

November 21, 2013

Dr. Burl Haar  
Executive Secretary  
Minnesota Public Utilities Commission  
121 Seventh Place East, Suite 350  
St. Paul, MN 5510

**RE: In the Matter of the Petition of Glacial Ridge Wind Project, LLC to Extend Deadlines in its LWECS Site Permit MPUC Docket No. IP-6650/WS-07-1073 and letter from the Minnesota Public Utility Commission dated November 7, 2013.**

Dear Dr. Haar,

The attached Revised Petition to Amend the Glacial Ridge Wind Project, LLC Large Wind Energy Conversion System (LWECS) Site Permit has been electronically filed on behalf of Glacial Ridge Wind Project, LLC. Our original LWECS permit application was filed on April 22, 2009. An additional request to amend the LWECS permit for a 2 year extension was filed March 22, 2011 and the request was granted. Please contact me with any questions related to the petition.

Thank you for your time and consideration.

Sincerely,

  
John M. Ihle

PlainStates Energy LLC

for the Glacial Ridge Wind Project LLC

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## **Background**

In Glacial Ridge Wind Energy Project's (GR) previous petition to extend the Large Wind Energy Conversion System Permit (LWECS) was filed March 22, 2011, and was granted. GR cited the Midwest Independent System Operator's (MISO) long interconnection process as a primary reason GR did not have a power purchase agreement (PPA). GR now has the interconnection agreement contingent upon transmission upgrade completions, construction of which are utility controlled. As per the Group 5 MISO study processes and protocols these transmission upgrades for Group 5 will not be completed until September 2018. On site construction would likely not happen, regardless, unless a power purchase agreement is acquired. GR would consequently forfeit all monies paid to upgrade the transmission system.

GR is going through an orderly process which did not coincide well, apparently, with Minnesota's LWECS permitting process. GR evidently was premature in filing their permit application. At the time we filed our initial permit application GR had already been in the MISO interconnection study process for over 4 years and had completed system impact and facility studies (as per Group 5) indicating, what we thought, was a clear path for GR to interconnect. Because some of the projects in Group 5 didn't like the economic outcomes, for example who pays for upgrades, the outcomes were challenged at the Federal Energy Regulatory Commission (FERC).

In 2011 the FERC heard the challenge and sided with those projects in Group 5. MISO then had to redesign their studies, which took approximately one year for the outcomes to be known. In August of 2012 GR signed the interconnection agreement with Great River Energy (GRE) for direct interconnection, and in January of 2013 signed a multi party facility agreement (MPFCA) with Mid American Energy Company (MEC) for system wide upgrades.

Additionally, conversations GR had with Xcel representatives indicated, it was our understanding, in 2010 they would be seeking approximately 300 megawatts (MW) of additional C-BED. Xcel did not follow through on C-BED in the most recent 2013 request for proposals. There were no C-BED projects selected by Xcel.

Materially, as per submitted LWECS site permit information, other than technical, other aspects have not changed for GR. Pope County is still an economically challenged area and still needs investment. There is little opposition to the project and our plan is to stick with the project until it is 100% known that it will not happen. We think there is still opportunity for community owned wind and or solar and we believe our project would be good for Minnesota.

Technically GR deems the project a good project because it not only has an interconnection agreement, which is a requirement for reasonable investment, land leases in place, a viable state issued construction permit with little opposition, and turbine technology has improved. The technology today gives GR a better wind project. Better, economically and environmentally for our state. Whereby, with the right turbine, GR can now produce an estimated net production (factoring in losses), an approximate a 44% capacity factor. This is an increase over our original expected output by about 8 - 10% (net).

As per the MISO interconnection process GR was required to pay upfront for study work and upgrades costing several hundred thousand dollars. Study fees were paid exclusively by the local community. These at risk dollars were invested primarily because of state law directing electric utilities (216B.1691), as part of a "good faith objective", to take "reasonable steps" to determine if one or more C-BED projects are available to meet the utility's reliability standards, etc. There have been 10's of millions of dollars that may have been spent by communities under the promise of locally derived energy receiving seemingly very little interest from electric utilities. Consequently some of the projects in MISO's interconnection process, through attrition and after having paid 100's of thousands of upfront dollars, are no longer seeking locally owned wind in their communities.

Additionally, from GR's perspective since CapX2020 was approved by the Minnesota Public Utility Commission (MPUC) utilities have been disincentivized to take such reasonable steps to facilitate C-BED. They can build wind in the Dakota's, and get free transmission off the backs of Minnesota ratepayers. There is dubious local economic benefit to Minnesota. We end up exporting billions of dollars supporting economic activity in neighboring states and one province.



GR can generate power for less than \$ 60.00/megawatt hour (MwHr) without the Production Tax Credit (PTC). Conversely GRE's Spiritwood coal fired plant, located in North Dakota (ND) will produce electricity at over \$ 75.00/MwHr (factoring in ND subsidies) at the North Dakota bus which does not include the transmission infrastructure needed for delivery to Minnesota. Nor was there much consideration, evidently, for carbon risk despite state law. In fact GRE received a waiver from the state legislature which otherwise would've restricted importation of electricity from new coal fired generation. Spiritwood plant saw an approximate 176% jump in construction cost overruns from 2008 to 2012. The plant will not deliver power until 2015 and it will be subject to future carbon legislation. The project is financed by JP Morgan Chase and represents 100's of millions of dollars that will leave the state over the life of the project. Consequent to the more expensive coal fired generation GRE does not need any new generation until at least 2020 regardless of whether it is clean or not.

Although GR's timeframe to construct has been over 4 years additional time is needed to comply with MISO interconnection timeframes. With this in mind we propose an adjustment to the LWECS permitting could be made to allow for a better correlation between the LWECS and MISO interconnection processes. GR suggests suspending LWECS permit until at least 2018 at which time GR is able to interconnect.

GR believes there is good cause to suspend the permit until it is absolutely known whether or not the project will move forward. We think there may be good reason to expect GR will be able to acquire a power purchase agreement within the next few years.

Glacial Ridge Wind Project LLC ("GR") respectfully requests that the Minnesota Public Utilities Commission ("MPUC") amend the Large Wind Energy Conversion System ("LWECS") Site Permit (the "Permit") for the Glacial Ridge Wind Project LLC 20 MW (the "Project") to coincide with the recently acquired interconnection date. GR hereby requests that the deadlines for on-site construction to start and to obtain a power purchase agreement ("PPA") be temporarily suspended moving actual on site construction to start on or about July 2018. This would correlate with the Group 5 interconnection progression and the interconnection agreement

GR and needed upgrades. Agreements were signed with transmission owners subject to GR's point of interconnection, and needed transmission upgrades determined by the Midwest Independent System Operator ("MISO") study process through multi party facility agreements.

#### **A. Overview of Glacial Ridge Wind Project LLC**

The Project is located in southeast Pope County, Gilchrist Township, Minnesota. GR intends on using up to 12 turbines. The Project enjoys good relations with its landowners, some of whom are owners in the project that have paid for development of the project. There are no known issues with other neighboring farms or landowners that would adversely affect the construction or ongoing operations and maintenance needed for the project. Nothing materially has changed with respect to ownership. However, wind energy technology has improved whereby capacity factors at our site could deliver in excess of 43%, after losses (net), which is an increase of approximately 8 -10% since our permit application was originally filed. Glacial Ridge Wind Power would be able to deliver power locally to the grid much cheaper than, for example, Great River Energy's Spiritwood North Dakota coal fired plant with no carbon or fuel risk.

The Project is owned by 6 Minnesota investors, 3 of whom are local landowners, and qualifies as a Community Based Energy Development ("CBED") Project under Minn. Stat. § 216B.1612. GR began developing the Project in 2003 and started the MISO interconnection process in 2005. Development work has consisted of raising capital, planning locations for turbines, conducting environmental review activities, securing land and wind rights from landowners and conducting meteorological studies and have responded to electric utility request for proposals despite the fact that interconnection costs were unknown. GR submitted its interconnection application originally with GRE in mid 2004. GRE then joined MISO in and a new interconnection application had to be filed with MISO.

GR filed its original application for the Permit on April 24, 2008, and a public meeting on the draft site permit was held near the Project site on July 15, 2008 in , Minnesota. The Project is not controversial. Only three individuals provided comments on the Project before the close of the public comment period. The final Permit was issued on September 23, 2008 requiring GR to



obtain a PPA and start construction by September 23, 2011. The permit was amended in 2011 giving the Project and additional 2 years to acquire a power purchase agreement and begin construction.

During the completion of much of the development work needed for the Project GR realized that the interconnection process was in a near constant state of flux primarily due to the many interconnection requests filed, especially in Minnesota. These requests made MISO interconnection protocols impractical. Utility stakeholders realized there was a need to reform standard interconnection protocols. Since GR entered the MISO queue the queue has in fact been reformed at least twice affecting study process outcomes to be somewhat obsolete even before the studies were finished. New protocols demanded that monies be paid to MISO in order to pursue interconnection. Rather than forfeit monies already spent GR decided to continue to risk development dollars.

GR is in the current group of projects that have interconnection upgrades and costs identified and signed Generator Interconnection Agreement (GIA) and Multi Party Facility Construction Agreement (MPFCA). One of the requirements stated in MISO's Business Practices Manual ("BPM") requires queued projects to either have a construction permit or pay a fee.

#### **B. Midwest Independent System Operator ("MISO") and Group 5**

GR will not meet on-site 2013 construction deadline(s) due, in part, to the impact of Federal Energy Regulatory Commission ("FERC") orders and, in part, to Midwest Independent System Operator ("MISO") actions concerning several transmission upgrades. The upgrades that have now been identified by the MISO through studies and protocols that have been modified several times since GR filed its application with MISO in 2005. Orders and actions which oversee MISO "Group 5" interconnection has impeded the development of the Project and will likely further delay interconnection until 2018 when the transmission upgrades, identified in Group 5 study processes, are completed.

GR's last petition to the Minnesota Public Utility Commission ("MPUC") in 2011 provided insight into the MISO interconnection process relating to the "Brookings" transmission project. Since our last petition (March 22, 2011) to the MPUC to extend GR's LWECS permit Group 5 projects have completed system impact and facility studies identifying transmission upgrades. Subsequently Group 5 has finalized multi party construction contracts agreements ("MPFCA") that stipulate construction timeframes with transmission owners ("TO") that include non refundable payment for them. The transmission upgrade, vis a vis the MPFCA is called "Hazleton Mitchell County" transmission line. This is the only upgrade GR is responsible for other than directly interconnecting and utility communication costs cited in GR's Interconnection Agreement ("IA") which was signed in August of 2012. The upgrade is scheduled to be completed in 2015. Consequently Group 5 had to provide a non refundable Letters of Credit or cash for these MPFCA upgrades.

Additionally, due to MISO interconnection queue reform, other transmission projects were identified for Group 5 known and are known as Multi Value Projects ("MVP"). These are utility transmission projects which Group 5 is not directly economically responsible for. These MVP transmission projects bring regional value to the transmission system increasing reliability of the system. There were several MVP project upgrades that were identified for Group 5. The following Tables show when the MVP upgrades will be completed and Table 2 shows the Group 5 transmission upgrade GR is economically responsible for and which GR has paid for through its January 2013 multi party facility agreement with MEC. Both these types of upgrades are utility transmission owner timeframes.

**Table 1**

<b><u>MVP</u></b>	<b><u>Expected Completion Date</u></b>
Brookings County-Twin Cities 345kV	12/31/15
North Lacrosse-Cardinal 345kV	12/31/18
Pleasant Prairie to Zion Energy Center 345kV	3/15/14



**Table 2**

<u><b>MPFCA</b></u>	<u><b>Expected Completion Date</b></u>
<b>Hazleton – Mitchell County Upgrade</b>	<b>“17 months after the assumed Effective Date of the MPFCA” (as amended the “Effective Date” is September 1, 2013).</b>

The interconnection process, primarily due to an antiquated transmission system as well as an overloaded interconnection queue is a complicated process that did not and perhaps does not coincide well with state LWECS permitting timeframes especially for smaller projects such as GR. It simply takes a long time to acquire the necessary interconnection agreement.

Due to previous interconnection uncertainty it has been difficult for GR to ascertain project construction costs or timelines to construct and reasonably respond to utility requests for proposals and offer, to electric utilities, power purchase pricing. After 9 years GR now has interconnection in service certainty.

### **C. Wind Power is Inexpensive and Less Risky than Fossil Fuels**

Community based energy from bulk wind, such as GR, is currently comparably priced with natural gas (“NG”) and is less economically risky and cleaner. Over the decades NG has been shown to be an economically volatile fossil fuel. Hydraulic fracturing (“fracking”) for NG has thus far shown results that offer inexpensive NG. It is nonetheless controversial. We believe that the controversy has not yet played out with respect to groundwater pollution which may lead to altered fracking practices that may, in the future, be more expensive than current practices. It is unknown and risky to tie Minnesota’s electric rates to NG fired generation. NG pricing may also be affected in the future by exports to the world market.

Currently, GR with or without federal subsidies wind is cheaper than coal fired generation such as Great River Energy’s (“GRE”) “Spiritwood” North Dakota plant. Spiritwood energy costs are at least \$ 75.00 per megawatt hour (“MWH”), obtained directly from GRE and Lake Region Electric Cooperative.



It is also costly to upgrade and refurbish older coal fired facilities, such as Xcel's Shurco generation plants as well as other utility owned fossil fuel generation. Additionally, there are issues looming with respect to federal laws in the form of carbon taxes or other regulations needed to offset carbon emissions. It is expensive and risky to tie Minnesota's electric rates to new or aging coal fired generation or NG.

Currently wind is cheap. With respect to cost of energy GR, with the Production Tax Credit ("PTC") and with current wind turbine pricing, we can produce power at the buss bar, after losses, for approximately \$38.00 per MWH. Without the PTC GR produces power for approximately \$ 60.00 per MWH. This is substantially less expensive then GRE's Spiritwood coal fired plant. There is no risk to Minnesota ratepayers due to likely carbon legislation.

GR will bring further value to Minnesota in the form of production taxes and other local economic benefits such as land leases, turbine owner payments and employment. As a generation project constructed within the state these benefits would accrue from GR over the life of the project, perhaps for a period of up to 35 years or more. There is no additional infrastructure cost over the 35 year period unless it is decided to repower, in which case GR would need to amend the permit. GR should never have to file for another interconnection application and GR will generate energy dollars that do not leave our state.

#### **D. Minnesota Legislation and Utility Comments**

State legislation passed in 2013 requires the Minnesota Department of Commerce ("MNDoC") to develop a scope for a Minnesota energy future. Additional legislation was passed that will establish methodologies for the value of electricity generated by solar photovoltaic resources.

Energy policy affecting community energy guidelines in Minnesota, starting with Renewable Energy Payment Incentive (REPI) implemented in 1994 for projects of 2 megawatts and less, lead to Community Based Energy Development (C-BED) legislation in 2005, prompting community investment into clean energy generation projects. The 2005 C-BED legislation

directed utilities to “consider” community owned clean energy projects perhaps in favor of, other utility generation. Apparently, at the time, the legislation was seen as a sound economic development tool because it kept higher percentages of energy dollars within our state rather than the continuation of the exportation of Minnesota’s energy dollars to the “Dakotas” and Manitoba, etc. Substantial controversy resulted for community owned energy projects, especially how they are defined, owned and financed. The 2005 C-BED legislation was amended in 2007 during which time the Renewable Portfolio Standard (RPS) was enacted mandating certain percentages of utility generation come from clean energy. Since then CapX 2020 was approved, along with other transmission projects, which have a detrimental effect on acquiring power purchase agreements. Utilities apparently do not have the interest, since CapX 2020, to facilitate C-BED. Utilities can now import more generation from the Dakota’s and Manitoba and Minnesota ratepayers are paying for transmission upgrades which may not necessarily be factored in to power purchase costs.

Distributed generation (DG) studies with respect to transmission studies were somewhat controversial, too. Some studies in 2005 and after showed DG, from an in state point of view, that investment in DG could and should be done first, before huge investments in transmission systems, designed to bring power in from out of state, are approved.

Previous to CapX 2020 MISO interconnection studies during the DG vs transmission debate was showing good outlet capability for GR, as were other C-BED type projects the developer was involved with. No upgrades were indicated. It was argued at the time, for DG, that it made much more sense to make use of Minnesota’s capacity with DG transmission system with C-BED prior to building new transmission. The net benefit is that this would keep energy rates relatively low and create many other ancillary economic benefits to Minnesota, especially keeping energy dollars from being exported. However, utility experts prevailed and CapX 2020 was the outcome. Minnesota ratepayers will see large increases in rates over the next several years, in large part because of the construction of CapX 2020 and the billions of dollars of additional transmission investment through the Midwest Transmission Expansion Plan (MTEP).



In 2008 Xcel Energy released a request for proposals ("RFP") for C-BED and selected approximately 300 megawatts to move forward with power purchase agreement (PPA) discussions. In the late summer of that year conversations GR had with Xcel indicated they would be facilitating an additional 300 megawatts of C-BED. As recently as 2010 Xcel announced they would voluntarily facilitate (an additional) 500 megawatts more of C-BED. Xcel's recent RFP selected 650 MW of wind energy, none of it is C-BED and most of will be built outside of the state of Minnesota.

Otter Tail Power Company (OTPC), Great River Energy, Minnesota Power (MP) are building wind in the Dakota's. In fact all of Minnesota investor owned utilities generation that is being built out of state primarily because of new transmission. Additionally, operation and maintenance costs on aging fossil fuel generation owned by Xcel, OTPC, GRE and MP are increasingly becoming more expensive for Minnesota ratepayers. GR believes that utilities should be giving much more consideration to clean energy projects built within our state. Particular attention should be given to those types of projects that show a greater economic benefit, such as C-BED, to our state.

State legislation has encouraged many communities across Minnesota to invest millions of dollars into C-BED under the pretext of C-BED legislation. Projects such as GR have followed Minnesota Public Utility Commission (MPUC) "Large Wind Energy Conversion System" permitting rules, as well as Federal Energy Regulatory ("FERC") and MISO rules for interconnection. Most projects, including GR, have gotten bogged down in changing MISO regulatory rules affecting its ability to interconnect within the LWECS MPUC 2 year timeframe. A few of the LWECS permitted projects, including GR, have amended their permit once extending the permit thus far to 4 years.

While GR currently does not have a power purchase agreement the changing character of the energy industry due to both federal and state legislation may make GR's C-BED power for Minnesota ratepayers much more desirable. At this point no one knows for certain where current legislation will take us, or future legislation and how this will impact GR's ability to construct within its interconnection timeframes.

## **E. Good Cause**

GR has recently gone through a very long, expensive and complicated interconnection process resulting in, as of August 2012 a signed IA and another multi party facility agreement (MPFCA), in fact a requirement to interconnect as per MISO, in January of 2013. January's 2013 MPFCA, has been modified as recently as September 2013 due to at least 3 C-BED type projects dropping out of the MISO interconnection process. Regardless, GR has determined interconnection costs, signed agreements and paid for its interconnection responsibility through the MPFCA borne out of Group 5. While actual on site construction has not started a construction process determined by MISO has started allowing GR to interconnect in 2018.

GR's interconnection is specific to location and capacity (20 megawatts) as per interconnection application. GR can now reasonably respond to electric utility "requests for proposals" (RFP's) if opportunity arises. It is not probable that another developer will step in to develop a project near GR because of the time it takes to go through interconnection processes. However, there may be opportunity to sell the development rights which would include interconnection as well as other development aspects belonging to the project, including the LWECS permit.

Despite Minnesota legislation directing electric utilities to consider community based energy additional legislation and MPUC actions allowing construction of transmission projects designed to bring power from the Dakota's have stifled Minnesota built wind. In good faith, because of C-BED legislation as well as utility statements, GR entered into a long, complicated and expensive process resulting in an interconnection agreement.

Economically wind energy projects are a hedge against rising fossil fuel related energy generation. Projects such as the Glacial Ridge Wind Project ("GR") bring great value to Minnesota's economy if projects similar to GR can be built within the state. GR is currently competitive to fossil fuel and, in some instances, cheaper than coal generation.



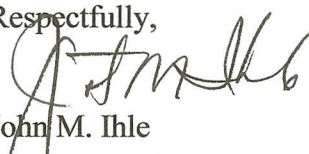
Issues relative to operations and maintenance on aging coal fired and nuclear plants and new transmission projects are increasingly contributing to rising electrical rates. The utilization of natural gas and a looming carbon tax present increased exposure to rising rates. Many of the land leases run for decades with options to extend the period. Additionally, projects such as GR provide economic development through production taxes, local owner payments, direct employment and other ancillary economic benefits to the state.

#### **F. Conclusion**

GR has diligently worked to develop the Project. The delays it has experienced were beyond its control. Good cause exists to allow GR to continue to pursue the Project following the completion of the MISO restudy process. GR respectfully requests that the MPUC extend the deadlines to enter into a power purchase agreement and begin construction within the 2018 timeframe.

Thank you,

Respectfully,



John M. Ihle

for Glacial Ridge Wind Project LLC

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