

October 14, 2014

Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E015/CN-14-787

Dear Dr. Haar:

Attached are the comments of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

Exemption Request Petition for the Application of Great River Energy and Minnesota Power for a Certificate of Need for the Menahga Area 115 kV Transmission Line Project in Hubbard, Wadena and Becker Counties, Minnesota.

The petitioner is:

Donna L. Stephenson
Associate General Counsel
Great River Energy
12300 Elm Creek Blvd.
Maple Grove, MN 55369

The Department recommends **approval**, and is available to answer any questions the Minnesota Public Utilities Commission may have.

Sincerely,

/s/ MICHAEL N. ZAJICEK
Rates Analyst

MNZ/lt
Attachment

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS OF THE
MINNESOTA DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

DOCKET No. E015/CN-14-787

I. BACKGROUND

On September 18, 2014, Great River Energy (GRE), on behalf of itself and Minnesota Power (Applicants) filed a *Notice Plan Petition for the Application of Great River Energy and Minnesota Power for a Certificate of Need for the Menahga Area 115 kV Transmission Line Project in Hubbard, Wadena and Becker Counties, Minnesota* (Notice Petition). The Notice Petition provided a plan to notify potentially affected members of the public about the proposal under Minnesota Rules part 7849.2550. In response to the Notice Petition, comments were filed by the Minnesota Department of Commerce, Division of Energy Resources (Department) on October 8, 2014. The Minnesota Public Utilities Commission (Commission) has yet to rule on the Notice Petition.

On September 24, 2014 the Applicants submitted their *Exemption Request Petition for the Application of Great River Energy and Minnesota Power for a Certificate of Need for the Menahga Area 115 kV Transmission Line Project in Hubbard, Wadena and Becker Counties, Minnesota* (Exemption Petition) in order to obtain exemption from certain data requirements of Minnesota Rules part 7849. In response to the Exemption Petition, on October 1, 2014 the Commission issued a notice specifying that comments on the Exemption Petition are due October 15, 2014 and reply comments are due October 28, 2014.

Below are the comments of the Department regarding the Exemption Petition.

II. DEPARTMENT ANALYSIS

A. BACKGROUND

The Applicants propose to construct a 115 kW transmission line in Hubbard, Wadena, and Becker counties (Project). According to the Applicants the proposed project would serve a proposed new Minnesota Pipe Line Company pumping station as well as relieve overloaded

lines that already exist on the Hubbard-Verndale 34.5 kV system. As listed in the Exemption Petition, the proposed project involves:

- 4.5 miles of double-circuit and 2.5 miles of single-circuit 115 kV transmission line going east-west from the existing Great River Energy Hubbard substation and the existing Minnesota Power Pipeline Substation;
- 15.5 miles of single-circuit 115 kV transmission line going north-south between the existing Minnesota Power Pipeline Substation and the proposed new Todd-Wadena Red Eye distribution substation;
- a new Great River Energy Blueberry Substation in the vicinity of the existing Menahga Substation;
- a new Todd-Wadena Red Eye Substation to serve the new Minnesota Pipeline Company pumping station; and
- modifications to the existing Todd-Wadena Menahga Substation and the Minnesota Power Pipeline Substation.

Minnesota Statutes §216B.2421, subd. 2 (3) defines a large energy facility (LEF) as “any high voltage transmission line with a capacity of 100 kilovolts or more with more than ten miles of its length in Minnesota or that crosses a state line.” In turn, Minnesota Statutes §216B.243, subd. 2 states “No large energy facility shall be sited or constructed in Minnesota without the issuance of a certificate of need by the Commission.” Since the project calls for over 10 miles of transmission line construction with a capability of operating at 115 kV, the Department concludes that the proposed project qualifies as a LEF and a Certificate of Need (CN) is required. Minnesota Rules part 7849 includes the filing requirements for a CN for an electric transmission facility.

The Exemption Petition states that the proposed 115 kV lines will:

- relieve projected overloaded lines in 2017 on the Hubbard-Verndale 34.5 kV system; and
- provide power to the proposed Sebeka pumping station to be built by the Minnesota Pipeline Company as part of the Minnesota Pipe Line Reliability Project.

B. APPLICANTS' REQUEST

In the Exemption Petition, the Applicants request exemption from providing data relevant to the following portions of Minnesota Rules:

- 7849.0260, subp. A(3) and C(6);
- 7849.0270, subps. 1 and 2, System Wide Data;
- 7849.0270, subps. 2(B) and 2(C), Customer Class Information;
- 7849.0270, subp. 2(C), Annual Peak Demand;
- 7849.0270, subp. 2(D), Monthly Peak Demand;
- 7849.0270, subp. 2(E), Revenue Requirements;

- 7849.0270, subp. 2(F), Weekly Load Factor;
- 7849.0270, subps. 3-5, Forecast Methodology;
- 7849.0280, subps. (A) and (I), System Capacity;
- 7849.0290; and
- 7849.0300, Consequences of Delay, 7849.0340, Alternative of No Facility.

Minnesota Rules 7849.0200, subp. 6 states:

Before submitting an application, a person is exempted from any data requirement of this chapter if the person (1) requests an exemption from specified rules, in writing to the commission and (2) shows that the data requirement is unnecessary to determine the need for the proposed facility or may be satisfied by submitting another document.

The Department examines each specific exemption request separately. The required criterion is whether the Applicants have shown that “the data requirement is unnecessary to determine the need for the proposed facility or may be satisfied by submitting another document” as noted above.

C. ANALYSIS OF EXEMPTION REQUESTS

1. Minnesota Rules 7849.0260, subp. A(3) and C(6)

These rules require an applicant to provide estimated “losses under projected maximum loading and under projected average loading in the length of the transmission line and at the terminals or substations.” Instead, the Applicants proposed to supply system loss information in lieu of line specific losses.

The Department agrees that line losses for the system are more relevant to the analysis than line losses for individual lines. The Department notes that, to make the proper decisions in a societal framework, it is necessary to know what happens to system losses when a line is added. To count only the losses on the line in question might lead to the selection of one alternative because it has lower losses on that line but has higher system line losses; therefore selection of such an alternative would force the system to produce more energy than some other alternative. Thus, the proposal to use data for the system as a whole in this proceeding is appropriate.

In summary, the Department recommends that the Commission approve the Applicants’ proposed exemption to Minnesota Rules 7849.0260 A(3) and C(6) conditioned upon the provision of the proposed alternative data.

2. Minnesota Rules 7849.0270, subps. 1 and 2 System Wide Data

These rules require an applicant to provide information regarding peak demand, annual consumption, weekday load factors, and forecasts for the applicant's entire system. The Applicants request this exemption because the proposed facility is designed to serve customers in the local area rather than the Applicants' systems. Instead, the Applicants' propose to provide demand data supporting the need in the affected area.

The Department agrees that the data the Applicants propose to provide, "data supporting the need in the affected load area," is the appropriate data regarding the need to address reliability in the Menahga area. Information specific to the load area is more relevant to the claimed need than system-wide information.

In summary, the Department recommends that the Commission approve the Applicants' proposed exemption to Minnesota Rules 7849.0270, subp. 1 and 2 conditioned upon the provision of the proposed alternative data.

3. Minnesota Rules 7849.0270, subps. 2(B) and 2(C), Customer Class Information

These rules require an applicant to predict the amount of energy consumed and demanded for nine classes of customers and at various times of year. These requirements were crafted to examine the construction of new transmission lines to connect new sources of electricity to new sources of demand. This clearly includes the southern half of the project (Menahga Substation to Red Eye Substation) as the proposed transmission lines are to serve the new Minnesota Pipeline Company pumping station. However, the Applicants asserted that, for the northern half of the project (Hubbard Substation to Menahga Substation), customer class categories have no direct bearing on the application due to existing aggregate customer demand. The Applicants requested an exemption to Minnesota Rules 7849.0270, subps. 2(b) and 2(c), proposing to instead use a forecast methodology based on historic loading and system forecast growth rates for the northern half of the Project.

The Department agrees that the methodology that the Applicants propose to use is appropriate and that the marginal benefit of the full customer class data does not justify the effort required to gather it for the northern half of the project. Information showing the aggregate customer demand is sufficient to support the claimed need for the northern half of the Menahga project.

In summary, the Department recommends that the Commission approve the Applicants' proposed exemption to Minnesota Rules 7849.0270, subps. 2(B) and 2(C) with respect to the northern half of the Menahga project, conditioned upon the provision of the proposed data based on an historic loading and system forecast growth rates methodology.

4. Minnesota Rules 7849.0270, subp. 2(C), Annual Peak Demand

This rule requires an applicant to estimate the demand for power in the applicant's system at the time of the annual system peak demand, provided by customer class. The Applicants noted that, as discussed above, they have already requested exemptions from the system wide data requirement and the customer class data requirement. The Applicants indicated that sufficient transmission capacity within the affected load area is based on the maximum demand in the affected load area. Therefore, the Applicants proposed to provide data on the annual coincident peak of the affected load area, rather than on the annual peak demand of the overall system.

The Department agrees that the data on the annual coincident peak of the affected area is more appropriate for evaluating the claimed need than annual system peak data. The proposed project is intended to provide sufficient transmission capacity within the affected load area based on the maximum demand in the affected load area. Therefore, information on the annual coincident peak in the area is more relevant to the claimed need than annual peak data for the system.

In summary, the Department recommends that the Commission approve the Applicants' proposed exemption to Minnesota Rules 7849.0270, subp. 2(C) with respect to the annual system peak demand data requirements conditioned upon the provision of the area's annual coincident peak data.

5. Minnesota Rules 7849.0270, subp. 2(D), Peak Demand by Month

This rule requires an applicant to provide monthly peak demand data for its system. The Applicants requested this exemption since the proposed facility is designed to serve customers in the local area rather than the Applicants' systems. The Applicants proposed to instead supply information on the reliability risks faced using demand projections for the Minnesota Power substations and Great River Energy member cooperative substations within the affected load area. To this end the Applicants proposed to provide historical summer and winter peak power demand data and forecasts of power demand for each substation within the affected load area.

The Department agrees that the data the Applicants proposed to provide on the historical summer and winter peak power demand data and forecasts of power demand is appropriate data regarding the need to address reliability in the Menahga area. Information specific to the load area is more relevant to the claimed need than system-wide information and data on peak winter and summer demand is sufficient to demonstrate reliability issues.

In summary, the Department recommends that the Commission approve the Applicants' proposed exemption to Minnesota Rules 7849.0270, subp. 2(D) conditioned upon the provision of the proposed alternative data.

6. Minnesota Rules 7849.0270, subp. 2(E), System Revenue Requirements

This rule requires “the estimated annual revenue requirement per kilowatt hour for the system in current dollars” for each forecast year. The Applicants proposed to provide a description of how wholesale electricity costs are spread among users of the transmission grid and the general financial effects of the Project on Great River Energy’s member cooperatives and on Minnesota Power.

The Department agrees that the data the Applicants propose to provide is a reasonable substitute to the system revenue data requirements. Since the information required by the rule is a product of a least-cost alternative analysis, the Department does not need to use this information to analyze the CN application. However, as the Department has noted in previous exemption request comments,¹ this information is useful to show the impact of the project to non-technical audiences.

In summary, the Department recommends that the Commission approve the Applicants’ proposed exemption to Minnesota Rules 7849.0270, subp. 2(E) conditioned upon the provision of the proposed alternative data.

7. Minnesota Rules 7849.0270, subp. 2(F), Weekday Load Factor

This rule requires the Applicant to provide its average system weekday load factor for each month. The Applicants requested this exemption because they concluded that load factor is not a relevant measure when evaluating the need for a transmission facility.

The Department agrees with the Applicants that load factor is not relevant in assessing the need for the proposed project and thus recommends that the Commission approve the Applicants’ proposed exemption to Minnesota Rules 7849.0270, subp. 2(F).

8. Minnesota Rules 7849.0270, subps. 3-5, Forecast Methodology

These rules require the Applicant to provide detailed information on the forecast methodology employed, identification of databases, and details on the assumptions made in preparing the forecasts provided under Subpart 2 of the same rule. The Applicants requested this exemption because the Project is not prompted by electrical consumption, but rather by growing consumer demand during peak times. The Applicants proposed to instead provide substation load forecasts and line operation data.

The Department agrees that the data the Applicants proposed to provide would allow the evaluation of the claimed need in the proposed load area. The proposed data is more relevant given the Applicants’ reasons necessitating the CN.

¹ See Docket Nos. ET-2,E002/CN-06-1115, E017,E015/CN-07-1222, and ET2,E015/CN-10-973

In summary, the Department recommends that the Commission approve the Applicants' proposed exemption to Minnesota Rules 7849.0270, subps. 3-5 conditioned upon the provision of the proposed alternative data.

9. Minnesota Rules 7849.0280, System Capacity Information

This rule requires the applicant to provide information that describes the ability of its existing system to meet forecasted demand; in essence, load and capability information. The Applicants requested confirmation that the requirements of Minn. Rules 7849.0280 applied to a transmission facility are satisfied using data for the affected load area. The Commission has noted in the past that much of Minn. Rule 7849.0280 pertains to electric generators.² The Applicants requested an exemption from the requirements of paragraphs B through G and I as those sections apply to generators and not transmission proposals. The Applicants requested that the remaining requirements of Minn. Rule 7849.0280, subps. A and H, apply to the applicable load area.

The Department agrees that information relating to the affected load area for the Project is more relevant and that aspects of the rule relating to generators are not applicable. Therefore the Department recommends that the Commission approve the Applicants' proposed exemption to Minnesota Rules 7849.0280 conditioned upon the provision of the proposed alternative data.

10. Minnesota Rules 7849.0290, Conservation Programs

This rule requires the applicant to provide conservation program information and quantification of the impact of conservation programs on forecast data. The Applicants requested confirmation that the information required by Minn. Rule 7849.0290 should be provided only for the applicable load area.

Since the project is based on demand within the affected area causing peak load violations the Department agrees that data for the applicable load region is the most relevant. Thus, the Department recommends that the Commission approve the Applicants' proposed exemption to Minnesota Rules 7849.0290 conditioned upon the provision of the proposed alternative data.

11. Minnesota Rules 7849.0300, Consequences of Delay, and 7849.0340, No-Facility Alternative

Minnesota Rules 7849.0300 requires detailed information regarding the consequences of delay on three specific statistically based levels of demand and energy consumption. Minnesota Rule 7849.0340 requires a discussion of what the impact would be on existing generation and transmission facilities at three levels of demand specified in part 7849.0300 for the no-build alternative. Instead, the Applicants proposed to provide information on the consequences of delay in the context of the potential impacts on the

² *Id.*

local community's service reliability. The Applicants stated that they “. . . propose to identify the threshold level of demand that places service at risk and the effect of incremental change in growth rather than evaluate system performance at three discrete demand levels.”

The Department agrees with the Applicants that the proposed data, focusing on demand in the local area, is relevant to the claimed need and provides better information than the required data. Therefore, the Department recommends that the Commission grant the exemption conditioned upon the provision of the proposed alternative data.

III. DEPARTMENT RECOMMENDATION

The Department recommends that the Commission approve the Applicants' requests for exemption from the required data conditioned upon the provision of the proposed alternative data.

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CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce
Comments**

Docket No. E015/CN-14-787

Dated this 14th day of October 2014

/s/Sharon Ferguson

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