

Staff Briefing Papers

Meeting Date January 21, 2025

Agenda Item 1*

Company Minnesota Power

Docket No. E-015/D-25-342

In the Matter of Minnesota Power's Petition for Approval of 2025 Remaining Life Depreciation

Issues Should the Commission approve Minnesota Power's 2025 remaining life depreciation proposal?

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✓ **Relevant Documents**

Date

Minnesota Power – Initial Filing

September 2, 2025

Department of Commerce – Comments

November 3, 2025

Minnesota Power – Reply Comments

November 13, 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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I. Background

On September 2, 2025, Minnesota Power (MP or the Company) filed its 2025 Remaining Life Depreciation Proposal to update depreciation rates effective January 1, 2025 and to adjust the remaining lives of nearly all MP's facilities and general plant account to account for one year's passage of time. These updates align with its approved 2021 Integrated Resource Plan (IRP) for 2021–2035. The filing also included a trade secret justification, noting that specific details about service center strategic plans must remain confidential to protect the company's commercial advantage.

On November 3, 2025, the Minnesota Department of Commerce, Division of Energy Resources (Department), filed comments recommending the Commission approve Minnesota Power's proposed depreciation parameters and rates.

On November 13, 2025, Minnesota Power filed Reply Comments agreeing with the Department's recommendations.

II. Minnesota Rules

Minn. Stat. § 216B.11 and Minn. R. 7825.0500-7825.0900 require public utilities to seek Commission approval of their depreciation rates and methods. Utilities must use straight line depreciation unless the utility can justify a different method. A straight-line method charges the original cost of an asset, adjusted for net salvage, to expense through equal annual charges over the asset's probable service life. The probable service life is that period extending from the asset's installation date to its forecasted retirement date.

III. Minnesota Power – Initial Filing

Minnesota Power determined the remaining lives and salvage value estimates for its thermal, hydroelectric, wind, and solar production facilities. The Company proposed adjusting the remaining lives of all facilities to reflect one additional year of elapsed time. The proposed updates result in an increase of its annual depreciation expense of approximately \$645,875¹ compared to the previous year.

Minnesota Power filed its 2024 Remaining Life Depreciation Petition (Docket No. E-015/D-24-324) on September 24, 2024, proposing updated salvage rates for facilities affected by Legacy Coal Combustion Residuals (CCR) regulations, including the Taconite Harbor facility (reflecting active decommissioning), and the Bison and Taconite Ridge wind facilities (reflecting updated decommissioning costs). The filing is related to the CCR Petition (Docket No. E-015/M-24-437), filed December 30, 2024, which seeks approval to track and defer investigative and increased depreciation costs associated with CCR compliance. The Department of Commerce recommended approval of both petitions on June 17, 2025; however, neither petition has been

¹ Docket 25-342, Initial Filing, pg. 2.

approved by the Commission as of the date of this filing.²

For purposes of this Petition, Minnesota Power provided forecasts based on the approved 2021 Integrated Resource Plan (IRP), covering 2021–2035, which was approved by Commission order on January 9, 2023. Although the Company filed a 2025 IRP³ proposing a significantly expanded renewable portfolio and the cessation of coal use by 2035, including refueling Boswell Unit 3 with natural gas in 2030 and continued evaluation of post-coal options for Boswell Unit 4, that plan is not expected to be approved until late 2025. Therefore, no outcomes from the 2025 IRP are reflected in this filing.

Table 1 reflects the proposed remaining lives (in years), salvage rates, end-of-life dates, and the 2021 Plan operational lives of the facilities used in the IRP EnCompass modeling, consistent with the Commission’s approval in Docket No. E-015/RP-21-33.⁴

² Staff notes, the Commission placed Orders regarding Docket No. E-015/D-24-324 and E-015/M-24-437 on 10/29/2025. [See Order In the Matter of Minnesota Power’s Petition for Approval of 2024 Remaining Life Depreciation AND In the Matter of Minnesota Power’s Petition for Approval to Track and Defer Costs Resulting from The Legacy Coal Combustion Rule Surface Impoundment Rule.](#)

³ In the Matter of Minnesota Power’s 2025-2039 Integrated Resource Plan, Docket No. E-015/RP-25-127, filed March 3, 2025.

⁴ In the Matter of Minnesota Power’s 2021-2035 Integrated Resource Plan, Docket No. E-015/RP-21-33, filed February 1, 2021.

Table 1: MP's Updated Remaining Life Schedules, Salvage Rates, and End-of-Life Projections⁵

	Proposed Remaining Lives (Years)	Proposed Salvage Rates	Proposed End of Lives	2021 IRP Operational Lives
Thermal Production Plants				
Hibbard Renewable Energy Center	5.0	(6.98%)	12/2029	2035
Laskin Energy Center	6.0	(34.11%)	12/2030	2035
Boswell Energy Center				
Unit 3	11.0	(16.72%)	12/2035	2035
Unit 4	11.0	(6.42%)	12/2035	2035
Common	11.0	(15.19%)	12/2035	2035
Taconite Harbor Energy Center	2.0	(18.65%)	12/2026	2021
Hydroelectric Production Plants				
Birch Lake Reservoir	39.0	0%	12/2063	2063
Blanchard HE Station	39.0	0%	12/2063	2063
Boulder Lake Reservoir	39.0	0%	12/2063	2063
Fish Lake Reservoir	39.0	0%	12/2063	2063
Fond du Lac HE Station	39.0	0%	12/2063	2063
Gauging Stations and White Iron Lake Reservoir	39.0	0%	12/2063	2063
Island Lake Reservoir	39.0	0%	12/2063	2063
Knife Falls HE Station	39.0	0%	12/2063	2063
Little Falls HE Station	39.0	0%	12/2063	2063
Pillager HE Station	39.0	0%	12/2063	2063
Prairie River HE Station	39.0	0%	12/2063	2063
Rice Lake Reservoir	39.0	0%	12/2063	2063
Scanlon HE Station	39.0	0%	12/2063	2063
Sylvan HE Station	39.0	0%	12/2063	2063
Thomson HE Station	39.0	0%	12/2063	2063
Whiteface Reservoir	39.0	0%	12/2063	2063
Winton HE Station	39.0	0%	12/2063	2063
Other Production Plants				
Taconite Ridge I Wind	18.4	(0.35%)	5/2043	2043
Bison 1A Wind	20.9	(0.65%)	11/2045	2045
Bison 1B Wind	22.0	(0.60%)	12/2046	2046
Bison 2 Wind	23.0	(0.37%)	12/2047	2047
Bison 3 Wind	23.0	(0.44%)	12/2047	2047
Bison 4 Wind	25.0	(0.20%)	12/2049	2049
Community Solar Garden	16.9	0%	11/2041	2041

The following is a discussion of the Company's production facilities and the proposed remaining lives of these facilities.

1. Regulated Thermal Production Facilities

Hibbard Renewable Energy Center (HREC):

HREC Units 3 and 4, operate as peaking resources and support Minnesota Power's spinning reserves since 2004, experienced increased dispatch in 2021–2022 due to higher power prices and competitive biomass availability. Their estimated remaining life extends through 2029, shorter than assumed in the 2021 IRP. A retirement study was included in Minnesota Power's 2025 IRP filed in March 2025, and the units' remaining life will be adjusted if needed based on results of the 2025 IRP.

The Laskin Energy Center (LEC):

LEC consists of two similar units treated as a single facility for depreciation, was converted to natural gas peaking units in 2015, with reliability maintained through ongoing reinvestment. Its ash ponds and coal pile were closed following 2016 regulatory approval. Increased dispatch in 2021–2022 supported local reliability during transmission projects. The plant's estimated remaining life extends through 2030, shorter than assumed in the 2021 IRP, which did not identify a retirement date.

Taconite Harbor Energy Center (THEC)

THEC is treated as a single unit for depreciation purposes to protect affordability for customers in the near term and further reduce emissions in the region. Coal operations for Unit 3 ceased in May 2015, and Units 1 and 2 were idled in 2016 with coal operations ending in 2020. THEC was maintained safely and cost-effectively through retirement, remaining available for Midcontinent Independent System Operator (MISO) resource adequacy if needed. The Commission authorized recovery of THEC's annual depreciation expense through December 31 2026.⁶ In the 2021 IRP, THEC's retirement was approved and retired in March 2023. The remaining balances were transferred to regulated assets, which are being amortized through 2026.

Boswell Energy Center (BEC) consists of multiple units:

BEC Units 1 and 2 were retired in December 2018. The Commission had previously approved remaining life of five years as of January 1, 2018, with a retirement year of 2022. Upon retirement, the units' remaining balances were transferred to regulated assets, which are being amortized through 2022. In the previous rate case (Docket No. E-015/GR-21-335), the Commission approved spreading the final year of amortization over three years to prevent over-collection in future rates.

BEC 3 was transitioned to economic dispatch in 2021, reducing minimum operational levels and improving flexibility. It operates with advanced emissions control technologies and is required

⁵ Docket 25-342, Initial Filing, pg.7.

⁶ See Docket No. E-015/GR-21-335.

by the 2021 IRP to cease coal operations by December 31, 2029, with potential conversion to a synchronous condenser to be evaluated in the 2025 IRP.

BEC 4 provides baseload power and is jointly owned by Minnesota Power (80%) and WPPI Energy (20%). It operates with multi-pollutant emissions controls, including systems to comply with mercury, NO_x, SO₂, particulate, and wastewater regulations. The 2021 IRP requires BEC 4 coal operations to cease by December 31, 2035, and the 2025 IRP will evaluate capacity and energy replacement options, including reuse of existing infrastructure.

The estimated remaining lives for BEC 3, BEC 4, and BEC Common are all through 2035, matching the operational lives in the 2021 IRP, and Minnesota Power requested that the remaining net plant balances be recovered over these remaining lives.

2. Hydroelectric Production Facilities

All of Minnesota Power's hydroelectric facilities are FERC-licensed and maintained according to license terms. As the state's largest hydro producer, this legacy system supports customer needs and the state's goal of 100% carbon-free energy by 2040. The fleet includes dispatchable renewables with ponding capability, providing reliable power as intermittent renewables increase. Reservoirs, dams, and gauging stations are expected to have useful lives aligned with the hydro stations. The estimated remaining lives of all hydro facilities extend through 2063, consistent with the 2021 Plan.

3. Wind Production Facilities

Taconite Ridge I Wind Energy Center (TREC), a 25 MW facility with 10 turbines in service since June 2008, underwent component replacements between 2016 and 2021—including pitch bearings, blades, hubs, power conditioning matrices, and gearbox bearings—which requalified all turbines for production tax credits by August 2021. TREC has an estimated remaining life through May 2043.

All estimated remaining lives for the following wind facilities align with the operational lives (35 years) in the 2021 Plan. Bison wind facilities include:

- Bison 1A: 36.8 MW, 16 turbines, in service November 2010, remaining life through November 2045.
- Bison 1B: 45 MW, 15 turbines, in service December 2011, remaining life through 2046.
- Bison 2 & 3: Each 105 MW, 35 turbines, in service December 2012, remaining life through 2047.
- Bison 4: 204.8 MW, 64 turbines, in service December 2014, remaining life through 2049.

4. Solar Production Facilities

The Community Solar Garden Pilot Program, a 40kW solar facility on Minnesota Power-owned property in Duluth, was placed in service in 2016. All production assets have estimated remaining lives through November 2041, consistent with the 2021 Plan.

5. General Plan Account 3900

Table 2 reflects Minnesota Power's remaining lives and salvage values for general plant account 3900—Structures and Improvements.

Table 2: Minnesota Power's General Plan Account 3900⁷

Location	Proposed Remaining Life (Years)	Proposed Salvage Rates	Proposed End of Life
General Office Building	26	0%	12/2050
Rowe Energy Control Center	26	0%	12/2050
The long range plan for these facilities is significant planned future investment.			
Cloquet Service Center	16	0%	12/2040
Coleraine Service Center	16	0%	12/2040
Eveleth Service Center	16	0%	12/2040
International Falls Service Center	16	0%	12/2040
Little Falls DC Line Material Storage Facility	16	0%	12/2040
Park Rapids Service Center	16	0%	12/2040
Pine River Service Center	16	0%	12/2040
Sandstone Service Center	16	0%	12/2040
Misc. Structures & Improvements	16	0%	12/2040
The long range plan for these facilities is continued operation and upgrades.			
Herbert Service Center	6	0%	12/2030
Little Falls Service Center	6	0%	12/2030
The long range plan for these facilities is minimal planned future investment.			

The Company requested that the remaining lives of all general plant account 3900 (Structures and Improvements) be adjusted based on future company intent, with no changes to salvage rates:

- Extending the remaining lives of Park Rapids, Coleraine, Cloquet, International Falls Service centers, as well as the Little Falls DC Line Material Storage Facility through 2040.⁸
- Reducing the remaining lives of the Herbert and Little Falls Service Centers through 2030.⁹

⁷ Docket 25-342, Initial Filing, pg. 13-14.

⁸ MP provided Trade Secret filing for more details.

⁹ MP provided Trade Secret filing for more details.

6. Conclusion

Minnesota Power anticipated no major plant additions or retirements affecting 2025 depreciation accruals.

- THEC's retirement, approved in the 2021 IRP and completed in March 2023, has remaining balances transferred to regulated assets amortized through 2026.
- Minnesota Power filed its 2025 Integrated Resource Plan (IRP) covering 2025–2039, proposing an energy portfolio that is 80 percent renewable by 2030 and 90 percent renewable by 2035, with coal cessation by 2035.
- The 2025 IRP proposed refueling Boswell Unit 3 with natural gas in 2030 and continuing operation through 2039; post-coal options for Boswell Unit 4 will be addressed in the next IRP.
- The Company requested recovery of remaining net plant balances for Boswell Units 3, 4, and common facilities over their current remaining life through 2035.
- Minnesota Power proposed annual remaining-life adjustments for all facilities, except general plant account 3900, with no changes to salvage rates. The changes resulted in an estimated increase of \$645,875 in 2025 annual depreciation expense compared to 2024.¹⁰

IV. Department of Commerce – Comments

The Minnesota Department of Commerce (Department) reviewed Minnesota Power's Petition to determine whether the filing complied with applicable statutes, rules, and Commission orders and to evaluate whether the Company's proposals are reasonable. The Department concluded the Company's Petition as follows:¹¹

- Minnesota Power's Petition complied with the applicable statutes and rules.
- The Company complied with the Commission's Orders in Docket No. E-015/D-23-340 and Docket No. E-015/RP-21-33 by providing the comparison of proposed remaining depreciable lives with the operational lives in the most recent IRP, including explanations for any differences.
- The Company's schedule General Plan Account 3900 complied with past Commission's Order in Docket Nos. E-015/D-18-544 and E-015/D-19-534.
- The proposed useful lives for HREC and LEC are reasonable.
- The approved the retirement and amortization schedule of Taconite Harbor Energy Center (THEC) in the 2021 IRP aligns with the three-year remaining life proposed in the Petition.
- The Company's proposal of remaining lives for BEC 4, and BEC Common are consistent with the Commission's Order and reasonable.
- According to the May 14, 2025 Early Retirement Order (Docket No. E-002,015,017/CI-23-375), the Commission adopted a case-by-case, four-tiered ratemaking framework for

¹⁰ Docket 25-342, MP's Excel Workbook, Initial Filing - Appendix A1.

¹¹ Docket 25-342, Department Comments, pg. 2-6.

coal facilities experiencing early retirement. The Department concluded that the Company's proposed remaining life for BEC 3 through 2035 is reasonable at this time. Although coal operations will cease in 2029 and future use of existing infrastructure is uncertain, the Department stated that the Commission's tiered early-retirement framework is best applied in a future rate case when potential rate impacts can be fully evaluated.

- The Department reviewed Minnesota Power's proposed one-year passage-of-time depreciation adjustments for General Plant Account 3900—Structures and Improvements, including grouped buildings and five individually depreciated buildings, as well as proposed reductions in the service lives of three buildings and extensions for four buildings, and concluded that the resulting estimated annual depreciation increase of \$645,875 is reasonable, as shown in Table 3 below.

Table 3: Summary of Proposed Remaining Life Changes for Account 3900 – Structures and Improvements. ¹²

	Approved Retirement Year	Proposed Remaining Year	Impact on Annual Depreciation Expense
Remaining Life Shortenings			
Herbert Service Center	16	6	\$ 737,770
Little Falls Service center	26	6	\$ 187,519
Little Falls DC Line Material Storage Facility	26	16	\$ 22,457
Remaining Life Extensions			
Cloquet Service Center	6	16	\$ (94,916)
Coleraine Service Center	1	16	\$ (157,668)
Park Rapids Service Center	0	16	\$ 0
International Falls Service Center	6	16	\$ (49,287)
Total			\$ 645,875

The Department recommended that the Commission:

- Approve the Company's proposed remaining lives;
- Approve an effective date of January 1, 2025, for the proposed depreciation parameters;
- Require Minnesota Power to continue providing, in future filings, a comparison of proposed remaining depreciable lives with the operating lives in the most recent IRP, including explanations of any differences.
- 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

¹² Department Comments, Table 1, pg. 5

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

V. Minnesota Power – Reply Comments

Minnesota Power concurred with the Department's recommendations.

VI. Staff Analysis

Staff agrees with the Department's conclusion that MP's filing was reasonable and supports its recommendations. Staff notes that, to date, the Commission has not approved MP's 2025 IRP¹³ proposal. The Company and parties are continuing to develop the record in that docket.

Staff also notes that the Commission's October 29, 2025, Order in Docket No. E-015/D-24-324 and Docket No. E-015/M-24-437,¹⁴ approved Minnesota Power's request to establish a tracking mechanism for documenting investigative costs and depreciation expenses associated with implementing the new Legacy CCR Rule, including any related revenues, credits, or offsets to these deferred costs. The Order also required Minnesota Power to provide an update on the total net cost estimate after completing its internal analysis.

During the agenda meeting on October 23, 2025, the Company stated that it was in the investigation stage, gathering information about the sites and potential work needed to develop more accurate cost estimates. The Company anticipated having a concrete cost estimate by February 2026, which aligns with the EPA's timeline for the first report. However, there has been discussion about potentially extending that timeline. As it is now January 2026, the Commission may wish to follow up on the progress of costs related to the Legacy CCR Rule and whether there have been any changes to the EPA's timeline.

¹³ In the Matter of Minnesota Power's 2025-2039 Integrated Resource Plan, Docket No. E-015/RP-25-127, filed March 3, 2025.

¹⁴ [See Order In the Matter of Minnesota Power's Petition for Approval of 2024 Remaining Life Depreciation AND In the Matter of Minnesota Power's Petition for Approval to Track and Defer Costs Resulting from The Legacy Coal Combustion Rule Surface Impoundment Rule](#), point # 6 and #7.



VII. Decision Options

1. Approve Minnesota Power's proposed depreciation lives, salvage rates, and depreciation rates, effective January 1, 2025. [MP, Department]
2. 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 implemented in Minnesota Power's next rate case or other appropriate proceeding. [MP, Department]
3. 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. [MP, Department]
4. Determine the depreciation rates approved herein are for accounting purposes and neither bind nor preclude modified depreciation expense in a general rate case proceeding. [Department]