

June 17, 2021

Will Seuffert  
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. IP7026/CN-20-269

Dear Mr. Seuffert:

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

In the Matter of the Application of Walleye Wind, LLC for a Certificate of Need for the 109.2 MW Large Wind Energy Conversion System in Rock County, Minnesota

The Application was filed on July 9, 2020 by:

Brian Meloy  
Stinson LLP  
50 South Sixth Street, Suite 2600  
Minneapolis, Minnesota 55402

The DOC-DER recommends that the Minnesota Public Utilities Commission (Commission) consider the impacts detailed in the Environmental Report, and, if the impacts are acceptable, **grant the Certificate of Need**. The DOC-DER is available to answer any questions the Commission may have.

Sincerely,

/s/ MATTHEW LANDI  
Rates Analyst

ML/ar  
Attachment

## Before the Minnesota Public Utilities Commission

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### Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. IP7026/CN-20-269

#### I. SUMMARY OF FILING

##### A. EXEMPTION REQUEST

On February 13, 2020 Walleye Wind, LLC (Walleye or the Company), an indirect subsidiary of NextEra Energy Resources, LLC (NEER), filed the Company's *Petition for Exemption from Certain Certificate of Need Application Requirements* (Exemption Petition). Specifically, Walleye requested that the Commission grant full or partial exemptions to Minnesota Rules:

- 7849.0240, subp. 2 (B): Promotional Activities;
- 7849.0250 (B) (1) – (5): Description of Certain Alternatives;
- 7849.0250 (C) (1) – (6), (8), and (9): Details Regarding Alternatives;
- 7849.0250 (C) (7): Effect of Project on Rates Systemwide;
- 7849.0250 (D): Map of Applicant's System;
- 7849.0270: Peak Demand and Annual Consumption Forecast;
- 7849.0280: System Capacity;
- 7849.0290: Conservation Programs;
- 7849.0300: Consequences of Delay;
- 7849.0330: Transmission Facilities; and
- 7849.0340: No-Facility Alternative.

On March 3, 2020, the Minnesota Department of Commerce, Division of Energy Resources, Energy Regulation and Planning Group (DOC-DER) filed comments regarding the Exemption Petition.

On April 8, 2020, the Minnesota Public Utilities Commission (Commission) issued an order (Exemption Order)<sup>1</sup> approving the Exemption Petition with conditions.

##### B. CERTIFICATE OF NEED PETITION

On July 9, 2020, Walleye filed an application before the Minnesota Public Utilities Commission (Commission) requesting a Certificate of Need (CN) for an approximately 111.5-megawatt (MW) wind energy conversion system project in Rock County, Minnesota (Project).<sup>2</sup> On November 3, 2020, Walleye filed an Updated CN Application (Updated Application)<sup>3</sup> that indicated that the proposed Project will produce up to approximately 109.2 MW due to a proposed reduction in the number of turbines.<sup>4</sup>

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<sup>1</sup> [Commission Exemption Order](#), Docket No. IP7026/CN-20-269, dated April 8, 2020.

<sup>2</sup> [Walleye Wind Certificate of Need Application](#), dated July 9, 2020, Docket No. IP7026/CN-20-269 (Application).

<sup>3</sup> [Updated Application](#), dated November 3, 2020.

<sup>4</sup> [Letter, Walleye Wind, LLC – Certificate of Need – Application Amendment](#), dated November 4, 2020, at 1-2.

Walleye is a wholly-owned indirect subsidiary of NEER, a national renewable energy company with a total generating capacity of 15,000 MW of wind generation in operation as of January 1, 2020. Walleye is an independent power producer (IPP) that will develop, construct, own, and operate the proposed Project, which would be located in Rock County in southwestern Minnesota, west of the City of Luverne, on approximately 31,095 acres (49 square miles) of land.

The proposed Project would consist of a maximum of 40 wind turbines consisting of the following three potential General Electric (GE) model turbines representing 109.2 MW of generating capacity: the 2.82, 114-meter hub height turbine; the 2.82 MW, 89-meter hub height turbine; and the safe harbor 2.32 MW, 80-meter hub height turbine. Walleye plans to construct the proposed Project on a scheduled that facilitates an in-service date as early as December 2021. Walleye has entered into a power purchase agreement (PPA) with Minnesota Municipal Power Agency (MMPA).

On July 23, 2020, the DOC-DER filed comments on the completeness of the Application.

On August 3 and 5, 2020, Walleye filed reply comments and a letter, respectively, both regarding completeness.

On August 7, 2020, the DOC-DER filed a response to Walleye's reply comments and letter regarding completeness.

On October 20, 2020, the Commission issued its *Order Accepting Applications as Complete, Establishing Review Procedures, and Granting Variances* (Completeness Order).<sup>5</sup>

On December 3, 2020, Walleye filed three exhibits demonstrating that Walleye completed the notice requirements.<sup>6</sup>

On April 5, 2021, the Commission issued a revised *Notice of Draft Site Permit Availability, Joint Public Hearings and Comment Period* (Notice) which established a comment deadline of May 20, 2021 regarding the merits of the Updated Application and the Site Permit Application filed in Docket No. IP7026/WS-20-384. Subsequently, however, the DOC-DER requested an extension to obtain additional time to analyze the merits of the Updated Application. On May 11, 2021, the Honorable Jim Mortenson, Administrative Law Judge of the Office of Administrative Hearings (OAH), granted an extension for the DOC-DER to file comments on the merits of the Updated Application to June 21, 2021.

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<sup>5</sup> [Order Accepting Applications as Complete, Establishing Review Procedures, and Granting Variances](#), Docket No. IP7026/CN-20-269, dated October 20, 2020.

<sup>6</sup> [Walleye Compliance Filing](#), Docket No. IP7026/CN-20-269 and Docket No. IP7026/WS-20-384, dated December 3, 2020.

According to the Notice, the topics open for comment include:

- Should the Commission issue a certificate of need for the proposed large wind energy conversion system?
- Should the Commission grant a site permit for the proposed large wind energy conversion system?
- If granted, what additional conditions or requirements should be included in a permit?

In response to the Notice, below are the comments of the DOC-DER. Overall, as explained in detail below, the DOC-DER:

- does not have any contested issues of fact with respect to the representations made in the Application;
- concludes that the Commission should grant a CN for the proposed Project;<sup>7</sup>
- notes that the costs associated with the proposed Project include approximately \$150 million in capital costs related to the construction of the proposed Project, \$1.75 million of operational and maintenance (O&M) costs in the proposed Project's first year of operation, and \$1.9 million in O&M costs in total for the remaining 29 years of the expected life of the Project;
- concludes that the benefits of the proposed Project are myriad, as explained in greater detail below, and the proposed Project is expected to benefit MMPA's members and the state of Minnesota; and
- does not have any other issues or concerns.

The DOC-DER provides comments below.

## **II. DOC-DER ANALYSIS**

### *A. BACKGROUND*

Minnesota Statutes, section 216B.2421, subd. 2 (1) defines a large energy facility as:

...any electric power generating plant or combination of plants at a single site with a combined capacity of 50,000 kilowatts or more and transmission lines directly associated with the plant that are necessary to interconnect the plant to the transmission system.

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<sup>7</sup> This assumes that, after consideration of the ER, the Commission determines that the proposed facility "will provide benefits to society in a manner compatible with protecting the natural and socioeconomic environments, including human health."

Since the proposed Project would have a design generating capacity of up to 109.2 MW (109,200 kilowatts), it qualifies as a LEF as defined above. Further, Minnesota Statutes, section 216B.243, subd. 2 states that, “no large energy facility shall be sited or constructed in Minnesota without the issuance of a certificate of need by the commission.” The Updated Application indicates that Walleye plans to construct the proposed Project, a wind energy generating facility of approximately 109.2 MW in Rock County, MN. Therefore, a CN is required.

The Commission’s review of CN applications primarily consists of two steps:

1. Determine whether the application meets certain content requirements;
2. Based on a complete application, determine whether the facility is needed, and if so, grant the CN.

At this stage in Walleye’s CN proceeding, the Commission is on the second step.

There are several factors to be considered by the Commission in making a determination in CN proceedings. In general, these factors are located in different sections of Minnesota Statutes. Some of the general statutory criteria are reflected in a more specific way in Minnesota Rules, part 7849.0120. However, some statutory criteria do not appear to be reflected in rules. To clarify the analysis, the DOC-DER groups all of the statutory and rule criteria into one of five factor categories.<sup>8</sup> The DOC-DER addresses each of the statutory and rule criteria below.

The DOC-DER notes that we rely on the Environmental Report (ER) for an analysis of the effects of the proposed Project and the alternatives upon the natural and socioeconomic environments. The DOC-DER recommends that the Commission consider the ER in making its determination.

#### *B. NEED ANALYSIS*

Overall, the need analysis is governed by Minnesota Rules, part 7849.0120 (A) which states that a CN must be granted upon determining that:

[T]he probable result of denial would be an adverse effect upon the future adequacy, reliability, or efficiency of energy supply to the applicant, to the applicant’s customers, or to the people of Minnesota and neighboring states.

The rule lists five distinct criteria. The DOC-DER presents the analysis of the need for the proposed Project in two parts. The first part is designed to address the accuracy of the forecast underlying the claimed need. The second is designed to address any broader reliability needs. Each is addressed separately below.

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<sup>8</sup> Need Analysis, Link to Planning Process, Alternatives Analysis, Socioeconomic Analysis, and Policy Analysis.

## 1. Forecast Analysis

### a. Accuracy of the Forecast

In the Exemption Order, the Commission granted Walleye a conditional exemption to Minnesota Rules, part 7849.0270, which requires an applicant to provide information regarding its system peak demand and annual energy consumption. Instead, to fulfill this requirement, Walleye was required to provide data regarding MMPA's future renewable resource needs.

On page 3 of Walleye's August 3, 2020 Completeness Reply Comments, Walleye provided a table of MMPA's forecasted Renewable Energy Standard (RES) requirements over the 2019-2033 planning period, and how the proposed Project would contribute to meeting those requirements. Minnesota's Renewable Energy Standards are set in Minn. Stat. §216B.1691 (RES Statute). The DOC-DER reviewed the table provided by Walleye and notes that while MMPA has a surplus of Renewable Energy Credits (RECs) that are used to measure compliance with the RES Statute, beginning in 2025, when the RES Requirement increases to 25% of retail sales (per Minn. Stat. §216B.1691, subd. 2a), MMPA is expected to face a deficit of renewable energy generation without the proposed Project. MMPA's RES Requirements increase by almost 100,000 MWh in 2025 and are forecasted to increase thereafter, with a concomitant increase in the REC deficit. Walleye is expected to meet and exceed MMPA's RES Requirements. Walleye also explained that the proposed Project would be used to assist in meeting MMPA's voluntary renewable energy goals.

The DOC-DER reviewed the record in MMPA's 2019-2033 Integrated Resource Plan in Docket No. ET6133/RP-18-524, dated July 30, 2018. At that time, MMPA secured a 30-year wind PPA with NextEra for 170 MW of generating capacity from the Dodge County Wind Farm, which would have generated approximately 600,000 MWh of renewable energy per year.<sup>9</sup> However, in that proceeding, NextEra indicated that it would not move forward with the project and the Commission allowed Dodge County Wind, LLC to withdraw its high-voltage transmission line route permit application and suspended the certificate of need and site permit applications.<sup>10</sup> To date, the Commission has not been updated regarding Dodge County Wind, LLC's plans to submit a revised project proposal.

The DOC-DER concludes that MMPA's RES Requirements as presented in Walleye's August 3, 2020 Completeness Reply Comments show that MMPA is facing a REC deficit beginning in 2025, and further, that RECs generated by the proposed Project will help meet and exceed MMPA's RES Requirements.

In summary, considering MMPA's needs for additional RECs beginning in 2025 in order to comply with the RES Statute, the DOC-DER concludes that Walleye's forecast of the need for renewable energy expected to be produced by the proposed Project is reasonable.

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<sup>9</sup> [Minnesota Municipal Power Agency Application for Integrated Resource Plan Approval, 2019-2033](#), dated July 30, 2018, Docket No. ET6133/RP-18-524, at 38.

<sup>10</sup> [Order Allowing Withdrawal of Route Permit Application, Suspending Certificate of Need and Site Permit Proceedings, and Allowing Refiling](#), dated December 5, 2019, Docket Nos. IP6981/CN-17-306, IP6981/WS-17-307, and IP6981/TL-17-308.

*b. Overall State Energy Needs*

Also related to the forecast analysis is Minnesota Rules, part 7849.0120 C (1) which states that the Commission is to consider:

[T]he relationship of the proposed facility, or a suitable modification thereof, to overall state energy needs.

A review of the most recently filed IRPs shows that utilities are expecting relatively flat energy consumption over time. For example, Otter Tail Power Company, Minnesota Power, and Northern States Power Company doing business as Xcel Energy all predicted relatively flat energy sales in the near future.<sup>11</sup> However, current energy needs in resource plans are not driven by forecasted increases in energy requirements. Instead, energy needs are being driven by the forecasted retirement of large, baseload units. Therefore, the DOC-DER concludes that the proposed Project fits the state's overall energy needs.

*2. Reliability Analysis*

Minn. Stat. §216B.243, subd. 3 (5) states that, in assessing need, the Commission shall evaluate:

[T]he benefits of this facility, including its uses to...increase reliability of energy supply in Minnesota and the region.

Walleye will need to apply to the Midcontinent Independent System Operator (MISO) in order to interconnect to the transmission grid. MISO engineers study the impact on the reliability of the electrical system of each addition to the grid and the DOC-DER relies upon MISO's analysis. Therefore, the DOC-DER concludes that this criterion has been met.

*C. LINK TO PLANNING PROCESS*

This section discusses the following aspects of this proposal: size, type and timing; renewable preference; and analysis of demand-side management (DSM) as an alternative to the proposed Project.

*1. Size, Type, and Timing*

Minn. R. 7849.0120 B (1) states that the Commission is to consider:

[T]he appropriateness of the size, the type, and the timing of the proposed facility compared to those of reasonable alternatives.

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<sup>11</sup> See the February 1, 2021 petition in Docket No. E015/RP-21-33; the June 30, 2020 supplement in Docket No. E002/RP-19-368 and the December 31, 2020 supplemental filing in Docket No. E017/RP-16-386.

*a. Size*

Regarding size, as noted above, MMPA has a forecasted deficit of RECs needed to comply with the RES Statute beginning in 2025. Walleye's proposed 109.2 MW Project is expected to generate approximately 431,947 MWh on an annual basis, which is enough RECs to meet and exceed MMPA's RES Requirements.<sup>12</sup> Thus, the proposed Project is consistent with MMPA's most recent IRP.

Also, collectively, information submitted by the utilities subject to the Minnesota RES indicates that there is enough capacity in aggregate to meet needs through 2025, but this does not consider that there may be individual utilities with insufficient capacity that will need additional renewable generation to meet Minnesota's RES Requirements. In addition, utilities in neighboring states may have a need for renewable energy. If the proposed Project is granted a CN and is implemented, it will have to compete with the other wind energy projects in the wind energy market to fulfill any needs.

Based on the discussion above regarding MMPA's renewable energy needs as determined by the Commission, the forecasted wind energy needs for the region, and the Applicant's economic incentives, the DOC-DER concludes that the proposed Project's size is not excessive and therefore is reasonable.

*b. Type*

The Commission's Exemption Order granted Walleye an exemption to Minn. R. 7849.0250 (B) (1), an exemption to Minn. R. 7849.0250 (B) (2), (3), and (5) conditioned upon Walleye providing equivalent data on renewable alternatives from MMPA, and a partial exemption from Minn. R. 7849.0250 (B) (4) that allows Walleye to address only renewable alternatives to the proposed Project.

Walleye stated that since the goal of the proposed Project is to provide renewable energy that will help MMPA satisfy Minnesota's RES Requirements, information regarding non-renewable alternatives would not be relevant. Regarding Minn. R. 7849.0250 (B) (2) and (3), Walleye stated that MMPA does not have the potential to upgrade existing MMPA facilities suitable for producing an equivalent amount of energy as the proposed Project, nor does MMPA have plans to own or operate transmission alternatives that would or could provide an equivalent amount of energy as the proposed Project.<sup>13</sup>

Minn. R. 7849.0250 (B) (4) and (5), and the Commission's Exemption Order, require Walleye to evaluate new renewable generating facilities as alternatives to the proposed Project, and reasonable combinations thereof. Walleye evaluated the ability of solar, hydropower, biomass, and emerging technologies to serve as reasonable alternatives to the proposed Project. On a cost basis, none of the alternatives evaluated were as cost-effective as the proposed Project. Given these factors, the DOC-DER concludes that the proposed Project's type is reasonable.

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<sup>12</sup> Updated Application, at 10.

<sup>13</sup> Updated Application, at 19.



*c. Timing*

Walleye stated that the proposed Project is expected to be in-service as early as the fourth quarter of 2021.<sup>14</sup> At the time of MMPA's 2018 IRP, MMPA contemplated an in-service date of the now-withdrawn Dodge County Wind, LLC project of December 2019, even though MMPA's forecasted REC deficit was not expected to begin until 2025. Given that the Commission accepted MMPA's 2018 IRP with that in-service date in mind, and given that Walleye's in-service date is two years later than the now-withdrawn Dodge County Wind, LLC project, the DOC-DER concludes that Walleye's proposed 109.2 MW Project is consistent with MMPA's most recent IRP.

Absent Walleye's PPA with MMPA, the DOC-DER notes that there is unlikely to be a one-to-one relationship between CN applications and Minnesota RES obligations. More specifically, the DOC-DER notes that:

- there will not likely be a one-to-one match between CN applications based on the regional need for renewable generation and Minnesota utilities' RES compliance level;
- additional renewable resources will be needed for certain Minnesota utilities to meet their 2025 RES Requirements due to capacity expirations;
- capacity additions are typically added in "chunks" due to the benefits of economies of scale;
- the renewable energy production tax credit is being gradually phased out. This may lead to earlier wind additions than might be the case otherwise; and
- there are uncertainties involved in accomplishing the associated transmission additions or upgrades needed for integrating the output of previously approved and variously located wind generation projects.

Finally, the DOC-DER notes that Minnesota Rules, part 7849.0400 requires the recipient of a CN to notify the Commission if the proposed in-service date is delayed by more than one year. In summary, the DOC-DER concludes that the timing of the proposed Project is reasonable.

*2. Renewable Preference*

There are two sections of Minnesota Statutes that provide a preference for renewable resources in resource planning and resource acquisition decisions. First, Minn. Stat. §216B.243, subd. 3a states that:

The Commission may not issue a certificate of need under this section for a large energy facility that generates electric power by means of a nonrenewable energy source, or that transmits electric power generated by means of a nonrenewable energy source, unless the applicant for the certificate has demonstrated to the Commission's satisfaction that it has explored the possibility of generating power by means of renewable

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<sup>14</sup> Updated Application, at 8.

energy sources and has demonstrated that the alternative selected is less expensive (including environmental costs) than power generated by a renewable energy source. For purposes of this subdivision, “renewable energy source” includes hydro, wind, solar, and geothermal energy and the use of trees or other vegetation as fuel.

Second, Minn. Stat. §216B.2422, subd. 4 states that:

The Commission shall not approve a new or refurbished nonrenewable energy facility in an integrated resource plan or a certificate of need, pursuant to section 216B.243, nor shall the Commission allow rate recovery pursuant to section 216B.16 for such a nonrenewable energy facility, unless the utility has demonstrated that a renewable energy facility is not in the public interest.

Minnesota Statutes indicate a clear preference for renewable facilities; the proposed Project meets a renewable preference.

### *3. DSM Analysis*

The Commission’s Exemption Order exempted Walleye from providing information on conservation programs, Minn. R. 7849.0290 and the potential for reducing the need for this generation project because Walleye does not have retail customers and does not operate any conservation programs. However, Walleye was required to provide relevant information regarding the purchasing utility’s (MMPA) conservation efforts. Despite MMPA’s conservation efforts detailed in its 2018 IRP, the Commission accepted MMPA’s 2018 IRP and the determination that additional wind resources were needed for MMPA to comply with Minnesota’s RES Requirements. Therefore, the DOC-DER concludes that DSM is not an alternative to the proposed Project.

### *D. ANALYSIS OF ALTERNATIVES*

Overall, the analysis of alternatives is governed by Minn. R. 7849.0120 (B) which states that a CN must be granted upon determining that:

[A] more reasonable and prudent alternative to the proposed facility has not been demonstrated by a preponderance of the evidence on the record.

The rule then proceeds to list four distinct criteria. The DOC-DER breaks down its analysis of the alternatives to the proposed facility into four broad areas:

- alternatives analysis;
- reliability analysis;
- distributed generation (DG); and
- preference for an innovative energy project (IEP) as defined in Minnesota Statutes.

Each area is addressed separately below.

*1. Alternatives Analysis*

*a. Non-CN Facilities Analysis*

Minn. R. 7849.0120 A (4) states that the Commission is to consider:

[T]he ability of current facilities and planned facilities not requiring certificates of need to meet the future demand.

The primary alternatives to the proposed facilities are purchases from renewable facilities outside Minnesota or construction of renewable facilities that are small enough not to require certificates of need (less than 50 MW).

As an IPP, Walleye is a producer or seller, rather than a purchaser, of electric generation. A renewable facility of less than 50 MW would not contribute as a substantial amount of renewable energy towards MMPA's need for additional wind resources and would not benefit as much from economies of scale as the proposed Project. In addition, Walleye has the incentive to site generation in an economically efficient manner inside or outside Minnesota. Further, the DOC-DER notes that any party wishing to do so may propose an alternative to the proposed facility; at this time, no party filed such a proposal in this proceeding. Therefore, the DOC-DER concludes that current and planned facilities not requiring a CN have not been demonstrated to be more reasonable than the proposed Project.

*b. Cost Analysis*

Minn. R. 7849.0120 B (2) states that the Commission is to consider:

[T]he cost of the proposed facility and the cost of energy to be supplied by the proposed facility compared to the costs of reasonable alternatives and the cost of energy that would be supplied by reasonable alternatives.

In the Exemption Order, the Commission granted Walleye an exemption to Minn. R. 7849.0250 (C), which requires an applicant to provide a description of alternatives that could provide electric power at the asserted level of need. Only details regarding renewable alternatives need to be provided, including an estimate of the proposed Project's effect on wholesale rates in Minnesota or the region.

Walleye provided the requisite information in its August 5, 2020 letter.<sup>15</sup> Walleye also included a discussion of alternatives to the proposed Project, including fuel cells, solar photovoltaic, solar thermal, hydropower, biomass, and emerging technologies such as energy storage. In Table 3 of its Updated Application, Walleye provided information related to renewable energy technology costs based on cost information from the U.S. Department of Energy's Energy Information Administration and its

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<sup>15</sup> [Walleye Supplemental Reply Comments Letter](#), dated August 5, 2020, Docket No. IP7026/CN-20-269, at 1-2.

*Assumptions to the Annual Energy Outlook 2020: Electricity Market Module* report.<sup>16</sup> Walleye concluded that wind energy resources are cost effective compared with other renewable resources. The DOC-DER concludes that the data provided by Walleye is reasonable and demonstrates wind energy's cost advantages and disadvantages relative to other, new renewable sources.

Walleye stated that "MMPA represents it would be too early to state a positive or negative impact on rates due to the relative value of the project depending on MISO market prices, but MMPA expects that the addition of a competitively-priced renewable energy resource to be a benefit to its membership."<sup>17</sup> For the most part, the DOC-DER concurs with MMPA's conclusion. In addition, the DOC-DER notes that a wind facility the size of the proposed Project is not likely to have a significant effect on MISO wholesale prices.

As far as wind resources in aggregate, wind facilities are the "first" resources dispatched under the protocols of MISO. Therefore, since pricing in the MISO market is based on the last (marginal) resource (typically natural gas or coal), electricity produced by wind facilities in aggregate can decrease the amount of natural gas, coal, or whatever resource is on the margin (the highest priced option) at a given time, that is used for generating electricity.

The DOC-DER concludes that the cost of the proposed Project and the cost of energy to be supplied by the proposed Project are less than the costs of reasonable alternatives and the cost of energy that would be supplied by reasonable alternatives.

*c. Natural and Socioeconomic Environments Analysis*

Minn. R. 7849.0120 B (3) states that the Commission is to consider:

[T]he effects of the proposed facility upon the natural and socioeconomic environments compared to the effects of reasonable alternatives.

The proposed Project will have relatively minor pollution impacts. In addition, the Updated Application states that approximately only an average of 1.32 acres of land per turbine will be taken out of agricultural production for the siting of turbine pads and access road construction.<sup>18</sup>

As an emission-free source of fuel for electricity generation, wind does not result in CO<sub>2</sub>, NO<sub>x</sub>, or other air pollutants. Therefore, consideration of the effects on the natural and socioeconomic environments using the Commission-approved externality values would not impact the overall cost analysis against the proposed Project. Therefore, the DOC-DER concludes that this sub-criterion has been met; however and as noted above, the ER, being conducted concurrently in this proceeding and in the related siting proceeding, will include a full analysis of the effects of the proposed Project and the alternatives upon the natural and socioeconomic environments.

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<sup>16</sup> Updated Application, at 21.

<sup>17</sup> Updated Application, at 24.

<sup>18</sup> Updated Application, at 37.

*d. Conclusion*

The DOC-DER here reviews the proposed Project's costs and benefits. Walleye stated in its Updated Application that the proposed Project's capital expenditure cost is estimated to be \$150 million, which includes all costs associated with development, design, and construction.<sup>19</sup> Additional costs relate to the proposed Project's operational and maintenance costs, initial spare parts, operating equipment, and operating supplies, which Walleye stated would amount to \$1.75 million for the first year and \$1.9 million over 29 years.<sup>20</sup>

While the cost aspects of the proposed Project are relatively straightforward, the benefits of the proposed Project are not as easily quantifiable at this time, and involve an analysis of avoided costs, direct and indirect economic benefits, and qualitative benefits. The DOC-DER notes that benefits of the proposed Project are myriad in form:

- The proposed Project is expected to help MMPA meet and exceed its Minnesota RES Requirements;
- The proposed Project would help meet the current and future energy needs of MMPA's members, and generate enough electricity to meet the needs of approximately 25,000 average Minnesota households annually;
- The proposed Project is an emissions-free source of electricity generation, which is an avoided cost that is otherwise imposed upon the local and regional air quality by alternative, fossil fuel generation sources of electricity;
- The proposed Project's cost is low compared to the alternatives identified in the Updated Application and provided by the Applicant;
- The proposed Project would be a low-cost (no fuel cost) wind energy resource in MISO and has priority dispatch in the MISO market, meaning that when the proposed Project can generate electricity reliably, it will be among the first generation sources dispatched to meet MISO's energy needs;
- The proposed Project would increase the county's tax base;
- Wind Energy Production Tax credit of \$0.0012 per kilowatt-hour (kWh) of electricity generated, would result in an annual payment ranging from \$80,000 to \$600,000 in the first year, and between \$400,000 to \$600,000 annually after the first year in Rocky County depending on the proposed Project's actual generation;
- The proposed Project would provide adjacent or otherwise affected landowners lease payments for the placement of, and access to, the wind turbines constructed and operated over the life of the proposed Project;
- Temporary and full-time positions related to the construction and maintenance of the proposed Project would be created;

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<sup>19</sup> Updated Application, at 24.

<sup>20</sup> Updated Application, at 24.

- The proposed Project would engender local and regional purchase of products such as fuel, equipment services, and supplies necessary to construct and operate the proposed Project; and
- Potential future development may be induced by the proposed Project.

Each of the benefits identified above can be reasonably expected to materialize if the proposed Project is approved. Therefore, the DOC-DER concludes that the proposed Project can be expected to provide benefits to MPPA and the state of Minnesota if approved.

## *2. Reliability Analysis*

Minn. R. 7849.0120 B (4) states that the Commission is to consider:

[T]he expected reliability of the proposed facility compared to the expected reliability of reasonable alternatives.

Walleye estimated that the proposed Project will have an availability of about 80-90% on an annual basis. Walleye also estimated a net capacity factor of between 40.7% to 48.1%.<sup>21</sup> The DOC-DER concludes that the proposed capacity factor is reasonable considering capacity factors estimated in other recent dockets involving wind resources.<sup>22</sup>

Additionally, as proposed, the proposed Project will use a combination of three potential General Electric (GE) models including: the 2.82 MW, 114-meter hub height turbine; the 2.82 MW, 89-meter hub height turbine; and the safe harbor 2.32 MW, 80-meter hub height turbine.<sup>23</sup> If there is a problem with one turbine, the other turbines can remain available for producing power. This design will minimize the impact of problems experienced with any single turbine. Therefore, the DOC-DER concludes that this sub-criterion has been met.

## *3. Distributed Generation Analysis*

Minnesota Statutes, section 216B.2426 states that:

The Commission shall ensure that opportunities for the installation of distributed generation, as that term is defined in section 216B.169, subdivision 1, paragraph (c), are considered in any proceeding under section 216B.2422, 216B.2425, or 216B.243.

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<sup>21</sup> Updated Application, at 10.

<sup>22</sup> For examples, see Docket Nos. IP6964/CN-16-289 and IP7006/CN-19-309.

<sup>23</sup> Updated Application, at 1.

Minnesota Statutes, section 216B.169 states:

For the purposes of this section, the following terms have the meanings given them

. . . (c) “High-efficiency, low-emission, distributed generation” means a distributed generation facility of no more than ten megawatts of interconnected capacity that is certified by the commissioner under subdivision 3 as a high efficiency, low- emission facility.

The DOC-DER notes that no proposals for distributed generation as an alternative to the proposed Project have been filed in this proceeding. Additionally, if another buyer (other than MMPA) is an investor-owned utility (IOU), the Commission would have the opportunity to review the resulting PPA or facility purchase to ensure that the price and terms are reasonable. Non-IOU buyers of the proposed Project’s output, such as MMPA, should have an incentive to use the lowest cost resource available. Non-IOU generation and transmission utilities are non-profit, compete for distribution utility clients, and therefore have an incentive to reduce costs to the greatest extent practicable while also meeting its generation needs.

Therefore, the DOC-DER concludes that a potential buyer of the proposed Project’s output has the incentive to consider all resources available, including distributed generation. The DOC-DER concludes that the requirement to consider distributed generation has been met.

#### *4. Innovative Energy Project (IEP) Preference*

Minnesota Statutes, section 216B.1694, subd. 2 (a) (4) states that an IEP:

... shall, prior to the approval by the commission of any arrangement to build or expand a fossil-fuel-fired generation facility, or to enter into an agreement to purchase capacity or energy from such a facility for a term exceeding five years, be considered as a supply option for the generation facility, and the commission shall ensure such consideration and take any action with respect to such supply proposal that it deems to be in the best interest of ratepayers.

This statute does not apply since the proposed facility is not a fossil-fuel-fired generation facility.

#### *E. SOCIOECONOMIC ANALYSIS*

Overall, the socioeconomic analysis is governed by Minnesota Rules, part 7849.0120 (C) which states that a CN must be granted upon determining that:

... by a preponderance of the evidence on the record, the proposed facility, or a suitable modification of the facility, will provide benefits to society in a manner compatible with protecting the natural and socioeconomic environments, including human health.

Walleye stated that the proposed Project would provide a large amount of renewable energy with minimal environmental impact, which will help meet the RES and other needs for wind energy resources. Further, Walleye stated that the proposed Project will benefit the local economies through landowner lease payments, production taxes, jobs (both temporary construction and permanent operations and maintenance jobs), and other local spending.<sup>24</sup> Finally, Walleye noted that the proposed Project will be situated on agricultural land and that turbine placements will be chosen to minimize the proposed Project's effect on land use, noise, and shadow flicker.<sup>25</sup>

As noted above, the DOC-DER relies on its ER for its socioeconomic analysis in a CN proceeding. The ER provides information related to:

- Minnesota Rules 7849.0120 A (5)—the effect of the proposed facility, or a suitable modification thereof, in making efficient use of resources;
- Minnesota Rules 7849.0120 C (2)—the effects of the proposed facility, or a suitable modification thereof, upon the natural and socioeconomic environments compared to the effects of not building the facility;
- Minnesota Rules 7849.0120 C (3)—the effects of the proposed facility, or a suitable modification thereof, in inducing future development; and
- Minnesota Rules 7849.0120 C (4)—the socially beneficial uses of the output of the proposed facility, or a suitable modification thereof, including its uses to protect or enhance environmental quality.

The DOC-DER recommends that the Commission consider the ER filed by the Department of Commerce, Division of Energy Resources, Energy Environmental Review and Analysis staff in the Commission's decision.

#### *F. POLICY ANALYSIS*

There are several remaining criteria in Minnesota statutes and rules that are applicable to a CN but do not closely fit into the need, planning, alternatives, and socioeconomic categories discussed above. Therefore, these criteria are grouped into a final category of policy consideration. In this policy section, the DOC-DER addresses criteria related to:

- policies of other state and federal agencies;
- promotional practices;
- Minnesota RES compliance;
- environmental cost planning;
- transmission planning compliance; and
- CO<sub>2</sub> emissions.

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<sup>24</sup> Updated Application, at 5-6, 9.

<sup>25</sup> Updated Application, at 31-36.



### *1. Other State and Federal Agencies*

Minn. R. 7849.0120 D states that a CN must be granted on determining that:

[T]he record does not demonstrate that the design, construction, or operation of the proposed facility, or a suitable modification of the facility, will fail to comply with relevant policies, rules, and regulations of other state and federal agencies and local governments.

Walleye indicated that the proposed Project serves overall state and regional energy needs and addresses federal and state renewable energy policies.<sup>26</sup> Walleye further stated that the proposed Project would meet or exceed the requirements of all federal, state, and local environmental laws and regulations.<sup>27</sup> Walleye provided a table listing the potential permits and approvals needed for the Project (see Table 2: List of Approvals and Consultations). The DOC-DER has no reason to believe that Walleye will fail to comply with the requirements of the listed federal, state, and local governmental agencies.

Further, the DOC-DER notes that state agencies authorized to issue permits for the proposed Project are required to present their position and participate in the public hearing process (see Minn. Stat. §216B.243, subd. 7). The DOC-DER observes that the Commission has consistently considered state agency input in its final CN decisions. Therefore, the DOC-DER concludes that the record at this time does not demonstrate that the design, construction, or operation of the proposed Project, or suitable modification of the facilities, will fail to comply with relevant and applicable policies, rules, and regulations of other state and federal agencies and local governments.

### *2. Promotional Practices*

Minn. R. 7849.0120 A (3) states that the Commission is to consider:

[T]he effects of promotional practices of the applicant that may have given rise to the increase in the energy demand, particularly promotional practices which have occurred since 1974.

In the Exemption Order, the Commission granted a partial exemption to Minn. R. 7849.0240, subp. 2 (B) which calls for the applicant to provide a summary of the promotional practices that may have given rise to the demand for the facility, and instead required equivalent data from the purchaser, MMPA. The partial exemption was granted because Walleye does not sell electricity to retail, but MMPA's members do serve end-use customers. Walleye stated that MMPA indicated that it has conducted no promotional activities associated with the proposed Project, and there is no information to submit.<sup>28</sup> Therefore, the DOC-DER concludes that this sub-criterion has been met.

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<sup>26</sup> Updated Application, at 12-13.

<sup>27</sup> Updated Application, at 13-15.

<sup>28</sup> Updated Application, at 5, 24.

### *3. RES Compliance*

Minn. Stat. §216B.243, subd. 3 (10) states that the Commission shall evaluate “whether the applicant or applicants are in compliance with applicable provisions of sections 216B.1691 ....” As discussed, Minn. Stat. §216B.1691 relate to Minnesota’s requirements regarding the provision of renewable energy to retail customers. Given that Walleye has no retail customers in Minnesota, the DOC-DER concludes that this statute does not apply. The DOC-DER notes the discussion above regarding MMPA’s compliance with the RES.

### *4. Environmental Cost Planning*

Minn. Stat §216B.243, subd. 3 (12) states that the Commission shall evaluate

[I]f the applicant is proposing a nonrenewable generating plant, the applicant’s assessment of the risk of environmental costs and regulation on that proposed facility over the expected useful life of the plant, including a proposed means of allocating costs associated with that risk.

In this case, Walleye is proposing a renewable generation facility. Therefore, the DOC-DER concludes that this statute does not apply.

### *5. Transmission Planning Compliance*

Minn. Stat. §216B.243, subd. 3 (10) states that the Commission shall evaluate:

[W]hether the applicant or applicants are in compliance with applicable provisions of section 216B.1691 and 216B.2425, subdivision 7, and have filed or will file by a date certain an application for certificate of need under this section or for certification as a priority electric transmission project under section 216B.2425 for any transmission facilities, or upgrades identified under section 216B.2425, subdivision 7.

Walleye stated that this statute is not applicable, stating that is not subject to these requirements since it does not own existing transmission and distribution infrastructure. Since Minn. Stat. §216B.2425 is applicable only to entities that own or operate electric transmission lines in Minnesota, the DOC-DER concludes that this statute does not apply.

### *6. Carbon Dioxide Emissions*

Minn. Stat. §216H.03, subd. 3 states that:

[O]n and after August 1, 2009, no person shall: (1) construct within the state a new large energy facility that would contribute to statewide power sector carbon dioxide emissions.

The DOC-DER notes that the proposed Project will not contribute to statewide power sector CO<sub>2</sub> emissions.

### III. DOC-DER RECOMMENDATION

Based upon the above analysis, the DOC-DER recommends that the Commission determine that Walleye has shown that:

- the probable result of denial would be an adverse effect upon the future adequacy, reliability, or efficiency of energy supply to the Applicant, to the Applicant's customers, or to the people of Minnesota and neighboring states;
- a more reasonable and prudent alternative to the proposed facility has not been demonstrated by a preponderance of the evidence on the record; and
- the record does not demonstrate that the design, construction, or operation of the proposed facility, or a suitable modification of the facility, will fail to comply with relevant policies, rules, and regulations of other states and federal agencies and local governments.

Should the Commission find, after consideration of the ER, that the proposed facility "will provide benefits to society in a manner compatible with protecting the natural and socioeconomic environments, including human health," the DOC-DER recommends that the Commission issue a CN to Walleye.

/ar

## **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. IP7026/CN-20-269**

**Dated this 17<sup>th</sup> day of June 2021**

**/s/Sharon Ferguson**

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