

Minnesota Public Utilities Commission
Staff Briefing Papers

Meeting Date: **February 19, 2016** Agenda Item #3a *

Company: Great River Energy and Minnesota Power

Docket No. ET2,E015/14-853

In the Matter of the Joint Application of Great River Energy and Minnesota Power for a Certificate of Need and Route Permit for the Motley Area 115 KV Transmission Line Project in Morrison, Cass, and Todd Counties

Issue(s): Should the Commission find that the Environmental Report/Assessment on this project is complete and addresses the Scoping Decision of the Department of Commerce? Should the Commission grant a Certificate of Need for the proposed 115 kV transmission line project?

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Relevant Documents

GRE and MP – CN Application (4 parts) March 19, 2015
Commission Order – Finding Application Complete (...) May 27, 2015
DOC EERA – Scoping Decision July 15, 2015
Department of Commerce DER - Comments August 7, 2015
DOC EERA – Environmental Assessment (4 Parts) November 16, 2015
GRE and MP – Comments on ALJ Hearing November 30, 2015
OAH – Summary of Public Testimony December 29, 2015

The attached materials are work papers of the Commission staff. They are intended for use by the Minnesota Public Utilities Commission (Commission) and are based upon information already in the record unless noted otherwise.

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I. Statement of the Issue(s)

Should the Commission find that the Environmental Report on this project is complete and addresses the Scoping Decision of the Department of Commerce? Should the Commission grant a Certificate of Need for the proposed 115 kilovolt (kV) Motley Area High Voltage Transmission Line (HVTL) project?

II. Procedural Background

On October 1 and 17, 2014, Great River Energy (GRE) and Minnesota Power (MP) filed a Notice Plan Petition for the project.

On January 30, 2015, the Commission issued its *Order Approving Notice Plan, Approving Exemption Request, and Granting Variances*.

On March 19, 2015, GRE and MP (the Applicants) filed a joint certificate of need and route permit application (Joint Application) with the Minnesota Public Utilities Commission (Commission) for the Motley Area 115 kilovolt (kV) Transmission Line Project (Project).

On May 27, 2015, the Commission issued an *Order Accepting Application as Complete, Directing the Use of Alternative Permitting Process, and Granting Variance*.

On June 24, 2015 the Commission issued a Notice of Comment Period soliciting comments on the merits of the Application.

On July 16, 2015, the Department of Commerce (DOC) Energy Environmental Review and Analysis (EERA) unit issued its Scoping Decision for the project.

On August 7 and October 2, 2015 the DOC Division of Energy Resources (DER) filed initial and supplemental comments, ultimately recommending the Commission grant a certificate of need.

On November 2, 2015, the Commission issued a Notice of Public Hearing.

On November 16, 2015, the DOC EERA issued its Environmental Assessment (EA) for the project.

On November 19, 2015, Administrative Law Judge (ALJ) Jeff Oxley, of the Office of Administrative Hearings, conducted the Public Hearing.

On December 29, 2015, the ALJ filed a summary of public comments made at the Public Hearing and during the subsequent comment period (ALJ Summary Report).

III. Certificate of Need Laws and Rules

The proposed project is a large energy facility as defined by Minn. Stat. § 216B.2421, subd. 2 (3) because it includes a high-voltage transmission line with a capacity of more than 100 kilovolts and more than 10 miles in length. Therefore, under Minn. Stat. § 216B.243, Subd. 2, a certificate of need must be granted by the Commission before it can be constructed. Minn. Stat. § 216B.243, Subd. 3 and Minnesota Rules, part 7849.0120 establishes criteria for evaluation of certificate of need applications.

IV. Project Description and Location

The project is located in Morrison, Todd, and Cass Counties, near the city of Motley, Minnesota. The proposed Project is to construct approximately 15.5 to 16.5 miles of new single circuit 115 kV transmission line from the existing Minnesota Power “24 Line” transmission line, south to the new Fish Trap Lake Substation, near the city of Motley. The project proposed to convert the existing Motley Substation from 34.5 kV to 115 kV service, add a three way switch to the existing Motley Substation, construct the new Fish Trap Lake Substation, add breakers to the existing Dog Lake Substation, construct a one-half mile transmission line to connect the Dog Lake Substation and the Minnesota Power “24 Line,” and install a three-way switch for the anticipated future construction of the Shamineau Substation.

V. Project Need

The proposed Project is needed for three main reasons. First, by 2017 the applicants claim there is a need to address potential circuit overload issues that currently exist on the Dog Lake-Baxter 34.5 kV system, and to alleviate capacity issues that have been identified on the lines between Dog Lake and Baxter. Second, the Project will provide a more robust 115 kV source to the Motley Substation and will prepare the area transmission system for additional loads in the Shamineau Lake area (if load growth returns to historic growth rates as anticipated). Third, the proposed project is needed to meet the in-service date of the proposed Minnesota Pipeline Company Fish Trap oil pump station, which will be served by the new Crow Wing Power Fish Trap Lake Substation. The anticipated load growth in the Shamineau Lake area was included in the Minnesota Transmission Owners Biennial Transmission Plan; however the Minnesota Pipeline portion was not.

The Applicants estimate the project will cost between \$16 to \$17 million dollars depending on the route selected by the Commission (MP’s costs are anticipated to be approximately \$4 million with the balance to GRE).¹ Portions of the project will be owned by MP, GRE and Crow Wing Cooperative Power and Light (Crow Wind Power). The project is anticipated to be in service by winter peak 2016/2017.

¹ Application at page 4-12 through 4-15

VI. Party Positions

Great River Energy and Minnesota Power

The Applicants claimed need is outlined above. In its application, GRE and MP discussed several route alternatives they evaluated and did not consider as reasonable to the project. In Section 6.0 of their Application, GRE and MP discuss the other system alternatives options considered pursuant to rule, but not found reasonable, including peaking generation, distributed generation, renewable generation, various transmission solutions, including upgrading other existing facilities, different voltage levels and endpoints, a no-build alternative focusing on reactive power supply improvements and demand side management. GRE and MP assert that each alternative is unacceptable or inferior to the proposed project.

Department of Commerce – Division of Energy Resources

The Department of Commerce – Division of Energy Resources (DOC or DER) submitted a detailed review of the application and proposed project need on August 7, 2015. The DER analysis and comments addressed all the statutory and rule criteria related to a proposed transmission line. Noting that some of the statutory requirements are not addressed in the criteria section in Minn. Rule 7849.0120, the DOC divided its analysis into five parts including: Need Analysis, Link to Planning Process, Analysis of Alternatives, Socioeconomic Analysis, and Policy Analysis.

Given the comprehensive nature in which the DOC reviewed and commented on the various requirements and criteria under statute and rule, staff will not repeat the analysis here. However, the DER did not consider the Environmental Assessment (EA) in their review (as is typical practice due to timing) – and recommends the Commission evaluate that document for compliance with Minn. R. 7849.0120 (C), which states that a CN must be granted upon determination 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.

Staff notes the EA is included as a relevant document to this brief. The EA evaluated the impacts to the natural and socioeconomic environments – including human health - and discussed the mitigation measures proposed to offset any impacts. Staff has reviewed the EA and did not find any issue that would be incompatible with protecting the natural and socioeconomic environments.

Additionally, the DER found that the Applicants should provide additional information in their

reply comments regarding Minn. R. 7849.0120 B(3) which requires the consideration of the facility upon the natural and socioeconomic environment compared to the effects of reasonable alternatives. The DER noted that the Applicant had not included the externality cost associated with the incremental emissions associated with line losses.

The Applicants supplemented the record on September 23, 2015 which included externality costs and the cost of future CO2 regulation.

In its October 2, 2015 Supplemental Comments, the DOC noted the supplemental information was sufficient to address its concerns and recommended that the Commission conclude that the Applicants have met all of the statutory requirements for a certificate of need application and grant a certificate of need for the project.

VII. Public Participation

Public participation opportunities are provided at two main points during the informal application review process. The first opportunity occurs when the Commission solicits written comments on the merits of the application, including whether there are contested issues of fact. A Notice soliciting comments was issued, as noted above. The second opportunity occurs when at least one public hearing is conducted in the vicinity of the proposed project as required under Minn. Stat. § 216B.243, Subd. 4. In this case, the hearing was held jointly with the route proceeding of Docket ET02, E015/TL-15-204 in Motley, Minnesota at 6:00 p.m. on November 19, 2015. The hearing was conducted by Administrative Law Judge (ALJ) Jeff Oxley from the Office of Administrative Hearings.

The public hearing comment period remained open following the public hearing in order to allow members of the public to provide additional comment or final thoughts on the project. The public comment period for providing opinions, information or other materials to the ALJ was open until November 29, 2015.

VIII. ALJ Summary of Testimony

The ALJ filed his Summary of Testimony at Public Hearing and Summary of Written Comments on December 29, 2015. As the summary suggested, a number of comments were received both at the hearing and in subsequent written comments. At the hearing, potential alternative routes were discussed with the Applicants, however, as was stated at the hearing, those routes did not meet all of the needs of the project. Several members of the public had questions about the ability to redesign the project proposal to have a different routing effect, however, at the meeting both GRE's transmission engineer and Crow Wing Power's distribution level engineer noted that the suggested proposals wouldn't meet all of the project needs in a cost effective manner.

IX. Staff Discussion

Environmental Review

In addition to addressing the merits of the Certificate of Need application and other information on record, the Commission must make a finding with respect to the completeness of the Environmental Report (see Minnesota Rule 7849.1800 subpart 2) and the record in this matter. The Environmental Report was included as a component to the EA. Staff believes the EA and the record sufficiently addresses the items outlined in the DOC's Scoping Decision.²

Certificate of Need

Staff notes that the record contains a robust analysis of the certificate of need requirements and agrees with the DOC's recommendations in its Supplemental Comments that the Commission should grant a certificate of need to the Applicants.

X. Commission Decision Alternatives

1. Environmental Review

- A. For purposes of the certificate of need, find that the Environmental Assessment and record on this project is complete and addresses the Scoping Decision.
- B. Find that the Environmental Assessment or the record is deficient in some area.

2. Certificate of Need

- A. Grant the Applicants a Certificate of Need for the Motley Area 115kV HVTL Project.
- B. Deny the Applicants a Certificate of Need, indicating the reasons for denial.

Recommendation

Staff recommends Alternatives 1.A and 2.A.

² The certificate of need Environmental Report process, as an alternative form of environmental review (ER), was adopted into rule by the Environmental Quality Board in 1977. At that time the EQB-promulgated ER rules noted that the Minnesota Energy Agency (the predecessor to the Public Utilities Commission) would prepare the ER. This function was later transferred to the Department of Commerce. See the [2003 SONAR 4410 and 4400 Amendments](#) for additional information.