

## **MN PUC Comments ESA Amendment September 2018**

Verso Minnesota Wisconsin LLC ("Verso") appreciates the opportunity to provide brief comments supporting Minnesota Power's Petition for Approval of an Amendment to Electric Service Agreement with Verso. The Amendment is the result of months of negotiations between the Parties in an effort to help ensure the viability of Verso's Duluth Mill going-forward in a very challenging marketplace. As the Manager of the Duluth Paper Mill, I understand the importance of the Duluth Mill to the economy in Northeast Minnesota as both an employer and large energy consumer. The Duluth Mill employs 225 fulltime employees and has a payroll that exceeds \$25 million per year. In total, the Mill contributes more than \$100 million annually to the economy in Northeast, Minnesota. Due to the nature of the paper business, however, the Mill faces significant economic pressures.

In particular, the Mill manufactures both Recycle Pulp and Super Calendar Paper – commodity products with low profit margins. The Mill competes with manufacturers in Canada and Europe in this commodity market, who often have competitive advantages in manufacturing costs. Verso's most significant cost at the Mill by a considerable margin is purchasing electric energy to support the manufacturing process. The Mill is the largest electric customer in the City of Duluth. Because of competitive pressures, however, we do not have the ability to pass increased energy costs on to customers. The Amendment before you reflects both Verso and Minnesota Power's recognition of this reality and provides a path forward that is in the interest of Minnesota Power's customers.

The Amendment provides the Duluth Mill with critical operating flexibility and associated energy cost reduction, which allows the Mill to be more cost competitive in this very challenging global market. In this respect, the Amendment supports the retention of an important Minnesota Power customer and regional industrial employer. The Amendment also provides significant benefits to Minnesota Power's customers. The Amendment extends the Mill's commitment to purchase its electric requirements from Minnesota Power through 2024 and provides additional financial assurance to Minnesota Power through a corporate guarantee and customer billing modifications. For these reasons, Verso believes that approval of the Amendment is in the public interest and respectfully requests that the Amendment be approved.

Thank you for your consideration of these comments.

John Bastian

Verso Duluth Mill Manager