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June 21, 2009

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
NPUC's Essar Steel Transmission Line Project
Docket No. E280/TL-09-512

Dear Dr. Haar:

Attached are the comments and recommendations of the Minnesota Department of Commerce (DOC) Office of Energy Security (OES) Energy Facility Permitting (EFP) staff in the above stated matter.

Nashuak Public Utilities Commission (NPUC) and Minnesota Power (MP) propose to construct four 230 kV transmission lines and two 230 kV substations to supply electric power to the Essar Steel Minnesota project.

The Department is providing you with:

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

The Department EFP staff recommends acceptance of the high voltage transmission line (HVTL) Route 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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BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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

DOCKET No. E280/TL-09-512

Meeting Date: June 25, 2009.....Agenda Item #

Company: Nashwauk Public Utilities Commission/Minnesota Power

Docket No. PUC Docket Number: E280/TL-09-512
In the Matter of the Application for a HVTL Route Permit for the Essar Steel Transmission Project.

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?

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

Relevant Documents (in Commission Packet).

- NPUC’s HVTL Route Permit Application.....June 1, 2009.

The enclosed materials are work papers of the Department of Commerce (Department) Office of Energy Security (OES) Energy Facility Permitting (EFP) staff. They are intended for use by the Public Utilities Commission (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. Site map illustrating the four study areas in which the routes will be located.
2. Site map illustrating applicant's preferred and alternative routes.
3. OES proposed charge and structure for an advisory task force.

(Note: Relevant documents and additional information can be found on eDockets (ET2/GS-07-715) or the PUC Energy Facilities Permitting website

<http://energyfacilities.puc.state.mn.us/Docket.html?Id=19981>)

Statement of the Issue

Should the Commission accept or reject the application as substantially complete under the Review Process of the Power Plant Siting Act (Minnesota Statutes 216E.001 to 216E.18)? If accepted, should the Commission authorize the OES to appoint a public advisor and an advisory task force?

If the application is rejected, the Commission must advise the applicant of the deficiencies in the application.

Introduction and Background

On June 1, 2009, Nashwauk Public Utilities Commission (NPUC) and Minnesota Power (MP) submitted a high voltage transmission line (HVTL) Route Permit application to the Commission for the proposed Essar Steel Transmission Project.

Minnesota Statutes Section 216E.03, subd. 2, provides that no person may construct a high voltage transmission line without a route permit from the Commission. An HVTL is defined as a transmission line of 100 kV or more and greater than 1,500 feet in length in Minnesota Statutes Section 216E.01, subd. 4. The proposed transmission lines are HVTLs and therefore a route permit is required prior to construction. The application was submitted pursuant to the provisions of the Full Permitting Process outlined in Minnesota Rules 7849.5200 to 7849.5340.

Minnesota Statute 216B.243, subdivision 2, states that no Large Energy Facility shall be sited or constructed in Minnesota without issuance of a certificate of need by the Commission. The Essar Steel Transmission project meets the definition of a Large Energy Facility under Minn. Stat. 216B.2421, subd. 2. However, the applicant has stated that the proposed project meets the exemption criteria for construction of a high voltage transmission line that serves the demand of a single customer at a single location (Minn. Stat. § 216B.243, subd. 8, item 2). The single customer for this proposed project would be Essar Steel Minnesota (ESM). All four proposed 230 kV transmission lines would terminate at the two proposed 230 kV substations located at the ESM site. Therefore, if the Commission concurs with this position, a Certificate of Need would not be required for the proposed project.

Project Description

NPUC and MP propose to construct four 230 kV transmission lines and two 230 kV substations. The purpose of the project is to supply reliable electric power to a single source entity - Essar Steel Minnesota (ESM). ESM has obtained state approvals to reactivate the former Butler Taconite mine by developing new facilities, including a taconite pellet plant and steel production plant. The Essar taconite pellet facility is expected to commence initial operation by early 2011, with initial steel plant operation planned for early 2014, at which time the projected demand would be approximately 300 megawatts. Although not committed to, ESM has site approvals for a second steel slab melt line, which would increase the ESM facilities' total electric power requirements to approximately 500-550 megawatts if constructed and at full operation.

The four routes would require approximately 37 miles of new transmission lines (**Attachments 1 and 2**).

Study Area 1 – Shannon end of 94 Line to Essar Steel Plant Substation

Study Area 1 is bordered by MP's 230 kV Boswell to Shannon 94 Line (94 Line) to the north and the Steel property to the south. The east boundary is two miles east of Minnesota Trunk Highway (TH) 65 and the west boundary is two miles west of TH 65. The proposed transmission line would cross over rugged northern Minnesota forestland. TH 65 and a number of county and secondary roads cross the study area; no other major linear infrastructure (transmission lines, pipelines or railroads) are present. The transmission line routes within this study area would be approximately eight miles long.

Study Area 2 – Boswell end of 94 Line to Essar Mine Substation

Study Area 2 is bordered by the 94 Line on the north and west. The southern border is MP's 115 kV Boswell to Nashwauk 28 Line (28 Line) and the eastern border is the ESM property. The proposed transmission line would cross over rugged northern Minnesota forestland. There are a number of county and secondary roads within the study area. The 28 Line is the only other infrastructure right-of-way present. The transmission line routes within this study area would be approximately 10 miles long.

Study Area 3 – Blackberry Substation to Essar Steel Plant Substation

Study Area 3 is bordered by the City of Nashwauk on the northeast, 28 Line on the north and CSAH 10 to the west. The Blackberry Substation is located at the southern border and MP's 115 kV 62 and 63 Lines are located on the eastern border. The proposed transmission line would cross over rugged northern Minnesota forestland. U.S. Highway 169 travels east/west within the study area. There are a number of county and secondary roads, transmission lines, and gas pipelines within this study area. The transmission line routes within this study area would be approximately 15-18 miles long.

Study Area 4 – Essar Mine Substation to Essar Steel Plant Substation

Study Area 4 is located entirely within ESM property and would connect the two new substations. The ESM plant utility right-of-way, including a new railroad and several secondary roads are located within the study area. The transmission line routes within this study area would be approximately three miles long.

Essar Mine Substation

The Essar Mine Substation would occupy approximately 1.4 acres of land. This substation would be on the western side of the ESM property. The substation would be connected to the 94 Line, via Route 2 or 2A, and would also be connected to the Essar Steel Plant Substation via Route 4 or 4A.

Essar Steel Plant Substation

The Essar Steel Plant Substation would occupy 4.5 acres of land. This substation would be located on the northern portion of the ESM property. The substation would be connected to the Shannon end of the 94 Line, the Blackberry Substation, and the Essar Mine Substation.

State Regulatory Process and Procedures

Route permit applications must provide specific information about the proposed project including, but not limited to, applicant information, route description, environmental impacts, alternatives, and mitigation measures (Minn. R. 7849.5220). 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 (Minn. R. 7849.5230).

The review process begins with the determination by the Commission that the application is complete. The Commission has one year to reach a final decision on the route permit application from the date the application is determined to be complete. The Commission may extend this limit for up to three months for just cause or upon agreement of the applicant (Minn. R. 7849.5340).

Environmental Review

Applications for high voltage transmission line route permits are subject to environmental review, which is conducted by EFP staff under Minn. R. 7849.5200. The staff will provide notice and conduct public information and scoping meetings to solicit public comments on the scope of the environmental impact statement (EIS). The Director of the Office of Energy Security (OES) will determine the scope of the EIS. An EIS is a written document that describes the human and environmental impacts of a proposed project (and selected alternative routes) and methods to mitigate such impacts. The public has the opportunity to comment on the scope of the EIS and the draft EIS through public comment periods and at OES sponsored information meetings.

The draft EIS will be completed and made available prior to the public hearing.

Hearing Process

Applications for high voltage transmission line route permits under the full permitting process require a public contested-case hearing upon completion of the draft EIS pursuant to Minn. R. 7849.5330. A portion of the hearing must be held in the counties where the proposed project would be located.

The hearing for the docket (Docket E002/TL-09-512) must be conducted by the OAH pursuant to Minn. R.1405, contested case hearings. However, since the hearings must follow release of the draft EIS, the date for hearings cannot be set until the OES completes the EIS scoping process and determines the schedule for completion of the EIS. The Commission can refer the docket to the Office of Administrative Hearings (OAH) for hearing at this time, with the understanding that the OES will work with the OAH to establish a schedule once the EIS scoping process is complete.

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 7849.5250). 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 OES to name a staff member from the EFP staff as the public advisor or assign a Commission staff member.

Advisory Task Force

The Commission may appoint an advisory task force (Minnesota Statute 216E.08). 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 routes or specific impacts to be evaluated in the EIS and terminates when the OES Director issues an EIS scoping decision.

The Commission is not required to assign an advisory task force for every project. However, in the event that the Commission does not name a task force, the rules allow a citizen to request appointment of a task force (Minnesota Rule 7849.5580). 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 OES Director.

OES EFP Staff Analysis and Comments

OES EFP staff conducted a completeness review of the NPUC/MP Essar Steel HVTL Route permit application and concludes that the Application meets the content requirements of Minnesota Rule 7849.5220 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, EFP staff considered four project characteristics: size, complexity, known or anticipated controversy and sensitive resources.

Project Size. The Essar Steel HVTL project is a moderate length transmission line when compared to the majority of the HVTL applications that come before the Commission; the length would total approximately 37 miles.

Complexity. While the setting for the project is the Minnesota north country, where the population impacts are expected to be lower, residential property does center around county highways and roads. Many of these are the same linear features one considers when routing HVTL in an attempt to minimize the proliferation of new ROWs. Additionally, there are numerous high value natural resources (i.e., wetlands, lakes, forest, minerals, etc.) in the study areas to be evaluated.

Known/Anticipated Controversy. OES staff anticipates a high level of public interest with this project, based on a review of the comments received during NPUC/MP's February 11, 2009, "open house" meeting. Approximately 130 persons attended that meeting.

Sensitive Resource. As stated previously, the four study areas do contain a mixture of high value natural resources (i.e., wetlands, lakes, forest, minerals, etc.); local knowledge would be valuable in identifying features and issues important to the region.

Based on the analysis above, OES staff concludes that an advisory task force is warranted in this case. OES staff has attached a proposed charge and structure for the advisory task force.

Commission Decision Options

A. Application Acceptance

1. Accept the HVTL Route permit application submitted by NPUC/MP for the Essar Steel Transmission project as complete and authorize OES EFP staff to initiate the full review process under Minnesota Rules Chapter 7849.
2. Reject the HVTL Route 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 OES 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 OES EFP staff to establish an advisory task force with the 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

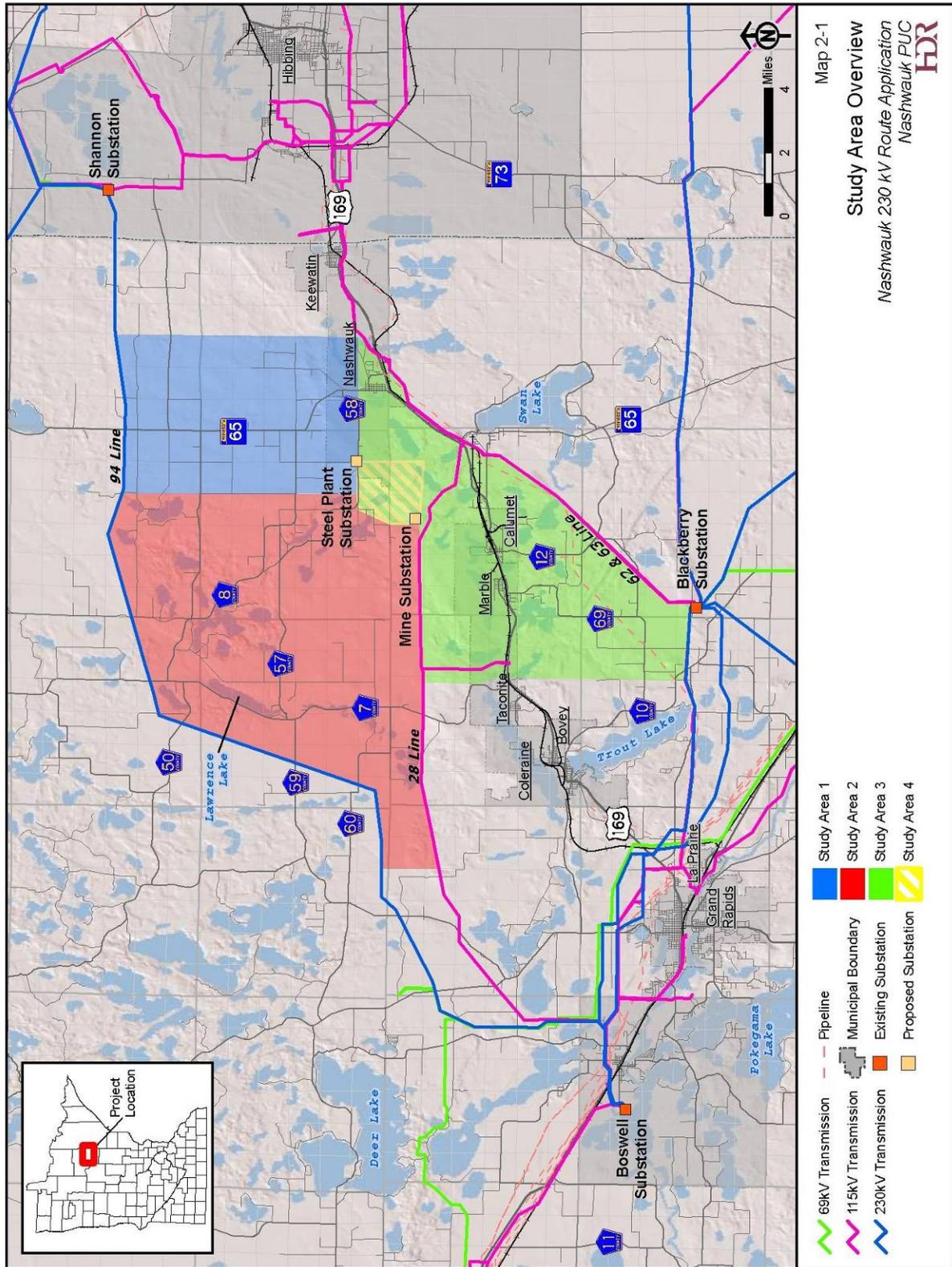
1. Refer the NPUC/MP Essar Steel HVTL Route Permit Docket E2802/TL-09-512 to the Office of Administrative Hearings for conduct of the Minn. R. 1405 contested case hearing.
2. Make another decision deemed more appropriate.

EFP Staff Recommendation

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

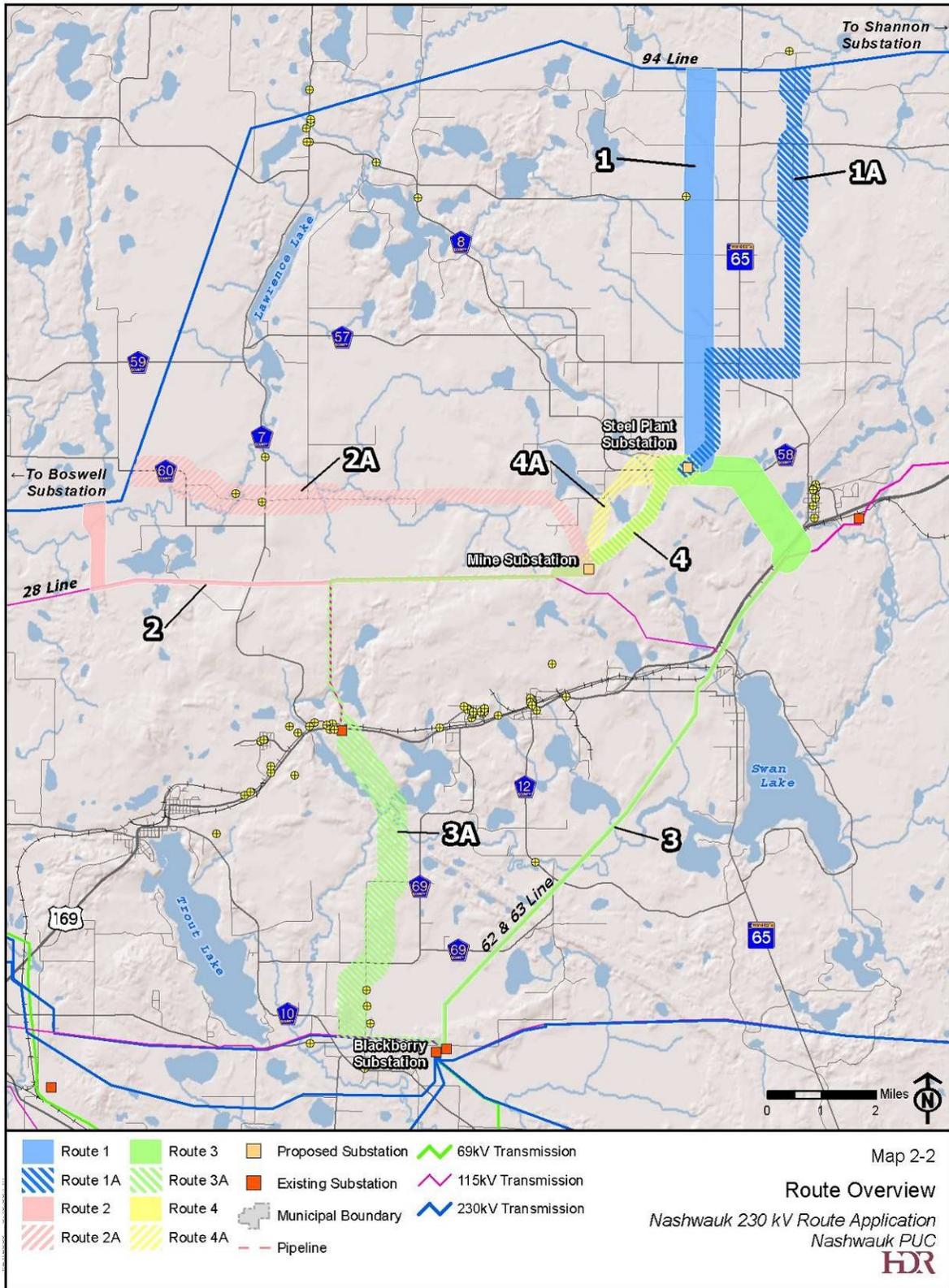
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Map 2-1: Study Area Overview



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Map 2-2: Route Overview



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ADVISORY TASK FORCE
PROPOSED STRUCTURE & CHARGE

NASHWAUK PUBLIC UTILITIES COMMISSION

MINNESOTA POWER

ESSAR STEEL TRANSMISSION PROJECT

PUC DOCKET #E280/TL-09-512

June 25, 2009

Prepared by the Staff of the



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INTRODUCTION and BACKGROUND

The OES EFP staff has developed a proposed structure and charge for an advisory task force to assist the Department in the scoping of the environmental review for the Essar Steel Transmission Line Project.

The statutes and rules governing the review of Nashwauk Public Utilities Commission (NPUC) and Minnesota Power's (MP) Application for a high voltage transmission line (HVTL) Route Permit for the Essar Steel HVTL project (PUC Docket E280/TL-09-512) contain provisions for the establishment of an Advisory Task Force; these provisions can be found in Minn. Stat. 216E.08 and Minn. Rule 7849.5270, respectively.

For dockets undergoing review in accordance with the Power Plant Siting Act (Minn.Rule 7849.5270 and Minn. Stat. 216E.08, subdivision 1), the Commission has the authority to appoint a citizen advisory task force, determine its charge and size, and appoint its members.

The ATF may be comprised of as many persons as may be designated by the Commission, but shall include at least one representative from each of the following: Regional Development Commissions, counties and municipal corporations and one town board member from each county in which a site is proposed to be located.

The Commission must specify in writing the charge to the ATF upon appointment. The charge shall include the identification of additional routes or particular impacts to be evaluated in the environmental impact statement.

The ATF expires upon completion of its charge, release of the Scoping Decision, or a date specified by the Commission, whichever occurs first. This termination language was added to Minn. Stat. 216E.08 during the 2001 legislative session (Chapter 212, article 7, section 18, 19).

STRUCTURE

The intent of the legislation in assuring that members of regional and local governments have a seat on the ATF is to ensure that conflicts with, or issues relative to regional and local planning are identified for consideration. The advisory task force members will be solicited from the following local governmental bodies:

- Arrowhead Regional Development Commission
- Itasca County
- City of Taconite
- City of Mable
- City of Calumet
- City of Nashwauk
- Trout Lake Township
- Greenway Township
- Nashwauk Township
- Lawrence Township
- Iron Range Township
- Balsam Township
- Lone Pine Township

The Task Force will be comprised of no more than 13 members.

CHARGE

The Advisory Task Force members will assist the OES EFP staff in developing the scope of environmental review for the EIS being prepared for the Essar Steel HVTL project currently before the Commission (PUC Docket E280/TL-09-512).

Tasks relating to development of the scope of the environmental review will include:

1. Familiarize the membership of the ATF with the proposed project by reviewing the HVTL Route Permit application;
2. Review the Draft Scoping Document produced by the OES EFP staff;
3. Develop potential route or route segment alternatives, and
4. Develop specific impacts and issues of local concern that should be assessed in the EIS by adding detail to the Draft Scoping Document.

The Task Force will expire upon completing the above charge or upon designation by the Director of the OES of Scoping Decision, whichever occurs first.