

STATE OF MINNESOTA  
OFFICE OF ADMINISTRATIVE HEARINGS  
FOR THE PUBLIC UTILITIES COMMISSION

In the Matter of the Joint Application of Minnesota Power and Great River Energy for Certification of the Need for High Voltage Transmission Lines

**SUMMARY OF TESTIMONY  
AT PUBLIC HEARINGS**

Pursuant to Minn. R. 7848.2000, Subpart 11, Administrative Law Judge (ALJ) Richard C. Luis conducted public hearings on the evenings of March 28 and March 29, 2006 in Backus (at the City Hall) and Tower (at the Tower-Sudan High School), respectively, to hear the views of members of the public regarding the need for two proposed 115 kV transmission lines.

The Petition for Certification of the Need for the lines was filed jointly by Minnesota Power and Great River Energy ("Applicants", "Utilities"). The Utilities propose to construct a 55-mile transmission line in north central Minnesota between Park Rapids and Pequot Lakes. The second proposed line is approximately 15 miles in length, between Tower and Embarrass in northeastern Minnesota. The Park Rapids to Pequot Lakes line runs through portions of Hubbard, Cass and Crow Wing Counties. The Tower to Embarrass line would be built entirely within St. Louis County.

The Park Rapids to Pequot Lakes line, known as the Badoura Project, involves the upgrading and building of new transmission lines to interconnect five existing substations in the three counties. Minnesota Power and Great River Energy have declared that the line is needed to meet the current and growing needs of their customers in north central Minnesota.

The line between Tower and Embarrass, known as the Tower Project, would involve the construction of new transmission lines, a new switching station at Embarrass and a new substation at Tower. The Petitioners have stated that the facilities proposed in the Tower Project are needed to meet the current and growing demands of their customers in northeastern Minnesota.

Approximately 15 members of the public appeared at each of the public hearings. Several of these people offered testimony and exhibits, and followed up with written comments before the deadline stated by the Administrative Law Judge for such filings, April 7, 2006.

Participants were instructed that, should they file comments after April 7, to file them directly with Mr. Robert Cupit at the offices of the Commission.

It is noted that the Commission will issue an Order on the Application for Certification of Need by the Applicants after examination of this Summary, the hearing transcripts, all written filings submitted by the public and all filings and arguments submitted by the Applicants, the Minnesota Department of Commerce and other persons and entities interested in this matter. The Commission's deadline for issuance of that Order is June 1, 2006.

### SUMMARY OF TESTIMONY IN BACKUS

After introductory remarks by the Administrative Law Judge, and short presentations from Robert Cupit of the Commission's staff, Bill Storm, a planning director for the Department of Commerce and Larry Bubacz, an environmental services representative for permitting and route setting at Minnesota Power (representing both Utilities), testimony was taken from five members of the public-Ray Peterson, Les Hagemeyer, Henry Buerkley, Mary Buerkley and Allan Knutson.

Mr. Cupit described the Commission's role as a review and decision – making body in this proceeding, and emphasized that the purpose of the hearing was to make a record about whether the projects proposed are needed. He noted that the Utilities filed for the Certificate of Need in November, 2005. Prior to the filing, they were required to report how they were going to notify the public of the hearing process, and to develop a plan to file with the Commission for identifying the corridors along which that they might, in the future, propose to route the power lines. In the case of the Badoura Project, the corridors proposed are 2,000 feet wide. Mr. Cupit emphasized also that the hearings on the specific route were not the subject matter for the evening, and that such hearings would be held only if the Commission granted a Certificate of Need.

On behalf of the Department of Commerce, Mr. Storm noted that the Department had prepared an environmental report which analyzes the broader environmental issues involved with the Applicants' proposals, not the site specific or routing issues which would be dealt with if the Certificate of Need is granted and a separate hearing process convenes for the granting of a route permit. The Department's report was admitted to the record as DOC Ex. 3 (Backus-Badoura) and DOC Ex. 2 (Tower).

During his presentation, Mr. Bubacz introduced other officials from both Utilities, two of whom were called upon later in the evening to present a response to specific questions involving need. Those individuals, David Van House, an electrical engineer for Minnesota Power, and Dave Kempf, an electrical engineer for Great River Energy, addressed questions from the Administrative Law Judge regarding the Utilities' analysis of future load growth in the vicinity that creates the perceived need for the Badoura Project. Mr. Bubacz described briefly how the Utilities determined that the building of the Badoura Project was necessary, when compared to alternatives such as not building, implementation of conservation measures, the addition of capacitor equipment (which has been done already) to maintain or stabilize voltage during outages, and the construction of an additional substation (Long Lake) at Park Rapids. Mr. Bubacz stressed that the Utilities believe that the measures noted would delay, but not

eliminate, the need for significant upgrades to the electrical system that serves the area of the Badoura Project.

Mr. Bubacz also described the route of the proposed Badoura Project corridor, which is proposed to connect existing substations in Pequot Lakes, Pine River, Hackensack (Birch Lake), Badoura and Park Rapids (Long Lake). He emphasized that the specific alignment for the proposed line has not yet been defined, and noted that specific alignment would be the subject matter of proceedings to follow only if the Commission approves the present application for Certificate of Need.

Mr. Bubacz mentioned also that the Utilities considered additional alternatives such as a reconductoring of the existing 69 kV and 34.5 kV lines, and adding additional generation. Those alternatives are not being pursued further because the Utilities believe they also would simply delay the need for a new 115 kV source to the Badoura Project area.

Ray Peterson of Backus expressed two concerns, neither of them material directly to issues involving need. He is concerned that the corridor shown on the maps distributed by the Utilities passes through one mile of his property, and is concerned also that, should the Utilities purchase an easement from him for the construction proposed, whether that easement will state more specifically what is being purchased and what will go on the land conveyed in the easement. Mr. Peterson noted that his present easement documents (Exhibits 2(A) and 2(B) (Backus-Badoura)), conveyances created in January of 1954, are too general in their description of the land areas granted by the easements. Mr. Bubacz noted that any easements purchased for the Badoura Project would contain descriptions much more specific than those noted in the easements for the present line that were granted in 1954.

Les Hagemeyer is president of the Peysenske Lake Association, which consists of the 27 homeowners who own property around Peysenske Lake, lying east of Park Rapids in Hubbard County. As the present corridor is drawn on the maps issued by the Utilities, six of the association's property owners would have their land potentially affected. Mr. Hagemeyer suggested routing the line along State Highway 34, rather than County Highway 20, which would alleviate the concerns of the people living around Peysenske Lake. In response, Mr. Bubacz noted that the line shown on the maps is a 2,000-foot wide corridor, and that if the Certificate of Need is granted, the actual right of way purchased would be approximately 80 to 100 feet wide only.

Henry and Mary Buerkley also were concerned with the proposed corridor location, and had no arguments specifically against the need for building the Badoura Project in general. The property owned by the Buerkleys lies along the Crow Wing River in Hubbard County, and they are concerned that the utility may put a power pole in the river itself, as well as on their land. They endorsed the proposal advanced by Mr. Hagemeyer to re-route the line along State Highway 34, rather than along County Highway 20.

In response to a request by the Administrative Law Judge for a description of the growth projected for the area that would be served by the Badoura Project, Mr. Van House and Mr. Kempf noted that the Utilities believe that construction of a 115 kV line along the corridor between Park Rapids and Pequot Lakes would serve the area adequately for approximately 20 years. Mr. Van House responded specifically to a remark by the Buerkleys that they actually can feel the line that runs through their property now, and to a concern mentioned by an anonymous member of the public to the Administrative Law Judge regarding the possible deleterious health effects that would result from building a new power line. Mr. Van House cited the most recent research on the subject of health effects by power lines, and noted that the research is inconclusive.

### PUBLIC TESTIMONY IN TOWER

The presentations at Tower by the Administrative Law Judge, Mr. Cupit, and Mr. Storm were similar to those offered at Backus the night before.

On behalf of the Utilities, Mr. Bob Lindholm, a manager in the environmental department of Minnesota Power, took the place and function served the evening before by Mr. Bubacz. Mr. Lindholm described the extent of the line, outlined the needs and the alternatives, and noted that the proposed line would include building of a new substation at Tower, then running the line south to a switching station at Embarrass (to be constructed) that will connect to an existing 115 kV line running east and west.

Testimony was taken from Ann Pyhala, Aili Nelmark (sister and near neighbor of Ms. Pyhala), David Bukal and John Bystrom. These individuals were concerned primarily with routing issues, rather than questioning the need for the Tower Project.

Mr. Paul Knuti of Embarrass laid out several concerns regarding the need for the project, basically criticizing the application filed by the Utilities in November, 2005 (Utilities' Exhibit 3 (Tower)). Mr. Knuti believes that the application falls short on the issues of need, in the following specifics:

1. The data listed in the Utilities' filing to support the need for the Tower Project do not reflect the situation in the actual area of the Tower Project. Rather, they appear to be numbers based on a much larger area, possibly St. Louis County as a whole. Mr. Knuti cited the fact that some job data was based on a total employment force of 100,000, which certainly does not exist in the region of Tower and Embarrass. As a result, the data on how the workforce will grow is too general.

2. Mr. Knuti had a similar criticism about the data in the filing regarding housing and other forms of construction. That is, the data used to generalize for the Tower-Embarrass area has not been shown to be applicable to the actual situation in the area of the Tower Project.

3. The impact of increased electrical demand load noted in the application is found suspect by Mr. Knuti, who believes it may be related to the development in the future of copper and nickel mining in the vicinity, particularly south of Babbitt and south of Embarrass, or to new activity by Mesaba Nugget at the former LTV site.

4. Mr. Knuti is unable to find evidence in the filing regarding the amount to be paid for the acquisition of land in connection with acquiring easements for the proposed line. Therefore, he was concerned that the overall price tag for the Tower Project was understated accordingly.

5. Mr. Knuti also found insufficient evidence in the filing that the applicants had considered the alternative of upgrading other power lines along other corridors in the area, specifically power lines 31 and 32.

6. Mr. Knuti also was disappointed because of a lack of description in the filing of the specific economic effect on the local community that could result from the damage to land values and aesthetics if the proposed project is built. He mentioned specifically a right of way currently used for the "Iron Ore Trail", a snowmobile route following an abandoned rail bed, which appears to be parallel or contiguous with the 6,000-foot corridor proposed for study in the filing. He notes that the same route is being considered for development of a portion of the Mesaba Trail, a recreational/bicycle trail that will run 125 miles between Grand Rapids and Ely when finished. Mr. Knuti's concern is that the filing makes no attempt to measure the adverse economic impact, from lost tourist revenue, that will result from people deciding not to use the Iron Ore or Mesaba Trails because of the presence of adjacent power lines.

Mr. Lindholm, along with David Van House of Minnesota Power and Dave Kempf of Great River Energy, attempted to address Mr. Knuti's concerns in turn.

Mr. Lindholm noted that the Utilities used eight or nine miles of the existing Iron Ore Snowmobiling Trail as part of their proposed corridor. He noted also that the land acquisition costs for the purchase of proposed easements were included in the total price stated for construction of the Tower Project. Mr. Lindholm agreed to file with the Administrative Law Judge (with a copy to Mr. Knuti) the figures that separate out the land acquisition costs within the total estimates. A document showing such calculations was filed with the Administrative Law Judge before the close of the comment period on April 7, 2006. The cost of the Tower Project is estimated to be \$25.3 million. Within that estimate, the cost for acquiring easements is estimated at \$816,000.

Mr. Van House, a system planner for Minnesota Power, noted that the two-percent estimate of annual growth in peak demand, was a blended number, using Great River Energy's estimate of three percent in the general area of St. Louis County near the proposed Tower Project and 0.6 percent, which is Minnesota Power's load growth

annual figure for the “balance” of St. Louis County, outside of Duluth. Both Mr. Van House and Mr. Kempf noted that the increases in peak demand in certain years to be covered by the life of the Project range as high as five to 12 percent.

The speakers for the Utilities stated that redevelopment of the LTV site or any possible nickel and copper mining, and the increased energy need associated with such activities, was not a factor in the estimates for the Tower Project because any new, emerging needs at those locations will be met by separate power sources.

With respect to Mr. Knuti’s argument that lines 31 and 32, if upgraded, could satisfy the needs in the Tower to Embarrass corridor, Mr. Van House noted that a third source as strong as 115 kV is needed so that if one of the other two lines is lost, the general area can still be supplied with sufficient electrical energy to avoid a blackout or lesser outage.

Witnesses for the Applicants did not concede Mr. Knuti’s argument that land values and tourist revenues may suffer because of the aesthetic damage that would result from construction of a 115 kV power line along the same corridor as the Iron Ore/Mesaba Trail. They pointed out that Bob Manzoline, the director of the County Rail Authority, has issued a letter to the Applicants stating that the proposed line was “compatible” with development of the recreational trail.

Ms. Pyhala and Ms. Nelmark pointed out that the corridor proposed could result in a siting of the power line directly through their adjacent properties, which would do aesthetic damage to the land, could result in removal of a stand of trees serving as a windbreak, and also may run through a stand of wildflowers.

David Bukal added the concern that he could actually feel the electricity running through a power line, and that it has made his hair stand on end when he passed under the line near his home. He is concerned that construction of an even more powerful line, as currently proposed by the Utilities, would only exacerbate those issues.

#### WRITTEN COMMENTARY

The Administrative Law Judge received several comments, all from people in the area of the Tower Project, prior to the deadline for filing comments with him of April 7, 2006. Those comments are forwarded with the rest of the record to the Commission for its ultimate consideration.

A comment from Mike Morley challenges the growth predictions by the Applicants, stating that the communities in the area are “dying” rather than growing.

Paul Knuti filed a written comment that followed up on the remarks he and representatives of the Utilities made at the hearing. Mr. Knuti’s written remarks continue to challenge the load growth estimates made by the Utilities, and note that the Utilities have not assessed the adverse impacts on land values resulting from building

the line. He suggests giving strong consideration to double-circuiting the existing line. Mr. Knuti suggests also that the line be routed away from the Iron Ore/Mesaba Trail.

Michelle Bissonnette, Senior Environmental Consultant with HDR Engineering, Inc., a firm retained by the Utilities as a consultant on the projects, filed a letter making corrections in the texts of the description of the corridors.

Attorney David R. Moeller, who is on the legal staff at Minnesota Power, submitted the cost estimates promised from Mr. Lindholm, and the letter to the Utilities from Bob Mansoline on behalf of the St. Louis & Lake Counties Regional Railroad Authority. Mr. Mansoline's letter notes that the Mesabi Trail has been located already adjacent to Minnesota Power transmission lines between Eveleth and Gilbert and from Mt. Iron to Kinney, "and we believe the trail and transmission corridors are compatible."

Anne Pyhala wrote to expand on her remarks regarding the concern of where the line will be sited. Her brother, Arthur Pyhala, e-mailed the Administrative Law Judge his comments from his current residence in South Carolina. Mr. Pyhala suggested an alternative route for the proposed corridor, basically running along the west side of his late father's estate, with a slight eastern turn around a natural deer habitat. Mr. Pyhala notes that such a route has the further advantage of running into a more wooded area to the south, as opposed to into a peat bog.

Dated this 21st day of April, 2006.

/s/ Richard C. Luis

---

RICHARD C. LUIS  
Administrative Law Judge

Reported: Shaddix and Associates, Janet Shaddix Elling, Court Reporter  
Transcripts Prepared