

November 3, 2025

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

RE: Comments of the Minnesota Department of Commerce
Docket No. E015/D-25-342

Dear Ms. Bergman,

Attached are the comments of the Minnesota Department of Commerce (Department) in the following matter:

*Petition of Minnesota Power for Approval of 2025 Remaining Life
Depreciation.*

The Petition was filed by Minnesota Power on September 2, 2025.

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

Sincerely,

/s/ Dr. SYDNIE LIEB
Assistant Commissioner of Regulatory Analysis

JT/CA/ar
Attachment



Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce

Docket No. E015/D-25-342

I. INTRODUCTION

On September 2, 2025, Minnesota Power (or “the Company”) filed its 2025 Remaining Life Depreciation Petition (Petition) requesting Commission approval of its proposed depreciation rates for the Company’s production plant accounts and general plant account 3900 – Structures and Improvements for calendar year 2025. Minn. R. 7825.0500-7825.0900 require utilities to seek and receive approval of their depreciation rates and methods from the Minnesota Public Utilities Commission (“Commission”), as well as the life and salvage assumptions used to derive those depreciation rates. The rules also state that the Commission shall certify by order the depreciation rates it considers reasonable and proper.

In its Petition, Minnesota Power proposed to adjust the remaining lives of all facilities for one year’s passage of time, with the exception of general plant account 3900 Structures and Improvements, in which the largest structures included have been depreciated individually, and group depreciation applied to the smaller structures in the account. Minnesota Power proposed no changes to the estimated retirement years of any production plant facilities, with only changes to general plant account 3900 Structures and Improvements, as discussed further below, and also no changes to salvage costs.

Minnesota Power estimated that the proposed changes result in an estimated increase to 2025 annual depreciation expense of \$645,875, or 0.5 percent, relative to depreciation expense under its currently approved depreciation rates.¹

II. PROCEDURAL BACKGROUND

September 2, 2025	Minnesota Power filed a petition for approval of its annual 2025 Remaining Life Depreciation.
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III. DEPARTMENT ANALYSIS

The Minnesota Department of Commerce (Department) reviewed Minnesota Power’s Petition to determine whether the filing complies with applicable statutes, rules, and Commission orders and to evaluate whether the Company’s proposals are reasonable.

¹ Petition, at 15.

A. DEPRECIATION BACKGROUND

For utility rate regulation purposes, depreciation accounting is a process of allocation, not of valuation. It is a system of accounting which aims to distribute cost of capital assets, less salvage, over the estimated useful life in a systematic and rational manner.²

A depreciation system combines three elements that determine the depreciation rate: a method, a procedure, and a technique. The method determines how the asset, or group of assets will depreciate over time. For example, under the straight-line (SL) method, an asset is depreciated equally over its probable service life,³ or the period of time extending from the date of the asset's initial installation to the forecasted date when it will be retired from service.⁴ The procedure determines the level of grouping or sub-grouping of the assets. For example, in a vintage group (VG) procedure, property similar in characteristics and placed in service during the same year is treated as a distinct group that is depreciated as a whole. The depreciation technique is an additional aspect of the depreciation process. It informs the measure of the asset's service life the company uses to calculate the depreciation rate. Utilities may choose to apply an average service life (ASL) or remaining life (RL) technique.

When utilities use the ASL technique to depreciate group property, the life and salvage factors, as well as the resulting depreciation rates, remain unchanged between studies. For companies using the RL technique to determine the depreciable (useful) lives of their capital assets, depreciation rates will change as a result of the passage of time and the impact of plant activity, such as additions and retirements on remaining lives.

B. STATUTORY AND RULE REQUIREMENTS

Minn. Stat. § 216B.11 and Minn. R. 7825.0500-7825.0900 require public utilities to seek Commission approval of their depreciation rates and methods. Minn. R. 7825.0800 prescribes the straight line method for calculating depreciation, and allows the use of other methods only with specific justification and certification by the Commission. Minn. R. 7825.0700 provides certain filing requirements for depreciation petitions.

Based on its review, the Department concludes Minnesota Power's Petition complies with all applicable statutes and rules.

C. COMPLIANCE WITH PRIOR COMMISSION ORDERS

In compliance with the Commission's prior orders, Minnesota Power included in its Petition a comparison of the remaining depreciable lives proposed in its depreciation filing and the remaining operating lives approved in the Company's most recently approved integrated resource plan (IRP),

² [Minn. R. 7825.0500](#) subp. 7 (2025).

³ Minn. R. 7825.0500 subp. 14 (2025).

⁴ Minn. R. 7825.0500 subp. 10 (2025).

Docket No. E015/RP-21-33, with an explanation of any differences.⁵ The remaining lives proposed in Minnesota Power's Petition align with the operational lives approved in the Company's most recent IRP except as noted below for the Company's thermal production plants.

In addition, as required by the Commission's January 14, 2019 Order in Docket No. E015/D-18-544 and accepted in Docket No. E015/D-19-534, Minnesota Power separately lists and depreciates its building structures (within Account 3900) having an investment cost of \$1.0 million or more.⁶

D. PROPOSED USEFUL LIVES

D.1. Hibbard, Laskin, and Taconite Harbor Energy Centers

While the 2021 IRP reflected estimated operational retirement years of 2035 for both Hibbard Renewable Energy Center (HREC) and Laskin Energy Center (LEC), the estimated retirement years for these plants for depreciation purposes are 2029 and 2030 respectively.⁷ The Company noted in its Petition that a retirement study for HREC was to be included in the Company's next IRP, which was filed in March 2025.⁸ The Company also stated that at the time of the 2021 IRP, a retirement study had not yet been completed for LEC and no retirement date was identified.⁹ These shorter depreciation remaining lives are consistent with the lives reviewed and approved in the Company's two prior remaining life depreciation proceedings¹⁰ as well as the Company's recently concluded rate case, Docket No. E015/GR-23-155 (the 2023 Rate Case). Therefore, the Department concludes the proposed useful lives for HREC and LEC are reasonable.

The Commission approved the retirement of Taconite Harbor Energy Center (THEC) in the 2021 IRP, and the Company approved amortization of THEC's remaining net plant balance and decommissioning costs by December 31, 2026 in Docket No. E015/GR-21-335, which is consistent with the three-year remaining life proposed in the Petition.

D.2. Boswell Energy Center

Minnesota Power requests that the remaining net plant balances of Boswell Energy Center (BEC) Unit 3, BEC 4, and BEC Common be recovered based on an anticipated retirement year of 2035.¹¹ The Commission's Order on Minnesota Power's 2021 IRP requires the Company to cease coal operations at BEC 4 by December 31, 2035¹² Based on this, the Department concludes the Company's proposal to set

⁵ Petition, at 7-13

⁶ Petition, at 13-14 and Appendix A-1, Excel Spreadsheet, Structures & Improvements. Group depreciation is applied to the remaining building/structures in Account 3900.

⁷ Petition, at 7-9.

⁸ Petition, at 8.

⁹ Petition, at 9.

¹⁰ Docket Nos. E015/D-23-340 and E015/D-24-324.

¹¹ Petition, at 11.

¹² Petition, at 11.

the remaining lives for BEC 4 and BEC Common based on an anticipated retirement year of 2035 is reasonable.

In its Petition, the Company noted that the Commission's Order on its 2021 IRP requires the Company to cease coal operations at BEC 3 by December 31, 2029, six years earlier than had been previously planned. Despite this change, the Company represents in its Petition that BEC 3's estimated operational life still runs through 2035. The Company noted that the 2021 IRP Order requires the Company to evaluate converting BEC 3 to a synchronous condenser upon retirement, and that the Company will evaluate other options including the potential re-use of valuable infrastructure at the plant.¹³

The Commission recently considered the treatment of remaining depreciable lives of coal facilities experiencing early retirements in Docket No. E002,015,017/CI-23-375, and issued its final Order on May 14, 2025 (the Early Retirement Order).¹⁴ The Commission determined it will review early-retiring generation facilities on a case-by-case basis, and adopted the following four-tiered approach to ratemaking:

- Tier 1: Data Gathering Phase: Is plant used and useful, plant size, original date of retirement, impact on ratepayers and has the utility prudently operated the plant will also be considered. Move to Tier 2.
- Tier 2: Does the early-retiring asset meet the criteria established for accelerated depreciation? If yes, stop. Assign accelerated depreciation. If no, move to Tier 3.
- Tier 3: Does the early-retiring asset meet the Tier 2 standards, except that accelerated depreciation would cause rate shock? If yes, assign regulatory asset with a possible return. If no, move to Tier 4.
- Tier 4: Further investigation is required to determine appropriate ratemaking treatment. (Tier 4 assumes the asset is of unique nature or the plant was not used and useful at the time of early-retirement or possible prudence concern.)

The Department concludes that the Company's proposed remaining life for BEC 3, reflecting a retirement year of 2035, is reasonable at this time. The Department recognizes that coal operations will cease at BEC 3 in 2029, and the likelihood that a significant portion of BEC 3's existing infrastructure may be used past the cessation of coal operations is at best unclear. However, the Department concludes that the Commission's tiered approach to early-retiring facilities will be best applied to BEC 3 in a future Minnesota Power rate case, when the potential for rate shock resulting from shortening BEC 3's depreciation life can be evaluated in the context of a full rate request. Therefore, the Department recommends that the Commission approve the Company's proposed remaining life and depreciation rate for BEC 3.

¹³ Petition, at 10.

¹⁴ *In the Matter of a Commission Inquiry into the Ratemaking Treatment for Early Retiring Generating Facilities Owned by Regulated Electric Utilities*, Commission, Order, May 14, 2025, Docket No. E002, E015, E017/CI-23-375, (eDockets) [20255-218956-01](#).

D.3. General Plant Account 3900 – Structures and Improvements

The Company depreciates twelve buildings booked to Account 3900 individually, as well as a number of smaller buildings that it depreciates as a single group. The Company proposed one year passage of time adjustments to the remaining life of the buildings depreciated as a group and five of its individually depreciated buildings. The Company also proposed to shorten the lives of three individually depreciated buildings, and extend the lives of four, as summarized below.

Table 1
Summary of Proposed Remaining Life Changes for
Account 3900 – Structures and Improvements¹⁵

	Remaining Life Based on:		Impact on
	Approved Retirement Year	Proposed Retirement Year	Annual Depreciation Expense
<u>Remaining Life Shortenings</u>			
Herbert Service Center	16.0	6.0	\$ 737,770
Little Falls Service Center	26.0	6.0	\$ 187,519
Little Falls DC Line Material Storage Facility	26.0	16.0	\$ 22,457
<u>Remaining Life Extensions</u>			
Cloquet Service Center	6.0	16.0	\$ (94,916)
Park Rapids Service Center	0.0	16.0	\$ -
Coleraine Service Center	1.0	16.0	\$ (157,668)
International Falls Service Center	6.0	16.0	\$ (49,287)
Total			\$ 645,875

The Department reviewed the rationales for the proposed changes as described on page 13 of the Company's Petition and has no concerns with the proposed changes. Therefore, the Department recommends the Commission approve the Company's proposed depreciation parameters and rates for general plant account 3900 – Structures and Improvements.

IV. DEPARTMENT RECOMMENDATIONS

The Department concludes Minnesota Power's petition generally complies with applicable statutes, rules, and Commission orders.

The Department recommends the Commission:

¹⁵Remaining lives as shown in Petition, at 13-14 and depreciation expense as shown in Appendix A-1, Excel Spreadsheet, Structures & Improvements.

- Approve Minnesota Power's proposed remaining lives;
- Approve Minnesota Power's proposed effective date of January 1, 2025 for the Company's proposed depreciation parameters;
- Require Minnesota Power to continue filing, in future depreciation filings, a comparison of the remaining depreciable lives proposed in its depreciation filing and the remaining operating lives approved in the Company's most recent integrated resource plan, with an explanation of any difference;
- Determine the depreciation rates approved herein are for accounting purposes and neither bind nor preclude modified depreciation in a general rate case proceeding.
- Approve the continued use of a 2035 estimated remaining life of BEC 3, BEC 4, and BEC Common for depreciation purposes. Any depreciation adjustments required for these facilities would be addressed and implemented in Minnesota Power's next rate case or other appropriate proceeding.

Attachments

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

Minnesota Department of Commerce
Comments

Docket No. E015/D-25-342

Dated this 3rd day of **November 2025**

/s/Sharon Ferguson

First # Name	Last Name	Email	Organization	Agency	Address	Delivery Method	Alternate Delivery Method	View Trade Secret	Service List Name
1 Sasha	Bergman	sasha.bergman@state.mn.us		Public Utilities Commission		Electronic Service		Yes	D-25-342
2 Matthew	Brodin	mbrodin@allete.com	Minnesota Power		30 West Superior Street Duluth MN, 55802 United States	Electronic Service		No	D-25-342
3 Mike	Bull	mike.bull@state.mn.us		Public Utilities Commission	121 7th Place East, Suite 350 St. Paul MN, 55101 United States	Electronic Service		Yes	D-25-342
4 Generic	Commerce Attorneys	commerce.attorneys@ag.state.mn.us		Office of the Attorney General - Department of Commerce	445 Minnesota Street Suite 1400 St. Paul MN, 55101 United States	Electronic Service		Yes	D-25-342
5 Sharon	Ferguson	sharon.ferguson@state.mn.us		Department of Commerce	85 7th Place E Ste 280 Saint Paul MN, 55101-2198 United States	Electronic Service		No	D-25-342
6 Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us		Office of the Attorney General - Residential Utilities Division	1400 BRM Tower 445 Minnesota St St. Paul MN, 55101-2131 United States	Electronic Service		Yes	D-25-342
7 Brandi	Winfield	bwinfield@allete.com	Minnesota Power		30 West Superior Street Duluth MN, 55802 United States	Electronic Service		No	D-25-342