



Energy Facility Permitting

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April 20, 2011

TO: William Grant, Deputy Commissioner
Division of Energy Resources

THROUGH: Deborah Pile, Manager
Energy Facility Permitting

FROM: William Cole Storm, Staff
(Tel: 651-296-9535)

RE: Scoping Decision
Xcel Energy Hiawatha HVTL Project CON
PUC Docket Number: E002/CN-10-694

ACTION REQUIRED: Signature of the Deputy Commissioner on the attached Order, "Environmental Report Scoping Decision." Once signed, the Department of Commerce (DOC) Division of Energy Resources (Division) Energy Facility Permitting (EFP) staff will mail the notice of the order to interested parties.

BACKGROUND

On April 24, 2009, Xcel Energy submitted a high voltage transmission line (HVTL) Route Permit application to the Public Utilities Commission (Commission) for the proposed Hiawatha Transmission (Hiawatha) Project. The application was submitted pursuant to the provisions of the Full Permitting Process outlined in Minnesota Rules 7850.1700 to 7850.2700.

The Commission accepted the HVTL Route Permit Application as complete on May 26, 2009, which marked the beginning of the full permitting review process.

At the time of the route permit application acceptance the project did not meet the size and length thresholds definition of a *large energy facility* as described in Minnesota Statutes Section 216B.2421, subd. 2(2) and (3), and did not require the issuance of a Certificate of Need (CON) by the Commission.

However, this project does falls under the recently enacted statutory provision that requires a CON for transmission projects of this size and length if located in an area with high population density and the proposed transmission lines parallel a below-grade bike and walking path (2010 Minn. Laws, ch. 361, art. 5, sec. 19; Effective Date: May 18, 2010).

Therefore, the Commission must determine whether the HVTLs are necessary and in the best interest of the state through the CON process.

The Applicant applied for a Certificate of Need on November 29, 2010.

CERTIFICATE OF NEED

Before any large energy facility, in this case HVTL, can be constructed in Minnesota, the Commission must determine that they are necessary and in the best interest of the state. The certificate of need process includes environmental review and public hearings, and typically takes 12 months. This process is the only proceeding in which a no-build alternative and the size, type, timing, system configuration and voltage of the proposed project will be considered.

A copy of the certificate of need application, along with other relevant documents, can be reviewed at the Energy Facility Permitting web page at:

<http://energyfacilities.puc.state.mn.us/Docket.html?Id=30489>

The Energy Facility Permitting staff is responsible for administering the environmental review process. The Commission is responsible for determining if the transmission lines proposed are needed.

Potential routes that the transmission lines would follow, if approved, have been put forth and are being evaluated in the HVTL Route Permit proceeding (See Below).

Environmental Review. The environmental review process under the certificate of need procedures includes public information/scoping meetings and the preparation of an environmental review document, the Environmental Report (ER). Minn. Rules 7849.1000 – 7849.1500. The environmental report is a written document that describes the human and environmental impacts of the proposed project, alternatives to the project and methods to mitigate anticipated adverse impacts. The ER must be prepared before the public hearing and before the Commission can make a decision on the certificate of need application.

HVTL ROUTE PERMITTING

Minnesota Statutes Section 216E.03, subd. 2, provides that no person may construct a HVTL 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.

Xcel Energy's application for a HVTL Route Permit was being reviewed by the Commission under Docket TL-09-38. However, due to the recently enacted legislation requiring a Certificate of Need, the HVTL Route Permit proceedings are on hold pending the outcome of this Certificate of Need filing.

A copy of the HVTL route permit application, along with other relevant documents, can be reviewed at the Energy Facility Permitting web page at:

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

The DOC EFP is responsible for evaluating the HVTL route permit application and administering the environmental review process. The Commission is responsible for selecting the transmission lines routes and issuing the HVTL route permit.

PROJECT DESCRIPTION

The total length of the HVTLs would be approximately 1.4 to 3.8 miles long depending on the final route. The stated purpose of the Hiawatha Project is to meet the electrical distribution needs of the Applicant's customers in south Minneapolis, Hennepin County, Minnesota. The Applicant has stated that demand for power has increased beyond the capability of the system due to population growth, higher load density, and recent successful urban revitalization efforts, particularly in the areas along Lake Street, Hiawatha Avenue, and the Chicago and Park Avenue corridors. Additional electrical infrastructure is required to address overload conditions on the local distribution system and to improve the reliability of the power supply to residences and businesses. Without new infrastructure, electrical conditions will worsen with time.

Xcel Energy proposes to construct the following facilities:

- A new 115 kV distribution substation near Hiawatha Avenue and 28th Street (Hiawatha Substation),
- A new 115 kV distribution substation near Oakland Avenue South and 29th Street, including the site of the former Oakland Substation (Midtown Substation), and
- Two 115 kV transmission lines between the two new substations.

Potential routes that the transmission lines would follow, if approved, were put forth in the HVTL Route Permit proceeding which is currently on hold (see above). The transmission line routes will be determined through the HVTL Route Permit process expected to recommence following the certificate of need process, if a CON is granted.

SCOPING PROCESS

On February 11, 2011, EFP sent notice of the place, date and times of the Public Information and Scoping meeting to those persons on the General List maintained by the PUC, the agency technical representatives list and the project contact list. Additionally, on February 11, 2011, Xcel Energy mailed the notice to those persons on their property owners list and local unit of government list.

Notice of the public meeting was also published in local newspapers.

On Wednesday, March 16, 2011, EFP held two public information/scoping meetings at the Plaza Verde Building in Minneapolis. The meetings included two sessions, one starting at 2:00 pm and another starting at 6:00 pm. The purpose of the meetings was to provide information to the public about the proposed project, to answer questions, and to allow the public an opportunity to suggest alternatives and impacts that should be considered during preparation of the environmental review document. Written comments were due no later than Wednesday, April 6, 2011.

Approximately 50 people attended the public information and scoping meetings; 20 individuals took the opportunity to speak on the record. A court reporter was present to document oral statements. Nineteen written comments were received.

A variety of questions were asked and answered during the oral discussion. Topics included: specifics on demand side management (DSM) and conservation efforts (past, present and future), renewable local distributed generation (DG) alternatives, and combining of the various alternatives to meet the stated need; specifics on status of the routing process and weight of the ALJ's report; sources of power generation for this project; and timeline and milestones of the CON application review process.

Written comments included requests that the ER evaluate specific alternatives to the proposed HVTLs, such as, distribution/existing infrastructure solutions, wind power, individual solar installations, combined heat and power, conservation, and energy storage devices.

Many of the written comments also requested that the record (i.e., public comments, environmental report and hearing transcripts) from the routing docket be incorporated into the certificate of need docket.

Division of Energy Resources EFP staff has extracted from the public comments the following items and areas expressed for scoping the ER during the comment period below:

Alternatives

No build alternative

Facility chiller/thermal energy storage

 IceBear Technology

Up-grading existing infrastructure

DSM/Conservation

 Residential refrigeration, AC

Fossil Fuel

 Natural Gas (micro turbine, Bluegen)

Combined Heat and Power

Renewable Technologies

 Solar (PVC and water heating) on individual homes and businesses

 Geothermal Generation

 Thermal Energy Storage (facility chillers, Ice Energy, IceBear)

 Wind Energy

Emerging Technology

 Fuel Cells

 Lithium Ion Battery Storage

 High-Volume Sodium-Sulfur Battery Storage

 Vanadium Redox Battery Storage

Combining alternatives (renewable DG, DSM, emerging technology)

Issues/Impacts

Air quality

Noise

Groundwater

Impacts of the substation on residences living close by

Impacts on property values

Underground HVTLs

Impacts of construction on medical facilities in the area

EMF

Undergrounding of the HVTL

Archaeologically significant sewer lines

Relevant documents and other information on this docket can be viewed at the PUC Energy Facilities website:

<http://energyfacilities.puc.state.mn.us/Docket.html?Id=30489>

Selected alternatives and impacts, along with those required in rule (Minn. Rule 7849. 1500, subpart 1 and subpart 3), have been incorporated into the proposed Order on the Environmental Report Scoping Decision.

Alternatives identified during the scoping process that failed to eliminate the need for the proposed HVTL were not included in the scoping decision recommendation; an example would include generation that could not be sited locally (i.e., wind farm).

Contested issues or disputes of fact with respect to the representations made in the applicant's CON application (i.e., conflicts with previous transmission planning studies, quantifying the amount of need, SAIDI/SAIFI/CAIDI data, etc.) also are not included in the scoping decision; they are appropriately addressed during the CON hearing process. The Commission released a notice of public comment period on February 17, 2011, on the certificate of need application. The purpose of the notice was to solicit written comments on the merits of the proposed project, particularly whether there are any contested issues of fact with the application. The comment period was open through Thursday, March 31, 2011, with replies through Friday, April 29, 2011.

Impacts identified during the scoping process that were covered in detail in the Environmental Impact Statement (EIS) for the routing docket will only receive a high level environmental analysis in the ER; the reader will be referred to the EIS for route specific impacts (i.e., EMF, noise, substation lighting, undergrounding, environmental justice, etc.). Impacts associated with the alternatives to the HVTL contained within the scoping decision will be discussed in the ER.

STATE OF MINNESOTA
DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

**In the Matter of Xcel Energy's Application
for a Certificate of Need for the proposed
Hiawatha HVTL Project.**

**ER SCOPING DECISION
PUC Docket No. E002/CN-10-694**

The above-entitled matter came before the Deputy Commissioner of the Department of Commerce Division of Energy Resources (Division) for a decision on the scope of the Environmental Report (ER) to be prepared on the proposed Hiawatha HVTL Project.

Having reviewed the matter, consulted with the Division's Energy Facility Permitting staff, and in accordance with Minnesota Rule 7849.1400, I hereby make the following Scoping Decision.

I. SUMMARY

On April 24, 2009, Xcel Energy submitted a high voltage transmission line (HVTL) Route Permit application to the Public Utilities Commission (Commission) for the proposed Hiawatha Transmission (Hiawatha) Project. The application was submitted pursuant to the provisions of the Full Permitting Process outlined in Minnesota Rules 7850.1700 to 7850.2700.

The Commission accepted the HVTL Route Permit Application as complete on May 26, 2009, which marked the beginning of the full permitting review process.

At the time of the route permit application acceptance the project did not meet the size and length thresholds definition of a *large energy facility* as described in Minnesota Statutes Section 216B.2421, subd. 2(2) and (3), and did not require the issuance of a Certificate of Need (CON) by the Commission.

However, this project does falls under the recently enacted statutory provision that requires a CON for transmission projects of this size and length if located in an area with high population density and the proposed transmission lines parallel a below-grade bike and walking path (2010 Minn. Laws, ch. 361, art. 5, sec. 19; Effective Date: May 18, 2010).

Therefore, the Commission must determine whether the HVTLs are necessary and in the best interest of the state through the CON process.

The Applicant applied for a Certificate of Need on November 29, 2010. The Commission accepted the CON application as complete on February 15, 2011.

The environmental review process under the certificate of need procedures includes public information/scoping meetings and the preparation of an environmental review document, the Environmental Report (ER). The environmental report is a written document that describes the human and environmental impacts of the proposed project, alternatives to the project and methods to mitigate anticipated adverse impacts. The ER must be prepared before the public hearing and before the Commission can make a decision on the certificate of need application. DOC EFP staff is responsible for conducting the environmental review for CON applications submitted to the Commission (Minn. Rules 7849.1200).

II. MATTERS TO BE ADDRESSED IN THE ER

Selected alternatives and impacts, along with those required in rule (Minn. Rule 7849. 1500, subpart 1 and subpart 3), are incorporated into the Environmental Report Scoping Decision. Impacts identified during the scoping process that were covered in detail in the Environmental Impact Statement (EIS) for the routing docket will receive a high level environmental analysis in the ER; the reader will be referred to the EIS for route specific impacts (i.e., EMF, noise, undergrounding, etc.). Impacts associated with the “alternatives to the proposed HVTL” listed below will be discussed in the ER.

The ER on the proposed Hiawatha HVTL project will address and provide information on the following matters:

INTRODUCTION

- Purpose and Need
- Regulatory requirements

PROJECT DESCRIPTION

- General
- Design
- Right-of-Way Requirements and Acquisition
- Construction
- Operation and Maintenance
- Permits

ALTERNATIVES TO THE PROPOSED HVTL

- No-build Alternative
- Demand Side Management
- Purchased Power
- Up-grading Existing Facilities
- Size, Type, System Configuration Alternatives
- Local Generation
 - Fossil Fuel Technologies
 - Micro-Turbines
 - Renewable Resource Technologies
 - Solar
 - Thermal Energy Storage
 - Geothermal
 - Biomass
 - Emerging Technologies
 - Fuel Cells
 - Lithium Ion Battery Storage
 - High-Volume Sodium-Sulfur Battery Storage
 - Vanadium Redox Battery Storage

Combining Technologies and Alternatives

ENVIRONMENTAL AFFECTS

- Air Quality
- Biological Resources
- Culture Resources

Geology and Soils
Health and Safety
Land Use
Noise
Socioeconomics
Transportation
Visual Impacts and Aesthetics
Water Resources (surface, groundwater, wetlands)
Waste Management and Disposal

REQUIRED PERMITS AND APPROVALS

The ER will include a list of permits that will be required for the project.

III ISSUES OUTSIDE THE SCOPE OF THE ER

The following issues will not be considered or evaluated in the ER:

- Route or substation alternatives.
- Generation alternatives that cannot be sited locally (i.e., wind farm).
- Any alternatives that do not meet the underlying need for or purpose of the project.
- The impacts of specific energy sources, such as carbon outputs, from non-local generating facilities.
- The manner in which land owners are paid for transmission rights-of-way easements.
- Contested issues or disputes of fact with respect to the representations made in the CON application.

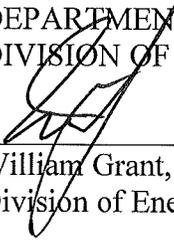
IV SCHEDULE

Following is the anticipated schedule: July 2011 – ER Available

The above outline is not intended to serve as a “Table of Contents” for the ER document, and as such, the organization (i.e., structure of the document) of the information and the data may not be similar to that appearing in the ER.

Signed this 21st day of April, 2011

STATE OF MINNESOTA
DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES



William Grant, Deputy Commissioner
Division of Energy Resources

This document can be made available in alternative formats (i.e., large print or audio) by calling 651-296-0391 (voice). Persons with hearing or speech disabilities may call us through Minnesota Relay at 1-800-627-3529 or by dialing 711.