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February 17, 2005

TO: Members
Environmental Quality Board

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

RE: Invenergy Cannon Falls, LLC – Cannon Falls Energy Center
EQB Docket No. 04-85-PPS-Cannon Falls Energy Center

ACTION REQUESTED: The Board is asked to issue a permit to Invenergy Cannon Falls, LLC (Invenergy), identifying a site for a new 357-megawatt, simple cycle, natural gas-fired, peaking power plant to be located in Goodhue County, Minnesota. Further, the Board is asked to find that the Environmental Assessment (EA) and the record address the issues identified in the scoping decision.

BACKGROUND: On August 25 2004, Invenergy submitted to the Minnesota Environmental Quality Board (MEQB) a site permit application regarding the Cannon Falls Energy Center.

Invenergy has committed all of the electricity generated to Northern States Power through a bidding process approved by the Minnesota Public Utilities Commission (MPUC) in that utility's resource planning process. An electric power plant selected in a bidding process approved by the MPUC is exempt from the certificate of need process (Minn. Stat. § 216B.2422, subd. 5). Invenergy, therefore, will not be required to file for a CON from the MPUC for the Cannon Falls Energy Center.

The proposed facility will be located on an approximately 55-acre site in the Business Park North area in Cannon Falls, Minnesota.

To supply natural gas to the facility, a lateral pipeline will be constructed to connect the Cannon Falls Energy Center to the Northern Natural Gas Company's (NNG) existing interstate pipeline. The pipeline will originate at the 30-inch NNG mainline near Farmington, Minnesota and extend approximately 12 miles southwest to the facility.

An existing 161 kV transmission line (the Cannon Falls line) runs along the western boundary of the project site. This line is owned by GRE. The line runs approximately 2 miles southwest to the Northern States Power Cannon Falls substation. The proposed project will interconnect to the transmission system at this substation via one of two options. One option would reconfigure

the existing 161 kV line to loop into a switching station that GRE would construct at the project site. The other option would be to construct a new 115 kV transmission line parallel along the existing Spring Creek – Cannon Falls line.

The natural gas pipeline and HVTL will be permitted through separate processes.

On September 22, 2004, a public meeting was held by the MEQB staff at the public meeting room in the Cannon Falls city hall to discuss the Cannon Falls Energy Center project with interested persons and to solicit input into the scope of the EA. Approximately twenty-two people, in addition to representatives of Invenergy and EQB staff, attended the public meeting. The public also had an opportunity to ask questions during informal discussions with company representatives.

The comment period was held open until 5:00 pm on September 30, 2004.

Five written comment letters were received during the public comment period; two citizen letters (LeAnn Thorburn and Dick Peterson), a letter from The Minnesota Project, a letter from Goodhue County (Brad Johnson) and a letter from the Minnesota Department of Commerce (MDOC).

Invenergy also submitted written responses to each of the comment letters.

The major areas of concern voiced during the public meeting and comment period included: air quality impacts, noise impacts, visual aesthetics, use of biodiesel as a backup fuel and potential personal property tax exemptions.

The issues of air quality impacts, noise impacts and visual aesthetics were incorporated into the Scoping Decision along with a number of other usual impacts associated with large energy projects. The EA scoping decision did not consider the use of blended biodiesel as a back-up fuel because it was felt that the issue was more appropriate for the MPUC to consider given the Commission's authority over size, type and timing of energy facilities. Being a matter for the legislature to consider, the issue of granting Invenergy a personal property tax exemption was not incorporated into the EA scoping decision. No alternative sites were identified.

The Scoping Decision was signed by the Chair on October 1, 2004. The EA was completed on November 1, 2004.

A public hearing presided over by Administrative Law Judge Kathleen Sheehy was held on December 1, in Cannon Falls on the application for the site permit. Approximately forty people, in addition to representatives of Invenergy and EQB staff, attended the public hearing. Following a presentation by EQB staff and representatives of Invenergy, the public was afforded an opportunity to ask questions and provide comment.

The comment period was held open until 5:00 pm on December 10, 2004.

On February 4, 2005, a report and recommendation was received from Judge Sheehy. Judge Sheehy recommended that a site permit be issued to Invenergy for the Cannon Falls Energy Center site as proposed in the Site Permit application.

The Summary of Evidence from Judge Sheehy's report has been incorporated into the draft Findings of Facts prepared for the Board, with a few minor corrections.

POTENTIAL SIGNIFICANT ISSUES:

While no person has registered any concerns about whether the Environmental Assessment addresses the matters identified in the scoping decision, continued concern and comments were raised at the hearing about the potential impacts of the proposed plant on air quality in the community.

The EQB staff addressed the matter of air quality impacts in the Environmental Assessment. The information was taken primarily from Invenergy's application to the Minnesota Pollution Control Agency for an air permit for the facility. The Pollution Control Agency has submitted a letter into the record commenting that the facility could be permitted at this site. The PCA will establish in the air permit the actual emission limitations and operational requirements that Invenergy will have to comply with.

As part of its permit application, Invenergy addressed emissions of criteria pollutants – those for which the U.S. Environmental Protection Agency has promulgated national ambient air quality standards (sulfur dioxide, particulate matter, carbon monoxide, and nitrogen oxides) – and hazardous air pollutants (HAPs) - sixteen different heavy metals and organic compounds.

STAFF RECOMMENDATION: The staff recommends that the Board grant the requested permit for the site in Cannon Falls. In addition, it is necessary for the Board to find that the Environmental Assessment and the record have addressed the issues identified in the scoping decision. Draft Findings of Fact, Conclusions, and Order have been prepared for the site permit and EA/record adequacy decision.

The site permit contains certain conditions. These are based on the information in the application and in the environmental review document. The conditions reflect the commitments and intentions of the applicant in constructing the facilities. Invenergy does not object to any of the conditions.

Admin Minnesota
STATE AND COMMUNITY SERVICES

PROPOSED RESOLUTION

OF THE

MINNESOTA ENVIRONMENTAL QUALITY BOARD

Designation of Site and Issuance of
Site Permit

To
Invenergy Cannon Falls, LLC

For a

357 megawatt Large Electric Power Generating Plant
in
Goodhue County

MEQB Docket No. 04-85-PPS-Cannon Falls EC

BE IT RESOLVED, that the Minnesota Environmental Quality Board approves and adopts the Findings of Fact, Conclusions and Order designating a site within Cannon Falls (Township 112 north, Range 17 west, $NW_{1/4}$ Section 6, Goodhue County, Minnesota) for a 357-megawatt, natural gas-fired, large electric power generating plant and issuing a Site Permit to Invenergy Cannon Falls, LLC

BE IT FURTHER RESOLVED, that the Minnesota Environmental Quality Board approves and adopts the Findings of Fact, Conclusions and Order which determines that the Environmental Assessment and the record created at the public hearing addresses the issues identified in the scoping decision.

BE IT FURTHER RESOLVED, that Robert A. Schroeder, chair of the Board, is authorized to sign the adopted Findings of Fact, Conclusions and Order, and the Site Permit.

STATE OF MINNESOTA
ENVIRONMENTAL QUALITY BOARD

In the Matter of the LEPGP Site Permit Application by Invenergy Cannon Falls, LLC, for the construction of the Cannon Falls Energy Center in Goodhue County	**FINDINGS OF FACT, CONCLUSIONS, AND ORDER** **MEQB DOCKET NO. 04-85-PPS-Cannon Falls EC**

The above-captioned matter came before the Minnesota Environmental Quality Board at a regularly schedule meeting on February 17, 2005. Invenergy Cannon Falls, LLC, (Invenergy), has submitted a Site Permit application for the construction of a Large Electric Power Generating Plant (LEPGP) in Goodhue County. Invenergy proposes to construct, own and operate a 357-megawatt, simple cycle, natural gas-fired LEPGP, referred to as the Cannon Falls Energy Center.

STATEMENT OF ISSUE

Should Invenergy be granted a Site Permit for the Cannon Falls Energy Center project? If so, what conditions should be incorporated into the permit?

Based upon all of the proceedings herein, the Minnesota Environmental Quality Board makes the following:

FINDINGS OF FACT

1. The Summary of Evidence of the Administrative Law Judge in her Report of February 4, 2005, is hereby adopted as Findings of Fact by the EQB with the inclusion of the following amendments.

2. Paragraph 38 of the Judge's Report is amended to read as follows:

   The EQB's ~~route~~ site permit determination must be guided by the state's goals to conserve resources, minimize environmental impacts, minimize human settlement and other land use conflicts, and ensure the state's electric energy security through efficient, cost-effective power supply and electric transmission infrastructure.

3. Paragraph 38, item 1 of the Judge's Report is amended to read as follows:

   Evaluation of research and investigations relating to the effects on land, water and air resources of large electric power generating plants and HVTLs and the effects of water and air discharges and electric and magnetic fields resulting from such facilities on public health and welfare, vegetation, animals, materials and aesthetic values, including baseline studies, predictive modeling, and evaluation of new or improved methods for minimizing adverse impacts of water and air discharges and other matters pertaining to the effects of power plants on the water and air environment;

4. Paragraph 40 of the Judge's Report is amended to read as follows:

   The EQB is to assess the following specific considerations in determining whether to issue a ~~route~~ site permit for an ~~HVTL~~ LEPGP:

5. Footnote 42 of the Judge's Report is amended to read as follows:

   Minn. Stat. § 116C.575, subd. 9 ~~(b)~~ (a); *id.* § 116C.57, subd. 4.

Based on the foregoing Findings of Fact, the Environmental Quality Board makes the following:

CONCLUSIONS

1. Any of the foregoing Findings more properly designated as Conclusions are hereby adopted as such.
2. The Environmental Quality Board has jurisdiction over the subject matter of this proceeding pursuant to Minn. Stat. § 116C.57, subdivision 2.
3. This project qualifies for review under the Alternative Review Process of Minn. Stat. § 116C.575 and Minn. Rules parts 4400.2000 to 4400.2950.
4. The Applicant and the EQB have complied with all procedural requirements required by law.
5. The EQB has completed an Environmental Assessment on this project as required by Minn. Stat. § 116C.575, subdivision 5, and Minn. Rules part 4400.2750, and considered all the pertinent factors in determining which site to approve.
6. The conditions included in the Site Permit are reasonable and appropriate and will help to minimize the impacts of this project and are agreed to by the Applicant.

Based on the Findings of Fact and Conclusions contained herein and the entire record of this proceeding, the Environmental Quality Board hereby makes the following:

ORDER

A Site Permit is issued to Invenergy for construction of a 357-megawatt, natural gas fired large electric power generating plant in Goodhue County on the site identified in the Site Permit Application dated August 24, 2004. The Permit shall be issued in the form attached hereto, with a map showing the approved site.

Approved and adopted this 17th day of February, 2005

STATE OF MINNESOTA
ENVIRONMENTAL QUALITY BOARD

_____
Robert A. Schroeder, Chair

SITE PERMIT

FOR CONSTRUCTION OF A

LARGE ELECTRIC POWER GENERATING PLANT

IN

GOODHUE COUNTY, MINNESOTA

ISSUED TO

INVENERGY CANNON FALLS, LLC.

MEQB DOCKET NO. 04-85-PPS-CANNON FALLS EC

In accordance with the requirements of Minnesota Statutes section 116C.57 and Minnesota Rules chapter 4400, this Site Permit is hereby issued to:

INVENERGY CANNON FALLS, LLC

Invenergy Cannon Falls, LLC is authorized by this permit to construct a new 357-megawatt, peaking, natural gas-fired large electric power generating plant and associated facilities on a site in the city limits of Cannon Falls, Minnesota, identified in this Permit and in compliance with the conditions specified in this Permit.

STATE OF MINNESOTA
ENVIRONMENTAL QUALITY BOARD

_____

Robert A. Schroeder
Chair

Issued: February 17, 2005

I. SITE PERMIT

The Minnesota Environmental Quality Board hereby issues this Site Permit to Invenergy Cannon Falls, LLC (Invenergy), pursuant to Minnesota Statutes section 116C.57 and Minnesota Rules chapter 4400 to construct a 357-megawatt, natural gas-fired, peaking power plant and associated facilities on a site in Goodhue County, Minnesota, within the city limits of the City of Cannon Falls, more specifically designated in this Permit.

II. PROJECT DESCRIPTION

Invenergy is proposing to develop, construct, and operate a natural gas-fired simple cycle power plant to be called the Cannon Falls Energy Center (CFEC). The facility, which is scheduled to begin operation on or before May 2006, will be capable of generating approximately 357 megawatts (MW) of electricity. The two combustion turbines will be used to generate electricity during periods of peak demand, and Invenergy expects that the turbines will be used no more than 7,359 unit hours per year as referenced in draft MPCA air permit #0490088-001.

III. DESIGNATED SITE

The site approved by the EQB in this Permit is a 55 acre site in the northwest quarter of the northeast quarter of Section 6, Township 112 north, Range 17 west, in the Cannon Falls Business Park North. The proposed property boundaries are located 600 feet west of Cannon Industrial Boulevard, 850 feet north of Holiday Avenue, and approximately 300 feet northwest of County Highway 29. The site shares its western boundary with the boundary separating Goodhue County and Dakato County. The site is more specifically described in the permit application and in the Environmental Assessment and is shown in the attached map.

IV. PERMIT CONDITIONS

The following conditions shall apply to the construction of the facility on the designated site.

A. Site Plan. At least ten days prior to commencing construction, the Permittee shall submit to the EQB a site plan showing the location and placement of the various structures to be constructed, including all electrical equipment, pollution control equipment, roads, and other associated facilities. The Permittee shall have the right to move or relocate any of these structures after construction commences, but the Permittee shall file an amended site plan with the EQB prior to implementation.

B. Construction Practices

1. **Application.** The Permittee shall follow those specific construction practices and material specifications described in the Application, unless this Permit establishes a different requirement in which case this Permit shall prevail.

2. **Field Representative.** At least ten days prior to commencing construction, the Permittee shall advise the EQB in writing of the person or persons designated to be the field representative for the Permittee with the responsibility to oversee compliance with the conditions of this Permit during construction. This person's address, phone number, and emergency phone number shall be provided to the EQB, who may make the information available to local residents and public officials and other interested persons. The Permittee may change its field representative at any time upon written notice to the EQB.

3. **Roads.** At least ten days prior to commencing construction, the Permittee shall advise the EQB and other appropriate governing bodies having jurisdiction over roads, of all state, county, and township roads that will be used during construction of the project. Where practical, existing roadways shall be used for all activities associated with construction of the facility. Where practical, all-weather roads shall be used to deliver heavy components to and from the site. The Permittee shall, prior to the use of such roads, make satisfactory arrangements with the appropriate state, county, and township governmental bodies having jurisdiction over the roads to be used for construction, for repair and maintenance of those roads that will be subject to extra wear and tear due to transportation of equipment and materials. The Permittee shall notify the EQB of such arrangements upon request of the EQB.

B. Completion of Construction.

1. **Plans and Specifications.** Within sixty days after completion of construction of the facility, the Permittee shall submit to the EQB the "as built" plans and specifications.

2. **GPS Data.** Within sixty days of completion of construction, the Permittee shall submit to the EQB, in the format requested by the EQB, geo-spatial information (GIS compatible maps, GPS coordinates, etc.) for the power plant and associated facilities.

C. Other Requirements. The Permittee shall comply with all applicable state rules and statutes. The Permittee shall obtain all required permits for the project and comply with the conditions of these permits. A list of the

anticipated permits and associated environmental approvals required for the project are listed on Table 18 of the Environmental Assessment.

D. Delay in Construction. If the Permittee has not commenced construction within four years from the date of issuance of this Permit, the EQB shall consider suspension of the Permit in accordance with Minn. Rules part 4400.3750.

E. Special Conditions.

1. **Lighting**. The Permittee shall provide exterior lighting for the facility for security and safety throughout the generating facility. Illumination levels will be in accordance with the Illuminating Engineering Society (IES) Handbook and code requirements. To reduce the visibility of the facility, the Permittee shall employ task lighting instead of flood or area lighting. The Permittee shall shield all outdoor lights and direct the lighting toward the ground as much as practical.

2. **Mitigation of Visual Impacts**. The Permittee shall provide mitigative measures to reduce the visual impact of the facility. These measures may include a generation building around the combustion turbine generators to provide an appearance more closely resembling a manufacturing facility and/or landscaping measures (i.e., berms and vegetation). The exact mitigative measures employed will be determined by Invenergy through consultation with the City of Cannon Falls, and Invenergy will provide the EQB with copies of the final plans and specifications for the mitigative measures.

V. PERMIT AMENDMENT.

This permit may be amended at any time by the Environmental Quality Board. Any person may request an amendment of this permit by submitting a request to the Chair in writing describing the amendment sought and the reasons for the amendment. The Chair will mail notice of receipt of the request to the Permittee. The EQB may amend the permit after affording the Permittee and interested persons such process as is required.

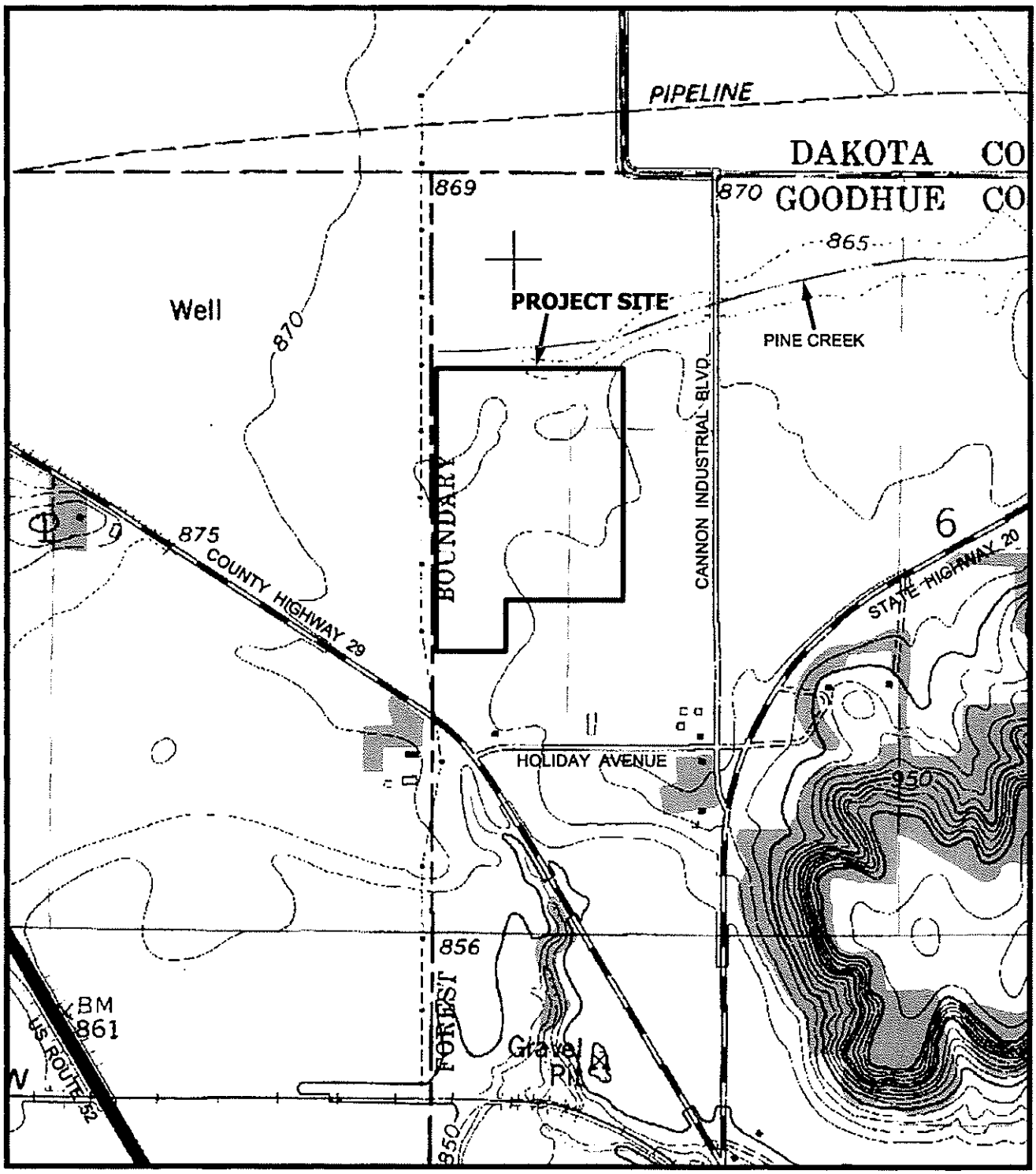
VI. TRANSFER OF PERMIT

The Permittee may request at any time that the Environmental Quality Board transfer this permit to another person or entity. The Permittee shall provide the name and description of the person or entity to whom the permit is requested to be transferred, the reasons for the transfer, a description of the facilities affected, and the proposed effective date of the transfer. The person to whom the permit is to be transferred shall

provide the EQB with such information as the EQB shall require to determine whether the new permittee can comply with the conditions of the permit. The EQB may authorize transfer of the permit after affording the Permittee, the new permittee, and interested persons such process as is required.

VII. REVOCATION OR SUSPENSION OF THE PERMIT

The Environmental Quality Board may initiate action to revoke or suspend this permit at any time. The EQB shall act in accordance with the requirements of Minnesota Rules part 4400.3950 to revoke or suspend the permit.



MAP REFERENCE:

PORTION OF U.S.G.S. QUADRANGLE MAP
7 ½ MINUTE SERIES (TOPOGRAPHIC)
CANNON FALLS, MINNESOTA 1974

NORTH

500 0 500 1000

SCALE IN FEET

CANNON FALLS ENERGY CENTER
CANNON FALLS, MINNESOTA

FIGURE 1
PROJECT SITE MAP

DATE: JUNE 10, 2004	
JOB NO.: 25365157	
DRAWN BY: MAR	CHK'D BY: EM
SCALE: AS SHOWN	

URS
1701 GOLF ROAD, SUITE 1000
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