



AN ALLETE COMPANY

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April 21, 2016

VIA E-FILING

Mr. Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101-2147

Re: In the Matter of Establishing an Estimate of the Costs of Future Carbon Dioxide
Regulation on Electricity Generation under Minn. Stat. § 216H.06
Docket No.: E-999/CI-07-1199

Dear Mr. Wolf:

The Minnesota Public Utilities Commission (“Commission”) issued a Notice of Comment Period (“Notice”) in the Matter of Establishing an Estimate of the Costs of future Carbon Dioxide Regulation on Electric Generation Under Minn. Stat §216H.06, Docket No. E-999/CI-07-1199 on April 1, 2016. Minnesota Power respectfully submits its Initial Comments in response to the Notice.

Please contact me at the number provided above with any questions or concerns.

Yours truly,

A handwritten signature in black ink that reads 'David R. Moeller'.

David R. Moeller

DRM:sr
Attach.
cc: Official Service List

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

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

Docket No. E999/CI-07-1199

**MINNESOTA POWER'S
INITIAL COMMENTS**

Minnesota Power files these Comments in response to the Minnesota Public Utilities Commission (“Commission”) April 1, 2016 Notice of Comment Period (“Notice”) in Docket No. E999/CI-07-1199. The Notice invites Comments on the range of cost estimates for the future cost of carbon dioxide (“CO₂”) regulation on electricity generation, as specified by Minn. Stat. § 216H.06. Specifically, the topics open for comment include: what CO₂ values should the Commission adopt for 2016; should the Commission, at this time adopt CO₂ values for 2017; are the comments of the Minnesota Pollution Control Agency (“MPCA”) and the Minnesota Department of Commerce - Division of Energy Resources (“Department”) consistent with prior Commission Orders in this Docket; should the Commission open a docket to reexamine the relationship between the external cost of CO₂ and the anticipated regulatory cost of CO₂, as recommended in comments by the Clean Energy Organizations in Docket 15-708; and any other docket-related issues or concerns.

On January 14, 2016, Minnesota Power filed Comments in response to the Minnesota MPCA and the Department’s December 3, 2015 Request for Comments (“Request”) in Docket No. E999/DI-15-708, and Docket No. E-999/CI-07-1199. The Request invited Comments on the range of cost estimates for the future cost of CO₂ regulation on electricity generation. The Department and the MPCA stated in the Request that they expect to recommend that the Commission maintain the current estimate of the range of likely costs of CO₂ regulation at between \$9 and \$34 per ton of CO₂ emitted, beginning in 2022. The Department and MPCA referenced that they intend in their next recommendation to take into account the “significant federal regulatory changes currently underway and the State of Minnesota’s decisions in how to comply with the federal ‘Clean Power Plan’ requirements under Section 111(d) of the Clean Air

Act.” In its January 14, 2016 Comments Minnesota Power stated it was supportive of the recommendations proposed by the Department and MPCA.

On March 29, 2016, the Department and the MPCA collectively submitted their analysis and recommendations to the Commission regarding the 2016 update to the range of costs estimates for the future cost of CO₂ regulation on electricity generation. As predicted in their December 3, 2015 Request, the Department and MPCA recommended that the Commission “maintain the current estimate of the range of likely costs of CO₂ regulation at between \$9 and \$34 per ton of CO₂ emitted, and change the starting date from 2019 to 2022.” In their Comments the Department and MPCA state that “[g]iven the anticipated time frame of the federal effort to finalize the model rule and federal plan the time for states to respond by developing and implementing rules, 2019 is an unrealistic starting time for applying a regulatory cost of carbon. The Agencies see 2022 as the earliest year to reasonably assume applicability of a regulatory cost of carbon value.” The Department and MPCA go on to state, “[t]he Agencies conclude that it may be reasonable for the Commission to determine that the approved range for 2016 could also be considered reasonable for 2017.” As in its January 14, 2016 Comments, Minnesota Power’s continues to support the recommendations proposed by the Department and MPCA.

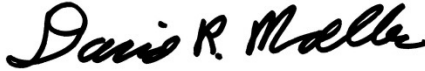
Minnesota Power is not supportive of opening up a generic docket to reexamine the relationship between the external cost of CO₂ and the anticipated regulatory cost of CO₂, as recommended in comments by the Clean Energy Organizations in Docket 15-708. As identified by the Department and MPCA in their March 29, 2016 Comments, the future cost of CO₂ regulation on electricity generation, and the environmental and socioeconomic costs were established to account for very specific and different factors associated with carbon emissions, and in the case of externalities costs, other emissions as well. In light of this fact, as well as the impending federal regulatory changes currently underway and decision on what actions the State of Minnesota will take for compliance with the Clean Power Plan, the Company sees no need for a generic docket.

In summary, Minnesota Power continues to support maintaining the \$9-\$34 cost estimate, with application of the range of CO₂ values in resource planning beginning in 2022; however, is not supportive of opening a generic docket to reexamine the relationship between the external

cost of CO₂ and the anticipated regulatory cost of CO₂. The Company appreciates the opportunity to file Comments on this important subject matter.

Dated: April 21, 2016

Respectfully submitted,

A handwritten signature in black ink that reads "David R. Moeller". The signature is written in a cursive, flowing style.

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STATE OF MINNESOTA)
) ss
COUNTY OF ST. LOUIS)

AFFIDAVIT OF SERVICE VIA
E-FILING AND
FIRST CLASS MAIL

Susan Romans, of the City of Duluth, County of St. Louis, State of Minnesota, says that on the **21st day of April, 2016**, she filed Minnesota Power's Comments in Docket No. E999/CI-07-1199 on the Minnesota Public Utilities Commission and the Minnesota Department of Commerce via electronic filing. The remaining parties on the attached Official Service List were served as indicated.



Susan Romans

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