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March 5, 2018

Mr. Daniel P. Wolf  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7<sup>th</sup> 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. E999/DI-17-53, Docket No. E999/CI-07-1199  
Reply Comments**

Dear Mr. Wolf,

Enclosed are Otter Tail Power Company's (Otter Tail's) Comments in the matter referenced above. These Reply Comments have been electronically filed with the Minnesota Public Utilities Commission and copies have been served on all parties on the attached service lists. A Certificate of Service is also enclosed.

Please contact me at 218-739-8417 or [bhdraxten@otpc.com](mailto:bhdraxten@otpc.com) with any questions you may have.

Sincerely,

*/s/ BRIAN DRAXTEN*  
Brian Draxten  
Manager, Resource Planning

ljh  
Enclosures  
By electronic filing  
c: Service List

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

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 No. E999/DI-17-53  
Docket No. E999/CI-07-1199

**REPLY COMMENTS OF OTTER TAIL POWER COMPANY**

Otter Tail Power Company (Otter Tail) submits these Reply Comments in response to the Parties in the above captioned matter regarding the range of cost estimates for the future cost of carbon dioxide (CO<sub>2</sub>) regulation on electricity generation.

**I. Position**

Otter Tail supports the Agencies' position to use a range of \$5-\$25 per ton beginning in 2025. In addition, the externality values for carbon and the regulatory cost of carbon should not be applied additively.

For resource planning purposes, sensitivities around the cost of carbon can adequately stress various resource plans to show the impact of either or both the externality value and the regulatory cost value.

In their Comments, the CEO's incorrectly characterize how Otter Tail applied regulatory values in its last resource plan.<sup>1</sup> The CEO's state "Otter Tail Power had two sets of 30 different sensitivities. One set of sensitivities included the carbon regulatory value and the other set included neither." As a reminder, Otter Tail produces a single, system-wide resource plan for the three jurisdictions it serves. We produce all our sensitivities on both a "with" and "without" environmental costs to meet the requirements of all our jurisdictions. The act of including a "without" environmental costs set of sensitivities along with the Minnesota-required "with" environmental costs does not constitute a failure "to include these regulatory values in the base or reference case of their plans."

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<sup>1</sup> Clean Energy Organizations Comments, Docket No. E999/DI-17-53, February 15, 2018, page 12.

In addition, Otter Tail not only included the \$21.50 mid-point of the regulatory range of CO<sub>2</sub> beginning in 2022 in all its sensitivities, but Otter Tail also included a set of sensitivities using both \$9 and \$34 per ton. At the request of the CEO's, Otter Tail also included a sensitivity using \$59 per ton beginning in 2017.

The Company's application of various CO<sub>2</sub> values in its most recent resource plan illustrates that the use of sensitivities can adequately address all combinations of CO<sub>2</sub> values and starting dates desired by various parties.

Furthermore, the stakeholder meetings, which have become normal operating procedure in Minnesota resource planning dockets, have resulted in resource plan filings by utilities that include sensitivities addressing assumptions requested by parties to that proceeding. The issue of how to apply the regulatory cost and the externality cost need not and should not be addressed in this proceeding.

## II. Conclusion

Otter Tail respectfully requests that the Commission approve the position of the Agencies to use a range of \$5-\$25 for the regulatory cost of carbon beginning in 2025 and that the regulatory cost of carbon and the externality cost should not be applied in the same year. The Company also recommends that this finding be applied for a two-year period.

If you have any questions regarding these comments, please feel free to contact Brian Draxten at [bhdraxten@otpc.com](mailto:bhdraxten@otpc.com) or 218-739-8417.

Dated: March 5, 2018

Respectfully submitted,

OTTER TAIL POWER COMPANY

By: /s/ BRIAN DRAXTEN

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## **CERTIFICATE OF SERVICE**

**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. E999/DI-17-53, Docket No. E999/CI-07-1199**

I, Lindsay Hauer, hereby certify that I have this day served a copy of the following, or a summary thereof, on Daniel P. Wolf and Sharon Ferguson by e-filing, and to all other persons on the attached service list by electronic service or by First Class Mail.

**Otter Tail Power Company  
Reply Comments**

Dated this **5th** day of **March, 2018**.

/s/ LINDSAY HAUER  
Lindsay Hauer, Regulatory Filing Coordinator  
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