

**BEFORE THE MINNESOTA OFFICE OF ADMINISTRATIVE HEARINGS
FOR THE
MINNESOTA PUBLIC UTILITIES COMMISSION**

In the Matter of the Application of Great River Energy, Northern States Power Company (d/b/a/ Xcel Energy), and others for Certificates of Need for the CapX 345-kV Transmission Projects

OAH Docket No. 15-2500-19350-2
PUC Docket No. CN-06-1115

Memorandum in Support of NoCapX Motion for Limited Discovery, Motion for Limited Re-Opening of Hearing, and in the alternative Certification to the Commission.

Significant new information regarding the ultimate need for new transmission infrastructure has come to light since the close of administrative hearings in the contested case proceedings in the above-captioned matter. The North American Water Office and the Institute for Local Self-Reliance (“NAWO/ILSR”), parties in this proceeding, support the Motion filed by NoCapX requesting an opportunity to supplement the record with information regarding the unprecedented decline in residential energy consumption.

Decline in Electrical Consumption is Significant in these Proceedings

Local load service and community reliability support makes up one of the three need-types identified by the Applicants in this proceeding. All of the local load service and community reliability support analysis in the record was performed under the assumption that electrical demand would increase, on average, 1-2% per year. NoCapX has identified public statements from one of the Applicants that residential demand recently decreased by 3%. The relevance of the current decline in energy consumption to these proceedings is that the timing of the claimed local load service and community reliability needs may be significantly altered.

The other two stated need-types, system-wide growth and generation outlet capacity may also be impacted by decreases in electrical consumption. Without further exploration of these issues in the record, the parties and the decision-makers are left with nothing but conjecture and speculation regarding the impact of our current reality on the need for these transmission projects. The people of Minnesota simply cannot afford to invest \$1.7 billion in the Applicant's proposed transmission infrastructure without first reviewing *all* of the relevant information.

The Applicants Deserve the Opportunity to Explain and Defend the Stated Need for the CapX Transmission Projects in Light of Current Circumstances

It is imperative that the record reflect what, if any, impact the current decline in electrical consumption may have on the timing of the need for the CapX transmission projects. The public statements made by Xcel Energy that were noted by NoCapX require further explanation in the record. The extent of the decline in consumption remains unclear with respect to whether it is a residential anomaly or extends across the commercial and industrial sectors as well. The impact of the decline in electrical consumption on system-wide demand must be explained further.

In addition, the record in this proceeding needs information as to what impact this unexpected decline in energy sales is having on long-term demand forecasts. Even if demand grows at the expected rate once the economy recovers, the fact that growth is occurring from a lowered baseline essentially moves us back in time from a transmission planning perspective. A 1-2% annual increase in demand growth is inherently tied to the base load from which the increase in demand is occurring. If the starting point for that calculation is 1,000 or 10,000 MW lower than was initially assumed, mathematics would dictate that it will take longer before critical load levels are reached.

Finally, it is vital that the Applicants explain for the record where those energy reductions are coming from. Is the consumption shift one of self-imposed hardship among residential consumers that will rebound quickly, or are we observing a sea-change in consumer habits that are more long-term? Without further analysis and explanation, it is impossible to know whether the current trend is one that we can expect to continue or not. With \$1.7 billion at stake we cannot afford to proceed on assumptions.

Timing of the Stated Need is a Vital Component of the Applicants' Case

The Applicants will argue that regardless of the current downtrend in electricity consumption, eventually demand will increase and the proposed transmission facilities will be needed. A proper analogy would be buying your infant child a pair of adult jeans – eventually you assume they will grow into them. Yet, here is the rub. What if your child doesn't grow the way you expected when you bought those jeans? The legs may be too short, too long, or the waist is all wrong. Perhaps by the time your kid has grown up, jeans are no longer the preferred style. Uncertainty increases with time. With a \$1.7 billion investment, we walk a fine line between proactive planning that assumes historic growth trends and burdening our children with expensive transmission infrastructure that simply does not fit their needs.

It is vital that the record reflect the implications of the current decline in residential energy consumption on when the facilities will be needed. It is well-established in the record that emerging technologies and potential alternatives are rapidly developing. Thus, the timing of the need is relevant in determining whether it is appropriate to move forward with the projects as proposed. The record reflects that the Applicants' resistance to Smart Grid and other alternatives is based on timing issues more than anything else.

For example, rather than wait for results of the Boulder, CO smart grid pilot project, the Applicants claim that they must move forward with the CapX lines as quickly as possible. Thus, even if we assume for the moment that demand will eventually reach the levels anticipated by the Applicants, by pushing back the timing of the need an expanded menu of alternatives will be ready for further analysis.

NAWO/ILSR Supports the Motion of NoCapX in its Entirety

NAWO/ILSR acknowledges that the contested case proceedings have been lengthy as well as thorough and we deeply appreciate the time and effort put forth by all parties and other participants in the proceedings. In light of all of the work that has gone into this process, it would be folly to press forward without considering the impact of reality on the project. NAWO/ILSR respectfully requests that NoCapX's **Motion for Limited Discovery** and **Motion to Reopen Hearing Based on New Information** be granted for the reasons outlined above. In the alternative, NAWO/ILSR supports certification of this question to the Minnesota Public Utilities Commission for final determination pursuant to Minn. R 1400.7600.

Given the swift-approaching brief deadline of December 5th, NAWO/ILSR would appreciate clarification of any impact that reopening hearings may have with respect to the briefing schedule. Of chief concern is fairness to all parties in tailoring their briefs to incorporate the decrease in electricity demand as each party deems necessary. NAWO/ILSR would like to propose that a deadline be set for the submission of supplemental briefs addressing the impact of consumption declines with any necessary adjustments being made to the final briefing deadline based on the timing of reopened hearings. Given the history of the parties working to accommodate each others schedules, we would expect to be able to reach a consensus on a reasonable hearing and briefing schedule via telephone conference at the time the Motion is heard.

Respectfully submitted by,



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