



AN ALLETE COMPANY

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September 22, 2017

**VIA E-FILING**

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/CI-17-53**

Dear Mr. Wolf:

Please find enclosed Minnesota Power's Comments in the above-referenced Docket.  
Please contact me at the number provided above with any questions or concerns.

Yours truly,

A handwritten signature in black ink that reads "David R. Moeller".

David Moeller

DRM:sr  
Attach.  
cc: Official Service List

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

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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/CI-17-53

**MINNESOTA POWER'S  
COMMENTS**

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Minnesota Power files these Comments in response to the Minnesota Pollution Control Agency (“MPCA”) and the Minnesota Department of Commerce, Division of Energy Resources’ (“Department”) August 22, 2017 Request for Comments (“Request”) in Docket No. E999/CI-17-53, and Docket No. E-999/CI-07-1199. The Request invites Comments on the range of cost estimates for the future cost of carbon dioxide (“CO<sub>2</sub>”) regulation on electricity generation. Minnesota Power provides the following responses to the topics open for comment.

- **What approaches could be used within the next few months to develop updated regulatory cost value ranges for CO<sub>2</sub> emissions?**

*Use third-party vendor forecast data that Minnesota utilities use for resource planning purposes (such as IHS or Wood Mackenzie) to develop an updated cost of future CO<sub>2</sub> regulation. Averaging data from different independent forecasts has a good probability for resulting in a range that best reflects the estimated cost without disclosing proprietary information. Averaging of data from different vendors also avoids premature favoring of a single vendor estimate in advance of there being a resolute future CO<sub>2</sub> regulation cost. The cost of future CO<sub>2</sub> regulation can be updated periodically as third-party vendors revise their forecasts.*

- **If existing carbon trading markets are used as a reference, should only markets located in the U.S./North America be considered or should all global values be considered?**

*Only markets in the U.S./North America should be considered because the U.S./North America markets best represent the cost to reduce carbon within the region. There could*

*be other factors (i.e., reliance on foreign gas supply, other regulatory policies, key differences in generation resource mixes or limited availability of land for development) present in foreign markets that do not impact US power supply, which result in higher or lower carbon prices.*

- **Given the United States Supreme Court’s stay of the Clean Power Plan and stated EPA intentions to replace the Clean Power Plan as well as other considerations, what is a reasonable date (year) in which utilities can be expected to incur regulatory CO<sub>2</sub> emission costs?**

*Based on proprietary industry resources, as well as the anticipated lead-time required for implementation of a federal regulation for CO<sub>2</sub>, application of a CO<sub>2</sub> regulation is not anticipated before 2026.*

- **Is there a basis 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? If so, please provide the basis.**

*No, there is no basis for the Commission to re-assess its decision. The current legislation provides a mechanism for accounting for the impact of CO<sub>2</sub> emissions when making resource planning decisions. Externality values will be applied until such time a CO<sub>2</sub> regulation is implemented. Once a CO<sub>2</sub> regulation is implemented, it will account for the impact of CO<sub>2</sub> emissions when making resource planning decisions. Nothing has occurred that would warrant duplicate accounting through application of a regulatory cost value and an externality value for the impact of CO<sub>2</sub> emissions in the resource planning process.*

- **If there is a basis for the Commission to re-assess how the regulatory cost value and the externality value ranges are applied, what options should the Commission consider?**

*Not applicable based on response to prior question. Minnesota Power strongly believes that the regulatory cost value and externality values should be used to inform a resource decision, but a resource decision should not be made based solely on the regulatory cost value and externality values.*

Minnesota Power appreciates the MPCA and Department offering utilities and other stakeholders the opportunity to provide comments in the above referenced Docket.

Dated: September 22, 2017

Respectfully submitted,

A handwritten signature in black ink that reads "David R. Moeller". The signature is written in a cursive, flowing style.

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

AFFIDAVIT OF SERVICE VIA  
E-FILING AND  
FIRST CLASS MAIL

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Susan Romans, of the City of Duluth, County of St. Louis, State of Minnesota, says that on the **22<sup>nd</sup> day of September, 2017**, she filed Minnesota Power's Comments in **Docket No. E999/CI-17-53** on the Minnesota Public Utilities Commission and the Minnesota Department of Commerce via electronic filing. The remaining parties on the attached Official Service List were served as indicated.



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Susan Romans

| First Name | Last Name | Email                                | Company Name                       | Address  | Delivery Method    | View Trade Secret | Service List Name  |
|------------|-----------|--------------------------------------|------------------------------------|--|--------------------|-------------------|--------------------|
| Julia      | Anderson  | Julia.Anderson@ag.state.mn.us        | Office of the Attorney General-DOC | 1800 BRM Tower<br>445 Minnesota St<br>St. Paul,<br>MN<br>551012134 | Electronic Service | No                | OFF_SL_17-53_17-53 |
| Ian        | Dobson    | Residential.Utilities@ag.state.mn.us | Office of the Attorney General-RUD | 1400 BRM Tower<br>445 Minnesota St<br>St. Paul,<br>MN<br>551012130 | Electronic Service | No                | OFF_SL_17-53_17-53 |
| Sharon     | Ferguson  | sharon.ferguson@state.mn.us          | Department of Commerce             | 85 7th Place E Ste 280<br><br>Saint Paul,<br>MN<br>551012198       | Electronic Service | No                | OFF_SL_17-53_17-53 |
| Daniel P   | Wolf      | dan.wolf@state.mn.us                 | Public Utilities Commission        | 121 7th Place East<br>Suite 350<br>St. Paul,<br>MN<br>551012147    | Electronic Service | No                | OFF_SL_17-53_17-53 |