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June 18, 2008

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 Office of Energy Security, Energy Facility Permitting Staff
Docket No. E015/GP-08-586

Dear Dr. Haar:

Attached are the comments and recommendations of the Minnesota Office of Energy Security, Energy Facility Permitting staff for the following:

In the Matter of the Application for a Partial Exemption from Pipeline Route Selection Procedures for the Boswell Energy Center Pipeline Project.

Minnesota Power is proposing to install a 6,900 foot, 10.75 inch outside diameter high pressure natural gas pipeline. The proposed pipeline route originates at the existing Great Lakes Cohasset Meter Station and terminates at the Boswell Energy Center Gas Delivery Station. The proposed pipeline project is located in the city of Cohasset in Itasca County, Minnesota.

The Office of Energy Security is providing you with:

- A. Comments and Recommendations
- B. Project Location Map (Map 3) from Minnesota Power's Application
- C. Pipeline Routing – Partial Exemption Process

Staff is available to answer questions the Commission may have.

Sincerely,

Scott E. Ek
Office of Energy Security,
Energy Facility Permitting



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BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

**COMMENTS AND RECOMMENDATIONS OF THE
MINNESOTA OFFICE OF ENERGY SECURITY
ENERGY FACILITY PERMITTING STAFF**

DOCKET No. E015/GP-08-586

Meeting Date: June 26, 2008 Agenda Item # 1

Company: Minnesota Power

Docket No. E015/GP-08-586

In the Matter of the Application for a Partial Exemption from Pipeline Route Selection Procedures for the Boswell Energy Center Pipeline Project

Issue(s): Should the Commission accept the application?

OES Staff: Scott E. Ek 651-296-8813

Relevant Documents (in Commission Packet)

Initial Filing – Pipeline Routing Permit Application..... June 5, 2008

The enclosed materials are work papers of the Office of Energy Security (OES), Energy Facility Permitting Staff (EFP). They are intended for use by the Public Utilities Commission (PUC) 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. Project Location Map (Map 3) from Minnesota Power's Application
2. Pipeline Routing – Partial Exemption Process

(Note: Relevant documents and additional information can be found on eDockets (08-586) or the PUC Facilities Permitting website <http://energyfacilities.puc.state.mn.us/Docket.html?Id=19634>)

Statement of the Issues

Should the Public Utilities Commission accept, conditionally accept, or reject the application filed by Minnesota Power for a partial exemption from pipeline route selection procedures and for a pipeline routing permit to provide natural gas for the Boswell Energy Center in Cohasset, Minnesota?

Introduction and Background

Minnesota Power is an investor-owned electric utility headquartered in Duluth, Minnesota. Minnesota Power submitted a natural gas pipeline routing permit and partial exemption from pipeline route selection procedures application to the PUC on June 5, 2008.

Project Description

Minnesota Power is proposing to install a 6,900 foot, 10.75 inch outside diameter high pressure natural gas pipeline. The proposed pipeline route originates at the existing Great Lakes Cohasset Meter Station and terminates at the Boswell Energy Center Gas Delivery Station. The proposed pipeline project is located in the city of Cohasset in Itasca County, Minnesota (Sections 3,4, and 9, Township 55 North, Range 26).

A detailed description of the proposed pipeline route is provided in Minnesota Power's application as follows:

“The pipeline along Minnesota Power's preferred route will originate at Great Lakes' existing meter station facility located north of Cohasset and travel approximately 1,300 feet in a northwesterly direction adjacent to the Great Lakes existing pipelines. The proposed pipeline will then turn in a southerly direction and travel approximately 1,400 feet across U.S. Highway 2 and Burlington Northern Santa Fe railroad to the south side of Minnesota Power's existing high voltage electric transmission lines. The pipeline will travel westerly along the south side of the high voltage electric transmission lines for approximately 3,050 feet and then travel south for approximately 1,150 feet to the proposed terminus of the pipeline at the BEC plant site.”

A total of 16.47 acres of land will be required for the proposed pipeline alignment. The proposed alignment parallels existing natural gas pipeline and high voltage transmission line rights-of-way for approximately 63 percent of land crossed. The project calls for a 75-foot construction right-of-way consisting of a 25-foot temporary right-of-way and a 50-foot permanent right-of-way. The applicant intends on using existing roads to access construction rights-of-way. The depth of the proposed pipeline trench will typically be four feet below existing ground surface.

Associated above ground facilities will consist of two 200 foot by 200 foot, fenced and graveled facilities within or near the Great Lakes Cohasset Meter Station and the Boswell Energy Center Gas Delivery Station.

The maximum designed capacity of the natural gas pipeline is 12,000 million ft²/day (cubic feet per day) at 974 psig (pounds per square inch gauge). The proposed operating pressure of the pipeline will be from 900 to 974 psig. Natural gas flow through the pipeline system will vary from 80 to 120 million ft²/hour (cubic feet per hour) with a maintained odorization injection rate of 0.25 to 0.75 lb/million ft² (pounds per million cubic feet) of natural gas.

Associated appurtenances include valves and flanges, regulators, and overpressure protection at delivery stations; an in-line inspection tool launcher and receiver; cathodic protection (sacrificial anode or impressed current); permanent alternating current mitigation, if necessary; gas delivery and odorization; and pipeline markers at various locations (e.g. road crossings).

The primary purpose of the proposed pipeline is to provide a source of natural gas to the Boswell Energy Center in Cohasset, Minnesota. The Boswell Energy Center is a low-sulfur, sub-bituminous coal-fired electric generating station comprised of four units equipped with fuel oil igniters. The existing fuel oil igniter configuration requires the exhaust gases from Units 1 and 2 to bypass the fabric filter particulate control system during start-up to avoid fouling the fabric filters, thereby creating opacity issues. Separate to the pipeline project, Minnesota Power plans to install natural gas igniters in place of the existing fuel oil igniters on all four units. Installation of the proposed pipeline will allow for future use of natural gas for the natural gas igniters, thereby eliminating the present opacity issues attributed to the existing fuel oil igniters at the Boswell Energy Center.

The total estimated cost of the proposed pipeline project is \$2.5 million. Construction has been targeted to begin as soon as September 1, 2008 with a planned in-service date of December 31, 2008.

Regulatory Review Process

Minnesota Statutes, 216G.02 requires a pipeline routing permit issued by the PUC to construct and install certain intrastate pipelines designed to transport hazardous liquids. The pipeline routing requirements are outlined in Minnesota Rules, chapter 7852.

The PUC has jurisdiction over the routing of pipelines with a nominal diameter of six inches or more that are designed to transport hazardous liquids and pipelines designed to be operated at a pressure of more than 275 pounds per square inch and carry gas.

The PUC's authority does not apply to interstate natural gas pipelines under authority of the federal Natural Gas Act or to pipeline owners or operators who are defined as a natural gas public utility in addition to other exclusions outlined in Minnesota Rules 7852.0300, subpart 1.

An applicant may submit an application to the Commission for pipeline route selection and a pipeline route permit. If the applicant does not expect the proposed pipeline and associated facilities to have significant impacts on humans or the environment, they can submit an application for partial exemption from pipeline route selection procedures. In such a case, the Commission will decide whether to grant or deny the partial exemption within 90 days after Commission acceptance date of the partial exemption application.

Pursuant to Minnesota Statutes 216E.10, subdivision 3(b), an applicant for a permit under chapter 216G will notify the Commissioner of Agriculture if the proposed project will impact cultivated agricultural land. The Department of Agriculture shall be the lead agency on the development of any agricultural mitigation plan required for the project.

Staff Analysis and Comments

Office of Energy Security, Energy Facility Permitting staff conducted a completeness review of the Minnesota Power, Boswell Energy Center Natural Gas Pipeline Routing Permit and Partial Exemption Application. The staff concludes that the applicant complied with the application procedures of Minnesota Rules 7852.2000 and the application contains all the information identified in Minnesota Rules 7852.2100 to 7852.3000. Staff concludes the application is complete and recommends the Commission accept the application.

Acceptance or conditional acceptance of the application allows staff and the applicant (Minnesota Power) to initiate actions required by Minnesota Rules 7852.0600 and 7852.2000. These actions include providing published notice including project description (size and type) and a map of the proposed pipeline alignment, application distribution requirements (Minnesota Rule 7852.2000, subpart 6), send application via certified mail and commenting procedures to applicable entities, published notice of public information meeting in each county, and provide opportunity to comment on the partial exemption application.

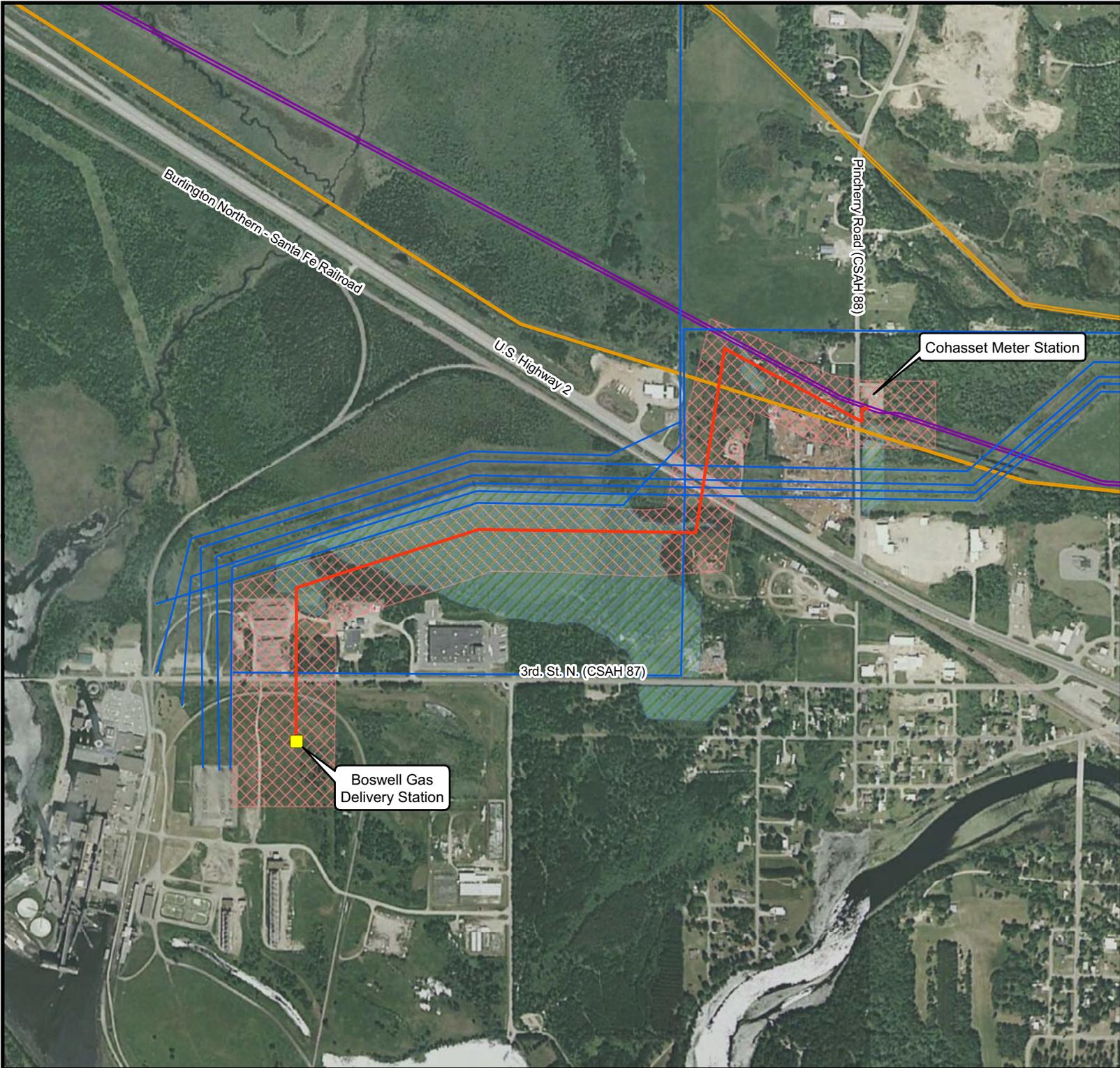
Staff will provide the Commission with all filed comments, the record from public information meetings, and information contained in the partial exemption application relevant to Minnesota Rules 7852.0700 (Criteria for Partial Exemption from Pipeline Route Selection Procedures) to assist the Commission in deciding on whether to grant or deny the request for partial exemption. If the partial exemption is granted a pipeline routing permit is issued. If the Commission does not grant the partial exemption, Minnesota Power must reapply under the full pipeline route selection procedures.

Minnesota Power will comply with requests for additional information from the Commission, the Office of Energy Security, and other interested persons.

Commission Decision Options

- A. Accept Minnesota Power's application for a natural gas pipeline routing permit and partial exemption of pipeline route selection procedures for the proposed 6,900 foot, 10.75-inch outside diameter natural gas pipeline for the Boswell Energy Center in Cohasset, Minnesota. Authorize OES, EFP staff to process the application pursuant to Minnesota Rules 7852.0600.
- B. Conditionally accept the application, and issue an order indicating which deficiencies, if corrected, will allow the application to be accepted.
- C. Reject the application as incomplete and issue an order indicating the specific deficiencies to be remedied before the application can be accepted or conditionally accepted.
- D. Make another decision deemed more appropriate.

Energy Facility Permitting Staff Recommendation: Staff recommends option A.



Project Location Map

Minnesota Power

Boswell Energy Center
Natural Gas Pipeline Project

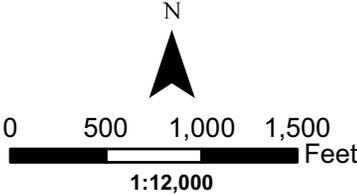
LEGEND

- Proposed Pipeline Alignment
- Existing Electric Lines
- Existing Great Lakes Pipelines
- Existing Enbridge Pipelines
- Wetland Boundaries
- Preferred Route

LOCATION

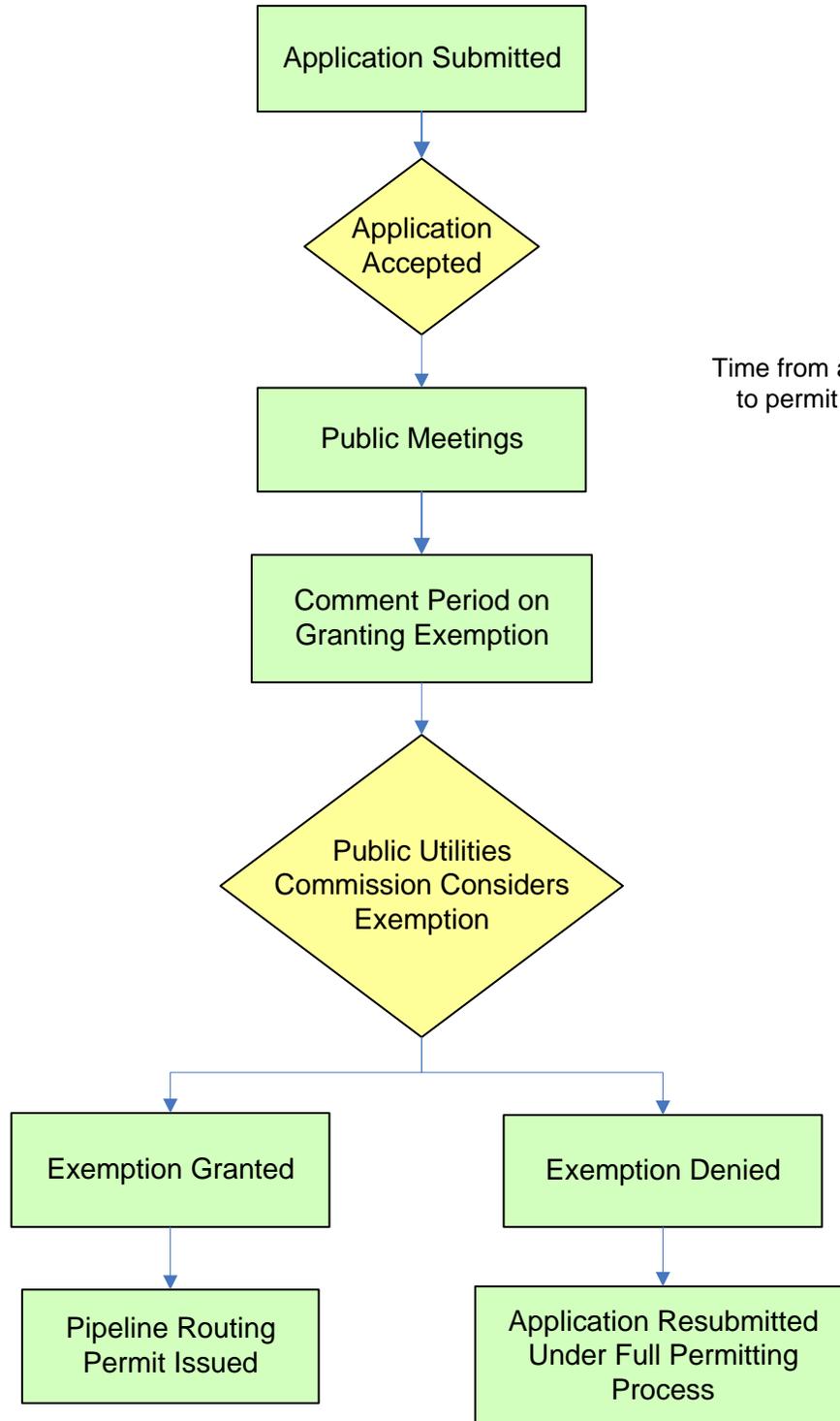
Sections 3, 4, 9, & 10
T55N, R26W
Itasca County, Minnesota

Map 3



Pipeline Routing – Partial Exemption Process

Minn. Rules 7852



Timeline

Time from application acceptance to permit decision = 3 months