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VIA E-DOCKET FILING

Dr. Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
Saint Paul, MN 55101-2147

Re: In the Matter of the Application of Lake Country Wind Energy, LLC for a 41 Megawatt Large Wind Energy Conversion System in Kandiyohi and Meeker Counties, Docket No. IP 6846/WS-10-798

Dear Dr. Haar:

On behalf of Lake Country Wind Energy, LLC (“Lake Country”), please find enclosed a Petition for Modification or Amendment to Site Permit (the “Petition”) in connection with the above-referenced matter. The enclosed Petition is being submitted in response to the letter dated November 5, 2012 from Cynthia Kahrman of the Minnesota Department of Commerce and to request certain modifications or amendments to Lake Country’s site permit for its planned 41 MW wind project in Kandiyohi and Meeker Counties.

Please do not hesitate to contact me with questions about this filing.

Sincerely,

Stoel Rives LLP

/s/ Sarah Johnson Phillips

Sarah Johnson Phillips

Enclosure

cc: Service List

**STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION**

Beverly Jones Heydinger	Chair
David C. Boyd	Commissioner
J. Dennis O'Brien	Commissioner
Phyllis Reha	Commissioner
Betsy Wergin	Commissioner

In the Matter of the Application of Lake Country Wind Energy, LLC for a Site Permit for a 41 MW Large Wind Energy Conversion System in Kandiyohi and Meeker Counties, Minnesota

PUC Docket No. IP6846/WS-10-798

**PETITION FOR MODIFICATION OR
AMENDMENT TO SITE PERMIT**

I. INTRODUCTION

Lake Country Wind Energy, LLC (“Lake Country” or the “Permittee”) plans to construct a 41-megawatt wind energy conversion system in Kandiyohi and Meeker Counties, Minnesota (the “Project”). On August 4, 2010, Lake Country filed an application for a site permit under the Wind Siting Act (Minnesota Statutes, Chapter 216F) with an initial expectation that it would achieve commercial operation on or before December 31, 2012. The Minnesota Public Utilities Commission (the “Commission”) issued a site permit for the Project on February 8, 2011 (the “Site Permit”). Pursuant to Minn. R. 7854.1200 and Section 10.3 of the Site Permit, the Permittee is to notify the Commission if the Permittee does not commence construction within two years after permit issuance. Construction of the Project has been delayed and is not planned to begin until late 2013. Accordingly, Lake Country is hereby notifying the Commission of the delay and requesting an extension of the construction date as well as amendments to the Site Permit as set forth in this Petition.

Lake Country is specifically requesting amendments to the Site Permit that would extend deadlines to February 8, 2015 for (1) submitting evidence of a power purchase agreement or other enforceable mechanism for the sale of power and (2) commencing construction. Although Lake Country plans to commence construction later this year, it requests the deadline be extended for two years in order to provide for unanticipated events that could delay construction beyond 2013. This revised schedule would also allow Lake Country sufficient time to bring the Project to commercial operation. In addition to extending these deadlines, Lake Country seeks to amend the turbine specifications listed in the Site Permit to reflect changes in turbine technology availability resulting from the Project's revised construction schedule.

II. REASONS FOR REQUEST; GOOD CAUSE TO APPROVE EXTENSION

Lake Country's Site Permit requires the Permittee to advise the Commission of the reasons for delay if the Permittee has not obtained a power purchase agreement or some other enforceable mechanism for the sale of electricity from the Project and commenced construction within two years of the issuance of the Permit (Site Permit Sections 10.2 and 10.3).

The Commission may amend the Site Permit at any time if it has good cause to do so. (Minn. R. 7854.1300, subp. 2.) In recent years, several wind project developers have petitioned the Commission to amend site permits to allow more time to obtain a power purchase agreement and commence construction. The Commission has granted these petitions in all cases,¹ save one that was seeking its second extension.²

¹ See *In the Matter of the Site Permit Issued to Comfrey Wind Energy, LLC for a Large Wind Energy Conversion System in Brown and Cottonwood Counties*, MPUC
(continued . . .)

There is good cause for the Commission to grant Lake Country's requested amendments: (A) the Project is well-positioned to begin construction by February 8, 2015; (B) substantial investments have been made in the Project by Lake Country and the local community; and (C) the Commission has routinely recognized that the wind development process often takes longer than the two years typically provided in site permits and, accordingly, has granted several similar extension requests. The requested amendments would provide the time and flexibility needed to complete the Project and would not adversely affect the rights of other parties.

(. . . continued)

Docket No. IP-6630/WS-07-31, March 11, 2011 Order; *In the matter of the Site Permit of Glacial Ridge Wind, LLC for a 20 Megawatt Large Wind Energy Conversion System in Pope County*, MPUC Docket NO. IP-6850/WS-07-1073, June 1, 2011 Order; *In the Matter of the Site Permit Issued to Lakeswind Power Partners, LLC for up to a 60 Megawatt Large Wind Energy Conversion System for the Lakeswind Power Plant in Becker, Clay and Ottertail Counties*, MPUC Docket No. IP-6603/WS-08-1449, September 6, 2011 Order; *In the Matter of the Site Permit of Bear Creek Wind Partners, LLC for a 47.5 Megawatt Large Wind Energy Conversion System in Todd and Otter Tail Counties*, MPUC Docket No. IP-6629/WS-07-297, September 28, 2011 Order; *In the Matter of Morgan Wind Acquisition Group, LLC's Site Permit for a 31.5 Megawatt Large Wind Energy Conversion System in Redwood and Brown Counties*, MPUC Docket No. IP-6723/WS-09-360, July 26, 2012 Order Amending Site Permit; *In the Matter of the Site Permit Issued to Kenyon Wind, LLC for a Large Wind Energy Conversion System in Goodhue County*, MPUC Docket No. IP-6605/WS-06-1445, February 18, 2009, Order Amending Site Permit.

² *In the Matter of the Site Permit Issued to Kenyon Wind, LLC for a Large Wind Energy Conversion System in Goodhue County*, MPUC Docket No. IP-6605/WS-06-1445, December 23, 2010 Order Denying Petition and Allowing Site Permit to Expire (noting that "Kenyon Wind has had more than a fair and reasonable chance to get its wind project up and running – some three and one half years. No other project has received extensions of the length already granted here.").

A. The Project Is Well-Positioned to Begin Construction by the Extended Deadline

The Project will not meet the February 8, 2013 deadline due to poor market conditions that have largely been beyond Lake Country's control. Power sales opportunities, particularly for long-term power purchase agreements ("PPAs"), were limited in 2010 and 2011 as a result of the ongoing impact of the Great Recession. More recently, uncertainty over the future of the federal production tax credit for wind energy (the "PTC") has prolonged difficult market conditions for securing long-term power sales agreements by making it problematic for parties to set an appropriate price for the sale of that power. These poor market conditions limited opportunities for Lake Country to secure a long-term PPA and impacted the ability of the Project developer, National Wind, LLC ("National Wind"), to make the necessary investments to overcome these challenges.

Lake Country is a Minnesota limited liability company formed by National Wind in partnership with approximately 70 individual residents in the vicinity of the Project for the purpose of developing the Project. At the time the Site Permit was issued, National Wind was the manager of the Project and owned a minority share in Lake Country. Recently, National Wind's financial position and ability to invest in development of the Project was substantially improved by a transaction that resulted in Trishe Wind Energy, Inc. ("Trishe") acquiring National Wind and a restructuring of National Wind's interest in Lake Country. Trishe is part of the Trishe Energy Group, a well-capitalized international renewable energy company. The original local investors, many of whom also are participating landowners, maintain a significant financial stake in the Project.

Their continued involvement and strong support are among the primary reasons Trishe and National Wind have prioritized the Project's success.

Since acquiring National Wind, Trishe has demonstrated its commitment to Lake Country and the Project through investment of approximately \$750,000 in development efforts. For example, in June, the Project fulfilled the Midwest Independent Transmission System Operator's ("MISO") newly increased "M2 milestone" requirement by making a non-refundable \$290,000 deposit to secure its interconnection queue position and move into the definitive planning phase process. This is significant due to the size of the deposit and because the new cash-at-risk M2 milestone requirement was designed by MISO to test whether projects are ready to proceed toward completion as a way to resolve the queue backlog. Prior to MISO's most recent queue reform, the queue was composed of projects totaling approximately 37 gigawatts. Fewer than six gigawatts remain in the queue following the June deadline for projects to meet the new cash-at-risk M2 milestone. This Project is among the few that demonstrated its readiness to proceed by satisfying this test.

In addition to making a significant investment in maintaining the Project's interconnection queue position, Lake Country is close to finalizing agreements with consultants, contractors, and suppliers for the Project, including a turbine supplier, a balance-of-plant contractor, a meteorology consultant/contractor, and an environmental/permitting consultant. Securing contracts with such entities allows for more certainty about the Project's construction and capital costs. Such certainty will facilitate setting price terms and securing a PPA or other enforceable mechanism for power sales. Securing various contractors and consultants also is important in moving

the Project toward completion. Lake Country began serious negotiations with turbine suppliers and contractors in September 2012 when much of the wind industry was coming to a standstill due to uncertainty over renewal of the PTC. Lake Country's progress during an otherwise slow period for the industry has put the Project in a competitive position to secure a PPA and begin construction in 2013.

In addition to the boost provided by Trishe's investment in National Wind and Lake Country's efforts to advance the Project, there is good cause to grant the requested amendments due to the recently improved market for renewable energy power sales. Congress recently approved an extension of the PTC that will allow wind projects that begin construction on or before January 1, 2014 to qualify for the credit. This extension resolves the recent federal policy uncertainty for the wind industry and is expected to strengthen the market for wind energy sales. National Wind expects the PTC renewal to trigger new solicitations for renewable energy by utilities in the first half of 2013. Being in late-stage negotiations to finalize costs for equipment and services, the Project is well-positioned to be competitive in these processes and secure a long-term PPA. However, even if a traditional long-term PPA is not secured in the coming months, National Wind is simultaneously developing several alternative power sales strategies that would be enforceable and financeable and would allow the Project to meet the extended Site Permit deadlines. To develop these alternative strategies, National Wind has hired a new and experienced staff member to lead efforts to secure an enforceable mechanism to sell electricity for Lake Country.

Unlike in previous years, qualification for the PTC now depends on a project beginning construction by the deadline rather than achieving commercial operation. This

change may result in beneficial flexibility for wind projects seeking to qualify for the PTC. If the Internal Revenue Service defines beginning construction similarly to the way that concept was defined for purposes of American Recovery and Reinvestment Act Section 1603 grants, there may be options that would allow a project to qualify for the PTC in 2013 by, for example, making nonrefundable deposits on turbines rather than commencing physical construction. Although Lake Country intends to begin construction in 2013, it is requesting that the Site Permit be extended for two years in order to have the flexibility to take advantage of the modified PTC.

B. Substantial Investment by Developer and Local Community

As noted above, the Project was originally developed by a group from the local community before partnering with National Wind. Although the structure changed following Trishe's acquisition of National Wind, the local community group retains a significant financial stake in the Project beyond landowner lease payments. Allowing additional time to complete the Project helps protect the investment of both the local community and the developer. Substantial development work has already been completed, including wind resource assessment, property rights acquisition, permitting, and securing interconnection rights. And as described above, efforts to secure a turbine supplier, construction contractor, power offtaker, and other contractors are well under way, as are various other activities to comply with Permit conditions, such as coordination with state and federal agencies to develop an Avian and Bat Protection Plan. These investments of effort and resources by the developer and the local community are good cause for the Commission to allow additional time to complete the Project.

C. Commission Precedent on Wind Site Permit Extensions

The Commission has granted similar amendment requests on several occasions for wind projects that have experienced delays. As demonstrated by these extension requests, Lake Country's development timeline is not atypical for wind projects in Minnesota in recent years. The Commission's precedent for granting extensions to similarly situated wind projects is good cause for granting Lake Country's request.

III. REQUESTED AMENDMENTS

Lake Country requests the following specific amendments to its Site Permit to allow for additional time and to address certain other related updates to Lake Country's plans for the Project.

A. Deadline Extension. The Lake Country Wind Project will not be able to meet the requirements under Sections 10.2 and 10.3 of its Site Permit to (1) obtain a PPA or other enforceable mechanism to sell electricity and (2) begin construction by February 8, 2013. As a result, Lake Country is requesting amendment to the Site Permit extending these deadlines until February 8, 2015.

B. Term Extension. In addition to extending the deadlines to obtain an enforceable mechanism to sell electricity and begin construction, Lake Country requests that the term of the permit be altered to 30 years from the date of approval of these requested amendments, rather than 30 years from the original permit issuance date. This request requires amending the references to the term of the Permit in Section 12.0 and the cover page.

C. Turbine Technology. Lake Country's current Site Permit indicates that the Project will consist of 20 REpower 2.05 MW MM92 wind turbines (Section 1.0).

Based on improvements in turbine technology and changes in turbine availability connected with the Project's revised construction timeline, Lake Country in 2012 determined it prudent to consider alternative turbines. And as described above, Lake Country currently is in negotiations to finalize turbine supply and construction contracts. Since Lake Country is unlikely to use the REpower turbine, it requests to amend Section 1.0 of the Site Permit as follows:

The up to 41 MW nameplate capacity LWECS authorized to be constructed in this Permit will be developed and constructed by the permittee. The project will consist of an array of up to 23 ~~20 REpower 2.05 MW MM92~~ wind turbines. The turbines will consist of ~~328~~ approximately 263 foot (80 meter) towers with ~~269~~ up to 328 foot (100 meter) diameter rotors for a maximum height of ~~427~~ 479 feet (130 meters). The project also will require the following associated facilities....

These proposed changes are intended to provide Lake Country with needed flexibility to finalize a turbine supply contract and to address an error in the figure currently listed for the rotor diameter in Section 1.0 of the Site Permit. Lake Country expects to finalize turbine selection in the first quarter of 2013.

The turbine models under consideration for the Project are of approximately the same size as the REpower turbine previously selected. The total number of turbines is likely to be similar to the 20 initially proposed: between 20 and 23. As a result, Lake Country believes that the requested change in turbine technology will not substantially alter the findings accompanying the Commission's original approval of the Site Permit nor the Commission's determination that the Project is compatible with environmental preservation, sustainable development, and the efficient use of resources under Minn. Stat. 216F.03. Any modification of the preliminary turbine layout associated with the change in turbine technology will be done in accordance with Section 2.2 of the Site

Permit. For these reasons, there is good cause for the Commission to allow Lake Country the requested change in turbine technology.

IV. REQUEST TO UPDATE SERVICE LIST

Please update the official service list in this proceeding to include the following parties:

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V. CONCLUSION

The Permittee respectfully requests the Commission (1) amend the site permit to extend the timeframe for providing proof of a PPA or other enforceable sales mechanism and start of construction to February 8, 2015, (2) extend the term of the site permit to 30 years from the date of the amendment, and (3) allow for the requested change in turbine technology. There is good cause for the Commission to approve these amendments based on the substantial investment made in the Project to date, the above-described reasons the Project is well-positioned to be successfully completed if allowed additional time, and the Commission's precedent of granting similar requests from other wind projects.

DATED: January 14, 2013.

Respectfully submitted,

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