

Direct Testimony and Schedules
Amber S. Lee

Before the Office of Administrative Hearings
600 North Robert Street
St. Paul, Minnesota 55101

For the Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, Minnesota 55101

In the Matter of a Petition by Minnesota Energy Resources Corporation for a Route Permit for
the Rochester Natural Gas Pipeline in Olmsted County

MPUC Docket No. G011/GP-15-858
OAH Docket No. 8-2500-33180
Exhibit _____

Direct Testimony
Regulatory

October 24, 2016

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1 **I. INTRODUCTION**

2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A. My name is Amber S. Lee. My business address is 1995 Rahncliff Court, Suite 200,
4 Eagan, Minnesota 55122.
5

6 Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT POSITION?

7 A. I am employed by WEC Business Support (“WBS”). WBS is the service company that
8 provides service to Minnesota Energy Resources Corporation (“MERC” or the
9 “Company”). My position is Manager of Regulatory and Legislative Affairs for MERC.
10 MERC is a subsidiary of WEC Energy Group, Inc. (“WEC”), a utility holding company
11 headquartered in Milwaukee, Wisconsin. WEC’s operating public utility subsidiaries
12 provide electric and natural gas service to approximately 4.4 million customers over four
13 states, including MERC’s approximately 230,000 natural gas customers in Minnesota.
14

15 Q. FOR WHOM ARE YOU PROVIDING TESTIMONY?

16 A. I am testifying on behalf of MERC.
17

18 Q. PLEASE SUMMARIZE YOUR QUALIFICATIONS AND EXPERIENCE.

19 A. I have been the Regulatory and Legislative Affairs Manager at MERC since May 2014.
20 Prior to that time, I worked as an attorney practicing in Minnesota utility regulation.
21

1 Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

2 A. I am testifying in support of MERC's application to the Minnesota Public Utilities
3 Commission ("Commission") for a Route Permit for MERC's proposed Rochester
4 Natural Gas Pipeline Project in Olmsted County ("Rochester Project" or "Project").
5 Specifically, I am testifying in support of the following sections of MERC's Route Permit
6 Application ("Application"): Section 1 (Completeness Checklist), Section 2
7 (Introduction), Section 3 (General Information (Minn. R. 7852.2100)), Section 7
8 (Preferred Route Location and Environmental Description (Minn. R. 7852.2600)) (with
9 the exception of Subpart 3), and the portion of Section 8 (Environmental Impact of
10 Preferred Route (Minn. R. 7852.2700)) regarding pipeline cost. I am also available to
11 answer questions about MERC's easement acquisition process.

12
13 Q. ARE YOU SPONSORING ANY SCHEDULES WITH YOUR DIRECT TESTIMONY?

14 A. Yes. I am sponsoring the following:

15 Schedule 1. Map Comparison of the Changes Between the Application Preferred
16 Route and the Modified Preferred Route.

17 Schedule 2. A Screenshot of the Willow Creek Commons Properties from the Olmsted
18 County Zoning Website.

19 Schedule 3. A Screenshot of the Westridge Hills Development Properties from the
20 Olmsted County Zoning Website.

1 Q. PLEASE SUMMARIZE YOUR TESTIMONY.

2 A. My testimony supports the Company's Application for the Project and I am available to
3 answer general questions about the Project. I am also available to answer more detailed
4 questions about the subjects I identified above.

5
6 I also provide an overview of the Rochester Project, the need for the Project, MERC's
7 current pipeline route preference, and the general support for that route preference.

8
9 Q. ARE THERE OTHER WITNESSES PROVIDING TESTIMONY IN THIS CASE?

10 A. Yes. In addition to my testimony, MERC is providing Direct Testimony of the following
11 witnesses:

12
13 1. **Lindsay K. Lyle** – Ms. Lyle is an employee of MERC. She provides Direct
14 Testimony supporting the design and construction of the Project, including safety
15 considerations. Specifically, Ms. Lyle is supporting the following sections of the
16 Application: Section 4 (Proposed Pipeline and Associated Facilities Description
17 (Minn. R. 7852.2200)), Section 5 (Land Requirements (Minn. R. 7852.2300)),
18 Section 6 (Project Expansion (Minn. R. 7852.2400)), the portion of Section 8
19 (Environmental Impact of Preferred Route (Minn. R. 7852.2700)) regarding
20 pipeline accessibility, Section 10 (Right-of-Way Preparation Procedures and
21 Construction Activity Sequence (Minn. R. 7852.2500)), Section 11 Subpart 1
22 (Right-of-Way Protection Measures (Minn. R. 7852.2800)), and Section 12
23 (Operation and Maintenance (Minn. R. 7852.2900)).

1 3. **Rick J. Moser** – Mr. Moser is an employee of WBS. He provides Direct
2 Testimony supporting the route development for, and environmental impacts
3 associated with, the Project. Specifically, Mr. Moser is supporting the following
4 sections of the Application: Section 7 Subpart 3 (Description of Existing
5 Environment), Section 8 (Environmental Impact of the Preferred Route (Minn. R.
6 7852.2700)) (with the exception of Pipeline Cost and Accessibility), Section 9
7 (Evidence of Consideration of Alternative Routes (Minn. R. 7852.3100)), Section
8 11, Subpart 2 (Right-of-Way Restoration Measures (Minn. R. 7852.2800)), and
9 Section 13 (List of Government Agencies and Permits (Minn. R. 7852.3000)).
10

11 **II. DESCRIPTION OF THE ROCHESTER PROJECT**

12 Q. PLEASE DESCRIBE THE ROCHESTER PROJECT.

13 A. The Rochester Project is a significant system integrity and system capacity project for
14 MERC and our customers. It is designed to improve the operation and efficiency of
15 MERC's distribution system. This Project will also allow MERC to accommodate
16 additional natural gas capacity on its distribution system in and around the City of
17 Rochester as well as in surrounding communities in southeastern Minnesota, which are
18 currently at capacity and cannot support continued growth without expansion of the
19 supply of interstate gas into the area. The proposed Project would install approximately
20 13.1 miles of steel pipeline designed to be capable of operating at 500 pounds per square
21 inch gauge ("psig"), two new Town Border Stations ("TBS") and one new District
22 Regulator Station ("DRS"). The pipeline would consist of approximately 5.1 miles of
23 16-inch outside diameter steel pipe to be operated at pressures between 400 psig and 475

1 psig and approximately 8.0 miles of 12-inch outside diameter steel pipe to be operated at
2 pressures between 250 psig and 275 psig.

3
4 Q. PLEASE DESCRIBE THE NEED FOR THE ROCHESTER PROJECT.

5 A. The Rochester Project is designed to alleviate a two-fold need by: (1) eliminating the
6 operating pressure and piping configuration issues that prevent MERC's existing
7 distribution system in the Rochester area from efficiently and reliably distributing the gas
8 available on the system across Rochester and surrounding communities; and (2)
9 increasing the interstate natural gas pipeline capacity available to the Rochester area and
10 surrounding area so that it is adequate to meet existing customer demand as well as
11 projected future demand.

12
13 Q. PLEASE SUMMARIZE THE OPERATING PRESSURE AND PIPING
14 CONFIGURATION ISSUES YOU MENTIONED.

15 A. Under present circumstances, in situations of high demand, MERC's existing low-
16 pressure distribution system in Rochester cannot distribute all of the gas supply available
17 in the southern portion of the system to the northern portion of the system where it is
18 needed. This constraint during peak periods is due to the configuration of the system's
19 piping that interconnects the various portions of MERC's low-pressure distribution
20 system within the City of Rochester and the wide range of pressures under which the
21 distribution system operates. The proposed Rochester Project will allow MERC to more
22 efficiently and effectively distribute natural gas to where the demand is located.

1 Q. PLEASE SUMMARIZE MERC'S NEED FOR ADDED INTERSTATE PIPELINE
2 CAPACITY ON ITS SYSTEM.

3 A. The greater Rochester area has experienced continued population growth and commercial
4 and industrial expansion, in large part due to the growth of services supporting the
5 expansion of health care facilities in and around the city. As a result of this growth,
6 MERC is unable to meet its design day requirements for firm customers served in the
7 Rochester area absent improvements to increase capacity.

8
9 The main barrier for MERC to continue to meet its design day requirements for
10 customers in the Rochester area is the limited level of interstate pipeline capacity reserve
11 that currently exists. Northern Natural Gas ("NNG") is the sole provider of interstate
12 natural gas pipeline capacity to the Rochester area, and NNG is currently fully subscribed
13 on its transmission system serving the area with no additional firm capacity available.

14
15 The proposed Project will provide additional capacity from NNG that will allow MERC
16 to meet its existing customer requirements as well as anticipated future demand for the
17 long term.

18
19 To provide additional firm capacity, NNG and MERC have negotiated a long-term
20 capacity contract (the "Precedent Agreement" or the "PA") under which NNG will build
21 additional capacity into the two transmission laterals that connect to MERC's proposed
22 TBS 1D, to be located adjacent to the existing NNG TBS 1D, and the Proposed TBS, to
23 be located in Section 13 or Section 14 of Salem Township.

1
2 Q. PLEASE SUMMARIZE HOW NNG WILL ADD CAPACITY TO ITS INTERSTATE
3 PIPELINE SYSTEM IN THE AREA.

4 A. At a high-level, I understand that NNG must first increase the pressure of its pipeline
5 system in Minnesota, which it will do by installing a 15,000 horsepower compressor to
6 increase the pressure within the main transmission lines that run into Minnesota. In
7 addition, NNG must make modifications to other facilities in and around the Rochester
8 area to manage the increased capacity that will be fed to MERC's Rochester TBS system
9 as a result of the increased pressure.
10

11 Q. IS THE ROCHESTER PROJECT PREDICATED UPON PARTICULAR
12 ASSUMPTIONS OF FUTURE GROWTH?

13 A. No. MERC currently operates with a negative reserve margin in the Rochester area and
14 we need to increase capacity into that area to meet current needs. However, I note that
15 demand growth in Rochester has generally been stronger than elsewhere on the MERC
16 system.
17

18 **III. PROJECT ROUTES UNDER CONSIDERATION**

19 Q. WHAT ROUTES HAS MERC PROPOSED IN THIS PROCEEDING?

20 A. In the Application, MERC proposed the Preferred Route and the Alternate Route. These
21 two routes were developed based on review of the area and the preference to follow
22 existing rights-of-way and property lines to the greatest extent possible. Before filing the

1 Application, MERC held a public open house to obtain feedback from members of the
2 public on the proposal and the routes under consideration for inclusion in the Application.

3
4 After gathering additional landowner comments during the February 29, 2016, Scoping
5 meetings held by the Department of Commerce, Energy Environmental Review and
6 Analysis (“EERA”) Staff, MERC reviewed its route preference and proposed the
7 Modified Preferred Route on April 13, 2016. All three of these routes are shown in
8 Figure 1A (Application Preferred Route), Figure 1B (Application Alternate Route), and
9 Figure 1C (Modified Preferred Route) of the Comparative Environmental Analysis
10 (“CEA”). **Schedule 1** to my testimony illustrates the two areas where the Modified
11 Preferred Route differs from the Application Preferred Route.

12
13 Q. WHAT MODIFICATIONS WERE MADE FROM THE APPLICATION PREFERRED
14 ROUTE TO DEVELOP THE MODIFIED PREFERRED ROUTE?

15 A. The Application Preferred Route and the Modified Preferred Route differ in two areas:
16 (1) Sections 13, 24, and 25 of Salem Township and Sections 18, 19, 28, 29, and 30 of
17 Rochester Township; and (2) Sections 22, 23, 26, and 27 of Rochester Township. These
18 two areas are shown on Schedule 1 to my Direct Testimony.

19
20 Q. DOES MERC PREFER THE MODIFIED PREFERRED ROUTE FOR THE PROJECT?

21 A. Yes. MERC still prefers the Modified Preferred Route for the Project.

1 **IV. ROCHESTER PROJECT COSTS**

2 Q. WHAT IS THE TOTAL ESTIMATED COST OF MERC'S ROCHESTER PROJECT?

3 A. MERC estimates construction costs for the Project at about \$44 million. MERC's
4 estimate is based on the routes proposed in the Application and the Modified Preferred
5 Route and does not account for additional mileage that may be added by certain Segment
6 Alternatives identified in the CEA¹ if they are selected by the Commission for the
7 Project. It also does not include additional easement costs that would be incurred if the
8 Commission selects a Segment Alternative through any of the existing commercial
9 developments along 48th Street SW east of 11th Avenue SW.
10

11 Q. ARE THERE SEGMENT ALTERNATIVES WITH NOTABLY HIGHER COSTS
12 THAN OTHER SEGMENT ALTERNATIVES?

13 A. Segment Alternatives HJ-2, HJ-4, IJ-3, and IJ-4 cross through densely developed
14 commercial areas. Along these Segment Alternatives, the cost of property is estimated to
15 be five times the cost of property along other Segment Alternatives that could be used in
16 this area. Therefore, the overall cost for these four Segment Alternatives would be much
17 higher than other Segment Alternatives.
18

¹ Segment Alternatives are defined in Tables 4-2 to 4-5 of the CEA. Segment Alternatives are depicted in Schedule 1 to Mr. Moser's Direct Testimony.

1 **V. FUTURE DEVELOPMENT CONSIDERATIONS**

2 **A. County Road Development**

3 Q. HAS MERC COORDINATED WITH OLMSTED COUNTY REGARDING THE
4 POSSIBILITY THAT THE COUNTY WILL NEED TO WIDEN ITS ROADS IN THE
5 FUTURE?

6 A. Yes. The County submitted public comments summarizing its concerns regarding the
7 future widening of county roads as envisioned in its Long Range Transportation Plan.
8 Ideally the County would like the route selected for the Project to avoid the rights-of-way
9 that may be expanded under the County's long-term plan. The County's primary concern
10 is that if any Segment Alternative that follows a county road is selected for the Project,
11 and that road needs to be expanded in the future, the pipeline may need to be relocated if
12 it is constructed near the currently-existing road right-of-way.

13
14 MERC met with the Olmsted County Public Works Department and the Olmsted County
15 Engineer on October 17, 2016. During this meeting, MERC confirmed that it would
16 work with Olmsted County and the County Engineer on the final alignment for the
17 Project as it relates to road rights-of-way and future development plans to determine
18 where appropriate mitigation measures may be incorporated into the final design of the
19 Project. MERC understands the County's concerns in this regard and commits to
20 working with the County to avoid the duplicate construction of infrastructure wherever
21 practicable along the selected route.

1 **B. Private Land Developments**

2 Q. HAS THE COMPANY EVALUATED THE DEVELOPMENTS THAT MAY BE
3 ENCOUNTERED ALONG THE SEGMENT ALTERNATIVES IN THE CEA?

4 A. Yes. The Company identified two proposed developments that would be bisected by the
5 Application Preferred Route or the Modified Preferred Route: Willow Creek Commons²
6 and Westridge Hills.³

7
8 Q. DID THE COMPANY MAKE ANY CHANGES TO ITS ROUTE PREFERENCE
9 AFTER LEARNING OF THESE TWO PROPOSED DEVELOPMENTS?

10 A. Yes. During the Scoping Comment period, the landowner of the property that would be
11 crossed by the Application Preferred Route's diagonal crossing in Section 26 of
12 Rochester Township filed comments indicating that a portion of the proposed property
13 within the Willow Creek Commons General Development Plan ("GDP") had been platted
14 and recorded for development of the Willow Creek Commons with Olmsted County in
15 November 2014.

16
17 Based on the status of development, and the fact that the Application Preferred Route
18 diagonally crossed several platted properties covered by other portions of the GDP,
19 MERC developed the Modified Preferred Route that follows 11th Avenue SW north
20 before turning east along 40th Street SW. While the Modified Preferred Route anticipated
21 alignment still crosses parcels within the Willow Creek Commons GDP, it is now located

² Segment Alternatives HJ-2 and IJ-2. "Willow Creek Commons" is used to refer to the combined Willow Creek Commons, Willow Creek Commons West, and the 40 ST GDP.

³ Segment Alternatives FH-1, FH-2, FI-2, GH-2, and GI-2.

1 along the perimeter and no longer bisects the smaller parcels located in the northwest
2 portion of the planned development. These parcels can be seen on **Schedule 2** to my
3 testimony, which is a screenshot from the Olmsted County Zoning website, accessed on
4 October 17, 2016.

5
6 Q. DID MERC PROPOSE ANY PIPELINE ROUTE CHANGES TO ITS ROUTE
7 PREFERENCE ACROSS THE WESTRIDGE HILLS PROPOSED DEVELOPMENT?

8 A. No. The status of the Westridge Hills proposed development is different from the status
9 of the Willow Creek Commons development. A portion of the Willow Creek Commons
10 development has been platted, but the Westridge Hills proposed development has not
11 been platted and currently the GDP for Westridge Hills is no longer valid.

12
13 Q. WHY DO YOU SAY THE GDP IS NO LONGER VALID?

14 A. According to the City of Rochester Land Use Plan, Section 61.216, a GDP is only valid
15 for a period of two years unless subsequent development approvals occur. No action has
16 occurred on the Westridge Hills GDP since 2007 according to the City of Rochester. The
17 subdivision also does not appear in the Olmsted County Subdivision Plat records⁴ or on
18 the Olmsted County Zoning Information website.⁵ A screenshot of this area from the
19 Zoning website is included as **Schedule 3** to my testimony.

20

⁴ Olmsted County Subdivision Plat Search, available at
<https://www.co.olmsted.mn.us/pw/surveying/Pages/SubdivisionAlphabeticalSearch.aspx>.

⁵ <https://gweb01.co.olmsted.mn.us/Flexviewers/ZoningInfoPublic/>

1 Q. DOES MERC SUPPORT A ROUTE CHANGE TO THE MODIFIED PREFERRED
2 ROUTE TO AVOID THE WESTRIDGE DEVELOPMENT?

3 A. No. Given the out-of-date status of the Westridge Hills GDP, and the ability to develop
4 lots around existing natural gas pipelines, as explained in the Direct Testimony of Ms.
5 Lyle, MERC continues to believe that the Modified Preferred Route is the most
6 appropriate route for the Project. The Modified Preferred Route anticipated alignment
7 follows the property line of two parcels that were included in the 2007 Westridge Hills
8 GDP. In addition to the fact that the current status of the proposed development does not
9 warrant route modification at this time, MERC also prefers the Modified Preferred Route
10 over the alternative that runs along 48th Street because of the constructability issues that
11 that alternative presents.

12
13 **C. Potential Other Future Development**

14 Q. BASED ON THE PHASED CONSTRUCTION TIMELINE FOR THE PROJECT
15 (2017-2022), DOES MERC ANTICIPATE DEVELOPMENTS BEING APPROVED
16 ALONG ANY OF THE SEGMENT ALTERNATIVES IDENTIFIED IN THE CEA
17 BEFORE THE PROJECT IS FULLY CONSTRUCTED?

18 A. MERC has no knowledge of the specifics of other future developments under
19 consideration. MERC is aware, however, that there has been a lot of commercial and
20 residential growth, generally, in the Project area, particularly between the Proposed TBS
21 and the DRS.

1 Q. HOW DOES MERC INTEND TO ADDRESS FUTURE DEVELOPMENT THAT MAY
2 BE APPROVED PRIOR TO COMMENCING CONSTRUCTION ON ALL THE
3 PHASES?

4 A. After receiving the Route Permit from the Commission, MERC will begin conversations
5 with landowners along the entire Project to gather information and design an alignment
6 that will avoid unanticipated project impacts. MERC will prioritize the design for the
7 areas where development is occurring or has occurred most recently.

8
9 There may be unforeseen circumstances, however, that arise during the detailed
10 engineering and design of the Project or during right-of-way acquisition. In light of this,
11 MERC requests that the following special condition, which has been included in prior
12 Commission-issued pipeline Route Permits, be included in the Route Permit for this
13 Project:

14 Route width variations may be allowed for the Permittee to
15 overcome potential site-specific constraints. These constraints
16 may arise from any of the following:

- 17 1. Unforeseen circumstances encountered during the detailed
18 engineering and design process.
- 19 2. Federal or state agency requirements.
- 20 3. Existing infrastructure within the pipeline route, including
21 but not limited to railroads, natural gas and liquid pipelines,
22 high voltage electric transmission lines, or sewer and water
23 lines.

24 Any alignment modifications arising from these site specific
25 constraints that would result in right-of-way placement outside of
26 this designated route shall be located to have the same or less
27 impacts relative to the criteria in Minnesota Rules 7852.1900 as the
28 alignment identified in this permit and be specifically identified in
29 and approved as part of the Plan and Profile submitted pursuant to
30 Part VI. of this permit.
31

1 If MERC exercises this condition, consistent with other projects, it will identify any areas
2 where this special condition applies and will provide information with its plan and profile
3 filing explaining the site-specific constraints encountered and tables demonstrating that
4 the modification impacts relative to the criteria in Minnesota Rule 7852.1900 are the
5 same or less than the Commission-approved anticipated alignment.
6

7 **VI. MERC'S ROUTE PREFERENCE**

8 Q. HAS MERC IDENTIFIED ANY CHANGES TO ITS ROUTE PREFERENCE BASED
9 ON THE DEVELOPMENT OF THE CEA OR LANDOWNER FEEDBACK?

10 A. MERC has reviewed the CEA carefully and listened to landowners and other interested
11 stakeholders throughout this process. Based on this information, MERC continues to
12 prefer the Modified Preferred Route for the entire length of the Project.
13

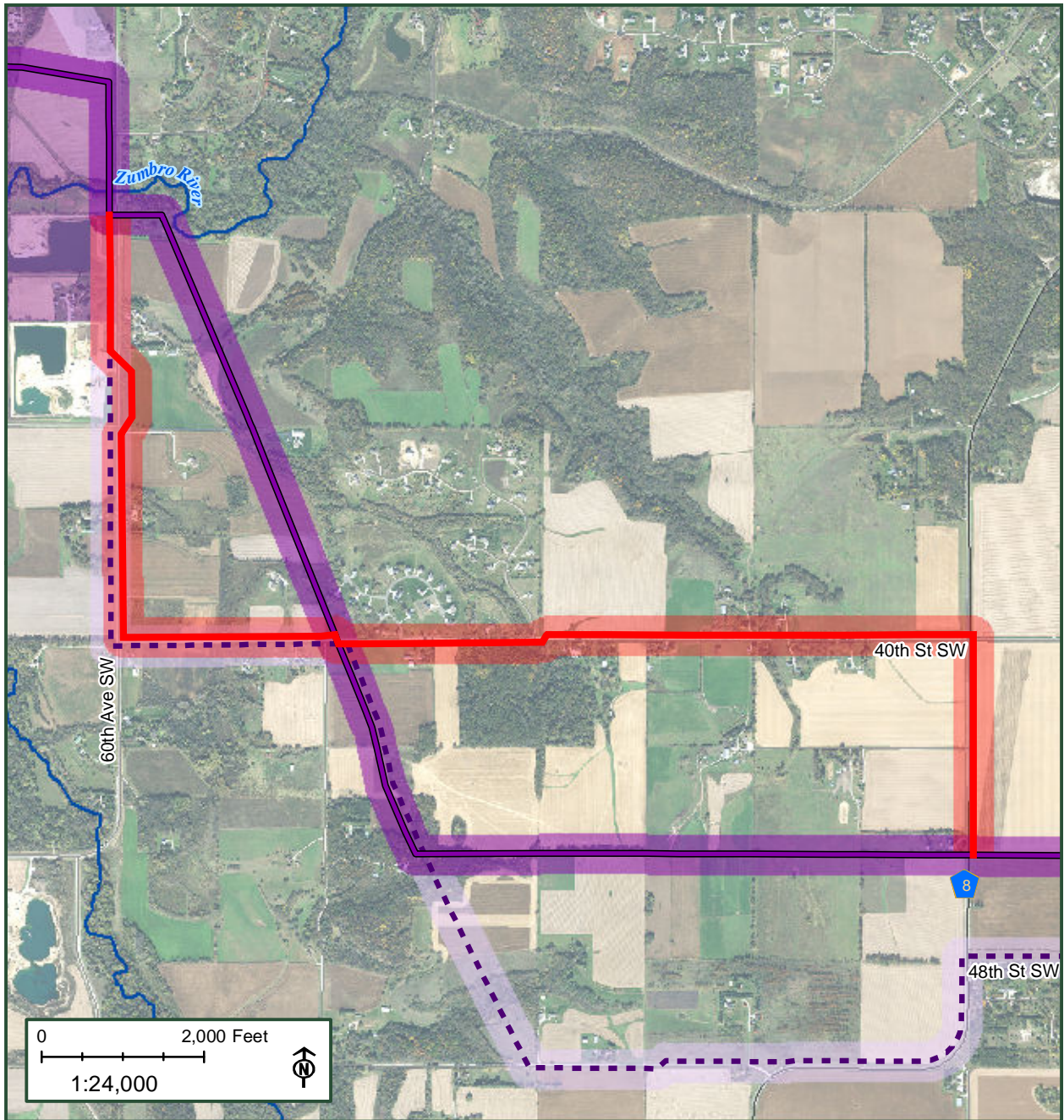
14 **VII. CONCLUSION**

15 Q. DOES THIS COMPLETE YOUR DIRECT TESTIMONY?

16 A. Yes, it does.



60th/40th Route Segment Overview



Legend

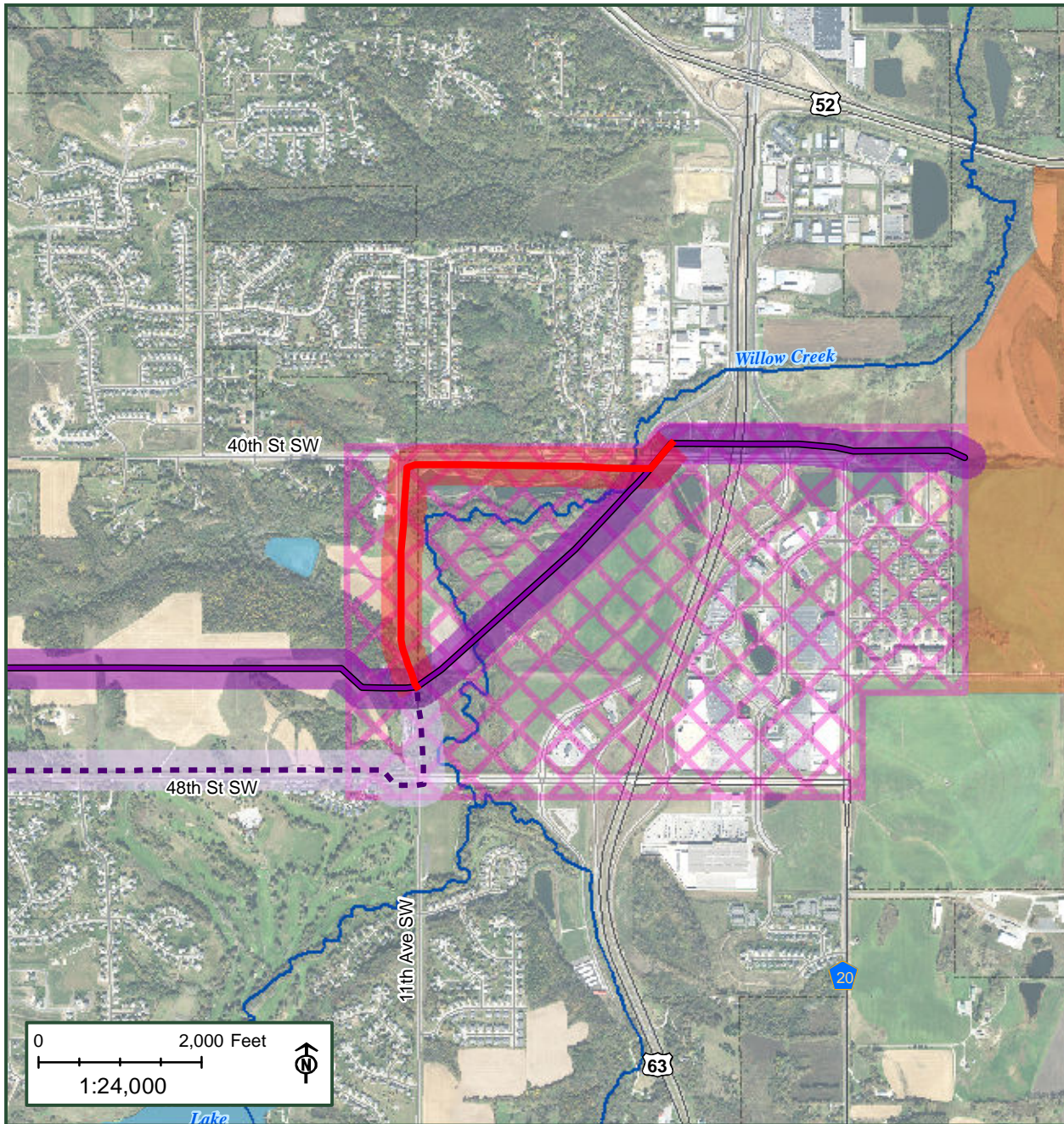
- | | | |
|---|---|--|
| — Modified Preferred Route Segment | Proposed Town Border Station & Route Buffer | City / Township Boundary |
| — Route Permit Preferred Route | ~ PWI Stream | —+— Railroad |
| - - - Route Permit Alternate Route | ~ Waterbody/NWI Wetland | — 161kV AC Transmission Line |
| 60th / 40th Route Segment | | — Road |
| Preferred Route (Application) | | — US / State / County Highway |
| Alternate Route | | |

*Buffer distance is 1.25 miles

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11th/40th Route Segment Overview



Legend

- | | | |
|---|--|---|
| — Modified Preferred Route Segment | Route Alternative Buffer | City / Township Boundary |
| — Route Permit Preferred Route | Proposed District Regulator Station & Route Buffer | —+— Railroad |
| - - - Route Permit Alternate Route | ~ PWI Stream | — 161kV AC Transmission Line |
| 40th / 11th Route Segment | Waterbody/NWI Wetland | — Road |
| Preferred Route (Application) | | — US / State / County Highway |
| Alternate Route | | |

*Buffer distance is 1.25 miles

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