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April 21, 2016

—Via Electronic Filing—

Daniel P. Wolf  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7<sup>th</sup> Place East, Suite 350  
St. Paul, MN 55101

RE: COMMENTS ON ESTABLISHING AN ESTIMATE OF THE COSTS OF FUTURE  
CARBON DIOXIDE REGULATION UNDER MINN. STAT. §216H.06  
(DOCKET NO. E999/CI-07-1199)  
(DOCKET NO. E999/CI-15-708)

Dear Mr. Wolf:

Northern States Power Company, doing business as Xcel Energy, submits this letter in response to the Commission's April 1, 2016 comment period notice in the above-referenced docket. Our comments regarding the topics open for discussion follow.

**1. What carbon dioxide (CO<sub>2</sub>) values should the Commission adopt for 2016?**

As noted in our January 14, 2016 comments in Docket No. E999/CI-15-708, we concur with the recommendation of the Minnesota Pollution Control Agency and the Minnesota Department of Commerce ("Agencies") to maintain the current estimate of the range of likely costs of CO<sub>2</sub> regulation at between \$9 and \$34 per ton of CO<sub>2</sub> emitted, but shift the first year of application to 2022. There are two components of the Agencies' recommendation: the dollar values bounding the range and the first year of application in Resource Plan filings. We address each in turn.

Regarding the dollar values, we believe retaining the range of \$9 to \$34 is appropriate with the information currently available. The U.S. Environmental Protection Agency's (EPA) Clean Power Plan (CPP) is the currently expected framework for CO<sub>2</sub> regulation in the power sector, and encourages the development of CO<sub>2</sub> markets that would establish a price on CO<sub>2</sub> allowances or Emission Rate Credits. The CPP was finalized by EPA in August of 2015 and subsequently stayed by the U.S. Supreme Court on February 9, 2016. Legal proceedings are expected to last through 2017 or

2018, at which time if the CPP is upheld, CPP state plan development will continue under new deadlines. It is possible that prices in future CO<sub>2</sub> credit markets will be lower than \$9 or higher than \$34, but at the moment not enough is known about the Courts' decisions, CPP state plans, or the structure, geographic scope, and liquidity of CO<sub>2</sub> markets to justify a different range.

Regarding the first year of application, at the time we filed our comments in Docket No. E999/CI-15-708 – prior to the U.S. Supreme Court stay order – we agreed with the Agencies that the CPP compliance start date argued in favor of a first year of application of 2022. If the CPP is upheld, the Supreme Court stay is certain to shift some state plan deadlines later, and may also shift the start of CPP compliance later than 2022. However, it is unknown by how much the start of compliance will shift, and it is also possible it will remain 2022. Therefore for the current update, we believe it remains appropriate to make 2022 the first year of application.

## **2. Should the Commission, at this time, adopt CO<sub>2</sub> values for 2017?**

No. While we do not expect any final legal determination by spring or summer of 2017, more might be known at that point that would affect the most appropriate first year of application of the CO<sub>2</sub> regulatory cost range. If no further information is available in 2017 about the start of CPP compliance, the Commission could simply adopt the same range and first year of application for its 2017 update.

## **3. Are the comments of the Minnesota Pollution Control Agency and the Minnesota Department of Commerce (the “Agencies”) consistent with prior Commission Orders in this Docket?**

We believe the recommendations of the Agencies submitted on March 29, 2016 are consistent with prior Commission Orders in this docket.

## **4. Should the Commission open a docket to re-examine the relationship between the external costs of CO<sub>2</sub> and the anticipated regulatory cost of CO<sub>2</sub>, as recommended on page 4 of the Clean Energy Organizations' comments in Docket 15-708?**

We do not see a need or benefit in opening a separate docket to examine the relationship between CO<sub>2</sub> externality costs and CO<sub>2</sub> regulatory costs.

We appreciate the opportunity to provide these comments. We have electronically

filed this document with the Minnesota Public Utilities Commission, and copied parties on the attached service list. Please contact Nicholas Martin at (612) 330-6255 or [Nicholas.F.Martin@xcelenergy.com](mailto:Nicholas.F.Martin@xcelenergy.com), or me at (612) 215-5367 or [Amy.S.Fredregill@xcelenergy.com](mailto:Amy.S.Fredregill@xcelenergy.com), if you have any questions.

Sincerely,

/s/

AMY S. FREDREGILL  
MANAGER, RESOURCE PLANNING AND STRATEGY  
NSPM REGULATORY AFFAIRS

Enclosures

c: Service List

## CERTIFICATE OF SERVICE

I, Jim Erickson, hereby certify that I have this day served copies of the foregoing document on the attached list of persons.

xx by depositing a true and correct copy thereof, properly enveloped with postage paid in the United States mail at Minneapolis, Minnesota;

xx by electronic filing.

**DOCKET NO: E999/CI-07-1199**  
**E999/CI-15-708**

Dated this 21<sup>st</sup> day of April 2016

/s/

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Jim Erickson

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