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Statement of Stacey Dahl
Minnkota Power Cooperative, Inc.

North Dakota Health Department State Implementation Plan Hearing
November 18, 2015
Fargo, N.D.

Good evening,

I'm Stacey Dahl, Manager of External Affairs for Minnkota Power Cooperative, Inc. ["Minnkota"], a regional generation and transmission cooperative serving 11 member-owner distribution cooperatives. We proudly serve over 140,000 members over 34,500 square miles, located in eastern North Dakota and northwestern Minnesota.

Our mission at Minnkota is to provide affordable, reliable electricity to our members. But that mission is now under threat as a result of the final version of the Clean Power Plan. Despite our history as a leader in renewable energy, our members are now faced with steep compliance measures that will undoubtedly raise costs significantly and pose serious questions of grid reliability. While we support the State of North Dakota developing its own State Implementation Plan, we urge the Department to keep cost and reliability as a central focus of the plan.

We have a diverse resource mix, generating nearly 30% of our energy from wind, 9% from hydro, and the remainder from lignite coal. The Milton R. Young Station, a mine-mouth, electric generating plant located near Center, N.D., is a primary source of electrical generation for Minnkota, with two units generating capacity of approximately 700 MW. Minnkota Power also acts as operating agent for 12 municipal electrics that form the Northern Municipal Power Agency (NMPA). NMPA receives approximately 30% of the output from the Coyote Station in Beulah.

As a cooperative, our philosophy is to not only to keep electricity the best value possible to our membership, but we also believe in investing in the environment, communities, and people. When you look at the history of Minnkota, we are proud of the investment we've made in those categories:

Environment

Minnkota made a major investment of more than \$425 million in environmental upgrades from 2006-2011 at the Young Station. As a result, those controls have achieved a 95% reduction in SO₂ emissions and 55-60% reduction in NO_x emissions. We also have employed Clean Coal Technology to reduce mercury emissions 55-60%. North Dakota is one of only 7 states to meet federal ambient air standards, making it one of the states with the cleanest air in the nation.

Communities & people

Minnkota is extraordinarily proud of the good paying jobs associated with our cooperative. More specifically, the Young Station Employs 184 people, with an additional 175 employed at the adjacent BNI coal mine. In its final version, the Clean Power Plan impacts the many families that depend on employment from the plant and mine. Then it proceeds to impact the people at the end of the line who depend on reliable, low-cost power generated from these plants. We are especially concerned as electric cooperatives since we have fewer members per mile of line to pay for the significant costs of complying with the CPP, and what those increased costs will mean to rural and impoverished areas. Our concerns extend from the residential members who will find it difficult to pay increased monthly bills to the many world-class businesses who we are proud to have located in our service territory - we are ever mindful of their energy costs as they continue to compete in national and global markets.

Minnkota appreciates the opportunity to provide input on the specific questions the Department has issued for response:

1) Developing a State Implementation Plan (SIP)

While Minnkota is challenging the legality of EPA's Clean Power Plan as an unprecedented regulatory overreach, we also believe that to preserve our best position for our membership, North Dakota should work to develop its own State Implementation Plan. We support the development of a "state only" plan, but one that is trading ready.

2) Scope of SIP

The EPA calls the 45 percent CO₂ reduction a goal, and the state should treat it as such. While it may be challenging to develop a rule that the EPA might find sufficient, the Health Department should develop a plan that is reasonable and achievable for the State of North Dakota without harming the state's economy or significantly raising electrical rates for consumers.

3) Mass or Rate-based Plan

Minnkota is still evaluating the potential compliance obligations and cost impacts of either the rate-based or mass-based plan. Based upon initial review, although significant costs are expected under either plan type, compliance with a mass-based plan appears to require fewer costs than a rate based program. The allowances should be allocated on a prorated basis based upon the average of the highest two years of carbon emissions during the 2010-2012 period.

With regard to formulating state measures in the plan, Minnkota supports a state measures plan as it relates to the state utilizing both rate based and mass based plans.

4) Cost and Grid Reliability

Certainly cost impacts and grid reliability must be a central and essential component in developing the SIP. The Department should work closely with MISO and SPP to ensure grid reliability.

5) State Legislation

At this time, Minnkota does not foresee the need to propose legislation at the state level to address Clean Power Plan implementation.

6) Cost effective Carbon reductions

Minnkota continues to explore technology that would help reduce carbon emissions at our coal facilities. However, at the present time, there is not carbon reduction technology that has proven to be cost effective for our membership.

7) EPA's Building Blocks

Minnkota continues to be concerned with the applicable building blocks that frame EPA's ultimate carbon reduction goal for North Dakota. Building block 1 is simply unattainable as outlined in the final rule. Building block 2 is not applicable, and building block three makes unrealistic assumptions about future renewable energy sources, while not crediting the companies who made early investments in wind energy.

8) PSC Coordination

Coordination with the ND Public Service Commission (PSC) is necessary regardless of whether a rate or mass-based program is utilized. Under either approach, there is little doubt the PSC will play a critical role in citing new wind resources, new transmission lines and additional natural gas facilities. Accordingly, coordination will be an important component to comply with the CPP.

9) Coordination with other states

Minnkota supports coordination with other states, so long as it protects and benefits our membership from even higher costs.

10) Remaining useful life

Certainly the remaining useful life of a facility must be an important consideration as the Department develops the SIP. Though Minnkota does not have an exact methodology for defining this to date, we look forward to working with the Department to appropriately consider the useful life of the plants.

11) **Emission Rate Credits/Excess Mass Allowances**

In writing the plan, the Department should allow the owner of the renewable credit to retain ownership and decision making authority over how that credit is used.

12) **Trading**

Minnkota supports development of the SIP to allow trading of emission rate credits or mass allowances on a nationwide basis.

We appreciate the opportunity to comment on the ND Health Department's development of the 111(d) State Implementation Plan. We look forward to working with the Department to outline a path forward for North Dakota and continue our tradition in energy leadership.

Stacey Dahl
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