

North American Water Office  
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Institute for Local Self Reliance  
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January 14, 2008

Mr. David Birkholz  
Minnesota Department of Commerce  
85 7<sup>th</sup> Place East Suite 500  
St. Paul, MN 55101

RE: Comments of the North American Water Office and the Institute for Local Self Reliance Regarding The Scope of the Environmental Review In the Matter of the Xcel Energy and Great River Energy Certificate of Need Application for Three 345 kV Transmission Lines in Minnesota

MPUC Docket ET-2, E-002/CN-06-1115  
OAH Docket 15-21500-19350-2

Dear Mr. Birkholz:

Regulatory oversight of the electric utility industry entertains the possibility that public interests do not necessarily coincide with industry proposals, including the CAPX 2020 proposal. NAWO and ILSR contend that in this instance, based on overwhelming evidence, they do not. We offer these comments on the Scope of the Environmental Report (ER) with the hope that they will help guide the production of an ER that is not simply a coronation of the industry's habitual desire, but rather, one that takes seriously the requirement to examine alternatives, and helps us all search out that set of transmission infrastructure enhancements that truly does best serve rapidly evolving societal interests.

To that end, NAWO and ILSR support many of the points made in the January 13, 2008 Comments submitted by United Citizens Action Network (UCAN). In particular, we support UCAN's expressed concerns about improper and inadequate notification to affected landowners; the need for a full analysis of the economic implications on ratepayers of the CAPX 2020 projects; analysis of the environmental consequences associated with additional coal-fired electrical generation capacity that the CAPX 2020 proposal contemplates; and, issues pertaining to further expansion of the electric transmission grid to transmit much more power from west to east. We also strongly support UCAN's assertions on the treatment of project alternatives that must be addressed in the ER.

Minnesota Statutes 216B.243 subd. 3 provide a list of demand and supply-side alternatives that must be compared in the ER on a cost/benefit basis with the proposed CAPX 2020 projects. The ER must report, in transparent fashion, the results of the cost/benefit analyses for each item specified by law for each of the proposed projects, independently. Most importantly, the alternatives packages must be assembled from combinations of generation, transmission, and conservation/demand-side options deemed to be most cost-effective and responsive to the specified needs.

The set of alternatives analyzed must include a 100% Dispersed Generation Alternative. Such a comparison is especially illuminating because of the opportunities, and the potential value of those opportunities identified by the West Central Minnesota C-BED Transmission Report. The existence of these opportunities, and their value compared to the Applicants' proposal, are reinforced by the fact that the 2007 Minnesota Legislature found enough value in the West Central Study to require similar analysis state-wide. The legislation calls for a total of 1,200 MW or more of new distributed and dispersed generation capacity to be strategically located throughout the five Transmission Planning Zones, and establishes a Technical Review Committee to oversee the study.

Further, the 2007 Minnesota Legislature also required transmission planning for the Renewable Energy Standard, and called for that planning to build on the Wind Integration Study and models that incorporate distributed and dispersed generation potential. It is worth noting that the Wind Integration Study itself was able to support the conclusions it did because the generation inputs were dispersed. The examination of a Dispersed Generation Alternative is consistent with Minnesota Rules Chapter 7849.7060 subp. 1(B).

In this same vein, the ER should examine in considerable detail how much of the Renewable Energy Standard obligation can be met without building new backbone transmission. The Applicants have good reason to think that 2012 RES goals can be met without any additional very large powerlines. The ER must therefore answer the question of how much more is possible. How much more could be accomplished by 2012 with the proper set of lower voltage and substation transformer enhancements? How much more in each of the subsequent years? What would be the cost of such enhancements compared to the cost of the CAPX 2020 proposals, including a comparison of the infrastructure costs on a per megawatt of installed generation capacity basis, for mandated renewable generation capacity.

The ER should examine the economic impact of the Applicants' proposal on Minnesota rate payers, utility by utility. The analysis should cover a range of ownership percentages and include consideration of rate impacts if a Transco ends up owning some or all of the CAPX 2020 facilities.

The Application identifies specific areas of local reliability concern. The alternatives analysis of the ER must examine and compare to the Applicants' proposal, tailored Demand Side Management and Distributed Generation options capable of addressing each of those local reliability concerns. Also consistent with Minnesota Rules Chapter 7849.7060 subd. 1(B), this analysis must include using facilities of different

sizes and upgrading existing facilities in a manner capable of addressing the identified concerns regarding the performance of the electric utility system.

Minnesota Rules Chapter 7849.7030 requires the ER to contain information on the human and environmental impacts of the proposed CAPX 2020 projects compared to the alternatives. It is now firmly established by Minnesota C-BED Statutes that the value of local economic benefits to Minnesota taxpayers and ratepayers resulting from renewable energy development is greater with local ownership than is otherwise the case. Further, public policy preference in statute seeks to capture those benefits for Minnesotans whenever possible, and local C-BED ownership is strongly correlated with distributed and dispersed generation scenarios. Meanwhile, the CAPX 2020 projects will cause additional adverse environmental impacts from fossil fuel corporate owned facilities located out of state. To satisfy Minnesota Rules Chapter 7849.7030, the ER must therefore include a comparison of economic and environmental benefits that would accrue to Minnesotans with local ownership in the dispersed scenario with the costs and adverse impacts attached to the CAPX 2020 proposal. This analysis should include and clearly specify the cost of transmission in the dispersed alternative compared to the cost of transmission as proposed by the Applicants.

This analysis should be new and independent, and not based on the data in the Application. It should be quantitative in nature to the depth that a quantitative comparison, including the socio-economic impacts of the proposed projects with alternatives based on local ownership, is readily apparent in the ER.

In determining the costs and adverse impacts of fossil fueled out-of-state corporate-owned facilities made possible by the CAPX 2020 proposals, the ER must consider new greenhouse gas limits and associated costs of emissions placed on the electric industry by new session laws. The ER should provide transparency regarding the generation assumed in the Application, including size, type, location, and emissions. This information should be developed using a range of forecasts for environmental impacts that is based on an independent derivation of load growth forecasts based on past Integrated Resource Plans, impacts to growth to be expected because of new conservation directives, anticipated price increases to electric energy costs based on forecasts of fossil fuel prices, and greenhouse gas reduction programs.

The “No Build Option” does not mean “do nothing.” The ER should consider how, from a public interest perspective, to best meet the real needs, such as are determined by accurate forecasts, and not just say we can’t survive as a society in 2020 without the proposed projects. Considering the complexity and scale of the interconnected grid, and the vast array of universally recognized demand and supply-side options now capable of providing electric utility services, it is not acceptable to proceed with the Applicants and their regulators focused only on one, single solitary scenario for addressing the multiple perceived inadequacies of the system. The Department of Commerce is obligated by rule and statute, and by common sense and decency, to use the very significant resources at its disposal to produce an ER that actually does specify a comprehensive alternative option based on dispersed and distributed generation, lower voltage transmission and substation transformer enhancements, and demand-side programs. Unless the ER does a full and fair job of comparing costs and benefits of such

an alternative scenario with the costs and benefits, such as they are, of the Applicants' proposal, the legitimacy to the decision-making process will be severely diminished.

Respectfully submitted,

George Crocker, Executive Director  
North American Water Office