

February 5, 2019

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

RE: **In the Matter of Establishing an Updated 2020 Estimate of the Costs of Future Carbon Dioxide Regulation on Electricity Generation under Minn. Stat. § 216H.06.**
Docket Nos. E999/CI-07-1199 and E999/DI-19-406

Dear Mr. Seuffert:

On December 20, 2019, the Minnesota Public Utilities Commission (Commission) issued a *Notice of Comment Period* (Notice) in the above-reference matter. The Commission requested initial comments by January 24, 2020 on the following topics:

- Should the Commission adopt the Agencies' [Minnesota Department of Commerce and Minnesota Pollution Control Agency] recommended CO₂ regulatory cost range?
- If not, what range should the Commission establish for CO₂ regulatory costs, and when should these costs begin to apply?
- Should the basis for likely CO₂ costs contemplate a specific type of CO₂ regulation (e.g. a direct tax or cap and trade)? If the basis of CO₂ regulatory costs is a cap and trade program, should and/or how past CO₂ reductions (i.e. a baseline year) be taken into account?
- Why it is reasonable to base the range of likely CO₂ costs on programs in which Minnesota does not participate?
- Minn. Stat. § 216H.06 requires the Commission to estimate the costs "of future carbon dioxide regulation:"
 - Is the correct interpretation of the statute that the CO₂ values should reflect a net cost of complying with a particular regulation (i.e. the cost of reducing aggregate emissions to the target level of a hypothetical policy), or that the values should reflect the cost/price of an incremental unit of CO₂?
 - In general, please discuss why an allowance price should correspond to the net cost of CO₂ regulation. For example, do allowance prices in RGGI reflect the net costs to states participating in that program?

- For parties who perform capacity expansion modeling, please discuss how CO₂ regulatory costs are modeled differently, if at all, than environmental externalities. Please discuss how different methods of modeling CO₂ regulatory costs and environmental externalities might affect the ultimate selection of least-cost expansion plans.
- Are there other issues or actions the Commission should consider?

On January 24, 2020, the following stakeholders filed initial comments in response to the Commission's Notice:

- Great River Energy
- Minnesota Large Industrial Group
- Minnesota Power
- Otter Tail Power Company
- Xcel Energy

The Agencies do not have anything substantive to add to the discussions provided by stakeholders in response to the other topics listed in the Commission's Notice; however, since the Department of Commerce, Division of Energy Resources (Department) does perform capacity expansion modeling, we offer a response to the following topic:

- For parties who perform capacity expansion modeling, please discuss how CO₂ regulatory costs are modeled differently, if at all, than environmental externalities. Please discuss how different methods of modeling CO₂ regulatory costs and environmental externalities might affect the ultimate selection of least-cost expansion plans.

The Department models CO₂ regulatory costs and externality costs in the same general manner as described by Xcel Energy in its January 24, 2020 initial comments. That is, future regulatory costs are considered as future internal costs and treated just like any other variable cost, and are therefore considered by the model when it selects units to dispatch. Externality values, however, are considered separately and applied to the suite of resources a model run selects so that externality costs are considered when ranking the cost of each plan. This method is consistent with what the costs represent – future internal costs, and externality costs. The Department is not aware that altering this method would impact the selection of an expansion plan. However, modeling the two types of costs in a way that does not reflect the costs they represent could invalidate the modeling results to the extent the results change.

The Agencies continue to support our recommendations filed December 17, 2019, and are available to answer any questions the Commission may have on these matters.

Sincerely,

JESSICA BURDETTE
Manager, Energy Planning & Advocacy
Commerce Department

FRANK KOHLASCH
Climate Director
Pollution Control Agency

JB/FK/ar
Attachment

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce
Reply Comments**

Docket No. E999/CI-07-1199 and E999/DI-19-406

Dated this 5th day of **February 2020**

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Jon	Brekke	jbrekke@grenergy.com	Great River Energy	12300 Elm Creek Boulevard Maple Grove, MN 553694718	Electronic Service	No	OFF_SL_7-1199_1
Christina	Brusven	cbrusven@fredlaw.com	Fredrikson Byron	200 S 6th St Ste 4000 Minneapolis, MN 554021425	Electronic Service	No	OFF_SL_7-1199_1
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1400 St. Paul, MN 55101	Electronic Service	No	OFF_SL_7-1199_1
Riley	Conlin	riley.conlin@stoel.com	Stoel Rives LLP	33 S. 6th Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_7-1199_1
Stacy	Dahl	sdahl@minnkota.com	Minnkota Power Cooperative, Inc.	5301 32nd Ave S Grand Forks, ND 58201	Electronic Service	No	OFF_SL_7-1199_1
David	Dahlberg	davedahlberg@nweco.com	Northwestern Wisconsin Electric Company	P.O. Box 9 104 South Pine Street Grantsburg, WI 548400009	Electronic Service	No	OFF_SL_7-1199_1
Curt	Dieren	curt.dieren@dgr.com	L&O Power Cooperative	1302 S Union St Rock Rapids, IA 51246	Electronic Service	No	OFF_SL_7-1199_1
Brian	Draxten	bhdraxten@otpc.com	Otter Tail Power Company	P.O. Box 496 215 South Cascade Street Fergus Falls, MN 565380498	Electronic Service	No	OFF_SL_7-1199_1
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280 Saint Paul, MN 551012198	Electronic Service	Yes	OFF_SL_7-1199_1
Karlene	Fine	kfine@nd.gov	Industrial Commission of North Dakota	14th Floor 600 E. Boulevard Avenue, Dept. 405 Bismarck, ND 58505	Electronic Service	No	OFF_SL_7-1199_1

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Edward	Garvey	garveyed@aol.com	Residence	32 Lawton St Saint Paul, MN 55102	Electronic Service	No	OFF_SL_7-1199_1
Bruce	Gerhardson	bgerhardson@otpc.com	Otter Tail Power Company	PO Box 496 215 S Cascade St Fergus Falls, MN 565380496	Electronic Service	No	OFF_SL_7-1199_1
Todd J.	Guerrero	todd.guerrero@kutakrock.com	Kutak Rock LLP	Suite 1750 220 South Sixth Street Minneapolis, MN 554021425	Electronic Service	No	OFF_SL_7-1199_1
Casey	Jacobson	cjacobson@bepc.com	Basin Electric Power Cooperative	1717 East Interstate Avenue Bismarck, ND 58501	Electronic Service	No	OFF_SL_7-1199_1
Craig	McDonnell	Craig.McDonnell@state.mn.us	MN Pollution Control Agency	520 Lafayette Road St. Paul, MN 55101	Electronic Service	No	OFF_SL_7-1199_1
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	No	OFF_SL_7-1199_1
Dalene	Monsebroten	dalene.monsebroten@nmpagency.com	Northern Municipal Power Agency	123 2nd St W Thief River Falls, MN 56701	Electronic Service	No	OFF_SL_7-1199_1
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_7-1199_1
Peter	Nelson	peter.nelson@americanexperiment.org	Center of the American Experiment	8441 Wayzata Boulevard Suite 350 Golden Valley, MN 55426	Electronic Service	No	OFF_SL_7-1199_1
David	Niles	david.niles@avantenergy.com	Minnesota Municipal Power Agency	220 South Sixth Street Suite 1300 Minneapolis, Minnesota 55402	Electronic Service	No	OFF_SL_7-1199_1

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Samantha	Norris	samanthanorris@alliantenergy.com	Interstate Power and Light Company	200 1st Street SE PO Box 351 Cedar Rapids, IA 524060351	Electronic Service	No	OFF_SL_7-1199_1
Russell	Olson	rolson@hcpd.com	Heartland Consumers Power District	PO Box 248 Madison, SD 570420248	Electronic Service	No	OFF_SL_7-1199_1
Mary Beth	Peranteau	mperanteau@wheelerlaw.com	Wheeler Van Sickle & Anderson SC	44 E. Mifflin Street, 10th Floor Madison, WI 53703	Electronic Service	No	OFF_SL_7-1199_1
Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes	OFF_SL_7-1199_1
Kevin	Reuther	kreuther@mncenter.org	MN Center for Environmental Advocacy	26 E Exchange St, Ste 206 St. Paul, MN 551011667	Electronic Service	No	OFF_SL_7-1199_1
Robert K.	Sahr	bsahr@eastriver.coop	East River Electric Power Cooperative	P.O. Box 227 Madison, SD 57042	Electronic Service	No	OFF_SL_7-1199_1
Christopher	Schoenherr	cp.schoenherr@smmpa.org	SMMPA	500 First Ave SW Rochester, MN 55902-3303	Electronic Service	No	OFF_SL_7-1199_1
Kay	Schraeder	kschraeder@minnkota.com	Minnkota Power	5301 32nd Ave S Grand Forks, ND 58201	Electronic Service	No	OFF_SL_7-1199_1
Will	Seuffert	Will.Seuffert@state.mn.us	Public Utilities Commission	121 7th PI E Ste 350 Saint Paul, MN 55101	Electronic Service	No	OFF_SL_7-1199_1

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Eric	Swanson	eswanson@winthrop.com	Winthrop & Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_7-1199_1
Lynnette	Sweet	Regulatory.records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7 Minneapolis, MN 554011993	Electronic Service	No	OFF_SL_7-1199_1
Pat	Treseler	pat.jcplaw@comcast.net	Paulson Law Office LTD	4445 W 77th Street Suite 224 Edina, MN 55435	Electronic Service	No	OFF_SL_7-1199_1
Elizabeth	Wefel	eawefel@flaherty-hood.com	Flaherty & Hood, P.A.	525 Park St Ste 470 Saint Paul, MN 55103	Electronic Service	No	OFF_SL_7-1199_1
Robyn	Woeste	robynwoeste@alliantenergy.com	Interstate Power and Light Company	200 First St SE Cedar Rapids, IA 52401	Electronic Service	No	OFF_SL_7-1199_1

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1400 St. Paul, MN 55101	Electronic Service	No	SPL_SL_19-406_19-406
Brian	Draxten	bhdraxten@otpc.com	Otter Tail Power Company	P.O. Box 496 215 South Cascade Street Fergus Falls, MN 565380498	Electronic Service	No	SPL_SL_19-406_19-406
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280 Saint Paul, MN 551012198	Electronic Service	No	SPL_SL_19-406_19-406
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200 Minneapolis, MN 55402	Electronic Service	No	SPL_SL_19-406_19-406
Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	No	SPL_SL_19-406_19-406
Will	Seuffert	Will.Seuffert@state.mn.us	Public Utilities Commission	121 7th PI E Ste 350 Saint Paul, MN 55101	Electronic Service	No	SPL_SL_19-406_19-406
Bria	Shea	bria.e.shea@xcelenergy.com	Xcel Energy	414 Nicollet Mall Minneapolis, MN 55401	Electronic Service	No	SPL_SL_19-406_19-406
Lynnette	Sweet	Regulatory.records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7 Minneapolis, MN 554011993	Electronic Service	No	SPL_SL_19-406_19-406
Ana	Vang	avang@mpower.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	No	SPL_SL_19-406_19-406