

**2002 ANNUAL HEARING
POWER PLANT SITING PROGRAM
SUMMARY OF PROCEEDINGS**

The following is a summary of the 2002 Annual Hearing of the Power Plant Siting (PPS) Program held on November 23, 2002 at the EQB offices in St. Paul, Minnesota. The summary follows the outline of the agenda prepared for the hearing.

I. INTRODUCTION

Power Plant Siting manager Alan Mitchell called the hearing to order at approximately 9:15 a.m. Alan Mitchell asked that everyone in attendance sign the registration sheet. Mr. Mitchell also noted that those in attendance may add themselves or others to the PPS project notification list by signing the form at the back of the room. He then asked each person present to introduce themselves. A list of those attending the annual hearing is attached to this report.

Ms. Overland reminded people to register as lobbyists if they advocate for particular positions.

II. EQB Web Page

Suzanne Steinhauer of the EQB staff explained the changes to the Power Plant Siting portion of the EQB web site and showed the participants how the site is organized. The website is located at <http://www.mnplan.state.mn.us/eqb/EnergyFacilities/index.html>. The site links to applicable Statutes and Rules and provides links to current and closed projects. Right now users of the website can view documents created by EQB staff, as well as documents that have been submitted electronically by those outside the agency. Other documents that are not viewable are listed in individual file registers. Staff efforts to this date have been focused on ensuring that current dockets are up to date and reasonably complete. Older dockets are listed, but do not contain complete information. Ms. Steinhauer explained that there are no plans to scan older documents, although that may happen in the future. New permit applications must be filed electronically, though there is no requirement for comments to be filed electronically.

Todd Guerrero, representing the Minnesota Transmission Owners (MTO), wanted to know what the difference between Minnesota Planning and the EQB was, as far as the website goes. Ms. Steinhauer explained that Minnesota Planning provides the host and support for the EQB website.

Janet Gonzalez of the Public Utilities Commission (PUC) staff said that it would be helpful to see the old files listed on the website, even if the documents themselves are not viewable. Kristin Eide-Tollefson of Citizens United for

Responsible Energy (C.U.R.E.) said that information on high level nuclear waste should be emphasized and that older editions of the annual High Level Nuclear Waste Report should be available online. Ms. Eide-Tollefson would like the notices and deadlines for projects to be highlighted. Bob Cupit, from the staff of the Department of Commerce, said that links to other state agencies would be helpful. Other members of the audience reiterated that sentiment. Other members of the audience said that listing projects that are receiving local review and permitting would be a useful addition to the EQB Webpage. Ms. Eide-Tollefson said that having more information on the relationship between the PUC and EQB processes and procedures would be helpful.

III. REGULATORY CHANGES

A. Proposed Power Plant Siting Rules, chapter 4400

Mr. Mitchell reported that the EQB received the Administrative Law Judge's (ALJ) report on the proposed rule amendments to the power plant siting rules on Thursday, November 21. Generally, the judge found what the board and staff recommended to be reasonable and supported by the record, although the ALJ recommended a change in the payment schedule for permit fees from what the EQB had recommended. The staff will recommend that the Board adopt the ALJ's findings and the ALJ's suggested new language in the matter of the payment schedule at the Board's meeting on December 19, 2002. People will have a chance to address the board on any aspect of the rules at that meeting. Any written comments received by December 12, 2002, will be included in the package mailed to the Board.

B. Proposed Environmental Review Rules, Chapter 4410.7600 et seq.

Mr. Mitchell reported that on October 7, 2002 the Board published a notice in the State Register requesting comments on possible amendments to Minnesota Rules, Chapter 4410.7600 et seq., dealing with environmental review at the certificate of need stage before the Public Utilities Commission. A draft of proposed amendments, incorporating public comments received from an August draft, is available for review, and comments on the possible amendments are due on December 6, 2002. EQB Staff plans to review the comments and incorporate those comments into a redraft of the rules. Staff will draft a Statement of Need and Reasonableness (SONAR) and ask the Board to authorize rulemaking in early 2003. Mr. Mitchell requested that anyone who planned to request a hearing let him know as early as possible so that the hearing could be scheduled.

Mr. Guerrero asked for clarification of the relationship between the 4410 Rules and the PUC's proposed 7848 Rules on Transmission Planning, since they incorporate one another. Ms. Gonzalez responded that the PUC plans to have their rules out for review soon. Mr. Mitchell responded that the EQB staff has tried to track with the 7848 Rules, although since the 4410 Rules are amendments and not new, they are not subject to the same time constraints as the 7848 Rules. Mr. Guerrero asked when the new Rules would likely be finalized, and Mr. Mitchell responded that they would probably not be final until sometime in the summer of 2003, well in advance of the next round of transmission plans due November 1, 2003.

C. Possible Legislation

Mr. Mitchell said that EQB staff was not aware of any major legislation that would be introduced this year and asked if other attendees could provide any information that they have on new legislation.

Ms. Overland said she wanted to address the "buy the farm" provision that disappeared for lines under 200 kV in the last statutory change. Mr. Mitchell suggested that the whole issue of eminent domain may be contentious with the increase in merchant plants and the advent of merchant transmission. Several of those in attendance discussed possible changes to eminent domain, particularly in light of changes in the electric power markets and the increasing prominence of market players.

Mr. Guerrero said that to his knowledge, the Minnesota Transmission Owners want to see how the new Rules work and would not be proposing any new legislation this year.

Mr. Mitchell said that Prairie Island may come up, although it seems likely that the first year of the Legislature will be taken up with budget issues. Mr. Sullivan requested that, to the extent possible, parties around the table try to keep others apprised of any legislation that they are aware of.

Kristen Eide-Tollefson introduced George Crocker's exhibit on improving the access to transmission facilities for distributed generation. This is being worked on in XCEL's 345 Certificate of Need proceeding and may be introduced as a legislative proposal at some point.

IV. EQB PROJECT REVIEW

A. Discussion of projects completed in the past year:

Mr. Mitchell reviewed the projects completed since the Annual Power Plant Siting Hearing in December of 2001. A list of projects is attached to this report.

Ms. Overland asked whether the EQB had received any feedback about how well local review is going. Mr. Mitchell said that project proposers notify the EQB when they apply for local review. Local units of government decide whether they have the necessary authority to do local review and so far one has contacted the EQB that they did not have the legal authority to do so.

Ms. Eide-Tollefson wanted to know whether the website provides guidance for local governments. Mr. Mitchell responded that the EQB website provided general guidance.

Mr. Cupit asked how long the environmental assessments for the Solway transmission project and the St. Bonifacius generating plant took to complete. Mr. Mitchell and Bill Storm of the EQB staff replied that the EAs for these two projects took about two months to complete, but that they would expect a larger project to take more time. There was further discussion on the length of time necessary to produce other types of environmental review.

B. Identification of pending and anticipated EQB projects:

Mr. Mitchell introduced the short lists from Xcel's all source bid and Prairie Island Replacement bid. There are 22 projects on the All-Source bid and five projects short-listed on the Prairie Island bid.

1. Generating Plants

Faribault Energy Park: Mr. Storm spoke about the Faribault Energy Park project, a 225 MW combined cycle natural gas plant proposed by Minnesota Municipal Power Authority (MMPA). MMPA applied for a Certificate of Need in mid-November. Mr. Storm said that the site permit application is still in draft stage.

Nordic Power LLC: Richard Polich of Nordic Energy LLC provided information about Nordic's proposed 1100 MW integrated coal gasification project near the Koch Refinery in Rosemount. This project is in response to NSP's Prairie Island bid. Ms. Overland asked how the proposed project compares in size to other projects of this type. Mr. Polich responded that there are a number of coal gasification projects worldwide, though the proposed project would be the largest one using this technology. There are plants in Indiana and Florida, both about 280 MW. There are plants in the Netherlands and Spain using the same technology that have been operational for about four years. This project would use

the same technology as the European plants, but use four combustion turbines and two steam turbines. There was considerable discussion of water use and emissions from the plant. Mr. Polich said that Xcel's final determination will probably be in the first quarter of 2003 with a power purchase agreement in the second quarter of 2003.

2. Transmission Lines (2, 545)

Mr. Mitchell identified the following high voltage transmission lines that would likely be before the EQB in the next year:

Xcel's Buffalo Ridge Project: The ALJ report is out and PUC wants exceptions filed on Monday, December 2, 2002. PUC will be looking at this in January sometime. After the Certificates of Need are issued, Xcel will apply to the EQB for a permit. If the proposed project is under 200kV, the Board has six months to issue a permit, one year if the proposed project is over 200 kV.

GRE Hennepin County Project: GRE filed a CON application with the PUC for transmission upgrades in the Plymouth-Maple Grove area in Hennepin County on November 14, 2002. Suzanne Steinhauer used the Certificate of Need application to demonstrate the High Voltage Transmission Mapping Project.

GRE Dakota County: GRE is looking at some upgrades to its system in Dakota County to serve local growth. At this time the size and timing of the project are uncertain. The most likely scenario is some type of 115 kV line of about 10 miles in length. GRE may apply to the PUC for a CON, or it may file the project in the transmission planning process.

Xcel's Chisago project: Xcel will file a request for an exemption from certain data requirements in the CON application having to do with data on consumer use in the load area. The PUC should see something by the end of year or sooner.

3. Wind Projects

Mr. Mitchell reported that the new Wind Rules, Chapter 4401, were adopted in March, 2002.

Mr. Mitchell said that there are four wind projects on Xcel's short list for the all source bid. In addition to those on the short list, there are two projects that the EQB staff is aware of:

Stoneray Project: ENXCO has applied for a permit for the Stoneray project located in Pipestone and Murray County. The total project

size is 87 MW, but consists of a number of small projects. This may come to the Board in December, depending upon whether the project needs a Certificate of Need from the PUC.

Morrain Wind: PacifiCorp Power's MAPP WIND II is changing its name to Moraine Wind. The project is about 100 MW and is in the preliminary stages of applying for a Certificate of Need from the PUC.

4. Pipelines

Mr. Mitchell reported that the Hutchinson Utilities Commission applied to the Public Utilities Commission for a Certificate of Need. There will be a hearing at the PUC on the November 26th, 2002. They have applied to the EQB for permit and partial exemption from the complete routing process. If PUC grants the CON, the permit will probably go to the Board for routing permit in December. EQB staff held meetings in all 5 counties along the route. Public meetings had good turnouts, though most attendees were there for information and there doesn't appear to be any opposition to the project. Mr. Mitchell commented that pipelines generally tend to be less controversial than transmission lines.

C. High Voltage Transmission Line mapping project

Ms. Steinhauer described the High Voltage Transmission Mapping Project. The project will develop the only real statewide map of the High Voltage Transmission Network in existence and is a joint effort between Minnesota Planning, the Minnesota Department of Commerce and the MEQB. The project brings together a variety of information on the location, ownership, capacity, age and other aspects of the transmission system in Minnesota. The project covers all transmission lines and substations greater than 60 kV from utilities with transmission assets in Minnesota. When the data collection is completed, the project will be able to display the existing High Voltage Transmission Network in map form using conventional mapping software. Essentially all of the location data, and most of the other attribute data, have been collected and now the data are being checked by the submitting utilities. Ms. Steinhauer showed slides of the GRE Plymouth-Maple Grove project to demonstrate some of the capabilities of the project.

Ms. Steinhauer stated that the EQB is trying to develop a format for presenting the data and maps. Mr. Guerrero asked about the purpose of the State mapping project. Ms. Steinhauer stated that the reason is that Department of Commerce must develop an inventory of transmission lines. The data can also be used for planning purposes and analysis.

D. Report on Federal High-level Radioactive Waste Activities

Al Mitchell reported on the Annual High-level Radioactive Waste Report. This year's report will be less comprehensive than the last report. There are a number of significant developments on the federal level. The report will look at the possible impact on Prairie Island and Monticello if Yucca Mountain goes forward. It is not clear how much waste can be expected to be shipped from Minnesota or the timeframe for shipment. EQB staff is trying to complete an update to the report in January so that it is available for the new legislature. Previous reports are available. Ms. Eide-Tollefson said that all reports should be listed on the website so that people can see them.

V. OTHER STATE AGENCY PROJECTS

A. Public Utility Commission Rulemaking, Chapter 7850

Mr. Mitchell reported that the PUC is about to initiate formal rulemaking for the transmission planning and certification process. The PUC put together a task force to make recommendations on rule changes. The Revisor's office has renumbered the rules and is now calling them chapter 7848, not 7850 as initially proposed.

When asked about the schedule for the Rules, Ms. Gonzalez responded that the rules are in the governor's office and the PUC will publish the notice once the Governor's office signs off on them. There is a draft version out for comments. The SONAR will be available and there will be a comment period and possibly a hearing. The Rules require utilities to contact local officials and the public throughout the year to talk about transmission planning, and to submit a report on November 1st of odd number years identifying inadequacies in transmission system.

B. Department of Commerce – Energy Plan update (3, 185)

Mr. Cupit reported on the Department of Commerce's Energy Planning Report update. The 2001 Legislation requires that a follow-up to the Energy Plan should be submitted to the Legislature by December of this year. Mr. Cupit reported that the 2002 report will discuss specific goals and recommendations. Last year's report was more background and analysis of issues and policy directions and laid the framework for energy policy issues that will be part of the future. Deputy Commissioner Taylor has held five meetings, collected public comments, and is now analyzing the information received. The public can expect a report by the end of year containing principally her view and recommendations as deputy commissioner.

VI. Public Questions and Comments – Opportunity for the public to submit oral comments and ask questions of agency staff. (3, 240)

Bob Cupit from the Department of Commerce stated that he wanted the record to reflect that the agencies have improved their ability to work together, particularly in the complex permitting process. The Department of Commerce does want to emphasize the importance of making the process work within the required timeframe. It is important to develop a complete and defensible record within the allotted timeframe. One way to enhance the record is for EQB and DOC staff to fully participate in the planning process through the Integrated Resource Planning (IRP) and transmission planning processes. Mr. Cupit stated that more robust participation at the pre-permitting stage will enhance the understanding of the public interest and allow for analysis of the project before the application comes to a permitting body. This will better allow for the permit decisions to be able to be made in a timely manner. State agencies need to work together to figure out ways to provide information to the public to allow for a better planning process. Regional issues will become more important and the state will have to figure out how to participate in the regional planning.

Mr. Cupit asked how staff intended to bring the new board up to speed on current energy issues. Mr. Cupit also wanted to know what the status was likely to be of the Energy Subcommittee. Mr. Cupit also raised the possibility of reviving the Power Plant Siting Advisory Committee (PPSAC) that existed in the early 1980s. The PPSAC was an advisory group made up of stakeholders from around the state, staffed and funded by the Board to discuss infrastructure issues that would be before the EQB. There needs to be some format for a broad public participation in the larger issues facing the state.

Darren Wolfson from the Citizen's Alliance for Safe Energy (CASE) spoke about the Island Station project in St. Paul and expressed dissatisfaction that the project was constructed at its location. Mr. Wolfson stated that if the EQB never denies a permit, then people feel like their comments and other input is disregarded, and are discouraged from becoming involved in the process, no matter how much information is available or how open the process is. Mr. Mitchell responded that it is not the EQB's job to deny projects, but to determine the best place to put the facility. The EQB did not issue a permit for the Island Station plant, but through an EAW process determined that there was no need for an Environmental Impact Statement. Smaller projects do not receive Site permits from the state, but generally receive local permits. Legislative changes would need to be made in order for the state to start permitting smaller projects,

Kristen Eide-Tollefson of Citizen's United for Responsible Energy (C.U.R.E.) said that the Minnesota public views the EQB as one of the primary agents of environmental protection in the state. Ms. Eide-Tollefson believes that the public would support an expansion of the EQB's role. She is concerned about the processing of incomplete applications. The 1983 PPSAC report called for the PPSAC to review applications. PPSAC can facilitate public involvement and information sharing. She wanted to know whether any agencies planned to call a general public meeting regarding regional planning to determine what the public interest is in regional planning and projects. She also said EQB monitoring of new developments and technologies required in Minnesota Statutes Section 116C.57, subdivision 4, has lagged over the past several years, even as those developments have become more important. What kind of environmental review should be required for Prairie Island? The exception clause of the proposed Chapter 4400 rules is a problem and C.U.R.E. will comment to the Board on this matter.

Ms. Eide-Tollefson stated that the acceptance of the permit application is a critical juncture that triggers the timeline that we are all concerned about. One of the recommendations of the PPSAC in the 1983 report was to have a citizen committee review the applications and act as a focus group to identify issues that some of the public might have.

Carol Overland wanted to know how locals are dealing with these projects. She also expressed concern about projects that fall through the cracks. Alan Mitchell stated that some of these changes to regulatory authority have to come through the Legislature. Ms. Overland also voiced her concern about possible Federal preemption of State regulatory. She was also concerned about the lack of market analysis for proposed projects and the level of transmission expertise in the state agencies.

Janet Gonzalez of the Public Utilities Commission staff said that there is a great deal of disagreement even among the states as to the level of federal intervention that states believe is appropriate .

David Zoll of the Minnesota Center for Environmental Advocacy (MCEA) expressed appreciation for the work of the EQB staff and other participants and the openness of the rulemaking process in the Chapter 4400 rules.

Mr. Mitchell asked whether Saturday morning is still the best time for the Annual Hearing. There was general agreement that Saturday is probably not necessary though it could still be an option. The deadline for written comments was set for Friday December 20.

VI. Adjourn

The hearing was adjourned at 12:20.