BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS RECOMMENDATIONS OF THE MINNESOTA DEPARTMENT OF COMMERCE ENERGY FACILITY PERMITTING STAFF

DOCKET NO. G002/GR-05-1706

Meeting Date: February 23, 2006 .....Agenda Item # _____

Company: Northern States Power d/b/a Excel Energy

In the Matter of the Application by Northern States Power d/b/a Excel Energy for a Pipeline Routing Permit and for Partial Exemption from Pipeline Route Selection Procedures

Issue(s): Should Xcel Energy be granted a partial exemption from Pipeline Route Selection Procedures and issued a pipeline routing permit for a 2.5-mile natural gas pipeline in Dakota and Ramsey Counties for the High Bridge Generating Plant Conversion Project?

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Relevant Documents

See PUC website for the documents identified below at eDockets (05-1706) or http://energyfacilities.puc.state.mn.us/Docket.html?Id=18167.

1. Schematic of Permitting Process for Partial Exemption from Pipeline Route Selection Procedures ..... Attached
2. DOC Exhibit List ..... Attached

3. Comment and Response Letters
   A. Minnesota Department of Natural Resources - January 6, 2006 DOC Exhibit 7
   B. Metropolitan Council - January 6, 2006 ..... DOC Exhibit 8
   C. City of St. Paul - January 6, 2006 ..... DOC Exhibit 9
   D. Xcel Energy - January 13, 2006..... Attached, DOC Exhibit 10
4. Department Proposed Findings of Fact and Conclusions ..... Attached
5. Department Proposed Pipeline Routing Permit ..... Attached

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The enclosed materials are work papers of the Department of Commerce Energy Facility Permitting Staff. They are intended for use by the Public Utilities Commission and are based on information already in the record unless otherwise noted.

This document can be made available in alternative formats (i.e., large print or audio tape by calling (651) 201-2202 (Voice) or 1-800-627-3529 (TTY relay service).

STATEMENT OF THE ISSUE

Should the Minnesota Public Utilities Commission (Commission or PUC) grant or deny a partial exemption from pipeline route selection procedures to Xcel Energy for its proposed 2.5-mile High Bridge Gas Pipeline? If the Commission grants the partial exemption, it must issue a pipeline routing permit with conditions. If the Commission denies the partial exemption Xcel Energy may reapply under the pipe line route selection procedures.

Regulatory Framework and Background

Effective July 1, 2005, Article 3 of the recently passed energy bill Senate File 1368 transferred energy facility permitting (power plants, transmission lines, pipelines and wind turbine siting) authority from the Minnesota Environmental Quality Board (EQB) to the Minnesota Public Utilities Commission.

A pipeline routing permit from the PUC is required to construct a pipeline with a pressure of more than 275 pounds per square inch and carry gas. Minn. Rule 44150010 Subp 26.B. This requirement became law in 1987. Minnesota Statutes, Chapter 116I. The rules to implement the permitting requirement for pipelines are in Minnesota Rules Chapter 4415. A diagram of the partial exemption permitting process is enclosed for illustration purposes. See item #1 in Commissioner's packet.

Between 1989 and June of 2005, the EQB issued more than 25 pipeline routing permits. The natural gas pipeline for the High Bridge Generating Plant Conversion Project is the first pipeline project reviewed by the Commission.

Project Overview and Purpose

Xcel Energy is proposing to construct, own, and operate a 2.5 mile, 20-inch diameter high-pressure (650 psig) natural gas pipeline that will begin at the Mendota Regulator Station in the southeast quadrant of the interchange between Interstate Highway 35E and Minnesota Highway

13 in Mendota Heights, pass through Lilydale (Dakota County) and end at the High Bridge facility on the north shore of the Mississippi River near downtown St Paul (Ramsey County). See Attachment 2 of the proposed pipeline routing permit in item # 6 of the Commission's packet. The proposed pipeline will traverse portions of Dakota and Ramsey counties in Minnesota.

The pipeline is essential to the conversion of the Xcel Energy High Bridge Generating Plant from a coal-powered generating plant to a natural gas combined cycle unit. The pipeline is designed to deliver natural gas at a rate of between 76.8 and 148.8 million cubic feet per day. The pipeline is to be placed in service in May 2008 for an estimated cost of 6.9 million dollars.

Procedural Background

The site permit application has been reviewed pursuant to the requirements of Minnesota Rules 4415.0035 through 4415.0040.

Upon acceptance of the application the required notice and review requirements of Minnesota Rule 4415.0035 were initiated.

The rules provide opportunities for the public to participate in review and comment on the permit application. The public was advised of the submission of the permit application after the application was accepted, and was afforded the opportunity to submit written comments on the application until January 4, 2006. Public meetings on the application were held in both Dakota and Ramsey counties on December 12, 2005. No one from the public attended the meeting in Dakota County and several people attended the meeting in Ramsey County.

At the public meeting in Ramsey County, DOC staff reviewed the permitting process requirements and responded to questions. Representatives of the applicant were available to describe the project and answer questions. No adverse comments were registered at the public meetings.

Written Comments

Three comment letters were received (MN Department of Natural Resources (Exhibit 7), Metropolitan Council (Exhibit 8), and city of St. Paul (Exhibit 9)) on Xcel's application for a pipeline routing permit. EFP staff asked Xcel Energy to respond to the comment letters. On January 13, 2006, Xcel Energy responded to the comment letters (Exh.10). Xcel's response is in the Commissioner's packet (See item # 3). The written comments and Xcel's response are summarized below

DNR expressed concern about the timing of construction near Pickeral Lake, a managed game fish lake. Xcel Energy responded by indicating that construction will take place in the winter months. Staff would also note that a significant portion of the lake crossing will be done by directional drilling rather than trenching.

The city of St. Paul expressed concerns about additional easements, temporary workspace, depth of burial, grading and reseeding, non-native vegetation and removal of excavated debris.

Xcel Energy will: a) work the city of St. Paul on easement needs; b) select area(s) that would require the least amount of vegetation/habitat removal; c) work with the city of St. Paul to determine adequate depth and grading requirements to provide for adequate canoe and boat access; d) restore areas affected by construction with native grasses and forbs; e) work with the city of St. Paul to maintain vegetation compatible with native grassland communities within the park if they are compatible with safe operation and maintenance of the gas pipeline; and f) remove all construction and trench debris that may affect operation of the pipeline.

Metropolitan Council commented that the staff of the National Park Service's Mississippi National River and Recreation Area (MNRRA) be notified of this project and of the potential effect on a Regional Wastewater Interceptor.

Xcel Energy commented that it had already notified MNRRA and that Xcel Energy will include foreign utility crossings on both the plan and profile of the proposed design for the directional drill.

EFP staff believes that Xcel's response to the comment letters will address the concerns raised in the letters. The Department EFP staff proposed pipeline routing permit also directs Xcel Energy to coordinate and work with all the governmental units affected by the proposed project.

Issues

No significant issues were identified during the course of this proceeding.

Record

A list of the written comments and other documents (Exhibit List) that are part of the record in this permit proceeding is included in the PUC materials. See item #2 in Commissioner's packet. The DOC staff can make any of these documents available to the public and PUC upon request, and copies will be available at the PUC meeting.

Findings of Fact

The Department EFP staff has prepared Proposed Findings of Fact and Conclusions for the project. The findings address the procedural aspects of the process followed, describe the project, respond to the written comment(s), and address the environmental and other considerations of the project. Most of the findings in the Findings of Fact reflect similar findings that have been made for other pipeline projects. The following outline identifies the categories of the Findings.

Category	Findings
Background and Procedure	(Findings Nos. 1 – 8)
The Applicant	(Finding No. 9)
Project Overview and Description	(Findings Nos. 10 – 22)
PUC Information Meetings	(Findings Nos. 23 –24)
Comment Letters	(Findings Nos. 25 – 26)
Alternatives to the Proposed Pipeline	(Finding No. 27)
Standard for Partial Exemption	(Findings Nos. 28 – 70)

Standard for Permit Issuance

In determining whether to grant or deny a partial exemption from pipeline route selection procedures, the PUC must apply the requirements of Minnesota Rule 4415.0040 [Criteria for Partial Exemption from Pipeline Route Selection Procedures]. This part provides the standard and criteria that the Commission must apply in determining whether to grant or deny the partial exemption

Minnesota Rule 4415.0040, subp. 2, [Standard], requires the PUC to determine that the proposed pipeline will not have a significant impact on humans or the environment in order to grant the partial exemption. In conducting this evaluation, the PUC must consider a number of criteria set forth in subpart 3 of the rule.

Other

1. "Route" is defined in Minn. Rules part 4415.0010, subp. 32, to include "a variable width from the minimum required for the pipeline right-of-way up to 1.25 miles." In other pipeline routing permits issued by the EQB (Board), the Board has more specifically limited the width of the route when an existing right-of-way is being used. In this instance Xcel is using its existing gas and electric line rights-of-way for most of the length of the 2.5 mile long pipeline. Therefore it is reasonable for the PUC to limit the route width to something much less than 1.25 miles in which the right-of-way will be located. A route width of 500 feet or 250 feet on either side of the centerline of the proposed right-of-way is appropriate.

2. Pipeline routing permits are subject to reasonable conditions imposed by the PUC. Conditions are intended to protect the environment and landowners from adverse effects from construction of the pipeline.

PUC Decision Options

A. Adopt the staff Proposed Findings of Fact and Conclusions that grant a partial exemption from pipeline route selection procedures and issue a Route Permit as proposed by EFP staff with conditions and also specify the location of the route for the Xcel Energy 2.5 mile, 20-inch diameter high-pressure (650 psig) natural gas pipeline that will begin at the Mendota Regulator Station in the southeast quadrant of the interchange between Interstate Highway 35E and Minnesota Highway 13 in Mendota Heights, pass through Lilydale (Dakota County) and end at the High Bridge facility on the north shore of the Mississippi River near downtown St Paul (Ramsey County).

B. Amend the proposed Findings of Fact and Conclusions and proposed Site Permit as deemed appropriate.

C. Deny the request for a partial exemption. Xcel Energy may reapply under the full selection process.

D. Make some other decision deemed more appropriate.

DOC Staff Recommendation. The DOC staff recommends that the PUC adopts the proposed Findings of Fact and Conclusions and issue a Pipeline Routing Permit with the appropriate conditions contained in the staff's suggested pipeline routing permit.