

Purchase Option FAQ

Island, Fish, and Whiteface Reservoirs

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ShoreLand

Leaseholders on Island, Fish, and Whiteface reservoirs may have the opportunity to purchase their lease lots from Minnesota Power.

What is the purchase option?

Pending required regulatory approvals from local, state, and federal regulators, Minnesota Power will offer existing leaseholders the exclusive opportunity to purchase their lease lot. For the relatively few vacant lots that Minnesota Power owns, options to purchase those lots will be made available to the general public.

Who would be eligible for the purchase option?

The purchase option would be available to current leaseholders on Island, Fish, and Whiteface reservoirs in St. Louis County, Minnesota. Current leaseholders on Rice and Boulder Lake reservoirs are not included in the regulatory approval process at this time and would not be eligible for the purchase option.

Why is Minnesota Power making this opportunity available to leaseholders?

There are three main reasons. Minnesota Power has determined that lease properties on these reservoirs are not needed for hydropower operations. Second, proceeds from any lease sales will help mitigate rates for Minnesota Power's electric utility customers. Finally, in Minnesota Power's experience, most leaseholders would prefer to own, rather than lease, the lot on which their home or cabin is located.

Why are the other reservoirs not included?

Most active hydropower reservoirs contain regulated lands that must be retained for the company's Federal Energy Regulatory Commission (FERC) license for generation of renewable hydropower energy. Rice and Boulder Lake reservoirs contain relatively few lease lots, and the reservoirs have certain characteristics that warrant additional study. Rice Lake Reservoir requires additional review of the existing project boundary for operational uses, while Boulder Lake Reservoir is largely reserved for environmental and recreational uses.

What is the "interim phase"?

This is the phase we are in now, where we intend to offer the lots for purchase but have not yet secured regulatory approvals. If regulatory approvals are secured, Minnesota Power will move into the "purchase phase." If regulatory approvals are not secured, Minnesota Power will likely resume "business as usual," which may resemble our historical leasing program.

What if I choose not to purchase my lease lot?

Leaseholders can continue to lease their lot under current lease terms until the lease expiration date. After the lease expiration date, leaseholders who do not purchase the land would be able to sell their buildings and other personal property to the new buyer. The new buyer would purchase the land directly from Minnesota Power.

What is the timeline for purchasing?

The earliest any lots might be available for purchase would be 2022 for those lots along the southern shore of Island Lake Reservoir. The remaining lots on Island, as well as on Fish and Whiteface reservoirs, would be available in the 2023-2024 timeframe. Please note this timeline is subject to regulatory approvals and to other actions which may be outside of Minnesota Power's control.

Why are lots available for purchase at an earlier date on some reservoirs?

In order to responsibly sell the lots, Minnesota Power must first survey and plat the lots to make sure they meet county standards and have marketable title. It also ensures that lot boundaries do not infringe on adjacent buildings not owned by the current leaseholder, and whenever possible contains appropriate acreage for primary and secondary septic systems. The high number of lots means that some reservoirs will be platted sooner than others. However, Minnesota Power is working with the Minnesota Public Utilities Commission (MPUC) to ensure leaseholders have a consistent purchase price, regardless of where their lots are at in the platting process (see below).

What is the price of the lease lot?

During a May 2021 hearing, the MPUC offered an alternative approach to determining the purchase price. In a petition filed with the MPUC on August 31, 2020, Minnesota Power proposed setting the base price of the land at the current county estimated market value (EMV) at the time when the lot is available for purchase. Under this approach, the EMV-based purchase price would be adjusted annually when the new EMV values were finalized.

In a hearing with MPUC in May 2021, an alternative approach for purchase price was offered by the MPUC. This alternative approach uses the 2020 EMV (payable in 2021) plus a 4% additional charge to account for the county assessment lag (the "2020+4" approach). This would apply to all leaseholders, regardless of when their lot is available for purchase, as long as they enter into a purchase agreement within six months of the lot being available for sale. Minnesota Power subsequently sent out a leaseholder survey inquiring about leaseholders' preference for a purchase price. In the survey results, most of the responding leaseholders preferred using the "2020+4" approach. Minnesota Power has filed a letter with the MPUC agreeing with "2020+4" approach for valuation.

Are the wells and septic systems paid for by leaseholders included in the purchase price?

Not under Minnesota Power's current proposal, which uses EMV to set the base value of the land. EMVs are calculated by comparing sales data from raw land; septic systems, wells, power supply, and other improvements are not included in EMVs.

Will money paid to secure leased lots be deducted from the sale price?

As detailed in our petition to the MPUC, leaseholders who paid Minnesota Power directly (sometimes referred to as a "right-to-lease" payment) will receive a pro-rated benefit based on the amount of time remaining on their original lease term. However, any right-to-lease payments made from one private party to another private party will not be refunded, since we did not participate in, and cannot control, buyer/seller decisions that did not involve Minnesota Power.

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