MINNESOTA
DEPARTMENT OF
COMMERCE

85 7th Place East, Suite 500
St. Paul, Minnesota 55101-2198
651.296.4026 FAX 651.297.1959 TTY 651.297.3067

July 19, 2006

Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
127 7th Place East, Suite 350
St. Paul, MN 55101-2147

RE: Comments and Recommendation of the Minnesota Department of Commerce
Energy Facility Permitting Staff
Docket No. G008/GP-06-426

Dear Dr. Haar:

Attached are the comments and recommendation of the Minnesota Department of Commerce Energy Facility Permitting Staff in the following matter:

> In the Matter of the Application of CenterPoint Energy for a Partial Exemption from Pipeline Route Selection Procedures and for a Pipeline Routing Permit for a 16.3-mile natural gas pipeline to serve the Riverside Generating Plant Conversion Project. The application was filed on April 6, 2006.

The Department is providing you with DOC EFP staff:

A. Comments and Recommendations
B. EFP Exhibit List
D. Proposed Findings of Fact and Conclusions
E. Proposed Pipeline Routing Permit

The Department EFP staff recommends approval of the proposed findings of fact that grant the partial exemption and issue a pipeline routing permit. Staff also recommends approval of the proposed pipeline routing permit.

Staff is available to answer any questions the Commission may have.

Sincerely,

JEFFREY T. HAASE
DOC EFP Staff

JTH/sm
Enclosures

MINNESOTA DEPARTMENT OF COMMERCE
ENERGY FACILITY PERMITTING STAFF COMMENTS AND RECOMMENDATIONS

Meeting Date: July 27, 2006…….……Agenda Item # _____

Company: CenterPoint Energy Resources Corp.,
d/b/a CenterPoint Energy Minnesota Gas

Docket No. G-008/GP-06-426

In the Matter of the Application by CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Minnesota Gas for a Pipeline Routing Permit and for Partial Exemption from Pipeline Route Selection Procedures

Issue(s): Should CenterPoint Energy be granted a partial exemption from Pipeline Route Selection Procedures and issued a pipeline routing permit for a 16.3 mile natural gas pipeline in Anoka and Hennepin Counties for the Riverside Generating Plant Conversion Project?

DOC Staff: Jeffrey T. Haase……...651-297-5648
Larry B. Hartman…….651-296-5089

Documents Attached:

1. Schematic of Permitting Process for Partial Exemption from Pipeline Route Selection Procedures
2. Overview Route Map (Pipeline Routing Permit Exhibit 1)
3. Table and aerial photos indicating route width (Pipeline Routing Permit Exhibit 2)
4. DOC Exhibit List
5. Comments and Response Letters
   A. Concerned Citizens of Marshall Terrace – May 19, 2006…...…DOC Exhibit 7
   B. Charles Pratt – May 31, 2006...……..…….DOC Exhibit 8
   C. Woodridge Lodges Homeowners Association – June 6, 2006....DOC Exhibit 9
   D. Anoka County Department of Parks and Recreation June 12, 2006.……. ……..DOC Exhibit 10
   E. Tom Petrich – June 12, 2006…….……DOC Exhibit 11
   F. Michael Rainville – June 13, 2006……....DOC Exhibit 12
   G. Peggy Trippel – June 13, 2006...……..…….DOC Exhibit 13
   H. Metropolitan Council – June 14, 2006 ...…….DOC Exhibit 14

I. CenterPoint Energy Response to Comment Letters
July 12, 2006…..…….....DOC Exhibit 15
J. CenterPoint Energy Letter Requesting Route Width Variations
July 12, 2006……..…….....DOC Exhibit 16

6. Department Proposed Findings of Fact and Conclusions
7. Department Proposed Pipeline Routing Permit.

See PUC website for the documents identified above at; eDockets (06-426) or http://energyfacilities.puc.state.mn.us/Docket.html?Id=18522

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 ISSUE

Should the Minnesota Public Utilities Commission (the Commission) grant or deny a partial exemption from pipeline route selection procedures to CenterPoint Energy for its proposed 16.3-mile Riverside Pipeline Project? If the Commission grants the partial exemption, it must issue a pipeline routing permit with conditions. If the Commission denies the partial exemption CenterPoint Energy may reapply under the pipeline 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 (MPUC).

A pipeline routing permit from the Minnesota Public Utilities Commission is required to construct a pipeline with a pressure of more than 275 pounds per square inch and carry gas. Minn. Rule, part 4415.0010 Subp 26.B. This requirement became law in 1987. Minnesota Statutes, Chapter 116I.015. 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 attachment #1 in Commissioner's packet.

Between 1989 and June of 2005, the EQB issued over 25 pipeline routing permits. The natural gas pipeline for the Riverside Generating Plant Conversion Project is the second partial exemption pipeline project reviewed by the Commission.

Project Overview and Purpose

CenterPoint Energy is proposing to construct, own, and operate a 16.3 mile, 20-inch diameter high-pressure (650 psig MAOP) natural gas pipeline that will begin at the Northern Natural TBS in the city of Andover near the intersection of 148th Lane NW and Prairie Road, pass through the cities of Andover, Coon Rapids, and Fridley (Anoka County) and end at the Xcel Energy Riverside Generating facility on the east shore of the Mississippi River near downtown Minneapolis (Hennepin County). See attachment # 2 and #3 in the Commissioner's packet. The proposed pipeline will traverse portions of Anoka and Hennepin Counties in Minnesota.

The majority of the proposed route already includes existing railroad, electric transmission line, road, Metropolitan Council sewer facilities, and existing CenterPoint natural gas pipeline(s) rights-of-way.

The pipeline is essential to the conversion of the Xcel Energy Riverside 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 0.0 and 100.0 million cubic feet per day. The pipeline is to be placed in service in December 2008 for an estimated cost of 25 million dollars.

Procedural Background

The CenterPoint application for partial exemption from pipeline route selection procedures has been reviewed pursuant to the requirements of Minnesota Rules, Part 4415.0035 through 4415.0040.

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

The review process provides opportunities for the public submit comments on the permit application. The public was advised of the application after the it was accepted by the Commission on May 10, 2006. The deadline for submitting comments on the application was June 14, 2006.

Public information meetings on the application and project were held during the afternoon and evening in Hennepin and Anoka County on May 23, 2006 and May 24, 2006. Five people attended the meetings in Hennepin County and twenty-one people attended the meetings in Anoka County.

DOC staff reviewed the permitting process requirements and responded to questions about the draft site permit, and permitting process. Representatives of the applicant were available to describe the project and answer questions. Several landowners living along 148th Lane NW near the town border station in Andover had concerns about the impact of pipeline construction on their property. The pipeline will run within the road right of way along 148th Lane NW and landowners were concerned about the potential impacts to landscaping and property values. Several homeowners from the Woodridge Lodges Townhomes expressed concern about the possibility that a natural visual and sound barrier to the railroad would be removed if the pipeline

was routed along the east side of the tracks in this area. One business representative was concerned about the impact that the proposed route would have on his company. Other attendees expressed concern about the conversion of the Riverside Power Plant from coal to natural gas and the economic consequences that might have.

Written Comments

Eight comment letters were received (Exh's 7 - 14) on CenterPoint's application for a pipeline routing permit. EFP staff asked CenterPoint Energy to respond to the comment letters. On July 12, 2006, CenterPoint Energy responded to the comments in the letters (Exh.15). Those letters and CenterPoint's response are in the Commissioner's packet (See attachement # 3, A-I) and summarized below.

May 25th letter from Concerned Citizens of Marshall Terrace (CCMT) – Representatives of CenterPoint Energy attended the May 18th public meeting of CCMT to present information on their role in the conversion of the Riverside Power Plant from coal to natural gas. Following the meeting CCMT voted to support CenterPoint Energy's role in the conversion of the Riverside Plant. See attachment #3 A in Commissioner's packet.

May 31st email from Charles Pratt – Concerned about the placement of the pipeline. Mr. Pratt is happy with the placement of the pipeline on the west side of the tracks, during the public meetings CenterPoint representatives indicated that there is a chance that the pipeline could be placed on the east side of the tracks. Mr. Pratt's concern is that such placement would require the removal of a large number of mature trees that provide both a visual and a sound barrier to the frequently used tracks. Additionally, Mr. Pratt notes that the streets in the townhouse area are narrow and private, which may present a problem for large equipment access to the construction site. See attachment #3 B in Commissioner's packet.

June 6th Letter and Petition from the Woodridge Lodges Homeowners Association. The Woodridge Lodges Homeowners Association is concerned with the possibility that the pipeline could be placed on the east side of the railroad tracks. The Homeowners Association feels it is of critical importance that the pipeline run along the west side of the tracks as currently proposed. Placement of the pipeline on the east side of the tracks would result in the removal of existing trees and vegetation that currently act as a sound and visual barrier between Woodridge and the Burlington Northern Railroad, which would have a negative impact on the homeowners quality of life and property values. A petition signed by 35 Woodridge Lodges Homeowners was included with the letter. See attachment #3 C in Commissioner's packet.

June 12th letter from Anoka County Parks and Recreation Department stating that they have reviewed and are in concurrence with the proposed alignment of the Riverside pipeline routing permit application and will continue to cooperate with CenterPoint Energy and its consulting engineer on the implementation of easements and permits for the construction of the pipeline through the regional parks. See attachment #3 D in Commissioner's packet.

June 12th Comment form from Tom Petrich – Mr. Petrich objects to the routing of the gas line along 148th Lane NW in Andover. He states that there are already two gas easements through this residential development and that the company should share the easements in this area. See attachment #3 E in Commissioner's packet.

June 13th letter from Michael Rainville – Supportive of the line and the ultimate conversion of the power plant from coal to natural gas. See attachment #3 F in Commissioner's packet.

June 13th letter from Peggy Trippel - Woodridge Lodges Homeowner – Ms. Trippel reiterated the concern that routing the pipeline along the east side of the railroad tracks in the area of the Woodridge Lodges Townhomes would result in the removal of the natural visual and sound barrier that exists in this area. See attachment #3 G in Commissioner's packet.

June 14th letter from the Metropolitan Council concerning the Metropolitan Council's review of CenterPoint Energy's Riverside Pipeline routing permit application.
There were several areas of concern that the Metropolitan Council identified several items of concern including regional wastewater infrastructure, regional transportation systems, regional parks, and erosion control measures. See attachment #3 H in Commissioner's packet.

Regional Wastewater Infrastructure, Kyle Colvin, Principal Staff Engineer, Met Council

The letter indicates that the proposed 20-inch gas pipeline could be located in the easement for a large Council-owned sanitary sewer interceptor, which would be detrimental to the maintenance, and potential future expansion of the wastewater system. The Metropolitan Council Environmental Services (MCES) owns and operates a sanitary sewer interceptor facility which parallels much of the proposed alignment of the gas pipeline. The size of the interceptor varies throughout the length of the proposed alignment: beginning with a 48-inch interceptor near Coon Rapids Boulevard, to a 96-inch interceptor near the project terminus at the Riverside Power Plant in Minneapolis. The Council will not give up these essential property rights. After reviewing maps of the proposed pipeline route, it appears that the additional easements sought to cover the proposed 20-inch gas pipeline will, in some areas, overlap existing MCES sanitary sewer easements. The MCES easements were acquired at the time the wastewater facility was planned and constructed to facilitate continued operation and maintenance of the regional wastewater conveyance system. No encumbrance of these easements can be allowed which would hinder the continued operation and maintenance of the facility of the regional sanitary wastewater services it provides. MCES is also concerned about the potential for damage to the interceptor facility and it's appurtenances from construction-related activities.

The Council needs additional information to determine the extent to which the proposed pipeline will affect the regional wastewater disposal system. Once preliminary plans are complete, one set should be submitted to MCES for review. These plans should delineate the extent of any planned additional easement acquisition. Once available, the information requested can be forwarded to Kyle Colvin, Principal Staff Engineer, MCES, Technical Services Section.

Regional Transportation, Connie Kozlak, Met Council

The proposed pipeline may impact the Northstar Corridor Commuter Rail project and it will be important for CenterPoint Energy to coordinate with the NorthStar Project office. Metro Transit has reviewed the proposed pipeline project and determined that there appears to be not significant impacts to existing facilities. However, there may be an impact to the proposed Northstar Commuter Rail project. The pipeline is proposed to follow the Burlington Northern Santa Fe (BNSF) railroad right-of-way through Andover, Coon Rapids, and Fridley in Anoka County. The portion of the rail right-of-way south of Coon Rapids Boulevard will also be used for the Northstar Corridor Commuter Rail Project. CenterPoint Energy should coordinate with the Northstar Project office to assure that the specific alignment within the rail right-of-way does not interfere with the location of facilities, such as stations, that will be constructed for the commuter rail line. This coordination could lead to efficiencies in construction for both projects, or at a minimum, minimize disruption of one project while the other is being built.

Regional Parks, Greg Pates, Met Council

The proposed pipeline route crosses or runs adjacent to 13 parks, including two regional parks in Anoka County: Bunker Hills Regional Park and Riverfront Regional Park. The pipeline also crosses or runs adjacent to several regional trails. These are: the Coon Creek and Mississippi River Regional Trails in Anoka County, and the St. Anthony Parkway Regional Trail in Hennepin County. The proposed pipeline will cross the St. Anthony Parkway Regional Trail in Minneapolis. The Minneapolis Park and Recreation Board (MPRB) will rebuild the St. Anthony Parkway Trail and associated facilities in 2007. CenterPoint should continue to work closely with Anoka County Parks (John VonDeLinde, Parks Director) and the MPRB (Tim Brown, Engineer) to minimize negative effects on regional parks and trails.

Regional Storm Water System, James Larson, Met Council

This application document and further project specifications should be modified to reflect NPDES Permit requirements on sediment control practices. The diagram on page 66/88 of the electronic Appendices file depicts the construction steps as beginning with clearing and grading of the construction corridor before installation of the temporary erosion control measures. However, the Minnesota Pollution Control Agency's National Pollutant Discharge Elimination System (NPDES) Construction Permit program requires that site sediment control practices be installed on all down-gradient perimeters before any up-gradient land disturbing activities begin. This application and any further project specifications need to be modified to reflect the NPDES Permit requirement.

July 12, 2006 CenterPoint Responses to Comments. See attachment #3 I in Commissioner's packet.

Woodridge Lodges Homeowners Association & Peggy Trippel

The location of the pipeline is currently proposed to be located on the west side of the Burlington Northern Santa Fe Railroad.

Tom Petrich

CenterPoint has analyzed route variations within the above referenced residential area located on the north end of the route in the City of Andover. This analysis included a field review of the area as well as discussions with City of Andover staff. Furthermore, CenterPoint Energy conducted an informational meeting at the request of the City of Andover to answer any questions regarding the proposed pipeline (No affected landowners attended this informational meeting). CenterPoint determined that the proposed alignment is superior to potential alternative routes based on the criteria of following property lines and avoiding anticipated redevelopment projects. Moreover, the proposed alignment would require fewer permanent easements to be acquired.

Regional Wastewater Infrastructure, Kyle Colvin, Principal Staff Engineer, Met Council

CenterPoint Energy (CenterPoint) contacted Met Council staff in February 2006 to coordinate a meeting to discuss the proposed project. Met Council staff requested that the meeting be postponed until CenterPoint completed more specific engineering plans for the proposed route. Preliminary design plans are scheduled for completion by the end of 2006. CenterPoint has identified the Met Council sewer easement locations and will be surveying the location of their facilities. CenterPoint is confident that the proposed location of the new pipeline will have minimal impacts to the existing sewer lines. In those areas that a conflict may occur (notably at Rice Creek and some points south), CenterPoint fully intends to coordinate activities with MetCouncil staff.

ProSource Technologies, Inc. (ProSource) contacted Mr. Kyle Colvin, Met Council, on July 6, 2006 to address the comments outlined in the Met Council letter. ProSource discussed the specific easement requirements for the proposed pipeline in the areas located near the Met Council sewer lines. Mr. Colvin did not have any additional concerns and requested that CenterPoint meet with the Met Council after more detailed engineering plans for the pipeline are available.

Regional Transportation, Connie Kozlak, Met Council

CenterPoint and Northstar Commuter Rail Project staff have taken part in multiple meetings to discuss routing issues, construction details and timing of activities for both projects. CenterPoint is currently in the process of reviewing the Northstar preliminary project plans and will design the pipeline to avoid conflicts with the proposed alignment. Furthermore, CenterPoint intends to maintain close coordination with the NorthStar project team to ensure that both projects may proceed in a timely and effective manner.

Regional Parks, Greg Pates, Met Council

CenterPoint Energy and the Anoka County Parks Department staff have had multiple meetings to discuss the alignment of the proposed pipeline through the county parks. Potential impacts to trails have also been discussed during these meetings. Anoka County Parks submitted a letter to the PUC dated June 12, 2006, which stated that the Anoka County Parks and Recreation Committee has reviewed and is in concurrence with the proposed pipeline project as it relates to the affected regional parks and trails. CenterPoint will continue to work closely with the park's staff regarding impacts and mitigation measures. CenterPoint will also work with Mr. Tim

Brown to discuss site-specific issues related to the St. Anthony Parkway Regional Trail. Lastly, CenterPoint Energy will also continue to work with the cities to minimize impacts to city parks and recreation areas.

Regional Storm Water System, James Larson, Met Council

As part of the permitting process of this pipeline project, CenterPoint Energy will apply for a Minnesota Pollution Control Agency (MPCA) NPDES Construction Storm Water Permit, as mentioned above. CenterPoint Energy will comply with all permit conditions set forth by the MPCA, including requirements associated with erosion control. CenterPoint Energy will also employ an environmental inspector during the construction and restoration stages of the project. The environmental inspector will be responsible for ensuring compliance with all environmental permit requirements and maintaining written and photographic records of construction practices.

DOC EFP staff believe that CenterPoint's response to the comment letters will address the concerns raised. The staff proposed pipeline routing permit also directs CenterPoin 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 that are part of the record in each permit proceeding is included in the PUC materials. The DOC EFP staff can make any of these documents available to a PUC member upon request, and copies will be available at the PUC meeting.

Findings of Fact

The staff has prepared Proposed Findings of Fact and Conclusions for the project. Basically, 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 findings that were also made for other pipelines. The following outline identifies the categories of the Findings.

Category	Findings
Background and Procedure	(Findings Nos. 1 – 6)
Applicant	(Finding No. 7)
Project Description	(Findings Nos. 8 – 22)
DOC Information Meetings	(Findings Nos. 23 –24)
Comment Letters	(Findings Nos. 25 – 26)
Alternatives to the Proposed Pipeline	(Finding Nos. 27)
Standard for Partial Exemption	(Findings Nos. 28 – 74)

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 Rules part 4415.0040 [Criteria for Partial Exemption from Pipeline Route Selection Procedures]. This part contains the standard and criteria that the Commission must apply in determining whether to grant or deny the partial exemption

Minnesota Rules part 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.

Standard for Partial Exemption from Pipeline Route Selection Procedures [Minnesota Rules, Part 4415.0040]

Minn. Rules part 4415.0040, subp. 2 [Standard] provides that the PUC shall consider the characteristics, the potential impacts, and mitigation measures associated with the proposed pipeline so that the PUC may designate a route that minimizes human and environmental impacts. Regardless of the procedures followed, the PUC attempts to minimize the impacts from any new pipeline.

Other

1. "Route" has been defined by the PUC 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 the majority of the 16.3 mile pipeline route will be adjacent to existing corridors including railroad, overhead electric transmission lines, roads, and existing natural gas pipelines. 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, with the exception of those areas identified in item #6 of the Commissioner's packet.

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 with conditions and specify the location of the route for the CenterPoint Energy 16.3 mile, 20-inch diameter high-pressure (650 psig MAOP) natural gas pipeline that will begin at the Northern Natural Gas Town Border

Station at the intersection of 148th Lane NW and Prairie Road in Andover and terminate at the Xcel Energy Riverside Power Plant in Minneapolis.

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

C. Deny the request for a partial exemption. CenterPoint 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 adopt 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.