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 REPLY COMMENT

The Minnesota Large Industrial Group ("MLIG") a continuing *ad hoc* consortium of large industrial end-users of electricity in Minnesota spanning multiple utilities and functioning to represent large industrial interests before regulatory and legislative bodies,[1] submits the following comment in reply to the comments submitted in response to the Minnesota Public Utilities Commission (the "Commission") Notice of Comment Period issued on January 23, 2018, in the above-captioned docket (the "Notice").

I. INTRODUCTION

Several parties, including MLIG, filed comments regarding the Minnesota Pollution Control Agency ("MPCA") and the Minnesota Department of Commerce, Division of Energy Resources' ("DOC", together with the MPCA, the "Agencies") initial recommendations regarding the range of cost estimate for the future cost of carbon dioxide ("CO_2") regulation on electricity generation. MLIG is filing this reply comment to respond to the criticisms of the Agencies' recommendations raised by the Clean Energy Organizations ("CEOs") and reiterate its support for the Agencies' recommendations regarding maintaining the long-standing relationship between the regulatory and externality costs of CO_2 in the resource planning process—specifically that either the regulatory or the CO_2 costs should be applied, but not both.

[1] 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.

II. ANALYSIS

MLIG is concerned about the CEOs' proposal to use both the regulatory and externality CO_2 values in years where externality values are greater than regulatory cost. Previously, from 2014-2016, development of the Clean Power Plan by the U.S. Environmental Protection Agency provided a reasonable framework for estimating the future timeline and scope of federal CO_2 regulation. But after the U.S. Supreme Court issued a stay of the regulation in 2016 and the change of administration in early 2017, there currently is no clear path forward for federal CO_2 regulation in the electric sector.

As the Agencies explained in their recommendations, "an accepted practice has been to apply the externality value range in the years prior to the year in which the Commission has determined that the regulatory cost value range should start being applied, with only the regulatory cost value range applied in the remaining years of the planning period."[2] The CEOs now propose a substantial change to this long-standing practice in their initial comments.[3] Their proposal would consider both the regulatory and externality values after the date of application of the regulatory values and, effectively, would apply whichever value is higher thereafter.[4] Such a change would be a significant shift in how these costs are used in resource planning and most commenters in this proceeding have expressed concerns about this concept or skepticism about the need for such a change.[5] Additionally, while the CEOs offer concrete examples of how they anticipate the interplay between the regulatory and externality values functioning, the reality of current market and political conditions makes it impossible to predict how such a drastic departure from existing policy would impact resource planning. Ultimately, MLIG believes the current instability renders the CEOs' proposal unworkable at this time. MLIG is especially

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[2] The Agencies' Analysis and Recommendations, at 6 (Jan. 19, 2018) (eDocket No. 20181-139244-01) ("Agencies' Recommendations").

[3] Clean Energy Organizations' Comments, at 1, 16 (Feb. 15, 2018) (eDocket No. 20182-140140-02) ("CEOs' Comments").

[4] *See* CEOs' Comments, at Tables 4-5. In Table 5, for example, the externality and regulatory costs shown for 2022, 2023, and 2024 add up to the high point of the externality range for each of those years. Thus, even though the proposal is described as applying the regulatory cost plus the incremental externality cost, it appears to be effectively the same as applying the higher full externality cost for each of those years.

[5] *See* Great River Energy Comments, at 2 (Feb. 20, 2018) (eDocket No. 20182-140271-01) (noting and explaining why the utility "is concerned with the Comments by the Clean Energy Organizations."); *see also* Minnesota Power Comments, at 3-4 (Feb. 20, 2018) (eDocket No. 20182-140313-01) (noting "that there is no reason for the Commission to re-assess its decision to apply only the regulatory cost value or the externality value, but not both to emissions in a given planning year."); Otter Tail Power Company Comments, at 4 (Feb. 20, 2018) (eDocket No. 20182-140274-02) (supporting the Agencies' recommendation "that no change should be made in the way the range is applied.").

concerned about making such a significant change in light of the current uncertainty about future federal regulation—particularly a change that is biased toward applying higher costs—and without further understanding what value the change would bring to the resource planning process.

Further, as the CEOs acknowledge, because both sets of values are expressed as ranges, there would be multiple potential combinations of values to evaluate in multiple modeling runs.[6] The result would be added complexity to an already long and involved process. The Commission should be certain that the additional effort and information yielded would be valuable. The changes proposed by the CEOs need more development before the Commission has that certainty. Combining the uncertainty about actual future federal CO_2 regulation with the uncertainty that arises from changing how the regulatory values apply might obscure more than it enlightens. While MLIG maintains its support of the Agencies' proposals, the group's comment on September 22, 2017 already addressed these concerns by recommending the Commission postpone the application of currently established regulatory costs associated with CO_2 emissions until 2035.[7] As MLIG explained, postponing until 2035 takes the application of regulatory values outside a utility planning period for integrated resource plans for the next two years, which provides both stakeholders and the Commission the opportunity to observe changes in both the market and regulatory landscape.[8]

As the Agencies previously noted[9] and MLIG made reference to in its recent comment,[10] the electricity generation sector is making significant progress in meeting greenhouse gas reduction goals. In light of the successful track record of the current system and the substantial uncertainty of the timing and scope of federal carbon regulation, the CEOs have not demonstrated adequate reasons to overhaul this system.

III. CONCLUSION

MLIG appreciates the thoughtful comments of parties in this proceeding and the Agencies for their diligent work assessing this issue. MLIG respectfully requests that the

[6] CEOs Comments, at 15.
[7] Minnesota Large Industrial Group Comment, at 4 (Sep. 22, 2017) (eDocket No. 20179-135739-03) ("MLIG September 2017 Comment").
[8] *Id.*
[9] The Agencies' Request for Comments, at 4 (Aug. 22, 2017) (eDocket No. 20178-134924-02).
[10] Minnesota Large Industrial Group Comment, at 3-4 (Feb. 16, 2018) (eDocket No. 20182-140239-03).

Commission continue to follow its long-standing precedent by adopting the Agencies' recommendations confirming that either the externality value of CO_2 under Minnesota Statute section 216B.2422 applies or the regulatory value under Minnesota Statute section 216H.06 applies, but not both. And MLIG continues its recommendation to postpone any application of the values established under section 216H.06 until 2035, or beyond.

Dated: March 5, 2018

Respectfully submitted,

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