

LRC-X-38
SCOPING STUDY TO DETERMINE THE COSTS
OF AN ENVIRONMENTAL EXTERNALITY STUDY

CONTRACTOR: Otter Tail Power Company

PRINCIPAL INVESTIGATOR: Bryan D. Morlock
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PARTICIPANTS

<u>Sponsor</u>	<u>Cost Share</u>
Industry Investors	
Otter Tail Power	\$15,000
Cooperative Power	
Minnkota Power	
Minnesota Power	
United Power Association	
ND Industrial Commission	<u>\$15,000</u>
Total	\$30,000

Project Schedule – 7 Months

Contract Date – 9/29/92
Start Date – 9/29/92
Completion Date – 3/15/93

Project Deliverables

Monthly Status Reports ✓
Final Report – 3/15/93 ✓

OBJECTIVE / STATEMENT OF WORK

The objective of this project was to develop an environmental externality scoping study for Minnesota. The Minnesota Public Utility Commission was developing rules that would require utilities to pay externality costs and avoided costs to qualifying facilities (as defined under PURPA). National Economic Research Associates, Inc. (NERA) of Cambridge, Massachusetts was selected as the consulting economists to carry out this study.

STATUS

NERA recommended a damage-based approach with an empirical study of circumstances to determine externality costs in Minnesota. NERA provided a similar damage-based empirical

study linked approach to the California Energy Commission replacing a “revealed preference” study. The estimate for the empirical linked study for Minnesota was between \$325,000 and \$535,000.

The Minnesota legislature passed legislation in May 1993, revising the law that would have required the payment of environmental externalities to qualifying facilities. The revised legislation required the MN Public Utilities Commission to develop a range of externality values for use by all utilities in evaluating resources for capacity and energy. The externality scoping study was provided to the parties involved with the PUC in the MN externality issue.