OAH 60-2500-33070
PUC No. IP6949/GS-15-620

STATE OF MINNESOTA
OFFICE OF ADMINISTRATIVE HEARINGS

FOR THE PUBLIC UTILITIES COMMISSION

In the Matter of Mankato Energy Center II L.L.C.'s Application for a Site Permit for the 345 MW Expansion of the Mankato Energy Center in Blue Earth County, Minnesota

SUMMARY OF PUBLIC TESTIMONY

Administrative Law Judge James E. LaFave held a public hearing in this matter pursuant to a Notice of Public Hearings dated February 8, 2016.[1] The hearing was held at the Carlson Inn and Suites in Mankato, Minnesota on March 7, 2016, at 6:00 p.m.

Ray Kirsch appeared at the public hearing on behalf of the Department of Commerce, Energy Environmental Review and Analysis Unit (Department).

John Flumerfelt, Director of Government and Regulatory Affairs, and Heidi Whidden, Environmental Director, appeared at the public hearing on behalf of Calpine Corporation (Calpine).

Tricia DeBleeckere, Staff Analyst, appeared at the public hearing on behalf of the Commission.

The written public comment period ended on March 18, 2016,[2] and the record closed on that date.

INTRODUCTION

Mankato Energy Center II L.L.C. (MEC II) seeks a site permit to expand the existing Mankato Energy Center, which is a 375 Megawatt (MW) dual fuel combined-cycle generating facility located in the City of Mankato in Blue Earth County, Minnesota (Existing Facility). The Existing Facility is owned by Mankato Energy Center I L.L.C. (MEC I). The expansion involves the planned completion of the existing Mankato Energy Center through the addition of one natural gas-fired combustion turbine generator (CTG), an additional heat recovery steam generator (HRSG), and related ancillary equipment (the Expansion Project). The Expansion Project would result in an

[1] NOTICE OF PUBLIC HEARINGS IN THE MATTER OF THE MANKATO ENERGY CENTER II, LLC'S APPLICATION FOR A SITE PERMIT FOR THE 345 MW EXPANSION OF THE MANKATO ENERGY CENTER IN BLUE EARTH COUNTY MINNESOTA (Feb. 8, 2016) (eDocket No. 20162-118060-01).
[2] *Id.* at 2.

additional 345 MW of integrated combined-cycle and peaking capacity, as measured under winter conditions, located entirely within the Existing Facility's 25-acre footprint.[3]

Present at the hearing were John Flumerfelt, Director of Government and Regulatory Affairs for Calpine Corporation, Ray Krisch, with the Minnesota Department of Commerce, Energy Environmental Review and Analysis unit, and Tricia DeBleeckere, staff member, Public Utilities Commission.

No person may construct a large electric power electric power generating plant without a site permit from the Commission.[4] A large electric power generating plant is defined as "electric power generating equipment and associated facilities designed for or capable of operation at a capacity of 50,000 kilovolts or more."[5] MEC II has proposed expanding its existing facility by an increase of 345 MW, which requires the company to obtain a permit. To facilitate development of the record, the Commission authorized the use of the alternative permitting process set forth in Minnesota Statute section 216E.04 (2014), and Minnesota Rules 7850.2800 through 7850.3900 (2015).[6] The Commission referred the case to the Office of Administrative Hearings to conduct a public hearing and file a written summary of the public comments.[7]

Approximately 15 members of the public attended the public hearing, 9 of whom signed the sign-in sheets.[8]

PROCEDURAL HISTORY

1. The proposed Expansion Project will be owned by MEC II and operated by Calpine Operating Services Company Inc. (COSCI).[9] The Existing Facility, including the associated land, is owned by MEC I and operated by COSCI.[10] All entities are wholly owned indirect subsidiaries of Calpine.[11] Calpine is an independent power producer that specializes in the development, construction, ownership, and operation of wholesale electric generating facilities.[12]

2. On September 16, 2004, the Minnesota Environmental Quality Board (EQB) issued a site permit for the construction of a 2 x 1 combined cycle electric generating facility[13] consisting of two natural gas fired (with fuel oil back-up) CTGs, two

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[3] APPLICATION at 1-1 (Aug. 5, 2015) (eDocket No. 20158-113056-02).
[4] *See* Minn. Stat. § 216E.03, subd. 1 (2014).
[5] Minn. Stat. § 216E.01, subd. 5 (2014).
[6] ORDER FINDING APPLICATION COMPLETE, REQUESTING SUMMARY REPORT, AND GRANTING VARIANCE at 3 (Oct. 14, 2015). (eDocket No. 201510-114798-01).
[7] *Id.*
[8] *See* SIGN-IN SHEETS FOR PUBLIC HEARING (March 7, 2016). (eDocket No. 20163-119205-02).
[9] APPLICATION at 2-1 (Aug. 5, 2015). (eDocket No. 20158-113056-02).
[10] *Id.*
[11] *Id.*
[12] *Id.*
[13] *Id.* at fn 3 ("A combined cycle facility refers to a power block arrangement with at least one combustion turbine generator, one heat recovery system generator that may be equipped with duct burners and one steam turbine-generator.").

HRSGs with natural gas fired duct burners, one steam turbine, and associated machinery and equipment.[14] The Existing Facility was constructed to accommodate future expansion.[15]

3. The Expansion Project for which MEC II now seeks a Site Permit involves completion of the originally planned 2 x 1 combined cycle electric generating facility through the addition of one natural gas-fired CTG, an additional HRSG, and related ancillary equipment (*e.g.* four additional cooling tower cells.)[16] The Expansion Project would result in an incremental 345 MW of integrated combined-cycle and peaking capacity, as measured under winter conditions.[17]

4. The Commission issued an Order Finding Application Substantially Complete and Initiating Informal Review Process on October 14, 2015. The Order directed Commission staff to work with the Administrative Law Judge and Department staff in selecting suitable locations for a public hearing on the application.[18]

5. Notice of the Public Hearing was published in *The Free Press* and *The Land* (Mankato, MN) on February 10, 2016.[19]

6. The Administrative Law Judge convened the public hearing on March 7, 2016, and explained that the purpose of the public hearing was to solicit public comments regarding the proposed Expansion Project. At the outset of the hearing, John Flumerfelt, Director of Government and Regulatory Affairs for Calpine, gave a short presentation on the Expansion Project.[20] Ray Kirsch, Department staff member, explained the Environmental Assessment was prepared in this matter to provide assistance to the Commission and other decision-makers regarding the Expansion Project.[21] Tricia DeBleeckere, a staff analyst with the Commission, made a short statement regarding her role in this proceeding.[22]

SUMMARY OF PUBLIC TESTIMONY

The March 7, 2016, Mankato Public Hearing

7. Three members of the public spoke at the hearing.[23]

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[14] APPLICATION at 2-1 (Aug. 5, 2015) (eDocket No. 20158-113056-02).
[15] *Id.*
[16] *Id.*
[17] *Id.* at 2-1, 2-2.
[18] ORDER FINDING APPLICATION COMPLETE, REQUESTING SUMMARY REPORT AND GRANTING VARIANCE (Oct. 14, 2015) (eDocket No. 201510-114798-01).
[19] AFFIDAVIT OF PUBLICATION (Feb. 10, 2016) (eDocket No. 20162-118323-01).
[20] Mankato Public Hearing Transcript (Mankato Tr.) at 10-11 (March 7, 2016) (eDocket No. 20163-119204-01).
[21] *Id.* at 7-8.
[22] *Id.* at 9.
[23] Mankato Tr. at 11-30 (March 7, 2016) (eDocket No. 20163-119204-01).

8. The first speaker was Drew Campbell, a life-long resident of Mankato, who currently serves as a Blue Earth County Commissioner. He questioned the need for the Expansion Project, given that Mankato already has two power plants and Minnesota's goal of using renewable energy in the future.[24] Mr. Flumerfelt from Calpine responded that the question of need was determined by the Commission in the context of Xcel Energy's integrated resource plan.[25] He maintained that the Commission looks at different economic forecasts and the capability of the existing power plants in Xcel's system in determining need.[26] He noted there was a balance of renewable energy and gas-fired power plants as part of the contract awarded by the Commission.[27]

9. Mr. Campbell went on to ask how the power was going to be utilized.[28] Mr. Flumerfelt explained that Calpine is the owner and operator of the plant and provides power under a long-term contract with Xcel Energy.[29] Ms. DeBleeckere, Commission staff member, added that about a month ago, Xcel filed an updated integrated resource plan with the Commission.[30] This plan explained how, over the next 25 years, the proposed Expansion Project fit into Xcel's long-term use of renewables, wind, and the other resources on their system.[31] She confirmed that Xcel was on-track to meet its 2030 goals for renewable and solar energy.[32]

10. Mr. Campbell also expressed some concern over the water usage for the proposed Expansion Project.[33] Mr. Krisch, Department staff member, noted that MEC II is going to be expanding the cooling towers as part of the Expansion Project and that consequently there would be more evaporative water loss.[34] Mr. Krisch, however, went on to explain that the water for the Expansion Project is coming directly from the Mankato water treatment plant, and therefore the water has already gone through the ecosystem.[35] He opined that the Expansion Project would have very little impact on the environment.[36]

11. Mr. Campbell also noted there are a lot of labor unions in the local area and asked if prevailing wages would be paid during the construction process.[37] Mr. Flumerfelt stated that he did not think there had been any outreach in terms of bidding out the construction jobs, but he is sure the answer would be "yes."[38]

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[24] *Id.* at 13.
[25] *Id.* at 14.
[26] *Id.*
[27] *Id.*
[28] *Id.*
[29] *Id.* at 15.
[30] *Id.* at 16.
[31] *Id.*
[32] *Id.* at 18.
[33] *Id.* at 21.
[34] *Id.*
[35] *Id.* at 21-22.
[36] *Id.*
[37] *Id.* at 28.
[38] *Id.*

12. Mr. Cameron Raether, another Mankato resident, spoke next and stated that the water for the Expansion Project is going to be "grey water" from the waste treatment plant and because of the stringent requirements on gas-fired plants like this, the water returned to the river would be better than if the city put the water directly into the river from the waste treatment plant.[39] Mr. Raether then asked about the source of the natural gas that was needed to fuel the plant.[40] Mr. Flumerfelt responded that Xcel is responsible for providing the natural gas to the proposed Expansion Project.[41]

13. The last member of the public to speak at the hearing was Mankato resident Randy Westman.[42] Mr. Westman asked about the timeline for the proposed Expansion Project.[43] Heidi Whidden, Environmental Director for Calpine, responded that commercial operations are scheduled to begin on June 1, 2019.[44]

SUMMARY OF THE WRITTEN COMMENTS

Two written comments were submitted before the close of the written comment period.

14. The Minnesota Pollution Control Agency (MPCA) wrote to state that its staff reviewed the Environmental Assessment and had no comments at this time.[45] The letter went on to caution that it does not constitute approval by the MPCA of any or all elements of the project for the purpose of pending or future permit actions by the MPCA.[46]

15. On March 18, 2016, Calpine Corporation wrote to state that it had reviewed the Environmental Assessment, agreed with the conclusions provided in the assessment and had no further comments on them.[47] The letter provided a few points of clarification on certain portions of the assessment; however none of the clarifications change the basis or conclusions reached in the assessment.[48]

16. In its March 18th letter, Calpine raised one additional concern.[49] It noted that the Department's Environmental Assessment included a generic site permit in Appendix B.[50] On page 3 of Appendix B, under 4.2.4 "Noise," it states "[c]onstruction

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[39] *Id.* at 24-25.
[40] *Id.* at 25.
[41] *Id.*
[42] *Id.* at 29.
[43] *Id.*
[44] *Id.* at 29-30.
[45] LETTER FROM KAREN KROMER, PRINCIPAL PLANNER TO THE HONORABLE JUDGE JAMES LAFAVE (March 18, 2016) (eDocket No. 20163-119582-01).
[46] *Id.*
[47] LETTER FROM HEIDI M. WHIDDEN, DIRECTOR, ENVIRONMENTAL SERVICES, EAST REGION TO DANIEL P. WOLF, EXECUTIVE SECRETARY, MINNESOTA PUBLIC UTILITIES COMMISSION at 1 (March 18, 2016) (eDocket No. 20163-119274-01).
[48] *Id.* at 1-2.
[49] *Id.* at 2.
[50] *Id.*

and routine maintenance activities shall be limited to daytime working hours."[51] Calpine asserts that in order to meet the project's commercial operation date, continuous 24-hour activity may be required at the project site to complete construction, system commissioning, and operation preparation activities.[52] Calpine stated that the Mankato Energy Center currently complies with noise standards and that Calpine will comply with all applicable noise standards during construction of the Expansion Project.[53] Calpine requested that the site permit not limit construction to only daytime hours.[54]

Dated: April 13, 2016

JAMES E. LAFAVE
Administrative Law Judge

Reported: Janet Shaddix & Associates
One Volume

[51] ENVIRONMENTAL ASSESSMENT, Appendix B at 3 (February 18, 2016) (eDocket No. 20162-118417-01).
[52] *Id.*
[53] *Id.*
[54] *Id.*

MINNESOTA
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April 13, 2016

See Attached Service List

Re: In the Matter of Mankato Energy Center Expansion (GS-15-620)

OAH 60-2500-33070
MPUC IP6949/GS-15-620

To All Persons on the Attached Service List:

Enclosed and served upon you is the Administrative Law Judge's **SUMMARY OF PUBLIC TESTIMONY** in the above-entitled matter.

If you have any questions, please contact my legal assistant Rachel Youness at (651) 361-7881 or rachel.youness@state.mn.us, or facsimile at (651) 539-0310.

Sincerely,

JAMES E. LAFAVE
Administrative Law Judge

JEL:ry
Enclosure
cc: Docket Coordinator

STATE OF MINNESOTA
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CERTIFICATE OF SERVICE

In the Matter of Mankato Energy Center Expansion (GS-15-620)	OAH Docket No.: 60-2500-33070 MPUC IP6949/GS-15-620

Rachel Youness, certifies that on April 13, 2016 she served the true and correct **SUMMARY OF PUBLIC TESTIMONY** by eService, and U.S. Mail, (in the manner indicated below) to the following individuals:

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