



30 west superior street / duluth, minnesota 55802-2093 / fax: 218-723-3955 / www.allete.com

David R. Moeller  
Senior Attorney  
218-723-3963  
dmoeller@allete.com

**PUBLIC DOCUMENT  
TRADE SECRET DATA EXCISED**

February 20, 2014

**VIA ELECTRONIC FILING**

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

Re: Minnesota Power's Petition for Approval of an Electric Service Agreement Between Mesabi Nugget Delaware, LLC, Mesabi Mining, 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 Mesabi Nugget Delaware, LLC, Mesabi Mining, 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,

David R. Moeller

kl  
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 ("Agreement") between Minnesota Power and Mesabi Nugget Delaware, LLC ("Mesabi Nugget"). This Agreement contains terms and conditions that are materially sensitive to Minnesota Power (due to the specific price and rate identification for electric service to Mesabi Nugget) and contains Minnesota Power's unique methods, techniques and process for supplying electric service to Mesabi Nugget. 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 Mesabi Nugget, and because of the intensely competitive marketplace Mesabi Nugget operates in, this information is also confidential and Trade Secret to Mesabi Nugget. Minnesota Power and Mesabi Nugget 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

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

PETITION FOR APPROVAL

Docket No. E015/M-14-\_\_\_\_\_

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**SUMMARY OF FILING**

Minnesota Power files a Petition for Approval of an Amended and Restated Electric Service (“Agreement”) which provides for Mesabi Nugget to modify its commitment to purchase electric service. The Petition describes the Agreement and summarizes the benefits to both parties.

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

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|---|---|
| In the Matter of a Petition for<br>Approval of an Amended and Restated<br>Electric Service Agreement Between<br>Mesabi Nugget and Minnesota Power | PETITION FOR APPROVAL<br><br>Docket No. E015/M-14-_____ |
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**I. BACKGROUND**

Minnesota Power files a Petition for Approval of an Amended and Restated Electric Service Agreement (“Agreement”) between Mesabi Nugget and Minnesota Power dated February 20, 2014. The Agreement has been developed to reflect Mesabi Nugget’s current operations and improve its long-term competitive position. As explained in Section III below, the Agreement also includes a commitment from Mesabi Nugget to purchase all its electric service requirements from Minnesota Power for at least ten more years.

Mesabi Nugget and Minnesota Power entered into an initial ten-year Electric Service Agreement for the Mesabi Nugget facility on June 1, 2007 (Dockets E015/SA-07-1079 and 1456) (the “Original ESA”) which the Commission approved in an Order dated May 19, 2008.<sup>1</sup> At that time parent company Steel Dynamics, Inc. of Fort Wayne, Indiana and its partner Kobe Steel of Japan had begun construction of a Large Scale Demonstration Plant at the former LTV Steel Mining Company’s taconite production facility, which had been shuttered since January 2001. The unique contract provided service under Minnesota Power’s Erie Mine Site Service Schedule (“EMSS”), a tariff intended to encourage development in the region decimated by the LTV shutdown (Docket E015/M-03-717).

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<sup>1</sup> Docket No. E015/M-07-1456.

At the conclusion of the service extension construction Mesabi Nugget began taking service under the Original ESA in January 2008, and initial nugget production began in January 2010. Mesabi Nugget is continuing to develop and refine its processes as it pioneers efforts to successfully and economically produce iron nuggets using this revolutionary new technology. The amended Agreement executed with Minnesota Power effectuates minor changes to the contract to better fit the current and planned operations at the Mesabi Nugget site while continuing service under the EMSS tariff. In the time since startup Mesabi Nugget has continued to refine and modify its facility in efforts to achieve full production rates at an economic scale. Mesabi Mining LLC was created in anticipation of future mining activities, and this business entity has added milling and filtering equipment in anticipation of future mining activities. Mesabi Nugget has also added oxygen and nitrogen separating equipment on site as a technology and process improvement. Mesabi Mining LLC is pursuing permits to develop and mine taconite reserves in the LTV mining horizon, and while permitting efforts continue for that facility, Mesabi Mining LLC has entered into a partnership with Magnetation, Inc. for an interim supply of iron concentrate for feed of the Mesabi Nugget facility from the Mining Resources LLC facility near Chisholm. Mining Resources LLC takes service from Minnesota Power under a Large Light and Power contract and began operations in 2012 (Docket E-015/M-11-1215).

It should be noted that the Agreement is substantially similar in terms to the Original ESA except for provisions that modify Mesabi Nugget's use of the EMSS tariff<sup>2</sup> and changes that reflect current operational levels.

This Petition identifies and discusses how the provisions in the Agreement function. This Petition provides the legal and regulatory policy support required for the Commission to find that the Agreement is in the public interest, and that an order

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<sup>2</sup> Corresponding with this, Minnesota Power will be filing minor modifications to the EMSS tariff in a separate docket.

approving the Petition should be issued. Section II of the Petition addresses procedural matters, including the need for trade secret treatment of the Agreement and a request for a variance for an Agreement effective date of January 1, 2014. Individual provisions of the Agreement are reviewed and explained in Section III. This discussion addresses the Commission's directive in Docket No. E015/M-08-1344 that Minnesota Power analyzes how the terms of the Agreement integrate with Minnesota Power's EMSS and LP Service Schedules. Section IV identifies and discusses the benefits that the Agreement will bring to Minnesota Power, its ratepayers, Mesabi Nugget, and the public.

## **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 Agreement are spelled out in Section III.<sup>3</sup> 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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<sup>3</sup> 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 accompanies 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))**

David R. Moeller  
Senior Attorney  
Minnesota Power  
30 West Superior Street  
Duluth, MN 55802  
(218) 723-3963  
dmoeller@allete.com



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

The Petition is being filed on February 20, 2014. As set forth below, Minnesota Power requests that the Agreement be effective January 1, 2014 and requests a variance from the 90-day notification requirement under Minn. Rules 7825.3200. Minnesota Power will continue to bill Mesabi Nugget in accordance with the current electric service agreement, recognizing that any rate change is not effective until Commission approval. If the Commission grants the variance, Minnesota Power will rebill Mesabi Nugget retroactive to January 1, 2014 and implement the remainder of the Agreement beginning on the first day of the calendar month following receipt of a written Commission Order approving the Agreement.

**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))**

David R. Moeller  
Senior Attorney  
Minnesota Power  
30 West Superior Street  
Duluth, MN 55802  
(218) 723-3963  
dmoeller@allete.com

**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)**

David R. Moeller  
Senior Attorney  
Minnesota Power  
30 West Superior Street  
Duluth, MN 55802  
(218) 723-3963  
dmoeller@allete.com

**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.

**C. Variance on Effective Date (Minn. Rule 7825.3200)**

Notwithstanding the date of Commission action or the date an Order is issued in this matter, because Minnesota Power and Mesabi Nugget desire that this Agreement be effective January 1, 2014, a variance to Minnesota Rule 7825.3200 in this matter is required under Commission precedent. Minn. Rule 7825.3200 requires that utilities serve notice to the Commission at least 90 days prior to the proposed effective date of modified rates. Under Minn. Rule 7829.3200, the Commission shall grant a variance to its rules when it determines that the following requirements are met:

- a. enforcement of the rule would impose an excessive burden upon the applicant or others affected by the rule;
- b. granting the variance would not adversely affect the public interest; and
- c. granting the variance would not conflict with standards imposed by law.

Here, enforcement of the rule would negatively impact Mesabi Nugget by preventing the customer from continuing to benefit from a favorable rate, while neither Minnesota Power nor other customers would be negatively affected if the variance were granted. The 90-day advance notice of rate changes was put in place to allow the regulatory process to ensure just and reasonable rates, and to protect utility customers by providing advance notice of rate impacts both so they could participate in the rate process as well as prepare for rate changes that subsequently occurred. In this case the customer desires the rate change be implemented retroactively to ensure the continuation of a favorable rate the customer was subject to. Minnesota Power similarly desires retroactive approval, and no other customers would be harmed as a result.

Minnesota Power and Mesabi Nugget began negotiations on this Agreement in May 2013, and due to the collaborative effort to analyze current and future expected Mesabi Nugget operations, develop contract terms matching those expected operations to the agreement, the negotiations of the terms, and the time necessary for both parties to obtain internal corporate approvals, the Agreement was not executed until February 20, 2014. In this instance, enforcement of the rule would obviate Mesabi Nugget's desire to achieve the benefits of the Agreement as of January 1, 2014, including the economic benefits of continuing uninterrupted service under the EMSS tariff. Minnesota Power will continue to bill Mesabi Nugget in accordance with the Original ESA current agreement, recognizing that any rate change is not effective until Commission approval. If the Commission grants the variance, Minnesota Power will rebill Mesabi Nugget retroactive to January 1, 2014 and implement the remainder of the Agreement beginning on the first day of the calendar month following receipt of a written Commission Order approving the Agreement. Enforcement of the Rule requiring 90-day notice would impose an excessive

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burden, considering Mesabi Nugget will not be able to have an Agreement effective that matches its service under the EMSS and current operational changes. A January 1, 2014 effective date would also allow the term of the Agreement to be a full ten years, consistent with the LP Service Schedule as discussed below.

The Commission recently addressed a similar issue in approving the 2013 Amendment<sup>4</sup> to Boise's 2002 Electric Service Agreement and has granted other variances related to agreements with Minnesota Power's Large Power and Large Light & Power customers<sup>5</sup>, as seen in the table below.

| <b>Customer</b>   | <b>Docket Number</b> | <b>Filing Date</b> | <b>Proposed Effective Date</b> |
|-------------------|----------------------|--------------------|--------------------------------|
| Northshore Mining | E015/M-00-262        | March 3, 2000      | December 27, 1999              |
| North Star Steel  | E015/M-00-762        | June 21, 2000      | March 1, 2000                  |
| Lamb Weston/RDO   | E015/M-00-774        | June 21, 2000      | May 1, 2000                    |
| EVTAC             | E015/M-01-751        | May 11, 2001       | April 1, 2001                  |
| Sappi             | E015/M-02-1014       | June 17, 2002      | May 13, 2002                   |
| Blandin           | E015/M-03-571        | April 15, 2003     | January 1, 2003                |
| Potlatch          | E015/M-03-877        | June 11, 2003      | May 1, 2003                    |
| U.S. Steel        | E015/M-03-1469       | September 1, 2003  | June 1, 2003                   |
| ME Global         | E015/M-04-81         | January 16, 2004   | November 8, 2003               |
| Sappi             | E015/M-04-407        | March 12, 2004     | December 23, 2003              |
| Ispat Inland      | E015/M-05-1496       | September 21, 2005 | September 1, 2005              |
| Boise             | E015/M-08-1466       | December 15, 2008  | January 1, 2009                |
| Enbridge Energy   | E015/M-09-891        | July 30, 2009      | July 1, 2009                   |
|                   |                      |                    |                                |

Minnesota Power is not aware of any reason why granting the variance in this instance would adversely affect the public interest. Granting of the variance would also not conflict with standards imposed by law or rules governing the Commission's actions.

<sup>4</sup> Docket No. E015/M-13-1084.

<sup>5</sup> *In the Matter of a Petition by Minnesota Power for Approval of an Amended and Restated Electric Service Agreement with Ispat Inland Mining Company*, Order dated November 15, 2005, Docket No. E-015/M-05-1496; *Minnesota Power's Petition for Approval of an Electric Service Agreement with Enbridge Energy, Limited Partnership*, Order dated December 22, 2009, Docket No. E015/M-09-891.

### III. THE AGREEMENT

Individual provisions of the Agreement are reviewed and explained below. This discussion addresses the Commission's directive in Docket No. E015/M-08-1344 that Minnesota Power analyze how the terms of the Agreement integrate with Minnesota Power's EMSS and LP Service Schedule. The most important component of this Agreement from Minnesota Power's perspective is Mesabi Nugget's commitment to purchase all of its electric service requirements for its iron nugget and mining facilities near Hoyt Lakes, Minnesota from Minnesota Power through at least 2023. With this additional commitment from this industrial customer, Minnesota Power gains additional certainty regarding its ability to manage generating capacity and plan for future needs of all its ratepayers.

1. Paragraph 2. Term of Agreement.

The Agreement benefits Minnesota Power and its ratepayers by assuring Minnesota Power that it will be entitled to provide Mesabi Nugget's electric service requirements at its iron nugget and mining facilities through at least December 31, 2023 without any right of prior termination under both the EMSS and LP Service Schedule. Currently, Mesabi Nugget's Original ESA term is through December 31, 2017, and continues thereafter on a rolling four-year basis until a cancellation notice is issued by either party. Under the Agreement, a rolling two-year notice of cancellation is provided. Additionally Mesabi Nugget is allowed to continue to take service under the EMSS tariff so long as that tariff continues to be the most appropriate for Mesabi Nugget's operations as determined by the annual assessment put forth in new Paragraph 3B described below.

As was the case under Mesabi Nugget's Original ESA and is the case with other Large Power customers, the standard LP Service Schedule language requiring a ten-year agreement and four-year cancellation requirement is not applied to the amended agreement because of Mesabi Nugget's history on Minnesota Power's system. In

addition, the LP Service Schedule provides: “That the minimum contract term and cancellation notice period are subject to waiver with the approval of the Commission for good cause shown by the customer or Company.” Minnesota Power believes that it is reasonable to offer existing LP customers who are extending contracts less than a four-year cancellation notice. The negotiated ten-year term of the Agreement is longer than Mesabi Nugget’s existing obligation that continues until at least 2017. Also, this contract term is comparable to the terms Minnesota Power obtained from other existing Large Power customers in similar circumstances.<sup>6</sup> With this new commitment, Minnesota Power gains additional certainty regarding its ability to manage generating capacity and plan for future needs of all its ratepayers. Therefore, Minnesota Power requests Commission approval to waive the minimum four-year cancellation provision in the LP Service Schedule.

2. Paragraph 3(B) – Annual Service Assessment

The Annual Service Assessment provides Mesabi Nugget and Minnesota Power the flexibility over the duration of this long-term contract to continue to match Mesabi Nugget’s operation to the appropriate Minnesota Power tariff. Sixty (60) days prior to the end of each calendar year, Minnesota Power will calculate the expected costs and charges to Mesabi Nugget for the following calendar year for service under the schedules for which Mesabi Nugget would be eligible, including EMSS. In addition to the annual calculations, Minnesota Power will provide a recommendation to Mesabi Nugget of the most economical schedule for Mesabi Nugget’s service. Mesabi Nugget will make its election, which may be to receive service under the EMSS Schedule or other schedule(s) for which it is eligible, by providing notice to Minnesota Power in writing no later than thirty (30) days before the start of the upcoming calendar year. Any election shall take effect for service rendered on and after the January 1 following the election.

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<sup>6</sup> US Steel’s combined term is through at least October 31, 2014, Order dated September 9, 2005, Docket No. E-015/M-05-1175; ArcelorMittal USA – Minorca Mine’s term is through at least December 31, 2013, Order dated November 15, 2005, Docket No. E-015/M-05-1496; NewPage’s term is through at least December 31, 2022, Order dated December 10, 2012, Docket No. E-015/M-12-1025.

3. Paragraph 3(C) – Incremental Production Service (IPS)

Paragraph 3(C) establishes a lower Incremental Production Service Threshold (IPST) of [TRADE SECRET DATA EXCISED]. Mesabi Nugget's current Incremental Service Requirement is [TRADE SECRET DATA EXCISED]. In addition, Mesabi Nugget's Minimum Billing Demand as described in Paragraph 4 (A) is now [TRADE SECRET DATA EXCISED] compared to [TRADE SECRET DATA EXCISED] under the terms of the current agreement.

These new purchased power demand levels reflect the changed operating environment at the facilities as well as the significantly increased operating levels at Mesabi Nugget compared to the original project expectations when the Original ESA was first executed in 2007. Under the new Agreement, Mesabi Nugget would have Minimum Billing Demands and availability to use IPS under conditions appropriate for its operating levels and consistent with those of Minnesota Power's similarly situated customers. Also, with this Agreement Minnesota Power and Mesabi Nugget agree to appropriately adjust Mesabi Nugget's Service Requirement to support the long term competitive position of the iron nugget and mining facilities.

4. Paragraph 4 (B)- Adjustment in Billing Demand Level

Paragraph 4 (B) allows Mesabi Nugget to change its monthly billing demand level between the Minimum Billing Demand level and the maximum available level of service under the EMSS of 25,000 kW. As the only Minnesota Power customer eligible to take service under the terms of the EMSS, Mesabi Nugget will have the ability to fully utilize the EMSS tariff. Monthly demand levels selected by Mesabi Nugget above 25,000 kW will be served under the terms and conditions of the LP Service Schedule. Mesabi Nugget's current monthly billing demand level is [TRADE SECRET DATA

**EXCISED]** and it is expected that Mesabi Nugget's monthly billing demand levels will remain at or near current levels.

5. New Paragraph 4(D)- Energy Efficiency Improvements

Mesabi Nugget and Minnesota Power share a commitment to continue to improve the production efficiency at the iron nugget and mining facilities. Paragraph 4 (D) encourages continued energy efficiency by providing a process under which Mesabi Nugget and Minnesota Power will work together to identify rate or process improvements under which Mesabi Nugget may realize the benefits of continued electric energy efficiency investments and improvements. The LP Service Schedule does not address energy efficiency improvements.

6. Paragraph 4 (E)- Decreases in Service Requirement

Paragraph 4 (E) allows for reductions in the Service Requirement levels to **[TRADE SECRET DATA EXCISED]** in the event of a permanent facility shutdown. The LP Service Schedule does not address decreases in service requirement for permanent facility shutdowns. This provision is unchanged from the original agreement.

7. Paragraph 7 (A) - Extension Costs

Paragraph 7 (A) recognizes that the Mesabi Nugget's firm financial commitment to the Service Extension in the Original ESA has been satisfied, and that Minnesota Power will close the escrow account that had been established within seven (7) business days of the execution of the Agreement.



8. Paragraph 8 - Payment

Paragraph 8, unchanged from the Original ESA, recognizes that Mesabi Nugget will be billed under Minnesota Power's Rider for Expedited Billing Procedures for the Large Power Class.

#### **IV. PUBLIC INTEREST**

The proposed agreement is vitally important for the economic viability of Mesabi Nugget. Mesabi Nugget is in the process of developing a new and exciting commercial technology for the production of iron nuggets. Iron nuggets are a direct market competition to imported "pig iron" for use in electric arc furnaces as well as in blast furnaces. Mesabi Nugget has been working diligently since its first production in 2010 to evolve its technology to allow it to produce nuggets economically in today's very competitive global markets. This facility provides over 100 well-paying jobs in the Eastern Iron Range region that was severely impacted by the 2001 LTV closure. Mesabi Nugget is looking at enhancements to improve its cost position in several areas including material procurement, contract supplies, and utility services. It is appropriate for Minnesota Power to continue service to Mesabi Nugget under the EMSS rate as Mesabi Nugget continues to work to optimize and to grow its revolutionary production technology.

Minnesota Power's contractual arrangements with its Large Power 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 while also providing Mesabi Nugget with competitive electric service and operational flexibility acknowledging the facility's circumstances and challenging competitive environment. Under the Agreement, assuming for purposes of this Petition a January 1, 2014 effective date, Minnesota Power will realize a minimum of [TRADE SECRET DATA EXCISED] in demand revenues alone between January 2014 and December 2023. The commitments within the Agreement represent a major

contribution toward fixed cost recovery on Minnesota Power's system. Through this commitment a critical aspect of previous electric service agreements has been maintained, namely that Minnesota Power and its ratepayers are not subject to the full brunt of cyclical changes in the market for taconite due to development of new technology for use of Minnesota's vast iron resources. Mesabi Nugget's product is a direct market competitor in the pig iron market, which supplies different steel markets than conventional taconite pellets and which tends to follow different market cycles.

As the preceding analysis demonstrates, Mesabi Nugget's minimum service requirement commitments are very significant. When these commitments are coupled with Mesabi Nugget's obligation to purchase all of its electric service needs from Minnesota Power for at least ten additional years, 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 Amendment. No one knows what events await Minnesota Power's other LP 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 LP customer, the scenario for all ratepayers would look much bleaker without this Agreement and the corresponding revenue assurances it provides.

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 long-term commitments that Mesabi Nugget has provided regarding its electric service needs. Mesabi Nugget stands to gain from continuing to receive electric service at competitive rates as well as maintaining operational flexibility. In addition to the parties directly affected, this Amendment is supportive of the regional economy in that it is beneficial to a major regional industrial operation and employer, especially in St. Louis County.

The benefits mentioned in the preceding paragraphs will be realized without any substantial changes to rates provided in Minnesota Power's approved tariffs. The terms

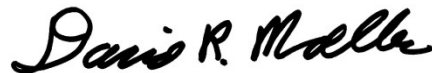
of this Amendment are appropriate given Minnesota Power's and Mesabi Nugget's needs and unique circumstances. In accordance with the requirements of Minn. Stat. §§ 216B.03, .06, and .07, Minnesota Power has always applied the LP Service Schedule and other applicable tariffs and the service agreements it enters into thereunder in a fair and equitable manner between and among its LP customers. Minnesota Power intends to continue this practice by ensuring similar terms and conditions are available to all LP customers who make similar commitments to Minnesota Power. Accordingly, the Amendment meets the public interest requirements of the Minnesota Public Utilities Act.

## V. CONCLUSION

Minnesota Power and Mesabi Nugget have reached agreement on an extension of a mutually beneficial contractual arrangement that provides Minnesota Power and its ratepayers with considerable revenue stability. This Agreement responds to Mesabi Nugget's production environment and provides Mesabi Nugget with competitive electric rates and operational flexibility for its iron nugget and mining facilities. This Agreement, along with other similar electric service agreements recently approved by the Commission, will provide a foundation from which Minnesota Power can develop and implement strategies for maintaining its position as an economic and reliable electric supplier into the next decade. 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 in an expedited manner.

Dated: February 20, 2014

Respectfully submitted,



David R. Moeller  
Senior Attorney  
Minnesota Power  
30 West Superior Street  
Duluth, MN 55802  
(218) 723-3963  
dmoeller@allete.com

**AMENDED AND RESTATED ELECTRIC SERVICE AGREEMENT BETWEEN  
MESABI NUGGET DELAWARE LLC AND MINNESOTA POWER**

**THIS AGREEMENT**, entered into this \_\_\_ day of February, 2014 between MESABI NUGGET DELAWARE, LLC, a Delaware Limited Liability Company and MESABI MINING, LLC, a Indiana Limited Liability Company (collectively “Customer”), and MINNESOTA POWER (“Company”), such parties also being hereinafter referred to individually as “Party” or collectively as “Parties.”

**WHEREAS**, Mesabi Nugget Delaware, LLC is a Delaware Limited Liability Company;

**WHEREAS**, Mesabi Mining, LLC is a Indiana Limited Liability Company;

**WHEREAS**, Company and Customer are parties to an Electric Service Agreement dated June 1, 2007, and approved by the Minnesota Public Utilities Commission (“Commission”) in an order dated February 20, 2008 in MPUC Docket No. E015/M-07-1456;

**WHEREAS**, the parties desire to enter into an Amended and Restated Electric Service Agreement (“Agreement”) to govern electric service at Mesabi Nugget Facilities as defined below and the Parties wish to continue to utilize the Company’s Erie Mine Site Service Schedule in the terms of such Agreement;

**WHEREAS**, upon Commission approval of this new Agreement, the Parties now desire to terminate the June 1, 2007 Electric Service Agreement, and therefore enter into a new Agreement;

**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:

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- (A) **Commission** shall mean the Minnesota Public Utilities Commission or its successor organization.
- (B) **Contract Demand** shall be the kW established in Paragraph 4.
- (C) **Energy** shall mean the electric consumption requirement measured in kilowatt-hours (“kWh”).
- (D) **Erie Mine Site Service (“EMSS”) Schedule** shall mean service as set forth in the Erie Mine Site Service Schedule as approved by the Commission in Docket No. E015/M-03-717 or any superseding schedule, applicable tariff or rider.
- (E) **Holidays** shall mean New Year’s Day, Memorial Day, Independence Day, Labor Day, Thanksgiving, Christmas Eve Day, Christmas Day, and New Year’s Eve Day.
- (F) **Incremental Production Service** shall mean service provided under the Rider for Large Power Incremental Production Service as set forth therein and in Paragraph 3(D). 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 or another applicable tariff or schedule.

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- (G) **IPST** shall mean the Incremental Production Service Threshold as defined in the Rider for Large Power Incremental Production Service and be initially set at **[TRADE SECRET DATA EXCISED]** and remain at that level unless adjusted (increased or decreased) as a result of adjustments in nominated demand under Paragraph 4; provided that the IPST shall not be subject to adjustment below **[TRADE SECRET DATA EXCISED]**.
- (H) **Iron Nugget Production** shall mean the processes used to produce iron nuggets and/or other iron or scrap steel substitute(s).
- (I) **kW-Day** shall have the meaning provided in Paragraph 3(E).
- (J) **Large Power Service 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.
- (K) **Mesabi Nugget Facilities** shall mean all current and any future Iron Nugget Production facilities owned in part or in whole by Customer located near Hoyt Lakes, Minnesota, at the former Erie Mine Site including all Iron Nugget Production machinery and equipment along with all appurtenant facilities.
- (L) **Minimum Billing Demand** shall be the quantity of Power that Customer must purchase pursuant to Paragraph 4.
- (M) **Paragraph** shall mean a paragraph set forth in this Agreement unless the paragraph is specifically referenced as being contained in another document.

- (N) **Point of Delivery** shall be the 138,000 volt suspension insulators in the 138,000/13,800 volt substation located at the former Erie Mine Site near Hoyt Lakes in St. Louis County, Minnesota, on the parcel legally described as the SW 1/4 of SE 1/4 of Township 59 North, Range 15 West, Section 13, and at any other points that Customer and Company may subsequently agree in writing to add to this definition.
  
- (O) **Power** shall mean the electric demand requirement measured in kilowatts (“kW”).
  
- (P) **Service Requirement** shall mean the Billing Demand for usage under the EMSS Schedule and shall mean the Contract Demand for usage under the Large Power Service Schedule.

Other terms used in this Agreement which are not defined in this Paragraph shall have the definitions provided in the LP Schedule, EMSS 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 shall begin upon contract execution and shall continue at least until December 31, 2023, without any right of prior termination. The rates set forth in Paragraph 3(A) shall apply to all Power and Energy taken by Customer hereunder as set forth in the EMSS Schedule, and the provisions set forth in Paragraph 3(B) shall apply if the EMSS Schedule terminates. Service shall continue until and unless this Agreement is terminated by either Party providing written notice to the other delivered at least two years prior to termination. The Customer and the Company agree that, during the Term, Company will apply the service schedule likely to produce the lowest price to Customer from time-to-time based on anticipated and measured Power and Energy requirements.

**3. ELECTRIC SERVICE AND RATES**

Except as otherwise provided in this Agreement, all Power and Energy taken by Customer shall



be supplied and billed in accordance with this Paragraph.

**(A) Service under the EMSS Schedule.**

Customer shall receive service under the EMSS Schedule until the end of the calendar year in which the EMSS Schedule terminates or in which Customer makes an election for an alternative schedule under Paragraph 3(B). While Customer's service is governed by the EMSS Schedule, the rates for Demand and Energy shall be as specified in the EMSS Schedule and shall consist of the terms and conditions of the EMSS Schedule as listed below.

- (a) Energy Charge;
- (b) Generation Capacity Charge;
- (c) Transmission Service Charge;
- (d) Billing/Customer Charge;
- (e) Pass-through of Company's reductions in Minnesota Personal Property Taxes shall not apply;
- (f) The Conservation Cost Recovery Charge (CCRC) shall not apply;
- (g) The following adjustment shall not apply:
  - Conservation Program Adjustment (CPA).
- (h) All energy and demand taken under the EMSS Schedule shall be subject to governmental taxes and assessments as provided in the "ADJUSTMENTS" Section of the EMSS Schedule. All other terms and conditions of the EMSS Schedule shall apply.

**(B) Annual Service Assessment.**

Sixty (60) days prior to the end of each calendar year, Company will calculate the expected costs and charges to Customer for the following calendar year for service under the schedules for which Customer would be eligible, including EMSS. Company's calculations will be based on the average usage of Customer for the prior two calendar years and any changes in service for the upcoming calendar year made known to

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Company by Customer in writing. Company shall use good faith efforts to make such calculations; provided, however, that such calculations shall not be a binding estimate of future charges. In addition to the annual calculations, Company shall provide a recommendation to Customer of the most economical schedule for Customer's service. Customer shall make its election, which may be to receive service under the EMSS Schedule or other schedule(s) for which Customer is eligible, by providing notice to Company in writing no later than thirty (30) days before the start of the upcoming calendar year. Any election shall take effect for service rendered on and after the January 1 following the election. The provisions of this Paragraph 3(B) shall also apply in the event the EMSS Schedule is terminated during the term of this Agreement. The rates for demand and energy shall be as specified in the Schedule elected by Customer. The Service Requirement and Contract Demand Levels (or applicable term for minimum demand in the elected Schedule) shall be equal to the Minimum Billing Demand and shall be set by the provisions in Paragraph 4. Firm Power Energy shall be available for all energy requirements up to the Service Requirement Level.

In addition to the calculations and recommendations process described above, should the EMSS not be further extended during the term of this Agreement, Company and Customer agree to review this Agreement and to negotiate in good faith any changes or amendments required to optimize service under the terms of the LP Schedule, another applicable rate schedule, or contract terms negotiated between the Parties.

**(C) Incremental Production Service.**

Customer shall have the right to purchase Incremental Production Service (IPS) from the Company whenever the Customer's Measured Demand exceeds the IPST, under the terms of the Rider for Large Power Incremental Production Service (the IPS Rider). Notwithstanding any election under Paragraph 3(B), the IPST shall initially be set to **[TRADE SECRET DATA EXCISED]** and shall remain at that level unless the Billing Demand is adjusted pursuant to Paragraph 4 of this Agreement. If the Billing Demand is adjusted the IPST shall be adjusted (increased or decreased) by an amount equivalent to the corresponding adjustment in the Billing Demand; provided that the IPST shall not be

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subject to adjustment below [TRADE SECRET DATA EXCISED]. For example, if Customer nominates [TRADE SECRET DATA EXCISED] of service under the applicable service schedule (EMSS, LP Schedule, or other), the IPST for that nominating period will similarly be raised to [TRADE SECRET DATA EXCISED]. As such all requirements up to [TRADE SECRET DATA EXCISED] will be served under the applicable service schedule and all requirements above [TRADE SECRET DATA EXCISED] will be served as IPS.

**(D) Allowance for Scheduled Maintenance.**

While taking service under the applicable Service Schedule, Customer may elect to be billed at the Measured Demand instead of the Service Requirement [TRADE SECRET DATA EXCISED] 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] and under no circumstances can the provisions of this Paragraph be utilized to reduce Customer's Firm Power Billing Demand to a level below the Minimum Billing Demand. 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 [TRADE SECRET DATA EXCISED] in a month in which Customer has established a [TRADE SECRET DATA EXCISED] Service Requirement, and the shutdown lasts for three and one-half days (84 hours), Customer would have utilized [TRADE SECRET DATA EXCISED] of the [TRADE SECRET DATA EXCISED]. Company must receive written notice no later than 12:00 noon [TRADE SECRET DATA EXCISED] (excluding weekends and Holidays) prior to the start of each scheduled maintenance period. For any scheduled maintenance period expected to extend longer than [TRADE SECRET DATA EXCISED], Customer may return to full operation upon [TRADE SECRET DATA EXCISED] advance written notice to Company. The billing months that include such maintenance periods will be prorated accordingly. Except with respect to the notice provisions for restart included herein, 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 Company.

**4. SERVICE REQUIREMENT AND SERVICE REQUIREMENT ADJUSTMENTS**

**(A) Minimum Billing Demand.**

For every calendar month during the Term, Customer's Minimum Billing Demand shall not be less than [TRADE SECRET DATA EXCISED] (including EMSS Schedule Billing Demand and LP Schedule Contract Demand or any other applicable schedule) per month, regardless of Customer's actual Power and Energy use or applicable rate schedule(s) during such period.

**(B) Adjustment in Billing Demand Level.**

Customer may adjust (increase or decrease) its monthly billing demand nominations at any time during the Term by providing written notice to Company by no later than the 25<sup>th</sup> of the preceding calendar month prior to the effective date of the requested change; provided that in no event may Customer nominate a billing demand less than the Minimum Billing Demand. Any Power and Energy requirements associated with such adjustment shall be served under the terms and conditions of the EMSS Schedule or other applicable tariff after EMSS termination. The maximum demand nomination under the EMSS Schedule shall be 25,000 kW. Nominations above 25,000 kW will be served under the terms and conditions of the LP Service Schedule. Any change in the monthly billing demand nomination shall only apply for the month or months nominated by Customer.

**(C) Measured Demands In Excess of Established Service Requirement.**

In the event that Customer incurs Measured Demand for the billing month which exceeds the Service Requirement established under any of the provisions of Paragraph 4 plus the

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allowable level of Incremental Production Service, Customer's Contract Demand and Service Requirement for that billing month will be increased to match the level of Measured Demand incurred by Customer. Energy taken by Customer during the billing month attributable to any Contract Demand levels established under this Paragraph 4(C) shall be considered Excess Power Energy and billed in accordance with the Large Power Service Schedule.

**(D) Efficiency.**

To encourage efficient operations at Customer's facilities, Company will evaluate various rate structures, including a high load-factor credit, which shall be available to Customer under Paragraph 3(A) or Paragraph 3(B), as applicable, whenever such a tariff is approved by the Commission. In the event of planned production efficiency improvements at Customer's facility that will result in a permanent demand reduction greater than [TRADE SECRET DATA EXCISED], Customer will notify Company of such proposed permanent reduction and both Parties agree to discuss, in good faith, necessary modifications to this Agreement.

**(E) Decreases in Service Requirement for Permanent Facility Shutdown.**

In the event of a permanent cessation of operations at the Mesabi Nugget Facilities, Customer shall notify Company in writing at least one year in advance to request that the Minimum Service Requirement established in Paragraph 4 be reduced to [TRADE SECRET DATA EXCISED]. In no event shall the provisions of this Paragraph be effective prior to [TRADE SECRET DATA EXCISED] after the date of such notification. Customer's rescission or modification of such notice shall be permitted only at the sole discretion of Company.

**(F) Rider for Released Energy.**

Notwithstanding any election under Paragraph 3(B) of this Agreement, the Rider for

Released Energy may apply at any time during the term of this Agreement.

**5. ALL ELECTRIC SERVICE REQUIREMENTS**

During the Term of this Agreement, Customer agrees and shall be obligated to purchase solely from Company all of the Power and Energy required to operate the Mesabi Nugget Facilities. To the extent Customer requires electric service for any newly acquired or constructed equipment at the Mesabi Nugget Facilities which exceeds the caps for service under this Agreement or applicable Schedules and 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. Should Customer contemplate the addition of on-site generation projects as a means to provide electric service for a plant expansion or for the Power and Energy requirements of facilities not identified as Mesabi Nugget Facilities, Company shall be given the first opportunity to be an owner and/or participant in such on-site generation project the submittal of a competitive proposal. 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. APPLICABLE RATE SCHEDULE(S)**

Customer shall pay for all service in accordance the applicable Service Schedule and any applicable tariffs or riders thereto in effect from time to time, except as otherwise provided in this Agreement. The LP Schedule, EMSS Schedule, and all applicable riders are attached hereto as Exhibit A 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.

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.

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. EXTENSION COSTS**

- (A) Customer has previously provided Company a firm financial commitment for service extension costs to satisfy the credit and deposit requirements of the Company's Electric Service Regulations, including Regulation 55, which Company acknowledges satisfies the requirements of the June 1, 2007 electric service agreement. Based on Customer's satisfaction of the commitments set forth in the June 1, 2007 electric service agreement, within seven (7) business days of the execution of this Agreement, Company shall return

the balance of the escrow account monies to Customer.

- (B)** The Customer is responsible for any reasonable additional costs necessary to remedy an “adverse impact” on Company’s system caused by 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 reasonable changes to the electrical distribution system for the Customer facilities to avoid adverse impact on the Company’s transmission system. Such remedy will be applied to the electrical distribution system for the Customer’s facilities. The billing adjustment for excess reactive demand or minimum power factor requirement specified in the applicable rate schedule will apply. For purposes of this paragraph, “adverse impact” shall mean (i) any material and continuing events resulting in a Minnesota Power customer or transmission or distribution reliability agency complaint determined by Company, acting in good faith and in a manner consistent with prudent utility practice, to be the result of Customer’s load, or (ii) any material and continuing events resulting in equipment damage at a Minnesota Power customer facility or a Company transmission or distribution facility or non-compliance with normal transmission system operating standards which is determined by Company, acting in good faith and in a manner consistent with prudent utility practice, to be the result of Customer’s design and load.



**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 electric 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 Point of Delivery shall be measured and recorded on Company's metering equipment installed in Company's metering building located adjacent to Customer's substation or other location on Customer's premises as approved by Company. Service shall be provided to Customer at 138,000 volts.

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- (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 Exhibit B 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 on January 1, 2014, subject to regulatory approval 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

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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 Company's obligation to reimburse Customer for monies pursuant to Paragraph 7(A). In the event this Agreement is approved by the Commission, Customer shall be entitled to a billing adjustment, as appropriate, to reflect the January 1, 2014, effective date.

- (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, telegram 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 Public Affairs  
Minnesota Power  
30 West Superior Street  
Duluth, MN 55802

TO: Mesabi Nugget Delaware, LLC  
Plant Manager  
P. O. Box 235  
Hoyt Lakes, MN 55750

TO: Mesabi Mining, LLC  
Plant Manager  
P.O. Box 235  
Hoyt Lakes, MN 55750

- (H) **Confidentiality and Non-disclosure.** No party hereto shall disclose any information regarding any part of this Agreement 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

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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. All parties shall request regulatory bodies or governmental authorities to respect the confidential and Trade Secret nature of this Agreement before making any disclosure to those bodies or authorities. 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.

- (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 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 Mesabi Nugget Delaware, LLC governing document and/or partnership agreements 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.** All other previous communications between Company and Customer either oral or written are 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.

- (K) **Joint Venture.** The relationship of Company and Customer shall be limited to the performance of this Agreement in accordance with its terms and shall not be construed to be a joint venture. Nothing in this Agreement shall be construed to create a general partnership between Company and Customer or to authorize either to act as an agent for the other.
- (L) **Continuation of Agreement.** It is understood and agreed by Company and Customer that if any one or more provisions contained herein shall be finally determined by any court of competent jurisdiction to contravene, or be invalid under any applicable provision of law, such contravention or invalidity shall not invalidate the Agreement, but the Agreement shall be construed as if not containing such provision or provisions and the rights and obligations of the Parties shall be construed and enforced accordingly. In the event that an occasion shall arise requiring that this Agreement be construed as if not containing a particular provision or provisions, and the effect of such is to impose on Company and/or Customer an obligation other than those contained in this Agreement (except for changes in rates and charges), the Parties will negotiate in good faith to provide a substitute for such provision or provisions, but no such substitute shall be binding on either Company or Customer unless stated expressly in a written document executed and delivered by each of the Parties to this Agreement for filing with the regulatory authorities which have jurisdiction.

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**IN WITNESS WHEREOF**, the Parties have executed this Agreement by their duly authorized officers as of the date first written above.

MESABI NUGGET DELAWARE, LLC

By/Date: \_\_\_\_\_

Title: \_\_\_\_\_

MESABI MINING, LLC

By/Date: \_\_\_\_\_

Title: \_\_\_\_\_

MINNESOTA POWER

By: \_\_\_\_\_

Title: \_\_\_\_\_

STATE OF MINNESOTA     )  
  ) ss  
COUNTY OF ST. LOUIS     )

AFFIDAVIT OF SERVICE VIA  
ELECTRONIC FILING

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Kristie Lindstrom of the City of Duluth, County of St. Louis, State of Minnesota, says that on the 20<sup>th</sup> day of February, 2014, she served Minnesota Power's Petition for Approval of an Electric Service Agreement with Mesabi Nugget to the Minnesota Public Utilities Commission and the Energy Resources 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

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Subscribed and sworn to before  
me this 20<sup>th</sup> day of February, 2014.

/s/ Jodi Nash

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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<br>100 N. Central Avenue<br>Duluth,<br>MN<br>55807 | Paper Service      | No                | GEN_SL_Minnesota<br>Power_Large Power<br>Service List |
| William    | Bond        | william.bond@arcelormittal.com  | ArcelorMittal USA -<br>Minorca Mine Inc. | PO Box 1<br>5950 Old Highway 53<br>Virginia,<br>MN<br>55792          | Electronic Service | No                | GEN_SL_Minnesota<br>Power_Large Power<br>Service List |
| Greg       | Chandler    | greg.chandler@upm-kymmene.com   | UPM Blandin Paper                        | 115 SW First Street<br><br>Grand Rapids,<br>MN<br>55744              | Paper Service      | No                | GEN_SL_Minnesota<br>Power_Large Power<br>Service List |
| Sharon     | Ferguson    | sharon.ferguson@state.mn.us     | Department of Commerce                   | 85 7th Place E Ste 500<br><br>Saint Paul,<br>MN<br>551012198         | Electronic Service | Yes               | GEN_SL_Minnesota<br>Power_Large Power<br>Service List |
| Burl W.    | Haar        | burl.haar@state.mn.us           | Public Utilities Commission              | Suite 350<br>121 7th Place East<br>St. Paul,<br>MN<br>551012147      | Electronic Service | Yes               | GEN_SL_Minnesota<br>Power_Large Power<br>Service List |
| Shane      | Henriksen   | shane.henriksen@enbridge.com    | Enbridge Energy Company,<br>Inc.         | 1409 Hammond Ave FL 2<br><br>Superior,<br>WI<br>54880                | Electronic Service | No                | GEN_SL_Minnesota<br>Power_Large Power<br>Service List |
| James      | Jarvi       | N/A                             | Minnesota Ore Operations<br>- U S Steel  | P O Box 417<br><br>Mountain Iron,<br>MN<br>55768                     | Paper Service      | No                | GEN_SL_Minnesota<br>Power_Large Power<br>Service List |
| Gerald P.  | Kohanski    | gpkohanski@cleveland-cliffs.com | Cleveland-Cliffs Inc.                    | Suite 1500<br>1100 Superior Avenue<br>Cleveland,<br>OH<br>441142518  | Paper Service      | No                | GEN_SL_Minnesota<br>Power_Large Power<br>Service List |
| Michael    | Krikava     | mkrikava@briggs.com             | Briggs And Morgan, P.A.                  | 2200 IDS Center<br>80 S 8th St<br>Minneapolis,<br>MN<br>55402        | Electronic Service | No                | GEN_SL_Minnesota<br>Power_Large Power<br>Service List |
| Ed         | LaTendresse | N/A                             | Hibbing Taconite                         | P O Box 589<br><br>Hibbing,<br>MN<br>55746                           | Paper Service      | No                | GEN_SL_Minnesota<br>Power_Large Power<br>Service List |
| John       | Lindell     | agorud.ecf@ag.state.mn.us       | Office of the Attorney<br>General-RUD    | 1400 BRM Tower<br>445 Minnesota St<br>St. Paul,<br>MN<br>551012130   | Electronic Service | Yes               | GEN_SL_Minnesota<br>Power_Large Power<br>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<br>400 Second Street<br>International Falls,<br>MN<br>56649   | Paper Service      | No                | GEN_SL_Minnesota<br>Power_Large Power<br>Service List |
| Sarah      | Manchester | N/A                                | Sappi Fine Paper North<br>America | 255 State St Fl 4<br><br>Boston,<br>MA<br>02109-2617                      | Paper Service      | No                | GEN_SL_Minnesota<br>Power_Large Power<br>Service List |
| Keith      | Matzdorf   | keith.matzdorf@sappi.com           | Sappi Fine Paper North<br>America | PO Box 511<br>2201 Avenue B<br>Cloquet,<br>MN<br>55720                    | Electronic Service | No                | GEN_SL_Minnesota<br>Power_Large Power<br>Service List |
| David      | Moeller    | dmoeller@allete.com                | Minnesota Power                   | 30 W Superior St<br><br>Duluth,<br>MN<br>558022093                        | Electronic Service | Yes               | GEN_SL_Minnesota<br>Power_Large Power<br>Service List |
| Andrew     | Moratzka   | apmoratzka@stoel.com               | Stoel Rives LLP                   | 33 South Sixth Street<br>Suite 4200<br>Minneapolis,<br>MN<br>55402        | Electronic Service | No                | GEN_SL_Minnesota<br>Power_Large Power<br>Service List |
| Ralph      | Riberich   | rriberich@uss.com                  | United States Steel Corp          | 600 Grant St Ste 2028<br><br>Pittsburgh,<br>PA<br>15219                   | Electronic Service | No                | GEN_SL_Minnesota<br>Power_Large Power<br>Service List |
| Thomas     | Scharff    | thomas.scharff@newpagec<br>orp.com | New Page Corporation              | P.O. Box 8050<br>610 High Street<br>Wisconsin Rapids,<br>WI<br>544958050  | Electronic Service | No                | GEN_SL_Minnesota<br>Power_Large Power<br>Service List |
| William    | Schmidt    |                                    | USG Interiors, Inc.               | 35 Arch Street<br><br>Cloquet,<br>MN<br>55720                             | Paper Service      | No                | GEN_SL_Minnesota<br>Power_Large Power<br>Service List |
| Joe        | Scipioni   |                                    | PolyMet Mining, Inc.              | P.O. Box 475<br>County Highway 666<br>Hoyt Lakes,<br>MN<br>55750          | Paper Service      | No                | GEN_SL_Minnesota<br>Power_Large Power<br>Service List |
| Eric       | Swanson    | eswanson@winthrop.com              | Winthrop Weinstine                | 225 S 6th St Ste 3500<br>Capella Tower<br>Minneapolis,<br>MN<br>554024629 | Electronic Service | No                | GEN_SL_Minnesota<br>Power_Large Power<br>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<br>Eveleth,<br>MN<br>55734       | Paper Service      | No                | GEN_SL_Minnesota<br>Power_Large Power<br>Service List |
| Karen      | Turnboom  | karen.turnboom@newpage<br>corp.com | NewPage Corporation | 100 Central Avenue<br>Duluth,<br>MN<br>55807 | Electronic Service | No                | GEN_SL_Minnesota<br>Power_Large Power<br>Service List |