243, subd. 3 (8)	Section II, B, 3 Page 8	The Applicant does not have retail customers and does not operate any conservation programs. It is unlikely that the regional needs for wind energy could be met through conservation programs.
Minn. Stat. § 216H.03	Section II, E, 6 Page 14	Since wind energy projects do not produce carbon dioxide emissions the Department concludes that the proposed Project does not violate this statute.

In addition, the Department addressed the criteria established in Minnesota Rules, part 7849.0120, which reiterate the criteria established in Minnesota Statutes, section 216B.243, subd. 3 (1) – (8).

Regulatory Criteria: Minn. Rules, Part 7849.0120	Where Addressed in These Comments	The Department's Statement
Subpart A (1)	Section II, A, 1, a Pages 3-5	Considering the need for renewable energy in the region, the Department concludes that the Applicant's forecast of the need for the renewable energy expected to be produced by the proposed Project is reasonable.
Subpart A (2)	Section II, B, 3 Page 8	The Applicant does not have retail customers and does not operate any conservation programs. It is unlikely that the regional needs for wind energy could be met through conservation programs.
Subpart A (3)	Section II, E, 2 Page 13	The Applicant states that it has not engaged in any promotional activities directed toward increasing demand. Therefore, the Department concludes that this subcriterion has been met.
Subpart A (4)	Section II, C, 1, a Pages 8-9	Current and planned facilities not requiring a CN have not been demonstrated to be more reasonable than the proposed Project.
Subpart A (5)	Section II, D Pages 11-12	The general site and expected turbine placements minimize the proposed Project's effect on land use and human impact and enable the use of an existing transmission line.
Subpart B (1)	Section II, B, 1 Page 5-6	The Department concludes that the proposed Project's size is not excessive and the type and timing are reasonable.
Subpart B (2)	Section II, C, 1, b Page 9-10	Wind energy resources are cost effective when compared with other renewable resources.
Subpart B (3)	Section II, C, 1, c Page 10	Comparing the effects of the proposed Project with another wind project of this size is not likely to result in significant differences.
Subpart B (4)	Section II, C, 2 Page 10	The proposed Project is expected to be available 97 percent of the time and have a capacity factor of approx. 45 to 50 percent. The Department concludes that this subcriterion has been met.
Subpart C (1)	Section II, A, 1, b Page 5	The proposed Project could help MN meet its energy needs while supporting the state's renewable energy and greenhouse gas emissions-reduction goals.
Subpart C (2)	Section II, C, 3 and Section II, D Pages 10-12	The Department relies on its Environmental Report for its socioeconomic analysis.
Subpart C (3)	Section II, D Pages 11-12	The Department relies on its Environmental Report for its socioeconomic analysis.
Subpart C (4)	Section II, D Pages 11-12	The Department relies on its Environmental Report for its socioeconomic analysis.
Subpart D	Section II, E, 1 Page 12-13	The Department has no reason to believe that the Applicant will fail to comply with the requirements of the listed federal and state agencies and local and tribal governments.

IV. DEPARTMENT RECOMMENDATION

Based upon the above analysis, the Department recommends that the Commission make the following findings:

- Blazing Star has met each of the five criteria listed under Minnesota Rules, part 7849.0120 A and thus shown that “the probable result of denial would be an adverse effect upon the future adequacy, reliability, or efficiency of energy supply to the applicant, to the applicant’s customers, or to the people of Minnesota and neighboring states;”
- Blazing Star has met each of the four criteria listed under Minnesota Rules, part 7849.0120 B and thus shown that “a more reasonable and prudent alternative to the proposed facility has not been demonstrated by a preponderance of the evidence on the record;” and
- Blazing Star has shown that “the record does not demonstrate that the design, construction, or operation of the proposed facility, or a suitable modification of the facility, will fail to comply with relevant policies, rules, and regulations of other state and federal agencies and local governments.”

Should the Commission find, after consideration of the Environmental Report, that the proposed facility “will provide benefits to society in a manner compatible with protecting the natural and socioeconomic environments, including human health,” the Department recommends that the Commission issue a Certificate of Need to Blazing Star Wind Farm, LLC.

/lt

CERTIFICATE OF SERVICE

I, Linda Chavez, hereby certify that I have this day served copies of the following document on the attached list of persons by electronic filing, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

MINNESOTA DEPARTMENT OF COMMERCE – COMMENTS

Docket Nos. **IP6961/CN-16-215**

Dated this **3rd** day of **February, 2017**.

/s/Linda Chavez

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