



Energy Facility Permitting
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Saint Paul, MN 55155-2198
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,E-280/GP-06-1481

Meeting Date: August 9, 2007

Agenda Item # _____

Company: Nashwauk Public Utilities Commission

Docket No. PL,E-280/GP-06-1481

In the Matter of the Application for a Pipeline Routing Permit and Partial Exemption from Pipeline Route Selection Procedures for the Nashwauk-Blackberry Natural Gas Pipeline Project

Issue(s): Should the Commission grant Nashwauk Public Utilities' request to convert the review of the current docket from the Partial Review Process to the Full Review Process?
Should the Commission establish a Citizen Advisory Committee?

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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

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. Project Vicinity Map
2. Schematic of Full Pipeline Routing Process
3. Citizen Advisory Committee: Proposed Charge & Structure

Statement of the Issues

Should the Commission grant Nashwauk Public Utilities' request to convert the review of the current docket from the Partial Exemption Review Process to the Full Review Process?

Should the Commission establish a Citizen Advisory Committee?

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. 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 4415.045. On July 27, 2007, NPUC submitted a revised pipeline routing permit application incorporating the requirements of the full Pipeline Route Selection Procedures.

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, mineland, wetlands, pasture and small farms. The proposed pipeline route will cross portions of the cities of Taconite and Nashwauk. Approximately 42 percent of the route is farm-residential, 7 percent is municipal, and 51 percent is industrial.

Project Description

The proposed pipeline route originates at a take-off point on the existing Great Lakes Gas (GLG) 36-inch pipeline in Blackberry Township. The 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 4415).

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.

In this request, NPUC is seeking review under the pipeline route selection procedures which is approximately a nine month permitting process. The requirements of this process are in Minnesota Rules 4415.0045 through 4415.1000 and are different in several respects from the shorter partial exemption process.

- Under the full process, the applicant must include information in the application regarding consideration of alternative routes and the reasons for rejecting the alternative routes (Minn. Rules part 4415.0170). Procedurally, the process begins like the partial exemption request with notice to the public of the application and the scheduling of a public meeting.
- In the full process the Commission must identify alternative routes to consider as part of the deliberations.
- The Commission must prepare a comparative environmental analysis of all the pipeline routes identified for consideration as part of the full process. Minn. Rules part 4415.0080.
- A second round of public meetings is required to explain the process to the public, present major issues, and respond to questions.
- Following the public meetings, a contested case hearing must be held, presided over by an administrative law judge. Minn. Rules part 4415.0090. Upon completion of the hearing, the matter comes to the Board for a final decision.

Public Advisor

Upon acceptance of an application under the full Pipeline Route Selection Procedures, the Commission must designate a staff person to act as the public advisor on the project (Minnesota Rule 4415.0065). The public advisor's role is to assist and advise people on how to affectively participate in the pipeline route selection procedures. In this role, the public advisor may not act as an advocate on behalf of any person, or give legal advise.

The Commission’s April 3, 2007, order authorized the Department EFP staff to name a public advisor for this project; it named Ms Suzanne Steinhauer.

Citizen Advisory Committee

The Commission may establish a citizen advisory committee (CAC) to aid and advise the Commission in evaluating routes for a pipeline (Minnesota Rule 4415.0055). The Commission shall provide guidance to the advisory committee in the form of a charge to the committee and through specific requests to it. There is no limit to the number of persons that make up an advisory committee, but the committee must contain at least one representative from each of the following:

- a regional development commission,

- the county,
- a municipal corporation,
- and a town board from each county in which a route is proposed to be located.

No officer, agent, or employee of the applicant shall serve on the citizen's advisory committee.

DOC EFP Staff Analysis and Comments

Completeness of the Revised Application

DOC EFP staff conducted completeness review of the revised NPUC pipeline route permit application for the full pipeline route selection procedure and concludes that the Application meets the content requirements of Minnesota Rule 4415.00115 to 4415.0170 and is complete.

Citizens Advisory Committee

The purpose of a citizen advisory committee for pipeline projects to aid the Commission in the evaluation of alternative routes. The Nashwauk Public Utilities Commission initially pursued a partial exemption from pipeline route selection procedures for the Nashwauk-Blackberry Natural Gas Pipeline project, which does not require the filing of alternative routes.

However, through the public information meetings and comment process on the partial exemption numerous questions arose about the proposed route and other routes that could serve the project's purpose. Several alternative routes or route segments were suggested and the desire for an advisory committee to evaluate them was expressed. The revised application includes analysis of 4 alternate routes and the full process allows 70 days for the public to suggest more. CAC input could aid the Commission in determining which alternatives are most appropriate to refer to hearing.

In further analyzing the merits of establishing a CAC for the project, Department staff considered four project characteristics: size, complexity, known or anticipated controversy and sensitive resources.

Project Size. At a diameter of 24 inches and a length of 23 miles the NPUC proposed pipeline is relatively short compared to recent pipeline proposals to come before the Commission (Enbridge's Alberta Clipper proposal at 36 inches and 285 miles, Enbridges' Southern Lights at 20 inches and 108 miles, and MinnCan's at 24 inches and 295 miles).

Complexity. The project is relatively uncomplicated; the proposed pipeline route originates at a take-off point along the existing Great Lakes Gas 36 inch pipeline in Blackberry Township, runs approximately 13 miles north to the city of Taconite and then turns northeast for approximately 9 miles until it reaches the city of Naskwauk. However, the project is complicated by the other projects and associated infrastructure improvements in the immediate area, including Minnesota Steel Plant transmission lines and Mesaba Energy Plant gas line.

Known/Anticipated Controversy. As a consequence of recent development proposals (i.e., Minnesota Steel Plant and the Mesaba Energy Plant) and their associated infrastructure (i.e., railroads, highways, sewer and water, transmission lines, pipelines, etc.), the communities

along the western boundary of the Iron Range have developed a heightened sensitivity to the potential impacts associated with these large projects. This sensitivity is probably enhanced due to the lull in industrial activity that has occurred in the area during the previous couple of decades. Public response during the first and second informational meetings highlighted the need to involve the community in the routing process and resulted in NPUC's decision to convert the current docket to the full review process.

Sensitive Resource. The landscape of the area consists of forests, lakes, and bogs in glacial till over shallow bedrock. Lands which surround the proposed pipeline route are classified as open land, agricultural fields, woodlands, wetlands and reclaimed minelands. According to county zoning information, approximately 42 percent of the proposed route is farm/residential, 7 percent is municipal (cities of Taconite and Nashwauk), and 51 percent is industrial.

Based on the analysis above, and the strong public support for the establishment of a CAC, the Department EFP staff concludes that a CAC is warranted. Department EFP staff has developed a recommendation for the charge and structure of a CAC should the Commission decide to authorize the Department to establish such a committee (**Attachment 3**).

PUC Decision Options:

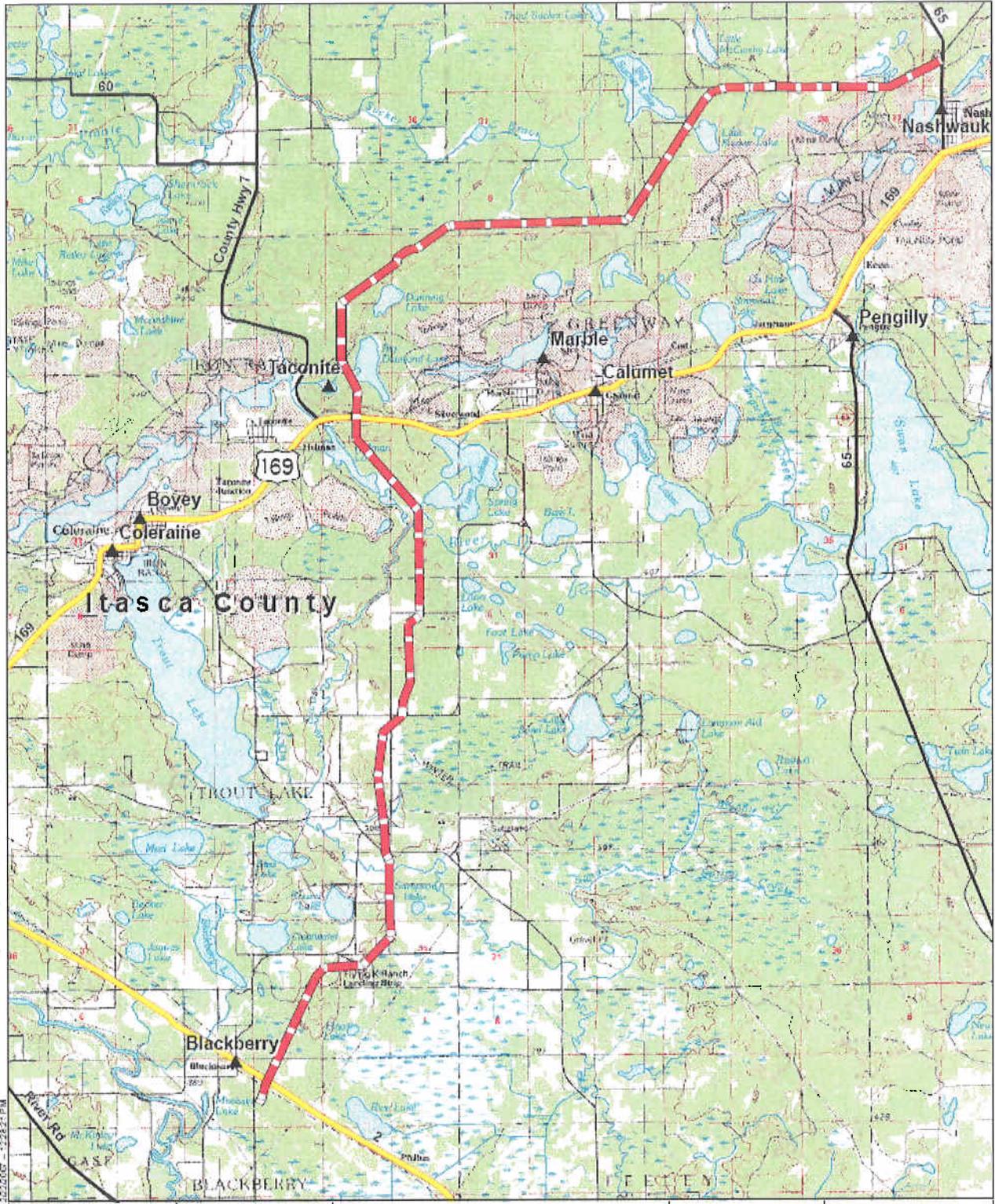
A. Application Acceptance

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. Find the Application complete upon the submission of supplementary information and grant NPUC's request to convert the current docket (PL, E280/GP-06-1481) to the full review process.
3. Reject the route permit application as incomplete and issue an order indicating the specific deficiencies to be remedied before the Application can be accepted and the request granted.
4. Make another decision deemed more appropriate.

B. Citizen Advisory Committee

1. Take no action on an advisory task force at this time.
2. Determine that an advisory committee is not necessary.
3. Authorize the Department to establish a citizen advisory committee with the charge and structure recommended in Attachment 3.
4. Authorize the Department to establish a citizen advisory committee with additions and/or deletions to the charge and structure recommended in Attachment 3.
5. Make another decision deemed more appropriate.

DOC EFP Staff Recommendations: Staff recommends options A1 and B3




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**City of Nashauk
Public Utilities
Commission**

February 2007

Legend

- ▲ Cities
- Nashauk-Blackberry Pipeline
- Counties
- U.S. Highways
- Other Highways

Source: ESRI, USGS, Itasca County, and SEH. © 2007 SEH

Figure 2
**Project Vicinity
Map**

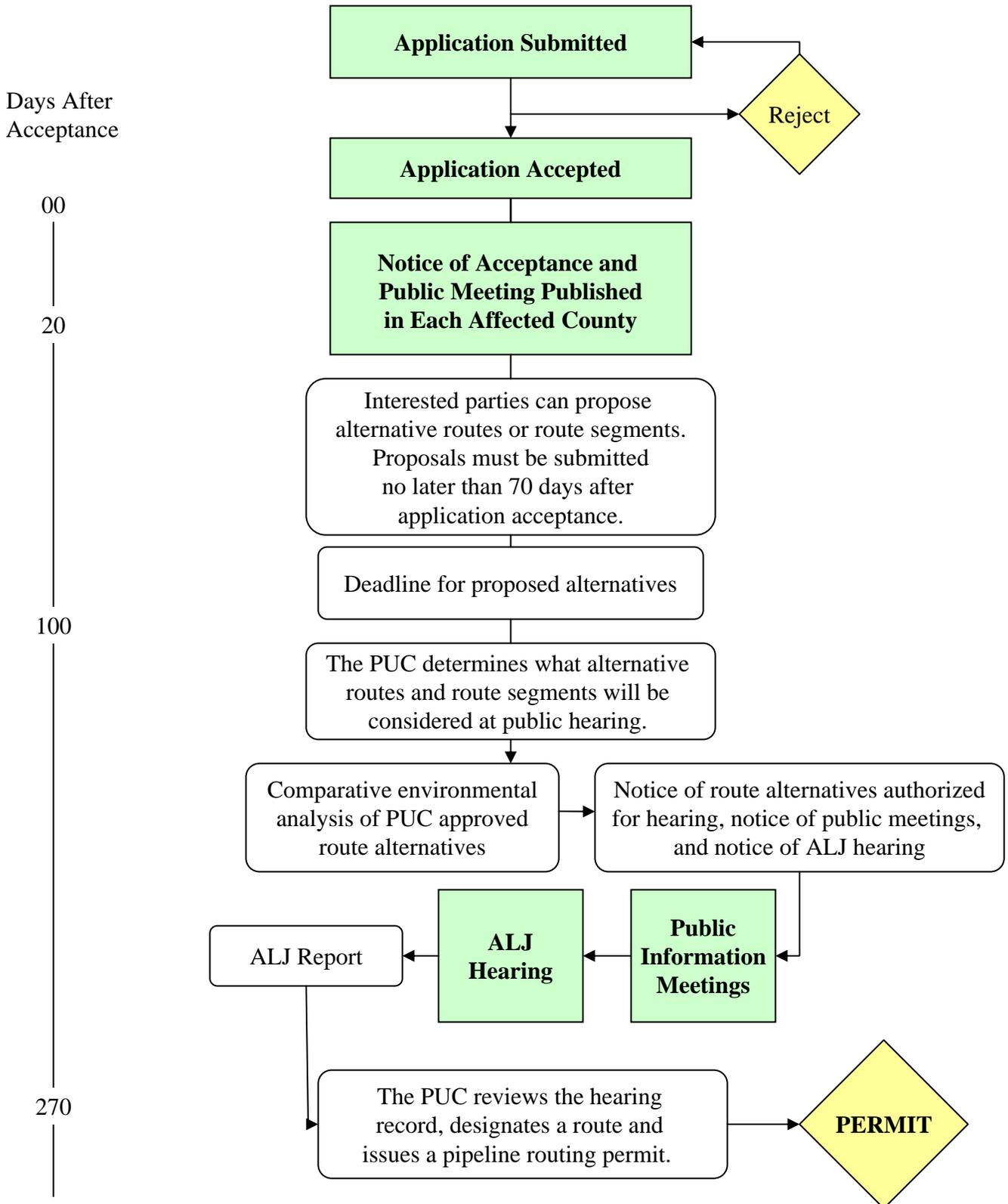


Itasca County - South
Coordinate System

0 10,000
Feet

Full Review for Pipeline Routing

Minnesota Rules 4415 - PUC Energy Facility Permitting





In the Matter of the Application of Nashwauk
Public Utilities for A Route Permit for the
Nashwauk-Blackberry Natural Gas Pipeline

CITIZEN ADVISORY COMMITTEE
DECISION AND CHARGE

PUC DOCKET NO. PLE 280/GP-06-1481

The above-entitled matter came before the Commissioner of the Department of Commerce (Department) for a decision on the appointment of a Citizen Advisory Commission (CAC) to advise the Public Utility Commission (Commission) on Nashwauk Public Utilities' (Nashwauk) pending Pipeline Routing Application for the Nashwauk – Blackberry Natural Gas Pipeline.

WHEREAS, the PUC accepted Nashwauk's application for a Pipeline Routing Permit and partial exemption from Pipeline Route Selection Procedures on April 3, 2007; and

WHEREAS, on August 9, 2007, the Commission approved Nashwauk's request to convert Nashwauk's original filing to the full pipeline routing process and accepted Nashwauk's revised Application for a Pipeline Routing Permit; and

WHEREAS, Minn. Rule 4415.0055 provide for the establishment of a CAC to aid and advise the Commission in evaluating routes for pipelines. Under these rules, the Commission shall provide guidance to the CAC in the form of a charge to the CAC and through specific requests to it; and

WHEREAS, Minn. Rule 4415.0060 establishes that a CAC be comprised of at least one representative from each of the following: a regional development commission, the county, a municipal corporation, and a town board from each county in which a route is proposed to be located. This rule further stipulates that no officer, agent, or employee of the applicant shall serve on the citizen's advisory committee; and

WHEREAS, on August 9, 2007, the Commission authorized the Department to establish a CAC for the project, and

THEREFORE, having reviewed this information, the Department makes the following determination with regard to the need for and charge to a CAC relating to this matter.

Citizen Advisory Committee Authorization

As directed by the Commission, the Department establishes a CAC to advise the Commission in evaluating route alternatives for the proposed Nashwauk – Blackberry Pipeline. CAC members will be solicited, as required by Minn. Rules part 4415.0060, from the following governmental units:

- Arrowhead Regional Development Commission
- Itasca County
- City of Taconite
- City of Nashwauk
- City of Coleraine
- City of Bovey
- City of Calumet
- Blackberry Township
- Trout Lake Township
- Greenway Township
- Nashwauk Township
- Arbo Township
- Iron Range Township
- Greenway Township
- Goodland Township
- Loan Pine Township
- Wawina Township
- Sago Township
- St. Louis County

The CAC will comprise no more than 18 members.

The Department charges the citizen advisory committee as follows:

The CAC members will assist the Commission in determining (1) what routes should be evaluated and (2) what impacts and issues should be considered in the comparative environmental analysis of all pipeline routes accepted for consideration by the Commission. CAC members are expected to participate with Department of Commerce Energy Facilities Permitting staff in up to three working meetings and develop a summary report for the Commission containing their recommendations. The CAC will expire upon the Commission’s decision of what routes shall be accepted for consideration at the public hearing.

The Department’s EFP staff is directed to compile a list of names for possible appointment to the CAC.

Signed this ____ day of _____, 2007

Glenn Wilson
Commissioner
Minnesota Department of Commerce