FOR THE MINNESOTA PUBLIC UTILITIES COMMISSION

121 Seventh Place East, Suite 350
St. Paul, Minnesota 55101-2147

In the Matter of Establishing an Updated Estimate of the Costs of Future Carbon Dioxide Regulation on Electricity Generation Under Minn. Stat. § 216H.06	PUC Docket No. E-999/CI-07-1199 PUC Docket No. E-999/DI-19-406 **MINNESOTA LARGE INDUSTRIAL GROUP COMMENT**

I. INTRODUCTION/BACKGROUND

In January 2018, the Minnesota Public Utilities Commission (the "Commission") issued a request for comments in response to the initial recommendations made by the Minnesota Pollution Control Agency ("MPCA") and the Minnesota Department of Commerce, Division of Energy Resources ("DOC" together with the MPCA, the "Agencies") on January 19, 2018, regarding the range of estimates for the future cost of carbon dioxide ("CO_2") regulation on electricity generation. Following rounds of comments from the parties and a Commission hearing, the Commission issued its Order on June 11, 2018.[1] For resource acquisition proceedings in 2018 and 2019, the 2018 Order directs public utilities to analyze resource options under the following CO_2 emissions cost scenarios: (1) for all years, the low end of the range of environmental costs for CO_2 emissions pursuant to the environmental cost docket; (2) for all years, the high end of the range of environmental costs for CO_2 emissions pursuant to the environmental cost docket; (3) the low end of the range of environmental costs for CO_2 emissions but after 2024 substituting the low end of the range of regulatory costs for CO_2 emissions (lowered to \$5 per short ton); and (4) the high end of the range of environmental costs for CO_2 but after 2024 substituting the high end of the range of regulatory costs for CO_2

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[1] Order Establishing 2018 and 2019 Estimate of Future Carbon Dioxide Regulation Costs (June 11, 2018) (eDocket No. 20186-143706-01) (the "2018 Order").

emissions (lowered to \$25 per short ton).[2] Utilities are also required to evaluate resource options by using at least one scenario that excludes the consideration of CO_2 costs.[3]

Minn. Stat. § 216H.06 allows for annual updates to be made following informal proceedings conducted by the commissioners of commerce and pollution control allowing parties to submit comments. Pursuant to Minn. Stat. § 216H.06, the Agencies submitted a request for comments on July 9, 2019.[4] The Request solicits comments on the following four items (this comment addresses the first three):

> Whether the currently established range of regulatory costs of CO_2 emissions of \$5 to \$25 per short ton remains reasonable, and if not, what range should be established and why;
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> Whether 2025 is the appropriate threshold year for the application of the value range;
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> Whether the application scenarios listed in the Commission's June 11, 2018 Order remain reasonable and appropriate; and
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> Whether the Commission's update should apply to electricity generation resource planning and acquisition proceedings initiated in 2020 only, or in both 2020 and 2021.[5]

The Request seeks comments by September 6, 2019.[6]

The Minnesota Large Industrial Group ("MLIG" or the "Group") has been an active participant in this matter, including Commission Docket No. E-999/CI-07-1199, as well as the related docket on environmental cost values, Commission Docket No. E-999/CI-14-643, consistently advocating for modeling that reflects accuracy over speculation in resource planning. MLIG is an *ad hoc* consortium of large industrial customers in Minnesota spanning multiple utilities that together consume more than 6 billion kWh of electricity paying in excess

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[2] 2018 Order at 2.
[3] *Id.* at 3.
[4] Agencies' Request for Comments (July 9, 2019) (eDocket No. 20197-154255-01) (the "Request").
[5] *Id.*
[6] *Id.*

of $350 million each year.[7] In response to the Agencies' Request, MLIG respectfully requests that the Agencies recommend that the Commission apply the value ranges under Minn. Stat. § 216B.2422 through the current planning period and wait to apply the regulatory value of carbon emissions pursuant to Minn. Stat. § 216H.06 until after 2037.

II. ANALYSIS

A. While MLIG Believes the Current $5 to $25 Regulatory Cost of CO_2 Estimate Is Potentially Reasonable, the Passage of a Regulatory Cost of CO_2 Emissions Remains Speculative.

As a threshold matter, MLIG does not necessarily take issue with the current regulatory cost estimate range of $5 to $25, and the Group appreciates the Commission's recognition of market forecasts in its determination to lower the regulatory cost of carbon emissions range in the 2018 Order.[8] But, as MLIG has continuously stressed in this docket, it is still extremely speculative as to when a regulatory cost of carbon emissions will be imposed. And a set of market-based cost assumptions do not necessarily reflect the eventual regulatory reality. Therefore, the Agencies should be mindful of recommending the inclusion of such a speculative set of values in utility resource planning dockets.

B. 2025 Is Not the Appropriate Threshold Year to Begin Applying the Regulatory Cost Range; Due to the Speculative Nature of Regulatory Costs It Should Be Moved to 2037 or Later, Beyond the Current Resource Planning Periods.

To account for the extremely speculative nature of this cost, as well as reflect the fact that developments on the federal regulatory front are proceeding very slowly, MLIG maintains its position that after the current planning periods or later is the appropriate timeframe in which to begin applying the regulatory cost of carbon emissions.[9] As noted in the Agencies' 2017 request for comments, the United States Supreme Court previously stayed the Clean Power Plan, which

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[7] MLIG is composed of the following companies: ArcelorMittal USA (Minorca Mine); Blandin Paper Company; Boise Paper, a Packaging Corporation of America company, formerly known as Boise, Inc.; Enbridge Energy, Limited Partnership; Gerdau Ameristeel US Inc. (St. Paul facility); Hibbing Taconite Company; Sappi Cloquet, LLC; United States Steel Corporation (Keetac and Minntac Mine); United Taconite, LLC; USG Interiors, LLC (Cloquet and Red Wing facilities); and Verso Corporation.

[8] 2018 Order at 12.

[9] Comments by the Minnesota Large Industrial Group (Sept. 22, 2017) (eDocket No. 20179-135739-03) ("MLIG 2017 Comment").

was further eroded by President Trump's Executive Order in March 2017.[10] Earlier this year, the EPA also issued the Affordable Clean Energy Rule effectively replacing the previous Clean Power Plan.[11] This development further demonstrates that a regulatory cost of carbon emissions mandate is not likely in the foreseeable future.

Therefore, MLIG continues to believe that the proper threshold for implementing regulatory values is beyond the current planning period. By postponing the application of regulatory costs associated with CO_2 emissions until at least 2037, the application of such values is moved beyond utility planning periods for pending or soon-to-be-filed integrated resource plans. Additionally, while the regulatory cost of CO_2 emissions would be moved beyond the planning period, utilities may still model CO_2 emissions using the Commission-established environmental CO_2 emissions value in the interim.

C. The Commission's Scenarios Are Not Appropriate.

MLIG remains opposed to the unnecessarily complex CO_2 emissions cost planning scenarios the Commission outlined in the 2018 Order.[12] As described above and outlined in Table 1 below, the scenarios ordered by the Commission create a challenging and illogical set of modeling assumptions for utilities to model.

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[10] Agencies' Request for Comments (Aug. 22, 2017) (eDocket No. 20178-134924-02).

[11] *See* EPA Finalizes Affordable Clean Energy Rule, Ensuring Reliable, Diversified Energy Resource While Protecting Our Environment (June 19, 2019), https://www.epa.gov/newsreleases/epa-finalizes-affordable-clean-energy-rule-ensuring-reliable-diversified-energy.

[12] *See* 2018 Order at 11.

TABLE 1: Commission Modeling Scenarios[13]

Scenarios:	Before 2025		2025 and Thereafter	
	Environmental Cost	Regulatory Cost	Environmental Cost	Regulatory Cost
Low Environmental Cost	Low End	-	Low End	-
High Environmental Cost	High End	-	High End	-
Low Environmental/ Regulatory Costs	Low End	-		$5/Ton
High Environmental/ Regulatory Costs	High End	-	-	$25/Ton
Omitting CO_2 Cost Considerations	-	-	-	-

MLIG has expressed and remains concerned with using a combination of both environmental cost values for CO_2 emissions and the regulatory cost values for CO_2 emissions.[14] Particularly as noted above in Table 1, it is not clear what benefit the low and high environmental/regulatory cost combination assumptions add to any analysis. It would appear to be more efficient to simply assume, for compliance with Minn. Stat. § 216H.06, there is no regulatory cost until 2037, with low and high values utilized going forward after 2037.

III. CONCLUSION

In light of ongoing political developments and market conditions associated with CO_2 emissions, MLIG respectfully requests the Agencies recommend the Commission revise the 2018 Order and direct utilities to model the cost of CO_2 emissions according to MLIG's updated table below.

[13] *Id.*
[14] MLIG 2017 Comment at 3.

<u>TABLE 2: MLIG Recommended Modeling Scenarios</u>

Scenarios:	Before 2037		2037 and Thereafter	
	Environmental Cost	Regulatory Cost	Environmental Cost	Regulatory Cost
Low Environmental Cost	Low End	-	Low End	-
High Environmental Cost	High End	-	High End	-
Low Regulatory Cost	-	-	-	$5/Ton
High Regulatory Cost	-	-	-	$25/Ton
Omitting CO_2 Cost Considerations	-	-	-	-

Dated: <u>September 6, 2019</u>

Respectfully submitted,

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