

BIENNIAL REPORT MINNESOTA POWER PLAN SITING ACT

Report to the Legislature

April 7, 2017

As required by
Minnesota Statutes § 216E.18

Submitted by the Minnesota Public Utilities Commission



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Reporting Requirement

Statutory Reporting Requirement

Minnesota Statutes (2016), Section 216E.18, subdivision 1 requires the Public Utilities Commission (Commission) to file a report with the Legislature at the end of each even numbered year regarding the Commission's operations, activities, findings, and recommendations concerning the Minnesota Power Plant Siting Act (Minn. Stat. Chapter 216E). The Report must also contain information on the amounts paid in permit application fees and assessments pursuant to this section of law.

Costs of Preparing Report

Pursuant to Minnesota Statutes (2016), Section 3.197, it is estimated that the costs incurred by the Commission in preparing this Report are minimal. Special funding was not appropriated for the costs of preparing this report.

Focus of this Report

This report specifically addresses the Commission's responsibilities for the siting and routing of large electric energy facilities.

In 1973 the Minnesota Legislature passed the Power Plant Siting Act. Minnesota Laws, 1973, Chapter 591, codified at Minnesota Statutes §§ 116C.51-116C.69, and re-codified in 2005 at Chapter 216E. The Power Plant Siting Act requires that any person who wants to build a Large Electric Power Generating Plant (LEPGP) or a High Voltage Transmission Line (HVTL), as those terms are defined in the Act, is required to obtain state approval for a specific site for the plant or a specific route for the transmission line.

The jurisdiction for power plant siting and transmission line routing was transferred from the Minnesota Environmental Quality Board (MEQB) to the Commission by 2005 legislation (Laws of Minnesota, 2005, Chapter 97). The 2005 legislation also transferred jurisdiction for wind farm siting (Chapter 216F) and pipeline siting (Chapter 216G) from the MEQB to the Commission. These separate energy-related jurisdictions had been administered in conjunction with the power plant siting and transmission line routing jurisdiction under a single program at the MEQB, labeled the Power Plant Siting Program.

The transfer of jurisdiction from the MEQB to the Commission was made to enhance administrative efficiency. Prior to 2005, the determination on whether a large energy facility was 'needed' was made by the Commission and the determination on 'where' the facility should be located was determined by the MEQB. The transfer consolidated the permitting and planning requirements for large energy



facilities into a single regulatory agency. The previous Commission/MEQB split decision-making authority caused some confusion among the public and sometimes led to delays in permitting. Additionally, enabling the two separate processes to develop in parallel was intended to achieve time and cost efficiencies. Consolidation benefits have arisen from the Commission's jurisdiction of electric generation resource planning (Minn. Stat. § 216B.2422) and electric transmission planning (Minn. Stat. § 216B.2425), in which environmental and locational factors can be considered jointly.

Reporting Agency Unit

The Commission's Energy Facilities staff manages state oversight of proposals to construct or modify large energy facilities in Minnesota, which include fossil fuel electric generation units, transmission lines, solar power generation, wind power generation units, and gas and petroleum facilities. The Commission's jurisdiction encompasses certificate of need as well as site or route permits. Applications for projects subject to the Commission's jurisdiction are electronically filed with the Commission in compliance with state statutes and administrative rules. Joint processing of applications for a certificate of need and a site or route permit is allowed. The Commission's procedures for review of proposed large energy facilities incorporate compliance with the Minnesota Environmental Policy Act and provide for broad spectrum public participation.

In addition to the review of permit applications for large energy projects, the Commission has specific jurisdiction related to electric transmission planning. Energy Facilities staff also actively participates in regional transmission planning and coordination efforts conducted by the Midcontinent Independent System Operator (MISO) and the associated Organization of MISO States (OMS) - a non-profit, self-governing entity that coordinates state regulatory participation, representation and oversight of regional transmission issues, as well as tracking relevant activities at the Federal Energy Regulatory Commission.

Agency Organization – Commission and the Department of Commerce Energy Environmental Review and Analysis Unit

At the same time the Power Plant Siting Act jurisdiction was transferred to the Commission (in 2005), the staff supporting the Power Plant Siting Program at the MEQB were moved to the Division of Energy Resources (DER) within the Minnesota Department of Commerce. See Minn. Stat. § 216E.03, subd. 11. This staff, the Energy Environmental Review and Analysis unit (EERA), is directly managed by the Director of the DER. The EERA prepares environmental reports, assessments or impact statements, when required. The EERA also provides technical assistance to the Commission on facilities-related matters, such as providing comments on Commission decisions regarding permit applications. The EERA staff typically retains 10 full time employees.



To facilitate this unique dual-agency arrangement, the Commission was granted authority to retain Energy Facility Permitting staff to coordinate with the DOC EERA unit, provide public information and assistance, advise the Commissioners prior to decisions, and ensure sound record development. The defense of its permit decisions in the Minnesota Court of Appeal remains a Commission responsibility. Commission costs to administer its actions on siting and routing dockets are recovered from fees charged to applicants. Currently the Commission has the equivalent of 7 full time employees that support this program.

Program Expenditures and Budget Overview

The DOC EERA unit independently manages application fees and direct assessment authorities, and, upon request, has provided the following information:

Biennial Expenditures

Program costs include "Necessary and Reasonable Costs Incurred by Permitting" and "Activity and Program Costs."

Necessary and reasonable costs (Appropriation B132301) must be paid by permittees to cover costs incurred in acting on a permit application. For power plants and transmission lines, see Minn. Statute § 216E.18 subds. 2, 2a, Minn. Rule 7850.1800; for wind farms, Minn. Statute § 216F.05, Minn. Rule 7854.1500; and for pipelines, Minn. Statute § 216G.02, subd. 3, Minn. Rule 7852.4000.

Activity and program costs (Appropriation B132300) are paid by a general assessment against utilities as authorized by Minn. Statute § 216E.18, subd. 3.

Expenditure Type	FY 14	FY 15	FY 16
Necessary and Reasonable Costs Incurred by Permitting (B132301)	\$960,812	\$982,743	\$1,697,851
Activity and Program Costs (B132300)	\$1,038,462	\$827,523	\$968,679
Total	\$1,999,274	\$1,810,266	\$2,666,530

Permitting expenditures at approximately \$1.698 million were significantly higher in FY 16 than the previous two years. This figure is difficult to predict due to the variable number of projects in a given year and their relative complexity. For example, projects requiring an Environmental Impact Statement (EIS) or a Comparative Environmental Analysis (CEA) can require the additional services of an external consultant, adding to the necessary and reasonable costs.



In FY 16, the majority of costs for an EIS for the Great Northern Transmission Line Project were incurred (these costs can occur over multiple fiscal years). While some costs for environmental review for the Sandpiper Pipeline were incurred in FY 15, the combined EIS costs for Sandpiper and the Enbridge Line 3 Replacement Pipeline were larger in FY 16. EIS costs for the Line 3 Replacement Pipeline will continue in FY 17.

Public Information and Participation

The construction and operation of large energy facilities can affect many landowners, communities, governmental agencies and other entities. Thus these projects engender significant public interest. The Power Plant Siting Act emphasizes a principle of broad spectrum public participation. The Commission and the DOC EERA unit manage the siting and routing programs with a strong emphasis on this principle. While the two agencies continue to provide substantial notice via regular mail, web-based information on the Commission and Department websites contains useful public guidance, and is continually updated. In addition, the process for consideration of any large energy facility includes public meetings and hearings.

In 2012, the Commission added a Public Advisor position to enhance the public's ability to effectively participate in Commission proceedings, particularly those involving facilities permitting. In addition, the Commission has authorized the DOC EERA unit to appoint project specific advisory task forces that include affected area residents and local officials to assist in the environmental review of a proposed facility when necessary.

The Power Plant Siting Act also requires the Commission to hold an annual hearing to advise the public of matters relating to the siting of large electric power generating plants and routing of high voltage transmission lines and to afford interested persons an opportunity to be heard regarding any aspects of the Commission's activities, duties or policies.

Operations and Activities in Biennium

Operations: Permits Processed

The following table shows the number and type of projects permitted or amended for fiscal years 2015 and 2016:

Energy Facility	FY 2015	FY 2016	FY 2015-2016
Power Plants ¹	1	3	4

¹ FY 15: 14-515; FY 16: 15-33, 14-1052, 15-620

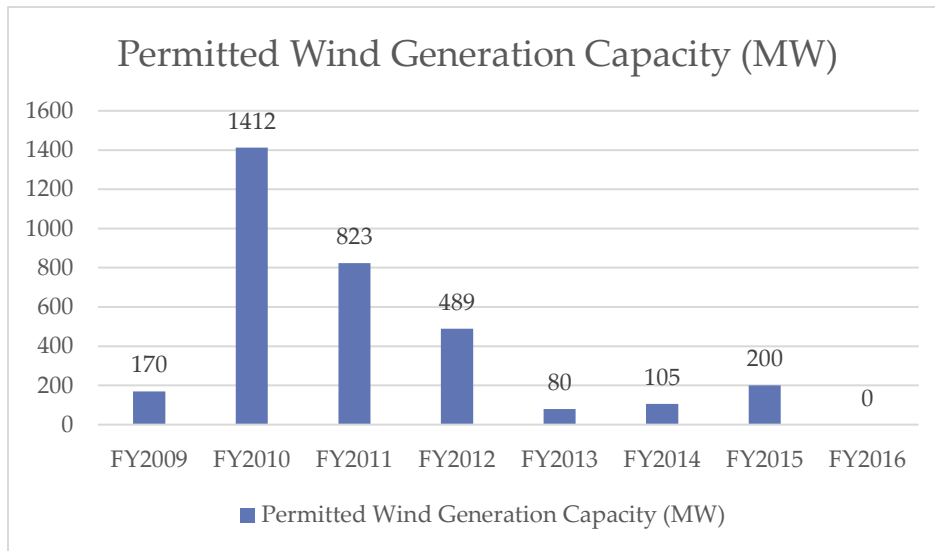


Transmission Lines²	3	4	7
Pipelines	0	0	0
Wind Farms³	1	0	1
Transmission Line Amendments & Minor Alterations⁴	0	1	1
Wind Permit Amendments or Revocations⁵	4	7	11
TOTAL	9	15	24

Operations: Total Permitted Wind Capacity

The following table and chart show the total megawatts of permitted wind energy for FY 2015-2016 and FY 2009-2016. Minnesota’s current installed wind generation capacity is approximately 3,235 MW⁶.

	FY 2015	FY 2016	FY 2015-2016
Permitted Wind Generation Capacity, Megawatts (MW)	200	0	200



² FY 15: 12-1337, 12-1245, 13-805; FY 16: 14-21, 14-797, 14-977, 15-204

³ FY 15: 13-843

⁴ FY 16: 12-1337

⁵ FY 15: 07-297, 07-1073, 10-1240, 11-831; FY 16: 07-318, 08-208, 08-973, 08-1134, 09-360, 09-830, 10-49

⁶ U.S. Department of Energy, WindExchange, http://apps2.eere.energy.gov/wind/windexchange/wind_installed_capacity.asp (data as of 12/31/2015; retrieved 9/14/2016)



Program Activities

- 1) **Wind Farm Siting.** The number of wind farms (large wind energy conversion systems, LWECs) and total MW capacity permitted by the Commission has generally declined since FY 2010. The Odell wind farm, a 200 MW system, was permitted in FY 2015. No projects were permitted in FY 2016. Several wind project applications have been submitted or are expected to be submitted during FY 2017 for Commission consideration. Other areas of work related to wind farms include:
 - a. Approval and use of updated wind site permit conditions
 - b. Compilation of wind site data

Moving forward, the Commission and DOC EERA will be looking at the issues of repowering and decommissioning for both wind and solar projects.

- 2) **Generation Siting.**
 - a. Mankato Energy Center (Docket #15-620)

Permit issued June 23, 2016. Expansion of Mankato Energy Center, a 375 megawatt (MW) dual fuel combined-cycle generating facility located in Mankato. To be expanded by adding a combustion turbine generator, a heat recovery steam generator, and associated equipment (the project). After the expansion, the facility would have two combustion turbine generators, and two heat recovery steam generators. The expansion of the facility would allow for the production of an additional 345 MW of electrical power. The project is expected to be operational by June 1, 2019, and is estimated to cost between \$220 and \$300 million dollars.
 - b. North Star Solar (15-33)

Permit issued February 16, 2016. Site and route permit to construct a 100 MW solar energy generating facility, and a 1-mile 115 kV transmission line in Chisago County.
 - c. Marshall Solar (14-1052)

Permit issued May 6, 2016. Site permit to construct a 62.25 MW solar energy facility near Marshall.
 - d. Aurora Solar (14-515)

Permit issued June 30, 2015. Site permit to construct up to 130.5 MW of solar generation across various sites in Minnesota.



- 3) **Transmission Line Routing.** Two significant transmission projects were permitted during FY 2015 and FY 2016, in addition to several smaller projects. The 75-mile, 345 kV Minnesota to Iowa transmission project was permitted in FY 2015, and the 225 to 300-mile, 500 kV Great Northern Transmission Line project was permitted in FY 2016. Large scale transmission projects are not expected during FY 2017.
- 4) **Petroleum Pipelines.** The Commission permitted no petroleum pipelines during FY 2015 or FY 2016. Recently, the North Dakota Pipeline Company filed a petition for withdrawal of the Sandpiper Pipeline project. The Line 3 project is under consideration, and evaluation of that application will continue in FY 2017 and FY 2018.
- 5) **Rulemaking.** The Commission continues rulemaking for Minn. Rules 7849 and 7850. The Commission initiated rulemaking, held numerous stakeholder meetings to review the existing language and propose modifications, and staff is now drafting rule language for Commission review. The purpose of the rulemaking is, among other things, to obtain greater clarity, eliminate obsolete provisions, and strive for better coordination within and between the certificate of need and the siting/routing permit processes.

Conclusions

The Commission concludes that the procedural model for the Power Plan Siting Act, and the corollary wind farm and pipeline siting acts, is sound. The siting and routing of large energy facilities often creates significant controversy, and the credibility of the Commission is critical in managing those controversies. Work to improve efficiency, coordination, and transparency throughout the process continues via rulemaking and updating standards when applicable. Based on the experiences of the past two years, and foreseeing the continued improvement of the process, the Power Plan Siting Act continues to be in the public interest.