



January 23, 2025

VIA E-FILING

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

**Re: In the Matter of Minnesota Power's
2024 Remaining Life Depreciation Petition
Docket No. E015/D-24-324**

**In the Matter of Minnesota Power's Petition for
Approval to Track and Defer Costs Resulting
From The Legacy CCR Surface Impoundment Rule
Docket No. E015/M-24-437**

SUPPLEMENT LETTER

Dear Mr. Seuffert:

Minnesota Power (or the "Company") submits this letter in response to the letter submitted by the Department of Commerce, Division of Energy Resources ("Department") on January 14, 2025, in Minnesota Power's 2024 Remaining Life Depreciation Petition Docket ("Depreciation Petition"). The Department stated in its letter,

"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."

The Department further commented that the Company "did not address the possibility of delaying recognition of Legacy CCR-related expenses in either its Reply Comments or its Petition in the Deferred Accounting Docket" ("Deferred Accounting Petition"). In this letter,

Minnesota Power clarifies how the Depreciation Petition and the Deferred Accounting Petition are interrelated and provides additional discussion of how the Company's deferred accounting request is a way of delaying recognition of Legacy CCR-related expenses from an accounting perspective. The Company acknowledges it could have been clearer in explaining the effects approval of deferred accounting will have on its proposed 2024 depreciation expense.

Minnesota Public Utilities Commission ("Commission") approval of the Depreciation Petition results in approval of the Company's proposed 2024 remaining lives and salvage rates for production plant assets and general plant, which are then used to determine depreciation. Minnesota Power recorded depreciation expense for 2024 consistent with the assumptions in the Depreciation Petition, and in accordance with regulatory and GAAP accounting principles.

Commission approval of the Company's request for deferred accounting shifts Legacy CCR Rule-related costs (either depreciation or other operating costs) from an expense into an accumulating deferred tracking account where it will remain on the Company's books for the Commission to review and act upon, most likely through a future rate case. In this instance, the proposed increase in its 2024 annual depreciation expense would be reduced to \$2.9 million, rather than \$7.1 million, as shown in Table 1, and the depreciation increases associated with Legacy CCR Rule costs (\$4.2 million) would instead be deferred for future recoverability options.

Table 1. 2024 Depreciation Expense increase with and without deferred accounting

	Without Deferred Accounting	With Deferred Accounting
<i>(in millions)</i>	2024	2024
Tac Harbor decommissioning	\$2.9	\$2.9
Boswell - Legacy CCR	\$4.2 { 2.3	-
Laskin - Legacy CCR	1.9	-
Increase in Depreciation Expense	\$7.1	\$2.9
<i>Change to deferred tracking account</i>	<i>\$0.0</i>	<i>\$4.2</i>

With Commission approval of both petitions (Depreciation and Deferred Accounting), Minnesota Power would utilize deferred accounting treatment of Legacy CCR-related expenses *instead of* including these costs in depreciation expense. In this case, the Company would shift the estimated \$4.2 million increase for 2024 from depreciation expense and add it to the estimated 2025 expenses in the deferred tracking account.

Accounting rules require that the Company record a liability for the estimated future compliance costs of the Legacy CCR Rules upon the date the rules were published in the

Federal Register, which was May 8, 2024. The Company used the best available information to estimate the future compliance costs, but as compliance options and costs are further refined, the amount of the future liability may increase or decrease substantially and would be accounted for accordingly.

Approval of deferred accounting for Legacy CCR Rule-related expenses will serve two purposes. First, it will allow a pathway to future cost recovery for these significant costs without pressuring an immediate need to file a rate case. Second, utilizing deferred accounting allows more time for both the Company and the Commission to develop and review specific plans and cost estimates of compliance with the Legacy CCR Rules versus the current scenario where a broad range of various plans and cost exists. The deferred accounting mechanism allows the Company to increase or decrease the balance in the deferred tracking account as detailed knowledge and project specifications are acquired and cost estimates become more certain. This will avoid potentially significant swings in cost estimates in the Company's annual remaining life depreciation petitions and will support Minnesota Power's efforts to provide the Commission with a comprehensive Legacy CCR Rule remediation plan for consideration and approval.

For the reasons provided in this letter, Minnesota Power respectfully requests the Commission approve the Company's Depreciation Petition and Deferred Accounting Petition as proposed. Approval would result in lowering the increase in the 2024 depreciation expense to \$2.9 million with the remaining \$4.2 million increase due to the Legacy CCR Rule-related costs being deferred to a tracking account for future recoverability options, as would costs in subsequent years. The Company appreciates the Department's time and effort in reviewing the Depreciation and Deferred Accounting petitions, and hopes this additional information provides helpful clarification. Please contact me at (218) 355-3601 or lhoyum@mnpower.com with any questions related to this matter.

Yours truly,

A handwritten signature in cursive script, appearing to read "Lori Hoyum".

Lori Hoyum
Rates Compliance Administrator

LH:th

STATE OF MINNESOTA)
)ss
COUNTY OF ST. LOUIS)

AFFIDAVIT OF SERVICE VIA
ELECTRONIC FILING

Tiana Heger of the City of Duluth, County of St. Louis, State of Minnesota, says that on the 23rd day of January, 2025, she served Minnesota Power's Supplement Letter in **Docket Nos. E015/D-24-324 and E015/M-24-437** on the Minnesota Public Utilities Commission and the Energy Resources Division of the Minnesota Department of Commerce via electronic filing. The persons on E-Docket's Official Service List for this Docket were served as requested.



Tiana Heger