

January 14, 2025

Will Seuffert
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: Letter of the Minnesota Department of Commerce
Docket No. Docket No. E015/D-24-324

Dear Mr. Seuffert:

On September 24, 2024, Minnesota Power (or “the Company”) filed its 2024 Remaining Life Depreciation Petition. Among other things, the Company requested to adjust its net salvage rates to reflect the expected costs to comply with new regulations enacted by the Environmental Protection Agency related to inactive surface impoundments of coal combustion residuals (the “Legacy CCR Rule”). The Company’s proposed adjustments for the Legacy CCR Rule are expected to result in an incremental increase in annual depreciation expense of approximately \$7 million. In its Petition, Minnesota Power also noted it was evaluating cost recovery options and other rate mitigation ideas for the incremental depreciation expense.

On December 20, 2024, the Minnesota Department of Commerce, Division of Energy Resources (“Department”) filed comments requesting additional information from the Company about the possibility of delaying recognition of the new Legacy CCR Rule-related depreciation expense due to the high levels of uncertainty currently surrounding the potential cost.

On December 30, 2024, Minnesota Power concurrently filed Reply Comments in this proceeding and a Petition in a new Docket (Docket No. E015/M-24-437, or the “Deferred Accounting Docket”) requesting approval of deferred accounting for the incremental depreciation expense attributable to the Legacy CCR Rule, as well as other related costs.

Separate from questions about the necessity and prudence of the expected costs to comply with the Legacy CCR Rule, the Department notes that while Minnesota Power is currently incurring investigative costs as it studies its inactive CCR surface impoundments, it is not yet incurring any costs related to actual clean-up, mitigation or monitoring of its impoundments. Because of this, the Department questions the necessity and reasonableness of including an estimate of those costs in depreciation expense, only to fully offset the incremental expense with deferred accounting. Such an approach may be unnecessarily complicated. Further, the Department notes that Minnesota Power did not address

the possibility of delaying recognition of Legacy CCR-related expense in either its Reply Comments or its Petition in the Deferred Accounting Docket. Thus, the Department's review of Minnesota Power's requests and its evaluation of reasonable alternatives are ongoing.

This Docket and the Deferred Accounting Docket are linked: if the Commission does not approve the Company's proposed depreciation rates reflecting expected Legacy CCR Rule compliance costs in this Docket, there will be no need to grant deferred accounting for the incremental depreciation expense in the Deferred Accounting Docket (although the Company has requested deferred accounting treatment for other costs, as well). Therefore, the Department plans to respond to Minnesota Power's Reply Comments in this Docket at the same time it files comments in the Deferred Accounting Docket.

The Department is available to answer any questions the Minnesota Public Utilities Commission may have.

Sincerely,

/s/ Sydnie Lieb, Ph.D.
Assistant Commissioner, Department of Regulatory Affairs

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Attachment