

## Staff Briefing Papers

**Meeting Date** February 26, 2026 **Agenda Item 2\***

**Company** Minnesota Power

**Docket No.** E-015/M-25-309

**In the Matter of the Petition of Minnesota Power for Approval of Investments and Expenditures in the Longspur Wind Project for Recovery through Minnesota Power’s Renewable Resources Rider under Minn. Stat. §216B.1645**

**Issues** Should the Commission approve Minnesota Power’s recovery of investments and expenditures in Longspur Wind Project through the Renewable Resources Rider?

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 <b>Relevant Documents</b>	<b>Date</b>
Minnesota Power- Initial Filing	August 4, 2025
Department of Commerce- Comments	October 1, 2025
Minnesota Power- Reply Comments	October 14, 2025

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## I. Background

As part of its transition to carbon-free energy, Minnesota Power (MP or the Company) filed a petition on August 4, 2025, requesting approval of the \$790.9 million Longspur Wind Project. This 200 MW facility, situated in Morton County, North Dakota, will leverage the Company's existing infrastructure to deliver clean energy, with costs managed through the Renewable Resources Rider.

On October 1, 2025, the Department of Commerce, Division of Energy Resources (the Department) filed Comments recommending project approval, with conditions.

In Reply Comments filed on October 14, 2025, Minnesota Power agreed with the Department's recommendations and accepted several additional conditions and tracking mechanisms proposed by the Department for the Longspur Wind Project.

## II. Minnesota Power- Petition

### A. Overview of the Project

The Longspur Wind Project is a planned 200-megawatt (MW) alternating current (AC) wind facility located near Glen Ullin in Morton County, North Dakota. With an estimated construction cost of approximately \$790.9 million, the project is designed to generate roughly 896,000 MWh of carbon-free energy annually, helping Minnesota Power meet MN state Carbon Free and Renewable Energy Standards. The site's infrastructure will include approximately 50 wind turbines connected by a 34.5 kV collector line system to a new on-site substation. This substation will then connect to an approximately 2.5-mile, 230 kV generator-tie line delivering power to the existing Tri-County Substation in Mercer County, North Dakota. A key component of the project's delivery strategy is leveraging Minnesota Power's modernized High-Voltage Direct Current (HVDC) transmission line, which will eventually allow the efficient transfer of bulk power from North Dakota directly to customers in northeastern Minnesota, bypassing potential congestion on the regional AC system. Construction is slated to begin in the third quarter of 2026, with a target commercial operation date in late 2027.

### B. EnergyForward Strategy

Minnesota Power's expansion of its renewable energy portfolio is guided by its EnergyForward strategy and its approved Integrated Resource Plans (IRP).<sup>1</sup> This approach has made Minnesota Power the first utility in the state to deliver over 50% renewable energy to its customers.<sup>2</sup>

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<sup>1</sup> *In the Matter of Minnesota Power's 2021 – 2035 Integrated Resource Plan, Order Approving Plan and Setting Additional Requirements*, January 9, 2023, Docket No. E015/RP-21-33, at Order Point 1a and 4.

<sup>2</sup> Petition, at 6.

According to the company, wind power remains the most cost-effective resource for reaching its next major milestone: a 90% renewable portfolio that aligns with Minnesota’s Carbon Free Standard (CFS).

Over the last 20 years, the company has added more than 1,350 MW of renewable capacity through a diverse mix of projects:<sup>3</sup>

- **Wind (The Primary Driver):** Starting with the Oliver County projects in 2006; the company expanded into northern Minnesota with Taconite Ridge (2008). Its flagship project, the Bison Wind Energy Center in North Dakota, was completed in phases between 2010 and 2015. At nearly 500 MW, Bison is the largest wind farm in North Dakota and utilizes a dedicated HVDC transmission line to send power directly to Minnesota customers. Most recently, the 250 MW Nobles 2 Wind Farm was added in 2020.
- **Solar:** Deployment began with the 10 MW Camp Ripley project (2016) and a Community Solar Garden (2018). In response to the pandemic, the company accelerated three solar projects (22.4 MW) to boost the local economy. New large-scale developments, the Regal Solar (119.5 MW) and Boswell Solar (85 MW) projects, have also received regulatory approval.
- **Hydro & Transmission:** The company restored the 72 MW Thompson hydroelectric facility in 2012 following flood damage. It also secured 383 MW of carbon-free energy through agreements with Manitoba Hydro, enabled by the completion of the 500 kV Great Northern Transmission Line in 2020.

Through these combined efforts, Minnesota Power currently meets its Renewable Energy Standard (RES) obligations while actively developing the resource pathways necessary to achieve 100% carbon-free energy.<sup>4</sup>

### **C. Project Location**

The Longspur Wind Project is located in Morton County, North Dakota, as shown in Figure 1. The project site is under existing easement agreements or lease options that may be converted to 50-year easements, and Minnesota Power has secured the necessary site control.

The location was selected in part because of its proximity to Minnesota Power’s Bison Wind Facility, allowing shared use of personnel and equipment. In addition, the site is located in a U.S. Department of Energy–designated energy community near a retired coal-fired generation

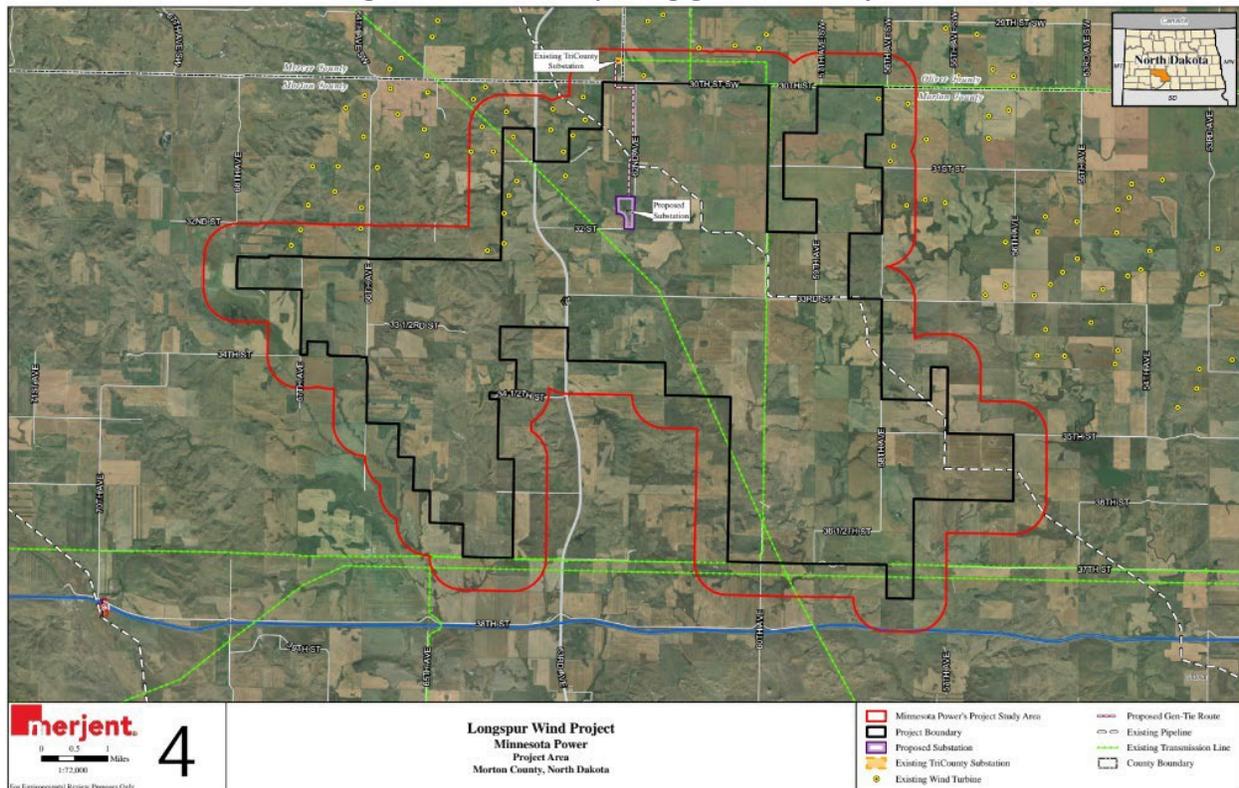
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<sup>3</sup> Petition, at 6.

<sup>4</sup> Petition, at 7.

unit, which is expected to qualify the Project for a 10 percent Energy Community Tax Credit Bonus, increasing total PTC eligibility to 110 percent.

*Figure 1: Location of Longspur Wind Project*



#### D. Request for Proposal Process and Project Award

Pursuant to the 2021 IRP Order,<sup>5</sup> Minnesota Power launched a competitive Request for Proposals (RFP) in February 2024 to acquire up to 400 MW of regional wind energy. To ensure a fair and transparent process, particularly because Minnesota Power intended to submit its own "self-build" proposal, the company engaged Levelized Consulting as an Independent Evaluator (IE) and established a strict procedural "wall" to prevent data sharing between the bid evaluation team and the development team. The RFP successfully attracted six diverse proposals, including Power Purchase Agreements (PPAs), Build-Own-Transfer (BOT) models, and self-build options, with initial bids largely aligning with the cost projections modeled in the IRP.

However, the final selection process was complicated by a volatile economic and regulatory landscape. Significant challenges emerged, including:

<sup>5</sup> Commission January 9, 2023 Order, Docket No. E-015/RP-21-33, Order Point 4e.



- **Cost Volatility:** New federal tariffs on steel and aluminum, combined with general inflation, drove up equipment costs.
- **Grid Interconnection:** Delays in the MISO Definitive Planning Phase (DPP) study process led to uncertain and escalating interconnection cost estimates.
- **Contractual Failures:** Several shortlisted projects were ultimately disqualified because they could not provide necessary assurances regarding labor standards and cost protections required by the RFP terms.

Despite these hurdles, the Longspur Wind Project emerged as the most resilient and cost-effective option. It was identified by the Independent Evaluator as the lowest-cost bid in both the initial screening and the final updated economic analysis.<sup>6</sup> Because Longspur is a self-build project, it offered greater certainty regarding technical specifications and long-term operational control. Consequently, Minnesota Power selected the 200 MW Longspur Project to move forward for regulatory approval, while simultaneously re-engaging with other bidders to potentially secure an additional 200 MW of wind capacity to meet the total 400 MW target.

#### **E. Utilization of Federal Legislation & Tax Matters**

The Longspur Wind Project is strategically positioned to leverage federal incentives from the Inflation Reduction Act (IRA) to reduce costs for ratepayers. By utilizing advanced turbine technology in a high-wind resource area, the project aims to qualify for the Production Tax Credit (PTC) rather than the Investment Tax Credit (ITC), as PTC offers greater value based on energy production. Specifically, Minnesota Power expects to secure 110% of the PTC value by meeting prevailing wage and apprenticeship requirements and qualifying for a 10% "Energy Community" bonus due to the project's proximity to a retired coal-fired generation unit.<sup>7</sup>

To maximize these benefits, the company is navigating a complex regulatory landscape:

- **Monetization Strategy:** Unlike previous wind projects where credits were carried forward as deferred assets, the IRA allows Minnesota Power to transfer (sell) these credits for immediate cash. This approach reduces the project's revenue requirement and decreases the Accumulated Deferred Income Tax Asset (ADITA) faster, delivering benefits to customers sooner.
- **Legislative Deadlines:** The company is monitoring H.R. 1, which introduces an accelerated phase-out of tax credits. To remain eligible, the project must commence construction by July 4, 2026, or be in service by the end of 2027.

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<sup>6</sup> Petition, at 20.

<sup>7</sup> Petition, at 23.



- Expedited Approval: Because of these strict federal windows and the potential for hundreds of millions in tax benefits, Minnesota Power is seeking expedited regulatory review to ensure the project remains economically viable and captures the highest possible credit value before they expire or phase out.

#### **F. Transmission and Interconnection**

The Longspur Wind Project is designed to generate 200 MW of clean electricity through a sophisticated infrastructure network that begins at the wind turbines and moves through a 34.5 kV collector system to a new on-site substation. This substation uses two massive transformers to "step up" the voltage for efficient long-distance travel, sending the power across a 2.5-mile, 230 kV generator-tie line to the existing Tri-County Substation.

A defining feature of the project's delivery strategy is its integration with Minnesota Power's High-Voltage Direct Current (HVDC) line, a 465-mile currently undergoing modernization that will increase its capacity by 350 MW. This delivery plan occurs in two phases: initially, from 2027 to 2029, the energy will flow through the standard North Dakota AC grid; however, by 2030, the project will switch to the modernized HVDC line. This transition is critical because the HVDC line allows the energy to "bypass" regional grid congestion and forced slowdowns, ensuring that low-cost, renewable power from North Dakota is delivered directly and reliably to customers in northeastern Minnesota.

#### **G. Project Schedule and Permitting**

The Project's proposed schedule is shown in Table 1. To maintain the project schedule, the company anticipates receiving a final Commission Order by June 2026, alongside necessary local and state approvals. Key regulatory milestones include securing a Special Use Permit from Morton County and a Certificate of Site Compatibility from the North Dakota Public Service Commission. While initial assessments suggest the project will not impact jurisdictional wetlands, Minnesota Power will continue to evaluate the need for permits from the U.S. Army Corps of Engineers and the North Dakota Department of Environmental Quality as the final layout is refined. Additionally, the project will implement a Storm Water Pollution Prevention Plan to comply with National Pollutant Discharge Elimination System (NPDES) standards, ensuring environmental protection throughout the construction phase.

**Table 1. Longspur Wind Project Schedule<sup>8</sup>**

Activity	Anticipated Date
Secure Site Control	Complete
Secure Long Lead Electrical Equipment	Complete
MISO Definitive Planning Phase 2 Results	Complete and exploring MISO ERAS approach
Secure Wind Turbine Equipment	Q3 2025
Execution of EPC Contract	Q4 2025
MISO Definitive Planning Phase 3 Results	Q4 2025
Execute Generator Interconnect Agreement (GIA)	Q1 2026
Issuance of NDPSC Permits	Q2 2026
Start of Construction	Q3 2026
Commercial Operations	Q4 2027

#### H. Estimated Customer Impact

The estimated rider impact for the Longspur Wind Project assumes a recovery start date in July 2026, with the facility becoming fully operational by March 2028. For non-Large Power classes, including residential customers, rates are projected to increase gradually, reaching approximately 0.758 cents per kWh by 2029. This equates to a roughly 5.04% increase, or about \$5.21 more per month for the average residential user.<sup>9</sup> Large Power customers would see a gradual increase of about 0.578 cents per kWh (a 6.44% increase) in the first full year of service.

Crucially, these figures only represent the change in the renewable resource rider and do not reflect the full economic picture. The analysis highlights several factors that will lower the actual cost for customers:

- **Fuel Savings:** The project adds "zero fuel cost" energy, which will reduce charges in the Fuel and Purchased Energy Adjustment Clause (FAC) by displacing expensive coal, natural gas, and market purchases.
- **Net Benefits:** When accounting for FAC reductions, the average impact on customer costs is estimated to be less than \$1/MWh through 2050.
- **Long-term Value:** When factoring in carbon regulations and environmental costs, the

<sup>8</sup> Petition, at 31.

<sup>9</sup> Petition, at 37.

project is projected to provide over \$1 billion in power supply cost benefits (Net Present Value) between 2025 and 2050.<sup>10</sup> These estimated impacts are summarized in table 2.

**Table 2: Estimated Rate Impacts<sup>11</sup>**

Rate Class Impacts	2026	2027	2028	2029
Annual MN Jurisdictional Revenue Requirements	6,932,807	44,571,755	58,248,070	50,077,633
<b>Residential (average current rate, cents/kWh)</b>	15.031	15.031	15.031	15.031
Increase/Decrease (cents/kWh) /2	0.105	0.676	0.882	0.758
Increase/Decrease(%)	0.70%	4.50%	5.87%	5.04%
Average Impact(\$/ month)	\$0.72	\$4.64	\$6.06	\$5.21
<b>General Service (average current rate, cents/kWh)</b>	15.070	15.070	15.070	15.070
Increase/Decrease (cents/kWh) /2	0.105	0.676	0.882	0.758
Increase/Decrease (%)	0.70%	4.49%	5.85%	5.03%
Average Impact (\$ / month)	\$2.69	\$17.28	\$22.55	\$19.37
<b>Large light &amp; Power (average current rate, cents/kWh)</b>	11.628	11.628	11.628	11.628
Increase/Decrease (cents/kWh) /2	0.105	0.676	0.882	0.758
Increase/Decrease (%)	0.90%	5.81%	7.59%	6.52%
Average Impact (\$/month)	\$245	\$1,576	\$2,057	\$1,767
<b>Large Power (average current rate, cents/kWh)</b>	8.973	8.973	8.973	8.973
Increase/Decrease (Demand & Energy Combined) (cents/kWh) /2	0.080	0.514	0.672	0.578
Increase/Decrease (%)	0.89%	5.73%	7.49%	6.44%
Average Impact (\$ / month)	\$39,739	\$255,322	\$333,807	\$287,113
<b>lighting (average current rate, cents/kWh)</b>	45.579	45.579	45.579	45.579
Increase/Decrease (cents/kWh) /2	0.105	0.676	0.882	0.758
Increase/Decrease(%)	0.23%	1.48%	1.94%	1.66%
Average Impact(\$ / month)	\$0.14	\$0.89	\$1.16	\$0.99

### I. The Longspur Project is in the Public Interest

Minnesota Power asserted that the Longspur Wind Project was in the public interest because it advanced the Company's long-term resource strategy while delivering measurable energy, environmental, and customer benefits. The Project supported Minnesota Power's EnergyForward strategy, expanded its renewable portfolio, and aligned with Commission direction in the 2021 Integrated Resource Plan to acquire up to 400 MW of wind resources. Minnesota Power presented the Project as a least-cost, carbon-free resource that leveraged existing infrastructure and federal tax incentives to minimize customer costs.

<sup>10</sup> Petition, at 37.

<sup>11</sup> Petition, at 39.

### **1. Capacity and Energy Benefits.**

Once operational, the Longspur Wind Project is expected to add approximately 896,000 MWh of renewable energy annually and provide an average of about 20 MW of accredited capacity across planning seasons. This additional wind generation was expected to improve system flexibility, help meet peak and shoulder-season demand, and allow for greater optimization of Minnesota Power's remaining thermal resources and market purchases.

### **2. RES and CFS Compliance.**

The Project was intended to directly support compliance with Minnesota's Renewable Energy Standard (RES) and Carbon-Free Standard (CFS). As a zero-carbon resource, Longspur was expected to reduce greenhouse gas emissions and other pollutants while helping Minnesota Power make progress toward its statutory clean-energy obligations.

### **3. Customer and Cost Impacts.**

Minnesota Power stated that the Longspur Wind Project would displace higher-cost market purchases and thermal generation, thereby reducing fuel costs and emissions over the life of the Project. Modeling results indicated that adding Longspur reduced overall system costs in net present value terms when energy, environmental benefits, and available federal tax incentives were considered. While near-term rate impacts were acknowledged, the Company concluded that long-term customer benefits outweighed those impacts, particularly when accounting for fuel savings and tax credits.

## **III. Department of Commerce – Comments**

The Department reviewed the Petition for compliance with the completeness requirements and concluded that the Petition is complete.

As part of its review, the Department noted that it analyzed need for and alternatives to the project, ratepayer protections, and whether the Project meets the Renewable Energy Standard (RES) and Carbon Free Standard (CFS) as described in Minn. Stat. § 216B.1691.

### **A. Approve Minnesota Power's Investments**

The Petition sought Commission approval for recovery of costs associated with the Longspur Wind Project under Minn. Stat. § 216B.1645, which allows automatic cost recovery for facilities that support compliance with Minnesota's Renewable Energy Standard and Carbon-Free Standard. In reviewing the Petition, the Department evaluated the Project's need and

alternatives, the adequacy of ratepayer protections, and whether the Project qualified to meet the RES and CFS requirements under Minn. Stat. § 216B.1691.

### **1. Need and Alternative Analysis**

The Commission's Integrated Resource Plan (IRP) Order directed Minnesota Power to acquire between 300 MW and 400 MW of wind generation, with at least 200 MW in service by 2026,<sup>12</sup> as practicable. The Longspur Project is a 200 MW wind facility expected to enter service in the fourth quarter of 2027. Initially, the Project's energy will use the North Dakota AC transmission system and later shift to the upgraded HVDC line once completed. Minnesota Power stated it continues to evaluate additional wind projects through its RFP process. Because the Project is an eligible carbon-free resource, it supports Minnesota Power's compliance with both the Renewable Energy Standard and the Carbon-Free Standard. Even though the Company currently exceeds its RES requirements, the Department concludes that Minnesota Power still needs additional wind resources to meet its future CFS obligations.

Minnesota Power evaluated the Longspur Project alongside other wind alternatives through a Commission-approved competitive bidding process. The Department found that the Company reasonably followed Commission direction and appropriately assessed bid costs.<sup>13</sup> As a result, the Department concluded that the Project is needed and reasonable, and recommends that the Commission approve Minnesota Power's investment in Longspur.

### **2. Ratepayer Protections**

The Department recommended that the Commission limit cost recovery for the Longspur Project to the amount Minnesota Power bid for the Project, capped at \$790.9 million.<sup>14</sup> Under this recommendation, only a reasonable jurisdictional share of costs would be recoverable, and Minnesota Power would be held to the prices and assumptions used to evaluate the Project. The Department further recommended that ratepayers be protected from any projected benefits that fail to materialize and from risks related to the Project's inability to deliver expected energy or accredited capacity. Finally, the Company would be required to clearly track and account for all Project costs to ensure transparency and accountability.

### **3. Renewable Energy Standard (RES) and Carbon Free Standard (CFS) Obligations**

Minnesota law establishes renewable and carbon-free energy requirements for electric utilities

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<sup>12</sup> IRP Order at point 1(a), January 9, 2023, Docket No. E015/RP-21-33.

<sup>13</sup> Department's Comments; at 3.

<sup>14</sup> Department's Comments; at 3.

through Minn. Stat. § 216B.1691. Under the Renewable Energy Standard (RES), utilities must generate or purchase increasing percentages of their electricity from eligible renewable technologies, including wind. Because wind is specifically defined as an eligible energy technology under the statute, the Department concluded that the Longspur Wind Project qualifies to help Minnesota Power meet its RES obligations.

The statute also establishes a Carbon-Free Standard (CFS), which requires utilities to supply an increasing share of electricity from carbon-free sources, ultimately reaching 100 percent by 2040. Carbon-free technologies, including wind generation, are defined as resources that do not produce carbon dioxide emissions. Because the Longspur Project generates electricity without emitting carbon, the Department determined that it qualifies as a carbon-free resource eligible for Minnesota Power to use in meeting its CFS requirements.

## **B. Renewable Resource Rider**

Minnesota Power pursued Commission approval to recover the costs of the Project through its Renewable Resources Rider. Under Minnesota law,<sup>15</sup> projects may qualify for rider recovery if they support renewable or clean energy requirements and are approved through one of several Commission-authorized processes, including a Certificate of Need, a Commission-approved competitive bidding process, or an exemption from Certificate of Need requirements for certain wind or solar facilities.

The Department reviewed Minnesota Power's resource acquisition process and determined that the Company's analysis and selection of the Project were reasonable. The Department also concluded that the Project may be applied toward Minnesota Power's RES and CFS obligations. While the Company currently exceeds its near-term RES requirements, it continues to have a need for additional energy to meet its CFS obligations, and the Project would help address that need.

Because the Project was selected through a Commission-approved bidding process and supports Minnesota Power's clean energy requirements, the Department concluded it is eligible for recovery through the Renewable Resources Rider and recommended that the Commission allow Minnesota Power to seek such recovery, subject to future review of specific costs.<sup>16</sup>

## **C. Minnesota Power's Bidding Process**

Minnesota Power issued a request for proposals (RFP) in response to the Commission's most recent IRP Order, which directed the Company to acquire 300–400 MW of wind resources, with at least 200 MW in service by 2026, to the extent practicable. The IRP Order also required MP

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<sup>15</sup> Minn. Stat. § 216B.243 & Minn. Stat. § 216B.2422

<sup>16</sup> Department's Comments; at 5.

to use a competitive bidding process for future resource acquisitions and established detailed requirements governing how that process must be conducted, including stakeholder notice, reporting obligations, and the use of an independent evaluator when MP or an affiliate proposes a project.

MP conducted the RFP consistent with these requirements and retained Levelized Consulting, LLC as the independent evaluator. The RFP sought wind projects between 100 and 200 MW located in MISO Local Resource Zone 1, using proven technology, with a commercial online date between 2026 and 2027. The RFP allowed for PPAs, BOT agreements, and self-build projects, and required bidders to include firm pricing, assume responsibility for network upgrade costs, provide renewable energy credits to MP, meet specified credit standards, and offer contract terms of 20 to 25 years with a buyout option after 12 years.<sup>17</sup>

In addition to these requirements, the RFP identified several preferences, including BOT proposals, projects with advanced interconnection status, delivery to MP's MISO load node with congestion responsibility borne by the bidder, winter energy production, location in energy-impacted communities, use of domestically sourced materials, and participation by diverse businesses.

The Department found that Minnesota Power followed the Commission-approved RFP process, and that the Longspur project remains a strong candidate. Based on the project's ranking, the Company's resource needs, and current market conditions affecting renewable development, the Department concludes that proceeding with the Longspur project is reasonable.<sup>18</sup>

#### **D. Economic Development**

Minnesota law requires the Commission to consider whether energy projects maximize net benefits to Minnesotans, including job creation, worker protections, support for communities affected by the energy transition, environmental benefits, and affordable electric service. In its IRP Order, the Commission directed Minnesota Power to meet future energy needs in a way that prioritizes socioeconomic benefits, including the use of local labor, apprenticeship programs, and engagement with organized labor.

Minnesota Power stated that the Longspur project will use union labor, comply with prevailing wage and apprenticeship requirements under the Inflation Reduction Act, and support local businesses. Construction is expected to employ approximately 200 to 300 workers. The project is located near the Company's existing Bison wind facility, allowing shared resources and efficiencies, and is sited in a community identified as impacted by coal plant retirements, supporting reinvestment in areas affected by the energy transition.

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<sup>17</sup> Department's Comments; at 7.

<sup>18</sup> Department's Comments; at 11.

Although the project is located in North Dakota, Minnesota Power asserted that it will provide meaningful benefits to Minnesota customers by supporting the Company's carbon-free energy transition while maintaining reasonable costs and expanding access to clean energy benefits.

Based on these factors, the Department concluded that the Project satisfies the economic development and net-benefits requirements of Minn. Stat. § 216B.1691, subd. 9(a), and complies with the Commission's IRP directives.

### **E. Reliability**

Based on its review, the Department concluded that there is no indication that the Project will create negative reliability impacts.

### **F. Ratepayer Impacts**

The Department reviewed the Project's expected impact on ratepayers and concluded it is reasonable. The independent evaluator identified the Project as a cost-effective option due to its low levelized cost of energy, which helps limit customer impacts. In addition, anticipated use of the HVDC transmission line is expected to reduce congestion-related costs. Based on this analysis, the Department found the projected residential bill impact—approximately a 5.04 percent increase, or \$5.21 per month in 2029—to be reasonable, with decommissioning costs having only a negligible effect.<sup>19</sup>

### **G. Tax Matters**

Minnesota Power expects the project to enter service in late 2027 and to qualify for federal Production Tax Credits (PTCs). By meeting prevailing wage and apprenticeship requirements, the project is expected to receive 110 percent of the base PTC value during its first 10 years of operation. Although federal regulatory uncertainty and the accelerated phase-out of wind and solar tax credits may affect project logistics, Minnesota Power requested an expedited Commission review to maximize available Inflation Reduction Act (IRA) benefits.

The Company plans to sell PTCs for cash, stating this will deliver customer benefits sooner by reducing accumulated deferred income tax assets (ADITA) more quickly than retaining the credits. Although selling the PTCs at a discount will lower their net value, the overall benefit of quickly reducing ADITA and delivering those benefits to customers sooner is expected to outweigh the impact of the discount.<sup>20</sup> These benefits would be passed through the Renewable Resources Rider, with future filings reflecting actual results.

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<sup>19</sup> Department's Comments; at 13.

<sup>20</sup> Petition, at 25.

The Department reviewed Minnesota Power's estimated PTC benefits for the first 10 years and found them reasonable. The Department generally supported selling the PTCs but recommended that the Commission require Minnesota Power to track the actual costs and benefits in its annual Renewable Resource Rider filings. If the tracker does not show a net benefit to ratepayers, the Department recommended that Minnesota Power refund the difference, consistent with prior Commission treatment in Xcel Energy's RES Rider.<sup>21</sup>

#### **H. Other Criteria**

The Department reviewed the project's timing and the uncertainty in the current regulatory environment. Under H.R. 1, the project must either begin construction within one year of enactment or be in service by December 31, 2027 to qualify for PTCs. Because Minnesota Power expects a late-2027 in-service date, staying on schedule is critical.

To manage this risk, Minnesota Power stated it plans to meet federal "beginning of construction" requirements by July 4, 2026, assuming the Commission grants final approval by June 30, 2026. Doing so would provide a four-year construction window and added schedule flexibility.

The Department also notes ongoing uncertainty related to MISO interconnection studies and evolving project costs. While the current cost estimate is based on information available at filing, the Company expects future MISO results may reduce interconnection costs and will continue evaluating additional wind resources.

Given these uncertainties, the Department finds the proposal reasonable based on the resource need identified in the IRP, but reiterates its recommendation that the project be approved with a cost cap and conditions to protect ratepayers.<sup>22</sup>

#### **I. Department's Recommendations**

The Department recommended the following:

##### **1. COMPLETENESS**

- The Department recommended that the Commission find the Petition complete.

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<sup>21</sup> Docket No. E002/M-23-454

<sup>22</sup> Department's Comments; at 16.



## 2. APPROVE MINNESOTA POWER'S INVESTMENTS

- The Department recommended the Commission approve Minnesota Power's investment in the Longspur Wind Project.
- The Department recommended that the Commission limit cost recovery to the capital cost cap for the Project with the capital cost recovery up to the amount bid by Minnesota Power for the Project with the following conditions:
  - a. The Commission will limit cost recovery to the \$790.9 million costs used to evaluate the project;
  - b. Limit cost recovery to only a reasonable jurisdictional allocation of costs;
  - c. The Commission will otherwise hold the Company accountable for the price and terms used to evaluate the project;
  - d. Ratepayers will not be put at risk for any assumed benefits that do not materialize;
  - e. Ratepayers must be sufficiently protected from risks associated with the non-deliverability of accredited capacity and/or energy from the project;
  - f. The Company must clearly account for all costs incurred for the project.

## 3. RENEWABLE ENERGY STANDARD AND CARBON FREE STANDARD

- The Department recommended that the Commission determine that the Longspur Wind Project qualifies for application toward Minnesota Power's RES obligation.
- The Department recommended that the Commission determine that the Longspur Wind Project qualifies for application toward Minnesota Power's CFS obligation.

## 4. RENEWABLE RESOURCE RIDER

- The Department recommended that the Commission determine that the Longspur Wind Project is exempt from the CN requirements under the Bidding Exemption because the Project was selected in a bidding process approved by the Commission.
- The Department recommended that the Commission authorize future cost recovery of the Longspur Wind Project through the Renewable Resource Rider, subject to Commission review and approval of specific costs to be presented by Minnesota Power in a future petition

## 5. TAX MATTERS

- The Department recommended that the Commission approve MP's proposal to sell PTCs. However, to ensure there are net benefits to ratepayers, the Department recommends that the Commission require MP to track the actual cost and benefits of selling PTCs in its annual Renewable Resources Rider filings.

### J. Minnesota Power Reply Comments

In its Reply Comments, Minnesota Power supported the Department's recommendation for conditional approval of the Longspur Wind Project, including limiting cost recovery to the \$790.9 million bid amount. The Company agreed that the Project is a qualifying renewable, carbon-free resource, is exempt from Certificate of Need requirements, and is eligible for recovery through the Renewable Resources Rider. Minnesota Power also committed to tracking and reporting the costs and benefits of selling production tax credits and requested expedited Commission review to preserve time-sensitive federal tax incentives.

### K. Staff Comment

Staff agrees with the Department that Minnesota Power appropriately followed the Commission-approved competitive bidding process and that selecting the Longspur Wind Project was reasonable. Because Longspur is a renewable, carbon-free resource consistent with the Company's 2021 IRP and Minnesota's RES and future CFS requirements, Staff supports recovery through the Renewable Resources Rider, subject to Commission review of costs and ratepayer protections.

## IV. Decision Options

1. Find the Petition complete under Minn. Stat. § 216B.1645 and Minn. R. 7829.1300. (Department)
2. Approve Minnesota Power's investment in the Longspur Wind Project, subject to future prudence review of costs incurred. (Department, Minnesota Power)
3. Limit cost recovery to the capital costs reflected in Minnesota Power's Longspur Wind Project bid, subject to the following conditions:
  - A. Limit cost recovery to prudently incurred costs and no more than the \$790.9 million estimate used to evaluate the project;
  - B. Limit cost recovery to only a reasonable jurisdictional allocation of costs;
  - C. Hold the Company accountable for the price and terms used to evaluate the project;
  - D. Ratepayers will not be put at risk for any assumed benefits that do not materialize;



- E. Ratepayers must be sufficiently protected from risks associated with the non-deliverability of accredited capacity and/or energy from the project;
  - F. Require the Company to clearly account for all costs incurred for the project. (Department, Minnesota Power)
4. Determine that the Longspur Wind Project qualifies for application toward Minnesota Power's RES obligation. (Department, Minnesota Power)
  5. Determine that the Longspur Wind Project qualifies for application toward Minnesota Power's CFS obligation. (Department, Minnesota Power)
  6. Determine that the Longspur Wind Project is exempt from the CN requirements under the Bidding Exemption because the Project was selected in a bidding process approved by the Commission. (Department, Minnesota Power)
  7. Subject to review and approval in a future petition, authorize Minnesota Power to recover Longspur Wind Project cost through the Renewable Resource Rider. (Department, Minnesota Power)
  8. Approve Minnesota Power's proposal to sell PTCs. (Department, Minnesota Power)
  9. Require Minnesota Power to track the actual cost and benefits of selling PTCs in its annual Renewable Resources Rider filings. (Department, Minnesota Power)