

MEETING NOTES  
MPCA Clean Power Plan Stakeholder Group Meeting  
July 25, 2014  
1:00PM to 3:00PM  
MPCA, St. Paul, MN  
Conference Line - 1-888-742-5095  
Meeting Code - 3631517722#

## Meeting Objectives

- Recap MPCA conversations so far with EPA
- Discuss additional rule proposal observations
- Identify questions/action items to prepare for MPCA's finalized comments to EPA

### 1. **Welcome and introductions**—David Thornton, MPCA

*In person:* Aditya Jayam Prabhakar, MISO; Annie Levenson-Falk, Legis. Energy Commission; Bill Grant, MN Commerce; Dan Lipschultz, MN PUC; Ellen Anderson, U of MN; J. Drake Hamilton, Fresh Energy; Julianne Kurdila, Arcelor Mittal; Karen Monahan, Sierra Club; Kristin Henry, Sierra Club; Margaret Hodnick, MN Power; Mark Thoma, Otter Tail Power Co.; Megan Ceronsky, EDF; Mike Bull, MN CEE; Mike Cashin, MN Power; Mike Myser, Energy Platforms; Nancy Lange, MN PUC; Nick Martin, Xcel; Pam Kiely, EDF; Priti Patel, MISO; Rick Rosvold, Xcel; Robert Jagusch, MN Municipal Utilities Assoc.; Sean Stalpes, MN PUC; Tony Kwilas, MN Chamber of Commerce; Will Seuffert, EQB

*MPCA staff:* Katie Izzo, David Thornton, Anne Jackson, Frank Kohlasch, Peter Ciborowski

*On the phone:* Alexis Cain, EPA; Alexis Williams, Fresh Energy; Anna Sommer, Sommer Energy; Burl Haar, MN PUC; Derek Bertsch, MO River Energy; Eric Jensen, Izaak Walton League of America; Jerome Malmquist, U of MN; Joe Hoch, Alliant Energy; Kevin Johnson, Stoel Rives; Kevin Reuther, MCEA; Leigh Currie, MCEA; Mark Strohfus, Great River Energy; Mary Jo Roth, Great River Energy; Matt Larson, Wilkinson Barker Knauer; Michele Pluta, Alliant Energy; Mrg Simon, MO River Energy; Shalini Gupta, CEED; Stacey Davis, CCAP; Steve Jackson, Alliant Energy; Susan Peirce, MN Commerce; Thor Underdahl, MN Power; Tom Dower, Arcelor Mittal

*Names/organizations missed (I apologize that the introductions went too quickly for me to catch everyone's information; if you would like your organizational affiliation listed or if your name is missing entirely, please let me know—KI):* Boise Jones; Edward Garvey

### 2. **Overview of MPCA's Clean Power Plan discussions with EPA**—Frank Kohlasch, MPCA

Frank outlined the MPCA's conversations so far with the EPA regarding the Clean Power Plan, including a request to get the EPA's answers to questions in writing, and noted that Region 5 is working on scheduling a call specifically dedicated to rate vs. mass calculations.

- Clarification on cross-state generation: the state that compelled it, with enforcement backing the compulsion, gets to claim it. (This is not how the goals were calculated but can factor into compliance.) Whether "compelled" means construction or which state held the rec remains unclear. EPA hasn't suggested that they'll recalculate the goals but they are taking comments.
  - o Asymmetry between calculation and compliance may be problematic. Major renewable-energy exporters such as North Dakota will want it taken out of their goal if they can't claim it. In future, commissioners will also have to consider where to site plants with this in mind.
  - o **Potential question/comment for EPA:** Renegotiations of future agreements are likely to get complicated if, for example, Minnesota compelled the building of a unit in another state but doesn't have a contract for it beyond 2030—does that compliance credit go away? EPA has said that credits

can't be banked. The MPCA potentially should comment that early action is incentivized with countable emissions effects after 2014.

- o Large international hydro functions somewhat differently, as a zero-emission source in Building Block 3: can be included in compliance if claimed as a reduction in coal power.

### 3. Additional rule proposal observations—Anne Jackson, MPCA

Anne went over the updated list of affected units and led a discussion of additional observations about the proposed rule. She noted that NGCC was not represented well in our database and that she will follow up with the owners.

- **Potential question/comment for EPA:** It remains unclear how biomass-fueled units should be treated, as they will continue to need fossil fuels or not be willing to restrict them. Should request clarification.
- **Potential question/comment for EPA:** EPA is looking to states to come up with evaluation, monitoring, and verification strategies, but with affected units reporting directly to the EPA, won't a uniform reporting standard need to be instituted to accompany the rule? What will states need to capture in terms of data for the EPA to rely on in terms of compliance?
  - o In the upper Midwest we have MRETS, but there may be other things elsewhere to consider.
  - o Showing compliance on an EE basis is difficult and may be vulnerable to litigation.
  - o If you measure the fuel for an estimate of CO<sub>2</sub>, the numbers won't always add up.
- **Potential question/comment for EPA:** One of the Sierra Club representatives expressed a hope that the goal is not that Minnesota actually adopt a program where we rely on running natural gas units at the estimated 70% capacity. Additionally, several utilities noted that an increase from 24% to 70% in 2 years will be extremely difficult from a technical standpoint, if not impossible.
  - o Commerce is already evaluating scenarios on a cost basis; with cooperation of utilities will present on this in a future meeting.
- EPA's technical support document gave a 46% estimate for natural gas utilization rates, which might not be accurate. Also, 2012 was an anomalous year for gas prices.
- Renewable and coal units are generally located in different regions of the state. We will need to examine whether we have the transmission capability to redistribute or apportion state targets to affected units (i.e., which plants get what limits); it is unclear what tools states have to effect dispatch.
  - o **Potential question/comment for EPA:** Can EPA address/clarify this? How can natural gas be pushed to the front of the dispatch order? (NGCC transmission bottlenecks also merit consideration.)
- EPA has analyzed all of the building blocks in isolation, but how they interact is also important. MISO is trying to do this with modelling, at least in phase 1, but not for individual state compliance purposes. MPCA will follow up with MISO about possibly presenting these calculations at a future meeting.
- Combined heat and power is often raised with iron ore; there may be opportunities, looking forward to 2020.
- **Potential question/comment for EPA:** The way the proposed rule language reads, it appears that credits for emission reductions incentivize efficiency measures to be taken *after* 2020.
- Availability of industry financing limits CHP. EPA offers no guidance, but CHP was used in the calculations.
- Whatever actions the state/utilities take need to be shown within electricity, but there's flexibility. EPA highlights building codes/permitting.
- **Potential question/comment for EPA:** Can EPA provide mass-based as well as rate-based calculations and targets without falling back on IPM?
- **Potential question/comment for EPA:** With EPA's methodology of tracking approximately 12 years of heat rates, they came up with 3% improvements for the highest performers and 12% for the lowest; what placed Minnesota into the 6% range?
- Retrofitting a coal unit to natural gas might count it as a new unit, depending on standards listed in section 111(b).

Other stakeholder comments made July 25, 2014

Building block 1—Heat rate improvement

- Incorrect to assume all HRI still available across the country or in MN
- Coal to gas boiler as HRI? Heat rate is degraded but also CO2 emissions reduction

#### Building block 2—Natural gas generation for coal

- 70% capacity increase estimate: feasible/cost-effective?
- Least-cost modelling?
- Gas serves as integration between generation resources (affects Building Block 3) e.g wind backup, solar dropoff, etc.
- Assess Incremental compliance costs—by Commerce or utilities?
- Gas supply?
- Moving from 24% to 70% in 2 years technically difficult
- Interaction with other blocks—degrades heat rate

#### Building block 4—Energy efficiency

- What is the baseline for EE, how does it get counted in future years?
- CHP is limited by industry money available
- Timing of EE assumptions (2017, start ramping up program; 2020, start crediting EE?)
- To push the rest of the country: (no one offered remarks in the meeting to David's offer for comments)
  - 1.
  - 2.
  - 3.

#### Mass base limit

- EPA, Give us a number
- EPA, Give us the procedure

#### New issues not on 7/25 agenda

- Transmission
- Gas supply to existing NGCC
- Apportionment of state goal to individual facilities
- What limits/tools do states have to influence dispatch?
  - Carbon price?
  - Limits