

FY94-XVI-55
DEVELOPMENT & PRESENTATION OF EXTERNALITY INFORMATION
RELATING TO LIGNITE-BASED GENERATION
FOR MINNESOTA EXTERNALITY PROCEEDINGS

CONTRACTOR: Lignite Energy Council

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PARTICIPANTS

<u>Sponsor</u>	<u>Cost Share</u>
Lignite Energy Council	\$300,000
ND Industrial Commission	<u>250,000</u>
Total	\$550,000

Project Schedule - 2 Years

Contract Date - 7/13/94
Start Date - 6/1/94
Completion Date - 8/1/98

Project Deliverables

Status Report - 9/1/94 ✓
Status Report - 3/1/95 ✓
Status Report - 9/1/95 ✓
Final Report - 8/1/98 ✓

OBJECTIVE / STATEMENT OF WORK

The primary objectives of this project are to: 1) provide technical and legal support, 2) provide information and expert witnesses to contest the application of Minnesota externality interim and permanent values on lignite-produced electricity, 3) provide legal assistance to the State of North Dakota and the lignite industry in the Minnesota externality case proceedings, and 4) challenge and appeal inappropriate Minnesota externality values imposed on North Dakota's lignite industry. A goal of this project is to protect the lignite industry and the State from the use of inappropriate public policies, which would adversely impact the development and use of North Dakota's abundant domestic resource.

STATUS

The project involves collecting data, identifying expert witnesses and providing information for contested case proceedings and appeals. The Administrative Law Judge (ALJ) issued his Findings of Facts, Conclusions, Recommendation and Memorandum on March 22, 1996. The Minnesota Public Utilities Commission heard oral arguments on the proceedings on September 16-19, 1996.

The Findings of Fact, Conclusions, Recommendation and Memorandum issued by Administrative Law Judge Allan W. Klein dated March 22, 1996 made the following recommendations:

1. That the Commission establish the following ranges of environmental costs for criteria pollutants, to be used in proceedings subject to Minn. Stat. 216B.2422 (1994). Criteria pollutant values are limited to plants located within 200 miles of Minnesota's borders. These values are found in the table below.
2. That the Commission establish a range of \$0.28 to \$2.92 per ton as the environmental cost of carbon dioxide. The final Order of the Commission on 1/3/97 established a range of \$0.30 to \$3.10 per ton as the environmental cost of CO₂. In its 7/2/97 Order, the Commission confined the application of the values for CO₂ to electric generation located in Minnesota itself.
3. That the Commission specify what escalator should be used to escalate the above figures from 1993 dollars to current dollars at the time of filings under the statute.

Commission's Official Environmental Cost Table

The environmental values adopted by the Commission in its January 3, 1997 Order are stated in terms of 1995 dollars and revised in this Order after reconsideration to show 1) zero values for SO₂ starting after the year 2000 and 2) zero values for CO₂ beyond the borders of the State of Minnesota, as follows:

	<u>Urban</u>	<u>Metropolitan Fringe</u>	<u>Rural</u>	<u>Within 200 Miles of Minnesota</u>
SO ₂ (present to year 2000) \$/ton	112 - 189	46 - 110	10 - 25	10 - 25
SO ₂ (year 2000 and beyond) \$/ton	0	0	0	0
PM ₁₀ \$/ton	4,462 - 6,423	1,987 - 2,886	562 - 855	562 - 885
CO \$/ton	1.06 - 2.27	0.76 - 1.34	0.21 - 0.41	0.21 - 0.41
NO _x \$/ton	371 - 978	140 - 266	18 - 102	18 - 102
Pb \$/ton	3,131 - 3,875	1,652 - 1,995	402 - 448	402 - 448
CO ₂ \$/ton	.30 - 3.10	.30 - 3.10	.30 - 3.10	0

The final order by the Minnesota Public Utilities Commission is being appealed to the Minnesota Court of Appeals and a decision is to be issued sometime in May 1998. In its January 3, 1997 Order, the Commission limited the applicability of the range values established for CO₂ to within 200 miles of the Minnesota border. Major issues on appeal were the CO₂ values and the decision not to apply the CO₂ values to out-of-state generation resources. The State of North Dakota and the Lignite Energy Council asked the appellate court to affirm the Commission decision not to apply the CO₂ values to North Dakota's generation.