



Energy Facility Permitting
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Minnesota Department of Commerce

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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

DOCKET NO. PL, E280/GP-06-1481

Meeting Date: November 8, 2007.....Agenda Item # 17

Company: Nashwauk Public Utilities Commission

Docket No. **PUC Docket Number: PL, E280/GP-06-1481**

**In the Matter of the Application of the Nashwauk Public Utilities
Commission for a Routing Permit for a Natural Gas Pipeline**

Issue(s): What additional pipeline alignments, route segments and route alternatives
should be accepted by the PUC for consideration at a contested case hearing?

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Relevant Documents

- Pipeline Route Permit Application (Partial Exemption).....March 6, 2007
- Nashwauk PUC Letter Requesting Conversion to the Full Process.....July 13, 2007
- Pipeline Route Permit Application (Full Process).....July 27, 2007
- DOC Commissioner charge/structure of the CAC.....August 14, 2007
- Comment Letters (Full process).....October 15, 2007
- CAC Report.....October 26, 2007

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). (Relevant documents and project information can be found on eDockets (06-1481) or the PUC Facilities Permitting website: <http://energyfacilities.puc.state.mn.us/Docket.html?Id=19035>)

Attached Documents

1. Figure Preferred & Alternative Routes Map
2. Figure D-26 Land Use/Land Cover Map
3. Figure 1.2 MSI Proposed Project Boundary Map
4. Figure 3.1 MSI Past Mining Activities Map
5. Figure D-20 Alternative Route 1
6. Figure D-21 Alternative Route 2
7. Figure D-22 Alternative Route 3 (NPUC Preferred Route)
8. Figure D-23 Alternative Route P-1
9. Figure D-24 Alternative Route P-2
10. Karna Route Alignment Modification Information
11. Karna Alternative Route Proposal Information
12. White Route Segment Alternative Information
13. Itasca County Infrastructure Study: Pipeline Routes
14. Itasca County Infrastructure Study: 3 Primary Pipeline Routes
15. Karna Alternative Route: Residential Housing Map

Statement of the Issue

Other than the Applicant's proposed (preferred) route, what other alignment modifications, route segments or route alternatives should the Public Utilities Commission (the PUC or Commission) accept for consideration at a contested case hearing in the matter of the application of Nashwauk Public Utilities Commission for a pipeline routing permit for the Nashwauk-Blackberry Project?

Before the Commission addresses this issue, EFP staff would like to provide the Commission with an overview of the Nashwauk-Blackberry Project and Department activities since Commission acceptance of the initial Pipeline Routing Permit application, followed by the proposed alignment modifications, route segment and route proposals.

Introduction and Background

On March 6, 2007, the Nashwauk Public Utilities Commission (NPUC) filed an application for a pipeline routing permit and partial exemption from pipeline route selection procedures for the Nashwauk to Blackberry natural gas pipeline project. The Docket number for this project is PL E-280/GP-06-1481.

On April 3, 2007, the Commission released an order that accepted the NPUC application under the partial exemption rules as complete.

On Wednesday, April 18, 2007, a public information meeting was held at the Taconite Community Center concerning the proposed Nashwauk to Blackberry pipeline route permit application. The public had until May 18, 2007, to submit comments on the project and application. Due to some procedural issues associated with the notice for the initial public meeting, a second public information meeting was held on May 24, 2007, at the Nashwauk City Hall. The public comment period was extended to June 8, 2007.

Approximately 50 people attended the second information meeting; a variety of questions were asked and comments made by the attendees. Approximately 90 comment letters were received during the comment period. While concerns raised included safety of the pipeline, impact on property values, limitations on the use of pipeline easements, and compensation to land owners, the major issues seemed to be the lack of discussion on alternative routes contained within the application and a desire to have a citizen advisory committee established.

On July 12, 2007, the NPUC submitted a request to the Commission to convert its original application for a partial exemption into a full proceeding pursuant to Minn. Rule Chapter 7852. On July 27, 2007, NPUC submitted a revised pipeline routing permit application incorporating the requirements of the full Pipeline Route Selection Procedures.

The revised application included analysis of 5 routes (**Attachment No. 1**), the preferred route (**Alternative 3**) originally proposed in the initial filing; two additional routes which were studied and rejected as part of the Itasca County Infrastructure program initiated in 2005 (**Alternative 1** and **Alternative 2**); and two routes (**Alternative route P1** and **Alternative route P2**) developed from citizen input during the partial exemption process.

On August 9, 2007, the Commission granted NPUC's request to convert to the full pipeline route selection procedures. This decision included:

1. Accept the revised Nashwauk Public Utilities Commission pipeline route permit application under the full pipeline route selection procedures and grant NPUC's request to convert the current docket (PL, E280/GP-06-1481) to the full review process.
2. Authorize the Department to establish a citizen advisory committee with the charge and structure recommended in the provided attachment.

On August 28, 2007, the Department held a third public meeting at the Taconite Community Center to inform the public of the conversion to the full review process, receive comments on route alternatives or modifications, and to solicit input into the components of the comparative environmental analysis. Approximately 32 people attended this public meeting, two of whom spoke during the open forum portion. Approximately 18 comment letters were received during the comment period. The comments/issues raised included:

- minimum distance from housing that a pipeline can be routed by;
- who is the responsible entity should an environmental problem arise;
- can access to the pipeline ROW be restricted to authorized users by a fence/gate system;
- who is the natural gas going to be sold to;
- can the abandoned pipeline ROW along highway 169 be utilized
- suggested alternative routes or route segments;
- supporting statements for the MSI plant and the proposed route.

The first meeting of the CAC also took place on this date. The Citizens Advisory Committee met three times from August 2007 to October 2007. The meetings were open to the public, and frequently additional people attended to listen to the discussion. The committee, through a facilitated process, discussed and made recommendations to the Commissioner of Commerce following the charge given to the task force. The CAC released its report on October 26, 2007.

The CAC recommended that routes Alternative 1, Alternative 2, Alternative P-1 and Alternative P-2 be carried forward for consideration during the contest case hearing. The CAC discussed several alternative route segments to Alternative P-1 and Alternative P-2, but given the fact that each alternative shared the same constraints presented by the Nashwauk isthmus, a consensus could not be reached and further discuss on the modification to these routes were tabled.

The CAC recommended that additional information be developed on an Alternative Route Segment (**CAC Alternative Route Segment**). See **Attachment No. 1**.

The CAC also recommended that comprehensive infrastructure planning be used so that the railroads, highways, transmission lines and pipeline lines necessary for such a project (i.e., MSI) share common corridors.

Project Area

The proposed Nashwauk to Blackberry pipeline project is located within a semi-rural area of southeastern Itasca County in northeastern Minnesota. The area is a mix of forested land, wetlands, pasture and small farms, and mine lands. Iron ore deposits (i.e., the Mesabi Range), along with past and present mining activities (i.e., mine pits, tailings basins, stockpiles, reclaim ponds, etc.) follow a belt of iron ore 110 miles long, averaging 1 to 3 miles wide, and reaching a thickness as great as 500 feet. The “range” extends between Grand Rapids and Babbitt, Minnesota.

Project Description

The proposed 24-inch pipeline route originates at a take-off point on the existing Great Lakes Gas (GLG) 36-inch pipeline in Blackberry Township. The GLG pipeline crosses the region from the northwest along US Highway 2, through the city of Grand Rapids, continuing along US Highway 2 southeastward towards the city of Floodwood.

The proposed 24-inch pipeline will run north for approximately 13-miles to an area near the city of Taconite. The proposed pipeline will then turn northeast for approximately 9-miles until it reaches the city of Nashwauk. The pipeline will terminate in the northeast ¼ of the northeast ¼ of Section 36 in Township 57 North Range 23 West, Itasca County (**Attachment 1** provides project location maps for the proposed pipeline).

The proposed pipeline will be a 24-inch outside diameter, welded steel, fusion bond epoxy-coated pipe. The pipeline will provide the natural gas fuel required to operate the proposed Minnesota Steel Nashwauk Taconite Reduction Plant and other potential industrial customers near the city of Nashwauk. The proposed pipeline will provide natural gas service to Minnesota Steel's proposed plant for use in the processing of taconite and other plant operations. The pipeline is designed to deliver natural gas at a maximum rate of 206 million cubic feet per day and is planned to operate at a pressure of 599 pounds per square inch gauge (psig). The Maximum Allowable Operating Pressure of the pipe will be 1016 psig.

Regulatory Process and Procedures

Minn. Stat. 216G.02 requires a pipeline routing permit from the PUC to construct certain intrastate natural gas and petroleum pipelines in Minnesota. The statute was passed in 1987. In 1989, the EQB adopted rules implementing the pipeline routing requirements (Minn. Rules Chapter 7852).

The 2005 Minnesota Laws transferred EQB jurisdiction over the permitting of pipelines to the PUC, which includes pipelines with a diameter of six inches or more that are designed to transport hazardous liquids like crude petroleum and those that are designed to carry natural gas and be operated at a pressure of more than 275 pounds per square inch.

There are two review procedures available to applicants for obtaining a pipeline routing permit:

A) **Partial Exemption.** An applicant may apply for a “Partial Exemption from Pipeline Route Selection Procedures” if the project is not expected to have significant environmental impacts. In such a case, the process normally takes from 60 to 120 days from acceptance of the application to completion.

B) **Pipeline Route Selection Procedures.** For larger or more controversial projects with expected significant environmental impacts, a more complex process is required and is referred to as “Pipeline Route Selection Procedures.” It can take up to nine months to complete from the time the application is accepted.

Pipeline Safety and Minnesota Office of Pipeline Safety

The federal government establishes minimum pipeline safety standards under the [U.S. Code of Federal Regulations \(CFR\), Title 49 "Transportation", Parts 190 - 199](#). The Office of Pipeline Safety (OPS), within the U. S. Department of Transportation, Pipeline and Hazardous Materials Safety Administration (PHMSA), has overall regulatory responsibility for hazardous liquid and gas pipelines under its jurisdiction in the United States. Through certification by OPS, the state of Minnesota regulates, inspects, and enforces intrastate *gas* and liquid pipeline safety requirements. By signed agreement with OPS, Minnesota also inspects interstate liquid and gas pipeline safety requirements. This work is performed by the Minnesota Office of Pipeline Safety, within the State Fire Marshal Division of the Minnesota Department of Public Safety.

According to the Minnesota Office of Pipeline Safety, based on 2005 numbers, there are 2,096 miles of crude oil pipelines, 2,104 miles of refined product pipelines, and more than 5,400 miles of high pressure natural gas pipelines in the state.

It should be noted that pipeline routing rules apply only to the route of the pipelines. The pipeline routing rules do not set safety standards for the construction of pipelines. See Minnesota Statutes 116I.015 Subd.3.

Agricultural Impact Mitigation Plan

Minnesota Statutes 216E.10, subd.3(b), requires an applicant for a permit for a transmission line, power plant and pipeline to address agricultural concerns:

An applicant for a permit under this section or under chapter 116I shall notify the Commissioner of Agriculture if the proposed project will impact cultivated agricultural land, as that term is defined in section 116I.01, subdivision 4. The commissioner may participate and advise the commission as to whether to grant a permit for the project and the best options for mitigating adverse impacts to agricultural lands if the permit is granted. The Department of Agriculture shall be the lead agency on the development of any agricultural mitigation plan required for the project.

Only a small fraction of the land along the proposed pipeline route is currently farmed. EFP staff, the applicant and the Minnesota Department of Agriculture are coordinating actions on this requirement. A Draft Agricultural Mitigation Plan (AMP) was part of the pipeline routing permit application and that continues to be a work in progress and will be throughout the hearing. The Draft AMP is a working document and subject to change based on review and comment by the public and what actions will best mitigate impacts to all types of agricultural lands that may be affected by the project.

A final AMP can be included as one of the conditions in a pipeline routing permit issued by the Commission.

Environmental Review

In 1989 the EQB approved of the pipeline routing rules as a substitute form of environmental review (Minnesota Rules 4410.3600). Therefore, the review process established for pipelines in

Chapter 7852 fulfills the intent and requirements of the Minnesota Environmental Policy Act and parts 4410.0200 to 4410.6500. Consequently, a separate EIS is not prepared for pipeline projects in Minnesota. However, after routes are authorized by the Commission for consideration at the public hearing and prior to the public hearing, a comparative environmental analysis must be prepared by staff or by the applicant and reviewed by staff (Minn. Rule, part 1405.1900) and submitted as prefiled testimony.

Route Proposal Process

The Commission is now being asked to decide **what routes and route segments will be considered at the contested case hearing**, now scheduled for December 7, 2007. However, before proceeding with this decision, EFP staff would like to provide the Commission with some background information to establish a framework to assist the Commission in its deliberations.

If an applicant is applying for a pipeline routing permit under the pipeline route selections procedures process (Minn. Rule 7852.2600, Subpart 2) the application must identify a proposed (preferred) route and evidence of consideration of alternative routes. NPUC's application did identify a preferred route and four alternative routes as described and shown in its "Environmental Assessment Supplement to the Pipeline Routing Permit Application."

The pipeline routing rules at part 7852.0100 Subp. 31 define route as having a variable width from the minimum required for the pipeline right-of-way (approximately 50 feet) up to 1.25 miles and Subp 32 defines route segment as a portion of a route. The right-of-way, as defined in Subp. 30, is the interest in real property used or proposed to be used within a route to accommodate a pipeline and associated facilities.

NPUC's proposed route is approximately 1,500 feet in width. Within its preferred route NPUC has identified a preliminary location alignment, which is subject to change within the preferred route boundaries. Pipeline alignment modifications or location changes within a route are common, and more likely to happen, than not happen.

Changes are expected as the proposer works with landowners and governmental agencies and the record in this matter is developed before the Administrative Law Judge. No Commission action is necessary for alignment modifications to be considered at the hearing.

The pipeline routing rules, part 7852.1400, allow any person to propose an alternate route or route segment. The Department Notice of Application Acceptance and Public Information meeting provided guidance on how to propose an alternative route or route segments. All route proposals associated with this docket were due on October 15, 2007. **The public notice also indicated that all new route proposals must be approved by the PUC for consideration at the public hearing.**

Minn. Rule part 7852.1400, sets forth the requirements for proposing a route and or route segment outside of the proposed route. Unlike the alignment modification proposed, where no specific Commission action is required or necessary, **the Commission must approve for consideration at public hearing the routes and route segments proposed by the applicant**

and may accept for public hearing any other route or route segments it considers appropriate for consideration. No route shall be considered at the public hearing unless accepted by the Commission before notice of the hearing. A proposer of a route or route segment that the Commission has accepted for consideration at the hearing shall make an affirmative presentation of facts on the merits of the route proposal at the public hearing.

NPUC Preferred Route and Route Alternatives Considered

During the Itasca County Infrastructure planning process and early proposals relating to the Minnesota Steel Industries Plant, numerous gas pipeline route alternatives were considered and evaluated. The revised Nashwauk – Blackberry Pipeline Route Permit application included an analysis of 5 routes (Attachment No. 1), the preferred route (**Alternative 3**) originally proposed in the initial filing; two additional routes which were studied and rejected as part of the Itasca County Infrastructure program initiated in 2005 (**Alternative 1** and **Alternative 2**); and two routes (**Alternative route P-1** and **Alternative route P2**) developed from citizen input during the partial exemption process.

A regional feature to keep in mind when evaluating potential pipeline routes originating from the GLG pipeline is the Mesabi Range, including past, current and potential future activities associated with the ore deposits.

Pipeline routes which tap into the GLG pipeline east of Grand Rapids, and therefore south of the range, must at some point cross the range to connect to the Minnesota Steel plant, which is located on the north side of the range. Due to past, present and future mining activities, the number of available areas, within a reasonable distance from both the GLG pipeline and the Minnesota Steel Plant, to cross the range are limited.

When reviewing the Itasca County's Land Use/Land Cover data (**Attachment No. 2**), three potential areas to cross the ore deposits become apparent: the Highway 7 area near the city of Taconite; the area between Patrick Stilling Basin and Snowball Lake near Pengilly; and through the city of Nashwauk (i.e., the isthmus of land between Hawkins Pit and LaRue Pit). Add to this data the future mining activities associated with the Minnesota Steel plant (**Attachment 3 and Attachment 4**) and the passage near Pengilly is eliminated from consideration.

The Nashwauk isthmus presents some severe technical issues relating to the development of a linear project such as the natural gas pipeline route through the city of Nashwauk. When considering potential future mining activities around the two pits, the blast buffer zone (2000 feet), and the population density, routing through the city becomes problematic.

Alternative 1 West Grand Rapids (yellow)

Alternative 1 extends 27.2 miles from a point west of Cohasset, Minnesota, to the termination point, approximately 8.5 miles north and 22.6 miles east, near the city of Nashwauk, Minnesota (**Attachment No. 5**). The alignment traverses east from Cohasset approximately 2.7 miles turning north at County Road 168 for approximately 2.5 miles and then northeast and east

approximately 22 miles terminating east of Nashwauk, Minnesota. This alternative alignment extends from the northeast ¼ of the northwest ¼ of Section 9, Township 55 North, Range 26 West, Itasca County (Latitude 47.234118, Longitude -93.650705). This alternative alignment terminates in the northeast ¼ of the southwest ¼ of Section 29 in Township 57 North Range 22 West, Itasca County (Latitude 47.384504, Longitude -93.196173).

Alternative 2 East Grand Rapids (orange)

Alternative 2 extends 24.6 miles from a point east of LaPrairie, Minnesota, to the termination point, approximately 10.7 miles north and 15.2 miles east, near the city of Nashwauk, Minnesota (**Attachment No. 6**). The alignment traverses east from LaPrairie approximately 7.4 miles where it intersects the preferred alignment. At this point, Alternative 2 turns north for approximately 7 miles and then northeast and east approximately 10.2 miles, terminating east of Nashwauk, Minnesota. This alternative alignment extends from the northwest ¼ of the northwest ¼ of

Section 10, Township 55 North, Range 25 West, Itasca County (Latitude 47.23624, Longitude -93.488939). This alternative alignment terminates in the northeast ¼ of the southwest ¼ of Section 29 in Township 57 North Range 22 West, Itasca County (Latitude 47.384504, Longitude -93.196173).

Alternative 3 NPUC Preferred Route (red)

This pipeline route originates at a take-off point on the existing Great Lakes Gas (GLG) 36-inch pipeline in Blackberry Township (**Attachment No. 7**). The pipeline will run north for approximately 13 miles to an area near the city of Taconite. The proposed pipeline will then turn northeast for approximately 9 miles until it reaches the city of Nashwauk. The pipeline will terminate in the northeast ¼ of the northeast ¼ of Section 36 in Township 57 North Range 23 West, Itasca County (Attachment 1 provides project location maps for the proposed pipeline).

Alternative P-1 (light blue)

Alternative P1 extends 25.4 miles from the GLG 36 inch diameter pipeline south of State Highway 2 in Sago Township southeast of Warba, Minnesota, to the termination point, approximately 19.4 miles north and 3 miles west, near the city of Nashwauk, Minnesota (**Attachment No. 8**). The alignment traverses northeast approximately 19 miles along Highway 65 and Highway 16 and extends just east of the Saint Louis County boundary where it turns west-northwest approximately 8.8 miles to Highway 169, and then northeast along Hwy 169 approximately 4.7 miles to County Highway 58 and then approximately 5.7 miles west and southwest terminating west of Nashwauk, Minnesota. This alternative alignment extends from the southeast ¼ of the northwest ¼ of Section 13, Township 53 North, Range 23 West, Itasca County (Latitude 47.077883, Longitude -93.202829). This alternative alignment terminates in the southwest ¼ of the southeast ¼ of Section 4 in Township 56 North Range 23 West, Itasca County (Latitude 47.257282, Longitude -93.267021).

Alternative P-2 (dark blue)

Alternative P2 extends 29.9 miles beginning from same terminus as Alternative P1 at the GLG 36 inch diameter pipeline south of State Highway 2 in Sago Township southeast of Warba, Minnesota, and extends to the same termination point, approximately 19.4 miles north and 3 miles west, near the city of Nashwauk, Minnesota (**Attachment No. 9**). Alternative P2 traverses northeast, approximately 19 miles along Highway 65, to Highway 169 where it intersects Alternative P1.

The alignment parallels Hwy 169 approximately 4.7 miles to County Highway 58 and then approximately 5.7 miles west and southwest terminating west of Nashwauk, Minnesota. This alternative alignment extends from the southeast ¼ of the northwest ¼ of Section 13, Township 53 North, Range 23 West, Itasca County (Latitude 47.077883, Longitude -93.202829). This alternative alignment terminates in the southwest ¼ of the southeast ¼ of Section 4 in Township 56 North Range 23 West, Itasca County (Latitude 47.257282, Longitude -93.267021).

Additional Proposed Alignment Modifications and Route Alternatives

Several of the written comments received dealt with either alignment modifications and/or alternative route proposals.

Alignment Modifications

As previously noted, alignment modifications may be treated differently than route segment or route proposals by the Commission. It is not necessary for the Commission to take formal action on alignment modification proposals.

On September 10, 2007, Mr. Michael Karna submitted a written request for a route alignment modification (**Attachment No. 10**). Mr. Karna requested that the Commission approve the alignment modification proposed for consideration at the public hearing to insure development of a record. The requested alignment modification lies within the limits of the proposed 1,500 foot corridor width and does not cross additional property owners land. The modification will, however, move the pipeline closer to one residence; from a distance of approximately 300 feet to a distance of approximately 75 feet.

In an information request from the DOC EFP staff to the applicant, the applicant was asked to provide a response to the alignment modification request. The applicant stated in their response that the request appeared to be reasonable and within the boundaries of the proposed corridor (**Attachment No. 10**).

Alternative Routes or Route Segments

The following route segment/route alternative proposals are generally outside of the NPUC proposed route corridor; although, parts of them may share portions of the alternative routes evaluated in NPUC's application.

CAC Alternative Route Segment (purple)

The CAC Alternative Route Segment traverses east from LaPrairie, along the Alternative 2 Route corridor, for approximately 7.4 miles where it intersects the preferred route (i.e., Alternative 3) corridor. At this point, the CAC Alternative Route Segment follows the Alternative Route 2 and Alternative Route 3 shared corridor for approximately $\frac{3}{4}$ of a mile. From this point the CAC Alternative Route Segment diverges from the other two routes and heads northeast for approximately 8.9 miles, where it connects to the Alternative Route P-1 corridor. From this point, the CAC alternative Route Segment shares the corridor for Alternative Route P-1 northeast along Hwy 169 approximately 4.7 miles to County Highway 58 and then approximately 5.7 miles west and southwest terminating west of Nashwauk, Minnesota (**Attachment 1**).

Karna Alternative Route (mauve)

On September 8, 2007, Mr. Michael Karna submitted a written request for consideration of a route alternative (**Attachment No. 11**). This proposed alternative route taps the Great Lakes Gas pipeline to the east of the proposed tapping point, parallels the preferred route for approximately 10 miles, at which point NPUC's preferred route continues north to cross the range near the city of Taconite. The Karna alternative breaks to the east at this point, continuing south of the range to join up with Alternative P-1 and Alternative P-2 near the town of Pengilly. At this point, the Karna Alternative, along with Alternative P-1 and Alternative P-2 follow US Highway 169 to Nashwauk, pass through the city of Nashwauk and turn northwest to connect to the Minnesota Steel plant (**Attachment 1**).

White Alternative Route Segment

Darrell and Delores White submitted an alternative route segment on October 13, 2007 (**Attachment No. 12**). The White alternative utilizes the same route as Alternative P-1 for the majority of its length; it diverges from Alternative P-1 by following the Nashwauk Trail north to US Highway 169 (as apposed to Alternative P-1 which continues on the Pengilly Trail to US Highway 169), turns west following the highway where it rejoins Alternative P-1 south of the city of Nashwauk. Both routes than continue north through the city of Nashwauk, once across the isthmus they head west to the Minnesota Steel Plant site.

The Whites also requested information on an abandoned pipeline ROW located just south of the city of Nashwauk, along US Highway 169 and its possible utilization in this project.

In an information request from the DOC EFP staff to the applicant, the applicant was asked to provide information on and an evaluation of this abandoned pipeline and ROW (**Attached No. 12**).

DOC EFP Staff Analysis and Comments

Alignment Modifications

Alignment modifications do not require any Commission action to be considered at the contested case hearing. However, Michael Karna has requested that the Commission formally accept the alignment modification (**Attachment No. 10**) so a record can be developed at the contested case hearing.

EFP staff believes this is a reasonable request.

Alternative Routes or Route Segments

EFP staff review of the Karna Alternative Route (**mauve**), the CAC Alternative Route Segment (**purple**), and the White Alternative Route Segment proposals has concluded that the proposals, along with the application and the four alternative routes contained within, comply with the requirements of Minn. Rules part 7852.1400 and that the Commission must consider acceptance of these route proposals for public hearing.

A route or route segment proposal that meets the requirements of 7852.1400 does not have to be accepted by the Commission for consideration at the contested case, unless it was proposed by the applicant. Subpart 1 (above) states: “The Commission may accept for public hearing any other route or route segment it considers appropriate for further consideration.” However, there are no standards or guidelines to assist the Commission in determining what **should be considered as appropriate for further consideration**.

Alternative Route 1 (yellow**) and Alternative Route 2 (**orange**).**

From 1999 to 2007 a multi-faceted planning process was undertaken by Itasca County to plan a regional economic development infrastructure program. The Itasca County Infrastructure planning process combined improvements in roads, railroads, sewer, water, natural gas and power systems to enhance the economy of a historically economically challenged region of Minnesota and attract new business investment to the area. The Minnesota Steel facility in Nashwauk had been in planning for many years and was intended to be one of the primary components of the regional infrastructure upgrades.

During the Itasca County Infrastructure planning process and early proposals relating to the Minnesota Steel Industries plant, at least 15 gas pipeline routes and/or route segments were considered and evaluated (**Attachment No. 13**). After consideration of human and environmental constraints, three primary corridors were identified (**Attachment No. 14**).

These routes represent viable alternatives to the preferred route and ample data already exist within the record to assemble the Comparative Environmental Analysis (CEA). Given this and

public's stated desire for fully vetted alternatives, the DOC EFP staff believes it is reasonable to carry these route alternatives forward onto the hearing.

Alternative Route P-1 (light blue) and Alternative Route P-2 (dark blue)

These two routes were developed from citizen input during the partial exemption process. While these route alternatives do meet the stated desire of many of the residence of the Trout Lake Township community, these routes do increase the overall length of the pipeline, potentially impact a larger number of existing homes and present a significant challenge in routing the pipeline through the Nashwauk isthmus.

However, since much of the data required to build the CEA already exist in the record, the applicant's willingness to gather the additional data necessary to complete the CEA and the public's stated desire to fully vet route alternatives, the DOC EFP staff believes it is reasonable to carry these route alternatives forward onto the contested case hearing.

Karna Alternative Route (mauve)

This route, or at least major segment components of this route, were evaluated and rejected as part of the Itasca County Infrastructure study (**Attachment No. 13**). Reasons for rejecting this route included: the presence of complex wetland units (i.e., deep water bogs), the large concentrations of existing homes (**Attachment No. 15**), and the constraints presented by the Nashwauk isthmus.

In an information request from the DOC EFP staff to the applicant, the applicant was asked to provide an evaluation of the Karna Alternative (**Attached No. 11**).

After reviewing the information on this route contained in the record to date, the DOC EFP staff believes that this route alternative has too many obstacles to over come to be a viable alternative and therefore should not be forwarded on to the contested case hearing.

White Alternative Route Segment

The White Alternative Route Segment is approximately 7 miles in length from the point in which it diverts from Alternative P-1 to the point in which it rejoins Alternative P-1. The length of this section of Alternative P-1 is approximately 8 miles. Both routes follow existing corridors, the Pengilly Trail for Alternative P-1 and the Nashwauk Trail for the White Alternative Segment. Both routes encounter similar environmental and human settlement conditions, and both routes must contend with the challenges of passing through the Nashwauk isthmus.

Given these facts, the DOC EFP staff believes that there is not a significant advantage to the White Alternative Route Segment to warrant recommending that it proceed to the contested case hearing.

CAC Alternative Route Segment (purple)

The Itasca County Infrastructure planning process centered on routes and route segments that avoided the Nashwauk isthmus. Later, during the partial exemption process, the two citizen generated routes (i.e., Alternative Routes P-1 and P-2) were developed. These routes pass through the Nashwauk isthmus and therefore, present some routing challenges. The DOC EFP staff believes that it is reasonable to include this alternative route segment in the CAE and forward it onto to the public hearing. Should the routing issues associated with the Nashwauk isthmus be resolved during the public hearing, this alternative route segment, in combination with either Alternative 2 or Alternative 3, may become a viable route.

MPUC Decision Options

A Alignment Modifications

- 1.0** Recognize the alignment modification proposal (Micheal Karna) and forward it to the ALJ in order to develop a record on this item at the contested case hearing. The Commission also recognizes that no formal Commission action is required on the alignment modifications within the NPUC proposed route for them to be considered at the contested case hearing.
- 2.0** Take no action on the proposed alignment modification, recognizing that no formal Commission action is required on the alignment modifications within the NPUC proposed route for them to be considered at the contested case hearing.
- 3.0.** Make some other decision deemed more appropriate.

B Route Alternatives

- 1.0** Accept for consideration at the contested case hearing route Alternative 1 (yellow), Alternative 2 (orange), Alternative P-1 (light blue), Alternative P-2 (dark blue), and CAC Alternative Route Segment (purple).
- 2.0** Accept for consideration at the contested case hearing route Alternative 1 (yellow), Alternative 2 (orange), Alternative P-1 (light blue), Alternative P-2 (dark blue), CAC Alternative Route segment (purple), and the Karna Alternative Route (mauve).
- 3.0** Make some other decision deemed more appropriate.

C Route Segment Alternatives

- 1.0** Accept for consideration at the contested case hearing the White Alternative Route Segment.
- 2.0** Take no action on the proposed White Alternative Route Segment, thereby not moving the alternative forward for consideration at the contested case hearing..
- 3.0** Make some other decision deemed more appropriate.

D Other: Make some other decision deemed more appropriate.

EFP Staff Recommendation: The DOC EFP staff recommends Commission adoption of decision options A-1, B-1 and C-2.