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Energy

Limit on Charges for Carbon Control Imposed By Minnesota Agency in Power Plant Ruling

ST. PAUL, Minn.—As part of its approval of transmission lines for a power plant in South Dakota, the Minnesota Public Utilities Commission on Jan. 15 imposed limits on how much of the cost of controlling carbon emissions a utility may pass along to ratepayers.

The commission's written decision on the proposed 500-kilowatt coal-fired plant is expected to be issued within the next few weeks. Dan Sharp, communications director for Big Stone II, said the decision is likely to elaborate on the various conditions on the commission approval.

Beth Goodpaster, attorney for the Minnesota Center for Environmental Advocacy, said the St. Paul-based environmental group is also awaiting the decision, to help determine whether to ask the commission to reconsider its ruling or to file a lawsuit.

The Obama administration is expected to push for limits on carbon emissions from coal-burning power plants as part of its strategy to control global warming. Carbon capture and sequestration or other forms of emission control could become common features for new coal-fired plants.

According to Sharp, five utility companies led by Otter Tail Power Co. of Fergus Falls, Minn., proposed the plant several years ago. They have proposed that the plant be built next to the Big Stone power plant near Milbank, S.D., close to the Minnesota border. While the South Dakota Public Utilities Commission had already approved the plant, Minnesota PUC approval also was necessary for the plant because transmission lines through Minnesota are necessary for the delivery of electricity, he said.

Two Minnesota administrative law judges recommended that the commission not grant Big Stone II its certificate of need, maintaining that the utility companies had not proven that the area's electricity demands could not be met more cost effectively through conservation and load management. The Public Utility Commission approved the project, however, subject to certain conditions.

Multiple Conditions.

One condition states that Otter Tail Power, the only utility company of the five that is regulated by the Minnesota commission, must cap carbon dioxide emission control costs at \$26 per ton. Carbon costs beyond that amount may not be recovered by the power company through rates charged to customers.

Another condition bars Otter Tail from recovering capital construction costs that exceed \$3,000 per kilowatt hour.

Otter Tail is also expected to develop plans to close its Hoot Lake coal-fired power plant by 2018. The 145-megawatt plant outside of Fergus Falls could stay open, however, if the commission and the utility company determine it is necessary to cost-effectively meet customers' needs.

Big Stone II is also expected to fulfill various requirements relating to renewable energy goals, energy efficiency, community-based energy development projects, and emissions reductions. It must investigate the feasibility of building the plant using ultra-supercritical technology and it must build the plant so that it is "carbon capture retrofit ready."

Customers Will Bear Costs, Attorney Says.

Goodpaster said the carbon control and construction cost limits actually suggest that customers of Big Stone II will be asked to pay those costs regardless of whether the actions are cost-effective. She said Big Stone II has estimated carbon control costs of \$9 per ton, so the commission decision allows customers to bear those costs even if they are nearly triple that amount.

Another problem with the commission's decision, she said, is that it flies in the face of the state's goal of reducing carbon dioxide emissions. Once the plant is operational, she said, it will emit about 4 million tons of

carbon dioxide each year.

Sharp said that while Big Stone II welcomed the commission's decision, it is anxious to see the written decision. He said written decisions, prepared by commission staff, can sometimes include unanticipated provisos. He said the utility companies' engineers and attorneys would be examining the decision once it is issued to determine whether it will affect their plans.

He added that if the decision meets the companies' expectations and no further challenges arise, construction of Big Stone II could begin in the spring of 2010. The project is expected to take 48 months to complete, he said.

A spokesman for the Minnesota Public Utility Commission said he could not comment until the commission issued its written decision. He said the decision should outline what the commission expects of the proposed plant, as well as its rationale.

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