

**STATE OF MINNESOTA
MINNESOTA PUBLIC UTILITIES COMMISSION**

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**In the Matter of the 2007
Minnesota Biennial Transmission
Projects Report and the Renewable
Energy Standards Report**

Docket No. E-999/M-07-1028

REPLY COMMENTS OF WIND ON THE WIRES

Pursuant to the Commission's December 7, 2007 Notice of Comment Period in the above referenced docket, Wind on the Wires ("WOW") submits the following reply comments on several issues related to 2007 Minnesota Biennial Transmission Projects Report and the Renewable Energy Standards Report ("Report") filed with the Minnesota Public Utilities Commission on November 1, 2007. WOW provided initial comments on January 15, 2008, and responds here to several of the other parties' initial comments, focusing on two main areas: (1) support for some of the issues addressed by the Minnesota Department of Commerce ("Department"), and Outland Renewable Energy ("ORE"), and (2) concern about some of the issues raised in the initial comments of the North American Water Office ("NAWO").

Support for Comments of DOC and ORE

WOW agrees with several points made by the Department and ORE. Both have mentioned the need for more detail in the Report, especially with regard to what transmission will be needed to meet the 2012 Renewable Energy Standard ("RES") milestone. ORE has restated WOW's concern clearly, "In the 2007 RES Report, only a small portion of the necessary infrastructure

improvements have been proposed and analyzed.”¹ The Department has echoed WOW’s request that the utilities provide details, including the status, of lines expected to be in service to deliver renewable energy to meet the 2012 milestone, and WOW’s interest in further study work to identify additional Regional Incremental Generation Outlet type projects which will also be needed to meet the 2012 milestone. The Department rightly points out that timing is critical to have such lines in service: “...assuming three years of regulatory approval and construction, any transmission which needs to be on-line by early 2012 would have to be near the end of the pre-filing process.”² As WOW mentioned in our initial comments, the Department has also raised concern about the discrepancies between the gap analysis presented in the Report and the gap analysis detailed in the Certificate of Need application for three 345kV lines, and requested that the utilities reconcile these.³

WOW also supports the requests made by the Department that the Commission require Minnesota transmission providers to run future studies including no, low, and high externality values as well as the range of costs of future carbon dioxide (CO₂) regulation approved by the Commission. WOW concurs that including these values will have an impact not only on resource choice, but on the choice of transmission alternatives as well.

Both the Department and ORE point out that the Report does not address the backlog with the MISO queue, which has the potential to delay a significant amount of renewable resource development in the region. WOW is actively participating in the MISO Interconnection Process

¹ Outland Renewable Energy’s Initial Comments to 2007 Renewable Energy Standards Report, Docket No. E-999/M-07-1028, January 15, 2007, page 3.

² Comments of the Minnesota Department of Commerce, Docket No. E-999/M-07-1028, January 15, 2007, page 16.

³ ³ 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.

Task Force that was formed to address these problems. While we do see that progress is being made by this group, more work is needed to affect changes that will improve the ability of utilities and generators to understand the costs and timelines of upgrades needed to interconnect proposed generators to the MISO grid, as well as to support the funding and construction of additional transmission capacity to serve these new generators. WOW supports the Department's request that the Minnesota utilities address the coordination between their planned 2012 transmission upgrades and the MISO interconnection queue.⁴

Concerns about Comments of North American Water Office

WOW agrees with some points made by NAWO, such as the need to clarify the load growth and demand side management assumptions in the gap analysis and in transmission studies, and the need to address the interconnection process for small generators. However, we have several concerns about NAWO's limited focus on dispersed generation, and its apparent belief that a 100% dispersed scenario may obviate the need for new transmission to meet the RES milestones.

NAWO states "The planning scenarios in Section 4 of the report appear to suggest the need for exaggerated amounts of transmission upgrades beyond that actually required to meet the RES Goals."⁵ Contrary to this sentiment, WOW believes that the Report lacks identification of an adequate amount of new transmission to meet the 2012 RES milestone. This is detailed in our initial comments and is echoed by the initial comments of DOC and ORE.

⁴ Comments of the Minnesota Department of Commerce, Docket No. E-999/M-07-1028, January 15, 2007, page 17.

⁵ Initial Comments and Intervention Petition of the North American Water Office, Docket No. E-999/M-07-1028, January 15, 2007, page 2.

NAWO points out that the conceptual plans assume most wind will be developed in Western Minnesota and the Dakotas. NAWO would like to see greater focus on potential development in West Central and Northwest Minnesota. While WOW agrees that there may be numerous potential sites for wind development, we believe the utilities have so far made reasonable assumptions about where the next generation of wind resources will be developed based on information about high wind capacity zones as well as requests in the MISO queue that are a good indication of where wind developers believe the optimal wind sites to be.

NAWO asks the policy question of whether it is best to build transmission to higher capacity wind resources, or to build more wind where transmission already exists. WOW agrees that this is an important question that will help direct resource and transmission planning to meet the RES milestones. However, we believe this question will be addressed in the Generation & Transmission Optimization (G&T) study the utilities have begun. The understanding gathered through the G&T study will be fed back into the 2016 and 2025 vision studies and will likely affect the utilities resource and transmission choices as they plan to meet their RES requirements. WOW does not believe that the utilities should wait for the results of this study or the vision studies before moving forward with transmission needed to meet the 2012 milestone. In fact, we believe that transmission to meet the 2012 milestone must be accelerated, because lead times for regulatory approval, permitting, and construction are so lengthy.

While WOW agrees with NAWO that the Report should consider how DSM and other non-wire alternatives might help make more efficient use of the existing transmission grid and help delay the need for new capacity construction in some cases, we do not believe that this has so far resulted in an exaggerated amount of planned transmission additions. Such alternatives

are still in their early stages, and likely will not provide much assistance for utilities in meeting the 2012 RES milestone.

NAWO requests that all near term transmission studies be required to include a scenario that contains a 100% dispersed generation scenario. While WOW does not presume to know the appropriate balance of dispersed generation vs. centralized generation development, we believe that at least in the near term, it is unrealistic to assume that all new renewable development will be smaller scale. We support the need for the Generation and Transmission Optimization study that will provide more information about the costs and benefits of building new transmission to reach high wind output areas, versus building less transmission and developing lower wind areas. Yet, even if the higher per megawatt hour costs of a dispersed scenario is shown to be offset by lower transmission costs, challenges with developing the large amount of megawatts of renewable capacity needed to meet the RES requirements with many small renewable projects will need to be addressed. WOW suggests that the utilities evaluate the use of a greater amount of small, dispersed generation development after considering the results of the G&T Optimization study. In the meantime, utilities need to move forward with planned transmission projects.

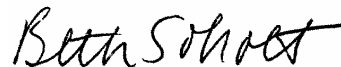
NAWO cites Minn. Stat. §216B.1691, Section 2, which states, “The study process must be designed to identify and optimize delivery of that renewable energy to Minnesota retail customers while maintaining system reliability.” NAWO believes this should be interpreted to mean that transmission identified to meet the needs of renewables “from other states to other states” should not be included in the scope of the work required in this Report. NAWO has indicated that this should mean that the Midwest Independent System Operator (MISO) 765kV Overlay Vision and the CapX 2020 Vision Plan are not within the scope of this Report. WOW is

not completely clear on NAWO's intent with these statements, but we feel compelled to point out that the transmission grid within Minnesota does not function separate from the grid outside of the state. Nor does transmission within the state used to serve Minnesota load operate independently of transmission that is serving exports. Due to the interconnected nature of transmission grid operation, WOW feels it is appropriate to include in transmission studies lines that have some degree of assurance of being on-line in the future. If there is uncertainty regarding the future construction of transmission lines, sensitivities including those lines may be appropriate. Totally excluding consideration of these lines from studies as NAWO suggests would not allow transmission planners to accurately model power flows and reliability needs.

WOW appreciates the opportunity to provide these reply comments and welcomes any questions.

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Respectfully submitted,



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