

Staff Briefing Papers

Meeting Date	April 9, 2026	Agenda Item 1**
Company	Minnesota Power	
Docket No.	E015/AI-17-568	
	In the Matter of Minnesota Power’s Petition for Approval of the <i>EnergyForward</i> Resource Package	
Issues	Should the Commission rescind the approvals of Minnesota Power’s NTEC-related affiliated interest agreements (AIAs)?	
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✓ Relevant Documents

Docket E015/AI-17-568

	Date
Commission Order Approving Affiliated Interest Agreements with Conditions	January 24, 2019
Minnesota Power, NTEC Compliance Update	October 15, 2025
Minnesota Power, Supplemental Filing	December 19, 2025
Minnesota Power, Initial Comments	January 20, 2026
Department of Commerce--Division of Energy Resources, Comments	January 20, 2026
PUC Staff, Ex Parte Communication	March 25, 2026
PUC Staff, Ex Parte Communication	March 27, 2026

Related Docket: E015/PA-24-198

Commission Order Approving Petition for Acquisition with Conditions and Establishing other Requirements	December 10, 2025
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The attached materials are work papers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.

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BACKGROUND

I. Nemadji Trail Energy Center (NTEC)

The Nemadji Trail Energy Center (NTEC) is a proposed 525-550 MW natural gas combined-cycle power plant located in Superior, Wisconsin. NTEC is being developed by Minnesota Power's affiliate South Shore Energy, LLC (South Shore) and Dairyland Power Cooperative (Dairyland). Minnesota Power's parent company, ALLETE Inc., created South Shore to own its share of NTEC because Wisconsin statutes only permit residents of that state to obtain a license, permit, or franchise to own or operate a generation facility there.¹

As originally proposed, each NTEC owner would have the right to 50% of NTEC's capacity, giving ALLETE and Dairyland shares of approximately 275 MW each. While Minnesota Power was never a project owner, South Shore and Dairyland agreed that the company would take the lead in developing, constructing, operating, and maintaining NTEC, subject to Commission approval.²

The NTEC transaction involves two agreements between South Shore and Dairyland, three proposed affiliated-interest agreements (AIAs) between South Shore and Minnesota Power, and a guaranty agreement between Minnesota Power and Dairyland. The two agreements between South Shore and Dairyland are the Development and Construction (D&C) Agreement and the Ownership and Operating (O&O) Agreement. These two agreements established a 50/50 partnership between South Shore and Dairyland and placed South Shore in the role of project and plant manager.³

The three AIAs between South Shore and Minnesota Power are:

1. An **Assignment of Rights Agreement (Construction Agent)**, which assigns Minnesota Power the right to act as the Construction Agent for NTEC.
2. An **Assignment of Rights Agreement (Operating Agent)**, which assigns Minnesota Power the right to act as the Operating Agent for NTEC.
3. A **Capacity Dedication Agreement (CDA)**, which dedicates a share of NTEC's capacity and energy to Minnesota Power in exchange for monthly payments.

Under the **Guaranty Agreement**, Minnesota Power guarantees to Dairyland the performance of South Shore's obligations under the D&C and O&O Agreements.⁴ (Throughout these Briefing papers, Staff will refer to the three AIAs and the Guaranty Agreement collectively as the "NTEC Agreements.")

¹ PUC Order Approving Affiliated-interest Agreements with Conditions, January 24, 2019, Docket No. E015/AI-17-568, p. 10 (hereinafter, "2019 Order")

² 2019 Order, p. 10

³ *Ibid.*

⁴ *Ibid.*

II. Minnesota Procedural Timeline

On July 28, 2017 Minnesota Power requested approval of its *EnergyForward* resource package in this docket. The *EnergyForward Petition* requested approval of two Power Purchase Agreements (PPAs) with renewable energy facilities, and approval of the NTEC Agreements, which dedicated 48% of the capacity of NTEC to Minnesota Power.⁵ During the ensuing proceeding, Minnesota Power updated the amount of capacity it intended to receive from 48% to 50%.⁶

Because NTEC was being developed by a Minnesota Power affiliate, South Shore, the Agreements required Commission approval under Minnesota's affiliated-interest statute, Minn. Stat. § 216B.48.⁷

On January 24, 2019, the Commission approved the NTEC Agreements with conditions in its *Order Approving Affiliated-Interest Agreements with Conditions*.⁸

Following approval, Minnesota Power's role in constructing and operating the NTEC facility became a contested issue in the company's 2021 Integrated Resource Plan (IRP) in Docket No. E015/RP-21-33.⁹

On January 9, 2023, the Commission approved Minnesota Power's 2021 IRP. This *Order Approving Plan and Setting Additional Requirements* ("2021 IRP Order") required Minnesota Power file amended AIAs and updated capacity dedication amounts in its next IRP or sooner. This requirement was adopted due to ALLETE selling a portion of its ownership stake in NTEC to Basin Electric Cooperative during the course of the 2021 IRP proceeding, which reduced the amount of energy and capacity Minnesota Power intended to receive from the facility.¹⁰

On July 19, 2024, Minnesota Power filed a *Petition for Approval* of its acquisition by Canada Pension Plan Investment Board and Global Infrastructure Partners in Docket No. E015/PA-24-198.

On March 3, 2025, Minnesota Power filed its 2025 IRP in Docket No. E015/RP-25-127. The company's filing did not contain updated NTEC Agreements.

⁵ Minnesota Power, *Petition for Approval of the EnergyForward Resource Package*, July 28, 2017, Docket No. E015/AI-17-568 (hereinafter, "NTEC Petition")

⁶ 2019 Order, at 21

⁷ [Minn. Stat. § 216B.48](#)

⁸ 2019 Order, at Ordering Paragraph 2

⁹ PUC Order Approving Plan and Setting Additional Requirements, January 9, 2023, Docket No. E015/RP-21-33, at 9 and 11

¹⁰ *Id.*, at Ordering Paragraph 3. See also: [ALLETE Announces Third Partner in Nemadji Trail Energy Center Project](#), Sep 28, 2021, accessed March 24, 2026

On December 10, 2025 the Commission issued an *Order Approving the Petition for Acquisition With Conditions and Establishing Other Requirements* in Docket No. E015/PA-24-198. Among these was a requirement that Minnesota Power file updated NTEC Agreements with the Commission by October 15, 2025.

On October 15, 2025, Minnesota Power made a compliance filing updating the Commission on the status of the NTEC project in Dockets No. E015/AI-17-568 and E015/RP-25-127.

On December 19, 2025, Minnesota Power provided a supplemental filing informing the Commission that it has terminated the CDA with South Shore Energy and will no longer be an off-taker of capacity or power from the NTEC facility.

On January 6, 2026 the Commission issued a Notice of Comment on whether it should rescind approvals the NTEC Agreements.

On January 20, 2026, the Commission received comments from The Department of Commerce Division of Energy Resources (the Department) and Minnesota Power.

III. Statutory Framework

In the 2019 Order approving the NTEC Agreements, the Commission identified three sections of Minnesota law that require Commission review and approval of aspects of the transaction.

Under Minn. Stat. § 216B.48 and Minn. R. 7825.1900–.2300 (the affiliated-interested statute and rules), a public utility must obtain Commission approval of transactions worth more than \$50,000 with an affiliated entity.¹¹ The Commission may approve an affiliated-interest agreement “only if it clearly appears and is established upon investigation that it is reasonable and consistent with the public interest.”¹² The Commission concluded that the three AIAs are subject to its approval under this statute and rules.

Under Minn. Stat. § 216B.49 (the securities statute) it is unlawful for a public utility to issue securities without prior approval from the Commission and a “security” includes the “assumption of any obligation or liability as a guarantor, endorser, surety, or otherwise in the security of another person.”¹³ The Commission concluded that the Guarantee Agreement is subject to its approval under this statute.

Under Minn. Stat. § 216B.50 (the property-acquisition statute), a public utility may not “sell, acquire, lease, or rent any plant as an operating unit or system in this state for a total consideration in excess of \$1,000,000” without prior approval from the Commission. The

¹¹ [Minn. Stat. § 216B.48, subd. 4](#); [Minn R. 7825.1900](#)

¹² Minn. Stat. § 216B.48, subd. 3

¹³ [Minn. Stat. § 216B.49](#)

Commission must grant its approval if it finds that “the proposed action is consistent with the public interest.”¹⁴ The Commission concluded that the NTEC transaction is subject to its approval under this statute.

PARTY POSITIONS

IV. Minnesota Power

Minnesota Power recommended that the Commission take no further action on this matter. The company stated that no further action from the Commission is required, and that in past cases of cancelled power supply agreements the Commission has not affirmatively cancelled previously approved agreements.

Minnesota Power cited an example of a terminated Power Purchase Agreement (PPA) with Cypress Creek Renewables for the 10 MW Blanchard Solar Project. The company terminated the PPA because the project did not receive necessary permits to move forward to construction. Minnesota Power stated “the Company notified the Commission of the termination in the appropriate docket, and no further action was taken. The same process can be followed with this contract termination.”¹⁵

Following conclusion of the comment period, Commission staff asked Minnesota Power to clarify its position and the current status of the NTEC transaction. This permissible ex parte communication was filed in the docket on March 27, 2026. Minnesota Power and ALLETE confirmed that the NTEC Agreements remain in effect, with the exception of the CDA. They stated that “the NTEC owners are currently assessing the best path forward for the project, including who should be the construction and operating agent.”¹⁶ Minnesota Power intends to update the Commission once the NTEC owners reach a decision on this matter.

Minnesota Power and ALLETE also explained that under the NTEC Agreements, ratepayers are not billed for any NTEC-related expenses Minnesota Power incurs, and that under the Commission’s 2019 Order, Minnesota Power may not recover Guaranty-related costs from ratepayers without the express approval of the Commission.¹⁷

V. Department of Commerce

The Department noted that each of the three statutes under which the Commission approved the NTEC Agreements (the affiliated-interest, securities, and property acquisition statutes)

¹⁴ [Minn. Stat. § 216B.50](#). Note that at the time of the 2019 Order, the property acquisition statute required approval from the Commission for transactions over \$100,000. The amount was increased to \$1,000,000 in 2023.

¹⁵ Minnesota Power, Comments at 2

¹⁶ PUC Staff Permissible Ex Parte Report, March 27, 2026, Docket E015/AI-17-568

¹⁷ *Ibid.*

direct the Commission to evaluate whether the transaction is in the public interest and to base its decision on that criterion.

The Department argued that, now that Minnesota Power no longer plans to take energy and capacity from NTEC, there is no evidence that the NTEC Agreements are in the public interest at this time, and in fact ratepayers could face risks if the Agreements remain in place. The Department recommended the Commission rescind all four previously approved NTEC Agreements.

The Department's rationale for rescinding each of the Agreements is summarized below. Note that following conclusion of the comment period, Commission staff asked the Department to further explain what risks it is concerned ratepayers could be exposed to if the NTEC Agreements remain in effect. This communication was filed as a permissible ex parte in the docket on March 25, 2026. Staff includes information from this communication in the discussion of each agreement, below.

1. Assignment of Rights Agreement (Construction Agent)

The Assignment of Rights Agreement (Construction Agent) gives Minnesota Power "primary responsibility and authority to manage the planning, permitting, design, construction, acquisition and procurement, completion, startup, and commissioning of NTEC."¹⁸ Under this Agreement:

South Shore hereby assigns to Minnesota Power and Minnesota Power hereby assumes all of the rights, obligations and duties of the Construction Agent (as defined in the D&C Agreement) to the full extent set forth in the D&C Agreement. Upon satisfaction of such conditions, Minnesota Power shall henceforth perform all rights, obligations and duties of the Construction Agent under the D&C Agreement.¹⁹

The Department argued that these rights, obligations and duties, especially pursuant to Section 3.7.2 of the D&C Agreement, create potential for costs to flow back to Minnesota Power and its ratepayers.^{20,21}

¹⁸ In the Matter of Minnesota Power's Petition for Approval of the *EnergyForward* Resource Package, Court of Administrative Hearings, ALJ Report, July 2, 2018, Docket No. E015/AI-17-568, at findings 470 and 471 (hereinafter, "ALJ Report")

¹⁹ NTEC Petition, Appendix Y: Assignment of Rights Agreement (Construction Agent) between South Shore and Minnesota Power

²⁰ PUC Staff Permissible Ex Parte Report, March 25, 2026, Docket E015/AI-17-568. See Trade Secret version for explanation of Section 3.7.2 of the D&C Agreement.

²¹ NTEC Petition, Appendix F: Development and Construction Management Agreement between Dairyland and South Shore

Therefore, the Department argued that Minnesota Power remaining as construction agent now that the company no longer plans to take energy or capacity from NTEC, would expose its ratepayers to potential risks with no offsetting energy and capacity benefit.²² The Department concluded there is no evidence this agreement is in the public interest at this time, and recommended the Commission rescind approval.

2. Assignment of Rights Agreement (Operating Agent)

The Assignment of Rights Agreement (Operating Agent) gives Minnesota Power “primary responsibility for the operation and maintenance of NTEC; the planning, permitting, design, construction, acquisition and procurement, and completion of any capital improvements; the scheduling, dispatch, sale, or other disposition of energy and ancillary services; decommissioning of NTEC; and any other matters set forth in the project agreements or otherwise determined by the Management Committee.”²³ Similar to the Assignment of Rights (Construction Agent), under this agreement:

South Shore hereby assigns to Minnesota Power and Minnesota Power hereby assumes all of the rights, obligations and duties of the Operating Agent (as defined in the O&O Agreement) to the full extent set forth in the O&O Agreement. Upon satisfaction of such conditions, Minnesota Power shall henceforth perform all rights, obligations and duties of the Operating Agent under the O&O Agreement.²⁴

The Department argued that these rights, obligations and duties, especially pursuant to Section 4.7.2 of the O&O Agreement, create potential for costs to flow back to Minnesota Power and its ratepayers.^{25,26}

Therefore, the Department argued that Minnesota Power remaining as Operating Agent now that the company no longer plans to take energy or capacity from NTEC, would expose its ratepayers to potential risks with no offsetting energy and capacity benefit.²⁷ The Department concluded there is no evidence this agreement is in the public interest at this time, and recommended the Commission rescind approval.

²² Department, Comments at 4

²³ ALJ Report at findings 475 and 476

²⁴ NTEC Petition, Appendix Z: Assignment of Rights Agreement (Operating Agent) between South Shore and Minnesota Power

²⁵ PUC Staff Permissible Ex Parte Report, March 25, 2026, Docket E015/AI-17-568. See Trade Secret version for explanation of Section 4.7.2 of the O&O Agreement.

²⁶ NTEC Petition, Appendix G: Ownership and Operating Agreement between Dairyland and South Shore

²⁷ Department, Comments at 4

3. Capacity Dedication Agreement

Minnesota Power terminated the CDA, as described in its December 19, 2025 letter in this docket. Thus, the Department found it reasonable for the Commission to rescind approval.

4. Guaranty Agreement

Under the Guaranty Agreement, Minnesota Power guarantees to Dairyland the performance of South Shore's obligations under the D&C and O&O Agreements. (The D&C and O&O Agreements are the two agreements between South Shore and Dairyland.)²⁸

The Department argued that providing such a guaranty inherently carries substantial risks,²⁹ and given the company no longer plans to take energy or capacity from NTEC, Minnesota Power continuing to provide a guaranty for South Shore's obligations again exposes its ratepayers to potential risks with no offsetting energy and capacity benefits. Therefore, the Department concluded there is no evidence this agreement is in the public interest at this time, and recommended the Commission rescind approval.

STAFF ANALYSIS

Minnesota Power argued there is no specific requirement that the NTEC Agreements be rescinded and that rescinding approval is not common practice for Power Purchase Agreements (PPAs). In Staff's view, the NTEC transaction is different and more complex than most PPAs that come before the Commission, which do not typically entail the utility operating as the Construction Agent, Operating Agent or as Guarantor for one of the owners.

The statutes under which the NTEC Agreements were approved give the Commission responsibility for and authority to determine whether the agreements are in the public interest. While Staff is not aware of a specific *requirement* that the Commission rescind approval of contracts associated with a cancelled transaction, it may wish to do so if it believes the agreements are no longer in the public interest. The affiliated interest statute also explicitly grants the Commission continuing authority over approved contracts.³⁰

As Minnesota Power confirmed, the NTEC Agreements, with the exception of the CDA, remain in effect. Minnesota Power and the Department disagree about whether the continuation of these agreements poses any risk or cost to Minnesota Power ratepayers.

If the Commission finds that Minnesota Power could have obligations to South Shore or

²⁸ 2019 Order, at 10

²⁹ PUC Staff Permissible Ex Parte Report, March 25, 2026, Docket E015/AI-17-568. See Trade Secret version for further information on the Guaranty Agreement.

³⁰ [Minn. Stat. § 216B.48, subd. 6](#)

Dairyland if the outstanding NTEC Agreements remain in place, and that these obligations could fall to Minnesota Power ratepayers, it may wish to rescind approval. Doing so would ensure Minnesota Power ratepayers have no obligations or responsibilities toward the facility or the facility's owners now that the utility has canceled plans to take power from NTEC.

If the Commission determines that Minnesota Power does not have remaining obligations to South Shore or Dairyland due to the cancellation of the CDA, or that Minnesota Power ratepayers do not bear any risk from ongoing obligations, the Commission could decide that the most reasonable course at this time is to take no action.

Regarding the CDA: Because the CDA has been cancelled, Staff does not believe there would be any obligation from or risk to Minnesota Power ratepayers from the now-canceled agreement remaining "approved." However, Staff sees no issue with rescinding approval and doing so could improve the public's understanding of the status of the transaction. If the Commission rescinds approval of the Assignment of Rights Agreements, Staff recommends rescinding the CDA for consistency and clarity.

DECISION OPTIONS

1. Rescind approval of the following Affiliated Interest Agreements between South Shore, LLC and Minnesota Power:
 - A. Assignment of Rights Agreement (Construction Agent).
 - B. Assignment of Rights Agreement (Operating Agent).
 - C. Capacity Dedication Agreement
(Department)
2. Rescind approval of the Guaranty Agreement between Minnesota Power and Dairyland Power Cooperative (Department)
3. Take no action regarding the previously approved NTEC Agreements at this time.
(Minnesota Power)