APPENDIX A
MPUC Certification Order

BLANK

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendrayer	Chair
Marshall Johnson	Commissioner
Ken Nickolai	Commissioner
Thomas Pugh	Commissioner
Phyllis A. Reha	Commissioner

In the Matter of the Request by Great River Energy and Minnesota Power for Certification of the Badoura and Tower Transmission Lines as Priority Projects

ISSUE DATE: May 25, 2006

DOCKET NO. ET-2,E-015/TL-05-867

ORDER CERTIFYING FOR NEED AND DESIGNATING AS PRIORITY ELECTRIC TRANSMISSION PROJECTS

PROCEDURAL HISTORY

This case arises under the biennial transmission planning process established in Minn. Stat. § 216B.2425 and governed by Minnesota Rules Chapter 7848. These are the first certification requests under Chapter 7848 to come before the Commission.

On October 31, 2005, Great River Energy (GRE) and Minnesota Power (MP)(the Applicants) jointly requested that two high-voltage transmission lines (HVTLs) be certified as priority electric transmission projects:[1]

- the Long Lake-Badoura-Pequot Lakes Area 115 kV transmission line (Badoura Project) This line would upgrade the existing electricity grid in Hubbard, Cass and Crow Wing counties by building approximately 56 miles of upgraded and new 115 kV line; and

- the Tower-Ely-Babbit Area 115 kV transmission line (Tower Project). This line would upgrade existing 46 kV lines in the Tower-Ely area by building approximately 15 miles of 115 kV line in Saint Louis County.

[1] Application/petition requirements are found in Minn. Rules, parts 7848.1400 and 7848.1500.

On November 21, 2005, Citizens United for Responsible Energy (CURE) and the Community Based Energy Development Initiative of the North American Water Office (NAWO) filed comments on the compliance of the petition with the filing requirements set by rule and statute (completeness).[2]

On November 21, 2005, the Energy Division of the Minnesota Department of Commerce (the Department) filed comments on process[3] and completeness.

On December 1, 2005, and December 12, 2005, MP and GRE replied to the comments of the Department, CURE and NAWO.

On January 5, 2006, the Commission issued an Order accepting the certification requests.[4] Instead of referring the matters for contested case proceedings, the Commission determined to utilize the comment procedures set forth in Minnesota Rules 7848.

On February 15, 2006, the Department filed comments on the petition. The Department also prepared an environmental report (ER), released on March 1, 2006.

Administrative Law Judge (ALJ) Richard C. Luis conducted public hearings on the evenings of March 28 and 29, 2006, in Backus and Tower, respectively, to hear the views of members of the public regarding the need for the proposed transmission lines.

This matter came before the Commission on May 11, 2006.

FINDINGS AND CONCLUSIONS

I. Background

The transmission lines of both the Badoura and Tower projects are large energy facilities.[5] As such, the projects cannot be constructed in Minnesota unless the Commission finds that they are

---

[2] Minnesota Rules 7848.2000, subpart 3.

[3] Minnesota Rules 7848.2000, subpart 5.

[4] *Order Granting Variance, Accepting Certification Requests, and Accepting Biennial Transmission Plan*, Docket Nos. E-999/TL-05-1739; ET2, E-015/TL-05-867 (January 5, 2006).

[5] Minn. Stat. § 216B.2421, subd. 2(3).

necessary and in the public interest.[6] In deciding whether to certify a project, the Commission must consider whether it is:

1) necessary to maintain or enhance the reliability of electric service to Minnesota consumers;

2) needed, applying the criteria in section 216B.243, subdivision 3; and

3) in the public interest, taking into account electric energy system needs and economic, environmental, and social interests affected by the project.[7]

II. Badoura Project

A. Project Description

The Badoura project consists of the following:

- a new 115 kV line of approximately 56 miles connecting to the Pequot Lakes Substation located northeast of Pequot Lakes, the pine River Substation located southwest of Pine River, the Birch Lake Substation located east of Hackensack, the Badoura Substation, and the Long Lake Substation located east of Park Rapids;
- substation improvements including new transformer additions at the Long Lake, Pine River, and Birch Lake Substations; and
- conversion of the distribution service at the Pine River and Tripp Lake Substations to 115 kV service.

The Applicants asserted that the project addresses electricity delivery concerns caused by continuing economic growth in the area. They maintained that the existing transmission system is nearing its physical limit, and that loss of an existing facility could lead to long-term outages, particularly during peak periods. GRE/MP contend that the proposed project would allow both utilities to maintain necessary voltage and reliability requirements in the area.

The estimated cost of the project for permitting, right-of-way acquisition, and construction is $35,888,000.

---

[6] Minn. Stat. § 216B.2425, subd. 4 provides that a transmission line project certified as part of the biennial state transmission plan does not have to be separately certified under Minn. Stat. § 216B.243.

[7] Minn. Stat. § 216B.2425, subd. 3.

B. Party Positions

The Department reviewed the Badoura project utilizing the factors in Minn. Stat. § 216B.2425, subd. 3. The Department concluded:

1) The Badoura project is necessary to maintain the reliability of electric service to consumers in the Pequot Lakes, Hackensack, Ten Mile Lake, Pleasant Lake, Longville and Wabedo areas of Minnesota;

2) The statutory factors listed in Minn. Stat. § 216B. 243, subd. 3 are met (or do not apply to this project);

3) No significant public interest effects exist that cannot be addressed during later approval processes or construction.

The Department recommended that the Commission certify the Badoura project as a priority electric transmission project.

C. Public Hearings

Administrative Law Judge Richard C. Luis conducted a public hearing in Backus on March 28, 2006. Approximately 15 people appeared, and several offered testimony and/or exhibits. The concerns raised generally were more related to routing than to need.

III. The Tower Project

A. Project Description

The Tower project includes a proposed 115 kV line of approximately 15 miles. The proposed northern end point would be a new substation near the City of Tower, and the proposed southern end point would be a new 115 kV switching station at the juncture of two existing MP transmission facilities.

The Applicants aver that economic growth in northeastern Minnesota has resulted in a considerable increase in electrical use in the region. The increases in usage are causing electrical delivery concerns in the area, where the existing transmission system is nearing its physical limit. The utilities claim that loss of a facility could lead to voltage problems and potential prolonged outages.

The estimated cost of the Tower project for permitting, right-of-way acquisition, and construction is $12,193,000.

B. Party Positions

The Department reviewed the Tower project utilizing the factors in Minn. Stat. § 216B.2425, subd. 3. The Department concluded:

1. The Tower project is necessary to maintain the reliability of electric service to consumers in the Tower area of Minnesota;

2. The statutory factors listed in Minn. Stat. Minn. Stat. § 216B. 243, subd. 3 are met (or do not apply to this project);

3. No significant public interest effects exist that cannot be addressed during later approval processes or construction.

The Department recommended that the Commission certify the Tower project as a priority electric transmission project.

C. Public Hearing

Administrative Law Judge Richard C. Luis conducted a public hearing in Tower on March 29, 2006. Approximately 15 people appeared, and several offered testimony and/or exhibits.

Mr. Paul Knuti of Embarrass laid out several concerns regarding the need for the project. Mr. Knuti asserted that the data listed in the Applicants' filing do not reflect the situation in the actual area of the project, but appear to be based on a much larger area. Mr. Knuti found insufficient evidence in the filing that the Applicants had considered the alternative of upgrading other power lines along the corridor. Mr. Knuti also raised concerns that land values and tourist revenues might suffer because of the aesthetic damage that would result from construction of the power line along the same corridor as the Iron Ore/Mesaba Trail.

Ms. Pyhala and Ms. Nelmark raised concerns that the proposed corridor could result in a siting of the power line directly through their adjacent properties, which they contend would do aesthetic damage to the land. Ms. Pyhala submitted letters to the ALJ and Commission staff members following the public hearing on this matter. She also appeared at the Commission meeting on May 11, 2006.

IV. The Environmental Report

As part of its review of a Biennial Transmission Projects Report requesting certification of an HVTL, the Commission is required to address the completeness of the Environmental Report.[8] On January 17, 2006, the Commissioner of the Department issued a determination on the content of

---

[8] Minn. Rules 4410.7050, subd. 2.

the ER to be prepared in consideration of the application for certification from MP/GRE on the proposed projects. The Department determined that the following matters, *inter alia*, needed to be addressed:

- alternatives to the project, including no build, conservation, existing line/system improvements, generation alternatives, or an alternative corridor; and
- an assessment of impacts and mitigation, including impacts on human settlement, land-based economics, and natural environment.

On March 1, 2006, the Department filed the ER. The Department evaluated the general potential impacts from construction, operation and maintenance of the proposed HVTL along the broad corridors proposed. The public was provided the opportunity to participate in the development of the ER.[9]

The Commission has reviewed the ER, and finds that it adequately addresses all of the issues identified in the scoping decision issued by Commerce Commissioner Wilson on January 17, 2006.

V. Commission Action

A. The HVTL Projects are Necessary

The Commission is persuaded that the Badoura and Tower projects are necessary to maintain the reliability of electric service to consumers in the areas of Badoura and Tower.

B. The HVTL Projects are Needed

The Commission has reviewed the compilation of information submitted by the Applicants addressing the criteria in Minn. Stat. 216B.243, subd. 3. The Commission believes that the Applicants have met the statutory criteria under Minn. Stat. 216B.243, subd. 3, and that the projects are needed.

First, long range energy demand forecasts establish that the Badoura and Tower projects are required to serve basic needs – to serve load in the project area. Both areas have experienced demand greater than reliable supply capacity.

Second, conservation efforts by the Applicants cannot replace the energy to be provided by these two projects and compete with it economically. An overview of MP and GRE's total conservation improvement program efforts in the Badoura and Tower areas show that even if their entire demand side management efforts were focused on these regions in the state, they could not produce an equivalent amount of generation as that projected to stem from the Badoura and Tower projects.

---

[9] The Department held public hearings in Backus and Embarrass, Minnesota, on December 7 and 8, 2005.

A third factor that the Commission must consider is the relationship of the proposed transmission lines to regional energy needs as set forth in the transmission plan. After review, the Commission concludes that the Badoura line would have minimal impact on the reliability of the statewide system, and that the Tower project line would improve reliability of the regional transmission system.

Fourth, the Commission must consider whether promotional activities by the utilities have given rise to the need for the two projects. The Commission finds, after review, that the proposed need in both the Badoura and Tower areas revolve around peak usage and growth in the number of customers, not promotional activities.

The Commission is also charged with the responsibility to review the impacts of the projects on environmental quality in the two project areas. The Commission has reviewed the environmental report, issued by the Department on March 1, 2006. The report provides a comprehensive source of information regarding the impact of the proposed facilities on environmental quality. The report considered the impact of the two projects on:

- human settlement, with a review *inter alia*, of socioeconomic, aesthetic, and human health and safety factors;
- land-based economics, with a review *inter alia*, of recreation, transportation, economic development; and
- natural environment, with a review *inter alia*, of air quality, water quality, soils and geology and flora and fauna.

Having reviewed the report, the Commission concludes that there are no significant impacts projected to arise from these projects that cannot be addressed during later stages of the approval and construction processes.

A sixth statutory criterion that the Commission must consider is possible alternatives for satisfying the energy demand. The Applicants considered seven alternatives to building the new lines. These alternatives included:

- the no-build option;
- increasing the amount of conservation;
- replacing the conductors on existing lines of lower voltage;
- upgrading/rebuilding existing facilities;
- placing a second circuit on existing lines;
- selecting different voltages or alternative tap locations; and
- adding generation.

The no-build option fails, as the existing transmission and substation system, as is, will not provide adequate power delivery capacity or reliable service into 2009. Conservation programs have been effectively utilized by both Applicants to maximize efficient use of electricity, but have only deferred, and not eliminated the need to install the proposed transmission lines, substation

improvements, and substations. Existing line and system improvements would only delay the need for a new power source by several years at most in the Badoura project area. In the Tower project area, the existing transmission system is approaching its physical limit, and loss of a facility could lead to voltage problems or prolonged outages. Obtaining an additional source of power into the Tower area is the only viable solution.

Finally, MP and GRE evaluated generation alternatives to new transmission. The Commission concurs with the utilities that because of reliability and operating issues, generation alternatives would not eliminate the need for additional transmission; it would only delay the need.

The Commission therefore concludes that none of the alternatives considered improve security, improve reliability, or provide a long term solution at lower cost than the proposed transmission projects. Consequently, the Commission concludes that the alternatives are not viable.

The Commission must also review the factor of regional reliability. In their Petitions regarding the two projects, MP and GRE asserted that the projects are to serve local area loads and provide voltage support to the loads, and will not result in a significant increase in available transmission capacity. The Department concluded that the projects will have minimal impact on regional reliability, regional access, or regional deliverability. Accordingly, the Commission finds that the projects will not have a negative effect on regional reliability, regional access, or regional deliverability of the transmission system, while improving the deliverability and reliability of energy to the local area intended to be served by the project.

Finally, the Commission notes that the Applicants are in compliance with the applicable provisions of 216B.1691 and 216B.2425, subd. 7, the renewable energy objectives (REO).[10] MP's most recent resource plan[11] evidences that its existing and planned renewable generation provides sufficient energy for MP to meet its REO through at least 2010, under worst case conditions. GRE's most recent resource plan[12] demonstrates that GRE is expected to meet its REO through at least 2011, under worst case conditions.

C. The HVTL Projects Are in the Public Interest

The final factor that must be satisfied is that the projects are "in the public interest, taking into account electric energy system needs and economic, environmental, and social interests affected by the project."[13] Having reviewed the environmental report prepared by the Department and the

---

[10] Minn. Stat. 216B.1691

[11] Docket No. E-015/RP-05-865.

[12] Docket No. ET2/RP-05-1100.

[13] Minn. Stat. 216B.2425, subd. 3.

supporting documentation of the Applicants, the Commission concludes that there are no significant public interest impacts that cannot be addressed during later stages of the approval process and during construction.

ORDER

1. The Commission certifies that the Badoura Project is needed and is a priority electric transmission project.

2. The Commission certifies that the Tower Project is needed and is a priority electric transmission project.

3. The Commission finds that the Environmental Report and the record created in this matter adequately address the issues identified by the January 17, 2006, Content of Environmental Report, Commissioner Decision.

4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar

Burl W. Haar
Executive Secretary

(S E A L)

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 (MN relay service).