



STATE OF MINNESOTA

Office of Governor Mark Dayton

130 State Capitol ♦ 75 Rev. Dr. Martin Luther King Jr. Boulevard ♦ Saint Paul, MN 55155

May 27, 2011

The Honorable Michelle L. Fischbach
President of the Senate
226 State Capitol
St. Paul, Minnesota 55155

Dear Madam President:

I have vetoed and am returning Chapter 96, Senate File 86, a bill that significantly rolls back Minnesota's restrictions on carbon dioxide emissions by energy utilities, with a substantial exemption of up to 1500 megawatts of new coal-fired power.

Minnesota must continue on the path of progress to a sustainable, clean, and safe energy future, rather than increasing our already heavy reliance upon coal-fired electricity, which threatens our health and climate. Furthermore, we have no need to do so.

There are many good reasons to keep intact Minnesota's restrictions on new coal-fired plants. The exemption this bill proposes for 1500 megawatts of new coal would allow for more than a 30 percent increase in Minnesota's current coal capacity. It is unwise and unnecessary.

Based upon current utility projections into the next decade, Minnesota does not now need any new coal-fired power plants. Coal plants produce baseload power. According to utility plans submitted to the Public Utilities Commission, Minnesota does not need to build a large baseload power plant for at least the next 15 years. The last nuclear power plant built in Minnesota began operating in 1973. The last coal-fired power plant was commissioned in 1987. In the meantime, Minnesota electric utilities have responded to increasing electricity demand with a diversified mix of lower cost and environmentally preferable resources such as wind power and facilities that burn natural gas and biomass fuel. Minnesota also has invested in energy efficiency and conservation that has eliminated the need for more than two new large baseload coal or nuclear plants.

These clean energy investments keep energy dollars working in the state to produce jobs and lower energy costs for both residential and business consumers. Our current recession has dampened demand, allowing us to continue benefitting from these

clean energy investments. A recovering economy will push demand higher. However, Minnesota is well positioned to utilize lower-cost natural gas, new hydroelectricity in Canada, and expected contributions from renewable energy and efficiency resulting from the legislature's farsighted policies of the last few years.

Secondly, the costs to build and operate a new coal power plant in Minnesota or to import power from a large coal plant in another state are excessively high and uncertain. Conservative estimates range from \$3 to over \$5 billion for a 1000 megawatt plant. Even under optimistic estimates, coal-fired power would be more expensive than several other energy resources, including energy efficiency, wind power, and natural gas-fired turbines. Current and anticipated environmental regulations have driven the cost of new coal higher with only marginal improvements in emissions of harmful pollutants. Minnesota imports 100% of the coal required to operate a power plant, and the costs for coal and coal transportation have increased dramatically in the last few years. Over \$600 million leaves Minnesota's economy every year to purchase coal and Minnesotans pay over \$3 billion every year for coal-fired electricity. Consumer rate impacts, particularly to small businesses and lower-income Minnesotans, would be unacceptably severe.

Finally, coal-fired electricity poses unacceptable risks to human health and to our climate. Research conducted by the National Academy of Science and others clearly shows that air pollutants from coal plants harm public and environmental health. Many of the coal plant emissions damage the respiratory system. The young, the elderly, and people with respiratory diseases are particularly at risk. Mercury emitted from coal plants damages nervous systems of developing fetuses and young children. Children and women of child-bearing age are warned to severely limit their fish consumption from most Minnesota lakes.

Carbon dioxide emitted from coal plants is one of the leading contributors to global warming. In Minnesota, over 40 percent of the CO₂ released from all sources comes from coal-fired power plants. Our natural resources and quality of life depend on a stable climate that is increasingly threatened by our reliance on fossil fuels, particularly coal.

Minnesota's 180 utilities deliver reliable, low-cost electricity. With the 17th lowest costs in the country, almost two-thirds of the states have higher electric rates than Minnesota. A new coal power plant in Minnesota would increase those rates and damage one of the key competitive advantages we have in attracting new businesses to Minnesota.

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Alternative energy resources have significant advantages over coal power: 1) they are less costly; 2) they can be implemented on a smaller scale with a shorter development schedule; and 3) they do not produce harmful air emissions that threaten our health and climate. The economic and environmental performance of our electric utilities is better now today due to these strategic investments. There is potential for even more beneficial diversification in the coming years as we develop cleaner, more efficient technologies.

I am committed to working on Minnesota's energy future with the Legislature, our state's electric utilities and other stakeholders to assure that we can continue to meet all of our statewide energy needs at the lowest costs for our families and our businesses.

Sincerely,

Mark Dayton
Governor

cc: Senator Amy T. Koch, Majority Leader
Senator Thomas M. Bakk, Minority Leader
Senator Julie Rosen
Representative Kurt Zellers, Speaker of the House
Representative Paul Thissen, Minority Leader
Representative Michael Beard
The Honorable Mark Ritchie, Secretary of State
Mr. Cal R. Ludeman, Secretary of the Senate
Mr. Albin A. Mathiowetz, Chief Clerk of the House of Representatives