

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

121 Seventh Place East, Suite 350
St. Paul, Minnesota 55101-2147

In the Matter of Establishing an Updated 2020
Estimate of the Costs of Future Carbon
Dioxide Regulation on Electricity Generation
Under Minn. Stat. § 216H.06

PUC Docket No. E-999/CI-07-1199
PUC Docket No. E-999/DI-19-406

MINNESOTA LARGE INDUSTRIAL GROUP REPLY COMMENT

I. INTRODUCTION

Minn. Stat. § 216H.06 allows for annual updates to the estimated costs of future carbon regulation on electricity generation following informal proceedings conducted by the commissioners of commerce and pollution control. Pursuant to Minn. Stat. § 216H.06, the Minnesota Pollution Control Agency (“MPCA”) and the Minnesota Department of Commerce, Division of Energy Resources (“DOC” together with the MPCA, the “Agencies”) submitted a request for comments on July 9, 2019.¹ In response to the Initial Request, parties – including the Minnesota Large Industrial Group (“MLIG”) – submitted comments on September 6, 2019.² Following comments, the Agencies filed their Analysis and Recommendations on December 17, 2019.³ The Agencies’ Recommendations conclude that the Minnesota Public Utilities Commission (the “Commission”) should “not change any of the decisions made in [the] June 2018 Order, other than to update the years for which [the] decision applies.”⁴ After the Agencies’

¹ Agencies’ Request for Comments (July 9, 2019) (eDocket No. 20197-154255-01) (the “Initial Request”). The Initial Request solicited comments on the following four items: (1) 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; (2) whether 2025 is the appropriate threshold year for the application of the value range; (3) whether the application scenarios listed in the Commission’s June 11, 2018 Order remain reasonable and appropriate; and (4) 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.

² Comment by MLIG (Sept. 6, 2019) (eDocket No. 20199-155717-02) (“MLIG September Comment”).

³ Analysis and Recommendations of the Agencies (Dec. 17, 2019) (eDocket No. 201912-158399-02) (the “Agencies’ Recommendations”).

⁴ *Id.* at 5.

Recommendations, the Commission noticed a comment period on December 20, 2019, seeking comments from parties.⁵

Pursuant to the Notice, MLIG submitted comments on January 24, 2020.⁶ MLIG has actively participated in this matter, including Commission Docket No. E-999/CI-07-1199, as well as the related docket on environmental cost values, Commission Docket No. E-999/CI-14-643.⁷ Throughout this docket, MLIG has maintained the position that the Commission should not begin applying the regulatory value of carbon emissions pursuant to Minn. Stat. § 216H.06 until there is a clear demonstration that a regulatory cost is forthcoming. Until that point, MLIG believes it is reasonable to continue using the value ranges under Minn. Stat. § 216B.2422 in resource planning proceedings.⁸

MLIG submits this reply comment in response to the initial comment submitted by Clean Grid Alliance, Fresh Energy, Minnesota Center for Environmental Advocacy, Sierra Club, and Union of Concerned Scientists (together, the “Clean Energy Organizations” or the “CEOs”) as well as Northern States Power Company d/b/a Xcel Energy’s (“Xcel”) comment specifically questioning MLIG’s recommendations. Given the high uncertainty of any near-term carbon regulation, MLIG continues to urge the Commission to move the application of the regulatory value of CO₂ emissions to beyond the current planning period.

II. ANALYSIS

A. **The CEOs’ Initial Comment Proposes Overly Aggressive Standards for CO₂ Regulation.**

The CEOs’ January 24, 2020, comment requests the Commission do the following:

- Set the Low regulatory CO₂ cost value as RGGI’s Emissions Containment Reserve trigger price for years 2023-2030, and escalate the 2030 value at seven percent annually for years after 2030;

⁵ Notice of Comment Period (Dec. 20, 2019) (eDocket No. 201912-158491-02) (the “Notice”).

⁶ Comment by MLIG (Jan. 24, 2020) (eDocket No. 20201-159590-03) (“MLIG Comment”).

⁷ MLIG is an *ad hoc* consortium of large industrial utility customers in Minnesota spanning multiple utilities that together consume more than six billion kWh of electricity, paying in excess of \$350 million each year.

⁸ MLIG Comment at 2-3.

- Set the High regulatory CO₂ cost value as the inflation-adjusted High case forecast from Synapse Energy Economics’ Spring 2016 National Carbon Dioxide Price Forecast for the relevant planning year; and
- Find that 2023 is the appropriate threshold year for the application of CO₂ regulatory costs.^[9]

The CEOs base these recommendations largely upon the belief that there will be stronger government regulation in the near future, relying on proposed legislation or upcoming elections, or that Minnesota may act without a federal mandate.¹⁰ Generally, the CEOs view the current CO₂ regulatory regime as “overly conservative,”¹¹ but they offer no more than rote speculation as to where and when carbon regulations may come from in the future.

MLIG respectfully disagrees with the CEOs’ reliance on speculation regarding election outcomes and legislative actions.¹² The Agencies have explicitly acknowledged that “state or federal carbon regulations are unlikely by 2025.”¹³ Instead of adopting the CEOs’ overly aggressive and unrealistic prognostications regarding emissions regulation, the Commission should recognize that carbon regulation is unlikely in the near term and follow MLIG’s consistent recommendation of moving the application of the regulatory value range until beyond the current planning period.

B. Despite Xcel’s Contentions, It Is Prudent to Remove CO₂ Planning to Beyond the Current Planning Period.

In its comment, Xcel directly responds to MLIG’s September Comment.¹⁴ Xcel notes that it “agree[s] that federal carbon regulation is not likely under the current Administration. However, there is no basis to conclude there will be no federal regulations affecting power sector CO₂

⁹ Comment by the CEOs at 10 (Jan. 24, 2020) (eDocket No. 20201-159587-01).

¹⁰ *Id.* at 3, 7-8.

¹¹ *Id.* at 7.

¹² As stressed by MLIG in previous comments, “the United States Supreme Court previously stayed the Clean Power Plan, which was further eroded by President Trump’s Executive Order in March 2017. Last year, the EPA also issued the Affordable Clean Energy Rule effectively replacing the previous Clean Power Plan.” MLIG Comment at 3-4 (footnote omitted); MLIG September Comment at 3.

¹³ Agencies’ Recommendations at 4.

¹⁴ Comment by Xcel at 8 (Jan. 24, 2020) (eDocket No. 20201-159574-02).

emissions until 2037, and state regulations could also impose costs sooner.”¹⁵ Based on that assertion, Xcel believes it is “reasonable to retain the current threshold date.”¹⁶

MLIG respectfully asserts that Xcel’s justification for maintaining the status quo actually lends support to MLIG’s recommendations. Both the Agencies and Xcel admit that updated carbon regulation is unlikely in the near future. So, instead of speculating about application dates, the Commission should remove the regulatory cost value to beyond the current planning period, as anything less is merely guessing. As Xcel notes in its comment in response to the CEOs, “[t]he Commission has discretion to re-open this docket whenever it finds necessary.”¹⁷ Under MLIG’s proposed plan, regulatory values are not falsely incorporated into modeling based on speculation from the various parties. Instead, the regulatory value implementation is removed from planning until regulations are actually enacted, at which point the Commission may re-open this docket to address that eventuality.

III. CONCLUSION

MLIG appreciates the opportunity to submit a reply comment in this docket and urges the Commission to adopt MLIG’s common-sense proposals.

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Id.* at 7.

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Respectfully submitted,

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