

March 3, 2014

Dr. Burl Haar
Minnesota Public Utilities Commission
121 Seventh Place East
Suite 350
St. Paul MN 55101-2147

**Re: 2013 Minnesota Biennial Transmission Projects Report
MPUC Docket No. M-13-402**

Dear Dr. Haar:

Enclosed for filing are the Reply Comments of the Minnesota Transmission Owners. These Reply Comments respond to the comments of the Department of Commerce, Division of Energy Resources, submitted to the Commission on January 14, 2014.

We have served a copy of the Reply Comments to those on the attached service list.

Thank you very much.

Sincerely,

/s/ Alan R. Mitchell

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**STATE OF MINNESOTA
BEFORE THE
PUBLIC UTILITIES COMMISSION**

Beverley Jones Heydinger
David C. Boyd
Betsy L. Wergin
Nancy Lange
Dan Lipschultz

Chair
Commissioner
Commissioner
Commissioner
Commissioner

DOCKET NO. E999-M-13-402

**IN THE MATTER OF THE
MINNESOTA TRANSMISSION OWNERS
2013 MINNESOTA BIENNIAL
TRANSMISSION PROJECTS REPORT**

**REPLY COMMENTS
OF MINNESOTA
TRANSMISSION OWNERS**

INTRODUCTION

On November 1, 2013, the Minnesota Transmission Owners (“MTO”) submitted the 2013 Minnesota Biennial Transmission Projects Report to the Minnesota Public Utilities Commission. In accordance with PUC rules, comments on the Report were due by January 15, 2014. Minnesota Rules part 7848.1800, subpart 5. Only one set of comments was filed on the 2013 Report. These comments were filed by the Department of Commerce, Division of Energy Resources. Reply Comments are due by March 3, 2014.

In its comments, the Department recommended that the Commission approve the 2013 Report but requested that the MTO provide certain additional information in its Reply Comments. The Department specifically requested that the following information be included:

- An explanation why the completion date for the Savanna Project (Tracking Number 2003-NE-N2) has been extended from the earlier proposed 2013 date to 2015.
- Charts from Great River Energy showing the critical load level and the drop in the load growth for six projects identified by the Department and a statement indicating how fast GRE can complete each project once load growth returns.
- A description of the plans that each utility subject to the Solar Energy Standard has to integrate new solar projects into its distribution and transmission system.

The Minnesota Transmission Owners provide information in response to each of these requests by the Department in its Reply Comments below.

In addition to the specific requests for information in the bullet points above, the Department also recommended that the Commission require that the rate-regulated electric utilities – Otter Tail Power Company, Minnesota Power, and Xcel Energy – provide certain information on all mitigation measures that have been implemented when filing future rate increase requests. The Department recommended that ITC Midwest provide the same information to Interstate Power and Light Company (IPL) whenever IPL applies for a rate increase. This comment is essentially identical to the request the Department made in March 2011 regarding the 2011 Biennial Report and the MTO repeats its response below as well.

Finally, the MTO would like to provide some comments to the Commission regarding the manner in which the biennial transmission planning process is implemented, with suggestions for improving the process.

REPLY COMMENTS

These Reply Comments address each of the matters described above.

I. Timing of the Savanna Project (Tracking Number 2003-NE-N2).

The Savanna Project was first reported in the 2003 Biennial Report (thus a 2003 Tracking Number) and updated in subsequent reports. The Savanna Project is a joint project of Minnesota Power and Great River Energy. It involves construction of a new 115 kV switching station near Floodwood, Minnesota, and a rebuild of 37 miles of 69 kV line to 115 kV.

In the 2011 Biennial Report, it was reported that the Savanna Project deficiency would be resolved by the end of 2013, and in the 2013 Biennial Report, the date had been changed to 2015. The Department of Commerce has requested an explanation of why the Savanna Project has been delayed, from completion in 2013 to completion in 2015.

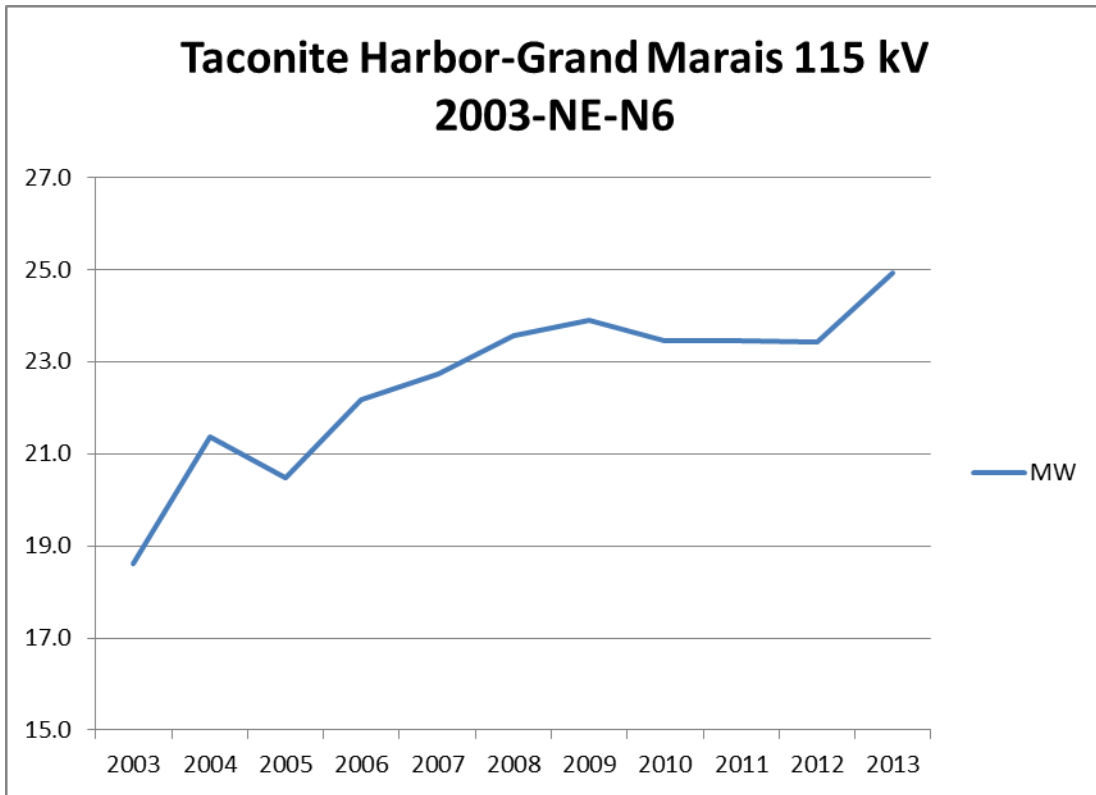
Minnesota Power's portion of the Savanna Project (the Savanna 115 kV Switching Station) was completed and placed in-service in the fall 2013. GRE's Savanna to Cedar Valley section of the 115kV line project was completed at the same time as MP's Savanna Substation. What remains to be completed are the Savanna Substation to Cromwell 115 kV line and adding a breaker to GRE's Cromwell substation. A Certificate of Need and a Route Permit was issued on March 12, 2012. PUC Docket Nos. ET-2/E-015/CN-10-973, ET-2/E-015/TL-10-1307. Construction of the Savanna to Cromwell Breaker Station section of the 115kV line project was started in December of 2013 and is expected to be completed in May of 2015.

Delay was due to the need to build the transmission line over multiple winter seasons due to lowland areas: Phase 1 - Savanna to Cedar Valley winter of 2012-2013, Phase 2 -Savanna to Cromwell City winter of 2013-2014, and Phase 3 - Cromwell City to Cromwell Breaker planned over the winter of 2014-2015.

II. Information Regarding Six Great River Energy Projects.

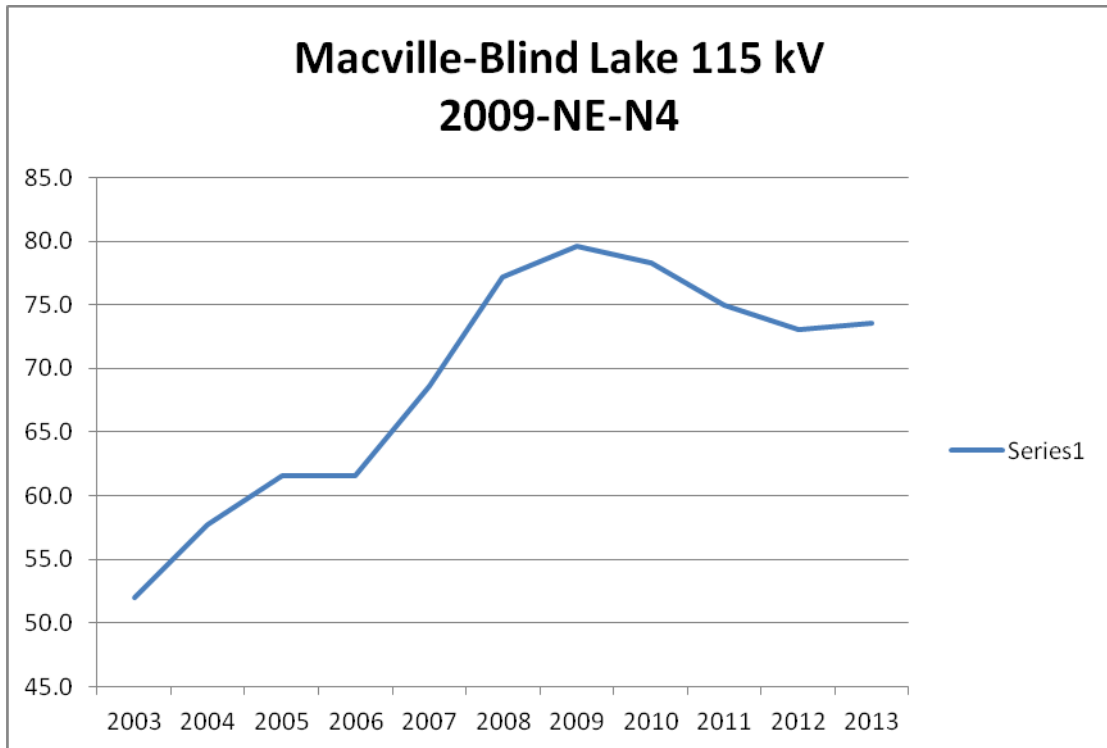
In its January 14, 2014, Comments, the Department specifically asked about the following six GRE projects. The Department requested that GRE provide a chart showing the critical load level and the drop in load growth for each of the identified projects and an indication of how long it might take to complete the project once load growth returns.

1. 2003-NE-N6 Taconite Harbor-Grand Marais 69 kV rebuild to 115 kV



The critical load is approximately 35 MW. The GRE 2008 Long Range Plan (LRP) was projecting 31.6 MW of load in 2011. As shown in the chart, the load growth is not likely to reach the critical level of 35 MW in the near-term. This is an existing corridor so rebuilds will take about two years to complete once budget is approved. The project is not within GRE's 5 year plan and is delayed indefinitely.

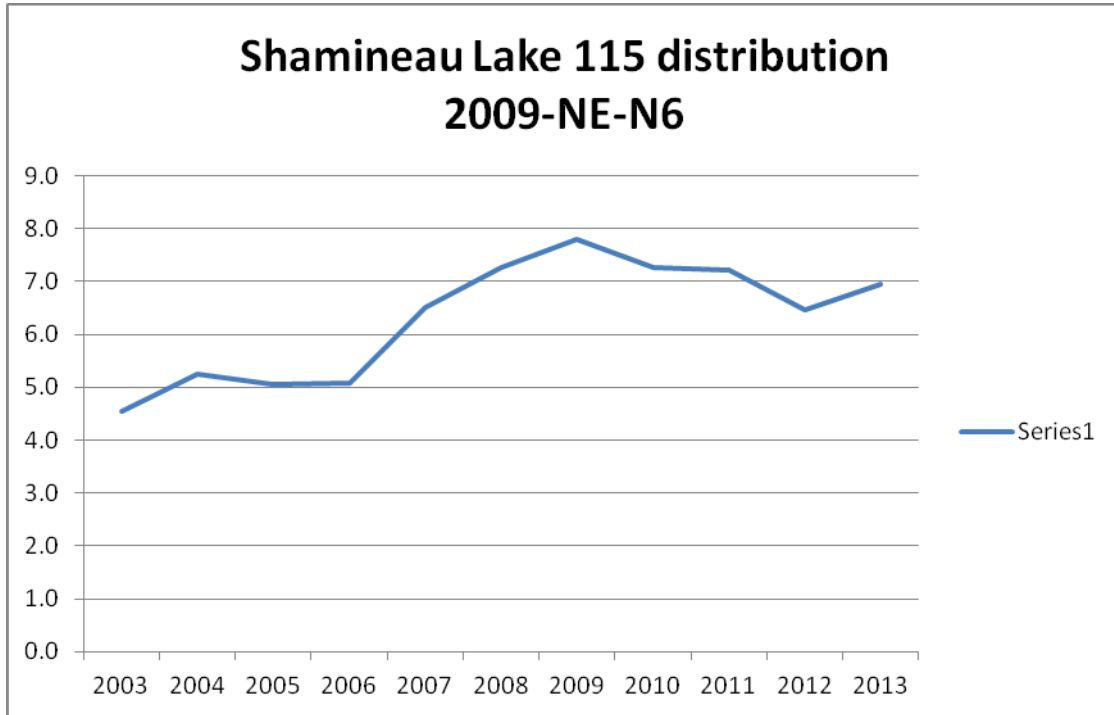
2. 2009-NE-N4 Macville-Blind Lake 115 kV line and Macville 230/115 kV substation



Critical Load is approximately 90 MW. The GRE 2008 LRP was projecting 84.7 MW of load in 2011. As shown in the chart, the load growth is not likely to reach the critical level of 90 MW in the near-term. With growth being reduced, short-term fixes may provide longer period of benefit. Macville-Blind Lake will be at least 5 years to complete after budget approval.

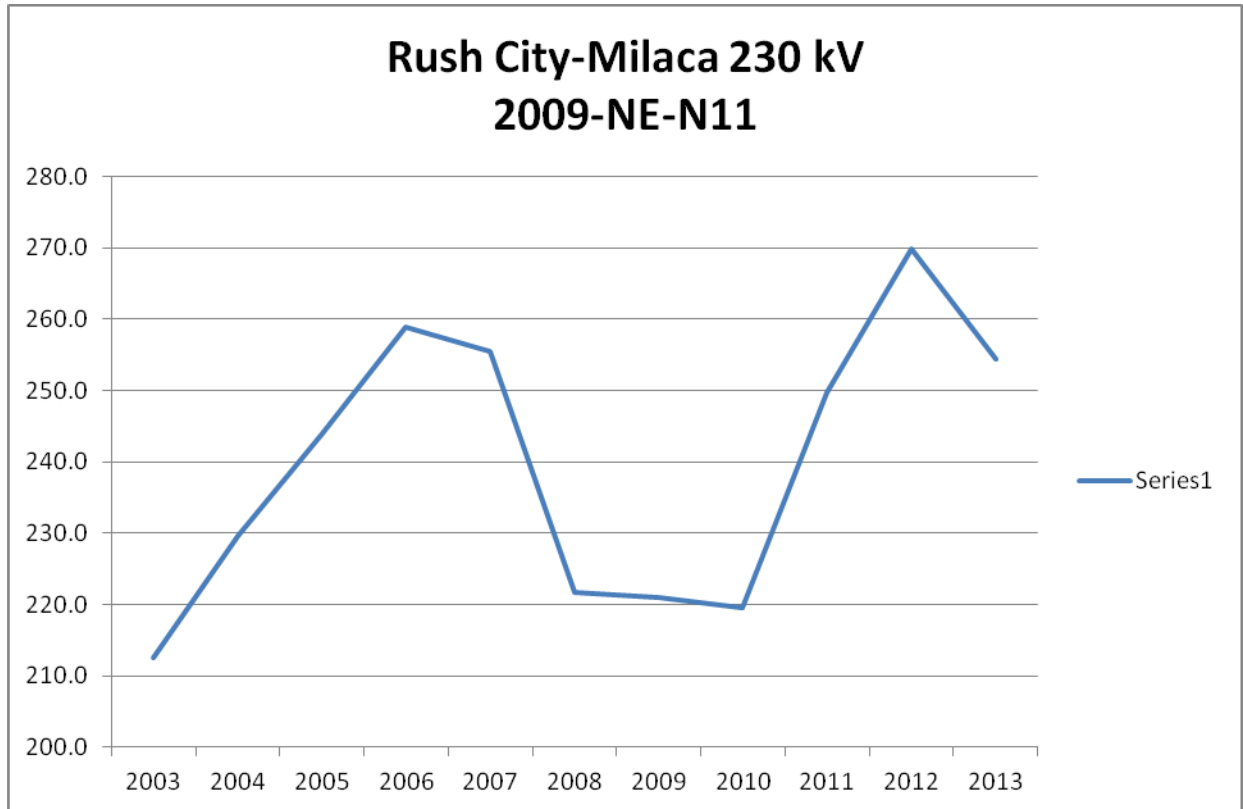
Proposed large spot load in the area could trigger the need sooner, resulting in a portion of the project being built.

3. 2009-NE-N6 Shamineau Lake 115 kV substation and 115 kV line



Critical loading is based on Crow Wing Power distribution needs. Crow Wing Power has not indicated to GRE that it is moving forward with the Shamineau Lake project. This project would take potentially up to 4 to 5 years depending on the corridor chosen and if 115 kV requires a Certificate of Need. Proposed large spot load nearby could trigger the need sooner.

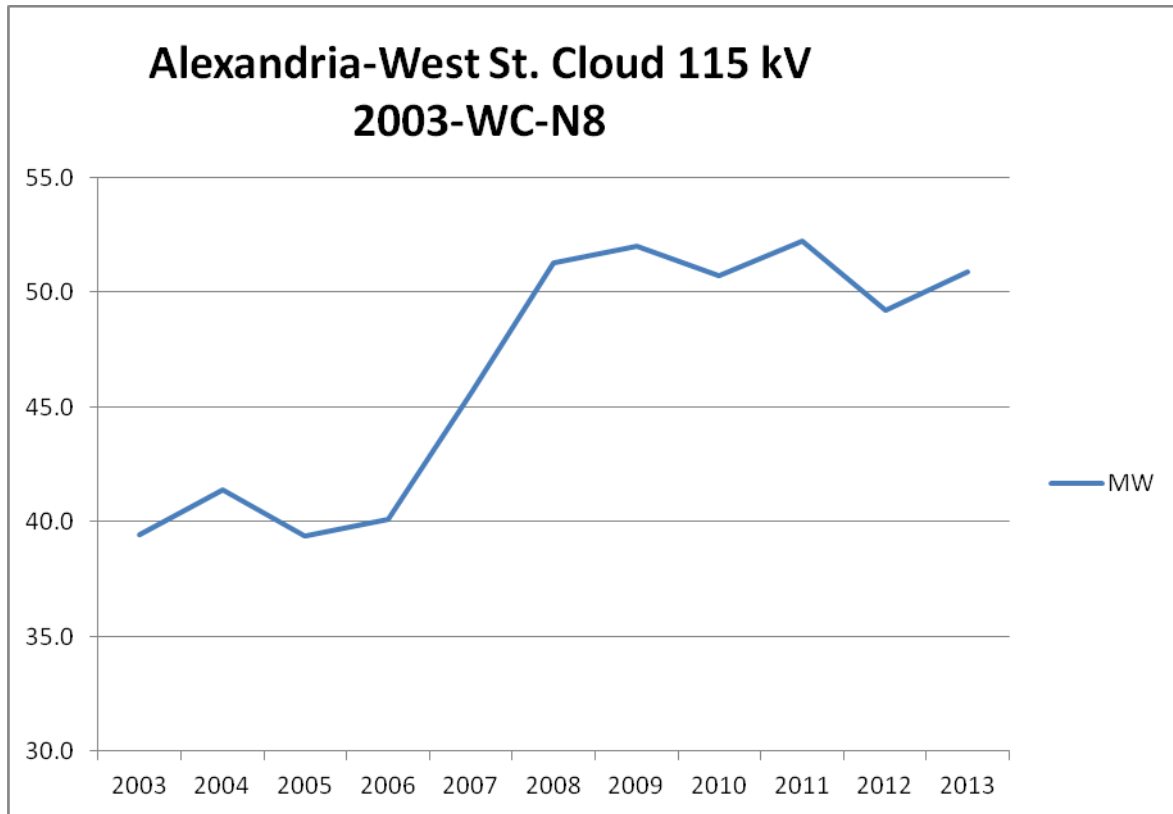
4. 2009-NE-N11 Rush City-Milaca 230 kV line and Dalbo 230/690 kV source



Critical Load is approximately 330 MW. The GRE 2008 LRP was projecting 233.9 MW of load in 2011. As shown in the chart, the load growth is not likely to reach the critical level of 330 MW in the near-term. With growth being reduced, short-term fixes may provide longer period of benefit. Rush City-Milaca is not within GRE's 10 year forecast.

5. 2003-WC-N8

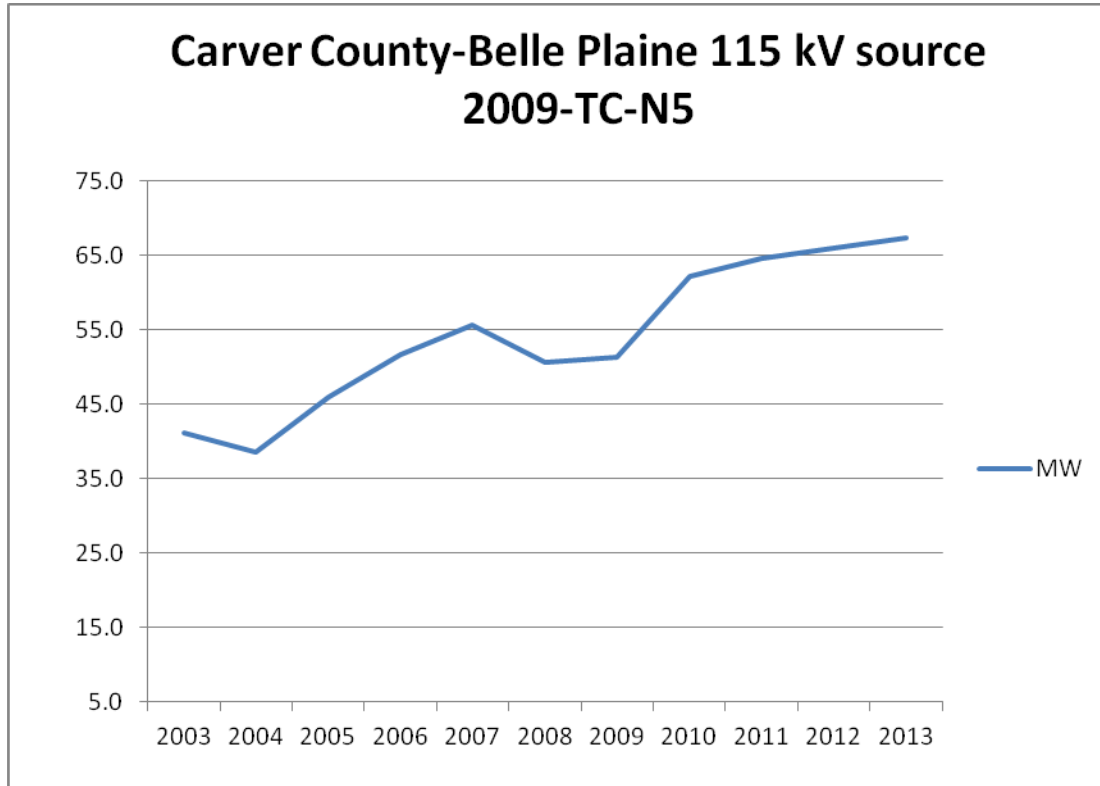
Alexandria-West St. Cloud 115 kV line



The critical load is not valid anymore with short-term fixes addressing some of the concerns. This area is being restudied with recent peak load information. The CapX Fargo-Monticello project is impacting this area resulting in re-analysis. Load chart is not indicating a growth pattern over the last 3 years although a significant jump occurred between 2006 and 2008. With growth being reduced, short-term fixes may provide longer period of benefit.

Alexandria-West St. Cloud may be abandoned and a different project will address the needs in this area – Melrose 345 kV option.

6. 2009-TC-N5 Carver County-Belle Plaine 115 kV line



This is the same chart as the one for the Glendale-Lake Marion-Helena 115 kV project (Tracking No. 2009-TC-N2). A certificate of need has already been applied for in the Glendale-Lake Marion-Helena project. PUC Docket No. ET2/CN-12-1235.

The proposed Lake Marion-Veseli project will delay this rebuild of the 69 kV line to 115 kV to around 2024 based on Veseli study. This project will be reassessed upon completion of the proposed Veseli project.

III. Solar Standard

In 2013, the Minnesota Legislature established a separate solar standard for public utilities, effective by the end of 2020. Minn. Laws 2013, Ch. 85, § 3, codified at Minn. Stat. § 216B.1691, subd. 2f (Solar energy standard). The Department of Commerce recommended in its January 14 comments that utilities subject to the Solar Energy Standard describe their plans to efficiently integrate new solar projects on their distribution and transmission systems. The following is in response to the Department's request. Further, the utilities subject to the solar standard will be filing a complete report with the Commission by July 1, 2014, as required by the new law, on their progress in achieving the standard.

Xcel Energy Response

The 2013 Energy Omnibus Bill presented significant solar advancement opportunities, including the introduction of a Solar Energy Standard, which requires 1.5 percent of a public utility's 2020 retail sales, net of customer exclusions, to come from solar energy resources. We estimate that we will need a total of approximately 300 MW of solar capacity to meet the Standard. Accordingly, we have multiple efforts underway to study and plan for efficient integration of these new solar projects on our transmission and distribution systems. We are available to discuss our efforts with the Department further, but note that at a high level, our efforts include the following:

Transmission

- The Company is participating in the Minnesota Renewable Integration Transmission Study (MN RITS) which is aimed at identifying facilities necessary for interconnection and delivery of > 40% renewables in Minnesota.
- We have Company representatives that participate in leadership positions in both the Midwest Reliability Organization (MRO) Operating and Planning Committees who are tracking and reviewing lessons learned from North American Reliability Corporation (NERC) and Electric Power Research Institute (EPRI) studies and analysis related to renewable integration. For example, NERC presented at a recent MRO Planning Committee meeting reviewing some lessons learned from California and other countries such as Germany with deeper penetrations of solar.
- Xcel Energy is a member of the Midcontinent Independent System Operator (MISO). Any central installations of solar, subject to MISO's Generation Interconnection process would be evaluated from a transmission perspective similar to other types of generation.

- We perform an annual assessment of our transmission system as required by NERC to identify any deficiencies which need to be addressed including any impacts from solar installations.

Distribution

- We are currently developing a long-term distribution system intelligence plan based on a vision of an increasingly intelligent, automated, and interactive electric distribution system that utilizes advancements in technology to optimize the performance of the electric distribution system and ensure safe operation. Among other things, this modern, intelligent grid will meet customers' evolving energy needs, while also safely integrating new sources of energy such as solar.
- We are currently investing in increased system communication tools in conjunction with and evaluation of investing in an Advanced Distribution Management System. This will provide for increased monitoring, control, and automation of our system. These technologies increase visibility on the system and will help us prepare for and successfully manage higher penetration integration of distributed generation.
- We are also improving and standardizing our interconnection processes to ensure appropriate and timely engineering review of interconnection requests. Through robust interconnection processes, we can reduce the probability of power quality and other issues associated with localized high penetrations of DG.

Otter Tail Power Company Response

Otter Tail currently has interconnection guidelines and procedures in place for both transmission and distribution interconnections to its system. For transmission interconnection requests, MISO as Otter Tail's Regional Transmission Organization, handles all of Otter Tail's transmission interconnections through its interconnection queue. This is an open and transparent process for all generation types and sizes. For distribution interconnection requests, Otter Tail follows Minnesota's Interconnection Process for Distributed Generation. Otter Tail does not discriminate between solar energy and other energy resources.

Minnesota Power Response

MP, similar to the other utilities, has interconnection guidelines and procedures in place for both Transmission and Distribution interconnections to its system and does not discriminate between solar energy and other energy resources. Each request is considered and studied based on system capabilities and requirements.

IV. Mitigation Costs in Future Rate Hearings

The Department of Commerce recommended that Otter Tail Power Company, Minnesota Power, and Xcel Energy – the investor-owned utilities subject to PUC review of their rates – provide certain information in future rate requests to recover the costs of new energy facilities. This is the same recommendation the Department made two years ago. In fact, the Department’s comments are essentially verbatim from the comments it filed in January 2012 on the 2011 Biennial Report.

In its Reply Comments dated March 1, 2012, on the 2011 Biennial Report, the MTO explained that while the utilities do not object to the Commission considering whether mitigation measures were voluntary in future transmission rider cost recovery filings and general rate cases, it was not appropriate to establish such requirements in the Biennial Report docket. The Commission apparently also determined that it was not necessary to include such a directive in this docket, since its May 18, 2012, Order, approving the 2011 Biennial Report, did not say one word about the Department’s request that mitigation costs in future dockets be addressed in the Biennial Report docket. The Commission should continue that practice and not include the Department’s suggestion in this year’s order either. The Commission has ample authority to obtain the information it needs in future proceedings without making a broad statement in this docket about how future proceedings will be conducted.

V. The 2015 Biennial Report

The statute requiring the transmission projects report, Minn. Stat. § 216B.2425, was passed in 2001 and the first biennial report was filed by the utilities in November 2001. Since 2001, a biennial report has been filed every odd-numbered year, so that the 2013 Biennial Report is the seventh such report that has been filed.

In 2003 the Commission promulgated rules relating to the preparation of the biennial report. Minn. Rules chapter 7848. The chapter 7848 rules not only established requirements for the content of the biennial report but also included certain procedural requirements.

Over the past fourteen years, transmission planning has changed, and experience with preparing and administering the biennial reporting process has shown that some of the requirements initially established were not effective or were no longer pertinent. We have learned that the general public and local government officials do not attend transmission planning sessions and become involved only when possible routes for planned projects are identified. Thus, the Commission has approved, every year since 2007, a variance from the requirement in part 7848.0900 to hold transmission planning meetings in each of the transmission planning zones established by the Commission.

In 2011 and again in 2013, in accordance with Commission direction, instead of public meetings in each zone, the MTO held a webinar shortly after the biennial report was submitted, which was

open to the public and during which utilities representatives went through the biennial report. One person from the public attended the 2013 webinar. Given the little public interest, it is questionable whether continuing to commit the time and money required of the MTO to hold such events is worthwhile.

As a reflection of changes in transmission planning, the biennial report has become significantly shorter given the fact that the Midcontinent Independent System Operator (MISO) has taken over the responsibility for most transmission planning in the region for utilities that are part of MISO. The past two biennial reports (2011 and 2013) have referenced the annual reports prepared by MISO, called the MISO Transmission Expansion Plan (MTEP). All the information about transmission inadequacies that is required to be included in the biennial report can be found in the MTEP reports.

The MTO utilities request that the Commission, in its final order approving the 2013 Biennial Report, describe the following procedures for the 2015 Report.

- (1) Continue the variance from the zonal public meetings in part 7848.0900 and not require that a webinar be scheduled either.
- (2) Eliminate the requirement for a separate biennial report and require instead that the utilities simply reference the latest MTEP Report only. Those utilities that are not part of MISO can refer to the Midcontinent Area Power Pool (MAPP) Regional Plan, which comprises only a small part of the transmission inadequacies that have been identified.
- (3) Require those utilities that are required to report on transmission upgrades to support compliance with renewable energy standards to still file an RES report including a gap analysis.
- (4) Require the MTO to continue to maintain the minnelectrans webpage with information about transmission planning activities.

This approach not only reflects the reality of today's transmission planning, but it satisfies the intent of the statute. The public will still have ample opportunity to participate to the extent it is interested. MISO planning is conducted in an open fashion, with the public given notice and invited to attend all planning sessions. The MTEP Reports are all public documents available on the Internet. So are the MAPP Regional Plans. In addition, this transmission planning is continually going on, and annual reports are prepared. The Minnesota biennial report is prepared every other year.

At the same time, individual utilities will continue to provide opportunities for local officials and the public to be involved in the development of projects of interest to them. Once a certificate of need or a route permit application is prepared, the PUC rules that apply to those processes –

Minn. Rules chapters 7849 and 7850 – will provide all kinds of notice and numerous opportunities to be involved. In fact, the Commission is presently considering amendments to both of those chapters and will likely expand the notice requirements. Utilities are already required by statute to alert local government that the utility is planning to file an application for a route permit for a new transmission line. Minn. Stat. § 216E.03, subds. 3a and 3b.

It also makes sense to simply rely on the MTEP Report (and the MAPP Regional Plan) since that is essentially what has been done for the past two biennial reports. It is enough to directly recognize these reports rather than require the MTO to repeat it all in a biennial report.

The MTO also recognizes that those utilities required to report on transmission upgrades to meet the renewable energy standards will still file a report with all the necessary information. The statute creating the new solar standard already requires an annual report on July 1 of each year on progress in meeting that requirement so that reporting obligation can be satisfied through that report.

In addition, both the Commission staff and the Department of Commerce staff can rely on Information Requests if certain information is required that cannot be found in the applicable reports. Minn. Rules part 7848.1800, subp. 9 specifically allows parties to serve information requests in the biennial reporting process, and indeed, the Department has done that with recent biennial reports including this one.

The MTO understands that it would be preferable for the Legislature to amend the statute to reflect these changes in transmission planning. That could be a possibility in 2015. If the Commission indicated in its Order approving the 2013 Biennial Report that it would support or not oppose some changes in the statute, the MTO could initiate that effort with the Legislature. The Department can file supplemental comments in response to the MTO idea that the statute should be amended and indicate whether it has any concerns or suggestions about the MTO pursuing that approach or about the 2015 Biennial Report.

However, even without amendments to the statute, the Commission has ample authority to interpret its rules and the statute to establish reasonable requirements for satisfying the reporting requirements of section 216B.2425. As mentioned, for the past several reports, the Commission has granted a variance from certain procedural requirements related to public meetings. The last two biennial reports have relied on the MTEP Report. The Commission could direct in its order approving the 2013 report how the 2015 report shall be filed.

There are no statutory prohibitions against this approach. It satisfies all the requirements of the statute. Indeed, Minn. Stat. §216B.2425, subd. 2(d) specifically allows for reliance on these regional plans. That statute reads:

- (d) To meet the requirements of this subdivision, reporting parties may rely on available information and analysis developed by a regional transmission

organization or any subgroup of a regional transmission organization and may develop and include additional information as necessary.

The MTO is interested in learning the reaction of the Commission and the Department to these suggestions. It appears to the MTO that these steps can be implemented without any reduction in public involvement and with full compliance with all report content requirements.

CONCLUSION

The Minnesota Transmission Owners have provided the information requested by the Department of Commerce, Division of Energy Resources. The 2013 Minnesota Biennial Transmission Projects Report is a comprehensive report of anticipated future transmission needs. In addition, the RES utilities have prepared an up-to-date analysis of future needs to meet Renewable Energy Standard milestones.

The MTO utilities respectfully request that the Commission issue an Order accepting and approving the 2013 Biennial Report and describing the requirements that will apply to the 2015 Biennial Report.

Dated: March 3, 2014

Respectfully submitted,

/s/ Alan R. Mitchell

Alan R. Mitchell

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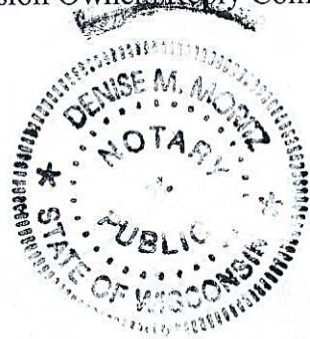
**Attorneys for the Minnesota Transmission
Owners**

**STATE OF MINNESOTA
MINNESOTA PUBLIC UTILITIES COMMISSION**

In the Matter of the 2013 Minnesota Biennial
Transmission Projects Report

AFFIDAVIT OF SERVICE

I, Kristen Swenson, being first duly sworn on oath say that in the Village of Prentice, County of Price, in the State of Wisconsin, on the 3rd day of March, 2014 served by email, the Minnesota Transmission Owners Reply Comments, to those persons listed on the attached service list.



Kristen A Swenson
Kristen A. Swenson

Subscribed and sworn to before me this 3rd day of March, 2014.

(SEAL)

Denise M Moroy
Notary Public, Price County, Wisconsin
My Commission Expires 4-19-15

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