

Revised Decision Options

Docket Nos. E999/CI-07-1199 and E999/DI-17-53

April 19, 2018

Likely Range of Costs

1. Establish the range of likely costs of CO₂ regulation at:
 - a. \$5 to \$25 per short ton (Agencies—based on RGGI and Synapse High)
 - b. \$5 to \$15 per short ton (Staff-variant of Agencies recommendation—based on RGGI and Synapse Low)
 - c. \$5 to \$12 per short ton (Xcel, 9/19/17—based on RGGI and California/Québec)
2. Establish the regulatory cost values based on the RGGI and WCI trading programs by calculating the low value as the average of the programs' floor prices and the high value as the average of the programs' ceiling prices. The values are set out in Table 3 of CEO's comments. (CEO)

Table 3

Recommended CO ₂ regulatory value range			
	Low	Midpoint	High
2022	\$12.56	\$27.21	\$41.86
2023	\$13.39	\$29.00	\$44.61
2024	\$14.28	\$30.91	\$47.55
2025	\$15.22	\$32.95	\$50.67
2026	\$16.23	\$35.12	\$54.01
2027	\$17.31	\$37.44	\$57.57
2028	\$18.45	\$39.91	\$61.36
2029	\$19.67	\$42.54	\$65.40
2030	\$20.98	\$45.34	\$69.71

- a. Establish an escalation rate for the chosen values at 5% above the rate of inflation. (CEO)

Effective Year

3. Utilities shall begin applying the above range of CO₂ values in their resource planning and resource acquisition proceedings as of:
 - a. 2022 (CEO);
 - b. 2025 (Agencies, Xcel, Great River Energy);
 - c. 2026 (Minnesota Power);
 - d. 2028 (Otter Tail Power); or
 - e. 2035 (Minnesota Large Industrial Group)

Duration of Update

4. The range of regulatory cost values and effective year shall be applied for a two-year time period covering both 2018 and 2019. (*Otter Tail, MLIG, Agencies*)

Methodological changes

5. Make no change to the way the value ranges established under Minn. Stat. §§ 216B.2422 and 216H.06 are applied. (*Agencies, MLIG, MP, OTP, Xcel*)¹
6. Externality costs in excess of regulatory costs must be included when assessing the societal costs of a resource package or plan, as set out in example Tables 3 and 4 of CEO's 2/15/18 comments. (*CEO*)
7. The utilities' total system CO₂ emissions in the first year of its integrated resource planning period shall establish a cap on a utility's CO₂ emissions. The cap will reduce by 2.5% in each subsequent year of the planning period. Utilities need only pay the CO₂ price, which will become effective in 2025, for emissions that exceed its cap. Utilities may bank allowances to offset emissions in later years. If utilities are under the cap, emissions (allowances) may be sold at the Commission's CO₂ cost value. (*Staff option*)

Scenarios and Sensitivities

8. Grant utilities flexibility in determining the appropriate value range to be used in a base scenario. (*Minnesota Power*)²
9. The regulatory cost value must be incorporated into the reference or base case of all modeling by all utilities in all resource acquisition and planning proceedings. (*CEO*)
10. All electric utilities in all resource planning and resource acquisition proceedings shall provide uniform CO₂ regulatory and externality cost scenarios and sensitivities; AND
 - a. Utilities shall provide the following scenarios and sensitivities:
 - A base or reference case that embeds the midpoint of the regulatory value;
 - A sensitivity run using the low regulatory value;
 - A sensitivity run using the high regulatory value;
 - A sensitivity on the reference case (i.e., with the midpoint regulatory value) using the low externality value; and
 - A sensitivity on the reference case (i.e., with the midpoint regulatory value) using the high externality value. (*CEO*)

¹ Staff note: If the Commission wishes to make no methodological changes, it can skip Options ~~4-6~~ 5-7 and 13.

² Staff note: If the Commission prefers Option ~~7~~ 8, it might be cleaner to skip Options ~~7-9~~ 9-10.

11. In the sensitivity analysis, utilities need only consider the single highest CO₂ cost/value and the single lowest CO₂ cost/value low, without regard to whether it is a regulatory cost or externality value. *(Xcel)*
12. The Commission does not require that utilities evaluate scenarios or sensitivities using the midpoint of the CO₂ regulatory cost range. A utility may evaluate the midpoint of the range if the utility determines it provides additional decisional value. *(Staff option)*
13. Utilities shall evaluate CO₂ regulatory costs established under Minn. Stat. § 216H.06 and CO₂ environmental externality costs established under § 216B.2422 as separate scenarios and sensitivities. *(CEO, Staff)*