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PUBLIC DOCUMENT TRADE SECRET DATA EXCISED

February 10, 2014

VIA ELECTRONIC FILING

Dr. Burl W. Haar Executive Secretary Minnesota Public Utilities Commission 121 7th Place East, Suite 350 St. Paul, MN 55101-2147

Re: Minnesota Power's Petition for Approval of an Electric Service Agreement Between Magnetation, LLC and Minnesota Power Docket No. E015/M-14-____

Dear Dr. Haar:

Minnesota Power hereby electronically submits its Petition for Approval of an Electric Service Agreement Between Magnetation, LLC and Minnesota Power. An Affidavit of Service is included.

Please contact me at the number above if you have any questions regarding this filing.

Yours truly,

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David R. Moeller

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Attachments

c: Service List



STATEMENT REGARDING JUSTIFICATION FOR EXCISING TRADE SECRET INFORMATION

Pursuant to the Commission's revised Procedures for Handling Trade Secret and Privileged Data in furtherance of the intent of Minn. Stat. § 13.37 and Minn. Rule Part 7829.0500, Minnesota Power has designated portions of the attached Petition and exhibits thereto as Trade Secret.

The Petition describes the Electric Service Agreement between Minnesota Power and Magnetation LLC ("Magnetation"). The Agreement contains terms and conditions that are materially sensitive to Minnesota Power (due to the specific price and rate identification for electric service to this Large Light and Power customer) and contains Minnesota Power's unique methods, techniques and process for supplying electric service to Magnetation. The information regarding specific energy pricing methods and process Minnesota Power utilizes to provide its services, combined with the identification of levels of energy usage, is valuable commercial information to both Minnesota Power and Magnetation, and because of the intensely competitive marketplace Magnetation operates in, this information is also confidential and Trade Secret to Magnetation. Minnesota Power and Magnetation follow strict internal procedures to maintain the secrecy of this information in order to capitalize on the economic value of the information. Potential competitors of both parties would gain a commercial advantage if this information was publicly available, with severe competitive implications resulting.

Minnesota Power believes that this statement justifies why the information excised from the attached filing should remain a trade secret under Minn. Stat. § 13.37. Minnesota Power respectfully requests the opportunity to provide additional justification in the event of a challenge to the trade secret designation provided herein.

STATE OF MINNESOTA BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

In the Matter of a Petition for	
Approval of an Electric Service	PETITION FOR APPROVAL
Agreement Between Magnetation	
and Minnesota Power	Docket No. E015/M-14

SUMMARY OF FILING

This Petition seeks Minnesota Public Utilities Commission approval of an Electric Service Agreement ("Agreement") between Minnesota Power and Magnetation, LLC ("Magnetation") which provides for Magnetation's commitment to purchase its electric service requirements at its Plant 4 Facilities near Coleraine, Minnesota from Minnesota Power through at least 2025. The Agreement applies Minnesota Power's Large Power and Large Light and Power Service Schedules. The Petition describes the Agreement and summarizes the benefits to both parties.

STATE OF MINNESOTA BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

In the Matter of a Petition for Approval of an Electric Service Agreement Between Magnetation and Minnesota Power

PETITION FOR APPROVAL

Docket No. E015/M-14-____

I. INTRODUCTION

This Petition seeks Minnesota Public Utilities Commission ("Commission") approval of an Electric Service Agreement ("Agreement") between Minnesota Power and Magnetation, LLC ("Magnetation"), which provides for Magnetation's commitment to purchase its electric service requirements at its Plant 4 Facilities near Coleraine, Minnesota from Minnesota Power through at least 2025. The Agreement applies Minnesota Power's Large Light and Power Service Schedule ("LLP Schedule") during the Start-up Period and the Large Power ("LP Schedule") following completion of the Start-up Period.

Minnesota Power has filed a Petition for Approval of an Electric Service Agreement ("Agreement") between Magnetation and Minnesota Power dated January 27, 2014. As explained in Section III below, the Agreement also includes a commitment from Magnetation to purchase all its electric service requirements form Minnesota Power through at least 2025.

The Commission has previously approved a separate electric service agreement and subsequent amendment between Minnesota Power and Magnetation in Docket Nos. E015/M-11-823 and E015/M-13-93. This electric service agreement relates to Magnetation's Plant 2 Facilities near Taconite, Minnesota and is under the LLP Schedule.

The new Agreement related to Magnetation's Plant 4 Facilities relates to service near Coleraine, Minnesota and will produce nearly twice the taconite capacity (with corresponding higher electric usage) compared to Plant 2. This is also why this Agreement starts with Magnetation taking service under the LLP Schedule, but upon completion of the Start-up Period Magnetation will take service under the LP Schedule.

II. PROCEDURAL ISSUES

In compliance with Minn. Stat. § 216B.05 of the Minnesota Public Utilities Act and the Commission's rules promulgated thereunder, Minnesota Power files this Petition for Approval of the Agreement in Minnesota Power's tariff book in Volume II, Section VII thereunder "Contracts not on Standard Form." This means that upon Commission approval, Minnesota Power will submit a compliance filing to the Commission so that the modified Agreement will become part of Minnesota Power's tariff book. Minn. Stat. § 216B.05, subd. 2a requires that:

A contract for electric service entered into between a public utility and one of its customers, in which the public utility and the customer agree to customer-specific rates, terms, or service conditions not already contained in the approved schedules, tariffs, or rules of the utility, must be filed for approval by the commission pursuant to the commission's rules of practice. Contracts between public utilities and customers that are necessitated by specific statutes in this chapter must be filed for approval under those statutes and any rules adopted by the commission pursuant to those statutes.

For this Petition, the customer-specific terms and service conditions under the Amendment are spelled out in Section III.¹ Under the Commission's Rules of Practice and Procedure, filings that do not require a determination of a utility's revenue requirement constitute "miscellaneous tariff filings" under Minn. Rules 7829.1300, and the Commission has treated all of Minnesota Power's electric service agreements under the filing requirement, notice and comment provisions of this Rule. Additional information required by Minn. Rule 7829.1300 is provided below.

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¹ This Petition also intended to comply with the Commission's February 26, 2009 Order in Docket No. E015/M-08-1344.

A. General Filing Information

1. Summary of Filing (Minn. Rules 7829.1300, subp. 1)

A one-paragraph summary accompanied the Petition.

2. Service on Other Parties (Minn. Rules 7829.1300, subp. 2)

Pursuant to Minn. Stat. § 216.17, subd. 3 and Minn. Rules 7829.1300, subp. 2, Minnesota Power eFiles the Petition on the Department of Commerce – Division of Energy Resources and serves a copy on the Minnesota Office of the Attorney General – Antitrust and Utilities Division. A summary of the filing prepared in accordance with Minn. Rules 7829.1300, subp. 1 is being served on all parties on its Large Power Service list.

3. Name, Address and Telephone Number of Utility (Minn. Rules 7829.1300, subp. 4(A))

Minnesota Power 30 West Superior Street Duluth, MN 55802 (218) 722-2641

4. Name, Address and Telephone Number of Utility Attorney (Minn. Rules 7829.1300, subp. 4(B))

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5. Date of Filing and Date Proposed Rate Takes Effect (Minn. Rules 7829.1300, subp. 4(C))

The Petition is being filed on February 10, 2014. Minnesota Power requests that the Agreement be effective on the first day of the calendar month following receipt of a written Commission Order approving the Agreement as allowed under Minn. Stat. § 216B.16, subd. 1.

6. Statute Controlling Schedule for Processing the Filing (Minn. Rules 7829.1300, subp. 4(D))

This Petition is made in accordance with Minn. Stat. § 216B.05 and no statutorily imposed time frame for a Commission decision applies to this filing.

7. Utility Employee Responsible for Filing (Minn. Rules 7829.1300, subp. 4(E))

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8. Impact on Rates and Services (Minn. Rules 7829.1300, subp. 4(F))

The Petition in and of itself will have no effect on Minnesota Power's base rates.

9. Service List (Minn. Rules 7829.0700)

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B. Trade Secret Designation (Minn. Rule 7825.0500)

Pursuant to Minn. Stat. §§ 13.01 et seq. and Minn. Rule 7829.0500, Minnesota Power has designated portions of the Petition and the attached Exhibit as containing Trade Secret Information and these have been redacted as appropriate to reflect the Trade Secret nature of the documents. Trade Secret and Public copies of the Petition and Exhibit are being eFiled in accordance with the Commission's Rules and Minn. Stat. § 216.17, subd. 3. A statement regarding justification for excising Trade Secret information accompanies this Petition.

III. THE AGREEMENT

The Agreement contains several key provisions of benefit to Magnetation and Minnesota Power. First, and critically important to Minnesota Power and its other ratepayers, is Magnetation's agreement to purchase its electric service requirements for its Plant 4 Facility from Minnesota Power through at least 2025. Second, the Agreement provides Magnetation with start-up operating flexibility under the LLP Schedule as it develops another facility to recover iron ore from waste ore stockpiles in Northeastern

Minnesota, while providing Minnesota Power protection on transmission and distribution capital expenditures in the event the Plant 4 Facility project does not proceed. Finally, the Agreement assists Minnesota Power in growing a new customer segment (iron ore recovery) to its existing industrial customer base.

A. Paragraph 5 - All Electric Service Requirements

Paragraph 5 of the Agreement expressly provides that Magnetation will purchase all of the power and energy required to operate its Plant 4 Facilities from Minnesota Power. Minnesota Power estimates this will increase the Company's retail load by approximately [TRADE SECRET DATA EXCISED], depending on Magnetation's start-up commissioning and eventual full operational level. The LP and LLP Schedules do not have a provision related to all electric service requirements except that customers who take service under the applicable schedule must abide by any terms agreed to in an electric service agreement, subject to Commission approval.

B. Paragraph 2 - Initial Term Through At Least 2025

Paragraph 2 of the Agreement provides that the Agreement shall be for an initial term beginning the first day of the calendar month following Commission approval of this Agreement, without any prior right of termination through at least December 31, 2025. The Agreement benefits Minnesota Power and its ratepayers by assuring Minnesota Power that it will be entitled to provide Magnetation's electric service requirements at its Plant 4 Facility near Coleraine, Minnesota through at least December 31, 2025. The Agreement will continue after December 31, 2025 unless either Minnesota Power or Magnetation provide written at least four years in advance of a termination date. These terms are in line with the initial term and cancellation period under both the LLP Schedule and the LP Schedule.

C. Paragraph 3 - Start-Up Period Flexibility

Paragraph 3 of the Agreement provides Magnetation flexibility under the LLP Schedule, depending on load characteristics and size during the Start-Up Period. The Start-up Period continues until Magnetation achieves a minimum monthly measured demand of at least [TRADE SECRET DATA EXCISED]. Paragraph 4 of the Agreement provides that following completion of the Start-Up Period, Magnetation will take service under the LP Schedule and the minimum billing demand shall be [TRADE SECRET DATA EXCISED] or some greater amount as determined by the formula in the Adjustment Demand definition. The LLP Schedule and the LP Schedule do not address start-up periods.

D. <u>Paragraph 7 - Facility-Specific Provisions</u>

Paragraph 7 addresses special Service Conditions that apply to Minnesota Power's service for Magnetation's Plant 4 Facility. Under Paragraph 7(A), Minnesota Power is committing to pay for service extension costs in accordance with its Commission-approved Extension Rules which will be reflected in the Guaranteed Annual Revenue amount. In addition, Minnesota Power has submitted for the Commission's review a route permit application to facilitate transmission level service to Magnetation. This transmission line project is the Canisteo HVTL Project in Itasca County, Docket No. E015/TL-13-805 and was submitted under the alternative review process that by statute is a six-month process. See Minn. Stat. § 216E.04, subd. 7. The timing for getting the new transmission line in place is critical because Magnetation wants to begin commissioning the Plant 4 Facilities by August 2014 and have the plant in-service by December 2014.

Due to the long lead time to procure transmission and substation equipment, Magnetation agreed to provide an irrevocable letter of credit that will cover Minnesota Power's extension costs. The amount of the letter of credit shall be equal to [TRADE SECRET DATA EXCISED] from July 1, 2014, the initial issuance date, through

[TRADE SECRET DATA EXCISED]. The letter of credit may be waived if [TRADE SECRET DATA EXCISED]

Minnesota Power can draw upon 100% letter of credit if Magnetation does not achieve a minimum monthly measured demand of at least [TRADE SECRET DATA EXCISED] prior to the completion of the Start-Up Period. Upon completion of the Start-up Period, Magnetation is required to guarantee annual revenues in accordance with the schedule in Paragraph 7(B).

These facility specific provisions are consistent with the Company's Extension Rules and the Commission's approval of similar agreements for new customers, including PolyMet Mining (Docket No. E015/M-07-221) and Mesabi Nugget (Docket No. E015/M-07-1456) as well as the prior Magnetation electric service agreement in Docket Nos. E015/M-11-823 and E015/M-13-93. Therefore, the Agreement is not in conflict with Minnesota Power's tariffs.

IV. PUBLIC INTEREST

Minnesota Power's contractual arrangements with its LP and LLP customers have always created significant fixed cost recovery assurances upon which Minnesota Power and its ratepayers could depend. This Agreement continues and extends these fixed cost recovery assurances to a growing customer segment (iron ore recovery) while also providing Magnetation with competitive electric service and operational flexibility under the LLP and LP Schedules. In addition, Magnetation's take-or-pay commitments represent a new contribution toward fixed cost recovery on Minnesota Power's system.

When Magnetation's commitments are coupled with Magnetation's obligation to purchase its electric service needs from Minnesota Power through at least December 31, 2025, as provided in the Agreement, all of Minnesota Power's other ratepayers will find themselves in a better situation than they would otherwise be without this Agreement.

No one knows what events await Minnesota Power's other large power industrial customers who play such a critical role in Minnesota Power's financial well-being. As occurred just a few years ago, if Minnesota Power were to face the shutdown of any industrial customer, even on a temporary basis, the scenario for all customers would look bleaker without this Agreement and the corresponding revenue assurances it provides.

In addition to benefits to Minnesota Power and its other customers, the Agreement will benefit Magnetation in a variety of ways. It will stabilize Magnetation's production costs by keeping the cost of electric service competitive and by matching Magnetation's operational requirements, especially during the Start-up Period. The positive impacts that this Agreement will bring to all interested parties are significant and far-reaching. Minnesota Power and its ratepayers stand to benefit from the sweeping, long-term commitments that Magnetation has provided regarding its new electric service needs. In addition to the parties directly affected, this Agreement is supportive of the regional economy in that it is beneficial to a new major regional industrial operation and employer, especially around Coleraine, Minnesota.

The benefits mentioned in the preceding paragraphs will be realized without any changes to rates provided in Minnesota Power's approved tariffs. The terms of this Agreement are appropriate given Minnesota Power's and Magnetation's needs and unique circumstances. In accordance with the requirements of Minn. Stat. §§ 216B.03, .06, and .07, Minnesota Power has always applied the LLP Schedule and the service agreements it enters into thereunder in a fair and equitable manner between and among eligible LLP customers. Minnesota Power intends to continue this practice by making similar terms and conditions available to eligible LLP customers who make similar commitments to Minnesota Power. Accordingly, the Agreement meets the public interest requirements of the Minnesota Public Utilities Act.

V. CONCLUSION

Minnesota Power and Magnetation have reached agreement on a mutually beneficial contractual arrangement that provides Minnesota Power and its ratepayers with considerable revenue stability and provides Magnetation with competitive electric rates and operational flexibility for its Plant 4 Facility. For all of the reasons set forth in this Petition, Minnesota Power respectfully requests that the Commission issue an Order approving this Petition and the Agreement.

Dated: February 10, 2014 Respectfully submitted,

David R. Moeller

Senior Attorney
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ELECTRIC SERVICE AGREEMENT BETWEEN MAGNETATION LLC AND MINNESOTA POWER

	THIS	AGREEMENT,	entered	into	this		day	of		2014	4 betw	veen
MAG	NETATI	ON LLC ("Custo	mer''), an	nd MI	NNES	SOTA	POW	ER	("Company"),	such p	oarties	also
being l	nereinaf	ter referred to indiv	idually a	s "Par	ty" or	collec	tively	as "	Parties."			

WHEREAS, Customer is in the process of locating and constructing a processing plant and related mining infrastructure to develop iron ore concentrate facilities for recovering and producing iron ore concentrates from waste ore stockpiles near Coleraine, Minnesota ("Plant 4 Facilities"); and

WHEREAS, Customer is in the process of modifying and expanding its existing Jesse Loadout Facilities infrastructure to increase its loadout capacity; and to accommodate Plant 4 operations; and

WHEREAS, the Parties desire to enter into a single Electric Service Agreement ("Agreement") to govern electric service at the Customer's Plant 4 Facilities and Jesse Loadout Facilities, as defined herein, during the Start-up Period and full commercial operation.

NOW THEREFORE, in consideration of these premises and of the mutual agreements made herein, the Parties hereby enter into this Agreement as follows:

1. **DEFINITIONS**

Definitions of terms to be used throughout this Agreement are as follows:

(A) Adjusted Demand shall mean the measured demand adjusted for power factor as defined in the applicable rate schedule.

- (B) Billing Demand shall be the Adjusted Demand for all billing months in the Start-up Period and shall be the greater of the Minimum Billing Demand or the Contract Demand in each billing month following completion of the Start-up Period.
- **(C) Commission** shall mean the Minnesota Public Utilities Commission or its successor organization.
- (D) Contract Demand shall be the kW established in Paragraph 4 and shall be synonymous with Firm Power Billing Demand for purposes of applying the Large Power Service Schedule.
- (E) **Department** shall mean the Minnesota Department of Commerce Division of Energy Resources or its successor organization.
- **Energy** shall mean the electric consumption requirement measured in kilowatt-hours ("kWh").
- (G) Incremental Production Service shall mean service provided under the Rider for Large Power Incremental Production Service as set forth therein and in Paragraph 3(C). The Rider for Large Power Incremental Production Service shall mean the Rider approved by the Commission on February 4, 1999 in Docket No E-015/M-98-1414 or any superseding rider on another applicable tariff or schedule.
- **(H) IPST** shall mean the Incremental Production Service Threshold as defined in the Rider for Large Power Incremental Production Service and Paragraph 3(C).
- (I) Jesse Load Out Facilities shall mean all current and any future facilities owned in part or in whole by Customer located near Coleraine, Minnesota; including but not limited to the rail load out and material handling facilities, pumping facilities, vacuum pumps and filtering machinery; along with all appurtenant facilities.

- **(J) kW-Day** shall have the meaning provided in Paragraph 3(E).
- (K) Large Light & Power Service Schedule ("LLP Schedule") shall mean Company's Large Light and Power Service Schedule as approved by the Commission in Docket No. E-015/GR-94-001 or any superseding schedule, applicable tariff or rider.
- (L) Large Power Schedule ("LP Schedule") shall mean Company's Large Power Service Schedule as approved by the Commission in Docket No. E-015/M-95-596 or any superseding schedule, applicable tariff or rider.
- (M) Main Plant shall be the portion of the plant including the majority of equipment including but not limited to ball mills, Rev3 separators, flotation equipment, dewatering equipment, slurry pumps, and conveyors where feed material is converted into iron ore concentrate.
- (N) Measured Demand shall be the kW measured during the 15-minute period of customer's greatest use during the month, as summed from all Points of Delivery.
- (O) Minimum Billing Demand shall be the quantity of Power that Customer must purchase pursuant to Paragraph 4.
- (P) Nomination Period shall mean the four-month periods beginning May 1, September 1, and January 1.
 - (i) **Summer Nomination Period** shall mean the four-month period from May 1 through August 31.
 - (ii) **Non-Summer Nomination Period** shall mean the four-month periods from September 1 through December 31 and from January 1 through April 30.
- (Q) **Paragraph** shall mean a paragraph set forth in this Agreement unless the paragraph is specifically referenced as being contained in another document.

- (R) Plant 4 Facilities shall mean all current and any future facilities owned in part or in whole by Customer located near Coleraine, in Itasca County, Minnesota; on the parcel legally described as the NW ¼ of the SE ¼ of Township 56 North, Range 25 West, Section 25 including but not limited to the Main Plant, as well as all mining, processing and production machinery and equipment along with all appurtenant facilities.
- (S) Points of Delivery , shall be i) at the point where the Customer's conductors connect to Company's distribution termination structure within the Company substation located in Itasca County, Minnesota, on the parcel legally described as the NW ¼ of the SE ¼ of Township 56 North, Range 25 West, Section 25; and ii) at the high side of the Customer's 34.5kV/4160 volt transformer at the Jesse Load Out, located in Itasca County on the parcel legally described as the NW ¼ of the SE ¼ of Township 55 North, Range 25 West, Section 2.
- (T) **Power** shall mean the electric demand requirement measured in kilowatts ("kW").
- (U) Start-up Period shall mean the period starting on the first day of the calendar month following receipt of the Commission Order approving the Agreement and lasting until Customer achieves a minimum monthly measured demand of at least [TRADE SECRET DATA EXCISED], but not later than [TRADE SECRET DATA EXCISED], unless extended at the sole discretion of the Company.

Other terms used in this Agreement which are not defined in this Paragraph shall have the definitions provided in the LLP Schedule, LP Schedule, any other applicable riders thereto, another applicable tariff or schedule or Company's Electric Service Regulations, if defined therein.

2. TERM OF AGREEMENT

The term of this Agreement (the "Term") shall begin on the first day of the calendar month following receipt of the Commission Order approving the Agreement and shall continue until December 31, 2025, without any right of prior termination. For the Start-up Period the provisions of Paragraph 3 shall apply to all Power and Energy taken by Customer hereunder. Thereafter, the rates set forth in Paragraph 4 shall apply to all Power and Energy taken by Customer hereunder for the remaining term of the Agreement. Service shall continue thereafter until and unless the Agreement is terminated in accordance with its terms. Either party may terminate this Agreement by written notice to the other delivered at least four years prior to termination, provided, however, that termination shall not be effective prior to 11:59 p.m. on December 31st, 2025 or a later date of termination specified at least four years in advance.

3. ELECTRIC SERVICE AND RATES

A. During the Start-up Period

Customer will take service under the LLP Schedule, depending on load characteristics and size, during the Start-up Period. The Customer's Billing Demand during the Start-up Period will be based upon their actual 15-minute Adjusted Demand. The Start-up Period shall continue until the Customer achieves a monthly Measured Demand of at least [TRADE SECRET DATA EXCISED] but not later than [TRADE SECRET DATA EXCISED], unless extended at the sole discretion of Company.

B. Following the Completion of the Start-up Period

All Power and Energy taken by Customer following completion of the Start-up period shall be subject to the terms, conditions, and the rates for demand and energy as specified in the LP Schedule. The Minimum Billing Demand shall be **[TRADE SECRET DATA EXCISED]** or some greater amount as determined by the terms of Paragraph 4.

All energy and demand taken under the LP Schedule shall be subject to Fuel Adjustment, Conservation Program Adjustment, and other governmental taxes and assessments as provided in the "ADJUSTMENTS" Section of the LP Schedule or any other applicable schedule or future adjustments. All other terms and conditions of the LP Schedule shall apply.

C. Incremental Production Service.

Following completion of the Start-up period, Customer shall have the right to purchase Incremental Production Service from the Company whenever the customer's Measured Demand exceeds the IPST, but not greater than 110% of the IPST, under the terms of the Rider for Large Power Incremental Production Service. The IPST shall initially be set to the Minimum Billing Demand and shall remain at that level unless the Billing Demand is increased pursuant to Paragraph 4 of this agreement. If the Billing Demand is adjusted the IPST shall be adjusted by an amount equivalent to the corresponding adjustment in the Billing Demand.

D. Allowance for Scheduled Maintenance

While taking service under the LP Schedule, Customer may elect to be billed at the Measured Demand instead of the Service Requirement [TRADE SECRET DATA EXCISED] duration to correspond with Customer's scheduled maintenance shutdowns. The reduction in kW-Days (as that term is defined in this Paragraph) resulting from any such elections shall not exceed [TRADE SECRET DATA EXCISED] in any calendar year, and under no circumstances can the provisions of this Paragraph be utilized to reduce Customer's Firm Power Billing Demand to a level below [TRADE SECRET DATA EXCISED]. A kW-Day shall be calculated by multiplying the number of kilowatts by which Customer's Measured Demand is below the Service Requirement established pursuant to paragraph 4 by the number of days which a maintenance shutdown lasts. For example, if Customer's maintenance shutdown reduces Measured Demand to 10,000 kW in a month in which Customer has established a 15,000 kW Service Requirement, and the shutdown lasts for three and one-half days (84 hours), Customer would have utilized 17,500 kW-Days of [TRADE SECRET DATA EXCISED] allowance for that calendar year. Company must receive written notice no later than noon two business days (excluding weekends and Holidays) prior to that start of each scheduled maintenance period.

The billing months that include such maintenance periods will be prorated accordingly. If after issuing notice under the terms of this Paragraph, Customer wishes to reschedule the maintenance shutdowns, Customer may do so at the sole discretion of the Company.

4. <u>MINIMUM SERVICE REQUIREMENT AND SERVICE REQUIREMENT</u> <u>INCREASES</u>

A. General. The Customer's minimum billing demand in each calendar month during the Start-up Period as defined in Paragraph 1(U) will be equal to the monthly Adjusted Demand. For every calendar month during the Term following completion of the Startup Period, Customer shall pay Company for not less than [TRADE SECRET DATA EXCISED] of Service Requirement per month, regardless of Customer's actual Power and Energy use or applicable rate schedule(s) during such period.

B. Increases and Decreases in Service Requirements.

(i) Service Requirement Increases Prior to Nomination Period. Following completion of the Start-up Period, Customer may elect to increase its Service Requirement to a uniform level (i.e., the same kW amount) for all four billing months in a Nomination Period or non-uniform levels (i.e., varying kW amounts) by providing Company with written notice on or before each successive March 1, August 1, and December 1 for subsequent Summer and Non-Summer Nomination Periods, respectively. Such elections will be considered "Uniform Nomination Period Increases" and "Non-Uniform Nomination Period Increases," respectively. Upon receipt of a Uniform Nomination Period Increase notice or Non-Uniform Nomination Period Increase notice from Customer, the Service Requirement and Contract Demand levels for each billing month in such Nomination Period set forth in Paragraph 4(A) will be increased to the level specified in such notice. Energy taken by Customer during each billing month attributable to the increased Contract Demand levels established hereunder shall be considered Firm Power Energy and billed in accordance with the LP Schedule.

- (ii) <u>Service Requirement Increases During a Nomination Period</u>. Should Customer determine, after providing the notice required in Paragraph 4(B)(i), that a higher level of Service Requirement is necessary, Customer may elect to increase the Contract Demand for one or more billing months within the Nomination Period by providing Company with written notice prior to the start of the billing month in which the increased Service Requirement is needed. Upon receipt of such notice from Customer, the Service Requirement and the Contract Demand levels for such billing month(s) will be increased to the kW level specified in Customer's notice. Energy taken by Customer during each billing month attributable to any Contract Demand levels established under this Paragraph 4(B)(ii), shall be considered Excess Power Energy and billed in accordance with the LP Schedule.
- (iii) Measured Demands In Excess of Established Service Requirement. In the event that Customer incurs Measured Demand for a billing month which exceeds the Service Requirement established under any of the provisions of Paragraph 4 for such billing month plus the allowable level of Incremental Production Service for such billing month, Customer's Contract Demand and Service Requirement for that billing month and all remaining billings months within that Nomination Period will be increased to match the level of Measured Demand incurred by Customer. Energy taken by Customer during each billing month attributable to any Contract Demand levels established under this Paragraph 4(B)(iii), shall be considered Excess Power Energy and billed in accordance with the Large Power Service Schedule.
- (iv) <u>Service Requirement Decreases During a Nomination Period</u>. Should Customer determine, after providing the notice required in Paragraph 4(B)(i), that a lower Service Requirement level is required, Customer may elect to decrease the Contract Demand levels by [TRADE SECRET DATA EXCISED] by providing Company with written notice at least 30 days prior to the start of the calendar month in which the decreased Service Requirement is required. Upon timely receipt of such notice from Customer, the Service Requirement and Contract Demand levels for such billing month(s) will be decreased to the kW level specified in Customer's notice. However, in no event shall the Service Requirement and the Contract

Demand be reduced below [TRADE SECRET DATA EXCISED] using this Paragraph 4(B)(iv).

5. <u>ALL ELECTRIC SERVICE REQUIREMENTS</u>

During the Term of this Agreement, Customer agrees and shall be obligated to purchase from Company all of the Power and Energy required to operate the Plant 4 Facilities and Jesse Loadout Facilities, including but not limited to mining, processing and production machinery and equipment along with all appurtenant facilities. To the extent Customer requires electric service for any newly acquired equipment or at any newly constructed Plant 4 Facilities or Jesse Loadout Facilities for which rates are not established under the terms of this Agreement or an applicable rate schedule, Customer and Company agree to enter into good faith negotiations to reach agreement on appropriate terms and conditions for the purchase of such electric service which shall be subject to any applicable regulatory approval; provided, however, that failure to reach agreement on such terms or obtain regulatory approval thereof shall not affect any other aspect of this Agreement. In the event that the Plant 4 facilities are expanded to include in-ground mining, Customer and Company agree to enter into good faith negotiations to reach agreement on appropriate terms and conditions for electric service to the expanded Plant 4 facilities. Unless the Parties otherwise agree in a written amendment to this Agreement, Customer agrees that the entire electric service requirement commitment provided in this Paragraph precludes any right to construct, operate or utilize self-generating or cogenerating capacity, or for Customer to purchase electric service from any other person or party to meet the Power and Energy requirements of the Plant 4 Facilities and Jesse Loadout Facilities during the term of this Agreement regardless of any changes in applicable law. Nothing in this Paragraph gives Customer the right to construct generation for third-party sales or for substitution of any service requirement commitments associated with this Agreement. The entire electric service requirement commitment provided in this Paragraph shall be in addition to, and not in replacement of, any other obligation arising under this Agreement.

6. <u>APPLICABLE RATE SCHEDULE(S)</u>

- (A) Customer shall pay for all service in accordance with this Agreement, the LLP Schedule, LP Schedule, and any applicable tariffs or riders thereto in effect from time to time, except as otherwise provided in this Agreement. The LLP Schedule, LP Schedule, and all applicable riders are attached hereto as Attachment B and are incorporated by reference and made a part hereof. Said schedules and riders shall be replaced by any applicable superseding schedules and riders and such new schedules and riders or other new rates or prices shall become effective as soon as permitted by any regulatory body having jurisdiction, and such replacement will not require concurrence or acceptance by Customer unless otherwise provided in this Agreement.
- (B) In the event that the Commission's regulatory responsibilities are altered and/or the Commission ceases to regulate the bundled retail electric service rates of Customer during the term of this Agreement, Customer and Company agree that all of the rates, terms, conditions and other provisions applicable to Company's sale of electric service to Customer then contained in any rate schedule, tariff, rider or electric service regulation shall, to the extent necessary to effectuate enforcement of this Agreement, be incorporated within and become part of this Agreement.
- (C) With respect to rates and charges that are adjusted on a monthly or annual basis pursuant to Commission and/or Department oversight and which cannot continue to be adjusted by applying the existing rate schedules, riders, tariffs or service regulations absent such regulatory oversight, Customer and Company agree to use good faith efforts to promptly determine an appropriate substitute adjustment mechanism which most closely tracks the adjustment mechanism that can no longer be applied. Such adjustment mechanisms would include by way of example and not limitation, the Conservation Program and Fuel Adjustments. In the event the parties are unable to reach an agreement on an appropriate substitute adjustment mechanism which most closely tracks the discontinued adjustment mechanism within 60 days of the date legislation or administrative action invalidating the adjustment mechanism became effective, the matter shall be submitted for arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association. The Parties agree that such Commercial Arbitration

Rules will be varied if necessary to provide for three arbitrators, with one arbitrator to be selected by each Party and the third arbitrator to be selected by the other two arbitrators so chosen. The decision of the arbitrators shall apply retroactively to the date the adjustment mechanism ceased to be in effect.

7. <u>SERVICE CONDITIONS</u>

(A) Service Extension Costs.

Total service extension costs shall be paid by Company according to provisions of Company's Extension Rules. The Customer will own all electrical distribution facilities beyond the Points of Delivery.

(B) Firm Financial Commitment.

Company will begin construction activities on the Line Extension to the Points of Delivery following issuance of an irrevocable Letter of Credit from the Customer in a form acceptable to Company. The Letter of Credit shall conform to the conditions as described in Attachment A to this Agreement and shall be issued no later than the end of business on [TRADE SECRET DATA EXCISED].

The amount of the Letter of Credit shall be equal to [TRADE SECRET DATA EXCISED] for the period lasting from initial issuance through the end of the Start-up Period.

The Company will have exclusive rights to draw on the Letter of Credit upon failure of Customer to achieve minimum monthly demand of at least [TRADE SECRET DATA EXCISED] prior to completion of the Start-up Period at which time the Company may draw on the Letter of Credit to recover the costs relating to the extension net of residual salvage value.

The Letter of Credit requirement may be waived if both of the following conditions are satisfied prior to [TRADE SECRET DATA EXCISED]

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[TRADE SECRET DATA EXCISED

The Company will bill the Customer separately for the GAR amounts in the event that a GAR amount is calculated for any of the years indicated above, and the Customer will be responsible for paying the GAR bill [TRADE SECRET DATA EXCISED].

(C) Additional System Costs. The Customer is responsible for any additional costs imposed on Company's system due to the operating characteristics of the Customer's load, including, but not limited to, costs associated with regulation and frequency response and reactive supply and voltage control. Company reserves the right to review, recommend and approve changes to the electrical distribution system for the Customer facilities to avoid adverse impact on the Company's transmission system. The billing adjustment for excess reactive demand or minimum power factor requirement specified in the applicable rate schedule will apply.

8. PAYMENT

Service received under this Electric Service Agreement shall be billed under terms consistent with those defined in the Company's Rider for Expedited Billing Procedures Large Power Class as approved by the Commission in Docket No. E015/GR-87-223. Bill payment is due in "same day funds" seven (7) days following issuance of the bill, the "Due Date" for payment. Weekly billing is based on estimated electric service usage, including the minimum demand charge, and not on an actual meter reading. Weekly billing payment received and charges for actual service usage will be reconciled each month.

Customer will receive credit for weekly billing payment reflecting the time value of funds made available to Minnesota Power earlier than such funds otherwise would have been available under the Company's standard monthly billing cycle.

9. **GENERAL**

- (A) Operating Practices. Operating practices and standards of performance shall conform to those recognized as sound practices within the utility industry. In making delivery of Power and Energy, Company shall exercise such care as is consistent with normal operating practice through the use of all available facilities to minimize and smooth out the effects of sudden load fluctuation or other voltage or current characteristics as may be detrimental to Customer's operations. Customer shall not purchase any service from Company for purposes of resale of said service to any other entity or to Company.
- **(B) Metering**. All Power and Energy delivered hereunder by Company to Customer at Points of Delivery shall be measured and recorded at Company's primary metering point.
- **(C)** Successors and Assigns. This Agreement shall be binding upon the respective Parties, their successors and assigns, on and after the effective date hereof; provided, however, that neither Party may assign this Agreement or any rights or obligations hereunder without the prior written consent of the other Party, which consent shall not unreasonably be withheld.
- (**D**) **Electric Service Regulations**. Company's Electric Service Regulations attached hereto as Attachment C, are made a part of this Agreement insofar as they are appropriate and applicable to and not inconsistent with this Agreement.
- **(E)** Regulation and Administrative Approval. Company makes no representation as to the level or design of future rates which may be proposed by the Company for implementation, or implemented by the Commission or another regulatory body having jurisdiction for electric service rendered Customer under this Agreement. Customer acknowledges that rates charged

under the Agreement are not fixed, but that electric service is made available by Company at the rates and under the terms and conditions set forth in the currently applicable rate schedules, riders, and Electric Service Regulations or other superseding rate schedules, riders, and Electric Service Regulations in effect from time to time. All the rates and regulations referred to herein are subject to amendment and change by Company unless otherwise provided in this Agreement. Said amendments or changes may be subject to acceptance or approval by any regulatory body having jurisdiction thereof. All rates and regulations not subject to jurisdiction of regulatory authority may be changed by mutual agreement of the Parties hereto. This Agreement is subject to approval or acceptance by any regulatory body having jurisdiction thereof. Customer retains all rights to oppose or otherwise participate in any proceedings before the Commission in which it becomes a party.

- (F) Effective Date. This Agreement shall be effective upon approval or acceptance by the Commission. In the event this Agreement is not approved by the Commission, is approved subject to terms or conditions to which either Party objects or is revised or modified in any material respect by the Commission, Company and Customer agree to immediately make a good-faith effort to renegotiate the terms of this Agreement to accommodate regulatory requirements. In the event that the Parties are unable to reach agreement on such modifications or revisions resulting from a regulatory denial, conditioned regulatory approval or material regulatory modification, this Agreement shall be null and void except for the Customer's obligation to reimburse Company, through the Letter of Credit, for monies spent on or committed to transmission and substation facilities as a part of the service extension pursuant to the terms in Paragraphs 7(A) and 7(B).
- (G) Notices. Any notice, election or other correspondence required or permitted under this Agreement shall become effective upon receipt and, except invoices and payments, shall be deemed to have been properly given or delivered when made in writing and delivered personally to the authorized representative of the Parties designated below, or when sent by mail, telecopy, or nationally recognized overnight courier, and addressed to the authorized representative of the Parties designated below at its specified address:

TO: Minnesota Power

Vice President – Marketing and Corporate Communications Minnesota Power 30 West Superior Street Duluth, MN 55802

TO: Magnetation LLC

President 102 NE 3rd Street Suite 120 Grand Rapids, MN 55744

(H) Confidentiality and Non-disclosure. No party hereto shall disclose any information regarding any part of this Agreement not otherwise included in Company's nonproprietary Petition for Approval filed with the Commission except to the extent that disclosure is required by law, required for evidentiary purposes in any legal proceeding relating to enforcement of this Agreement, required for filing reports with or furnishing information to the regulatory authorities having jurisdiction over Company and other appropriate governmental authorities, required for purposes of obtaining financing, or upon written consent of all parties to this Agreement. Where disclosure to non-parties is required, notice shall be given to all other parties, and to the extent possible, such notice shall be given in advance of disclosure. Notwithstanding the foregoing, the parties acknowledge that the Company is required file this Agreement for approval with the Commission accompanied by a Petition for Approval. The Company agrees to seek protection of the confidential Information in this Agreement under the Commission's Minnesota Rule 7829.0500. The Company agrees that the public version of this Agreement will redact only such confidential information that properly constitutes proprietary information, trade secrets, or other privileged information as defined by applicable Minnesota laws.

(I) Representation and Warranties. Company and Customer represent and warrant to the other that: (i) they are duly organized and validly exist in good standing under the laws of their state or province of incorporation and have all requisite power and authority to enter into this Agreement and to carry out the terms and provisions thereof and hereof; (ii) the person(s)

executing this Agreement on behalf of that Party are duly authorized and empowered to bind

their respective Party to this Agreement; (iii) all actions necessary under the Magnetation LLC

articles of incorporation to bind Customer fully and irrevocably to the obligations set forth in

this Agreement have been taken and that no further corporate or other action is necessary for

such authorization and empowerment to be effective and (iv) there is no action, proceeding, or

investigation current or pending, and no term or provision of any charter, by-law, certificate,

license, mortgage, indenture, contract, agreement, judgment, decree, order, statute, rule or

regulation (except the regulatory approval requirements of Minn. Stat. §216B.01 et. seq.) which

in any way prevents, hinders or otherwise adversely affects or would be violated by entering

into and performing this Agreement.

(J) Previous Agreements, Amendments, Waiver and Captions. Upon implementation,

this Agreement supersedes and replaces the prior Electric Service Agreement between the parties for

electric service to the Jesse Loadout Facilities and all subsequent amendments of that Electric

Service Agreement in their entirety. All other previous communications between Company and

Customer either oral or written are hereby abrogated. No amendment, modification or waiver

of, or consent with respect to any provision of this Agreement shall be effective unless the same

shall be in writing and signed and delivered by both Parties and then any such amendment,

modification, waiver or consent shall be effective only in the specific instance and for the

specific purpose for which given and shall not be deemed a waiver with respect to any

subsequent default or other matter. The captions and headings appearing in this Agreement are

inserted merely to facilitate reference and shall have no bearing upon the interpretation of the

provisions contained in this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement by their duly authorized officers

as of the date first written above.

MAGNETATION LLC

By:_____

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Title:	
MINNESOTA POWER	
Ву:	
T:41	

Attachment A

Security Requirements – Letter of Credit

Magnetation LLC (the "Customer") shall be responsible for posting an irrevocable standby letter of credit in support of the Service Extension. Minnesota Power will not perform any service without the letter of credit. The letter of credit shall be as defined below:

- a) The issuing financial institution for such letter of credit shall have an unsecured bond rating equivalent to A- or better as determined by at least two (2) rating agencies, one of which must be either Standard & Poor's or Moody's, or if these are not available, equivalent ratings from alternate rating sources acceptable to Minnesota Power and with a minimum of \$50 million in capital (the "Issuer"), or shall have other suitable alternative rating measures deemed acceptable by Minnesota Power.
- b) The letter of credit must meet Minnesota Power's requirements to ensure that claims and draw-downs can be made unilaterally by Minnesota Power in accordance with the terms of this agreement. Such security must be issued for a minimum term beginning within seven (7) business days following written notification from the Company to the Customer signifying that the Electric Service Agreement has been fully executed, excluding weekends and holidays, and ending on the earlier of [TRADE SECRET DATA EXCISED] or such time that Magnetation LLC Plant 4 achieves a measured demand of [TRADE SECRET DATA EXCISED] (the "Letter Term"). Any unused portion of the letter of credit shall be available through completion of the Letter Term.
- c) The Customer may replace a letter of credit in form and substance and as described in this Attachment A that is acceptable to the Minnesota Power with another letter of credit with another Issuer, provided however that the Customer has given at least ninety (90) Calendar Days notice to Minnesota Power that a replacement letter of credit will be issued. Any replacement letter of credit(s) will be issued not later than thirty (30) Calendar Days prior to the expiration of the current letter of credit. Minnesota Power shall immediately draw down the remaining balance of the current letter of credit if a replacement letter of credit is not delivered to Minnesota Power at least thirty (30) Calendar Days prior to the expiration of the current letter of credit.

d) Security for payment in the form of an irrevocable letter of credit shall be governed by the Uniform Customs and Practice for Documentary Credits (1993 Revision) International Chamber of Commerce Brochure No. 500.

STATE OF MINNESOTA COUNTY OF ST. LOUIS)) ss)	AFFIDAVIT OF SERVICE VIA ELECTRONIC FILING
that on the 10 th day of Febr Approval of an Electric Servi	ruary, 2014, she ser ice Agreement with	of St. Louis, State of Minnesota, says rved Minnesota Power's Petition for Magnetation, LLC to the Minnesota esources Division of the Minnesota

Department of Commerce via electronic filing. The remaining parties on the attached

service list were served the Summary as so indicated on the list.

/s/ Kristie Lindstrom

Subscribed and sworn to before me this 10th day of February, 2014.

/s/ Jodi Nash

Notary Public - Minnesota My Commission Expires January 31, 2015

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Gary	Anderson	N/A	Stora Enso	Duluth Paper Mill 100 N. Central Avenu Duluth, MN 55807	Paper Service	No	GEN_SL_Minnesota Power_Large Power Service List
William	Bond	william.bond@arcelormittal.com	ArcelorMittal USA - Minorca Mine Inc.	PO Box 1 5950 Old Highway 53 Virginia, MN 55792	Electronic Service	No	GEN_SL_Minnesota Power_Large Power Service List
Greg	Chandler	greg.chandler@upm- kymmene.com	UPM Blandin Paper	115 SW First Street Grand Rapids, MN 55744	Paper Service	No	GEN_SL_Minnesota Power_Large Power Service List
Sharon	Ferguson	sharon.ferguson@state.mn .us	Department of Commerce	85 7th Place E Ste 500 Saint Paul, MN 551012198	Electronic Service	Yes	GEN_SL_Minnesota Power_Large Power Service List
Burl W.	Нааг	burl.haar@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 551012147	Electronic Service	Yes	GEN_SL_Minnesota Power_Large Power Service List
Shane	Henriksen	shane.henriksen@enbridge .com	Enbridge Energy Company, Inc.	1409 Hammond Ave FL 2 Superior, WI 54880	Electronic Service	No	GEN_SL_Minnesota Power_Large Power Service List
James	Jarvi	N/A	Minnesota Ore Operations - U S Steel	P O Box 417 Mountain Iron, MN 55768	Paper Service	No	GEN_SL_Minnesota Power_Large Power Service List
Gerald P.	Kohanski	gpkohanski@cleveland- cliffs.com	Cleveland-Cliffs Inc.	Suite 1500 1100 Superior Avenue Cleveland, OH 441142518	Paper Service	No	GEN_SL_Minnesota Power_Large Power Service List
Michael	Krikava	mkrikava@briggs.com	Briggs And Morgan, P.A.	2200 IDS Center 80 S 8th St Minneapolis, MN 55402	Electronic Service	No	GEN_SL_Minnesota Power_Large Power Service List
Ed	LaTendresse	N/A	Hibbing Taconite	P O Box 589 Hibbing, MN 55746	Paper Service	No	GEN_SL_Minnesota Power_Large Power Service List
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	GEN_SL_Minnesota Power_Large Power Service List

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Patrick	Loupin	N/A	Boise Cascade Corporation	Boise Paper 400 Second Street International Falls, MN 56649	Paper Service	No	GEN_SL_Minnesota Power_Large Power Service List
Sarah	Manchester	N/A	Sappi Fine Paper North America	255 State St FI 4 Boston, MA 02109-2617	Paper Service	No	GEN_SL_Minnesota Power_Large Power Service List
Keith	Matzdorf	keith.matzdorf@sappi.com	Sappi Fine Paper North America	PO Box 511 2201 Avenue B Cloquet, MN 55720	Electronic Service	No	GEN_SL_Minnesota Power_Large Power Service List
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	Yes	GEN_SL_Minnesota Power_Large Power Service List
Andrew	Moratzka	apmoratzka@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	GEN_SL_Minnesota Power_Large Power Service List
Ralph	Riberich	rriberich@uss.com	United States Steel Corp	600 Grant St Ste 2028 Pittsburgh, PA 15219	Electronic Service	No	GEN_SL_Minnesota Power_Large Power Service List
Thomas	Scharff	thomas.scharff@newpagec orp.com	New Page Corporation	P.O. Box 8050 610 High Street Wisconsin Rapids, WI 544958050	Electronic Service	No	GEN_SL_Minnesota Power_Large Power Service List
William	Schmidt		USG Interiors, Inc.	35 Arch Street Cloquet, MN 55720	Paper Service	No	GEN_SL_Minnesota Power_Large Power Service List
Joe	Scipioni		PolyMet Mining, Inc.	P.O. Box 475 County Highway 666 Hoyt Lakes, MN 55750	Paper Service	No	GEN_SL_Minnesota Power_Large Power Service List
Eric	Swanson	eswanson@winthrop.com	Winthrop Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	GEN_SL_Minnesota Power_Large Power Service List

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Jack	Tuomi	N/A	United Taconite	P O Box 180 Eveleth, MN 55734	Paper Service		GEN_SL_Minnesota Power_Large Power Service List
Karen	Turnboom	karen.turnboom@newpage corp.com	NewPage Corporation	100 Central Avenue Duluth, MN 55807	Electronic Service		GEN_SL_Minnesota Power_Large Power Service List