

Arlene Fried
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November 20, 2017

Daniel P. Wolf, Executive Secretary
Minnesota Public Utilities Commission
121 7th Pl E #350
St Paul, MN 55101

Re: In the Matter of Xcel Energy's Renewable Development Fund (RDF) Annual Report, Tracker Account True-up, and Request for 2018 Rider Factor, PUC Docket Number: E-002/ M-17-712

Dear Mr. Wolf:

Park Watch was founded by five concerned Minneapolis residents in early 2004 as a watchdog organization following proceedings of the Minneapolis Park and Recreation Board (MPRB). Park Watch advocates for transparency, citizen participation and fiscal responsibility. Since becoming aware of Crown Hydro's efforts to use public land for private interests in 2004, Park Watch has vigorously advocated for termination of Crown Hydro's license because of the aesthetic consequence of diminished flow over the falls, the threat to historic resources, and the interference with plans for riverfront parks, all of which are of great concern to many citizens and organizations.

Park Watch has examined the public record in Crown Hydro's FERC licensing proceeding and concluded that lack of transparency regarding finances calls the financial viability of the Crown project into question. Further, Crown Hydro's decision to use RDF funds to purchase turbines that would not work in their licensed location was a reckless gamble made with ratepayer dollars. Park Watch urges the Commission to terminate the grant so that no further public money will be spent on this financially dubious project that is contrary to the public interest in continued revitalization of the central riverfront.

LACK OF TRANSPARENCY CALLS FINANCIAL VIABILITY OF CROWN HYDRO INTO QUESTION

The public record lacks adequate information to show that Crown possesses the financial stability required to build and operate the facility during its 50-100 year lifetime. To the contrary, the record shows that the financial viability of the Crown project has been in doubt since the beginning. These comments address only the time period since the award of the RDF grant:

- November 2003: “Financial projections provided by Crown confirm that the project will likely start losing money within just a few years of start-up.” *The Crown Hydro project: history and relationship to Mill Ruins Park*, prepared by MPRB staff, on page 2 (see attached).
- June 30, 2011: “I also pointed out that the MPRB had serious concerns given Crown Hydro’s history of failing to secure the site, its lack of experience in hydro electric generation, and the necessity to ensure that an owner of a project on public land would have to demonstrate the financial capacity to build and insure the project’s completion and operation. During the course of these discussions, on April 25, 2011 the StarTribune reported on Mr. Hawks’ financial difficulties, specifically about the foreclosure on his home. Board members were also advised of the fact that Mr. Hawks had failed to pay a former owner of Crown Hydro for his ownership interest. There was legitimate concern over the financial strength of the current owner of Crown Hydro.” MPRB President John Erwin June 30, 2011 Letter to FERC Secretary Kimberly Bose on page 3 (see attached).
- November 26, 2013: “[W]e’ll address financial stability as we move forward.” Crown attorney Richard Savelkoul, responding to questions from the public about financial viability. Transcript, Public Meeting held at the Minneapolis Central Library (p. 34). Filed with FERC January 13, 2014 (see attached excerpt).

Contrary to assertions made in the FERC licensing proceeding that Crown has developed a plan of action to address comments made at the November 2013 public meeting, Crown has yet to address comments from the public or agencies regarding financial stability. Only incomplete information exists in the record, and documentation relating to finances only raises more questions.

Financial information in the record consists of:

1. June 12, 2003 Crown submission of documentation of financing as required by Article 313 of the 1999 License (see attached)
2. February 8, 2016 Crown submission providing responses to FERC Questions #1 - 4 (see attached excerpt page A-1 through A-4)

Information still needed:

- Crown’s 2016 Response to Question #4 lacks specificity and documentation as provided to FERC in the June 2003 submission. For example, where is the letter of interest from the bank? Where is the letter from the private investor? The Legal, Administrative, and Engineering costs are lumped together under “Development Costs”. These should be separately described. Also, what has been paid to date, and what are expected future costs in each category? Is there any debt?
- Crown’s 2016 Response to Question #2 is incomplete and raises additional questions. FERC should require a financial statement similar to the *Proforma Income and Cash Flow Statement Year 1* provided by Crown to the MPRB in 2004 (see attached).

Additional Questions raised by Crown's 2016 Response to Question # 2 when compared to the 2004 Proforma include:

1. Why is there a \$166,228 entry for Capitalized Interest (Line 8) in the 2004 *Proforma* but not in the 2016 submission?
2. Why is there a \$100,000 entry under Uses of Funds for "Xcel Security" (Line 9) in the 2004 *Proforma* but not in the 2016 submission?
3. Why is there a series of entries under "Banking Costs Wells Fargo" (Line 11 \$232,719; Line 12 \$606,989; Line 13 \$606,989) in the 2004 *Proforma* but not in the 2016 submission?
4. What are anticipated revenues¹ as shown in the *Proforma* (Items 16-19)? Cash flow is critical to understanding sustainability of the project over the long term. What credits or other subsidies does Crown intend to access to make this project viable? The project does not qualify for a Renewable Energy Production Incentive under Minn. Stat. §216C.41 subd.3 because it was not generating electricity before December 31, 2011.
5. Why does the bid from North American Hydro decrease in value? Line 20 of the 2004 *Proforma* lists \$170,000 for Operating and Maintenance from North American Hydro. Crown's 2016 submission lists Operations and Maintenance at \$75,000.
6. Why would insurance for a more expensive project cost less? Line 22 of the 2004 *Proforma* lists \$85,000 for insurance from Chubb. Crown's 2016 submission lists an unnamed insurance vendor at \$20,000.
7. Why is there no line item for Income Tax in the 2016 submission? Line 37 of the 2004 *Proforma* addresses income tax in three circumstances - low, normal and high water.
8. Will there be property tax? Crown does not qualify for an exemption under Minn. Stat. §272.02 subd. 15 because the project is not being developed and operated under Minn. Stat. §103G.535.
9. Where are line items for lease payments to be owed to the Minneapolis Park and Recreation Board and MnDOT? Only line item shown is for lease payment to the USACE?
10. Where is the debt carried by Crown Hydro reflected in these financial statements? In a letter dated February 13, 2017 (RDF Quarterly Status and Progress Report, dated May 4, 2017, Attachment A, pages 1-3), Crown Hydro's attorney Richard Savelkoul states that Crown owes \$250,000 plus interest to Dr. Kathryn E. Dusenbery, \$130,000 for storage and \$220,000 each to Kenneth Welle and Gary Monson.

¹Crown's 2003 Power Purchase Agreement is not confidential.

Financial details provided by Crown Hydro are insufficient to assure the Commission and the public that the project's financial information is solid. Since receiving the RDF grant sixteen years ago, Crown Hydro has failed to make meaningful progress. In fact, the only action Crown has taken toward building its facility is to purchase turbines designed for a site it does not control and for which it does not hold a license.

Park Watch urges the Commission to consider the serious risk that the project is not financially sustainable when determining whether the grant should be terminated. The remaining RDF grant funds should go to a deserving party who will act in the public interest rather than present an obstacle to implementation of community plans for continued growth and development in the heart of Minneapolis.

Thank you for the opportunity to offer these comments.

Sincerely yours,

A handwritten signature in cursive script that reads "Arlene M. Fried".

Arlene Fried
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Co-founder of Park Watch
www.mplsarkwatch.org

The Crown Hydro project: history and relationship to Mill Ruins Park November 2003

The Crown Hydro project as originally licensed in 1999 requires the use of large portions of Mill Ruins Park to convey water from the river to power generation equipment located in the privately-owned Crown Roller Mill and to then return the spent water to the river. In April 2002, Crown Hydro applied to the Federal Energy Regulatory Commission (FERC) to amend its hydropower license by changing the location of the project's powerhouse from the Crown Roller Mill building to an area within Mill Ruins Park. Crown's request for the relocation of the powerhouse would cause nearly the entirety of their project to be located within the boundaries of Mill Ruins Park, on land owned by the Park Board. Crown applied for this license amendment without first discussing with the Park Board terms for the use of its land, despite repeated invitations from Park Board staff to do so. Since many major issues remained (and still remain) unresolved regarding the harmonious interface of the Crown project and the park, the Park Board filed a Motion to Intervene with the FERC at that time in order to safeguard its interests in the license amendment proceeding.

Chronology of Park Board discussions with Crown Hydro

In 1998, even before the FERC granted Crown its hydropower license, Crown approached the Park Board for financial assistance. Crown was unable to finance the full cost of its proposed project and came to the Park Board to discuss ideas to save the project. At that time, the Board hired the consultant firm North American Hydro Inc. to analyze the value of the project and its financial feasibility and to prepare energy production projections. The Board also commissioned a follow-up financial study from Robert D. Milne & Associates in 2000 to provide additional financial detail. It was concluded from these studies that the project was not feasible using private financing sources.

In 1999, after receiving the North American Hydro report, staff proposed that the Park Board acquire the hydropower license and produce power solely for Park Board use, with the project to be located on Park Board property. This appeared to the Park Board to be an attractive prospect at the time, for the following reasons:

- At that time, construction of the first phase of park improvements had not yet occurred, and there was the opportunity to partially fund those improvements through the sale of bonds for the construction of the hydropower facility.
- Those improvements could have also been initially designed and constructed to accommodate the Park Board-run hydro facility.
- Since the Park Board would have owned and operated the facility, it would have had direct control over issues which have become stumbling blocks with Crown, including the provision of a constant flow of water in the tailrace, the volume of water to be used by the project, aesthetic and interpretive components of the project, ongoing maintenance issues, and the assurance of an aesthetic flow over the Falls.
- The Park Board intended to distribute the generated power directly throughout its

- system, thus supplying its own power needs from a “green” source.
- At that time, it was not known that the State Historic Preservation Office and the FERC would rule that the project has an adverse effect on the site, as they have since done.

None of these potentially positive aspects of the project as envisioned by the Park Board in 1999 pertain to the Crown project as currently constituted. Construction of park improvements has already occurred, obviating the first and second advantages. Since the Crown Project would not be owned and operated by the Park Board, the third and fourth advantages would also be negated. A financial analysis undertaken at that time indicated that the economic viability of the project pertained only if the Park Board owned the facility. Financial projections provided by Crown confirm that the project will likely start losing money within just a few years of start-up.

Negotiations with Crown for the purchase of the license culminated in an offer made by the Park Board on February 2, 2000 for the transfer of that license. That offer included two fixed payments and additional annual payments based upon the amount of power generated. Overall, the offer had the potential of providing \$2,450,000 to Crown over the life of the license. In addition, the Park Board committed to invest up to \$200,000 in construction of the hydropower project. This offer was rejected by Crown in February, 2000.

Crown clearly hoped that the Park Board would accommodate the powerhouse within the park regardless of project ownership, since, apparently, negotiations with the owners of the Crown Roller Mill were already encountering difficulties even before the license was granted. A February 6, 1998 memo from Tom Griffin of Crown to Judd Rietkerk of the Park Board staff listing Crown conditions for a Memorandum of Understanding between the two entities included the following: “Park Board agrees to provide an alternate site for the plant in the event that a final satisfactory agreement cannot be reached between the public/private partnership and the owners of the Crown Roller Mill Building.” In a follow-up meeting held on February 28, 1998, Griffin indicated that he was concerned about “extortion by the owners of the Crown Roller Mill building.” He suggested that that the turbine could be located “just inside the gatehouse” in Mill Ruins Park instead. Rietkerk responded that the most that the Park Board could do would be to agree to review alternative site proposals.

More recently, Crown has stated in official submittals to the FERC that “[i]t was Crown’s understanding that, regardless of the ownership structure of the project, the Park Board wanted to [sic] the plant to be located entirely on its property.” While it would have been logical for the Park Board to request a license amendment for the relocation of the powerhouse if it had acquired the license, at no time did the Park Board indicate that it “wanted the plant” on its property regardless of ownership.

Crown has also stated in FERC submittals that, “as a result of these events [negotiations with the Park Board], Crown discontinued its negotiations with the owners of the Crown Roller Mill building.” Crown’s decision to cease negotiations with the Crown Roller Mill owners was entirely its own decision and was unrelated to any actions

by the Park Board. In Crown's license amendment filing of April 2002, Crown itself states that "[u]se of the Crown Roller Building as the powerhouse became impractical, if not impossible, because of the inability of Crown Hydro LLC to arrive at acceptable lease terms with the building's owner to house the project." This was reiterated in letters sent by Crown to various agencies (USEPA, Corps, and MPCA) in December 2002. Those letters stated that "Crown Hydro was unable to arrive at acceptable lease terms with the owner of the Crown Roller Building, therefore use of the building became impractical, if not impossible. To correct this situation, Crown Hydro proposes to relocate the powerhouse to the east side of West River Parkway, within the boundaries of Mill Ruins Park on land owned by the City of Minneapolis."

Following the rejection of the Park Board's offer to purchase the license, there was little contact between Crown and Park Board staff for some time. Park Board staff were therefore surprised to learn, via media reports in November 2001, of the award of \$5.1 million in Renewable Energy Funds (REF) to the Crown Hydro project. After receiving no communication from Crown following that award, Park Board staff once again attempted to initiate a discussion. On November 30, 2001, Rachel Ramadhyani of the Park Board staff called Rich Greenlee, a Crown consultant, to suggest a meeting, which subsequently occurred on December 14, 2001. At that meeting, Crown representatives explained the lack of communication regarding the grant by stating that they "didn't feel the need to get together with the Park Board until the funding was real." They indicated that they wished to continue to postpone discussion of terms for the use of Park Board land until they had arrived at a Power Purchase Agreement (PPA) for the sale of the power to Xcel Energy. Park Board staff attempted to impress on Crown the need to arrive at an agreement for the use of Park Board land, unrelated to the development of a PPA, since such an agreement would be based on the value of the land and not on the overall financial status of the Crown project.

At that meeting, as well as on several subsequent occasions, Park Board representatives reiterated the general terms which should be included in an agreement. In addition to lease or encroachment fees payable to the Park Board, an agreement would also need to address such matters as operation and maintenance responsibilities, bonding and insurance, construction scheduling and provisions, protections against project abandonment, compliance with historic requirements, and provision of public access. Crown also refused to bring the Park Board into the drafting of the PPA, although that agreement would naturally have major impacts on the Park Board's use and control of its own parkland. Despite the Park Board's willingness to work with Crown on all these issues, Crown continued to refuse to discuss terms for nearly eighteen months after the announcement of the REF grant, and there was no contact of any kind between Crown and Park Board staff between June 2002 and April 2003.

Despite its unwillingness to develop an agreement for the use of Park Board land for its project, Crown proceeded, on April 4, 2002, to file a request for amendment of its license to relocate its power production facilities on Park Board land. This filing was undertaken without prior notification of the Park Board. The principal reason offered by

the filing for requesting relocation is that “[u]se of the Crown Roller Building as the powerhouse became impractical, if not impossible, because of the inability of Crown Hydro LLC to arrive at acceptable lease terms with the building’s owner to house the project.” It is difficult to understand why Crown would seek to relocate these facilities on land where, once again, acceptable lease terms have not been developed with the landowner.

Current status and concerns

In mid-April 2003, Crown representatives finally met with Park Board staff to initiate a discussion of terms for the location of their project within Mill Ruins Park. Despite indicating a desire to move quickly, it took until early August for Crown to provide Park Board staff with a fairly generic draft lease agreement as a starting point for discussion. Since that time, Park Board staff have provided fast turn-around to Crown on several generations of a draft lease which could potentially be brought to the Board for consideration. While some lease language has been drafted, no agreement has been reached on the appropriate rent or encroachment fee rate for the project. Crown has offered an initial payment of \$100,000 and annual \$30,000 payments for ten years, with no guaranteed payments after that date (it should be noted that the hydropower license is for a 50-year term). They have also proposed the construction of park-related amenities in the powerhouse area; Crown’s preliminary cost estimate for this construction is \$750,000. For reference, a fee calculated using the Board-approved utility encroachment fee schedule would be approximately \$328,800 per year for the life of the lease.

Other significant design, operational, and contractual issues which have not yet been resolved include:

- All activities undertaken by Crown Hydro need to comply with the requirements of both the Section 106 Programmatic Agreement governing its project and that governing Mill Ruins Park and will be reviewed and approved by the State Historic Preservation Office and the Minneapolis Heritage Preservation Commission. Since the MPRB is the owner of the property upon which the proposed project would be constructed, the MPRB must ensure that all activities upon its property comply with rulings of the historic regulating agencies. At present, both the FERC and the SHPO have issued an “adverse effect” determination for the Crown project, effectively halting implementation of the project unless FERC decides to set aside this ruling.
- Contamination was found during the 2000-2001 phase of park construction undertaken by the Park Board. As part of its response to addressing that contamination, the MPRB has entered into an “Affidavit Concerning Real Property Contaminated with Hazardous Substances” with the Minnesota Pollution Control Agency which governs future construction in and around the tailrace. In excavating the tailrace to its required depth, Crown will encounter significant contaminated deposits which were detected, but left undisturbed, during previous park construction. Crown’s budget projections do not include costs for appropriate handling and disposal of this contaminated material. Crown must also develop an agreement with the MPCA to ensure that the response actions taken by the Park Board MPRB will remain approved despite the change in use of the property and the

- excavation of this contaminated material.
- Since Xcel Energy has entered into a Power Purchase Agreement with Crown which would result in an Xcel takeover of the facility in the event of a Crown default, Xcel should also be a signatory to the lease. The terms of the PPA do not bind Xcel to honor the terms of Crown's lease with the Park Board. Crown has indicated that it is unlikely that Xcel will agree to sign the lease.
 - Methods must be found to handle the many negative impacts on the functioning and historic integrity of the tailrace canal of necessitated by the requirements of the Crown project. The tailrace canal is a historic feature which carries outflow water from the park back to the river at the "below the Falls" elevation. This feature had been filled and buried c. 1960, and its excavation, restoration, and rewatering formed a major component of the first phase of park construction, completed by the Park Board in fall 2001. This reconstructed tailrace canal is bordered by several hundred linear feet of historic limestone-block canal walls dating to the second half of the 19th century. As a result of their age and subsequent physical damage, these walls are in fragile condition, and the Park Board has stabilized their most critically-deteriorated portions. The reconstructed tailrace basin itself has been designed by the Park Board to be sufficiently shallow and with a sufficiently low water velocity to allow the public to approach its edges without hazard. At present, the basin is designed to accommodate a volume of up to 150 cubic feet per second (cfs).

Implementation of the Crown project will require a number of modifications to the tailrace canal. In order to accommodate the greater volume of water this project will require (up to 1000 cfs), portions of the tailrace basin will need to be deepened. The velocity of water in the channel is also likely to be higher than that of the current regime. This increase in water depth and velocity will compromise public safety and the ability of the public to interact closely with the tailrace canal, which is one of the central features of the park. This increase in the velocity of flow in the tailrace also has the potential to inflict scour and other damage on the historic tailrace walls.

Deepening the tailrace basin is likely to require the construction of new, deep walls at some locations. At some times, particularly when the tailrace is dry, these new walls would be visible to the public. Therefore, it is essential that they be designed to be historically and aesthetically compatible with their context.

In order to accommodate the required volume and to generate maximum head, Crown has proposed to remove or lower concrete weirs constructed by the Park Board at the downstream (outfall) end of the tailrace canal. These weirs were included in the original design so that the water surface elevation of the tailrace canal would be above that of the river into which it discharges. The difference in surface elevations ensures that the tailrace canal remains "watered" even in low-flow conditions and that trash from the river does not back up into the canal. Removal or lowering of these weirs is therefore likely to result in the dewatering of the tailrace basin during low-flow periods, to the significant detriment of the aesthetic and interpretive nature of the park. Lowering the weirs will also likely result in the back-up of trash from the river into the tailrace basin.

- The Crown project will require water volumes of up to 1000 cfs to generate power at full capacity. The Park Board has been informed that Crown's turbines are unable to operate without damage at volumes under approximately 165 cfs. The Crown project proposes to close off the pipe-and-tunnel system constructed by the Park Board which currently supplies the tailrace basin with up to 150 cfs. Instead, all water entering the tailrace would first pass through Crown's turbines. Since these cannot operate at low volumes, it therefore would appear that, when the river flows drop to a point where Crown would need to suspend operations, the tailrace basin would be dry. This would likely occur during the late summer and early fall months, which are peak periods for park visitation. It would be highly detrimental to the mission of park operations for the tailrace canal to be dry at these times.
- The ability of the Park Board to undertake additional planned phases of park development in the immediate vicinity of the tailrace canal will be severely restricted by the financial imperative of the Crown project to operate whenever sufficient water volume is available. Additional park development planned for 2005 centers on the construction of walking paths immediately along the tailrace canal on both sides, together with a pedestrian bridge spanning the tailrace at its upstream end. The difficulty, environmental impact, and cost of these construction activities will be greatly increased if the tailrace canal must remain watered during their pursuance. If the Crown project were not operating, the Park Board would have the ability to close off the water flow as necessary during construction, but Crown has not entered into any agreement regarding water shut-downs during park construction. The additional complications this generates may drive the cost of this planned park construction beyond the Park Board's budget.
- The ability of the public to access and enjoy Mill Ruins Park is likely to be precluded or highly restricted during the period of construction of the Crown project.

Recent FERC ruling

Since April 2002, FERC has been reviewing Crown's license amendment request and its ramifications. It appears that Crown may have been considering exercising eminent domain to acquire MPRB parkland for its own use, since the FERC asked Park Board staff to provide documentation as to whether Mill Ruins Park was acquired prior to October 24, 1992. Under the Federal Power Act, public parkland owned by a public entity prior to that date is exempt from the exercise of eminent domain for utility projects.

On October 16, 2003, the FERC issued a letter making several significant points regarding the Crown Hydro project:

1. Crown cannot use eminent domain to acquire land within Mill Ruins Park for its project, since that land was acquired for parkland prior to 1992.
2. Crown's license requires that it "acquire title in fee or the right to use *in perpetuity* all lands necessary or appropriate for the construction, maintenance, and operation of the project." [italics added]
3. The FERC is concerned about Crown's repeated inability to meet license-stipulated project deadlines.
4. The FERC requires Crown to provide, by November 15, 2003, "evidence that the

Park Board has conveyed the necessary property rights to [Crown]" or it will dismiss the license amendment request.

Possibly the most significant of these points is #2, which appears to preclude the Park Board's proceeding any further with negotiations with Crown. Whether or not the license amendment is granted by the FERC, Crown's intake and outflow facilities (e.g., headrace and tailrace) would necessarily occupy a large portion of Mill Ruins Park. The license amendment would additionally bring the powerhouse itself into the park, and, in that scenario, the entire Crown project would be located within Mill Ruins Park. The above-mentioned license requirement would require Crown to obtain from the Park Board ownership or effective ownership *in perpetuity* for the area occupied by all these facilities. The result would be to transfer ownership of most of Mill Ruins Park to a private entity. This would seem to be an inappropriate use of land which has been designated as parkland within the Park Board and City's plans for the revitalization of the Central Riverfront for over a quarter-century. Furthermore, the terms of the state, Met Council, and federal funding used to acquire and develop this parkland specifically preclude such a change of use and ownership. State bond funding requirements, Met Council-stipulated restrictive covenants, and TEA-21 stipulations regarding property ownership, all of which would prohibit such a sale or transfer, pertain to various portions of the land which would be acquired by Crown. Apart from any question of the merits or financial soundness of the Crown project, the FERC acquisition requirements appear to render it impossible for the MPRB to allow this project to locate on its land. While Crown has stated that there are precedents in which FERC has set aside these requirements, they have not provided any assurance from the FERC itself that such an exemption would be allowed in this instance.

Crown's demonstrated inability to meet license requirements and deadlines

Since receiving its license on March 19, 1999, Crown has demonstrated a consistent inability to meet the requirements set forth in that license. Despite having received extensions of several deadlines, including the commencement of construction and submission of a recreation plan, Crown continues to be out of compliance with those extended deadlines and in engaging in other stipulated consultations and plan submissions. To the best of the Park Board's knowledge, license stipulations including but not necessarily limited to the following have not been met:

- a. Preparation of a recreation plan, to have been filed with FERC by an extended deadline of October 31, 2002.
- b. Preparation of a Construction Phase Cultural Resources Management Plan and a Cultural Resources Management Plan – Operation and Maintenance, as stipulated by the Section 106 Programmatic Agreement.
- c. Development of an operation and maintenance plan for the project by a twice-extended deadline of March 19, 2003.
- d. Submission (to the U. S. Army Corps of Engineers (COE) and the FERC) of a schedule for submission of design documents and plans and specifications, by a twice-extended deadline of August 19, 2000 (Article 301).
- e. Finalization of an agreement with the COE to coordinate its plans for access to and site activities on lands and property administered by the COE, by a twice-

extended deadline of August 19, 2000.

- f. Submission to the COE of a regulating plan and finalization of a Memorandum of Agreement with the COE describing powerhouse operation; these actions were to have been accomplished at least 60 days prior to the start of construction. Since the extended deadline for start of construction is March 19, 2003, this plan should have been submitted no later than January 18, 2003.



June 30, 2011

Ms. Kimberly Bose
Secretary
Federal Energy Regulatory Commission
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Re: Crown Hydro, LLC
Crown Hydro Project, FERC Project NO. 11175-024
Comment on May 25, 2011 Show Cause Letter

Dear Ms. Bose:

I am the President of the Minneapolis Park & Recreation Board ("MPRB"). Please accept this letter as a comment on your Letter of May 25, 2011 regarding the above and as a response to Crown Hydro, LLC's ("Crown Hydro") letter of June 23, 2011.

Crown Hydro's letter of June 23, 2011 contains a one-sided rendition of the events that transpired over the last three months regarding this project. I am compelled to write this letter in the interest of providing you with a more complete picture.

There is one central fact relevant to FERC's proceedings: despite numerous attempts over the last decade to obtain control over public park land for its project, Crown Hydro has not secured MPRB's permission to do so. Most recently, at Crown Hydro's request, the MPRB did attempt to reach an understanding on the conditions under which the project could proceed and could possibly be acceptable to the MPRB. When presented with the conditions under which the MPRB could consider the project, Crown Hydro would not accept the terms. Crown Hydro apparently believes that it is entitled to control of public park land on terms they alone propose and no others. Neither the MPRB nor any other local unit of government should agree to such an expropriation of public park land.

At the outset, it is important to understand the context of the new location Crown Hydro is proposing for use as a power generating site. The site is at the top of the Falls of St. Anthony, a place that once was the milling capitol of this country. Now, nearly all of the shore land of the Mississippi river in this area is owned by the MPRB. Along with adjacent land, the MPRB has created a park of statewide significance in the very heart of the City of Minneapolis. The Mississippi Central Riverfront Park is a statewide resource and attracts over 1,000,000 user visits each year.

President

John Erwin

Vice President

M. Annie Young

Commissioners

Brad Bourn

Bob Fine

Carol A. Kummer

Jon C. Olson

Anita Tabb

Scott Vreeland

Liz Wielinski

Superintendent

Jayne Miller

Secretary to the Board

Karen Robinson



It is one of the top ten parks sites by visitation in the state and is the home to nationally designated historic districts and sites. The historic James J. Hill Bridge connects the east and west banks of the park and acts as a focal point along with the St. Anthony Falls. The park's neighbors include thousands of homeowners, hundreds of businesses, the nationally renowned Guthrie Theater and the second largest facility owned by the Minnesota Historical Society. This area is truly unique because of its history and geography.

MPRB has supported hydroelectric power generation in this area, but we also have a responsibility to the public to oversee the public parks there. The MPRB has a demonstrated history of working with Xcel Energy and Brookfield development on hydro power projects on the river. However, we have also been critical of hydro power projects when a project was antithetical to public park interests.

Aside from noting the significance of the proposed site and changes that have occurred there since the original license was granted by FERC, I wanted to take this opportunity to recap our most recent efforts to come to an agreement with Crown Hydro to allow them to build a hydroelectric facility on MPRB property in Mill Ruins Park which is a component part of the Central Mississippi Riverfront Park in Minneapolis

On March 22, I met with representatives of Crown Hydro and our staff. The Crown Hydro representatives were Mr. Jim Erickson, who said he was representing a potential third party investor as well as the interests of Crown Hydro, Mr. Tim Keane, an attorney employed by Crown Hydro, and Mr. Todd Guerrero, also an attorney representing Crown Hydro. Representatives of Crown Hydro informed us of their intention to introduce legislation at the State Capitol if MPRB did not move forward with granting Crown Hydro the ability to construct a hydro project at a new site. Crown Hydro presented me with a draft of a Letter of Intent ("LOI") that they wanted MPRB to sign in lieu of Crown Hydro pursuing legislation.

I brought the matter to the full Board at the next meeting on April 6th, 2011 and requested the Planning Committee receive a report and presentation from Crown Hydro at its next meeting on April 20, 2011. Subsequently, Crown Hydro introduced legislation at the State legislature to give it control over MPRB property on April 14, 2011. Even though Crown took this action, at the April 20 meeting, the MPRB Planning Committee requested MPRB negotiate a draft LOI with Crown Hydro that the full board could consider with an established minimum flow rate over the falls of 2,000 cubic feet per second.

As a result, I then met with Mr. Keane, Crown Hydro's attorney, and Mr. Erickson, who said he represented a potential future investor, three times over four weeks. Separately, the MPRB Superintendent and one of our attorneys met with representatives of Crown Hydro six times over the next three-and-a-half weeks in an effort to see if it was possible for the MPRB to support the use of its parkland for Crown Hydro's power generating facility. I also had other meetings and

conversations with other possible public partners. Both Mr. Erickson and Mr. Keane were aware of these efforts and encouraged them. However, those agencies ultimately declined participation. Throughout, I acted in good faith to develop a proposal that my colleagues on the MPRB could consider.

In the course of these meetings, Mr. Erickson, while in Mr. Keane's presence, represented that Mr. Hawks was willing to sell his interest in Crown Hydro to Mr. Erickson's client or other possible ownership interests if that would make it possible for this project to proceed. I advised Mr. Erickson and Mr. Keane that any project on public land would have to have an owner who could guarantee that the public would not be exposed to any liability should the project run into unforeseen problems. I advised both Mr. Erickson and Mr. Keane that the MPRB had run into difficulties with private developers using park land in the past and that the MPRB would not expose itself to any potential liability for construction costs or calamitous events related to constructing a power plant in an area of the city that has a history of tunnel and falls collapse. It was absolutely clear to these men that the MPRB would seek to protect the public from any financial exposure that could result from this project. Both men agreed and understood this principle point.

I also pointed out that the MPRB had serious concerns given Crown Hydro's history of failing to secure the site, its lack of experience in hydro electric generation, and the necessity to ensure that an owner of a project on public land would have to demonstrate the financial capacity to build and insure the project's completion and operation. During the course of these discussions, on April 25, 2011 the StarTribune reported on Mr. Hawks' financial difficulties, specifically about the foreclosure on his home. Board members were also advised of the fact that Mr. Hawks had failed to pay a former owner of Crown Hydro for his ownership interest. There was legitimate concern over the financial strength of the current owner of Crown Hydro. The MPRB also wanted assurances that whoever would operate the facility had a demonstrated ability to operate a hydro power facility. Crown Hydro's letter to you of June 25, 2011 repeatedly characterizes concern over ownership as personal; that assertion cannot be further from the truth. MPRB simply sought to insure that the project would be financially viable in the long-term.

From my perspective whether Mr. Hawks remained involved was not the point. The point was whether there was an owner and developer capable of ensuring that if a project was to be built whether it could be sustained to completion and operated.

Throughout these discussions, Mr. Erickson acknowledged these concerns as did Mr. Keane. In fact, Mr. Erickson characterized his client as a "White Knight" who was willing to save the project. Mr. Keane acknowledged that if the MPRB would grant site control there would be multiple 'deep pocket' investors who would be 'lining up' to finance the project and replace Mr. Hawks.

Crown Hydro's characterization that the MPRB was attempting to force Mr. Hawks out of the project is not accurate. Mr. Erickson's presence alone suggested that a

person/s unknown to the MPRB was/were already planning to supplant Mr. Hawks, and given Mr. Keane's presence at various meetings, it appeared to me that Mr. Hawks was more than willing to have his interest in Crown Hydro being purchased by Mr. Erickson's client/s or by other large hydro power companies that were well known to Mr. Keane who acted as Mr. Hawks' attorney. In fact, at one meeting it was even suggested that if Mr. Hawks was no longer involved it was likely Mr. Keane would remain involved.

A meeting did occur between Crown Hydro representatives, Mr. Erickson and Mr. Keane, the Park Board's general counsel, myself, and Park Board Commissioner Scott Vreeland on May 15th. I and Commissioner Vreeland informed Crown Hydro of our concern at that meeting that the draft LOI that Mr. Keane and MPRB Superintendent had worked on had numerous drafting problems and that the document was not acceptable to bring forward to the MPRB. Mr. Keane acknowledged there were problems with the document that needed to be corrected.

We also advised Mr. Keane and Mr. Erickson that the draft LOI that was circulated had several substantive problems as well. Specifically, we advised Mr. Erickson and Mr. Keane that the LOI did not include 1) the Park Board's desire to have complete flow rate control during the three 'low flow' months of the year from approximately June 15-September 15, 2) clear language reflecting and insuring the LOI was non-binding, and 3) assurances of the financial solvency of the owner of the hydro facility. We informed Crown Hydro representatives that the LOI would be modified to reflect those concerns. Those concerns noted were based on previous public Board discussions and the previous action of the Planning Committee. Therefore, Mr. Keane and Mr. Erickson were very aware that changes were going to be made to the LOI to reflect those concerns. I reject their assertion that there was any sort of agreement between Crown Hydro and the MPRB as of May 15, 2011. In fact, such a claim is preposterous on its face: no one or two park commissioners or staff can bind the Board.

Changes to the LOI were made by the MPRB's general counsel consistent with concerns voiced at the May 15th meeting. A revised LOI was sent to all Park Board Commissioners and Crown Hydro representatives the next day, May 16th, 2011.

A vote on whether to execute the LOI was placed on the MPRB's agenda for May 18, 2011 (Resolution 2011-095; available at www.minneapolisparcs.org). Before the Board took up the resolution, a representative of Crown Hydro spoke and submitted a letter stating they were not willing to sign the revised LOI and they were withdrawing their request because the terms in the LOI were unacceptable to them. In particular, Crown Hydro took issue with the addition of a 2,000 cubic feet per second minimum flow rate at all times over the falls standard. Yet, the public direction from the Planning Committee to staff and me was explicit in this regard and Crown Hydro representatives were aware of this, as they were present at the Board meeting. The Board subsequently voted to not execute the LOI based on

Crown Hydro's rejection of the proposed terms in the LOI. The simple fact is that Crown Hydro was not willing to even have the MPRB consider these terms.

This MPRB action constituted the 5th such action by four different Park Boards related to Crown Hydro's case. In each case, the MPRB has exhaustively evaluated the proposal they had in hand, the impacts, and the project viability. In every case, MPRB or Crown Hydro have declined to proceed with each proposed project.

Crown Hydro now claims that it will ask the Minnesota Legislature to give it and other similarly situated hydro electric generating facilities carte blanche to construct projects irrespective of any local ordinances, land use control policies or local land ownership interests. The MPRB as well as other local units of government in Minnesota oppose such legislation. I personally think that such a government policy would be a monumental public policy mistake.

Beyond this brief history of the most recent attempt of Crown Hydro to secure MPRB approval to allow a hydro facility to be built on its' property, it is important to note a few significant additional issues related to this project.

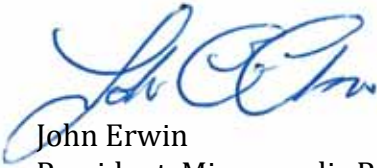
On May 16, 2011 the MPRB learned that the FERC is now requiring Xcel Energy/Northern States Power (NSP) to request an additional 341 cubic feet per second from FERC at their St. Anthony Falls Hydro plant (P-2056), which is directly across the Mississippi River from the proposed Crown Hydro facility. As you are aware, Xcel has priority in receiving such rights over Crown Hydro. The Xcel request will be 1/3 of the water that Crown Hydro has requested for its proposed facility. This information magnified a long-term concern MPRB has had over the long-term viability of the project without negatively impacting flow rates over St Anthony Falls. Water use at the Falls of St. Anthony has always been a critical concern of the MPRB. That's why the MPRB wanted assurance on flow over the Falls. If FERC grants Xcel's request that means less water for a Crown Hydro facility and less water going over the Falls.

The area around the proposed Crown Hydro site has dramatically changed since FERC granted the license for another adjacent site to the current proposed Crown Hydro location. Thirty three million dollars of local and state investment has resulted in over one billion dollars in new development in the area. There are over 7,000 new residents in the surrounding area. The St. Anthony Falls (adjacent to the proposed Crown Hydro site) is central to that development. MPRB wishes to protect that public and private investment. We believe that had this development been in place at the time of the original evaluation of impacts, that FERC may not have granted the license.

While the MPRB has supported other hydro projects in the area and fully supports renewable energy and other conservation practices that are in the public's interest, we continue to have reservations about the viability of the Crown Hydro project.

The simple truth is that after more than a decade of consideration by four different Boards this project has not moved forward.

Sincerely,

A handwritten signature in blue ink, appearing to read "John Erwin".

John Erwin
President, Minneapolis Park and Recreation Board

Cc. Park Commissioners
Jayne Miller, Minneapolis Park and Recreation Board Superintendent
Time Keane
James Erickson
Bill Grant, Deputy Commissioner of Commerce
State Senator Gen Olson
State Representative Michael Beard
Barb Johnson, Minneapolis City Council President
R.T. Rybak, Mayor of Minneapolis

Document Content(s)

Status of Crown project 7-1-2011.PDF.....1-6

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UPPER ST. ANTHONY FALLS HYDROELECTRIC PROJECT
TRANSCRIPT OF PUBLIC MEETING

TUESDAY, NOVEMBER 26, 2013

3:30 TO 5:00 P.M.

MINNEAPOLIS CENTRAL LIBRARY

POHLAD HALL

300 NICOLLET MALL

MINNEAPOLIS, MN 55401

1 safely and reasonably economical. So that's on the
2 bridge. (Inaudible.)

3 MR. TUCKER: It's a start.

4 MR. TOSO: That's why we're here.

5 MS. FRIED: My name is Arlene Fried, I'm
6 a resident of Minneapolis and co-founder of Park
7 Watch, and I've been following this project for
8 quite some time. When I went to the website, this
9 is the one page I found on the website. It has a
10 P.O. Box. No address, no phone number, no name.

11 So my question is this: I think we would like
12 more information about (inaudible) mysterious
13 element from Hydro. We don't know who the people
14 behind it are, we don't know who the investors are,
15 we don't have an address for them, and I think we
16 would also like to know more about the assets
17 supporting (inaudible). Thank you very much.

18 MS. DENZ: I would like to respond to
19 this very quickly. The P.O. Box -- I'm Amy Denz
20 and I'm with Wenck Associates and Joel Toso is also
21 with Wenck. We are assisting with the
22 environmental and the permitting and the
23 engineering on it.

24 The P.O. Box is to Wenck Associates' office in
25 Maple Plain, and your comments are going to come to

1 me. And I'm going to help process those and put
2 them in some type of organized manner so that we
3 can include those in our amendment application.

4 MALE SPEAKER: So you're not going to
5 answer the question that she just asked?

6 MS. DENZ: What's that?

7 MALE SPEAKER: You're not going to
8 answer the question --

9 MS. DENZ: What was the question?

10 (Inaudible.)

11 MS. DENZ: (Inaudible) the address is
12 and that's where the comments are going.

13 MALE SPEAKER: Who is Crown Hydro? Who
14 is behind it? Where is the money? Who are the
15 people?

16 MS. DENZ: I can't answer that question.
17 I'm sorry.

18 MALE SPEAKER: Who is paying you guys
19 (inaudible)?

20 MR. SAVELKOUL: Really, the issue behind
21 this project at this point is getting a FERC
22 amendment. We're not getting into who is owning
23 Crown Hydro and the extent of the issues.

24 Ultimately, the project won't go forward if
25 it's not financed and enough security behind it.

1 That will be a requirement before the project moves
2 forward.

3 MS. UNDERLAND ROSOW: How would you
4 expect anybody to trust you if you can't even tell
5 us who the people involved are? You have not
6 answered any questions directly as far as I can
7 tell. My name is Vicki Underland Rosow and I'm a
8 neighbor.

9 MR. SAVELKOUL: Okay. Ms. Underland, we
10 appreciate your comments here. What we're going to
11 do is we're going to process them and --

12 MS. UNDERLAND ROSOW: How do you expect
13 any of us to trust you if you cannot answer the
14 question?

15 MR. SAVELKOUL: We're answering the
16 questions to the best of our ability.

17 MALE SPEAKER: You don't know who is
18 behind Crown Hydro?

19 MR. SAVELKOUL: Who is behind Crown
20 Hydro is not at issue in this public hearing.

21 MALE SPEAKER: Well, of course it is.
22 Somebody just asked about it.

23 MALE SPEAKER: The financial stability
24 and the ability to operate a hydro facility on the
25 river and being an ongoing concern and public

1 liability that goes along with that is all tied to
2 who is behind it and who is financing it. Without
3 that, the biggest questions can't be answered.

4 MR. SAVELKOUL: Okay. Well, we'll
5 address financial stability as we move forward.

6 FEMALE SPEAKER: I'm (inaudible) with
7 the Minneapolis Park Board and I certainly agree
8 with his observations. I do want to get back to
9 the flow over the falls because I'm not sure I
10 still understand what it is that you're saying.
11 And it is very scary to me because, again, I think
12 the aesthetics of the falls does make a difference.
13 We do care about that. We're in Downtown
14 Minneapolis.

15 And as far as hydropower is concerned, there
16 has been a lot more hydropower on that river at
17 that spot over the last several years. Brookfield
18 has turbines at the bottom of the falls, Xcel has
19 upgraded its turbines as well, so (inaudible) this
20 is not going unused. But there are other things on
21 the river as well.

22 What is your commitment to having minimum flow
23 over the falls at all times? How much and when?

24 MR. SAVELKOUL: Our commitment right now
25 is to abide by the terms of the FERC license. The



ORIGINAL

June 10, 2003

Honorable Magalie R. Salas, Secretary
Federal Energy Regulatory Commission
Mail Code: DHAC, PJ-12.1
888 First Street NE
Washington, DC 20426

03 JUN 12 AM 10: 22
REGULATORY COMMISSION

RE: Minnesota Crown Mill Project, FERC Project No. 11175-002

Dear Secretary Salas,

On behalf of Crown Hydro, LLC (Crown Hydro) enclosed please find documentation in response to your request for additional information relative to requirements of License Article 313, Financing Plan. This consists of the following:

- Letter dated June 6, 2003 from Xcel Energy, with Exhibits, stating that \$5.1 million in grant funding for the Crown Mill Project are available
- Notarized affidavit of certification dated April 9, 2003 stating commitment of project funds by Mr. William Hawks
- Letter dated March 12, 2003 from Mr. Michael P. Deasey, Well Fargo Bank, attesting to the availability of funds from Mr. William Hawks

The original Wells Fargo letter was submitted to the Commission in a March 17, 2003 submittal, but is resubmitted here as part of a complete package relating to the Financing Plan. In addition, Xcel Energy wished to mail their original June 6, 2003 letter to the Commission directly, but a copy is included here to provide a complete package, per the Commission's request. On a related note, on June 9, 2003, the Public Utilities Commission approved the Power Purchase Agreement between Crown Hydro and Xcel Energy.

Any questions on this submittal can be addressed to Jessica Overmohle at (612) 373-6404 or Jessica_Overmohle@URSCorp.com

Sincerely,

URS Corporation on behalf of Crown Hydro LLC

Jessica Overmohle
Project Coordinator

Enclosure

Cc: Tom Griffin, Crown Hydro
Rich Greenlee, Engineering Partners LLC
John Donatell, Xcel Energy
Peter Grills, O'Neill, Grills and O'Neill



1099 16th Street, Suite 300
Denver, CO 80202

June 6, 2003

Secretary Magalie R. Salas
Federal Energy Regulatory Commission
888 First Street NE
Washington DC 20426

Re: Crown Hydro Contract-FERC Project 11175

Dear Secretary Salas,

Crown Hydro, L.L.C. received a grant of \$5.1 million from the Renewable Development Fund of Northern States Power ("NSP"). Although the original Milestones dates for this grant have passed the grant remains valid, the dates are updated as attached and executed by both parties. The signed grant agreement between Xcel Energy and Crown Hydro, L.L.C. is evidence of the grant award.

The contract is currently administered through the Renewable Purchases group at NSP. In part, the grant is tied to the associated purchase power agreement. NSP's obligations under the purchased power agreement are contingent upon Minnesota Public Utilities Commission approval of that purchase power agreement. The Minnesota Public Utilities Commission approved the purchase power agreement at their open meeting yesterday. A written decision will follow.

If you have any questions, please call John Donatelli at 612-330-2952.

Sincerely,


Karen Hyde
Director, Purchased Power

Exhibit B
Task Deliverables, Schedule

	Task	Deliverable	Due Date
1.	Purchase Power Agreement	Signed Doc	6/15/03
2.	Photographic Record	Photo-Report	6/30/03
3.	CP CRMP	Document	10/31/03
4.	OMCRMP	Document	12/15/03
5.	Final Design	Plans & Specs	7/1/03
6.	Construction & Commission	Completion	12/15/04

Notes

- Task 3** **CPCRMP-Construction Phase Cultural Resources Management plant. This is FERC Requirement and Deliverable.**
- Task 4** **OMCRMP-Operation and Maintenance Cultural Resources Management Plan. This is FERC Requirement**
- Task 6** **Complete task of constructing facility
The Deliverable is the completed project scheduled for 12/15/04**

**Exhibit C:
Budget, Project Payment Milestones**

Total Grant Award: \$5,100,000

Signify which milestones include expenses:

	Project Payment Milestone	Deliverable	Due Date	Payment
1.	Engineering, Design & Permitting	Design & Permitting status and documents expenses	7/15/03	\$400,000
2.	Turbine down payment and Engineering Design & Permitting	Documentation of turbine expenses and documented expenses	8/1/03	\$700,000
3.	Turbine manufacturer progress payments and completion of Engineering Design	Documentation of turbine expenses and documented Engineering expenses and delivery of Contract Documents	8/30/03	\$450,000
4.	Tailrace and tunnel excavation and reconstruction	Documentation of construction costs	11/30/03	\$650,000
5.	Forebay, intake structure and penstock installation	Documentation of construction costs	2/15/04	\$900,000
6.	Powerhouse construction and turbine installation	Documentation of construction costs	5/15/04	\$750,000
7.	Powerhouse construction, electrical and instrumentation	Documentation of construction costs	9/15/04	\$750,000
8.	Completion of startup, testing and commissioning	Commissioning report and acceptance documentation	12/15/04	\$500,000

Total Payments \$5,100,000

APR 11 2003

AFFIDAVIT OF CERTIFICATION

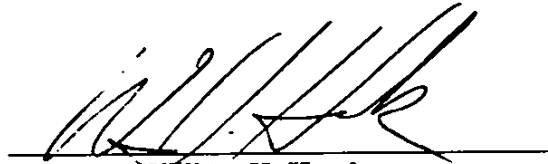
TO: MAGALIE R. SALAS
Secretary, Federal Energy Regulatory Commission
888 First Street N.E.
Washington, DC 20426

RE: Crown Hydro, Project 11175

As the majority partner in Crown Hydro, LLC, I am committing up to \$3 million dollars to the Crown Hydro project referenced above. This money is available now in the Wells Fargo Bank, Minneapolis as referenced from the attached letter dated March 12, 2003.

On instruments from FERC authorizing project construction, these funds will be transferred to the existing Crown Hydro account and certified by Gary Lundeen, Certified Public Accountant, Crown's accountant for the project. These funds will be used with grant funds authorized by a grant from Xcel Energy for \$5.1 million to the Crown project, and will be dispersed according to the Construction Milestones as represented in the grant agreement.

I understand that I have certified to you under oath the foregoing and that the intention of this document is to legally bind me to commit the funds above described to this project.

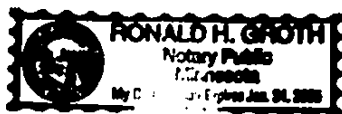


William H. Hawks

Subscribed and sworn to before me
this 9th day of April, 2003.



Signature of Notary Public





Private Asset Management

Private Client Services
MAC N9307-102
7900 Xenex Avenue South Suite 1000
Bloomington, MN 55431

March 12, 2003

Federal Energy Regulatory Commission
888 First Street N.E.
Washington, DC 20426

ATTN: Hydropower Division
Mr. Moe Fayyed, Engineering & Jurisdiction
Project: 11175

Re: Crown Hydro, LLC

Dear Mr. Fayyed:

My name is Michael P. Deasey and I am a Vice President and Relationship Manger for Wells Fargo Private Client Services. Mr. William Hawks, a shareholder of the above referenced company, has been a valued customer of Wells Fargo for over 15 years. I am very familiar with Mr. Hawks' personal financial situation. Mr. Hawks has available funds in the sum of \$2,700,000. These funds are available upon the request of Mr. Hawks for the construction and operation of the Crown Hydro project.

If you have any questions regarding this letter, please contact me at 612-667-9988.

Very truly yours,

A handwritten signature in black ink, appearing to read "Michael P. Deasey", with a long, sweeping horizontal line extending to the right.

Michael P. Deasey

Cc: Mr. William Hawks
Crown Hydro, LLC

Crown Mill Hydroelectric Project, FERC No. 11175-0025

**SCHEDULE A
RESPONSE TO FERC REQUEST FOR ADDITIONAL INFORMATION
Crown Mill Hydroelectric Project – License Amendment Application**

This document and its attachments include the Crown Hydro, LLC responses to the FERC Request for Additional Information. The FERC requests are presented in this document in *italics*, and Crown Hydro responses follow.

Exhibit A

Construction and Other Costs

1. *Your April 30, 2015 amendment application includes the estimated construction cost of \$10,200,000 associated with the revised project design. Please provide confirmation that the stated cost includes direct and indirect costs and any contingencies or provide a total cost that includes those items. We also understand that you have acquired some of the generating equipment. If so, please provide the current sunk cost in the equipment you have acquired, and state if these sunk costs are included in your total construction cost.*

Response:

The \$10,200,000 estimated cost to construct from Crown Hydro’s April 30, 2015 amendment application includes construction estimates as well as indirect costs such as legal, administrative, and engineering expenses. This total cost to construct also includes approximately \$350,000 in contingent funding.

Crown Hydro has paid \$6,500,000 to date in development costs. This includes approximately \$2,000,000 for the purchase and storage of the generating equipment, which is not included in the \$10,200,000 estimated cost to construct discussed above.

2. *Please provide your estimated operation and maintenance costs, including insurance and any administrative and general costs.*

Response:

The projected annual operations and maintenance costs are included in the following table.

Crown Hydroelectric Facility Projected Annual Operations and Maintenance Expenses

Operating Expense Description	Projected Annual Operation Expense
Management	\$25,000
Operations & Maintenance (O&M)	\$75,000
Insurance Expense	\$20,000
Legal Expense	\$15,000

Crown Mill Hydroelectric Project, FERC No. 11175-0025

Operating Expense Description	Projected Annual Operation Expense
Accounting/Tax Consulting	\$20,000
Aquatic Resources Management (Minnesota Department of Natural Resources)	\$15,000
FERC Hydropower Annual Fee	\$10,000
U.S. Army Corps of Engineers Annual Lease	\$20,000
O&M Reserve	\$50,000
Total Projected Annual Operations and Maintenance Expense	\$250,000
Annual Debt Service	\$460,000
Annual Depreciation	\$500,000
Total Projected Annual Expense	\$1,210,000

3. *Please provide an estimate of any capital and/or annual costs associated with each of the proposed environmental measures listed in section 2.3.3 of the license amendment application that are to be implemented during the term of the new license, including the year(s) in which each cost would be incurred.*

Response:

The estimated capital or annual costs associated with the environmental measures discussed in Section 2.3.3 of Exhibit E are discussed in the table below:

Environmental Measure Description	Comments
Management of Soils and Sediments during Construction (Section 2.3.3.1)	The cost for the implementation of best management practices (BMPs) during construction activities are included in the estimated construction cost of \$10,200,000. No specific amount of that total construction cost is attributable to soil and sediment management. The cost would be incurred only during construction.
Aquatic Resources Corrective Measures (Section 2.3.3.2) Zebra Mussel Monitoring and Control	The cost for implementing the Zebra Mussel Monitoring and Control program is included in the Aquatic Resources Management line item in the Annual Operations and Maintenance Costs in the response to Item 2. The Zebra Mussel Monitoring and Control program will be implemented on an annual basis for the life of the project.

Crown Mill Hydroelectric Project, FERC No. 11175-0025

Environmental Measure Description	Comments
<p>Implementation of BMPs during construction to reduce the potential for sediment migration and capture and release of fish within the dewater zones.</p> <p>Removal of trash and debris from the intake trash rack.</p>	<p>The cost for this environmental measure is included in the estimated construction cost of \$10,200,000. No specific amount of that total construction cost is attributable to this environmental measure. The cost would be incurred only during construction.</p> <p>The cost for this environmental measure is included in the Annual Operations and Maintenance Cost in the response to Item 2. Trash and debris will be removed on an as needed basis during every year of operation. No specific amount is attributable to this environmental measure.</p>
<p>Terrestrial Resources (Section 2.3.3.3) Vegetation and Erosion Control Plan Implementation</p>	<p>The implementation of the Vegetation and Erosion Plan is included in the overall project construction cost. No specific amount of that total construction cost is attributable to this environmental measure. The cost would be incurred only during construction.</p>
<p>Recreational Resources (Section 2.3.3.4) Interpretive Display</p>	<p>The cost for the development of an interpretive display, which would require approval of the U.S. Army Corps of Engineers to grant public access, is unknown at this time. The initial cost for the interpretive display would be covered in the construction contingency cost described in the Response to Item 1. The cost would be incurred only during construction. Any annual maintenance of the interpretive display would be covered in the annual O&M Reserve described in Item 2 Response.</p>
<p>Cultural Resources (Section 2.3.3.5)</p>	<p>In the unlikely event that historic period artifacts or items of cultural significance are discovered during construction, Crown Hydro will follow the procedures outlined in Minnesota Statute 307.08. The additional cost incurred due to the improbable discovery of historic period artifacts will be covered within the contingency allowance discussed in the response to Item 1. Any annual costs for cultural resources management will be covered by the annual O&M Reserve described in the Item 2 Response.</p>

Crown Mill Hydroelectric Project, FERC No. 11175-0025

<p>Aesthetic Resources (Section 2.3.3.6) Operations during Mississippi River low flow periods.</p>	<p>Crown will work with the other hydropower facility operators in the immediate area to develop an accord for the operation of the combined facilities during low flow periods (see the response to Item 11). Crown Hydro has evaluated the economic feasibility of the project and has accounted for the fact that it may be required to reduce operation or even cease operation altogether during low flow periods. The cost to implement the low flow operating plan is included in the annual O&M costs.</p>
---	--

4. *Your most recent financing plan details were provided in 2003. Please provide an updated financing plan for the project to demonstrate that you have acquired the funds, or commitment of funds, necessary to construct the project.*

Response:

The updated financing plan for the project is presented in the table below:

Item Description	Estimated Value
Project Cost	
Development Costs (Legal, Administrative, and Engineering)	\$4,500,000
Cost of Generating Equipment	\$2,000,000
Estimated Construction Cost	\$10,200,000
Total Estimated Project Cost	\$16,700,000
Project Funding	
Private Investor Funding	\$5,000,000
Renewable Development Fund Grant (RDF)	\$5,100,000
Bank Funding Letter of Interest	\$7,000,000
Total Project Funding (includes \$400,000 contingency)	\$17,100,000

5. *Please provide your proposed construction schedule and plan. Please include information on any proposed detours, road closures, or temporary routes needed during construction.*

Response:

The proposed construction schedule and plan is provided on Item 5 Attachment. The preliminary schedule assumes an August 2016 start date. The project area will be closed to the public during construction. Temporary access to Army Corps of Engineers facilities will be provided to and coordinated with the Army Corps of Engineers.



January 21, 2004

Jon Gurban
Superintendent
Minneapolis Park & Recreation Board
2117 West River Road
Minneapolis MN 55411

RE: Crown Hydro Project

Dear Superintendent Gurban:

First, congratulations on your recent appointment as Superintendent of the Minneapolis Park and Recreation Board. It must be both exciting and quite challenging to be entrusted with the stewardship of one of the greatest park systems in the country. Good luck!

The Crown Hydro project team is scheduled to meet with members of the Park Board, the Board staff and interested stakeholders on Friday, January 23, 2004, at 9:00 a.m. We have prepared a briefing which hopefully will assist members of the Park Board and staff in terms of our discussions. The report addresses the Crown Hydro project history and outstanding issues with individual stakeholders. We have provided copies to the Commissioners and have enclosed a copy for you. We are also making copies available to Judd and Rachel.

The project team is excited to have the opportunity to meet with you and members of the Park Board. We think we are getting close to completing a successful project. Both Judd and Rachel should be commended for the hard work they have put into the project. You have a very talented staff which I am sure will serve you well.

If you have any questions prior to Friday's meeting, please do not hesitate to contact me.

Very truly yours,

O'NEILL, GRILLS & O'NEILL, P.L.L.P.

Peter H. Grills
PHG:klm

cc: Judd Rietkerk

Rachel Ramadhyani

Attorneys at Law

*Joseph T. O'Neill
Peter H. Grills
Michael D. O'Neill
Richard J. Savelkoul

Paralegals

Leanne M. Rogers
Christina R. Tousignant
Melissa M. Erstad

Legal Assistants

Kari L. Myhre (*Office Manager*)
Lesley J. Adam

**Admitted in Wisconsin*

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Crown Hydro
Proforma Income and Cash Flow Statement, Year 1

Sources of Funds:				
1	RDF Grant	5,100,000		
2	Third Party Financing - Wells Fargo	5,540,925		
3	Development Costs <i>Developer Equity</i>	1,000,000	→	
4	Total Sources	11,640,925		
 Uses of Funds:				
5	Project Development Costs	1,000,000	→	
6	Turbines	2,000,000		
7	Design/Construction	5,928,000	- 100,000	
8	Capitalized Interest	166,228		
9	Xcel Security	100,000		
10	Park Improvements	1,000,000		
	Banking costs Wells Fargo			
11	Issuance Cost	232,719		
12	Low Water Reserve - one year debt service	606,989		
13	Debt Service Reserve - one year debt service	606,989		
13	Total Uses	11,640,925		
		Low Water-15 GWh	Normal Water - 20 GWh	High Water - 25 GWh
16	Revenues at \$.039/kWh [1]	585,000	780,000	975,000
17	State Incentive (\$.015/kWh) [2]	225,000	300,000	375,000
18	Interest on DSR and R&R Fund - 2%	32,291	32,291	32,291
19	Total Revenue, Year 1	842,291	1,112,291	1,382,291
Plant Operating and Maintenance Expenses:				
20	Operating and maintenance - North American Hydro ← <i>not in future forecast</i>	170,000	170,000	170,000
21	Administrative and General	30,200	30,200	30,200
22	Insurance - Chubb Ins.	85,000	85,000	85,000
23	Dam Maintenance - NSP	45,000	45,000	45,000
24	Renewals and Replacements - Kliendshmidt Assoc.	20,000	20,000	20,000
25	Total O&M	350,200	350,200	350,200
Taxes, Fees and Licenses				
26	Property Taxes	20,000	20,000	20,000
27	FERC Fees and Licenses	51,000	51,000	51,000
28	Total Taxes, Fees and Licenses	71,000	71,000	71,000
29	Operating Income before Interest & Taxes	421,091	691,091	961,091
30	Interest on Private Loan - 9% →	498,683	498,683	498,683
31	Operating Income before Taxes	(77,592)	192,408	462,408
Income Taxes:				
32	Operating Income Before Taxes	(77,592)	192,408	462,408
33	Less Tax Depreciation	257,795	257,795	257,795
34	Less Amortization of Project Development Costs	50,000	50,000	50,000
35	Plus R&R Contributions	20,000	20,000	20,000
36	Taxable Income	(365,387)	(95,387)	174,613
37	Income Taxes:	(155,289)	(40,539)	74,211
38	Operating Income After Income Taxes	77,697	232,947	388,197
39	Less Principal Payments	108,306	108,306	108,306
40	Add Back Contributions to R&R Fund	20,000	20,000	20,000
41	Cash Flow Before Equity Payments or Payments to Park Board	(10,609)	144,641	299,891
42	Operating Income After Tax but Before Debt Service and Contributions to Renewals and Replacements	596,380	751,630	906,880
43	Debt Service	606,989	606,989	606,989
44	Debt Service Coverage	0.98	1.24	1.49

Notes:

- [1] Xcel negotiated rate for 2002 of \$.037/kWh escalated at GDP estimates per Alternative Energy Outlook to 2004.
- [2] State incentive is currently only available for the first 10 years of the project.

3.6%

Portion of Mill Ruins tailrace costs attributable to accommodating potential Crown Hydro water volumes

ITEM	COST	
Construction costs		
Bridge 27A56	\$ 216,000	
Portion of SA4 associated with bridge	250,000	
Island (walls 11, 12, 14)	260,000	
SA1 (disposal of contaminated water from bridge site)	52,000	
SA7 (additional labor costs due to contamination-related delays)	18,900	
Holly and First Street tunnel bulkheads	7,500	
25% of cost of weirs (attributable to length and adjustability)	12,500	
Total for construction costs		\$ 816,900
URS fees on above costs (21.5%)		175,634
MnDoT and VPIC fees associated with bridge (through 6/20/02)		1,200
Environmental testing and consulting fees associated with bridge (through 6/20/02)		52,700
Total		\$ 1,046,434