

**Presented by:** Randy Christmann  
Commissioner  
Public Service Commission

**Before:** Energy Development & Transmission Committee  
Honorable Rich Wardner, Chairman

**Date:** November 24, 2015

## TESTIMONY

### Current Status

Very hopeful for favorable rulings in Attorney General's efforts to have this rule stayed while it is being litigated and to ultimately reverse this rule.

PSC submitted a declaration for the litigation.

Will continue to cooperate in any way possible.

### 111d Realities

EPA talks about full compliance by 2030 which sounds very distant and abstract, but most of the reductions need to be implemented by 2022-23.

EPA estimates the cost of compliance at \$30/ton and requires ND to reduce emissions by nearly 12.5 million tons. That totals nearly \$375 million.

Divided by ND's population, that cost of compliance comes to nearly \$50/month/person.

Estimate of \$30/ton comes from the same people that estimated ND would have to reduce emissions by 11%. (It turned out to be 45%) The carbon trading programs have not even been created yet. The fact is that nobody knows but I am confident the cost will be more than EPA is estimating.

### Economic Realities

Many low-income people will be unable to afford these increases.

Assistance programs will need to be created or enhanced to help them, adding even more costs to other citizens.

Real impact will be immeasurable, because in most cases people will keep their power on but will cut other necessities like medications, healthy foods, and safe heating methods.

Rural areas will be hit hardest because more people heat with electricity.

This will lead to an enormous negative impact on ND's heavy industries.

### **Industry Realities**

Cannot replace a MW of coal with a MW of wind or solar and call it even.

Capacity factor is about 2-1, and assumes the wind will be in different geographic locations.

Wind running about \$1.5-2.0 million per MW, with the PTC in effect.

Cannot replace baseload coal with baseload natural gas without significant investment in transmission lines and pipelines. Expect abandonment of not only generation facilities, but also transmission lines.

Huge investments that require years of planning and hard-to-acquire ROW.

Industry is made up of multiple companies with unique characteristics.

Cannot assume the use of assets/resources of other companies to replace curtailed resources.

Investor owned utilities (NSP, MDU, and OTP) cannot assume that rate recovery will be granted by the PSC for expenses associated with CPP compliance.

### **Likely Compliance Scenario**

Main option for compliance is a carbon trading program.

This is Cap and Trade!

Many industry leaders are aggressively encouraging creation of this option.

Industry will pass the costs on to consumers. (\$375 million/year?)

The carbon trading markets for the CPP have not been created yet, so the costs are unknown.

Does Legislature want Coop Boards and the PSC dictating the assessment?

This is why Cap and Trade legislation has never passed.

## **Legislative Considerations**

Rapid development of additional wind farms, transmission lines, and pipelines may require additional siting and pipeline safety resources.

Reconsideration of responsibilities of Health Dept. and Public Service Comm.

Reconsideration of regulatory and taxation differences between IOU's and Coops.

Across the board increases on electric bills would be one of the most regressive ways of raising this revenue.

Consideration of Legislative oversight or minimum requirements of any State Implementation Plan.

Does the Legislature/State Government want to create the impression of being responsible for this hit on our economy?

Will a State Implementation Plan insulate the Federal government from the chilling effects of this regulation and lessen the chances that they will reconsider or amend these requirements?

## **Public Service Commission Actions**

Continue to emphasize that we allow rate recovery in formal rate cases, based on evidence, much like court cases. It must be understood that the Commission is not obligated to grant cost recovery for expenses mandated by others, nor would it be appropriate for Commissioners to assure approval before a case is presented.

Working closely with Health Department. Attended and spoke at all four of their recent CPP meetings. Have held many other meetings and discussions. We maintain a great working relationship.

Health Department and Public Service Commission, however, have different roles and responsibilities which may occasionally collide.

Sadly, the EPA is forcing the industry, the Health Department, and the Public Service Commission to meet a timeline that cannot be achieved by applying technology that is not yet available!