

December 23, 2015

PUBLIC DOCUMENT

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
Saint Paul, Minnesota 55101-2147

RE: **PUBLIC Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E015/M-15-1000

Dear Mr. Wolf:

Attached are the **PUBLIC** Comments of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

Minnesota Power's Petition for Approval of an Amended and Restated Electric Service Agreement between ArcelorMittal Minorca Mine Inc. and Minnesota Power.

The petition was filed on November 24, 2015 by:

David R. Moeller
Senior Attorney
Minnesota Power
30 West Superior Street
Duluth, Minnesota 55802-2093

The Department recommends that the Minnesota Public Utilities Commission (Commission) **approve** Minnesota Power's proposed Electric Service Agreement with ArcelorMittal Minorca Mine Inc. The Department is available to answer any questions that the Commission may have in this matter.

Sincerely,

/s/ SAMUEL WILS
Rates Analyst

SW/lt
Attachment

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION**PUBLIC COMMENTS OF THE
MINNESOTA DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES**

DOCKET No. E015/M-15-1000

I. SUMMARY OF FILING

On November 24, 2015, Minnesota Power (MP or the Company) filed a Petition seeking Minnesota Public Utilities Commission (Commission) approval of an Electric Service Agreement (Agreement or ESA) between Minnesota Power (MP) and ArcelorMittal Minorca Mine Inc. (ArcelorMittal or the Customer). The proposed Agreement would extend to 2025 ArcelorMittal's commitment to purchase power from MP, superseding the Agreement for the Minorca Mine in Docket No. E015/M-05-1496 ("2005 Restated Agreement"), which was approved by the Commission in 2005.

The proposed ESA provides ArcelorMittal with additional operating flexibility, and would enable MP and the Customer to explore the potential for on-site cogeneration projects and does not preclude implementation of electric energy efficiency investments. Should the Agreement be approved by the Commission, the existing 2005 Restated Agreement will be terminated.

II. DEPARTMENT ANALYSIS**A. NECESSARY CONDITIONS FOR APPROVAL OF THE AGREEMENT**

The proposed ESA should be approved only if it is in the public interest. In its May 6, 2014 Order in Docket No. E-015/M-14-130, the Commission clarified that the standard for review of ESAs is as follows:

1. Are the terms and conditions of the ESA consistent with the public interest?
2. Are the terms and conditions of the ESA not discriminatory?

B. ANALYSIS

1. *Are the terms and conditions of the ESA consistent with the public interest?*

This agreement will provide baseload rate support and certainty, benefitting MP and other customers. The ESA requires ArcelorMittal to purchase all power and energy needed by the Minorca Facilities and Equipment from MP. Further, since the current 2005 Restated Agreement is in the “rolling” four-year notice of cancellation phase making the earliest possible termination as soon as late 2019, this new agreement gives Minnesota Power additional certainty regarding its ability to manage generating capacity and plan for future needs of all its ratepayers. This ability is important as ArcelorMittal is MP’s 6th largest customer. As part of this agreement, the Customer will purchase and pay the Company for a Minimum Firm Demand of at least [TRADE SECRET DATA HAS BEEN EXCISED] kW.

Further, the Agreement, assuming a January 1, 2016 effective date, would yield Minnesota Power at least [TRADE SECRET DATA HAS BEEN EXCISED] in demand revenues alone between January 2016 and December 2025. However, in the event of a permanent closure, ArcelorMittal, with [TRADE SECRET DATA HAS BEEN EXCISED], may reduce the Minimum Firm Demand to [TRADE SECRET DATA HAS BEEN EXCISED] kW. This is a reduction of the notice period of the 2005 Restated Agreement, which required ArcelorMittal to provide [TRADE SECRET DATA HAS BEEN EXCISED].

The Agreement will benefit ArcelorMittal by giving them additional operating expense certainty as well as allowing for improved operational efficiency. The Agreement allows for an unlimited number of scheduled maintenance periods to be billed at the Customer’s Measured Demand instead of at the Total Firm Demand provided the period is greater than [TRADE SECRET DATA HAS BEEN EXCISED] hours duration with [TRADE SECRET DATA HAS BEEN EXCISED] prior notice of the Customer’s maintenance shutdowns, while the current agreement only allows maintenance periods greater than [TRADE SECRET DATA HAS BEEN EXCISED] hours.

Although the ESA does not otherwise permit ArcelorMittal to use self-generating capacity, on-site cogeneration is allowed under the ESA if done in collaboration with MP.¹ Similarly, the Agreement ensures that ArcelorMittal may pursue production efficiencies as long as MP is notified of potential demand reductions of a certain size.² The Department does not object to these provisions given that the language neither requires nor bans these activities and ensures notification and collaboration between MP and the Customer so that MP can incorporate these potential load/energy reductions in the Company’s resource planning.

¹ See Section 3G of the Agreement.

² See Section 3I of the Agreement.

2. *Are the terms and conditions of the ESA discriminatory?*

The rates under the proposed ESA are offered to ArcelorMittal under the LP tariff. As these rates are available to any other customer meeting the requirements of this tariff, the proposed rates are clearly not discriminatory. Further, the Department notes that, other than the new provisions regarding energy efficiency and co-generation options, the provisions in the Agreement are similar to other ESAs between MP and its large power customers. Also, the new provisions do not require or ban any action and potentially are available to customers negotiating a new ESA. Therefore, the Department concludes that the proposed ESA meets this condition.

III. RECOMMENDATIONS

Based on its review and analysis of MP's proposed ESA, the Department concludes that the proposed ESA is in the public interest because:

1. The terms and conditions of the proposed Amendment are consistent with the public interest.
2. The terms and conditions under the proposed Amendment are not discriminatory.

Based on this conclusion, the Department recommends that the Commission approve MP's proposed ESA with ArcelorMittal.

/lt

CERTIFICATE OF SERVICE

I, Linda Chavez, hereby certify that I have this day served copies of the following document on the attached list of persons by electronic filing, 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 – DER - COMMENTS

Docket Nos. **E015/M-15-1000**

Dated this **24th** day of **December, 2015**.

/s/Linda Chavez

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_15-1000_M-15-1000
Gary	Anderson	N/A	Stora Enso	Duluth Paper Mill 100 N. Central Avenue Duluth, MN 55807	Paper Service	No	OFF_SL_15-1000_M-15-1000
William	Bond	william.bond@arcelormittal.com	ArcelorMittal USA - Minorca Mine Inc.	PO Box 1 5950 Old Highway 53 Virginia, MN 55792	Electronic Service	No	OFF_SL_15-1000_M-15-1000
Greg	Chandler	greg.chandler@upm-kymmene.com	UPM Blandin Paper	115 SW First St Grand Rapids, MN 55744	Electronic Service	No	OFF_SL_15-1000_M-15-1000
Jack	Croswell	N/A	Hibbing Taconite	P O Box 589 Hibbing, MN 55746	Paper Service	No	OFF_SL_15-1000_M-15-1000
Emma	Fazio	emma.fazio@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_15-1000_M-15-1000
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_15-1000_M-15-1000
Shane	Henriksen	shane.henriksen@enbridge.com	Enbridge Energy Company, Inc.	1409 Hammond Ave FL 2 Superior, WI 54880	Electronic Service	No	OFF_SL_15-1000_M-15-1000
James	Jarvi	N/A	Minnesota Ore Operations - U S Steel	P O Box 417 Mountain Iron, MN 55768	Paper Service	No	OFF_SL_15-1000_M-15-1000
Michael	Krikava	mkrikava@briggs.com	Briggs And Morgan, P.A.	2200 IDS Center 80 S 8th St Minneapolis, MN 55402	Electronic Service	No	OFF_SL_15-1000_M-15-1000
John	Lindell	agorud.ecf@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_15-1000_M-15-1000

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Patrick	Loupin	PatrickLoupin@Packaging Corp.com	Packaging Corporation of America	PO Box 990050 Boise, ID 83799-0050	Electronic Service	No	OFF_SL_15-1000_M-15-1000
Sarah	Manchester	N/A	Sappi Fine Paper North America	255 State St Fl 4 Boston, MA 02109-2617	Paper Service	No	OFF_SL_15-1000_M-15-1000
Keith	Matzdorf	keith.matzdorf@sappi.com	Sappi Fine Paper North America	PO Box 511 2201 Avenue B Cloquet, MN 55720	Electronic Service	No	OFF_SL_15-1000_M-15-1000
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	Yes	OFF_SL_15-1000_M-15-1000
Andrew	Moratzka	apmoratzka@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_15-1000_M-15-1000
Ralph	Riberich	rriberich@uss.com	United States Steel Corp	600 Grant St Ste 2028 Pittsburgh, PA 15219	Electronic Service	No	OFF_SL_15-1000_M-15-1000
Santi	Romani	N/A	United Taconite	P O Box 180 Eveleth, MN 55734	Paper Service	No	OFF_SL_15-1000_M-15-1000
Susan	Romans	sromans@allete.com	Minnesota Power	30 West Superior Street Legal Dept Duulth, MN 55802	Electronic Service	Yes	OFF_SL_15-1000_M-15-1000
Thomas	Scharff	thomas.scharff@newpagecorp.com	New Page Corporation	P.O. Box 8050 610 High Street Wisconsin Rapids, WI 544958050	Electronic Service	No	OFF_SL_15-1000_M-15-1000
William	Schmidt		USG Interiors, Inc.	35 Arch Street Cloquet, MN 55720	Paper Service	No	OFF_SL_15-1000_M-15-1000

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Eric	Swanson	eswanson@winthrop.com	Winthrop Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_15-1000_M-15-1000
Jim	Tieberg	jtieberg@polymetmining.com	PolyMet Mining, Inc.	P.O. Box 475 County Highway 666 Hoyt Lakes, MN 55750	Paper Service	No	OFF_SL_15-1000_M-15-1000
Karen	Turnboom	karen.turnboom@newpagecorp.com	NewPage Corporation	100 Central Avenue Duluth, MN 55807	Electronic Service	No	OFF_SL_15-1000_M-15-1000
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_15-1000_M-15-1000