



Energy Facility Permitting
85 7th Place East, Ste 500
Saint Paul, MN 55155-2198
Minnesota Department of Commerce

July 3, 2007

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

RE: Comments and Recommendations of the Minnesota Department of Commerce Energy
Facility Permitting Staff
GRE Elk River Peaking Station Project
Docket No. ET2/GS-07-715

Dear Dr. Haar:

Attached are the comments and recommendations of the Minnesota Department of Commerce (DOC) Energy Facility Permitting (EFP) Staff in the following matter: In the Matter of the Application for a LEPGP Site Permit for the Elk River Peaking Station and associated system upgrades.

The proposed project consists of a single, simple-cycle combustion turbine generator (CT) with a nominal summer generating capacity of 175 MW and other associated facilities. The facility will use natural gas and ultra-low sulfur distillate fuel oil. The preferred site location is on GRE's campus in Elk River, Sherburne County, Minnesota.

The Department is providing you with:

- A. Comments and Recommendations;
- B. General route location map.

The Department EFP staff recommends acceptance of the LEPGP Site permit application with the understanding that any additional information necessary for processing the application will be provided promptly. Staff is available to answer any questions the Commission may have.

Sincerely,

William Cole Storm, DOC EFP Staff

Enclosures

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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. ET2/GS-07-715

Meeting Date: July 12, 2007.....Agenda Item #

Company: Great River Energy

Docket No. PUC Docket Number: ET2/GS-07-715
In the Matter of the Application for a LEPGP Site Permit for the Elk River Peaking Station and associated system upgrades.

Issue(s): Should the Commission accept or reject the application as substantially complete? If accepted, should the Commission authorize the Department to appoint a public advisor and an advisory task force? Should the Commission refer the docket to the Office of Administrative Hearings?

DOC Staff: William Cole Storm.....651-296-9535

Relevant Documents (in Commission Packet).

1. GRE's LEPGP Site Permit Application, Dated March 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).

Documents Attached.

1. General route location map.

(Note: Relevant documents and additional information can be found on eDockets (ET2/GS-07-715) or the PUC Facilities Permitting website <http://energyfacilities.puc.state.mn.us/>)

Statement of the Issue

Should the Commission accept or reject the application as substantially complete? If accepted, should the Commission authorize the Department to appoint a public advisor and an advisory task force? Should the Commission refer the docket to the Office of Administrative Hearings?

If the application is accepted, the Commission needs to notify the applicant in writing of the acceptance. If the application is rejected, the Commission must advise the applicant of the deficiencies in the application.

Introduction and Background

On June 14, 2007, Great River Energy (GRE) submitted a large electric power generating plant (LEPGP) Site Permit application to the Minnesota Public Utilities Commission (Commission) for a 170 MW peaking station under the full review process.

Project Description

The proposed project consists of a single, simple-cycle combustion turbine generator (CT) with a nominal summer generating capacity of 175 MW and other associated facilities. The facility will use natural gas and ultra-low sulfur distillate fuel oil.

The preferred project site is on GRE's campus in Elk River, Sherburne County, Minnesota. The Elk River campus currently includes the Elk River Station, a Refuse-Derived-Fuel (RDF) combustor that co-produces electricity, and GRE's corporate offices. The preferred site is an area of approximately 11-acres in the northeast portion of the campus.

An existing 69-kilovolt (kV) transmission line segment extending 5.6 miles in length from the Elk River site will be upgraded with new conductors and new poles. No change in voltage of the existing lines is necessary; therefore, no PUC High Voltage Transmission Line Route Permit is required. No other lines will require upgrades due to the project. GRE will obtain natural gas for the project from Northern Natural Gas Company already serving the site. Northern Natural Gas will construct and own a new one-half-mile, 12-inch lateral natural gas pipeline off of its existing 16-inch pipeline located northeast of the plant site.

The alternative site, required under the full review process, is located on GRE's property in the City of Rosemount in Dakota County, Minnesota. The site is bordered on the south by County Highway 42, on the east by Emery Avenue, on the north by Ehler's Path and 140th Street. The property is currently leased to a farmer for crop production.

The natural gas and electric transmission line interconnects and wastewater discharge lines at the alternative site would require short corridors for completion. The natural gas corridor would extend from the project property south along Emery Avenue for approximately 1000 feet to the existing 42-inch, high pressure pipeline owned by Northern Natural Gas. As with the preferred site, Northern Natural Gas would permit, own and operate the new lateral pipeline. The plant would be interconnected to an existing transmission line that crosses the site. Water supply would likely be obtained from the existing or new onsite well. Wastewater would be discharged to an MCES interceptor at the Rosemount WWTP through a new sewer line constructed along 140th street.

Determination of Need

This project also required a Certificate of Need (CON) from the Commission pursuant to sections 216C.05 to 216C.30. GRE filed an application for a CON with the Commission for the project on May 18, 2007 in accordance with Minnesota Rules Chapter 7829 and 7849.

The Department of Commerce (Department) prepares an Environmental Report (ER) on proposed large electric power generating plants that come before the PUC for a determination of need (Minn. Rules 4410.7060). The ER must contain information on the human and environmental impacts of the proposed project associated with the size, type, and timing of the project, system configurations, and voltage. The environmental report must also contain information on alternatives to the proposed project and address mitigating measures for anticipated adverse impacts.

Minnesota Rules 4410.7060 provide that in the event an applicant for a certificate of need for a LEPPG or a HVTL applies to the Commission for a site permit or route permit prior to the time the Department completes the environmental report the Department may elect to prepare an environmental impact statement in lieu of the required environmental report if the applicant and the Commission agree to the additional time that will be required to prepare the environmental impact statement. In this event, the Department includes in the EIS the analysis of alternatives required by part 4410.7035, but is not required to prepare an environmental report under part 4410.7020.

Minnesota Statutes § 216B.243, Subd. 4 require a public hearing be held for the CON to obtain public comments on the necessity of the project. This subdivision provides that unless the commission determines that a joint hearing on siting and need under this subdivision and section 216E.03, subdivision 6 , is not feasible or more efficient, or otherwise not in the public interest, a joint hearing under those subdivisions shall be held.

Regulatory Process and Procedures

The addition of this generating unit at the Elk River site falls within the definition of a Large Electric Power Generating Plant in the Power Plant Siting Act and, thus, requires a Site Permit from the Commission prior to construction. The Chapter 4400 rules provide for three different procedures for obtaining a site permit: full review, alternative review, and local review. GRE is applying for a site permit following the full review process. The project is not eligible for the alternative process because the proposed unit will be fueled by both natural gas and fuel oil. In the full review process, the applicant must identify in the application the preferred site for the power plant and one alternative site.

Completeness

LEPGP Site permit applications under the full review process must provide specific information about the proposed project, applicant, environmental impacts, alternatives and mitigation measures (Minnesota Rule 4400.1150). The Commission may accept an application as complete, reject an application and require additional information to be submitted, or accept an application as complete upon filing of supplemental information (Minnesota Rule 4400.1250).

The review process begins with the determination by the Commission that the application is complete. The Commission has one year to reach a decision from the time the application is accepted (Minnesota Rule 4400.1250).

Public Advisor

Upon acceptance of an application for a site or route permit, the Commission must designate a staff person to act as the public advisor on the project (Minnesota Rule 4400.1450). The public advisor is someone who is available to answer questions from the public about the permitting process. In this role, the public advisor may not act as an advocate on behalf of any person.

The Commission can authorize the Department to name a staff member from the EFP staff as the public advisor or assign a PUC staff member.

Advisory Task Force

The Commission may appoint an advisory task force (Minnesota Statute 116C.59). An advisory task force must, at a minimum, include representatives of local governmental units in the affected area. A task force can be charged with identifying additional sites or specific impacts to be evaluated in the EIS and terminates when the Department Commissioner issues an EIS scoping decision. The PUC is not required to assign an advisory task force for every project.

If the Commission does not name a task force, the rules allow a citizen to request appointment of a task force (Minnesota Rule 4400.2650). The Commission would then need to determine at its next meeting if a task force should be appointed or not.

The decision whether to appoint an advisory task force does not need to be made at the time of accepting the application; however, it should be made as soon as practicable to ensure its charge can be completed prior to the EIS scoping decision by the Department Commissioner.

Environmental Review

Under the Full Review Process, an applicant is required to propose an alternative site. The Department Energy Facility Permitting (EFP) staff prepares a document called an Environmental Impact Statement (EIS). An EIS is a written document that describes the human and environmental impacts of a proposed large electric power generating plant (and selected alternative sites) and methods to mitigate such impacts. The public has the opportunity to comment on the scope of the EIS and the draft EIS through comment periods and at DOC sponsored information meetings.

Public Hearing

Under the Full Review Process a contested case hearing is required following the release of the draft EIS. The hearing must be conducted by an Administrative Law Judge from the Office of Administrative Hearings pursuant to Minnesota Rule 4400.1800 and Minnesota Rule Chapter 1405. At least a portion of the hearing must be held in a county where the proposed LEPPG would be located.

DOC EFP Staff Analysis and Comments

Completeness

Department EFP staff conducted completeness review of the GRE Elk River Peaking Station LEPPG Site permit application and concludes that the Application meets the content requirements of Minnesota Rule 4400.1250 and is complete. Application acceptance allows staff to initiate and conduct the public participation and environmental review process.

Advisory Task Force

In analyzing the merits of establishing an Advisory Task Force for the project, Department staff considered four project characteristics: size, complexity, known or anticipated controversy and sensitive resources.

Project Size. The preferred site is an area of approximately 11 acres in the northeast portion of GRE's Elk River campus. The Elk River campus currently includes the Elk River Station, a Refuse-Derived-Fuel (RDF) combustor that co-produces electricity, and GRE's corporate offices.

Complexity. The project is relatively uncomplicated; a simple cycle combustion turbine has three major components: (1) a compressor, (2) a combustion chamber, (3) and a turbine. Air is drawn into the compressor, compressed, and discharged to the combustion chamber, mixed with fuel and ignited. The resulting expanding hot gases are sent through the turbine blades, causing them to rotate. The rotating turbine blades turn a shaft connected to a generator that produces electricity. Exhaust gases are emitted to the atmosphere through a stack that is expected to be about 90 feet tall. Additionally, the proposed site is an existing industrial/commercial facility.

Known/Anticipated Controversy. The proposed activities at the project plant site meet the Sherburne County land use designation and city of Elk River zoning overlay for the site.

Sherburne County Planning and Zoning Department lists the current land use of the project plant location as "Public Utility Land – Preferred" (Sherburne County 2007). The project falls within the approved uses for that designation. Adjacent land uses within one mile of the project plant location include:

- Public Utility Land – Non-Preferred.
- Residential/Apartments Over 4 Units.
- State Public Property.
- Commercial.
- Industrial.
- Residential 2-3 Units.
- Residential Single Unit.
- Vacant Land.

According to the city of Elk River Department of Commercial Development, the Elk River Peaking Station site is zoned as Light Industrial/Solid Waste Facility (City of Elk River 2007).

Sensitive Resource. The project plant site will be located on the existing Great River Energy Elk River campus. The campus includes offices, warehouses, pole yard and RDF Power Plant. Locating the new generating facility on the existing Great River Energy campus takes advantage of existing infrastructure, including roads, water, and sewer. Since the project plant location has been previously used for utility purposes, as a Great River Energy pole yard, the new facility will not notably change the land use of the site.

Based on the analysis above, Department EFP staff concludes that an advisory task force is not warranted in this case.

Environmental Review

The Department EFP staff believes that separate environmental review documents (i.e., Environmental Report for the CON process and an Environmental Impact Statement for the siting process) be generated due to the anticipated differences in the public hearing requirements (i.e., non-contested case for the CON process versus contested-case for the siting process). Additionally, the schedule for the completion of the CON process is expected to be shorter than needed for the full siting process and completion of the EIS.

However, the Department EFP staff will achieve process efficiencies by soliciting comments pertinent to the scoping of both the Environmental Report (CON process) and the Environmental Impact Statement (LEPGP Siting process) during the initial public informational meeting.

Public Hearing

The Commission has not yet made a determination on whether it would be appropriate to join the public hearing for the application for a CON (PUC Docket No. ET2/CN-07-678) with the public hearing for the application for a LEPPG site permit (PUC Docket No. ET2/GS-07-715) for the Elk River Peaking Station.

The Department, in a filing dated June 12, 2007, (Docket ET2/CN-07-678) recommended that the Certificate of Need proceed through the Commission's comment process rather than through a contested case proceeding. On June 19, 2007, in a filing on the same docket, GRE concurred with the Department's position.

The siting docket (Docket ET2/GS-07-715) must be referred to the Office of Administrative Hearings (OAH) for conduct of the Minnesota Rules Chapter 1405 contested case hearings. However, since the hearings must follow release of the draft EIS, the date for hearings cannot be set until the Department completes the EIS scoping process and determines the schedule for completion of the EIS. The PUC can refer the docket to the OAH for hearing at this time, with the understanding that the Department will work with the OAH to establish a schedule once the EIS scoping process is complete.

Commission Decision Options

A. Application Acceptance

1. Accept the LEPPG Site permit application submitted by GRE for the ELK River Peaking Station project as complete and authorize Department EFP Staff to initiate the full review process under Minnesota Rules Chapter 4400.
2. Reject the LEPPG Site permit application as incomplete and issue an order indicating the specific deficiencies to be remedied before the Application can be accepted.
3. Find the Application complete upon the submission of supplementary information.

4. Make another decision deemed more appropriate.

B. Public Advisor

1. Authorize the Department EFP staff to name a public advisor in this case.
2. Appoint a Commission staff person as public advisor.
3. Make another decision deemed more appropriate.

C. Advisory Task Force

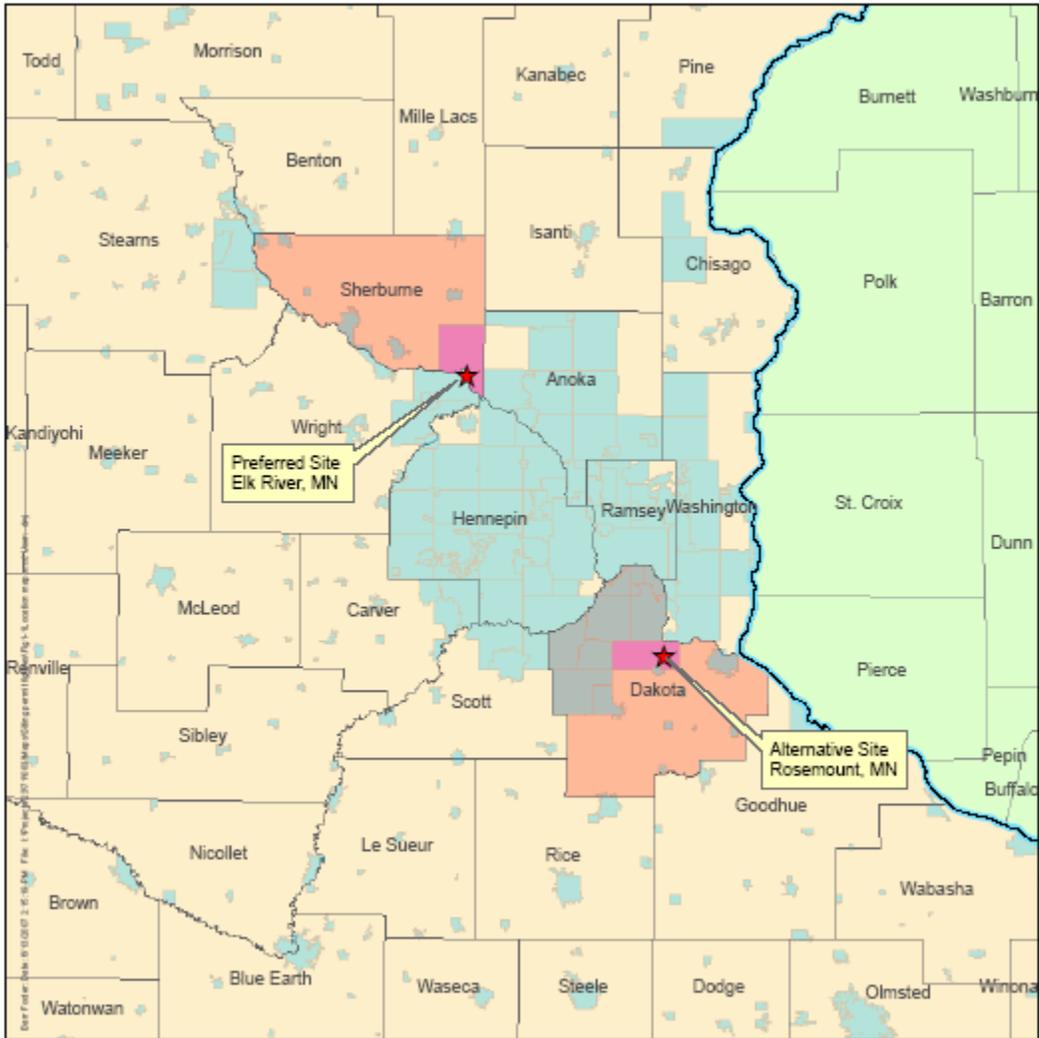
1. Authorize Department EFP staff to establish an advisory task force, and develop a proposed structure and charge for the task force.
2. Take no action on an advisory task force at this time.
3. Determine that an advisory task force is not necessary.
4. Make another decision deemed more appropriate.

D. Public Hearing

1. Refer the GRE Elk River Peaking Station docket ET2/GS-07-715 to the Office of Administrative Hearings for conduct of the Minnesota Rules Chapter 1405 contested case hearing.
2. Make another decision deemed more appropriate.

EFP Staff Recommendation

Staff recommends Options A-1, B-1, C-3 and D-1.



Location Map
 Elk River Peaking Station
 Siting Permit Application
 Great River Energy
 Elk River, MN

