

**STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION**

In the Matter of Establishing an Updated
Estimate of the Costs of Future Carbon
Dioxide Regulation on Electricity
Generation under Minn. Stat. §216H.06

Docket No. E999/DI-19-406
Docket No. E999/CI-07-1199

COMMENTS OF GREAT RIVER ENERGY

Great River Energy (GRE) appreciates the opportunity to provide comments in this matter as requested by Minnesota Pollution Control Agency (MPCA) and the Minnesota Department of Commerce, Division of Energy Resources (DOC) in their Request for Comments letter dated July 9, 2019. GRE provides its comments on the range of cost estimates for the future cost of carbon dioxide (CO₂) regulation on electricity generation.

TOPICS FOR COMMENT

Whether the currently established range of regulatory costs of CO₂ emissions of \$5 to \$25 per short ton remains reasonable, and if not, what range should be established and why?

GRE is in favor of the continued use of \$5 to \$25 per short ton, with a midpoint of \$15 per short ton. This range of costs is reasonable and aligns with industry estimates that GRE consults for potential carbon costs.

Whether 2025 is the appropriate threshold year for the application of the value range?

GRE uses Wood Mackenzie (WoodMac) for industry information and cost analysis. WoodMac estimates that 2028 is the first year in which federal carbon pricing would come into effect. This is absent any dynamics with potential state policy, and only considers the potential future cost of carbon regulation from the federal level. GRE agrees with this estimate and considers any date before 2028 to be problematic from a policy and implementation standpoint. GRE recommends 2028 as the first year for the application of the value range.

Whether the application scenarios listed in the Commission’s June 11, 2018 Order remain reasonable and appropriate?

GRE finds the scenarios outlined in the June 11, 2018 Order to still hold value and make sense from an analytical perspective, although the volume of duplicative runs required by the scenarios across all cases modeled could prove to be onerous and create a very large number of results for interpretation and analysis. GRE requests the DOC provide a formal outline of what costs are expected to be imputed on the runs for the IRP. It matters whether GRE is expected to use all costs on all runs, or some costs on all runs and the full range of costs on a few cases.

Whether the Commission’s update should apply to electricity generation resource planning and acquisition proceedings initiated in 2020 only or in both 2020 and 2021?

GRE recommends that the Commission apply the update to proceedings initiated in 2020 and 2021. GRE is filing its next integrated resource plan on April 1, 2021 and our modeling requires certainty in pricing for our scenarios over a year in advance. Applying these values to 2021 filings allows GRE to make appropriate assumptions in a timely manner that would not require any re-runs either partial or fully for the cases we develop through the stakeholder process.

CONCLUSION

GRE’s recommendations are as follow:

- \$5-\$25 per short ton for CO2 emissions remains an acceptable range for analysis
- 2028 is the appropriate threshold year for application of the value range
- The Commission’s application scenarios are reasonable, but could create an excessive number of scenarios for analysis
- The value range and application year should be used for both 2020 and 2021 in resource planning and acquisition proceedings

If you have any questions, please contact me at gpadding@greenergy.com or at 763-445-6114.

Sincerely,

/s/ Greg Padden

Greg Padden
Director, Resource Planning and Markets
Great River Energy
c: Service List