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 COMMENT**

I. INTRODUCTION/BACKGROUND

In January 2018, the Minnesota Public Utilities Commission (the "Commission") issued a request for comments in response to the initial recommendations made by the Minnesota Pollution Control Agency ("MPCA") and the Minnesota Department of Commerce, Division of Energy Resources ("DOC" together with the MPCA, the "Agencies") on January 19, 2018, regarding the range of estimates for the future cost of carbon dioxide ("CO_2") regulation on electricity generation. Following rounds of comments from the parties and a Commission hearing, the Commission issued its Order on June 11, 2018.[1] For resource acquisition proceedings in 2018 and 2019, the 2018 Order directed public utilities to analyze resource options under the following CO_2 emissions cost scenarios: (1) for all years, the low end of the range of environmental costs for CO_2 emissions pursuant to the environmental cost docket; (2) for all years, the high end of the range of environmental costs for CO_2 emissions pursuant to the environmental cost docket; (3) the low end of the range of environmental costs for CO_2 emissions but after 2024 substituting the low end of the range of regulatory costs for CO_2 emissions (lowered to $5 per short ton); and (4) the high end of the range of environmental costs for CO_2 but after 2024 substituting the high end of the range of regulatory costs for CO_2 emissions (lowered to $25 per short ton).[2] Utilities are also required

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[1] Order Establishing 2018 and 2019 Estimate of Future Carbon Dioxide Regulation Costs (June 11, 2018) (eDocket No. 20186-143706-01) (the "2018 Order").

[2] 2018 Order at 2.

to evaluate resource options by using at least one scenario that excludes the consideration of CO_2 costs.[3]

Minn. Stat. § 216H.06 allows for annual updates to be made following informal proceedings conducted by the commissioners of commerce and pollution control allowing parties to submit comments. Pursuant to Minn. Stat. § 216H.06, the Agencies submitted a request for comments on July 9, 2019.[4] The Initial Request sought comments by September 6, 2019.[5] Following stakeholder comments, the Agencies filed their Analysis and Recommendations on December 17, 2019.[6] The Agencies' Recommendations conclude that the "Commission [should] not change any of the decisions made in [the] June 2018 Order, other than to update the years for which this decision applies."[7] After the Agencies' Recommendations, the Commission noticed a comment period on December 20, 2019, seeking feedback from stakeholders.[8]

The Minnesota Large Industrial Group ("MLIG") has been an active participant 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, consistently advocating for modeling that reflects accuracy over speculation in resource planning. MLIG is an *ad hoc* consortium of large industrial customers in Minnesota spanning multiple utilities that together consume more than six billion kWh of electricity, paying in excess of $350 million each year. In response to the Notice, MLIG respectfully requests that the Commission apply the value ranges

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[3] *Id.* at 3.

[4] 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 (this comment addresses the first three): (1) whether the currently established range of regulatory costs of CO_2 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.

[5] *Id.*

[6] Analysis and Recommendations of the Agencies (Dec. 17, 2019) (eDocket No. 201912-158399-02) (the "Agencies' Recommendations").

[7] *Id.* at 5.

[8] Notice of Comment Period (Dec. 20, 2019) (eDocket No. 201912-158491-02) (the "Notice").

under Minn. Stat. § 216B.2422 through the current planning period and wait to apply the regulatory value of carbon emissions pursuant to Minn. Stat. § 216H.06 until after 2037.[9]

II. ANALYSIS

A. While MLIG Does Not Oppose the Current $5 to $25 Regulatory Cost of CO_2 Estimate, the Passage of a Regulatory Cost of CO_2 Emissions Mandate is Increasingly Speculative.

As a threshold matter, MLIG is not opposed to the Agencies' Recommendations that the Commission maintain the current regulatory cost estimate range of $5 to $25. But, as MLIG has continuously stressed in this docket, it is still extremely speculative as to when a regulatory carbon emissions mandate will be imposed, a point that was confirmed by the Agencies' Recommendations.[10] And a set of market-based cost assumptions does not necessarily reflect the eventual regulatory reality. Therefore, MLIG is troubled by the Agencies' Recommendations, which would apply a regulatory fiction to utility resource planning dockets well before it is expected to become a reality.

B. The Commission Should Update Its Estimate of When Regulatory Costs Will Be Effective, Because State or Federal Carbon Regulations Are "Unlikely" by 2025.

MLIG maintains its position that the Commission should set the threshold date for applying regulatory costs of carbon in 2037 or later, beyond current resource planning periods, because carbon regulation is increasingly speculative.[11] As noted in the Agencies' 2017 request for 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.[12] Last year, the EPA also issued the Affordable Clean Energy Rule effectively replacing the previous Clean Power Plan.[13]

[9] This position reiterates the position taken by MLIG. *See* Comment by MLIG (Sept. 6, 2019) (eDocket No. 20199-155717-02) ("MLIG September 2019 Comment").

[10] Agencies' Recommendations at 4 (noting that "[t]he Agencies agree with Xcel that state or federal carbon regulations are unlikely by 2025, but cannot be ruled out, and that carbon regulations implemented significantly prior [to] 2025 are very unlikely").

[11] MLIG September 2019 Comment at 3; Comment by MLIG (Sept. 22, 2017) (eDocket No. 20179-135739-03) ("MLIG 2017 Comment").

[12] Request for Comments (Aug. 22, 2017) (eDocket No. 20178-134924-02).

[13] *See* EPA, EPA Finalizes Affordable Clean Energy Rule, Ensuring Reliable, Diversified Energy Resource While Protecting Our Environment (June 19, 2019), https://www.epa.gov/newsreleases/epa-finalizes-affordable-clean-energy-rule-ensuring-reliable-diversified-energy.

Comments in the Agencies' Recommendations reflect this reality, where the Agencies explicitly acknowledge that "state or federal carbon regulations are unlikely by 2025."[14] This progression of events demonstrates that a regulatory carbon emissions mandate is not likely in the foreseeable future and the Commission's current 2025 estimate is not valid.

MLIG recommends 2037 as the earliest date for applying a regulatory cost of carbon, because resource planning analyses should not be based on "unlikely" scenarios (*i.e.*, regulation in 2025). By postponing the application of regulatory costs associated with CO_2 emissions until at least 2037, the application of such values is moved beyond utility planning periods for pending or soon-to-be-filed integrated resource plans. Additionally, while the regulatory cost of CO_2 emissions would be moved beyond the planning period, utilities may still model CO_2 emissions using the Commission-established environmental CO_2 emissions value in the interim. Therefore, despite the Agencies' Recommendations, MLIG urges the Commission to revise its previously estimated 2025 effective date to beyond the current planning period to better reflect current regulatory trends and the Agencies' assessment that carbon regulation by 2025 is "unlikely."

C. The Commission Should Simplify the CO_2 Emissions Cost Planning Scenarios.

MLIG remains opposed to the unnecessarily complex CO_2 emissions cost planning scenarios the Commission outlined in the 2018 Order.[15] As described above and outlined in Table 1 below, the scenarios previously ordered by the Commission create a challenging and illogical set of modeling assumptions for utilities to model.

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[14] Agencies' Recommendations at 4.
[15] *See* 2018 Order at 11.

TABLE 1: Commission Modeling Scenarios[16]

Scenarios:	Before 2025		2025 and Thereafter	
	Environmental Cost	Regulatory Cost	Environmental Cost	Regulatory Cost
Low Environmental Cost	Low End	-	Low End	-
High Environmental Cost	High End	-	High End	-
Low Environmental/ Regulatory Costs	Low End	-		$5/Ton
High Environmental/ Regulatory Costs	High End	-	-	$25/Ton
Omitting CO_2 Cost Considerations	-	-	-	-

MLIG has expressed and remains concerned with using a combination of both environmental cost values for CO_2 emissions and regulatory cost values for CO_2 emissions.[17] Particularly as noted above in Table 1, it is not clear what benefit the low and high environmental/regulatory cost combination assumptions add to any analysis. It would appear to be more efficient to simply assume, for compliance with Minn. Stat. § 216H.06, there is no regulatory cost until 2037, with low and high values utilized going forward after 2037.

III. CONCLUSION

In light of ongoing political developments and market conditions associated with CO_2 emissions, including the Agencies' conclusion that regulations by 2025 are unlikely, MLIG respectfully urges the Commission to revise the 2018 Order and direct utilities to model the cost of CO_2 emissions according to MLIG's updated table below.

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[16] *Id.*
[17] MLIG September 2019 Comment at 5; MLIG 2017 Comment at 3.

TABLE 2: MLIG Recommended Modeling Scenarios

Scenarios:	Before 2037		2037 and Thereafter	
	Environmental Cost	Regulatory Cost	Environmental Cost	Regulatory Cost
Low Environmental Cost	Low End	-	Low End	-
High Environmental Cost	High End	-	High End	-
Low Regulatory Cost	-	-	-	$5/Ton
High Regulatory Cost	-	-	-	$25/Ton
Omitting CO_2 Cost Considerations	-	-	-	-

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Respectfully submitted,

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