



414 Nicollet Mall
Minneapolis, MN 55401

July 14, 2017

—Via Electronic Filing—

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

RE: RESPONSE TO MINNESOTA LARGE INDUSTRIAL GROUP'S MOTION
IN THE MATTER OF THE FURTHER INVESTIGATION INTO ENVIRONMENTAL
AND SOCIOECONOMIC COSTS UNDER MINN. STAT. §216B.2422, SUBD. 3
MPUC DOCKET NO. E999/CI-14-643; OAH DOCKET NO. 80-2500-31888

Dear Mr. Wolf:

Northern States Power Company, doing business as Xcel Energy, submits the enclosed Response to the Minnesota Large Industrial Group's June 30, 2017 Motion¹ in the above-mentioned docket.

We have electronically filed this document with the Minnesota Public Utilities Commission, and copies have been served on the parties on the attached service list. Please contact me at james.r.denniston@xcelenergy.com or (612) 215-4656 if you have any questions regarding this filing.

Sincerely,

/s/

JAMES R. DENNISTON
ASSISTANT GENERAL COUNSEL

Enclosure
c: Service List

¹ Motion for the Commission to Take Notice or, in the Alternative, to Reopen the Record to Allow Introduction, of Presidential Executive Order on Promoting Energy Independence and Economic Growth Dated March 28, 2017 and June 14, 2017, Public Comments by the White House Office of Information and Regulatory Affairs (OIRA).

STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION

Nancy Lange	Chair
Dan Lipschultz	Commissioner
Matthew Schuerger	Commissioner
Katie J. Sieben	Commissioner
John A. Tuma	Commissioner

IN THE MATTER OF THE FURTHER
INVESTIGATION INTO ENVIRONMENTAL
AND SOCIOECONOMIC COSTS UNDER
MINN. STAT. §216B.2422, SUBD. 3

MPUC DOCKET NO. E999/CI-14-643

RESPONSE TO MOTION

INTRODUCTION

Northern States Power Company, doing business as Xcel Energy, submits this Response to the Minnesota Large Industrial Group's (MLIG) Motion¹ filed June 30, 2017 in the the above-mentioned docket.

MLIG asks the Commission to take notice of, or alternately reopen the record to allow introduction of, a March 28, 2017 *Presidential Executive Order on Promoting Energy Independence and Economic Growth*, and the June 14, 2017, on-line newsarticle summarizing White House staff position on estimating green house gas damages (OIRA Summary). This Executive Order, among other actions, disbands the Interagency Working Group on Social Cost of Greenhouse Gases (IWG)²; withdraws as "no longer representative of governmental policy" all Technical Support Documents issued by the IWG to date; and directs federal agencies, when monetizing the value of changes in greenhouse gas emissions resulting from regulations, to follow OMB Circular A-4 guidance with respect to the consideration of domestic versus international impacts and the consideration of appropriate discount rates.³

¹ Motion for the Commission to Take Notice or, in the Alternative, to Reopen the Record to Allow Introduction, of Presidential Executive Order on Promoting Energy Independence and Economic Growth Dated March 28, 2017 and June 14, 2017, Public Comments by the White House Office of Information and Regulatory Affairs (OIRA).

² Formerly the Interagency Working Group on Social Cost of Carbon.

³ Executive Order, included as Exhibit A to MLIG's Motion, at Section (5).

On July 6, 2017, Great River Energy, Minnesota Power, and Otter Tail Power Company (GRE/MP/OTP) submitted their Response⁴ to the MLIG Motion, in which they request that the Commission grant the MLIG Motion, and also provide Parties an opportunity to file written comments regarding (1) developments since September 30, 2015 relevant to the issues addressed in the proceeding, and (2) their specific recommendations regarding how the Commission should proceed in updating the carbon dioxide environmental cost value. The developments since September 30, 2015 that GRE/MP/OTP consider relevant to the proceeding include not only the Executive Order, but also the National Academies of Sciences (NAS) reports on the IWG’s social cost of carbon (SCC) methodology, related policymaking at the State and Federal levels, changes in energy markets, continuing retirements of coal-fired generation facilities and a continued increase in generation from renewable sources.

COMMENTS

The purpose of this proceeding is for the Commission to “quantify and establish a range of environmental costs associated with each method of electricity generation”⁵ and to update the previously established values. The Company agrees that the NAS reports and Executive Order, which occurred after the contested case proceeding in this docket was held and the ALJ’s Report on carbon dioxide environmental cost values was issued,⁶ are pertinent to the Commission’s decision in this proceeding. In order to have a complete record, we believe the Commission should take notice or allow introduction of these documents. To be clear, the Company in responding to this motion takes no policy position on these documents; we merely support their inclusion as relevant to the proceeding and appropriate for a complete record.

We believe the relevant documents, in order of their date of publication, are:

1. National Academies of Sciences, Engineering, and Medicine (2016). *Assessment of Approaches to Updating the Social Cost of Carbon: Phase 1 Report on a Near-Term Update*. In this report, NAS responded to a request by the IWG to determine if a near-term revision to the SCC methodology is warranted. NAS recommended against a near-term update of equilibrium climate sensitivity; suggested a more

⁴ Response of Great River Energy, Minnesota Power, and Otter Tail Power Company to the Minnesota Large Industrial Group’s Motion for the Commission to Take Notice or, in the Alternative, to Reopen the Record to Allow Introduction, of Presidential Executive Order on Promoting Energy Independence and Economic Growth dated March 28, 2017 and June 14, 2017 Public Comments by the White House Office of Information and Regulatory Affairs (OIRA).

⁵ Minn. Stat. § 216B.2422, Subd. 3.

⁶ Findings of Fact, Conclusions, and Recommendations: Carbon Dioxide Values. Report of Administrative Law Judge LauraSue Schlatter *In the Matter of the Further Investigation into Environmental and Socioeconomic Costs Under Minn. Stat. § 216B.2422, Subd. 3*. OAH 80-2500-31888. April 15, 2016.

comprehensive discussion on sources and treatment of uncertainty; and recommended presentation of the SCC frequency distribution including symmetric low and high percentiles of the model estimates – an approach similar to the Company’s methodology in deriving our proposed CO₂ environmental cost range.

2. Interagency Working Group on Social Cost of Greenhouse Gases (August 2016). *Technical Support Document: Technical Update of the Social Cost of Carbon for Regulatory Impact Analysis Under Executive Order 12866*. In this report, the IWG implements certain recommendations from the NAS Phase 1 Report, including presenting a frequency distribution of SC-CO₂⁷ estimates with symmetric (5th and 95th) percentiles. The executive summary SC-CO₂ values remained unchanged from those presented in the prior (July 2015) Technical Support Document.⁸
3. National Academies of Sciences, Engineering, and Medicine (2017). *Valuing Climate Damages: Updating Estimation of the Social Cost of Carbon Dioxide*. In this second report, NAS conducted a more comprehensive evaluation of the SCC methodology and recommended more significant methodological changes, including moving away from the Integrated Assessment Models used in developing the SCC and instead splitting the estimation methodology into four separate modules (socioeconomic, climate, damages, and discounting). NAS also detailed longer-term research that could improve each module.
4. *Presidential Executive Order on Promoting Energy Independence and Economic Growth* (March 28, 2017). As noted above, this order disbands the IWG, withdraws all Technical Support Documents related to SCC, and directs federal agencies to adhere to Office of Management and Budget Circular A-4 when monetizing the value of changes in greenhouse gas emissions resulting from regulations. The Circular A-4 guidance prioritizes consideration of domestic costs and benefits

⁷ Beginning with the August 2016 TSD, the IWG replaced the acronym ‘SCC’ with SC-CO₂ to distinguish CO₂ from other greenhouse gases. The earlier ‘SCC’ actually also referred to damages per ton of carbon dioxide emissions, not carbon, but IWG had earlier used the simplified terminology ‘SCC’ since it was not publishing estimates for any greenhouse gases other than CO₂.

⁸ The IWG also published an August 2016 Addendum in which they addressed application of the SC-CO₂ methodology to estimate the social cost of methane and the social cost of nitrous oxide. We do not believe this Addendum is relevant to the proceeding or needs to be admitted in the record. The Commission in its October 15, 2014 Notice and Order for Hearing ruled that “The Commission will not further investigate at this time the environmental costs of other greenhouse gasses such as methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulfur hexafluoride (SF₆). Because CO₂ represents 99% of greenhouse gas emissions, an accurate environmental cost value for CO₂ will account for almost all greenhouse gas costs. This will result in a more manageable proceeding and allow the parties to focus their resources.” October 15, 2014 Notice and Order for Hearing at 4.

of regulatory actions, requires use of a 7% discount rate and allows use of lower discount rates.

The Company agrees the above four documents are pertinent to the issue before the Commission. Since some Parties recommended adoption of the Federal SCC executive summary values (Agencies and CEO), and other Parties either derived their proposed CO₂ environmental cost range from the Federal SCC executive summary values (MLIG), from the Integrated Assessment Models using other assumptions (GRE/MP/OTP), or from the Integrated Assessment Model outputs (Xcel Energy), it is appropriate for the Commission to consider these developments even if it ultimately determines them to be not persuasive to how it establishes the range of values for CO₂ in this proceeding.

We do not believe that the OIRA Summary is appropriate for being introduced into the record nor is it appropriate for the Commission to take administrative notice of this. The document is actually a print-out of an on-line newspaper article and lacks the degree of rigor and authenticity as found in the other materials.

Dated: July 11, 2017

Northern States Power Company

CERTIFICATE OF SERVICE

I, Carl Cronin, hereby certify that I have this day served copies of the foregoing document or a summary thereof on the attached list of persons.

xx by depositing a true and correct copy or summary thereof, properly enveloped with postage paid in the United States mail at Minneapolis, Minnesota; or

xx via electronic filing

Docket No. E999/CI-14-643

Dated this 14th day of July 2017

/s/

Carl Cronin
Records Analyst

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