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March 3, 2017

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ELECTRONIC FILING

Mr. Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
350 Metro Square Building
121 Seventh Place East
St. Paul, MN 55101

**Re: MINNESOTA ENERGY RESOURCES CORPORATION'S
REPLY TO THE DEPARTMENT OF COMMERCE, ENERGY
ENVIRONMENTAL REVIEW AND ANALYSIS' EXCEPTIONS AND
CLARIFICATIONS TO THE FINDINGS OF FACT, CONCLUSIONS OF
LAW, AND RECOMMENDATIONS OF THE ADMINISTRATIVE
LAW JUDGE
MPUC Docket No. G011/GP-15-858
OAH Docket No. 8-2500-33180**

Dear Mr. Wolf:

Enclosed for filing with the Minnesota Public Utilities Commission, please find MERC's Reply to the Department of Commerce, Energy Environmental Review and Analysis' Exceptions and Clarifications to the Findings of Fact, Conclusions of Law, and Recommendations of the Administrative Law Judge in the above-referenced matter.

By copy of this letter, I am providing service to those listed on the service list on file with the Public Utilities Commission.

If you have any questions, please feel free to contact me.

Sincerely,

/s/ Kodi Jean Verhalen

Kodi Jean Verhalen

KJV/jy
Enclosure
cc: Service List (w/enc.)

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

Nancy Lange
Dan Lipschultz
Matt Schuerger
Katie Sieben
John Tuma

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of the Petition of Minnesota
Energy Resources Corporation for a Route
Permit for the Rochester Natural Gas Pipeline
Project in Olmsted County

MPUC Docket No. G011/GP-15-858

OAH Docket No. 8-2500-33180

**MINNESOTA ENERGY RESOURCES CORPORATION'S
REPLY TO THE DEPARTMENT OF COMMERCE, ENERGY ENVIRONMENTAL
REVIEW AND ANALYSIS'
EXCEPTIONS AND CLARIFICATIONS TO THE FINDINGS OF FACT,
CONCLUSIONS OF LAW, AND RECOMMENDATIONS OF THE ADMINISTRATIVE
LAW JUDGE**

March 3, 2017

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Attorney on Behalf of
Minnesota Energy Resources Corporation

TABLE OF CONTENTS

	Page
I. INTRODUCTION	1
II. EXCEPTIONS NOT ADDRESSED BY EERA	1
III. EERA’S EXCEPTIONS TO THE ALJ REPORT	1
IV. EERA’S PROPOSED ROUTE PERMIT LANGUAGE.....	2
V. CONCLUSION.....	5

I. INTRODUCTION

On January 31, 2017, the Administrative Law Judge (“ALJ”) filed his Findings of Fact, Conclusions of Law, and Recommendation (“ALJ Report”) in this proceeding. On February 21, 2017, Minnesota Energy Resources Corporation (“MERC” or the “Company”) submitted its minor Exceptions and Clarifications to the ALJ Report, supporting the ALJ Report in almost all respects. The Department of Commerce, Energy Environmental Review and Analysis (“EERA”) submitted Exceptions to the ALJ Report, including revisions to the form of the proposed Route Permit. Notably, the ALJ Report, the Company, and EERA support issuing a Route Permit that will allow successful completion of the Project on a route (the Modified Preferred Route) that appropriately balances the criteria set forth in Minnesota Rule 7852.1900. While MERC generally supports EERA’s Exceptions, it respectfully offers the following suggestions for the Commission’s consideration.

II. EXCEPTIONS NOT ADDRESSED BY EERA

MERC reaffirms its request that the Commission adopt the revisions proposed by the Company to Findings 18 and 165 in MERC’s Exceptions and Clarifications. The Company also requests that the Commission adopt MERC’s proposed Finding 308(a) and the Company’s proposed companion Route Permit Special Condition. As stated in MERC’s Exceptions and Clarifications, these two revisions, the additional Finding, and the proposed Route Permit Special Condition clarify the record in the proceeding.

III. EERA’S EXCEPTIONS TO THE ALJ REPORT

MERC does not object to the substantive content of any of EERA’s Exceptions to the ALJ Report. However, if the Commission adopts the exceptions EERA proposes, additional revisions are necessary to ensure the ultimate Route Permit is complete, comprehensive, and fully informed by the record in this proceeding.

EERA Modified Finding 292. ~~As amended by the Commission,~~ The proposed language of the Generic Route Permit Template, as modified by ~~EERA's proposals~~ the Commission, is appropriate to the circumstances of the proposed project.

EERA Modified Conclusion 12. The evidence on the record demonstrates that the general Route Permit conditions, as modified by the ~~DOC-EERA recommendations~~ Commission, are appropriate for the Project.

EERA Modified Conclusion 13. The evidence on the record demonstrates that the special Route Permit conditions detailed in this Report and as modified by the ~~DOC-EERA recommendations~~ Commission are appropriate for the Project.

IV. EERA'S PROPOSED ROUTE PERMIT LANGUAGE

MERC proposed using the Commission's Generic Route Permit Template, modified slightly to include a few items reflecting the specifics of this case. EERA's Exceptions, on the other hand, included a proposed Route Permit, reflecting the (1) language of the Special Conditions identified in the ALJ Report; (2) language not specifically rejected by the ALJ but included in either EERA's December 23, 2016 Comments or MERC's December 30, 2016 Reply; (3) reorganization of sections from the Generic Route Permit Template; and (4) additional revisions now proposed by EERA.

MERC has no objection to using either the Commission's Generic Route Permit Template (incorporating the ALJ's and MERC's revisions), or EERA's proposed Route Permit included with EERA's Exceptions. Both documents provide the necessary guidance to allow MERC to proceed with the Project and both provide a reasonable set of conditions and

requirements to ensure reasonable implementation. In either case, the Company believes the Commission has an adequate record to issue a Route Permit for the Project.

Nevertheless, if the Commission decides to adopt the Route Permit attached to EERA's Exceptions, the Company offers comments on two sections.

Section 5.1 of EERA's proposed Route Permit addresses language related to the Environmental Mitigation Plan. EERA recommended that the Environmental Mitigation Plan be prepared in consultation with EERA staff, but did not carry that proposed language into the "EERA's Proposed Permit Language" column of the attachment to its Exceptions. MERC does not object to consulting EERA during the development of the Environmental Mitigation Plan to aid EERA in its compliance review of the Environmental Mitigation Plan and ensure that key issues identified in this proceeding are addressed. MERC requests, however, that this be clarified such that such consultation shall include requirements already identified in the final Findings of Fact, Conclusions of Law, and Recommendation adopted by the Commission and need not include portions of other plans referenced by EERA that are not applicable to the proposed Rochester Natural Gas Distribution Project.

Specifically, EERA stated that it "believes many of the requirements in FERC [best management practices] could be incorporated into the Environmental Mitigation Plan."¹ While there may be best management practices identified in plans prepared by the Federal Energy Regulatory Commission ("FERC") for natural gas transmission pipeline projects under the jurisdiction of FERC, the Company is proposing to construct a natural gas distribution pipeline.²

¹ EERA Exceptions at Attachment A at 32.

² To the extent that EERA is requesting the Commission approve a wholesale revision to the Generic Route Permit Template for natural gas pipeline projects, MERC requests that any discussion regarding such a revision be addressed in a separate docket at a later date given that the record for this proceeding was based on the Generic Route Permit Template filed by the Commission on August 2, 2016.

The Agriculture Mitigation Plan, the Vegetation Management Plan, and the Stormwater Pollution Prevention Plan have been, or will be, developed in consultation with subject matter expert Minnesota State Agencies (the Minnesota Department of Agriculture, the Minnesota Department of Natural Resources, and the Minnesota Pollution Control Agency, respectfully) and will include the topics covered by the FERC plans that EERA references, including appropriate and applicable best management practices deemed acceptable by these agencies.

In its Exceptions and Clarifications, MERC requested a revision to Finding 295(b) of the ALJ Report that would require the Company to include with its Environmental Mitigation Plan a listing of the permits obtaining by local, state, or federal agencies for the construction of the project. EERA proposed that the Environmental Mitigation Plan be included as a requirement under Section 5.1 of the Route Permit but that the specific issue of a list of permits be addressed in Section 5.4.1. MERC does not object to the substance of Section 5.4.1 of EERA's proposed Route Permit language, but believes the proposed language could be clarified with a slight modification:

EERA Proposed Permit Language Section 5.4.1. The Permittee shall comply with all applicable state rules and statutes. The Permittee shall obtain all required permits for the project and comply with the conditions of those permits unless those permits conflict with or are preempted by federal or state permits and regulations. A list of the permits known to be required is included in the permit application. The Permittee shall file a listing of all permits with [its Environmental Mitigation Plan](#)~~the Commission~~ and submit a copy of any ~~requested~~ permit to the Commission [upon request](#).

V. **CONCLUSION**

Based on the foregoing, the record in this proceeding, its Initial Brief, Proposed Findings of Fact, Reply Comments, and Exceptions and Clarifications, MERC respectfully requests that the Commission adopt the ALJ Report, including MERC's and EERA's Exceptions, with the revisions described above, and issue a Route Permit to allow MERC to construct its Rochester Natural Gas Distribution Pipeline Project along the Modified Preferred Route.

Dated: March 3, 2017

Respectfully submitted,

/s/ Kodi Jean Verhalen

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IN THE MATTER OF THE APPLICATION OF
MINNESOTA ENERGY RESOURCES
CORPORATION FOR A ROUTE PERMIT FOR THE
ROCHESTER NATURAL GAS PIPELINE PROJECT
IN OLMSTED COUNTY

MPUC DOCKET No. G011/GP-15-858
OAH DOCKET No. 8-2500-33180

CERTIFICATE OF SERVICE

Jill N. Yeaman, hereby certifies that on the 3rd day of March, 2017, she filed on behalf of Minnesota Energy Resources Corporation (MERC), a true and correct copy of **MINNESOTA ENERGY RESOURCES CORPORATION'S REPLY TO THE DEPARTMENT OF COMMERCE, ENERGY ENVIRONMENTAL REVIEW AND ANALYSIS' EXCEPTIONS AND CLARIFICATIONS TO THE FINDINGS OF FACT, CONCLUSIONS OF LAW, AND RECOMMENDATIONS OF THE ADMINISTRATIVE LAW JUDGE** by posting the same on www.edockets.state.mn.us in the above-referenced docket. Said document is also served via U.S. Mail or e-mail as designated on the attached Official Service List on file with the Minnesota Public Utilities Commission in the above-referenced docket.

/s/ Jill N. Yeaman

Jill N. Yeaman

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