

**STATE OF MINNESOTA  
BEFORE THE PUBLIC UTILITIES COMMISSION**

Beverly Jones Heydinger	Chair
Nancy Lange	Commissioner
Dan Lipschultz	Commissioner
John Tuma	Commissioner
Betsy Wergin	Commissioner

In the Matter of a Petition to Ensure  
Competitive Electric Rates for Energy-  
Intensive Trade-Exposed Customers

DOCKET NO. E015/M-15-984

**COMMENTS OF THE OFFICE  
OF THE ATTORNEY GENERAL**

**I. INTRODUCTION**

Minnesota Power has asked the Commission to approve a significant electric rate discount for nine Energy-Intensive Trade-Exposed (“EITE”) electric customers and to recover the costs of the discount from other ratepayers. Taken together, the utility’s proposed EITE discount and cost-recovery mechanism would increase rates for its residential customers by more than 14.5 percent. The utility would contribute nothing to the discount. Minnesota Power argues that the proposed discount is needed to support its struggling EITE customers. Under a law enacted by the Minnesota Legislature this year, the Commission must determine whether offering the proposed discount to these EITE customers provides a net benefit for the utility or the state. To do so, the Commission needs to assess how providing the discount will affect all stakeholders, including the utility’s EITE customers and employees, other ratepayers that may be economically distressed, the region as a whole, and the state. The Office of Attorney General - Residential Utilities and Antitrust Division (“OAG”) provides the following comments on Minnesota Power's proposed EITE rate.<sup>1</sup>

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<sup>1</sup> On November 19, 2015, the Commission requested comments on the proposed EITE rate. The Commission’s Notice stated that the Commission would request comments on the merits of the utility’s cost recovery proposal, (Footnote Continued on Next Page)

## II. HISTORY OF EITE LEGISLATION

During its 2015 special session, the Minnesota Legislature amended Minnesota law to allow certain utilities to offer new rate options for their EITE customers.<sup>2</sup> The statute states that it was intended to promote “the energy policy of the state of Minnesota to ensure competitive electric rates” for EITE customers.<sup>3</sup> The statute allows certain utilities to “propose various EITE rate options . . . that include, but are not limited to, fixed rates, market-based rates, and rates to encourage utilization of new clean energy technology.”<sup>4</sup>

In normal rate cases, the Commission is allowed to ensure that a rate is “just and reasonable,” and that it is not “unreasonably preferential,” “unreasonably prejudicial,” or discriminatory.<sup>5</sup> The Minnesota Legislature required the Commission to forego its normal rate review process when a utility proposes an EITE rate. For example, the Minnesota Legislature exempted utilities that propose EITE rates from the normal filing requirements and procedures that usually apply in rate cases.<sup>6</sup> These filing requirements and procedures help ensure that the rates established by the Commission are based on a comprehensive factual record. Instead, the Legislature stated that the Commission's analysis when reviewing a proposed EITE rate is limited to determining whether the proposed rate provides a “net benefit to the utility or the state.”<sup>7</sup> If the Commission finds a “net benefit” for the utility or the state, the law states that the Commission must approve the proposed rate.<sup>8</sup> Further, the law requires the Commission to

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(Footnote Continued from Previous Page)

including the proposed allocation and rate design, at a later date. Accordingly, the OAG reserves its right to file comments on Minnesota Power’s cost recovery mechanism based on the schedule that the Commission establishes.

<sup>2</sup> See 1 Sp. 2015 Ch. 1, Art. 3, Sec. 26.

<sup>3</sup> Minn. Stat. § 216B.1696, subd. 2(a) (2015).

<sup>4</sup> Minn. Stat. § 216B.1696, subd. 2(a) (2015).

<sup>5</sup> Minn. Stat. § 216B.1696, subd. 2(b) (2015); Minn. Stat. § 216B.03 (2015); Minn. Stat. § 216B.07 (2015).

<sup>6</sup> Minn. Stat. § 216B.1696, subd. 2(b) (2015); Minn. Stat. § 216B.16 (2015).

<sup>7</sup> Minn. Stat. § 216B.1696, subd. 2(b) (2015).

<sup>8</sup> Minn. Stat. § 216B.1696, subd. 2(b) (2015).

“make a final determination in a proceeding begun under this section within 90 days” of the utility’s filing requesting an EITE rate.<sup>9</sup> Finally, the statute directs that, either in a rate case or a rider between rate cases, “the commission shall allow the utility to recover any costs, including reduced revenues, or refund any savings, including increased revenues, associated with providing service to a customer under an EITE rate schedule.”<sup>10</sup>

### **III. MINNESOTA POWER’S PROPOSED EITE RATE**

On November 13, 2015, Minnesota Power filed a Petition to Ensure Competitive Electric Rates for Energy-Intensive Trade-Exposed Customers (“Petition”). The Petition includes both an EITE rate and a cost-recovery mechanism for the utility’s lost revenues.

Minnesota Power’s proposed EITE rate would, if approved, be available to the utility’s Large Power and Large Light and Power EITE customers that have total power requirements of at least 2,000 kW.<sup>11</sup> Participating customers must also have at least two years remaining on a Commission-approved electric service agreement and execute a letter agreement with the utility.<sup>12</sup> The letter agreement requires the customer to confirm that it meets the statutory definition of an EITE customer and any eligibility requirements that the Commission adopts for the program.<sup>13</sup> The letter agreement also memorializes the customer’s “expected peak electric usage” that the utility uses to calculate the customer’s discount.<sup>14</sup>

EITE customers that execute a letter agreement and meet the eligibility requirements will receive an Energy Charge Credit (“ECC”) on a portion of their monthly electric load.<sup>15</sup> Specifically, the ECC will provide EITE customers a discount of \$11.50 per MWh (1.15¢ per

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<sup>9</sup> Minn. Stat. § 216B.1696, subd. 2(c) (2015).

<sup>10</sup> Minn. Stat. § 216B.1696, subd. 2(d) (2015).

<sup>11</sup> Minnesota Power’s Petition at 11.

<sup>12</sup> Minnesota Power’s Petition at 11-12.

<sup>13</sup> Minnesota Power’s Petition at Ex. E-1, pg. 2 of 3.

<sup>14</sup> Minnesota Power’s Petition at Ex. E-1, pg. 2 of 3.

<sup>15</sup> Minnesota Power’s Petition at 11.

kWh) per month for usage that exceeds 450 hours of the customer's anticipated peak electric usage.<sup>16</sup> By applying the ECC in this manner, the utility's proposal provides a discount to customers whose monthly usage exceeds what they would consume if they operated at peak load for 450 hours. Once this consumption threshold is met, participating EITE customers will receive a flat credit for each additional kilowatt-hour consumed.

The utility estimates that its program will result in discounts of approximately \$17.8 million per year for the nine EITE customers who have already executed letter agreements.<sup>17</sup>

#### **IV. THE COMMISSION MUST THOROUGHLY ANALYZE WHETHER MINNESOTA POWER HAS DEMONSTRATED THAT ITS PROPOSED EITE RATE PROVIDES A “NET BENEFIT TO THE UTILITY OR THE STATE.”**

In order to approve Minnesota Power's proposed EITE rate, the law requires the Commission to find that the plan provides a “net benefit to the utility or the state.”<sup>18</sup> This means that the Commission must identify both the costs and benefits of the proposed rate. In other words, it is not sufficient for the Commission to approve the utility's proposal simply because it finds that the rate will provide some level of benefit. Rather, under a “net benefit” analysis, the Commission must quantify any benefits *and compare them to the costs to the utility and the public.*

Minnesota Power argues that its proposed EITE rate should be approved because it provides needed support for struggling industries in the utility's service territory. In addition, the utility has suggested that the discount is appropriate because the class cost of service study (“CCOSS”) used in its 2009 rate case indicated that EITE customers were paying more than the

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<sup>16</sup> Minnesota Power's Petition at 11. Each customer's anticipated peak electric usage is based on the individual customer's historical usage.

<sup>17</sup> Minnesota Power's Petition at 14.

<sup>18</sup> Minn. Stat. § 216B.1696, subd. 2(b) (2015).

cost of serving them.<sup>19</sup> The OAG is mindful of the importance of the mining, wood products, and steel industries to the economy of northeastern Minnesota and to the state.<sup>20</sup> At the same time, the OAG is mindful of the utility's admission that approval of an EITE rate will lead to a significant rate increase for ordinary ratepayers in northeastern Minnesota. Many of these ratepayers are struggling financially, and some are unemployed as a result of the downturn of the Iron Range economy. The Commission considered these and other factors in the utility's 2009 rate case when it allocated rates in a manner that did not simply follow the CCOSS.<sup>21</sup> It would be unfair and inequitable to increase rates for Minnesota Power's other ratepayers, who themselves are suffering, in the manner Minnesota Power proposes.

**A. THE DEMOGRAPHIC AND ECONOMIC CONDITIONS OF NORTHEASTERN MINNESOTA RESIDENTS SHOULD BE CONSIDERED BY THE COMMISSION.**

Minnesota Power provides service to much of the seven-counties<sup>22</sup> of northeastern Minnesota. These seven counties are home to more than 320,000 Minnesotans, approximately six percent of the state population, according to 2014 projections from the U.S. Census Bureau.<sup>23</sup> The residents of the region as a whole are older than the rest of the state, with over one-third of the population over age 55 compared with one-fourth of the state as a whole.<sup>24</sup> Projections indicate that, over the next 20 years, the region will experience significant aging.<sup>25</sup> Average household income in this part of the state is lower than in the rest of the state.<sup>26</sup>

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<sup>19</sup> See Minnesota Power's Petition at 28-29.

<sup>20</sup> See Minnesota Power's Petition at 28-33.

<sup>21</sup> There is also no reason to believe that the results of the CCOSS from the company's 2009 rate case accurately reflect the costs of serving Minnesota Power's customers today. Over the last several years, the Commission has continued to refine the CCOSS used in other utility rate cases.

<sup>22</sup> These counties are Aitkin, Carlton, Cook, Itasca, Koochiching, Lake, and Saint Louis.

<sup>23</sup> Minnesota Department of Employment and Economic Development, *Northeast Minnesota Economic Development Region 3, 2015 Regional Profile* at 2, attached as Ex. 1.

<sup>24</sup> *Id.*

<sup>25</sup> *Id.* at 3.

<sup>26</sup> Minnesota Department of Employment and Economic Development, *supra* note 23, at 7 (noting that median household incomes for counties in the region ranged from \$41,617 in Aitkin County to \$53,016 in Carlton County (Footnote Continued on Next Page)

Employment trends in the region have been relatively volatile over the past decade, with severe declines in 2009 and 2010 and a slower recovery than the rest of the state in years since.<sup>27</sup> Health care and social assistance are the largest employing industry in the region, with 23.2 percent of total jobs.<sup>28</sup> The mining industry accounted for over 4,500 jobs in the region as of 2014, comprising 3.2 percent of total jobs.<sup>29</sup> In addition to mining, the region specializes in water transportation, mining support activities, forestry and logging, and paper manufacturing.<sup>30</sup> Counties in this region had an overall unemployment rate of 4.6 percent in October, 2015.<sup>31</sup> Over that same period, Koochiching County had the highest unemployment rate at 7.2 percent.<sup>32</sup> The region includes Hibbing, with an unemployment rate of 8.7 percent, and Virginia, with an unemployment rate of 6.6 percent.<sup>33</sup> By contrast, the statewide unemployment rate was just announced to be 3.5 percent.<sup>34</sup> Labor force participation in the region is lower than the statewide rate (61.2 percent compared to 70.3 percent statewide).<sup>35</sup>

In recent months, over 2,000 workers at mines and mills in the region and their families have been affected by closure and idling announcements, including several announcements of

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and that over half of households had incomes lower than \$50,000 compared to 42% statewide). (For the sake of comparison, median household incomes in the Twin Cities metropolitan area ranged from \$54,247 in Ramsey County to \$86,112 in Scott County. See Minnesota Department of Employment and Economic Development, *2015 Regional Profile, Economic Development Region 11: Twin Cities Metro* at 7.)

<sup>27</sup> *Id.* at 11.

<sup>28</sup> *Id.* at 12.

<sup>29</sup> *Id.*

<sup>30</sup> *Id.* at 13, Table 14 (breaking down “distinguishing industries” as rated by a factor known as a location quotient, which considers specialty industries compared to the state as a whole).

<sup>31</sup> *County Unemployment Rates*, MN DEP’T EMPLOYMENT & ECONOMIC DEVELOPMENT, October 2015, <http://mn.gov/deed/data/current-econ-highlights/county-unemployment.jsp> (last visited Dec. 16, 2015) (tabulating private unemployment rates for the counties located in northeastern Minnesota).

<sup>32</sup> *Id.*

<sup>33</sup> *Minnesota Unemployment Statistics LAUS (Local Area Unemployment Statistics) Data*, MN DEP’T EMPLOYMENT & ECONOMIC DEVELOPMENT, October 2015, <https://apps.deed.state.mn.us/lmi/laus/> (last visited Dec. 21, 2015).

<sup>34</sup> *Id.* Statewide unemployment data was current through November of 2015. Regional and municipal unemployment data was current through October of 2015.

<sup>35</sup> Minnesota Department of Employment and Economic Development, *supra* note 23, at 5.

layoffs by the proposed beneficiaries of Minnesota Power’s EITE rate.<sup>36</sup> Although these layoffs speak to the seriousness of the situation for the employers (and the legislative motivation for enactment of the law), the Commission should also consider the severe burden any accompanying rate increase will place on Minnesota Power’s ratepayers, many of whom are also struggling. Compared to the companies receiving the benefit, some of which have annual revenues in the billions of dollars, most ratepayers have far more limited resources to absorb a rate spike.

**B. THE COMMISSION NEEDS MORE SPECIFIC INFORMATION TO DETERMINE WHETHER THE PROPOSED EITE RATE PROVIDES A “NET BENEFIT.”**

At bottom, Minnesota Power’s argument for its proposed rate is that it will provide some level of financial support to struggling companies that are important to the region. Under the law enacted by the Minnesota Legislature, however, the Commission must determine whether the rate results in a “net benefit to the utility or the state.”<sup>37</sup> This requires the Commission to analyze the likely impact that the utility’s proposal will have on its EITE customers, their employees, ordinary ratepayers who may also be economically distressed, the region, and the state. For example, while EITE customers have historically provided many good-paying jobs in northeastern Minnesota, the utility’s proposed tariff does not require EITE customers to maintain specific levels of employment at their facilities to capitalize on the lower rate. In determining if the EITE rate provides a “net benefit to the utility or the state,” the Commission should analyze the likelihood that the rates will add jobs or save jobs that would otherwise be lost. Likewise, the

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<sup>36</sup> See, e.g., Jennifer Brooks, *Mining Slump Testing Iron Range Resilience*, STAR TRIB., Nov. 28, 2015, at A1 (noting the recent iron ore mining downturn affecting almost 2,000 workers in NE Minnesota); Dan Kraker, *For Iron Range Towns, a Bad Economy Gets Worse*, MPR NEWS (Nov. 17, 2015), <http://www.mprnews.org/story/2015/11/17/for-iron-range-towns-a-bad-economy-gets-worse> (describing details of a recent idling of facilities in Babbitt and Silver Bay and putting that announcement into the broader context of the region’s mining-related economic downturn); Kyle Potter, *Bakk says Ranges’ Plight Adds Weight to Food Shelf Drive*, STAR TRIB., Dec. 1, 2015, at B5 (describing the impact on mine closures on local food shelves).

<sup>37</sup> Minn. Stat. § 216B.1696, subd. 2(b) (2015).

Commission should analyze whether, and to what extent, the proposed discount for EITE customers will result in greater tax contributions from EITE customers and higher usage of regional infrastructure.

Because the statute mandates that a utility can recover the costs and lost revenues of the EITE rate from other customers, the Commission should analyze any benefits of the proposed rate against the impact that recovering these costs from Minnesota Power's other customers (both individuals and small businesses that are struggling with the downturn in the northeastern Minnesota economy) will have on the economy and quality of life in the region.

Among other things, the Commission should consider the following in analyzing Minnesota Power's proposal:

1. Which EITE facilities will likely close if the proposed rate is not approved and which will likely stay open because the proposal is approved?
2. Which EITE facilities will likely reduce production if the proposed rate is not approved and which will likely maintain production because the proposal is approved?
3. How many jobs will be added or saved at EITE facilities if the proposed rate is approved and how many will be lost if it is not approved?
4. What will be the revenue impact of approving Minnesota Power's proposal?
5. How will increasing rates for Minnesota Power's other individual and small business customers impact the regional economy and quality of life for these customers?
6. What impact will increasing rates have on Minnesota Power's most vulnerable and rate-sensitive customers, such as senior citizens, people on fixed incomes, and people who are unemployed or underemployed?<sup>38</sup>

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<sup>38</sup> Minnesota Power may not recover the costs of providing the EITE rate from customers defined as "low-income residential ratepayers" under Minnesota Statute section 216B.16, subdivision 15. Minn. Stat. § 216B.1696, subd. 4(d) (2015). This definition, however, is limited to ratepayers "who receive energy assistance" from LIHEAP and is likely under-inclusive of households with low income. The Commission recognized in Minnesota Power's last rate case that many more customers may be eligible for LIHEAP than sign up. *See Findings of Fact, Conclusions, and Order, In the Matter of the Application of Minnesota Power for Authority to Increase Rates for Electric Service in Minnesota*, Dkt. No. E-015/GR-09-115, at 61 (Nov. 2, 2010).



7. How much will Minnesota Power's load decline if the proposed rate is not approved? What is the likely impact of that load decline on the utility?
8. How is the information provided by Minnesota Power to answer the questions above known? Is the information reliable?
9. Is Minnesota Power's proposed rate appropriately targeted to businesses that need a rate discount in order to sustain their operations?
10. Should the costs of the program be capped?
11. Should the utility provide a flat credit for production, or should it be graduated?
12. Should the Commission require periodic reporting to evaluate whether any discount that may ultimately be granted for EITE customers continues to be needed?

The Commission should require the utility to supply detailed answers to these questions so that it can carefully analyze the responses in determining whether the utility's proposal will result in a "net benefit for the utility or the state."

**C. THE COMMISSION NEEDS AN ACCURATE CALCULATION OF THE AMOUNT THAT WILL BE RECOVERED FROM MINNESOTA POWER'S OTHER RATEPAYERS IF THE EITE RATE IS APPROVED.**

The Commission should also inform its net benefit analysis by determining the amount that must be recovered from Minnesota Power's other ratepayers for providing the proposed EITE rate.<sup>39</sup> At this time, this amount is not known because Minnesota Power has not correctly calculated it according to the statute. The statute authorizing the EITE rate provides that the utility shall be allowed to "recover any costs, including reduced revenues, or refund any savings, including increased revenues, associated with providing" the EITE rate.<sup>40</sup> Therefore, to determine any appropriate amount to be recovered from—or refunded to—non-EITE customers, the Commission must calculate the revenues that would be collected from EITE customers

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<sup>39</sup> The OAG recognizes that the Commission will not be able to determine the amount that will be recovered from each customer class until it evaluates the company's cost recovery proposal. The Commission, however, should know the total amount that will be recovered when it conducts its net benefit analysis.

<sup>40</sup> Minn. Stat. § 216B.1696, subd. 2(d) (2015).

without the proposed rate and compare them to the revenues that will be collected with the proposed rate. Minnesota Power has not provided this information. Because the statute requires the Commission to compare the utility's revenues under each scenario, the Commission must account for any difference in sales with and without the proposed EITE rate.

The recovery allowed by the EITE statute differs from how recovery mechanisms are calculated for other discount rates. For other discount rates, utilities are allowed a recovery based on the difference between the discounted rate and what would otherwise have been charged, without considering whether providing the discount increased sales.<sup>41</sup> These other statutes set a recovery based on the difference in the rate charged—and without regard for any difference in sales. Therefore, unlike the EITE statute, they do not contemplate that the utility may need to provide a refund to customers for increased revenue. Rather, they contemplate that the utility will only need to recover lost revenues.

Minnesota Power's Petition does not provide a calculation of the amount it must recover from or refund to customers consistent with the EITE statute. It has not compared the revenues that would be collected from its EITE customers with and without its proposed rate, and it has not provided the sales amount that it expects will be gained or saved by offering the EITE rate. Rather, the company has improperly proposed to recover the total amount of the discount it will provide to its EITE customers.<sup>42</sup> By requesting recovery in this manner, Minnesota Power has calculated its recovery the same way that it calculates recovery of other discounted rates. This is

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<sup>41</sup> For instance, utilities that provide a competitive rate rider under Minnesota Statutes section 216B.162 may seek recovery of “the difference between the standard tariff and the competitive rate times the usage level during the test year period.” Minn. Stat. § 216B.162, subd. 4(3) (2015). Similarly, utilities that offer discounted rates for area development plans under Minnesota Statutes section 216B.161 may recover “the difference in revenue collected under the area development plan rate and *what would have been collected under the standard tariff.*” Minn. Stat. § 216B.161, subd. 3 (2015) (emphasis added).

<sup>42</sup> See Petition at 26, Ex. B-1 (calculating the proposed recovery based on the anticipated \$17.8 million discount for EITE customers).

not the process required by the EITE statute. Accordingly, to inform its net benefits analysis, the Commission should calculate the revenue that Minnesota Power will receive with and without its proposed EITE rate.

## V. CONCLUSION

The law enacted by the Minnesota Legislature this year requires the Commission to determine whether Minnesota Power's proposed EITE rate provides a "net benefit to the utility or the state" if the rate is to be approved. To make this determination, the Commission must request additional information from the utility and thoroughly analyze all costs and benefits that would result from the utility's proposal, including the impact on other ratepayers.

Dated: December 21, 2015

Respectfully submitted,

LORI SWANSON  
Attorney General  
State of Minnesota

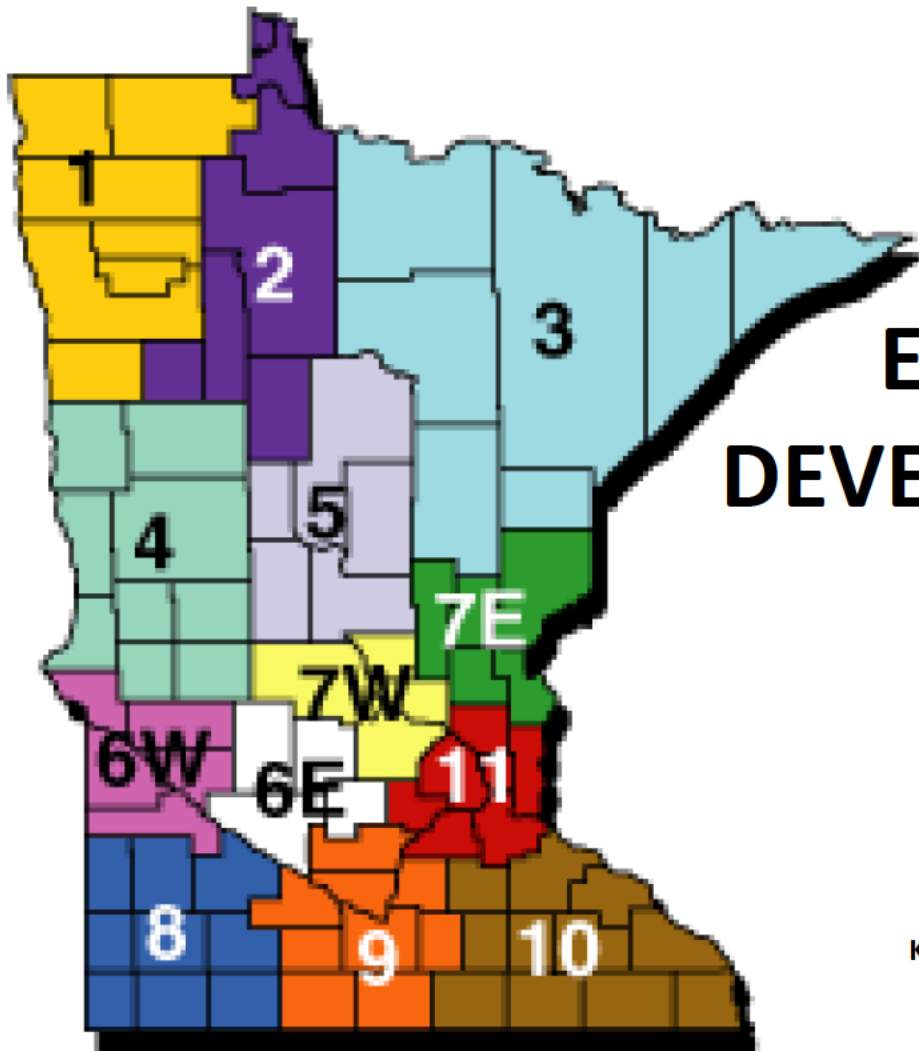
*s/ Ian Dobson*

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# ECONOMIC DEVELOPMENT REGION 3: Northeast

***Covers counties:***

Aitkin, Carlton, Cook, Itasca,  
Koochiching, Lake, and St. Louis

## 2015 REGIONAL PROFILE

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## DEMOGRAPHICS

### POPULATION CHANGE, 2000-2014

Economic Development Region 3 - Northeast, also known as the Arrowhead, includes a total of 7 counties, located in the Northeast Minnesota planning region. According to population data from the [U.S. Census Bureau](#), Region 3 was home to 326,649 people in 2014, accounting for 6.0 percent of the state’s total population. From 2000 to 2014, Region 3 increased its population by 4,576 residents. This 1.4 percent increase was considerably less than the 10.9 percent increase experienced across the state of Minnesota during this time frame (see Table 1).

	2000 Population	2014 Estimates	2000-2014 Change	
			Number	Percent
<b>Region 3 - Northeast</b>	<b>322,073</b>	<b>326,649</b>	<b>+4,576</b>	<b>+1.4%</b>
Aitkin Co.	15,301	15,771	+470	+3.1%
Carlton Co.	31,671	35,571	+3,900	+12.3%
Cook Co.	5,168	5,233	+65	+1.3%
Itasca Co.	43,992	45,589	+1,597	+3.6%
Koochiching Co.	14,355	12,856	-1,499	-10.4%
Lake Co.	11,058	10,680	-378	-3.4%
St. Louis Co.	200,528	200,949	+421	+0.2%
<b>State of Minnesota</b>	<b>4,919,479</b>	<b>5,457,173</b>	<b>+537,694</b>	<b>+10.9%</b>

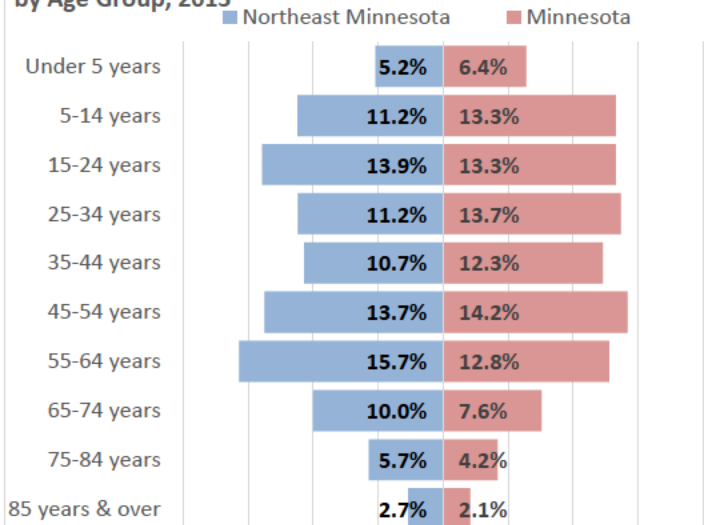
Source: [U.S. Census Bureau, Population Estimates](#)

With 200,949 people, St. Louis County is the largest county in the area, accounting for 61.5 percent of the region’s population. Carlton County grew the most and the fastest in the region, with an increase of 12.3 percent, or 3,900 people. Itasca County also saw steady growth. On the other hand, Koochiching County lost 1,499 residents and Lake County lost 378 people, both losing population since 2000 (see Table 1).

### POPULATION BY AGE GROUP, 2000-2013

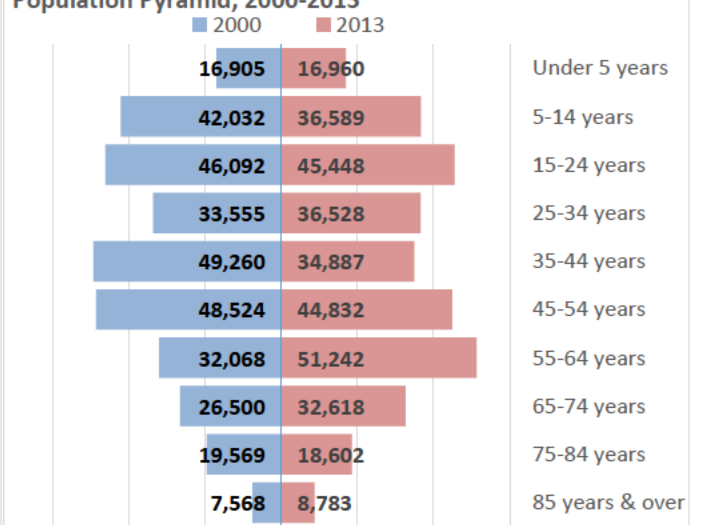
Region 3 has a considerably older population than the state. Over one-third of the population in the region is 55 years of age or older, compared to just one-fourth of the state’s population. In contrast, the percentage of population that is under 15 years of age is 3.3 percent lower in the region than it is for the state. Region 3 also had a much lower percentage of people in the 25 to 54 year old age group, which is typically considered the “prime working years”, at 35.6 percent compared to 40.2 percent statewide. Since 2000, the number of people aged 55 years and older – including the Baby Boom generation, people who were born between 1946 and 1964 – has increased by 25,440 people, and now consists of 111,245 people (See Figure 1 and Figure 2).

Figure 1. Percentage of Population by Age Group, 2013



Source: U.S. Census Bureau, American Community Survey

Figure 2. Northeast Minnesota Population Pyramid, 2000-2013



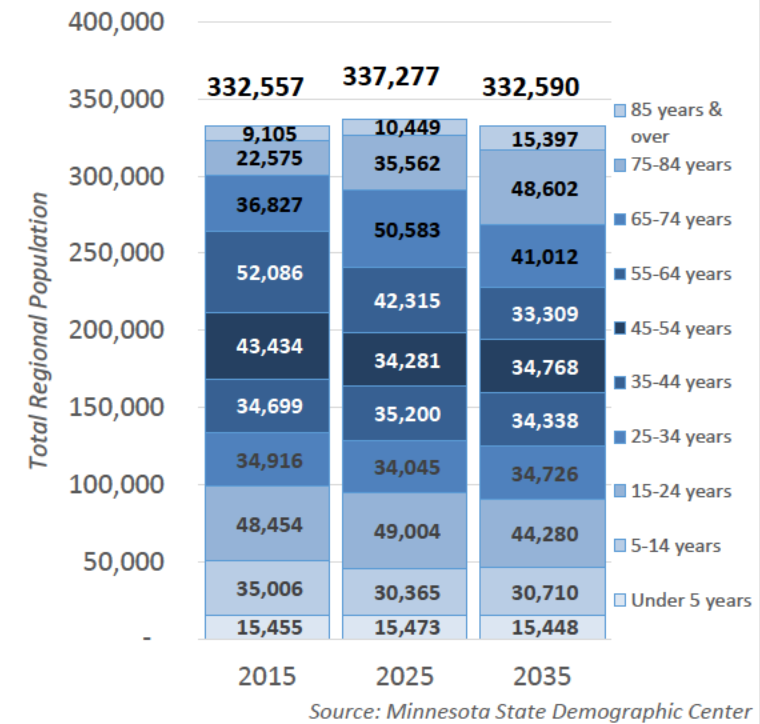
Source: U.S. Census Bureau, American Community Survey

### POPULATION PROJECTIONS BY AGE GROUP, 2015-2035

Region 3 is projected to have relative population stability in the next 20 years. According to population projections from the [Minnesota State Demographic Center](#), Northeast Minnesota is expected to gain close to 5,000 people in the next 10 years, then lose about 5,000 people over the following 10 years (see Figure 3). In comparison, the state of Minnesota is projected 10.8 percent growth from 2015 to 2035.

While the overall population is not expected to grow, older age cohorts in the region are projected to expand considerably. Northeast Minnesota is expected to add more than 36,500 people aged 65 years and older, a 53 percent increase by 2035. The results of the current Baby Boom generation moving through the population pyramid will cause the age cohorts of 45 to 64 to experience the greatest declines in population. The amount of children under 5 years old is expected to be unchanged, but school-aged children and young adults are expected to decline by about 8,500 people.

Figure 3. Population Projections by Age Group, 2015-2035



### POPULATION BY RACE, 2013

Region 3’s population is considerably less diverse than the state of Minnesota, but has increased in diversity over time. In 2013, about 93 percent of the region’s residents reported White alone as their race, compared to 85.6 percent of residents statewide. The region has a greater percentage of American Indian and Alaska Natives than the state, but considerably smaller percentages of people reporting Black or African American, Asian, or Hispanic or Latino origin (see Table 2).

Cook County had the most diverse populace in the region, with just 88 percent of residents reporting White alone as their race, while 7 percent of residents reported being American Indian or Alaska Native. In contrast, Aitkin and Koochiching Counties had more than 95 percent of their population reporting their race as White alone.

Table 2. Race and Hispanic Origin, 2013	Region 3			Minnesota	
	Number	Percent	Change from 2000-2013	Percent	Change from 2000-2013
<b>Total</b>	<b>326,247</b>	<b>100.0%</b>	<b>+1.3%</b>	<b>100.0%</b>	<b>+8.7%</b>
White	302,817	92.8%	-0.7%	85.6%	+4.0%
Black or African American	3,880	1.2%	+78.7%	5.2%	+63.0%
American Indian & Alaska Native	8,946	2.7%	+7.2%	1.1%	+4.6%
Asian & Other Pac. Islander	2,537	0.8%	+45.9%	4.2%	+56.3%
Some Other Race	1,124	0.3%	+72.1%	1.4%	+17.4%
Two or More Races	6,943	2.1%	+63.0%	2.5%	+59.6%
Hispanic or Latino	3,993	1.2%	+66.3%	4.8%	+79.3%

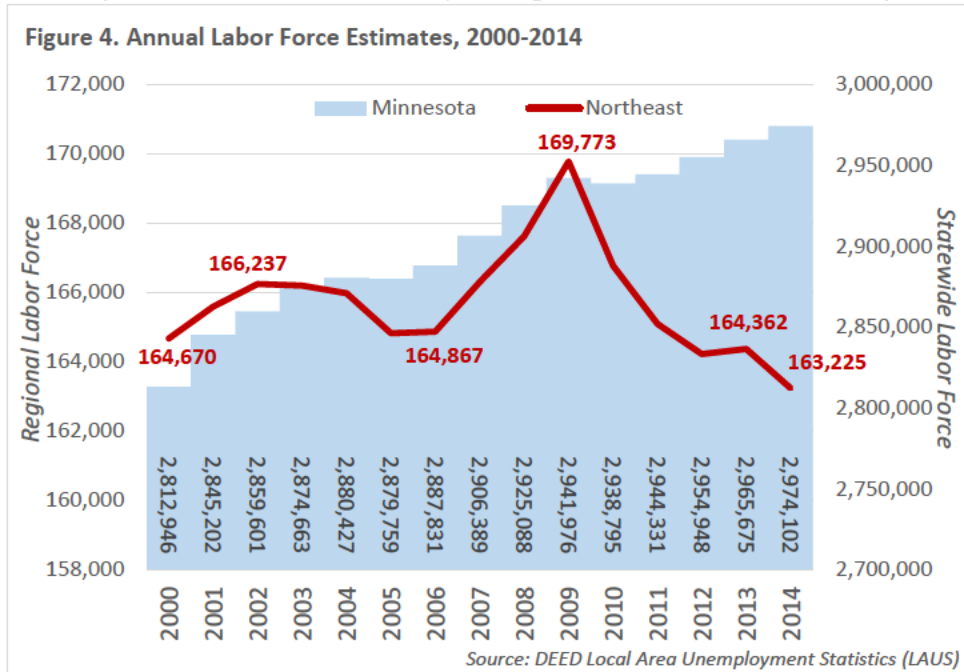
Source: U.S. Census Bureau, American Community Survey

## LABOR FORCE

### LABOR FORCE CHANGE, 2000-2014

According to data from DEED’s [Local Area Unemployment Statistics](#) program, Region 3 had just over 163,000 workers in 2014. In the depths of the recession in 2009, the region’s labor force reached its peak with nearly 170,000

workers, but has steadily declined as the recovery from the recession has taken hold. Even though the region’s population has experienced a modest increase over the last decade, the labor force lost 2,747 workers since 2004 (see Figure 4). Region 3 suffered the biggest loss in labor force for the planning regions in the state, with only the Southwest planning region also experiencing a loss since 2004.



### LABOR FORCE PROJECTIONS, 2015-2025

Applying current labor force participation rates to future population projections creates labor force projections for the region. If the region’s population grows at the projected rate, the region’s labor force is expected to decrease significantly. Region 3’s workforce is expected to drop by nearly 10,000 workers by 2025, a 6.1 percent decrease (see Table 3).

The movement of Baby Boomers will result in an increase nearly of 3,000 workers who are 65 years and older in 2025. There is also expected to be an increase of about 1,450 workers who are 20 to 24 years old in the next 10 years. The largest loss of workers will occur in the 45 to 64 year old age cohort, as these Baby Boomers reach the retirement age and start exhibiting much lower labor force participation rates. This will likely lead to a tight labor market in the future as well, with employers needing to respond to the changing labor force availability in the region.

	2015 Labor Force Projection	2025 Labor Force Projection	2015-2025 Change	
			Numeric	Percent
16 to 19 years	10,495	9,997	-498	-4.7%
20 to 24 years	17,993	19,441	+1,448	+8.0%
25 to 44 years	58,477	58,166	-311	-0.5%
45 to 54 years	35,963	28,385	-7,579	-21.1%
55 to 64 years	31,356	25,474	-5,882	-18.8%
65 to 74 years	6,629	9,105	+2,476	+37.4%
75 years & over	1,109	1,610	+502	+45.2%
<b>Total Labor Force</b>	<b>162,022</b>	<b>152,178</b>	<b>-9,844</b>	<b>-6.1%</b>

Source: [Minnesota State Demographic Center, 2009-2013 American Community Survey 5-Year Estimates](#)

**EMPLOYMENT CHARACTERISTICS, 2013**

With just 61.2 percent of the population aged 16 years and over in the labor force, Region 3 had considerably lower labor force participation rates than the state’s 70.3 percent rate. Labor force participation rates were lower for all age cohorts in the region than the state (see Table 4).

The region also had lower participation rates for every race; and also had larger unemployment rate disparities for most minority groups when compared to Whites. The unemployment rate for Black or African Americans in the region was 26 percent, was 18.5 percent for American Indians, and was 23.7 percent for people of Two or More Races. Meanwhile, the unemployment rate for Whites was just 7.8 percent. In sum, unemployment rates were highest for young people, minorities, workers with disabilities, and people with lower educational attainment.

**Table 4. Employment Characteristics, 2013**

	Region 3			Minnesota	
	In Labor Force	Labor Force Partic. Rate	Unemp. Rate	Labor Force Partic. Rate	Unemp. Rate
<b>Total Labor Force</b>	<b>164,618</b>	<b>61.2%</b>	<b>8.4%</b>	<b>70.3%</b>	<b>7.1%</b>
16 to 19 years	9,269	50.1%	13.7%	50.9%	20.2%
20 to 24 years	19,159	80.8%	12.3%	81.6%	11.2%
25 to 44 years	59,997	84.0%	8.1%	88.2%	6.3%
45 to 54 years	40,074	82.8%	7.0%	87.5%	5.6%
55 to 64 years	29,717	60.2%	5.0%	71.7%	5.5%
65 to 74 years	5,446	18.0%	4.3%	26.5%	4.5%
75 years & over	959	3.5%	6.2%	5.8%	4.6%
<b>Employment Characteristics by Race &amp; Hispanic Origin</b>					
White alone	155,076	61.4%	7.8%	70.5%	6.3%
Black or African American	1,377	48.6%	26.0%	67.6%	17.5%
American Indian & Alaska Native	3,790	59.7%	18.5%	60.1%	18.8%
Asian or Other Pac. Islanders	1,404	67.9%	5.2%	69.8%	8.5%
Some Other Race	573	73.7%	7.7%	77.6%	10.9%
Two or More Races	2,349	57.0%	23.7%	69.0%	14.4%
Hispanic or Latino	1,645	61.6%	5.5%	75.1%	10.4%
<b>Employment Characteristics by Veteran Status</b>					
Veterans, 18 to 64 years	10,881	69.6%	10.4%	77.8%	7.7%
<b>Employment Characteristics by Disability</b>					
With Any Disability	9,493	42.2%	16.9%	51.6%	14.6%
<b>Employment Characteristics by Educational Attainment</b>					
Population, 25 to 64 years	129,772	76.7%	7.0%	84.2%	5.9%
Less than H.S. Diploma	4,584	54.1%	15.7%	66.9%	14.6%
H.S. Diploma or Equivalent	35,048	71.5%	9.9%	79.4%	8.0%
Some College or Assoc. Degree	54,107	78.9%	7.0%	85.6%	6.1%
Bachelor’s Degree or Higher	36,008	83.7%	3.2%	89.1%	3.4%

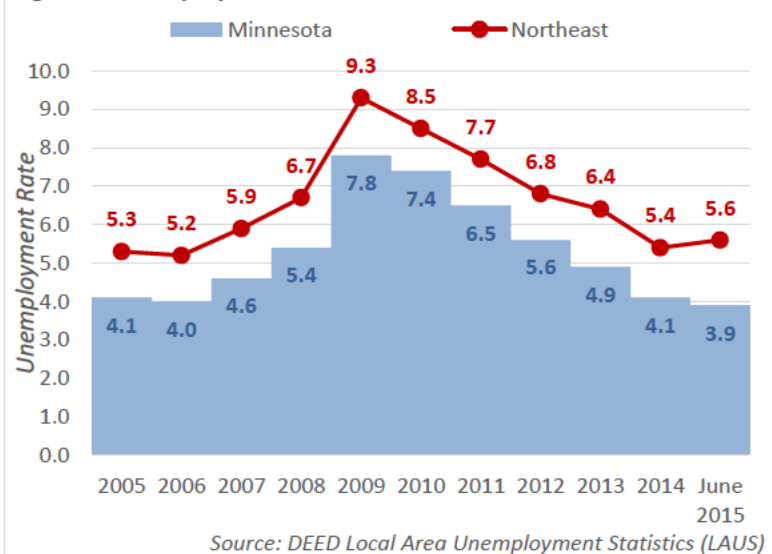
*Source: 2009-2013 American Community Survey, 5-Year Estimates*

**UNEMPLOYMENT RATE, 2005-2015**

Region 3 has consistently reported higher unemployment rates than Minnesota, typically hovering at least 1.0 percent above the state rate. According to [Local Area Unemployment Statistics](#), the region’s unemployment rate reached its peak in 2009 at 9.3 percent, then steadily declined to an annual rate of 5.4 percent in 2014 (see Figure 5).

The region contains some of the highest county unemployment rates in the state, with Koochiching County and Itasca County reporting annual unemployment rates of 8.4 percent and 6.4 percent in 2014, respectively.

**Figure 5. Unemployment Rates, 2005-2015**





**COMMUTE SHED AND LABOR SHED, 2013**

According to commuting data from the [U.S. Census Bureau](#), the vast majority – about 80 percent – of workers who live in the region also work within the region. However, Region 3 is a net importer of labor, having slightly more jobs than available workers; drawing in workers from surrounding counties but also having residents drive outside the region to find work. In sum, 119,372 workers both lived and worked in the 7-county region, while another 29,939 workers drove into the region for work, compared to 28,830 who live in the region but drove to surrounding counties for work (see Table 5 and Figure 6).

	2013	
	Count	Share
Employed in the Selection Area	149,311	100.0%
Employed in the Selection Area but Living Outside	29,939	20.1%
Employed and Living in the Selection Area	119,372	79.9%
Living in the Selection Area	148,202	100.0%
Living in the Selection Area but Employed Outside	28,830	19.5%
Living and Employed in the Selection Area	119,372	80.5%

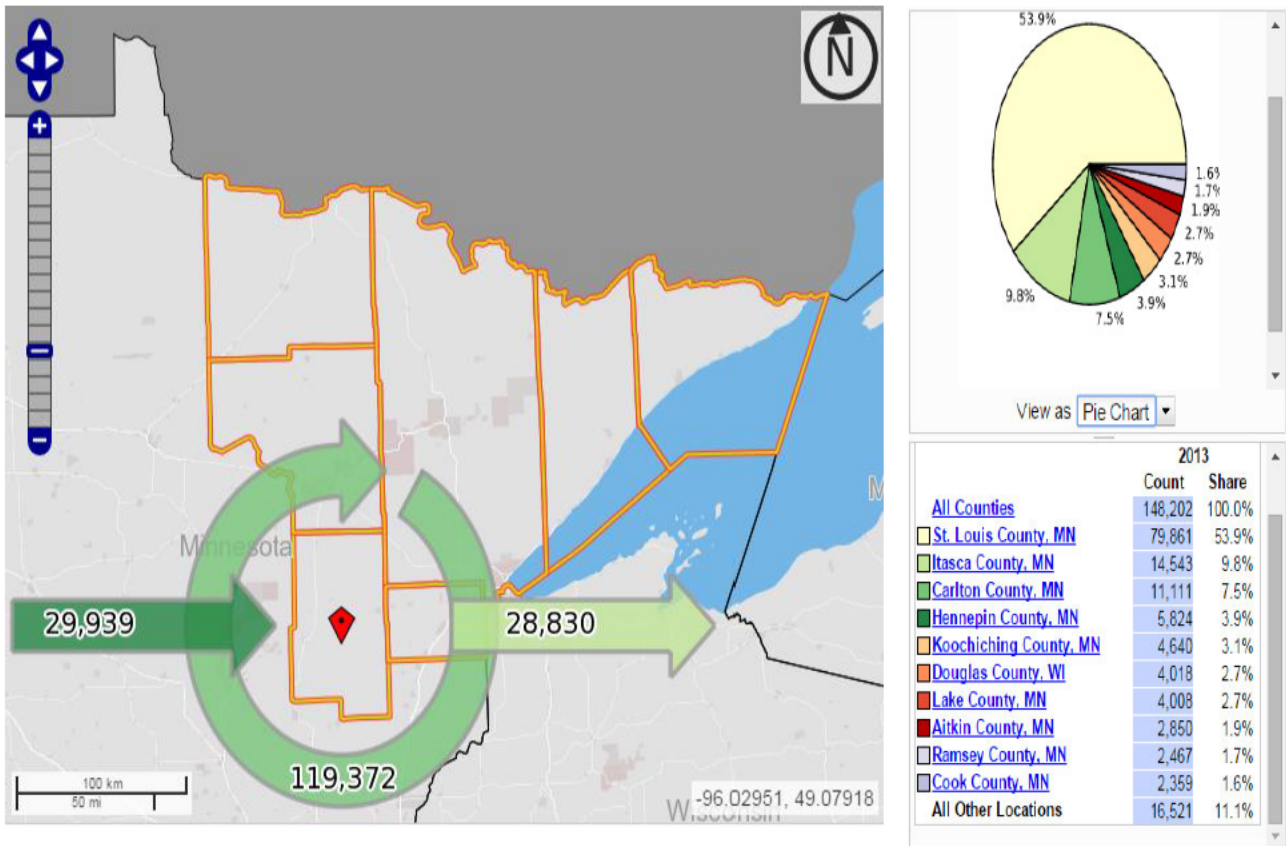
*Source: U.S. Census Bureau, OnTheMap*

St. Louis County is the largest employment center in the region and was the biggest draw for workers, followed by Itasca, Carlton, Koochiching, Lake, and Cook counties. Employers in the region draw workers from Douglas County in Wisconsin as well as Pine County to the south of the region. In contrast, the region sends workers to the Twin Cities, represented by Hennepin and Ramsey County, as well as to Douglas County (see Table 6 and Figure 6).

Counties outside the region that send the most workers into the region	Counties outside the region that the most workers from inside the region travel to
Douglas Co. WI	Hennepin Co. MN
Hennepin Co. MN	Douglas Co. WI
Pine Co. MN	Ramsey Co. MN

*Source: U.S. Census Bureau, OnTheMap*

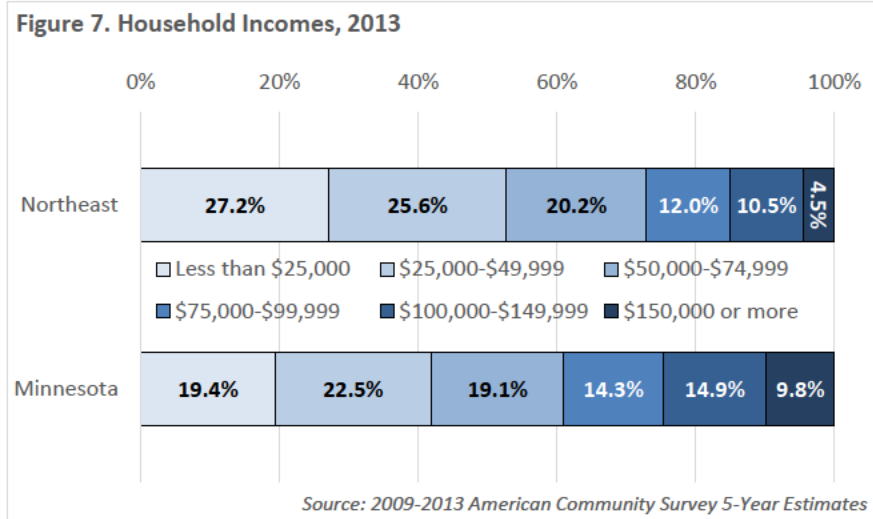
**Figure 6. Region 3 Labor and Commute Shed, 2013**



## INCOMES, WAGES AND OCCUPATIONS

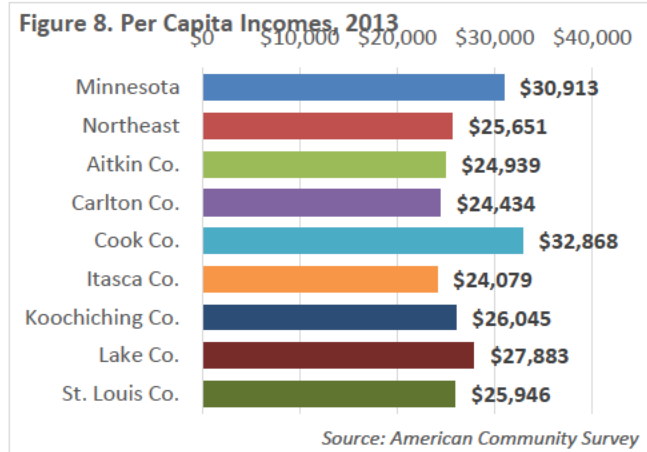
### HOUSEHOLD INCOMES

Household incomes were significantly lower in Region 3 than the rest of the state. Median household incomes in the region ranged from \$41,617 in Aitkin County to \$53,016 in Carlton County, with St. Louis County residing in the middle with a \$46,517 median household income. More than half (52.8%) of the households in the region had incomes below \$50,000 in 2013, compared to 42.4% statewide. About one-third of households earned between \$50,000 and \$100,000 in the region. In contrast, only 15.0 percent of households earned over \$100,000 per year, compared to nearly 25 percent of households statewide (see Figure 7).



### PER CAPITA INCOMES

Per capita incomes were also lower in the Northeast region than the state, with a more than \$5,000 difference. The region’s per capita income was \$25,651, compared to \$30,913 in the state. Per capita incomes ranged from a low of \$24,079 in Itasca County to a high of \$32,868 in Cook County (see Figure 8).



### COST OF LIVING

According to DEED’s [Cost of Living tool](#), the basic needs budget for an average Minnesota family (which consists of 2 adults and 1 child, with 1 full-time and 1 part-time worker) was \$50,988 in 2015.

The cost of living for a similar family in Northeast Minnesota was \$43,560 – which was the sixth lowest of the 13 EDRs in the state. The highest monthly costs were for transportation, food, and housing; but the region’s housing, child care, taxes, and transportation costs were significantly lower than the rest of the state (see Table 7).

In order to meet the basic cost of living for the region, the workers in the family scenario described would need to earn \$13.96 per hour.

**Table 7. Family Yearly Cost, Worker Hourly Wage, and Family Monthly Costs, 2015**

Region	Family Yearly Cost of Living	Hourly Wage Required	Monthly Costs						
			Child Care	Food	Health Care	Housing	Transportation	Other	Taxes
Region 3	\$43,560	\$13.96	\$245	\$758	\$393	\$764	\$968	\$213	\$289
Minnesota	\$50,988	\$16.34	\$443	\$772	\$405	\$907	\$1,039	\$235	\$448

Source: [DEED Cost of Living tool](#)

## WAGES AND OCCUPATIONS

According to DEED's [Occupational Employment Statistics](#) program, the median hourly wage for all occupations in Region 3 was \$16.58 in the first quarter of 2015, which was in the middle of the six planning regions in the state. Northeast's median wage was about \$2.00 below the state's median hourly wage, and nearly \$4.00 below the median hourly wage in the 7-County Twin Cities metro area, which would amount to over \$8,000 per year for a full-time worker (see Table 8).

Lower paying jobs tend to have lower educational and training requirements such as food preparation, sales, personal care and service, and building and grounds cleaning and maintenance jobs. For the most part, the gap in pay between the region and the state is much lower for these type of jobs. For those occupations that have higher wages, the gap in pay is more pronounced. Computer and mathematical occupations make on average about \$8.00 less in Northeast than they do statewide. In contrast, construction and extraction occupations make on average slightly more in the Northeast region than they do statewide (see Table 9).

	Median Hourly Wage	Estimated Regional Employment
EDR 1 - Northwest	\$16.39	36,130
EDR 2 - Headwaters	\$15.77	27,330
<b>EDR 3 - Arrowhead</b>	<b>\$16.58</b>	<b>141,800</b>
EDR 4 - West Central	\$15.66	83,540
EDR 5 - North Central	\$14.37	56,050
EDR 6E - Southwest Central	\$16.42	46,490
EDR 6W - Upper MN Valley	\$15.34	18,380
EDR 7E - East Central	\$16.43	44,580
EDR 7W - Central	\$16.80	172,200
EDR 8 - Southwest	\$14.79	53,380
EDR 9 - South Central	\$15.99	105,260
EDR 10 - Southeast	\$17.74	253,990
EDR 11 - 7-County Twin Cities	\$20.49	1,691,650
<b>State of Minnesota</b>	<b>\$18.65</b>	<b>2,730,020</b>

Source: [DEED Occupational Employment Statistics](#)

**Table 9. Region 3 Occupational Employment Statistics, 1<sup>st</sup> Qtr. 2015**

	Region 3				State of Minnesota		
	Median Hourly Wage	Estimated Regional Employment	Share of Total Employment	Location Quotient	Median Hourly Wage	Estimated Regional Employment	Share of Total Employment
<b>Total, All Occupations</b>	<b>\$16.58</b>	<b>141,800</b>	<b>100.0%</b>	<b>1.0</b>	<b>\$18.65</b>	<b>2,730,020</b>	<b>100.0%</b>
Office & Administrative Support	\$15.22	20,860	14.7%	1.0	\$17.27	409,100	15.0%
Food Preparation & Serving	\$9.07	13,920	9.8%	1.2	\$9.21	228,640	8.4%
Sales & Related	\$10.70	13,800	9.7%	1.0	\$13.24	270,540	9.9%
Healthcare Practitioners & Technical	\$28.05	10,610	7.5%	1.3	\$31.54	160,390	5.9%
Education, Training, & Library	\$21.04	8,190	5.8%	1.0	\$22.72	156,090	5.7%
Transportation	\$15.58	7,960	5.6%	0.9	\$16.18	167,130	6.1%
Production	\$19.46	7,530	5.3%	0.7	\$16.61	217,830	8.0%
Installation, Maintenance, & Repair	\$22.71	7,060	5.0%	1.4	\$21.52	94,310	3.5%
Personal Care & Service	\$10.69	6,810	4.8%	1.1	\$11.11	120,000	4.4%
Management	\$36.68	6,590	4.7%	0.8	\$47.47	165,730	6.1%
Construction & Extraction	\$25.65	6,360	4.5%	1.3	\$24.88	91,240	3.3%
Healthcare Support	\$12.56	6,060	4.3%	1.3	\$13.63	89,360	3.3%
Building & Grounds Cleaning	\$10.83	5,320	3.8%	1.3	\$12.03	81,560	3.0%
Business & Financial Operations	\$25.87	5,050	3.6%	0.6	\$30.37	159,970	5.9%
Community & Social Service	\$18.35	4,440	3.1%	1.7	\$20.51	49,210	1.8%
Protective Service	\$19.36	2,900	2.1%	1.3	\$19.43	43,660	1.6%
Architecture & Engineering	\$32.12	2,170	1.5%	0.8	\$34.76	50,980	1.9%
Computer & Mathematical	\$30.19	2,160	1.5%	0.5	\$37.96	91,560	3.4%
Life, Physical, & Social Science	\$26.86	1,870	1.3%	1.5	\$30.29	24,410	0.9%
Arts, Design, Entertainment & Media	\$17.37	1,300	0.9%	0.7	\$21.82	36,430	1.3%
Legal	\$32.34	570	0.4%	0.6	\$38.48	18,330	0.7%
Farming, Fishing, & Forestry	\$17.73	290	0.2%	1.6	\$14.41	3,570	0.1%

Source: [DEED Occupational Employment Statistics, Qtr. 1 2015](#)

The highest paying jobs in the region are found in management, legal, architecture and engineering, computer, business and financial operations, healthcare practitioners, and life, physical, and social science occupations, which all need higher levels of education and experience, including many that require postsecondary training. The pay gaps between the region and state are much bigger in these occupations.

### JOB VACANCY SURVEY

Employers in Region 3 reported 6,213 job vacancies in the second quarter of 2015, which was the third highest number ever recorded, and a 16 percent increase compared to 2014. Overall, 40 percent of the openings were part-time, and about one-third required postsecondary education or 1 or more years of experience. The median hourly wage offer was \$11.53 (see Table 10).

**Table 10. Region 3 Job Vacancy Survey Results, 2<sup>nd</sup> Qtr. 2015**

	Number of Total Vacancies	Percent Part-time	Requiring Post-Secondary Education	Requiring 1 or More Years of Experience	Requiring Certificate or License	Median Hourly Wage Offer
<b>Total, All Occupations</b>	<b>6,213</b>	<b>40%</b>	<b>35%</b>	<b>31%</b>	<b>35%</b>	<b>\$11.53</b>
Healthcare Practitioners & Technical	1,005	18%	99%	38%	98%	\$13.37
Personal Care & Service	990	27%	8%	22%	20%	\$9.72
Building & Grounds Cleaning & Maint.	671	73%	0%	3%	1%	\$9.05
Food Preparation & Serving Related	622	62%	3%	34%	4%	\$9.17
Office & Administrative Support	401	41%	16%	41%	3%	\$11.12
Healthcare Support	373	66%	39%	7%	52%	\$11.23
Sales & Related	320	65%	4%	18%	0%	\$10.18
Education, Training, & Library	304	18%	66%	29%	30%	\$15.38
Transportation & Material Moving	292	24%	30%	65%	82%	\$16.27
Installation, Maintenance, & Repair	272	5%	47%	46%	36%	\$14.04
Arts, Design, Entertainment, & Media	262	96%	50%	4%	8%	\$13.53
Business & Financial Operations	165	2%	86%	90%	49%	\$28.81
Community & Social Service	134	80%	20%	55%	26%	\$13.83
Production	116	5%	14%	13%	2%	\$12.06
Life, Physical, & Social Science	58	0%	83%	92%	100%	\$24.34
Construction & Extraction	53	0%	0%	35%	35%	\$13.37
Architecture & Engineering	52	0%	92%	90%	72%	\$26.57
Management	49	10%	59%	83%	29%	\$25.76
Protective Service	43	58%	23%	29%	52%	\$9.82
Computer & Mathematical	27	4%	58%	89%	5%	\$19.55

Source: [DEED Job Vacancy Survey, 2<sup>nd</sup> Qtr. 2015](#)

### OCCUPATIONS IN DEMAND

According to DEED's [Occupations in Demand](#) tool, about 250 occupations are showing relatively high demand in Region 3, with training and education requirements ranging from short-term on-the-job training to postsecondary education to advanced degrees.

The in-demand occupations are spread across different sectors but are also concentrated in the region's major industries, especially in health care. Home Health Aides, Registered Nurses, Medical Assistants, Surgical Technologists, Physicians, and Pharmacists are occupations that are needed in the health care field and span education requirements. Construction, retail trade, and accommodation and food services are also industries that are creating significant demand for workers in the region (see Table 11).

**Table 11. Region 3 Occupations in Demand by Education Level, 2014**

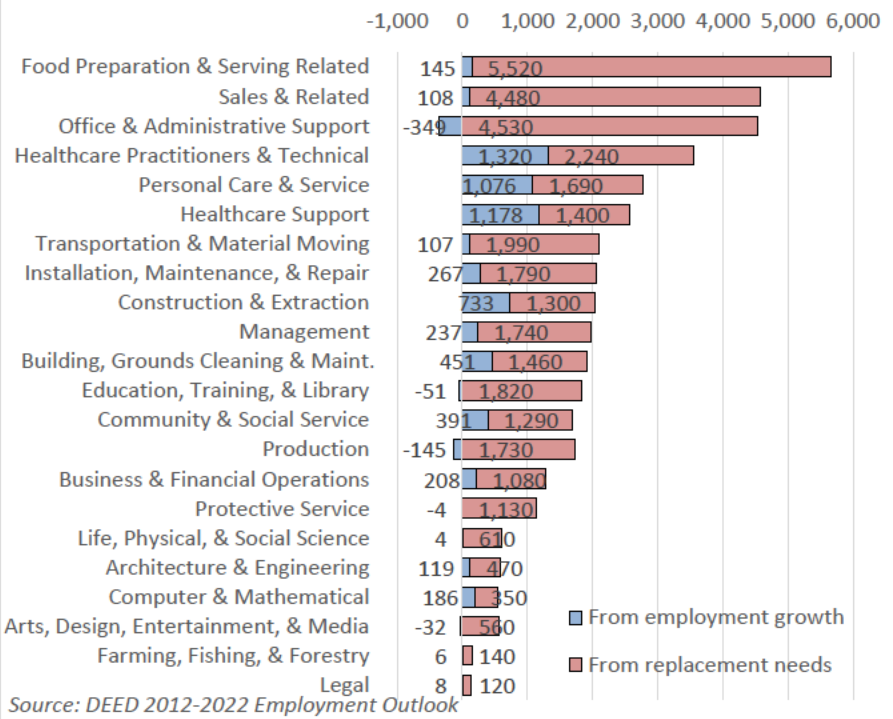
Less than High School	High School or Equivalent	Some College or Assoc. Degree	Bachelor's Degree or Higher
Retail Salespersons (\$21,143)	Social & Human Service Assistants (\$30,158)	Registered Nurses (\$65,127)	Physicians & Surgeons, All Other (\$199,111)
Combined Food Preparation & Serving Workers (\$18,109)	Customer Service Representatives (\$30,584)	Nursing Assistants (\$26,610)	Nurse Practitioners (\$104,383)
Cashiers (\$19,384)	Maintenance & Repair Workers, General (\$33,044)	Heavy & Tractor-Trailer Truck Drivers (\$38,115)	Mechanical Engineers (\$71,248)
Home Health Aides (\$22,755)	Office Clerks, General (\$28,971)	Hairdressers, Hairstylists, & Cosmetologists (\$22,423)	Network & Computer Systems Admin. (\$64,674)
Personal Care Aides (\$22,166)	Hotel, Motel, & Resort Desk Clerks (\$19,394)	Licensed Practical & Licensed Vocational Nurses (\$39,186)	Accountants & Auditors (\$57,362)
Laborers & Freight, Stock, & Material Movers (\$22,728)	Bookkeeping, Accounting, and Auditing Clerks (\$33,755)	Emergency Medical Techs. & Paramedics (\$30,080)	Financial Managers (\$96,113)
Stock Clerks & Order Fillers (\$21,715)	Tellers (\$23,402)	First-Line Supervisors of Production (\$59,331)	Secondary School Teachers (\$54,299)
Janitors & Cleaners, (\$24,214)	Industrial Machinery Mechanics (\$65,695)	Medical Assistants (\$34,096)	Marketing Managers (\$77,673)
Maids and Housekeeping Cleaners (\$19,756)	Welders, Cutters, Solderers, & Brazers (\$42,172)	Surgical Technologists (\$49,453)	Pharmacists (\$131,505)
Industrial Truck & Tractor Operators (\$37,200)	Automotive Service Technicians (\$34,876)	Computer User Support Specialists (\$43,026)	Social & Community Service Managers (\$58,678)

Source: [DEED Occupations in Demand](#)

**EMPLOYMENT PROJECTIONS**

The Northeast Minnesota planning region is projected to grow 3.8 percent from 2012 to 2022, a gain of 5,963 new jobs. In addition, the region is also expected to need 45,000 replacement hires to fill jobs left vacant by retirements and other career changes. In fact, the number of replacement openings is expected to dwarf the number of new jobs created in every occupation group except Healthcare Practitioners, Healthcare Support, and Personal Care and Service, which are all projected to grow more than an additional 1,000 jobs each. Each of those occupational groups will have replacement needs as well, indicating the strong demand for these occupations in the region. The largest need for workers will be in food prep and serving, sales, and office and administrative support (See Figure 9).

**Figure 9. Northeast Minnesota Employment Projections, 2012-2022**

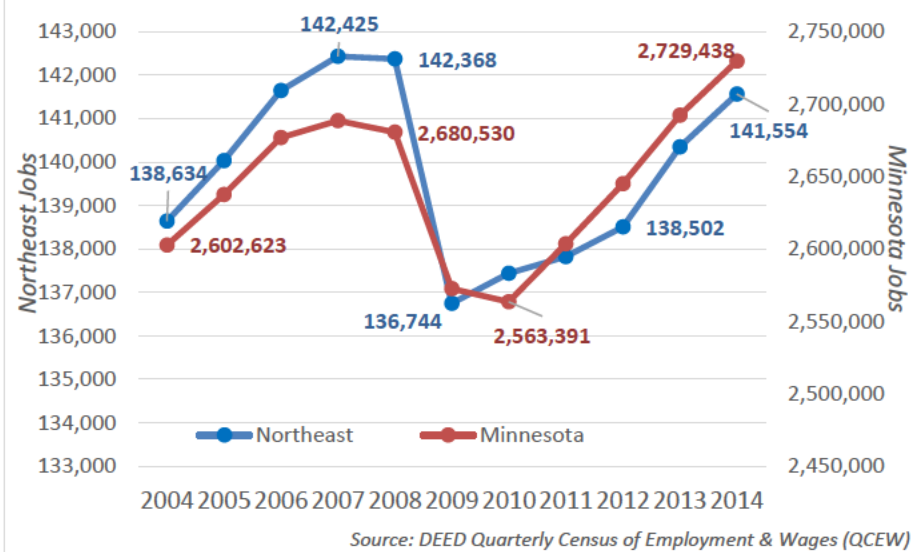


## ECONOMY

### INDUSTRY EMPLOYMENT

Region 3 has seen several employment ups and downs over the past decade, but ended 2014 with 2,920 more jobs than it had in 2004. The region peaked in employment with 142,425 jobs in 2007, before suffering severe declines in 2009 and 2010. Since then, Northeast Minnesota has recovered more slowly than the state, which gained jobs at a 6.5 percent clip from 2010 to 2014, compared to a 3.0 percent increase in the region (see Figure 10).

Figure 10. Industry Employment Change, 2004-2014



According to DEED’s [Quarterly Census of Employment & Wages \(QCEW\) program](#), Region 3 was home to 8,638 business establishments providing 141,554 covered jobs through 2014, with a total payroll of just over \$5.7 billion. That was about 5.2 percent of total employment in the state of Minnesota. Average annual wages were \$40,508 in the region, which was about \$11,000 lower than the state’s average annual wage (see Table 12).

Geography	Number of Firms	Number of Jobs	Total Payroll	Average Annual Wage	2010-2014		2013-2014	
					Change in Jobs	Percent Change	Change in Jobs	Percent Change
<b>Region 3 - Northeast</b>	<b>8,638</b>	<b>141,554</b>	<b>\$5,734,434,954</b>	<b>\$40,508</b>	<b>+4,116</b>	<b>+3.0%</b>	<b>+1,208</b>	<b>+0.9%</b>
Aitkin Co.	438	3,734	\$117,276,535	\$31,408	-62	-1.6%	+49	+1.3%
Carlton Co.	747	13,669	\$541,546,787	\$39,572	+971	+7.6%	+309	+2.3%
Cook Co.	297	2,790	\$81,680,248	\$29,380	+115	+4.3%	+7	+0.3%
Itasca Co.	1,183	15,980	\$611,797,479	\$38,272	+424	+2.7%	+312	+2.0%
Koochiching Co.	417	4,767	\$177,308,956	\$37,180	-386	-7.5%	-236	-4.7%
Lake Co.	313	4,311	\$178,028,617	\$41,340	+160	+3.9%	+23	+0.5%
St. Louis Co.	5,243	96,302	\$4,026,796,332	\$41,808	+2,895	+3.1%	+745	+0.8%
<b>State of Minnesota</b>	<b>164,409</b>	<b>2,729,438</b>	<b>\$140,857,248,755</b>	<b>\$51,584</b>	<b>+166,047</b>	<b>+6.5%</b>	<b>+37,321</b>	<b>+1.4%</b>

Source: DEED Quarterly Census of Employment & Wages (QCEW)

St. Louis County is the largest employment center in the region with 96,302 jobs at 5,243 firms; followed by Itasca County and Carlton County with 15,980 and 13,669 jobs, respectively. Five of the 7 counties in the region added jobs since 2010, led by St. Louis, which gained 2,895 jobs and Carlton County, which added 971 jobs. In contrast, Aitkin and Koochiching County saw job declines since 2010.

Region 3 gained over 1,200 net new jobs in the past year, a 0.9 percent increase, which was slightly slower than the state overall. Six of the 7 counties added jobs from 2013 to 2014, again led by St. Louis County, and followed by Itasca and Carlton County (see Table 12).

With 32,805 jobs at 874 firms, health care and social assistance is the largest employing industry in Northeast region, accounting for 23.2 percent of total jobs in the region. That is over 7 percent higher than the state's concentration of employment in the healthcare industry. The amount of jobs in this industry held stable recently, with only 150 jobs added since 2010 and about 30 jobs in the previous year. At \$43,680 in 2014, average annual wages were about \$3,000 higher in healthcare than all industries.

The next largest industries were retail trade and accommodation and food services. After seeing job gains in the past 5 years, these two industries made up nearly 23 percent of all the jobs in the region. However, the average annual wages were low in these industries, with retail trade at \$23,348 and accommodation and food services at \$13,884, which were both considerably less than the average annual wage of \$40,508 for all industries in the region.

The construction and mining industries saw strong gains from 2010 to 2014 as they both grew by nearly 20 percent, and combined to add 1,800 jobs in the region. Wages are high in these industries, with annual average wages of \$57,392 and \$90,012 respectively. However, recent events have affected employment in the mining sector in Northeast Minnesota, as many mining workers have been idled.

Other important industries in Region 3 include educational services, public administration, manufacturing, finance and insurance, other services, professional and technical services, and administrative support and waste management services. Seventeen of the 20 main industries in the region added jobs since 2010, with huge gains in construction, mining, professional and technical services, other services, retail trade, and transportation and warehousing. In contrast, the region saw job declines in management of companies and arts, entertainment, and recreation (see Table 13).

NAICS Industry Title	2014 Annual Data				Avg. Annual Wage	2010-2014		2013-2014	
	Number of Firms	Number of Jobs	Percent of Jobs	Total Payroll		Change in Jobs	Percent Change	Change in Jobs	Percent Change
<b>Total, All Industries</b>	<b>8,638</b>	<b>141,554</b>	<b>100.0%</b>	<b>\$5,734,434,954</b>	<b>\$40,508</b>	<b>+4,116</b>	<b>+3.0%</b>	<b>+1,208</b>	<b>+0.9%</b>
Health Care & Social Assistance	874	32,805	23.2%	\$1,433,908,775	\$43,680	+156	+0.5%	+28	+0.1%
Retail Trade	1,378	17,632	12.5%	\$411,927,446	\$23,348	+355	+2.1%	+65	+0.4%
Accommodation & Food Services	924	14,411	10.2%	\$201,034,976	\$13,884	+22	+1.6%	+26	+0.2%
Educational Services	264	11,803	8.3%	\$493,375,488	\$41,964	+134	+1.1%	+145	+1.2%
Public Administration	331	10,644	7.5%	\$504,202,121	\$47,372	+38	+0.4%	+29	+0.3%
Manufacturing	342	8,511	6.0%	\$479,299,599	\$56,316	+212	+2.6%	-387	-4.3%
Construction	952	6,674	4.7%	\$365,555,362	\$54,392	+1,058	+18.8%	+614	+10.1%
Finance & Insurance	437	4,861	3.4%	\$216,519,102	\$44,512	+162	+3.4%	+37	+0.8%
Other Services	783	4,770	3.3%	\$118,412,414	\$24,804	+423	+9.7%	+131	+2.8%
Mining	30	4,590	3.2%	\$413,321,170	\$90,012	+765	+20.0%	+92	+2.0%
Professional & Technical Svcs.	551	4,177	3.0%	\$252,342,643	\$60,320	+425	+11.3%	+155	+3.9%
Admin. Support & Waste Mgmt.	304	4,105	2.9%	\$103,463,096	\$25,168	+126	+3.2%	+160	+4.1%
Arts, Entertainment & Recreation	240	3,672	2.6%	\$79,082,159	\$21,528	-81	-2.2%	-4	-0.1%
Transportation & Warehousing	322	3,668	2.6%	\$163,921,908	\$44,668	+321	+9.6%	+94	+2.6%
Wholesale Trade	275	3,119	2.2%	\$156,746,139	\$50,232	+116	+3.9%	+38	+1.2%
Utilities	55	1,752	1.2%	\$154,522,424	\$88,192	+97	+5.9%	+40	+2.3%
Information	146	1,647	1.2%	\$71,032,937	\$43,108	N/A	N/A	-97	-5.6%
Real Estate, Rental & Leasing	266	1,240	0.9%	\$33,045,739	\$26,624	+33	+2.7%	-23	-1.8%
Management of Companies	38	863	0.6%	\$59,735,500	\$69,212	-142	-14.1%	+43	+5.2%
Agriculture, Forestry, Fish & Hunt	127	606	0.4%	\$22,985,956	\$37,492	0	0.0%	+20	+3.4%

Source: [DEED Quarterly Census of Employment & Wages \(QCEW\)](#)

## DISTINGUISHING INDUSTRIES

Region 3 stands out in the state for its higher concentrations of employment in mining and natural resources, and as measured by location quotient, its distinguishing industries reflect these particular industries. The region has more than 70 percent of the state's jobs in water transportation and mining. With trees as a natural resource in the region, forestry and logging and paper manufacturing are also distinguishing industries with location quotients above 4.0 (see Table 14).

NAICS Industry Title	NAICS Code	Number of Firms	Number of Jobs	Total Payroll	Avg. Annual Wages	Location Quotient
<b>Total, All Industries</b>	<b>0</b>	<b>8,638</b>	<b>141,554</b>	<b>\$5,734,434,954</b>	<b>\$40,508</b>	<b>1.0</b>
Water Transportation	483	7	249	\$23,853,639	\$95,628	14.9
Mining (except Oil & Gas)	212	24	4,492	\$407,905,371	\$90,792	14.0
Support Activities for Mining	213	6	97	\$5,415,799	\$55,796	11.3
Forestry & Logging	113	96	457	\$18,567,201	\$39,676	9.3
Paper Manufacturing	322	9	2,077	\$159,817,171	\$76,908	4.2
Apparel Manufacturing	315	3	140	\$3,348,027	\$23,868	3.9
Fishing, Hunting & Trapping	114	4	21	\$778,230	\$37,856	2.9
Electric Power Generation & Transmission	2211	42	1,695	\$151,178,603	\$89,232	2.7
National Security & International Affairs	928	5	319	\$20,041,842	\$62,868	2.7
Administration of Environmental Quality	924	70	1,131	\$65,175,406	\$57,668	2.7

Source: [DEED Quarterly Census of Employment & Wages \(QCEW\)](#)

## INDUSTRY PROJECTIONS

As noted above, Northeast Minnesota's economy is projected to grow 3.8 percent from 2012 to 2022, a gain of 5,963 new jobs.

The largest and fastest growing industry is expected to be health care and social assistance, which may account for over 80 percent of total projected growth in the region from 2012 to 2022. Other industries that are expected to grow in Northeast Minnesota include retail trade, accommodation and food services, construction, mining, professional and technical services, and administrative support and waste

management services, which includes temporary staffing agencies. In contrast, the region is expected to see declines in information, manufacturing, transportation and warehousing, utilities, wholesale trade, and other services (see Table 15).

Industry	Estimated Employment 2012	Projected Employment 2022	Percent Change 2012-2022	Numeric Change 2012-2022
<b>Total, All Industries</b>	<b>157,408</b>	<b>163,371</b>	<b>+3.8%</b>	<b>+5,963</b>
Health Care & Social Assistance	29,732	34,618	+16.4%	+4,886
Retail Trade	17,395	17,588	+1.1%	+193
Accommodation & Food Services	13,781	13,997	+1.6%	+216
Manufacturing	9,109	8,827	-3.1%	-282
Construction	5,627	6,391	+13.6%	+764
Other Services	6,446	6,344	-1.6%	-102
Mining	4,578	4,973	+8.6%	+395
Finance & Insurance	4,923	4,943	+0.4%	+20
Professional & Technical Services	3,764	4,157	+10.4%	+393
Admin. Support & Waste Mgmt.	3,575	3,816	+6.7%	+241
Arts, Entertainment, & Recreation	3,575	3,674	+2.8%	+99
Transportation & Warehousing	3,517	3,307	-6.0%	-210
Wholesale Trade	3,398	3,284	-3.4%	-114
Educational Services	2,134	2,147	+0.6%	+13
Agriculture, Forestry, Fish & Hunt	1,580	1,587	+0.4%	+7
Information	1,671	1,387	-17.0%	-284
Utilities	1,543	1,340	-13.2%	-203
Real Estate, Rental & Leasing	1,152	1,218	+5.7%	+66
Management of Companies	908	921	+1.4%	+13

Source: [DEED 2012-2022 Employment Outlook](#)



### EMPLOYERS BY SIZE CLASS

The vast majority of businesses in Region 3 are small businesses, with 51.0 percent of businesses reporting 1 to 4 employees in 2013, according to County Business Patterns from the U.S. Census Bureau. Another 35.6 percent had between 5 and 19 employees; and 11.2 percent had between 20 and 99 employees. Only 1.9 percent had 100 to 499 employees, though that was in line with the state. Just 15 businesses in the region had more than 500 employees, which is the Small Business Administration's official cut off for a "small business". Obviously then, small businesses are vital to the region's economy (see Table 16).

Number of Employees	Region 3		Minnesota
	Number of Firms	Percent of Firms	Percent of Firms
1-4	4,344	51.0%	54.2%
5-9	1,756	20.6%	17.7%
10-19	1,278	15.0%	13.4%
20-49	724	8.5%	8.9%
50-99	231	2.7%	3.2%
100-249	128	1.5%	1.9%
250-499	34	0.4%	0.5%
500-999	10	0.1%	0.2%
1,000 or more	5	0.1%	0.1%
<b>Total Firms</b>	<b>8,510</b>	<b>100.0%</b>	<b>100.0%</b>

Source: [U.S. Census, County Business Patterns](#)

### NONEMPLOYER ESTABLISHMENTS

Before growing, the basic building block of most small businesses is a self-employed business. Region 3 was home to 19,955 self-employed businesses or "nonemployers" in 2013, which are defined by the U.S. Census Bureau as "businesses without paid employees that are subject to federal income tax, originating from tax return information of the Internal Revenue Service (IRS)." These nonemployers generated sales receipts of \$742 million in 2013. Unlike covered employment, Northeast Minnesota has seen a small decrease in nonemployers over the past decade, with 5 of 7 counties seeing a decline and only Carlton and Cook County experiencing an increase in self-employment. In sum, the region lost 314 nonemployers from 2003 to 2013, a 1.5 percent decrease (see Table 17).

	2013		2003-2013	
	Number of Firms	Receipts (\$1,000s)	Change in Firms	Percent Change
<b>Region 3 - Northeast</b>	<b>19,955</b>	<b>\$741,743</b>	<b>-314</b>	<b>-1.5%</b>
Aitkin Co.	1,112	\$41,227	-129	-10.4%
Carlton Co.	1,994	\$72,971	+103	+5.4%
Cook Co.	782	\$27,557	+14	+1.8%
Itasca Co.	3,000	\$111,358	-196	-6.1%
Koochiching Co.	844	\$24,516	-20	-2.3%
Lake Co.	822	\$30,429	-36	-4.2%
St. Louis Co.	11,401	\$433,685	-50	-0.4%
<b>State of Minnesota</b>	<b>388,900</b>	<b>\$17,268,230</b>	<b>+40,173</b>	<b>+11.5%</b>

Source: [U.S. Census, Nonemployer Statistics program](#)

### CENSUS OF AGRICULTURE

Unlike other parts of Greater Minnesota, agriculture is not a key industry in Region 3, but there are 2,307 farms producing more than \$64 million in the market value of products sold in 2012 according to the U.S. Department of Agriculture. All of the counties in the planning region rank near the bottom in Minnesota in regards to the market value of products sold. However, the region experienced an increase in the market value of products sold since 2007 (see Table 18).

	Number of Farms	Market Value of Products Sold	State Rank	Change in Market Value, 2007-2012
<b>Region 3 - Northeast</b>	<b>2,307</b>	<b>\$64,660,000</b>		<b>+36.5%</b>
Aitkin Co.	471	\$15,729,000	81	+16.2%
Carlton Co.	501	\$10,961,000	83	+36.3%
Cook Co.	18	\$257,000	87	N/A
Itasca Co.	401	\$11,176,000	82	+50.6%
Koochiching Co.	187	\$9,089,000	84	+77.6%
Lake Co.	44	\$389,000	86	+45.3%
St. Louis Co.	685	\$17,059,000	80	+53.0%
<b>State of Minnesota</b>	<b>74,542</b>	<b>\$21,280,184,000</b>		<b>+61.5%</b>

Source: [2012 Census of Agriculture](#)



LORI SWANSON  
ATTORNEY GENERAL

# STATE OF MINNESOTA

OFFICE OF THE ATTORNEY GENERAL

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TELEPHONE: (651) 296-7575

December 21, 2015

Mr. Daniel Wolf, Executive Secretary  
Minnesota Public Utilities Commission  
121 Seventh Place East, Suite 350  
St. Paul, MN 55101-2147

**Re: *In the Matter of a Petition to Ensure Competitive Electric Rates for Energy-Intensive Trade-Exposed Customers***  
**Docket No. E015/M-15-984**

Dear Mr. Wolf:

Enclosed and e-filed in the above-referenced matter please find *the Comments of the Office of the Attorney General—Residential Utilities and Antitrust Division* (“OAG”). As the Commission requested in its November 19, 2015 Notice, the OAG has limited its comments to the utility’s proposed EITE rate and rate schedule. While Minnesota Power and several EITE customers argue that the Commission must also rule on the company’s proposed cost-recovery mechanism within ninety days of the utility’s filing, this argument contradicts the text of Minnesota Statutes, section 216B.1696. Instead, the statute explicitly states that “the commission shall, upon a finding of net benefit to the utility or the state, approve *an EITE rate schedule and any corresponding EITE rate.*”<sup>1</sup> The statute further contemplates Commission approval of a cost recovery mechanism in a later proceeding—either in a rate case or in a rider between rate cases.<sup>2</sup> While the Commission may, as a matter of public policy, establish an expedited timeframe to review a utility’s cost-recovery proposal for its EITE rate, it is not required to do so. Minnesota Power and its EITE customers’ claim that the utility’s filing can modify the Commission’s statutory obligations, and require a ruling on a utility’s cost-recovery proposal within ninety days, is wrong and should be rejected.

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<sup>1</sup> Minn. Stat. § 216B.1696, subd. 2(b) (2015) (emphasis added).

<sup>2</sup> Minn. Stat. § 216B.1696, subd. 2(d) (2015).

Mr. Daniel Wolf, Executive Secretary

December 21, 2015

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By copy of this letter, all parties have been served. An Affidavit of Service is also enclosed.

Sincerely,

*s/ Ian Dobson*

IAN DOBSON

Assistant Attorney General

(651) 757-1432 (Voice)

(651) 296-9663 (Fax)

Enclosure

**AFFIDAVIT OF SERVICE**

**Re: *In the Matter of a Petition to Ensure Competitive Electric Rates for Energy-Intensive Trade-Exposed Customers***  
**Docket No. E015/M-15-984**

STATE OF MINNESOTA    )  
  ) ss.  
COUNTY OF RAMSEY    )

Judy Sigal hereby states that on December 21, 2015, I e-filed with eDockets the *Comments of the Office of the Attorney General—Residential Utilities and Antitrust Division* and served the same upon all parties listed on the attached service list by email, and/or United States Mail with postage prepaid, and deposited the same in a U.S. Post Office mail receptacle in the City of St. Paul, Minnesota.

*s/ Judy Sigal*  
Judy Sigal

Subscribed and sworn to before me  
this 21st day of December, 2015.

*s/ Ruth M. Busch*  
Notary Public

My Commission expires: January 31, 2020.

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Daryl	Maxwell	dmaxwell@hydro.mb.ca	Manitoba Hydro	360 Portage Ave FL 16 PO Box 815, Station Main Winnipeg, Manitoba R3C 2P4  Canada	Electronic Service	No	OFF_SL_15-984_Official Service List
Natalie	McIntire	natalie.mcintire@gmail.com	Wind on the Wires	570 Asbury St Ste 201  Saint Paul, MN 55104-1850	Electronic Service	No	OFF_SL_15-984_Official Service List
David	McMillan	dmcmillan@allete.com	Minnesota Power	30 W Superior St  Duluth, MN 55802	Electronic Service	Yes	OFF_SL_15-984_Official Service List
Angie	Miller	N/A	Community Action Duluth	2424 W. 5th St Suite 102 Duluth, MN 55806	Paper Service	No	OFF_SL_15-984_Official Service List
Herbert	Minke	hminke@allete.com	Minnesota Power	30 W Superior St  Duluth, MN 55802	Electronic Service	Yes	OFF_SL_15-984_Official Service List

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St  Duluth, MN 558022093	Electronic Service	Yes	OFF_SL_15-984_Official Service List
Andrew	Moratzka	apmoratzka@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_15-984_Official Service List
Richard L.	Morgan		Sappi Fine Paper North America	P.O. Box 511 2201 Avenue B Cloquet, MN 55720	Paper Service	No	OFF_SL_15-984_Official Service List
Don	Ness	dness@dulu hmn.gov	City of Duluth	411 W 1st St Rm 403  Duluth, MN 55802	Electronic Service	No	OFF_SL_15-984_Official Service List
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Michael	Noble	noble@fresh-energy.org	Fresh Energy	Hamm Bldg., Suite 220 408 St. Peter Street St. Paul, MN 55102	Electronic Service	No	OFF_SL_15-984_Official Service List
Rolf	Nordstrom	mordstrom@gpsid.net	Great Plains Institute	2801 21ST AVE S STE 220  Minneapolis, MN 55407-1229	Electronic Service	No	OFF_SL_15-984_Official Service List
Kate	O'Connell	kate.oconnell@state.mn.us	Department of Commerce	Suite 50085 Seventh Place East  St. Paul, MN 551012198	Electronic Service	No	OFF_SL_15-984_Official Service List
Catherine	Peterson	N/A	Duluth Community Action Program, Inc.	2424 W 5th St #102  Duluth, MN 55806	Paper Service	No	OFF_SL_15-984_Official Service List
Jennifer	Peterson	jjpeterson@mnpower.com	Minnesota Power	30 West Superior Street  Duluth, MN 55802	Electronic Service	No	OFF_SL_15-984_Official Service List

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Ralph	Riberich	rriberich@uss.com	United States Steel Corp	600 Grant St Ste 2028  Pittsburgh, PA 15219	Electronic Service	No	OFF_SL_15-984_Official Service List
Buddy	Robinson	buddy@citizensfed.org	Minnesota Citizens Federation NE	2110 W. 1st Street  Duluth, MN 55806	Electronic Service	No	OFF_SL_15-984_Official Service List
Santi	Romani	N/A	United Taconite	P O Box 180  Eveleth, MN 55734	Paper Service	No	OFF_SL_15-984_Official Service List
Susan	Romans	sromans@allete.com	Minnesota Power	30 West Superior Street Legal Dept Duluth, MN 55802	Electronic Service	No	OFF_SL_15-984_Official Service List
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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_15-984_Official Service List
Larry L.	Schedin	Larry@LLSResources.com	LLS Resources, LLC	12 S 6th St Ste 1137  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_15-984_Official Service List
William	Schmidt		USG Interiors, Inc.	35 Arch Street  Cloquet, MN 55720	Paper Service	No	OFF_SL_15-984_Official Service List

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Matthew J.	Schuerger P.E.	mjsreg@earthlink.net	Energy Systems Consulting Services, LLC	PO Box 16129 St. Paul, MN 55116	Electronic Service	No	OFF_SL_15-984_Official Service List
Robert H.	Schulte	rhs@schulteassociates.com	Schulte Associates LLC	1742 Patriot Rd Northfield, MN 55057	Electronic Service	No	OFF_SL_15-984_Official Service List
Britt	See Benes	britt@ci.aurora.mn.us	City of Aurora	16 W 2nd Ave N PO Box 160 Aurora, MN 55705	Electronic Service	No	OFF_SL_15-984_Official Service List
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Corbin	Smyth	csmyth@d.umn.edu	UMD Student Life	1208 Kirby Dr Duluth, MN 55812	Electronic Service	No	OFF_SL_15-984_Official Service List
Ron	Spangler, Jr.	rlspangler@otpc.com	Otter Tail Power Company	215 So. Cascade St. PO Box 496 Fergus Falls, MN 565380496	Electronic Service	No	OFF_SL_15-984_Official Service List
Richard	Staffon	rcstaffon@msn.com	W. J. McCabe Chapter, Izaak Walton League of America	1405 Lawrence Road Cloquet, Minnesota 55720	Electronic Service	No	OFF_SL_15-984_Official Service List
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Kevin	Walli	kwalli@fryberger.com	Fryberger, Buchanan, Smith & Frederick	380 St. Peter St Ste 710  St. Paul, MN 55102	Electronic Service	No	OFF_SL_15-984_Official Service List
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7 h Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_15-984_Official Service List
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