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February 19, 2018

- Via Electronic Filing -

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

RE: Comments

In the Matter of Establishing an Estimate of the Likely Range of Costs of Future Carbon Dioxide Regulation on Electric Generation under Minn. Stat §216H.06

Docket No. E999/DI-17-53

Docket No. E999/CI-07-1199

Dear Mr. Wolf:

Great River Energy (GRE) appreciates the opportunity to provide comments in this matter in response to the Minnesota Pollution Control Agency and the Minnesota Department of Commerce, Division of Energy Resources' (Agencies) joint Analysis and Recommendations regarding the 2018 update to the range of cost estimates for the future cost of carbon dioxide (CO₂) regulation on electricity generation, as required by Minn. Stat. § 216H.06.

GRE supports the Agencies' recommendations which are:¹

"The Agencies recommend that the Commission establish the range of likely costs of CO₂ regulation at \$5 to \$25 per ton of CO₂ emitted, to be used in electric resource acquisition proceedings for planning year 2025 and beyond.

¹ *Agencies' Analysis and Recommendations* (January 19, 2018), page 7



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The Agencies recommend no change to the way the value ranges established under Minn. Stat. §§ 216B.2422 and 216H.06 are applied.”

GRE agrees with the methodology the Agencies used in developing its recommendations which is to use current and forecast allowance prices as a proxy for the value used in resource planning. We believe this is fair and transparent, and addresses the uncertainties surrounding carbon regulation in the United States. We support both the range and the implementation date the Agencies recommended.

GRE is concerned with the Comments by the Clean Energy Organizations (CEOs) in this proceeding filed on February 15th, where the CEOs recommend the use of *both the future regulatory cost of CO₂ and externality values* in years where externality values are greater than the regulatory cost. GRE does not believe this double counting of environmental damages and proxy values is in the best interest of our members, or the state of Minnesota.

The cost of federal regulation to reduce CO₂ emissions as outlined by the future regulatory cost of CO₂ represents the potential costs by which utilities would comply with future requirements levied at the federal level. This would internalize the external societal costs of CO₂ emissions at a level as determined by the regulation this value represents, therefore rendering additional externality values unnecessary as proposed by the CEOs. Bearing the full cost of all future damages in addition to a future regulatory cost is an economically inefficient solution and would serve to increase costs borne by society and Minnesota electricity end-users.

Sincerely,

A handwritten signature in black ink that reads 'Lauren Ross McCalib'.

Lauren L. Ross McCalib
Director, Resource Planning & Regulatory Affairs
Great River Energy