

# FOR THE MINNESOTA PUBLIC UTILITIES COMMISSION

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In the Matter of Establishing an Updated  
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-17-53

## MINNESOTA LARGE INDUSTRIAL GROUP COMMENT

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### I. INTRODUCTION

On January 23, 2018, the Minnesota Public Utilities Commission (the “Commission”) issued a request for comments (the “Request”) 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 cost estimate for the future cost of carbon dioxide (“CO<sub>2</sub>”) regulation on electricity generation. In response, the Commission requested comments on the Agencies’ recommendations.

The Minnesota Large Power 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. MLIG is an *ad hoc* consortium of large industrial customers in Minnesota spanning multiple utilities that together consume more than 6 billion kWh of electricity paying in excess of \$350 million each year.<sup>1</sup> In response to the Commission’s Request, MLIG respectfully requests that the Commission accept

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<sup>1</sup> MLIG is composed of the following companies: ArcelorMittal USA (Minorca Mine); Blandin Paper Company; Boise Paper, a Packaging Corporation of America company, formerly known as Boise, Inc.; Enbridge Energy, Limited Partnership; Gerdau Ameristeel US Inc. (St. Paul facility); Hibbing Taconite Company; Mesabi Nugget Delaware, LLC; Sappi Cloquet, LLC; United States Steel Corporation (Keetac and Minntac Mine); United Taconite, LLC; USG Interiors, LLC (Cloquet and Red Wing facilities); and Verso Corporation.

the Agencies' recommendation not to change the way value ranges under Minn. Stat. §§ 216B.2422 and 216H.06 are applied. The Commission has correctly concluded in the past that it would be inappropriate to apply both values in any given resource planning year and there is no reason to revisit that conclusion.

## II. COMMENT

In its initial comment to the Agencies, MLIG argued that there is no basis to revisit the relationship between the regulatory cost of CO<sub>2</sub> established under Minn. Stat. § 216H.06 and the environmental cost of CO<sub>2</sub> established under Minn. Stat. § 216B.2422, subd. 3. MLIG appreciates and supports the Agencies' subsequent January recommendation that there should be "no change in the way the value ranges established under Minn. Stat. §§ 216B.2422 and 216H.06 are applied."<sup>2</sup>

The Commission previously determined that it would not apply the externalities values established under section 216B.2422 of the Minnesota Statutes in addition to the values established under section 216H.06 of the Minnesota Statutes.<sup>3</sup> In its December 2007 Order, the Commission stated:

CEED, the Department, the Environmental Intervenors and the Municipal Group asked the Commission to clarify that whatever estimates of CO<sub>2</sub> regulation costs the Commission may adopt in this docket would not apply in addition to the existing estimates of CO<sub>2</sub> externality costs.

The Commission finds merit in this clarification. While the calculation of externality values under § 216B.2422 is not directly comparable to the estimate of regulatory costs under § 216H.06, *they both reflect steps to account for the burdens that CO<sub>2</sub> emissions impose on third parties. When a utility calculates the cost of emitting another ton of CO<sub>2</sub> in any given year, therefore, it*

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<sup>2</sup> The Agencies' Analysis and Recommendations, at 7 (Jan. 19, 2018) (eDocket No. 20181-139244-01) ("Agencies' Recommendations").

<sup>3</sup> *In the Matter of Establishing an Estimate of the Costs of Future Carbon Dioxide Regulation on Electricity Generation Under Minnesota Statutes § 216H.06*, Commission Docket No. E-999/CI-07-1199, ORDER ESTABLISHING ESTIMATE OF FUTURE CARBON DIOXIDE REGULATION COSTS, at 4 (December 21, 2007) ("December 2007 Order").

*would be inappropriate to use both the CO<sub>2</sub> externality value and the CO<sub>2</sub> regulatory cost estimate. But utilities should continue to apply the Commission's CO<sub>2</sub> externality values otherwise.*<sup>4</sup>

The Commission also noted that it is generally important to remain “mindful of the need to avoid double-counting.”<sup>5</sup>

In their recommendations, the Agencies also referenced the Commission’s 2007 Order to affirm the Commission’s previous reasoning.<sup>6</sup> In addition, the Agencies responded to Xcel Energy’s (“Xcel”) proposed method of blending the externality and regulatory costs by explaining the differences in how the values are applied in resource planning:

[t]he externality value range reflects third-party damages, while the regulatory cost of carbon range is intended to capture the expected cost to the utility to comply with future emissions regulations (expected internal cost). How the two value ranges are modeled in resource planning and acquisition proceedings reflects this difference. The cost of future carbon regulation is modeled as an internal cost (on an ex ante basis), and therefore impacts the resources the model selects to be added or retired. In contrast, the externality value range is applied on an ex post basis once the model selects the resource package, and therefore impacts the estimated cost of the various resource portfolios, but does not influence which resources the model selects to include in the portfolios.<sup>7</sup>

While there is overlap in what is included in each set of cost estimates, each set of values is derived differently and therefore function differently in the resource planning process. Thus, the Agencies do not support a blended approach.<sup>8</sup>

Like the Agencies, MLIG does not believe there is a need to change how the regulatory and externality values are applied. To apply both simultaneously would effectively double-count the cost of CO<sub>2</sub> emissions, which would adversely impact ratepayers while the blended approach proposed by Xcel inappropriately mixes the two concepts.

As also noted by the Agencies, “the electricity generation sector appears to be on track” to meet the State greenhouse gas reduction goals.<sup>9</sup> According to MCPA data, CO<sub>2</sub> emissions

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<sup>4</sup> December 2007 Order at 3 (emphasis added).

<sup>5</sup> December 2007 Order, at 9.

<sup>6</sup> Agencies’ Recommendations, at 5-6.

<sup>7</sup> *Id.* at 7.

<sup>8</sup> *Id.*

<sup>9</sup> The Agencies’ Request for Comments, at 4 (Aug. 22, 2017) (eDocket No. 20178-134924-02).

from the electric sector decreased 17% from 2005 to 2015.<sup>10</sup> The electricity generation sector’s “on track” progress coupled with the Supreme Court’s stay of the application of the Clean Power Plan and President Trump’s executive order rescinding the Clean Power Plan,<sup>11</sup> renders any significant overhaul of the existing policies premature. For these reasons, MLIG maintains its position that this is not an appropriate time to expend extensive stakeholder resources overhauling the regulatory cost range or otherwise revisiting related Commission policies.

### **III. CONCLUSION**

In consideration of the Agencies’ recommendations and the Commission’s prior decisions (on both combination and environmental costs associated with CO<sub>2</sub> emissions and updated environmental costs), and the continued progress of CO<sub>2</sub> emissions reduction made by the electricity generation sector, MLIG respectfully requests the Commission accept the Agencies’ recommendation that the Commission continue its long-standing practice of applying only the regulatory cost value or the externality value, but not both, to emissions in a given planning year.

Dated: February 16, 2018

Respectfully submitted,

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<sup>10</sup> <https://www.pca.state.mn.us/greenhouse-gas-emissions-data>

<sup>11</sup> Agencies’ Recommendations, at 4; *see also* the Agencies’ Request for Comments, at 3.