



AN ALLETE COMPANY

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July 14, 2023

VIA E-FILING

Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101-2147

Re: In the Matter of Establishing an Updated Estimate of the Costs of Future Carbon Dioxide Regulation on Electricity Generation Under Minn. Stat. § 216H.06
Docket Nos. E999/DI-22-236 and E999/CI-07-1199

Dear Mr. Seuffert:

Minnesota Power (or “the Company”) submits the comments below in response to the Minnesota Public Utilities Commission’s (“Commission”) request for comments regarding the range of cost estimates for the future cost of carbon dioxide (“CO₂”) regulation on electricity generation. The Request identified the topics open for comment. The Company’s response to those comments is below.

Topics open for comment:

1. Whether the currently established range of regulatory costs of CO₂ 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 September 30, 2020 Order remain reasonable and appropriate; and
4. Whether the Commission’s update should apply to electricity generation resource planning and acquisition proceedings initiated in 2023 only, or in both 2023 and 2024.

COMMENTS

1. Whether the currently established range of regulatory costs of CO2 emissions of \$5 to \$25 per short ton remains reasonable, and if not, what range should be established and why;

On February 7, 2023, Governor Walz signed the 100 percent clean energy bill into law, requiring electric utilities to generate or procure sufficient electricity generated from a carbon-free energy technology by 2040.¹ Because of this change, Minnesota Power does not believe the currently established range of regulatory costs of CO2 emissions of \$5 to \$25 per short ton remains reasonable for planning purposes, nor do the application scenarios.

Furthermore, the Inflation Reduction Act (“IRA”) and Infrastructure Investment and Jobs Act (“IIJA”) includes energy and climate spending through tax credits and grants that supports existing carbon free renewable energy, along with expanding support for new carbon free technologies such as energy storage, carbon capture, and nuclear energy. The IRA tax credits will be available for several years, starting to phase out in 2034 or once annual greenhouse gas emissions fall by at least 75 percent from 2022 levels.

At the federal level, carbon reduction is occurring through direct funding of carbon free technologies and regulating the reduction of carbon emissions at the plant level. In May 2023, the Environmental Protection Agency (“EPA”) released its proposed carbon pollution standards for new and existing power plants (i.e. 111(b) and 111(d) of the Clean Air Act), which requires fossil-fueled power generation to directly reduce carbon emissions. The Federal government is not reducing carbon through a regulatory cost, therefore, it is reasonable to not use a carbon regulation cost for planning purposes.

The costs of CO2 emissions should be set at zero as utilities must already plan for a carbon-free system in Minnesota, and the Federal government is reducing carbon emissions in ways that do not include a carbon regulation cost.

2. Whether 2025 is the appropriate threshold year for the application of the value range;

The appropriate threshold year for a zero dollar regulatory cost of CO2 emissions should be 2023 – the year the legislation passed. However, Minnesota Power would not object to 2025 being established as the threshold year as the Company’s next Integrated Resource Plan will be submitted in 2025.

¹ <https://www.revisor.mn.gov/bills/bill.php?f=HF7&b=house&y=2023&ssn=0>

3. Whether the application scenarios listed in the Commission's September 30, 2020 Order remain reasonable and appropriate; and

As stated in response to question 1, Minnesota Power does not believe the application scenarios remain reasonable for planning purposes given the newly enacted legislative changes to Minn. Stat. 216B.

4. Whether the Commission's update should apply to electricity generation resource planning and acquisition proceedings initiated in 2023 only, or in both 2023 and 2024.

The update of a zero dollar regulatory cost of CO2 emissions should apply to all electricity generation resource planning and acquisition proceedings, beginning with those initiated in 2023.

The Company appreciates the opportunity to comment on this topic. If you have any questions regarding this filing, please contact me at 218.591.4870 or avang@mnpower.com.

Sincerely,



Ana Vang
Senior Public Policy Advisor

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

AFFIDAVIT OF SERVICE VIA
ELECTRONIC FILING

Tiana Heger of the City of Duluth, County of St. Louis, State of Minnesota, says that on the 14th day of July, 2023, she served Minnesota Power's Comments in **Docket Nos. E999/DI-22-236 and E999/CI-07-1199** on the Minnesota Public Utilities Commission and the Energy Resources Division of the Minnesota Department of Commerce via electronic filing. The persons on E-Docket's Official Service List for this Docket were served as requested.



Tiana Heger