Appendix A

Final Scoping Decision Document

Energy Facility Permitting
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October 23, 2009

TO: William Glahn, Director WLG
Office of Energy Security
THROUGH: Marya White, Manager MMW
FROM: William Cole Storm, Staff
OES EFP (Tel: 651-296-9535)
RE: Scoping Decision
NPUC/MP Essar Steel HVTL Route Permit
PUC Docket Number: E280/TL-09-512

ACTION REQUIRED: Signature of the Director on the attached Order, "Environmental Impact Statement Scoping Decision." Once signed, the Department of Commerce (DOC) Office of Energy Security (OES) Energy Facility Permitting (EFP) staff will mail the notice of the order to interested parties.

BACKGROUND: On June 1, 2009, Nashwauk Public Utilities Commission (NPUC) and Minnesota Power (MP) submitted a high voltage transmission line (HVTL) Route Permit application to the Commission for the proposed Essar Steel Transmission Project.

The Commission accepted the Hiawatha HVTL Route Permit Application as complete on June 29, 2009.

In the Order the Commission:

Accepted the application, initiating the Full Review Process.
Authorized the OES to name a Public Advisor.
Authorized the OES to establish an Advisory Task Force.
Referred the docket to the Office of Administrative Hearings for the contested case hearing.

On Wednesday, July 29, 2009, the Office of Energy Security (OES) Energy Facility Permitting staff (EFP) held a public information meeting at the Taconite Community Center. The meeting started at 6:00 pm. The purpose of the meeting was to provide information to the public about the proposed project, to answer questions, and to allow the public an opportunity to suggest alternatives and impacts that should be considered during preparation of the environmental review document. Written comments were due no later than Friday, August 14, 2009.

Approximately 65 people attended the public information and scoping meeting; fourteen individuals took the opportunity to speak on the record. A court reporter was present to document oral statements. Fifteen written comments were received.

The major areas of concern expressed during the public comment period included: compatibility with existing and future land use plans (including farming and mining); health and safety issues; cost of the project and who pays; and questions concerning easement acquisition (including buy the farm provisions).

The OES assembled an Advisory Task Force (ATF) for the NPUC/MP Essar Steel HVTL Project. The ATF role was to assist OES staff in developing the scope of the Environmental Impact Statement (EIS) and in determining specific impacts and issues of local concern that should be assessed in the EIS.

The ATF met three times: Wednesday, August 5, 2009, Wednesday, September 2, 2009, and Wednesday, September 23, 2009. The meetings were held in the Taconite Community Center from 2:00 pm to 5:30 pm. The ATF, through a facilitated process, 1) discussed potential alternative routes and substation locations, 2) discussed potential impacts and possible mitigations, 3) discussed issues of local concern in consideration of the scope of the environmental review document

The ATF released a report on October 21, 2009.

Relevant documents and other information on this docket can be viewed at the PUC Energy Facilities website:

http://energyfacilities.puc.state.mn.us/Docket.html?Id=19602

CC: Deb Pile, Supervisor

STATE OF MINNESOTA

OFFICE OF ENERGY SECURITY

In the Matter of Nashwauk Public Utility Commission's Application for a HVTL Route Permit for the proposed Essar Steel HVTL Project.	**EIS SCOPING DECISION** **PUC Docket No. E280/TL-09-512**

The above-entitled matter came before the Director of the Office of Energy Security (OES) for a decision on the scope of the Environmental Impact Statement (EIS) to be prepared on the proposed Essar Steel HVTL Project.

Having reviewed the matter, consulted with OES Energy Facility Permitting staff, and in accordance with Minnesota Rule 7850.2500, I hereby make the following Scoping Decision.

I. SUMMARY

On June 1, 2009, Nashwauk Public Utilities Commission (NPUC) and Minnesota Power (MP) submitted a high voltage transmission line (HVTL) Route Permit Application to the Commission for the proposed Essar Steel Transmission Project.

NPUC and MP propose to construct four 230 kV transmission lines and two 230 kV substations. The purpose of the project is to supply reliable electric power to a single source entity - Essar Steel Minnesota (ESM). ESM has obtained state approvals to reactivate the former Butler Taconite mine by developing new facilities, including a taconite pellet plant and steel production plant. The Essar taconite pellet facility is expected to commence initial operation by early 2011, with initial steel plant operation planned for early 2014, at which time the projected demand would be approximately 300 megawatts. Although not committed to, ESM has site approvals for a second steel slab melt line, which would increase the ESM facilities' total electric power requirements to approximately 500-550 megawatts if constructed and at full operation.

The four routes would require approximately 37 miles of new transmission lines.

Minnesota Statute 216B.243, subdivision 2, states that no Large Energy Facility shall be sited or constructed in Minnesota without issuance of a certificate of need by the Commission. The Essar Steel Transmission project meets the definition of a Large Energy Facility under Minn. Stat. 216B.2421, subd. 2. However, the applicants have stated within the route permit application that the proposed project meets the exemption criteria for construction of a high voltage transmission line that serves the demand of a single customer at a single location (Minn. Stat. § 216B.243, subd. 8, item 2), and that, the single customer for this proposed project would be Essar Steel Minnesota (ESM). All four proposed 230 kV transmission lines would terminate at the two proposed 230 kV substations located at the ESM site. Therefore a Certificate of Need would not be required for the proposed project.

The Commission accepted the Essar Steel HVTL Route Permit Application as complete on June 29, 2009. In the Order the Commission:

- Accepted the application, initiating the Full Review Process.
- Authorized the OES to name a Public Advisor, Deborah Pile was named.
- Authorized the OES to establish an Advisory Task Force, with the proposed structure and charge.
- Referred the docket to the Office of Administrative Hearings for the contested case hearing.

II. MATTERS TO BE ADDRESSED IN THE EIS

The applicants' Route Permit Application describes their route analysis and contains the information required by Minnesota Rule 7894.5220, subp. 2, as determined by the Commission. The EIS will summarize the process the applicants' used to identify, evaluate, and select the routes. The EIS will also verify and supplement information provided in the Route Permit Application and will incorporate the information by reference as appropriate.

The EIS on the proposed Essar Steel HVTL project will address and provide information on the following matters:

ABSTRACT
LIST OF PREPARERS
SUMMARY
1.0 INTRODUCTION
Project Description
Purpose of the Transmission Line
Project Location
Route Description
Route Width
Rights-of-Way
Project Cost
Sources of Information

2.0 REGULATORY FRAMEWORK
HVTL Route Permit Process
Questions of Need (size, type, timing, alternative system configurations/voltage) and Implications of Minn. Stat. 216B.243, Subdivision 8, Item 2.
Environmental Review under the Full Review Process

3.0 ENGINEERING AND OPERATION DESIGN
Transmission Line Conductors
Transmission Line Structures
Substations

4.0 CONSTRUCTION
Transmission Line and Structures
Substations
Property/Right-of-Way Acquisition

Contiguous Land Provisions (Minn. Stat. 216E.12, Subdivision 4)
Cleanup and Restoration
Damage Compensation
Maintenance

5.0 AFFECTED ENVIRONMENT, POTENTIAL IMPACTS, AND MITIGATIVE MEASURES

The EIS will include a discussion of the human and environmental resources potentially impacted by the project and its alternatives. Potential impacts, both positive and negative, of the proposed project and each alternative considered will be described. Based on the impacts identified, the EIS will describe mitigative measures that could reasonably be implemented to reduce or eliminate the identified impacts. The EIS will describe any unavoidable impacts resulting from implementation of the proposed project.

Environmental Setting
Socioeconomic Setting
Human Settlement
Noise
- HVTL & Substation

Aesthetics
Proximity to Structures
- Residences
- Businesses
- Schools/Daycares
- Hospitals
- Cemeteries
- Displacement
- Existing Utilities

Public Health and Safety
- Electric and Magnetic Fields
- Implantable Medical Devices
- Stray Voltage

Recreation
- Parks (city, county, state, and federal)
- Trails (hiking, snowmobile/ATV)

Transportation and Public Services
- Emergency Services
- Airports
- Highways, Roads and Bike Paths

Interference
- Radio and Television (digital and satellite)
- Internet
- Cellular Phone

Archaeological and Historic Resources
Zoning and Compatibility/Federal, State and Local Government Planning
- Commercial/Residential Development

Land-Based Economies
- Agriculture
  - Prime Farmland
  - Live Stock

Property Values
- Residential
- Industrial
- Agriculture

Air Quality (As it pertains specifically to this transmission line only.)
- Henshaw Effect

Natural Resources
- Surface Water
  - Lakes
  - Surface/stormwater Flows
- Groundwater
- Wetlands
- Floodplains
- State Wildlife Management Areas/Scientific Natural Areas
- National Wildlife Refuge/Waterfowl Production Areas

Flora
Fauna
Rare and Unique Natural Resources/Critical Habitat

6.0 ALTERNATIVE ROUTES/SUBSTATION LOCATIONS TO BE EVALUATED IN EIS

The EIS will describe and evaluate the applicant's four proposed routes (Route 1 through Route 4) and the applicant's four proposed alternative routes (Route 1A through Route 4A). The EIS will also identify, describe, and evaluate the following alternatives.

HVTL Route/Segment Alternatives

ATF Alternative Segment 1 (to applicant's Route 3A)
ATF Alternative Segment 2 (to applicant's Route 3A)
ATF Alternative Segment 3 (to applicant's Route 1A)

Substation Location Alternatives

No alternative substation locations have been identified.

7.0 REJECTED ALTERNATIVE ROUTES

8.0 ALIGNMENT ALTERNATIVES

The EIS will evaluate a total of 5 alignment alternatives suggested in comments. These are alternatives that fell within the applicants' requested route widths and generally entail site specific concerns such as building on one side of the road or the other, avoiding tree groves, and avoiding recreational areas or environmentally sensitive areas.

ATF Group 2 alignment in Route 3
ATF Group 2 alignment in Route 1
ATF Group 3 alignment in Route 1

ATF Group 2 alignment in Route 2
ATF Group 3 alignment in Route 2

9.0 REQUIRED PERMITS AND APPROVALS

The EIS will include a list of permits that will be required for the project.

III ISSUES OUTSIDE THE SCOPE OF THE EIS

The following issues will not be considered or evaluated in the EIS:

- Any route or substation alternatives not specifically identified in this scoping decision
- The issue of need, including size, type, and timing; questions of alternative system configurations, or questions of voltage.
- The no-build option regarding the high voltage transmission line.
- The impacts of specific energy sources, such as carbon outputs from coal-generated facilities.
- The manner in which land owners are paid for transmission rights-of-way easements, as that is outside the jurisdiction of Public Utilities Commission.

IV SCHEDULE

Following is the anticipated schedule:

February 20, 2010 – Draft EIS available.
March 20, 2010 – Draft EIS public meetings.
June 12, 2010 – Final EIS available.

The above outline is not intended to serve as a "Table of Contents" for the EIS document, and as such, the organization (i.e., structure of the document) of the information and the data may not be similar to that appearing in the EIS.

Signed this 26th day of October, 2009

STATE OF MINNESOTA
OFFICE OF ENERGY SECURITY

William Glahn, Director
Office of Energy Security