

Pilot Project on Rules for Minnesota's Power Sector

Project Overview and Participant Input

Minnesota Pollution Control Agency

Saint Paul, MN

Friday, August 19th, 2011

Meeting Agenda, Project Objectives and Desired Outcomes

Meeting Agenda

9:30 a.m. Welcome and introductions of project participants

- Mike Rothman, Commissioner, MN Department of Commerce
- David Thornton, Assistant Commissioner, MN Pollution Control Agency

Brief perspectives on project from MN agencies and U.S. EPA

- Bill Grant, Deputy Commissioner, MN Department of Commerce
- Ellen Anderson, Chair, MN Public Utilities Commission
- Julia Miller, Policy Analyst, U.S. EPA

Meeting Agenda cont.

10:15 a.m. Background Presentations

Minnesota's power sector, MISO/EPA rules impact analysis

- Clair Moeller, V.P., Transmission Asset Management, Midwest Independent System Operator 10:35 a.m.

Existing state policies that affect Minnesota's power sector

- Bill Grant, MN Department of Commerce and David Thornton, MN Pollution Control Agency

10:55 a.m. *Existing and pending federal regulatory policies that will impact the electric sector*

Criteria pollutants, toxics and coal ash

- Julia Miller, U.S. EPA

Greenhouse gas regulation under Section 111(d) of Clean Air Act

- Franz Litz, Executive Director, Pace Energy and Climate Center, Pace Law School

11:45 a.m. *Q&A in response to presentations*

12:00 p.m. Break for working lunch (to be provided for Participants and Facilitators)

Meeting Agenda cont.

12:15 p.m. Introduction to the EPA modeling effort

- Julia Miller, U.S. EPA
- Nicholas Bianco, Senior Associate, World Resources Institute
- Josh Smith, Manager, Climate and Energy Policy, ICF International

1:00 p.m. Facilitated participant discussion: opportunities for state of Minnesota to influence federal policy

- David Thornton, MN PCA
- Brad Crabtree, Policy Director, Great Plains Institute

2:00 p.m. Break

2:15 p.m. Feedback from participants on process for project moving forward – Next Steps

- Brad Crabtree, Great Plains Institute, facilitates

2:45 p.m. Opportunity for public input from meeting observers

3:00 p.m. Adjourn

Meeting Objectives

- Introduce project and purposes to participants.
- Provide background on Minnesota's power sector and trends and current and pending state and federal policies impacting that sector.
- Familiarize participants with the IPM model and modeling to be undertaken through this project.
- Seek input from participants on the process, activities and potential outcomes of this project.

Project Objectives

- EPA, MN PUC, MN PCA, MN DOC are collaborating to help the State develop and plan to meet recent and upcoming electric utility sector rules (Regional Haze Rule, new NAAQS, Transport Rule, Toxics Rule, NSPS for EGUs, Coal Combustion Residues Rule and) in a coordinated and cost-effective way.
- With assumptions defined in coordination between EPA and Project participants, EPA will provide analytical resources to:
 - Explore how compliance costs can be reduced by:
 - Integrating control strategies
 - Multi-pollutant strategies
 - Deploying energy efficiency/renewable energy/CHP
 - Examine reliability issues
 - Analyze air quality benefits and GHG impacts
 - Study employment impacts

Desired Project Outcomes

- Recommendations to the State for a process or plan that will lead covered sources to a responsible compliance strategy that:
 - Meets all regulations;
 - Ensures reliability;
 - Mitigates costs; and
 - Incorporates EE/RE/CHP.
- Additionally, an estimate of how this compliance strategy will affect air quality in the state.

Participant Expectations and Ground Rules

(more detailed version distributed at meeting)

Participant Expectations

- Consistent attendance
- Avoid substitutes if at all possible
- Participation in Project not binding on individual or the institutions they represent.
- Responsiveness to media inquiries, while refraining from commenting specifically on recommendations or attributing positions or views to particular participants.

Process Ground Rules

- It is your show.
- Everyone is equal.
- No relevant topic is excluded.
- Respect others' opinions and one another.
- Respect the time.
- Decisions by consensus.
- Decisions should be institutional and not individual.
- Silence is assent.
- Ideas will not be attributed to individuals.

Opportunities for Minnesota to Influence Federal Policy

- Each participant was asked to share their concluding ideas, suggestions, or concerns at the end of the meeting:
 - Important to address real cost and rate impacts for Minnesotans
 - Want the opportunity to review the model with others in our organization (need to make sure we know what's in the model and that we can trust in the assumptions)
 - Good opportunity to create broadly-shared awareness of the potential impacts of these emerging EPA rules
 - Need to account for how sudden demand for resources and talent may increase their costs; and also need to know in advance that we will be able to accurately measure the results.
 - Should find some way to integrate the on-going RPS impact study and base load diversification study by Minnesota Power.
 - Need to discuss CSPR as being equivalent to BART under regional Haze Rule

Opportunities for Minnesota to Influence Federal Policy cont.

- Recognition of MN's clean energy programs as part of State's compliance with 111d (should get credit for early action)
- Interested in flexibility on how MATS EGU Rule, Section 112L, is implemented
- Need to emphasize EE, since it's generally the cheapest form of generation
- Concerned about tradable permits, since it seems easy to cheat.
- Want to have authority/clarity to move ahead (in advance of the regulations) rather than being caught behind the wave.
- Concerned about making investments that turn out to be mistakes (measure twice, cut once)—avoiding unintended consequences.
- Understand how EE, DR and DSM can be treated as bona fide generation resources both in the model and in our deliberations about compliance options. MISO can run this if you can get people to agree on the unit costs are for each of these things.

Opportunities for Minnesota to Influence Federal Policy cont.

- Don't like the idea of equating CSPR and BART (BART is pretty unit-specific, and not confident that the expertise of this group will be in a position to get this specific).
- Low-income consumers suffer the most from environmental degradation (on the one hand), and also feel the rate price hikes disproportionately: Given that even the most cost-effective compliance plan will raise rates, are there strategies to mitigate the cost impacts on low-income consumers?
- Can't model everything, so if the main interest is in identifying areas of flexibility we should probably keep the assumptions pretty simple and make sure the modeling is focused on answer what is MOST important to this process.
- We should not debate the merits of the rules themselves; but rather focus on the best compliance approach assuming that the rules will go into effect.
- Concerned about the proposal from MISO that some facilities get designated as "critical for reliability" and therefore not subject to EPA rules. This feels like a large wildcard in this process that works against the integrity of what the rules are trying to accomplish.

Opportunities for Minnesota to Influence Federal Policy cont.

- MISO sees this “critical facility” idea as being more about timing—can’t take all plants off-line all at one time and maintain reliability.
- How will biomass be treated from a GHG standpoint (as a compliance option).
- Modeling should reflect the fact that MN is part of a larger electricity market (i.e., the low-cost compliance option might be buying power from a neighboring state).
- Don’t let the perfect be the enemy of the good (no model is perfect).
- Let’s be creative about policy ideas and compliance options, but not so creative that they can’t actually be done (e.g., let’s not hinge recommendations on new law from Congress).
- Can this process take Smart Grid and demand control that could avoid peaks be taken into account?

Process Moving Forward—Next Steps

- Work plan and timeline
- Role/activities of modeling subgroup and stakeholder group
- Preliminary scheduling of key meetings

Discussion of Timeline

- EPA needs to have modeling done by end of October
- Full group and modeling sub-group will need to focus early on agreeing to the assumptions that should go into the base case
- Mondays and Thursdays are not good for future meetings

Next Steps Discussion

- Julia Miller to share EPA's study on how it calculated costs and benefits of complying with Clean Air Act.
- Send around other information on Haze Rule (utilities paying a lot of attention to that one, but it was not in the EPA presentation)
- We need some graphic or spreadsheet (or something) to help participants see where and how the various EPA rules overlap and where the areas of flexibility lie.
- Turn the group's listed concerns into a set of principle to bring back to the group. These could guide this process and be useful to the state of MN in advising EPA.
- Participants need to review the assumptions that are in the IPM base case and begin to prioritize which assumptions they think are critical.
- Schedule a call with the sub-group and ICF next week since it was hard to hear the ICF presentation (work through Nicholas Bianco, WRI).
- David to send out DOODLE to schedule future meetings
- Participants should send David Thornton suggestions about what other information/presentations they would like in order to make informed decisions as part of this process.
- Need attendee list

Comments from Meeting Observers

- We didn't talk about new 1-hour National Ambient Air Quality Standard (NAAQS) for SO₂
- Also didn't talk about new NO₂ NAAQS could impact diesel and/or natural gas peakers. May not be able to meet new NAAQS standards
- This seems like a potentially large volume of new work for MPCA (this is a constraint)
- Would like EGU emission files for CAMEX model from ICF that would help MPCA do Regional Ambient Air Quality modeling
- Need clear definitions of the outputs we're after:
 - Need
 - Emissions
 - MWh generated
 - Capacity
 - Million BTU input
 - Cost
 - What is the universe we're talking about: Is this the cost to provide electricity to customers? Or is it the cost of retrofitting a plant.

Things for Next Meeting

- Name tents and name tags
- Sign-in sheet
- Better audio arrangement if there will be people calling in