division of energy resources
Minnesota Department of Commerce

85 7th Place East, Suite 500, St. Paul, MN 55101-2198
Main: 651.539.1500
Fax: 651.539.1549

mn.gov/commerce/energy

December 17, 2013 **PUBLIC DOCUMENT**

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

RE: **PUBLIC** Comments of the Minnesota Department of Commerce, Division of Energy Resources
Docket No. E015/GR-09-1151

Dear Dr. Haar:

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

Minnesota Power (MP or the Company) 2009 Rate Case, Department's Review of the MP Margin Impact Analysis in MP's Rate Case Settlement Agreement.

The *Settlement Agreement* was filed on June 23, 2010 by:

Christopher D. Anderson
Associate General Counsel
Minnesota Power
30 West Superior Street
Duluth, MN 55802-2093

The Department concludes that **no action is necessary at this time, but will continue to monitor this issue** and is available to answer any questions the Commission may have.

Sincerely,

/s/ NANCY A. CAMPBELL
Financial Analyst, Energy Planning & Advocacy

NAC/lt
Attachment

PUBLIC DOCUMENT

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

PUBLIC COMMENTS OF THE
MINNESOTA DEPARTMENT OF COMMERCE

DOCKET NO. E002/GR-09-1151

I. SUMMARY OF THE MARGIN IMPACT ANALYSIS INCLUDED IN THE SETTLEMENT AGREEMENT

Page 1 of the June 23, 2010 Settlement Agreement approved in Minnesota Power's (MP or the Company) most recent rate case in Docket No. E015/GR-09-1151 (June 23, 2010 Settlement) showed the following margins (revenues less fuel costs):

- Large Power $139.6 million
- Residential/General Service/Large Light and Power $159.3 million
- Wholesale $ 37.7 million

The June 23, 2010 Settlement on pages 2 and 3 contained the following provisions regarding the Margin Impact Analysis:

> E. The Settling Parties also agree that future major changes in sales to Large Power customers may have significant impacts on the fairness of this settlement and on Minnesota Power's future profitability. Therefore, the Settling Parties further agree that:[1]
>
> 1. Minnesota Power shall file a Margin Impact Analysis with any new or amended Large Power Electric Service Agreement ("ESA") filing where the new or changed electric demand is 25[2] MW or greater, provided, however, that no Margin Impact Analysis shall be required in the event the collective nominations of Blandin Paper Company, Hibbing Taconite, ArcelorMittal -Minorca, NewPage, USS, and United Taconite

[1] Footnote omitted.
[2] Footnote omitted.

("LP Nomination Level") has averaged less than 596[3] MWs for the three nomination periods preceding the date of the ESA filing.

2. For the purpose of this settlement, a Margin Impact Analysis shall be defined as a set of calculations designed to: (a) delineate the net impact of the proposed new or amended Large Power ESA on Minnesota Power's margins as explained more fully on subparagraph below 3 below; (b) provide an update to the end of the last preceding calendar year showing actual margins for that year as compared to the amounts agreed upon in this settlement; and (c) show how such new or amended ESA will impact Minnesota Power's last reported and next projected return on equity levels as reported in the Company's most recently filed Annual Jurisdictional Report.

3. The Margin Impact Analysis must include detailed information about the amount of power to be purchased by the new or existing customer, gross retail margins resulting from providing service to such customer, and the decrease in wholesale margins necessitated to make this additional retail sale. Further, the rate design and cost of capital used in the Margin Impact Analysis shall be the same as set by the Commission in this rate case. Thus, the Settling Parties intend that the only changes reflected in the Margin Impact Analysis would be to retail margins, wholesale margins, and any significant and reasonable changes in incremental costs (excluding fuel and purchased power costs) attributable to serving any new Large Power customer, to the extent such costs are not offset by revenue contributions from the new or expanded customer. The burden is on Minnesota Power to show that any such changes in incremental costs are not only incremental, but also reasonable and net of all additional margins.

4. The Settling Parties further agree that, predicated upon the Margin Impact Analysis and any other facts deemed relevant at the time, any party to this settlement may, in lieu of requesting the filing of a new general rate case proceeding, petition the Commission for an adjustment to Minnesota Power's retail rate levels. Each of the Settling Parties agrees not to contest such a petition on the grounds that single issue ratemaking is not lawful.

[3] Footnote omitted.

F. Minnesota Power further agrees that it will not file a new rate proceeding based solely on loss of overall Large Power load until the overall load loss exceeds 10% or LP Nominations fall below 596 MW for greater than one year. The language in the preceding sentence does not prohibit Minnesota Power from filing a new rate proceeding immediately based on the shutdown or closure of a single Large Power customer.

G. The Settling Parties agree that this Paragraph 1 of this Stipulation and Settlement Agreement is subject to a condition subsequent for the benefit of all Settling Parties. That condition subsequent will either have been satisfied or not before the Commission makes its determination in this case. That condition subsequent is that by August 2, 2010 the LP Nomination Level shall be 662 MW or higher.

II. BACKGROUND

It is important to note the circumstances that lead to the unusual settlement agreement above. It was evident in MP's 2009 rate case that retail and wholesale revenues were fluctuating significantly due to significant changes in the economy at that time. Since utilities such as MP operate their facilities as a system, the same facilities are used to serve retail and wholesale customers. When retail customers pay for all or most of the facilities, it is necessary for wholesale revenues to offset the amounts charged in retail rates. Due to the large fluctuations in sales, this relationship between retail and wholesale revenues was not stable at the time of the rate case and was a key factor behind the need for the settlement agreement to ensure that retail rates set in MP's rate case for industrial, commercial and residential customers were reasonable. Further, as indicated in that rate proceeding, there were several large power customers that were expected to be added to MP's system, so it was important to capture the additional revenues and directly related incremental customer costs if those customers were added prior to MP's subsequent rate case. Failure to do so would have meant that MP would have over-recovered its costs by charging retail ratepayers too much and keeping the higher revenues for shareholders. In MP's rate case, the Department discussed this limited reopener issue via a margin impact analysis as a result of concerns of significant large power customers with the potential to be served by MP and resulting in materially effecting MP's rates.[4]

The Minnesota Public Utilities Commission's (Commission) November 2, 2010 Rate Case Order (November 2, 2010 Order) on page 13 provided the following discussion on the June 23, 2010 Settlement[5]:

[4] See MP Rate Case Docket No. E015/GR-09-1151, Trade Secret Campbell Errata Direct Testimony and Attachments pages 53-57 filed 4/22/10 in edockets and Public Campbell Surrebuttal Testimony and Attachments pages 36-40 filed 5/12/10 in edockets.
[5] Note the June 23, 2010 Settlement was initially filed on May 18, 2010 and then refilled with references to testimony in the rate case to support settlement amounts.

> On May 18, 2010, five of the seven parties to the case filed a Stipulation and Settlement resolving several major issues, including the following:
>
> - Test-year retail and wholesale margins
> - Jurisdictional allocations
> - Return on equity, capital structure, and cost of debt
> - Specific adjustments to the test-year operating and maintenance expense for Boswell generating units 3 and 4
> - Test-year environmental retrofit costs for Boswell generating unit 3
>
> The Stipulation and Settlement also contained a provision that, in brief, (a) obligated Minnesota Power to file a "Margin Impact Analysis" detailing the financial impact of each future significant increase in its Large Power load; (b) permitted any party to the Stipulation and Settlement to petition the Commission for an across-the-board retail rate reduction based on that increase; and (c) prohibited any party to the Stipulation and Settlement from opposing that petition on grounds that the relief sought constituted prohibited single-issue ratemaking.
>
> The parties to the Stipulation and Settlement were Minnesota Power, the Office of Energy Security, the Large Power Intervenors, the Energy CENTS Coalition, and the Minnesota Chamber of Commerce.

The Commission's November 2, 2010 Order on pages 14 and 15 approved the retail margins and wholesale margin forecasts including the Margin Impact Analysis, consistent with the June 23, 2010 Settlement.

III. DEPARTMENT ANALYSIS

Since its last rate case, MP has not filed a retail Large Power Electric Service Agreement (ESA) that is 25 MW or greater such that it would trigger the Margin Impact Analysis. However, MP does have a large wholesale customer, the City of Nashwauk (Nashwauk), which buys power from MP on behalf of its customer, Essar Steel Minnesota (Essar). In these comments, the Department provides a discussion regarding whether this wholesale customer could cause the Margin Impact Analysis to be triggered. The Department's review focuses on the following questions:

- Does the Margin Impact Analysis apply to MP's service to wholesale customers or is it limited to retail customers only?

- Has any customer met the 25 MW threshold criteria?

- What is the level of demand/capacity associated with MP's wholesale customer, Nashwauk, which purchases power on behalf of its retail customer, Essar?

- Have other requirements of the Margin Impact Analysis been met?

- How do MP's margins and return on equity (ROE) levels approved in MP's last rate case compare to MP's margins and ROE levels for the years 2010 to 2012?

1. Does the Margin Impact Analysis apply to MP's service to wholesale customers or is it limited to retail customers only?

Despite the fact that Essar is a retail customer of Nashwauk, MP's system must be able to serve Nashwauk's requirements, including those due to Essar. To that end, all three entities are parties to a three-party supply contract. The importance to MP of Essar's expansion plans is illustrated in a *Star Tribune* article dated August 23, 2013. The article provided the following two relevant statements:

> Essar Steel Minnesota will delay the opening of its Nashwauk taconite plant until the second half of 2014, officials confirmed Thursday.
>
> Allete, Inc., which is the parent company of Minnesota Power, informed shareholders of Essar's delay during a conference call Thursday. Minnesota Power is scheduled to sell 110 megawatts of power to run the Essar plant.[6]

The Department notes that section E of the June 23, 2010 Settlement cited above, states in part that:

> The Settling Parties also agree that future major changes in sales to Large Power customers may have significant impacts on the fairness of this settlement and on Minnesota Power's future profitability.

The Department considers this statement to be an important summary as to why Settling Parties entered into this agreement. The Department believes that the addition of Nashwauk/Essar appears to meet the concern that Settling Parties were trying to address, namely to ensure fairness in rates if a large power customer such as Essar decided to proceed with an expansion project that adds a significant amount of load to MP's system. Clearly, the Commission must not be precluded from examining the effects of significant increases in MP's load.

[6] DOC Attachment 1 includes a copy of the full article "Essar's Taconite plant on Iron Range delayed until second half of 2014" and other newspaper or website articles referenced in these comments.

Second, while there is reference to a Large Power Electric Service Agreement or ESA in part E(1) of the June 23, 2010 Settlement, that statement does not use the term "retail" or "wholesale" to distinguish one type of ESA from another. The Department notes that ALLETE's 2012/Q4 FERC Form 1 on page 450.1[7] indicates that, "A new Electric Service Agreement with the City of Nashwauk, Minnesota went into effect April 1, 2013." Thus, ALLETE/MP refers to both retail and wholesale contracts with large power customers as Electric Service Agreements or ESAs. Third, section E(3) of the June 23, 2010 Settlement discusses the "Margin Impact Analysis" and states that this analysis "must include detailed information about the amount of power to be purchased by the new or existing customer, gross retail margins resulting from providing service to such customer, and the decrease in wholesale margins necessitated to make this additional retail sale." In addition section E(3) goes on to state, "Thus, the Settling Parties intend that the only changes reflected in the Margin Impact Analysis would be to retail margins, **wholesale margins**, and any significant and reasonable changes to incremental costs (excluding fuel and purchased power costs) **attributable to serving any new Large Power customer**, to the extent such costs are not offset by revenue contributions from the new or expanded customer." (Emphasis added.) Therefore, the Department concludes that the language in section E(3) does not limit the applicability of the settlement to retail additions only, but instead may apply to any addition that may affect retail and wholesale margins, such as a Large Power customer that is largely taking power from MP through a third party such as Nashwauk. Key to this analysis is the Department's understanding that Nashwauk does not have sufficient – if any – extra energy to serve Essar and, hence, it is MP that is providing the new energy to Essar through Nashwauk.

Fourth, the Department notes the following timeline for Essar as discussed on the website: http://essarresources.com

- October 2007 – Essar Steeling Holdings acquired the fully-permitted project from Minnesota Iron & Steel.
- September 19, 2008 – Essar's ground breaking event that appeared to be widely publicized.
- October, 2010 – Essar began construction.

In comparison, the Department notes that the Commission's Order approving the MP Rate Case and the above-referenced Settlement in Docket E015/09-1151 was dated November 2, 2010. As a result, since MP is highly attuned to the developments in its area, MP was certainly aware of Essar's plans, at least generally, at the time the June 23, 2010 Settlement was being discussed and approved. It would not be appropriate to allow MP to skirt the clear intent of the settlement to ensure that retail rates are set reasonably, by using knowledge the Company chose not to share at the time the settlement was developed and arranging a highly unusual structure of serving Essar through a wholesale customer, with the effect of charging retail ratepayers (including retail Large Power customers) more than their share of costs and keeping the wholesale revenues for MP's shareholders.

[7] DOC Attachment 2 includes a copy of the ALLETE 2012 FERC Form 1 page 450.1.

In conclusion, the Department believes that language in the June 23, 2010 Settlement supports application of the Margin Impact Analysis for both a Large Power retail and wholesale customer, such as Essar/Nashwauk. However, since, from 2011 to date, no customer has exceeded the 25 MW threshold that would initiate use of the reopener and resulting margin impact analysis (more discussion on this issue, below), including Essar, which is in the start-up period of its operations, the Department does not recommend use of the reopener at this time.

The Department notes that the Commission does not need to decide at this time if a wholesale customer triggers the reopener and resulting Margin Impact Analysis, but instead could wait until such time when Essar or another customer exceeds the 25 MW threshold, if such an event occurs before MP files its next rate case. At such time, the Department would consider MP's margins and return on equity (ROE) to determine whether they are likely to be sufficiently high to warrant a reopener and possible change in rates. However, the Department would appreciate any guidance the Commission would like to offer on the issues identified in these comments, if the Commission wishes to do so.

2. Has any customer met the 25 MW threshold criteria?

The following section E(1) of the June 23, 2010 Settlement discusses the 25 MW threshold criteria:

> 1. Minnesota Power shall file a Margin Impact Analysis with any new or amended Large Power Electric Service Agreement ("ESA") filing where the new or changed electric demand is 25[8] MW or greater, provided, however, that no Margin Impact Analysis shall be required in the event the collective nominations of Blandin Paper Company, Hibbing Taconite, ArcelorMittal -Minorca, NewPage, USS, and United Taconite ("LP Nomination Level") has averaged less than 596[9] MWs for the three nomination periods preceding the date of the ESA filing.

The Department asked MP in Department information request 1111[10] to identify any retail or wholesale customer whose annual electric demand for both 2011 and 2012 is now 25 MW or greater than the customers' demand reflected in MP's 2010 Rate Case (Docket No. E015/GR-09-1151). MP stated in its response that it has no retail customers whose electric demand for 2011 or 2012 is at least 25 MW greater than the customer's demand reflected in MP's 2010 Rate Case.

The Department asked MP in Department information request 1118 the following question and MP provided the following response:

[8] Footnote omitted.
[9] Footnote omitted.
[10] The Department has included all information requests and responses referenced in these comments as DOC Attachment 3.

> **Question:**
> For any new or amended large power contracts (retail or wholesale) where demand is 25 MW or greater, **please explain in detail** if a "Margin Impact Analysis" as identified in the June 23, 2010 Stipulation and Settlement Agreement in Docket No. E015/GR-09-1151, is required or not, and specifically for **Essar and Nashwauk.**
>
> **Response**:
> There are no new or amended Large Power contracts where demand is 25 MW or greater since the Stipulation and Settlement Agreement was approved by the Commission in Docket No. E015/GR-09-1151.
>
> Essar Steel Minnesota is a retail customer of Minnesota Power for a portion of its load not served by the City of Nashwauk. That load connected in 2011 and has been less than 2,000 kW total demand for each year.
>
> The City of Nashwauk is a wholesale customer of Minnesota Power. By the terms of the Stipulation and Settlement Agreement, only Large Power retail load is applicable when determining the need for a Margin Impact Analysis. As a result, a Margin Impact Analysis would not be required even if the City of Nashwauk's load increased by 25 MW in any year (which it has not).

The Department notes that, since according to MP no retail or wholesale customer has exceeded the 25 MW at this time, there is no need to trigger the reopener at this time. The Department discusses the Essar/Nashwauk customer in more detail in the next section.

3. *What is the level of demand/capacity for the Nashwauk wholesale customer who purchased power on behalf of its retail customer Essar?*

In MP's response to DOC information request 1117, specifically Attachment 1117.1, MP's Nashwauk 2012 contract summary shows 1.53 MW of average monthly demand for 2010, up to 1.82 MW of average month demand for 2013 (data through July).[11]

[11] The Department calculated the average monthly demand for 2010 by dividing the 18,324 kW total annual demand provided by MP on Attachment 1117.1 by 12, and then dividing that result by 1,000 to determine the 1.53 MW. The same process was used for the 2012 and 2013 figures.

MP provided the following documents in response to DOC information request 1115:[12]

- Facilities Construction Agreement;
- Electric Service Agreement (Schedule 93) between MP and Nashwauk – currently in effect;
- Electric Service Agreement executed February, 2011 between MP and Nashwauk (effective April 1, 2013 ; and,
- Market Based Electric Service Agreement (MBESA) between MP and Nashwauk executed April, 2011 (effective April 1, 2013).

In the Department's review of the trade secret version of the MBESA, the Department noted the following terms that are relevant to this reopener issue:

- MP is the referred to as the "Company", Nashwauk Public Utilities Commission is referred to as the "Customer", and Essar Steel Minnesota LLC is referred to as the Customer's retail customer or ESML in this agreement.
- Term of Agreement **[TRADE SECRET DATA HAS BEEN EXCISED]**;
- Start-Up Period – such time as Customer's [Nashwauk] retail customers ESML [Essar Steel Minnesota LLC] achieves a measured demand of **[TRADE SECRET DATA HAS BEEN EXCISED],** or **[TRADE SECRET DATA HAS BEEN EXCISED],** or some later date determined at the sole discretion of Company.

The Department notes that the fact that MP has such a significant say ("sole discretion") in a detail such as the start-up period for one of Nashwauk's customers suggests a more significant relationship between MP and ESML than would ordinarily exist between MP and the retail customer of one of its wholesale customers.

MP did not provide the level of demand contracted for Essar in response to DOC information request 1115. Instead, MP said such information would be the Large Industrial Service Agreement, or LISA, between Nashwauk and Essar. As a result, the Department asked MP in DOC information request 1121 to provide a copy of the LISA between Nashwauk and Essar. MP provided a public version of the LISA; however the public version does not contain the demand level information the Department sought to review. The Department issued additional information requests and gathered information via newspapers and websites as discussed below that suggest the trigger is unlikely to be reached until second half of 2014.

In the future, the Department believes that MP should be required to provide this trade secret LISA Agreement between Nashwauk and Essar, so that the Department and Commission may determine, through more detailed information, when this customer Nashwauk/Essar customer likely will reach the 25 MW trigger for the Margin Impact Analysis. If MP continues to object to providing information regarding the amount of demand on its system due to Essar, the Department intends to bring this issue back to the Commission to decide, as may be appropriate.

---

[12] The Department was provided the public version of these documents in MP's discovery response, and was able to review the trade secret versions at the Company's Minneapolis offices during an in-camera physical review.

For the Commission's convenience and for additional context, the Department provides below its questions, and MP's responses, in DOC information requests 1122 – 1125.

DOC information request 1122:

> Has MP provided to Nashwauk for its customer Essar 25 MW of demand or more in any month, starting when Essar began taking power through September 30, 2013?

MP's response:

> No. Nashwauk's average demand each month has been virtually unchanged in relation to Essar's usage.

DOC information request 1123:

> When (by what date) does MP expect to provide 25 MW or more of demand to Nashwauk for its customer Essar?

MP's response:

> Minnesota Power cannot predict a date at this time, nor do we understand the relevance to the Margin Impact Analysis.
>
> Currently, Essar expects to begin blasting, mining and commissioning equipment in 2014. These activities will require an insignificant amount of electric power and as a result, we expect minimal impact from electric sales on results of operations through 2014. Essar expects to begin increasing its electric power requirements as it ramps up production in late 2014, and expects to achieve a 4 million metric ton production level by the first half of 2015, and work towards a full production level of 7 million metric tons by the end of 2015.

The Department asked MP in DOC information request 1124 to provide a list of all agreements between and among MP, Nashwauk and Essar including all agreements between only MP and Nashwauk. MP provided the following response:

> There have been numerous agreements between Minnesota Power, the City of Nashwauk and/or the Nashwauk Public Utilities Commission and Essar related to the Essar development in northeastern Minnesota:

Agreements between MP and the City of Nashwauk or the Nashwauk Public Utilities Commission:

- Electric Service Agreement (Schedule 93)*
- Electric Service Agreement executed February, 2011(effective April 1, 2013)*
- Market Based Electric Service Agreement executed April, 2012 (effective April 1, 2013)*
- Market Based Electric Service Agreement executed July, 2013 (effective August 1, 2013)*
- Commitment Agreement (executed simultaneously with the Electric Service Agreement)
- Facilities Construction Agreement*
- First Amendment to Facilities Construction Agreement dated April 30, 2013
- Easement Agreement
- Master Services Agreement
- Metering Services Agreement for Calumet and McCarthy Lake Substations
- Billing Services Agreement (effective April 1, 2013)
- Project and Construction Management Services Agreement
- Maintenance Agreement March 2012 (effective April 1, 2013)
- Restated Maintenance Agreement April 2013 (effective April 1, 2013)
- Escrow Agreement
- Franchise Agreement March 2012

Agreements between MP and Essar or MP has acknowledged review and consent:

- Essar Draper Annex Electric Service Agreement *
- Essar Pit 5 Dewatering Electric Service Agreement*
- Essar Tails Reclaim Electric Service Agreement**
- Large Industrial Service Agreement (LISA)**
- First Amendment to LISA
- Second Amendment to LISA
- Facilities Construction Agreement*
- First Amendment to Facilities Construction Agreement dated April 30, 2013
- Essar Preliminary Engineering Design Agreement
- Confidentiality Agreement dated February 26, 2013
- Letter Agreements related to FCA [Facilities Construction Agreement] construction costs and credit requirements:
- Letter dated September 28, 2012
- Joint Proposal dated April 4, 2013

* Public Document previously provided to the Department
** Submitted with Information Request 1121 or 1124

Finally, the Department asked MP in DOC Information Request 1125:

> If MP has not already provided all of the agreements listed in response to the above information request, please provide each agreement so listed or explain in detail the legal basis for MP to withhold the document.

MP provided the following response:

> The remaining agreements that have not been disclosed by Minnesota Power have been withheld from submission and review on the basis that 1) their content is outside the scope of the Department's inquiry into the effects of the Margin Impact Analysis and are unrelated to the issue of Minnesota Power's retail rates established in this Docket; and 2) the counterparties to these agreements question the jurisdictional basis or right that the Department has to review such agreements, and as a result have not consented to disclosure. As a result, Minnesota Power is not authorized to provide copies of those agreements.

The Department notes that the basis for the Department and Commission to receive the information requested in this inquiry is generally related to the Commission's authority to set just and reasonable retail rates, and to its responsibilities regarding integrated resource planning as discussed below.

First, for purposes of determining reasonable retail rates the Department and Commission need all retail and wholesale information in order to evaluate whether allocations between the jurisdictions are reasonable. Setting reasonable rates in rate cases, rate recovery riders, and any other recovery mechanism requires ensuring that retail customers – including large industrial, commercial and residential customers – pay only for the reasonable costs of retail service. An appropriate level of wholesale revenues must be brought into the recovery mechanism through an offset to retail rates because costs and/or assets are already being paid for by retail customers. Therefore, the Department and Commission need complete retail and wholesale information when determining the total costs and total revenues to include in a retail rate recovery mechanism, in order to ensure that rates charged to retail customers are reasonable. This aspect of ratemaking is nothing new. For example, utilities provide this information in their rate cases, such as the wholesale studies provided by Xcel in response to DOC information request no. 1134 in Docket No. E002/GR-12-961 and as provided by Xcel in the current rate case in Docket E002/GR-13-868, Exhibit ___(AEH-1), Schedule 13. Again, this information is needed in order for the Department and Commission to evaluate whether the cost and revenue allocations between retail and wholesale are reasonable.

Second, the Department uses both retail and wholesale information in integrated resource planning, since this planning is done to ensure adequate system resources, including retail wholesale demand for power. Because of Essar's size, MP's wholesale requirements may significantly increase due to the addition of Essar, so information about the effect on Nashwauk's load due to Essar will also be necessary in MP's IRP's to ensure that the system has adequate system resources, including providing for wholesale activities.

As noted earlier, the Department generally concludes that MP's Nashwauk/Essar customer has not yet exceeded the 25 MW threshold based on the limited information available or provided. However, the Department is concerned that MP has not provided the wholesale information that the Department and Commission may need later in this proceeding, or may need in future rate recovery mechanisms, to ensure that retail rates are reasonable (especially allocations between retail and wholesale). \

For now, the Department defers to the Commission regarding whether the information in these comments is sufficient at this time, or whether the Commission should require MP to provide the trade secret LISA under the protections of the Minnesota Government Data Practices Act, as may be appropriate. While the Commission may decide that it is not necessary for MP to provide the information immediately, information about increased load from Nashwauk will be needed sooner rather than later.

As previously noted, MP did not provide the information requested regarding the timing of the up-ramp of Nashwauk/Essar's load. For the Commission's convenience, the Department identifies publically available information it reviewed and on which it relies for its general conclusion that MP's Nashwauk/Essar customer has not yet exceeded the 25 MW threshold:

- As discussed above, according to a Star Tribune article dated August 23, 2013, Minnesota Power is scheduled to sell 110 megawatts of power to run the Essar plant in the second half of 2014.

- On the Essar Resources website referenced above, Essar indicates that it expects operations to commence in the fourth quarter of 2014, ramping up to a capacity of 7 million tons per annum in quarter three of 2015.

- An April 2, 2013 Twin Cities.com article states: "Essar is a customer of the city of Nashwauk, which receives all of its electricity through a municipal contract with Minnesota Power. Minnesota Power said it has a 12-year agreement to meet all of Nashwauk's electric requirements through June 30, 2024."

Based on the information contained in the MBESA as noted above, it appears that the 25-MW threshold may be reached as soon as **[TRADE SECRET DATA HAS BEEN EXCISED]**. Based on the newspaper article and Essar Resources' website discussed above, Nashwauk/Essar may exceed the 25-MW threshold by second half of 2014. As a result, it will be 2014 or 2015 (depending on how late in 2014 Essar is at the higher 110 MW level) when MP may see a material financial gain that will warrant considering the use of the reopener tool and Margin Impact Analysis as approved in the June 23, 2010 Settlement.

4. Have other requirements of the Margin Impact Analysis been met?

In addition to the requirement that the Large Power customer contract must be 25 MW or greater to meet the reopener requirement, the following provisions E(1) and G of the June 23, 2010 Settlement must be met:

- No Margin Impact Analysis shall be required if the collective nominations of Blandin Paper Company, Hibbing Taconite, ArcelorMittal-Minorca, NewPage, USS, and United Taconite ("LP Nomination Level") has averaged less than 596 MWs for the three nomination periods preceding the date of the ESA filing.[13]

- The Settling Parties agree that this Paragraph 1 of this Stipulation and Settlement Agreement is subject to a condition subsequent for the benefit of all Settling Parties. That condition subsequent will either have been satisfied or not before the Commission makes its determination in this case. **That condition subsequent is that by August 2, 2010 the LP Nomination Level shall be 662 MW or higher.[14] [Emphasis added.]**

In meeting the first requirement that LP Nomination Levels average more than 596 MW, MP's responses to Department information requests 1110 and 1119 show that LP Nomination Levels have been at the 660 MW level for all months from April 2010 through December 2013. As a result, MP has exceed the 596 MW average and would be subject to the Margin Impact Analysis at this time.

In meeting the second requirement, the Department notes in MP's response to Department information request 1110 that MP's nominations were at the 662 MW level beginning May 2010 and continued to be at the 662 MW or higher level for the rest of 2010. As a result, MP has met the second requirement of being at 662 MW or higher by August 2, 2010.

In conclusion, at this time, MP has met the two requirements of exceeding the 596 MW average and exceeding the 662 MW LP Nomination Level by August 2, 2010, and therefore would be subject to the Margin Impact Analysis if the 25-MW threshold were met.

5. How do margins and ROE levels approved in MP's last rate case, compare to margins and ROE levels for the years 2010 to 2012?

The June 23, 2010 Settlement included the following information regarding Margin Impact Analysis regarding MP's margins and MP's ROE:

> E (2) For the purpose of this settlement, a Margin Impact Analysis shall be defined as a set of calculations designed to: (a) delineate the net impact of the proposed new or amended Large Power ESA on Minnesota Power's margins as explained more fully on

[13] See Section E(1) of the Settlement.
[14] See Section G of the Settlement.

> subparagraph below 3 below; (b) provide an update to the end of the last preceding calendar year showing actual margins for that year as compared to the amounts agreed upon in this settlement; and (c) show how such new or amended ESA will impact Minnesota Power's last reported and next projected return on equity levels as reported in the Company's most recently filed Annual Jurisdictional Report.

As a result, the Department asked MP in Department information request 1120 to provide information regarding margins in the Settlement, margins based on final rates, and actual margins for 2010 through 2012. The Department requested all supporting information and calculations in spreadsheet format to ensure consistency and comparability of the information.

MP provided a detailed 1120.1 Attachment[15] that includes the calculations for the Settlement Margins in Column A, the Final Rates Margins[16] in Column B, and Final Rates Margins excluding Conservation Program Adjustment (CPA)[17] in Column C. The amounts in Column C, Final Rates Margins excluding CPA, are the appropriate margins to use to compare 2010 through 2012 actual margins, which are as follows:

Table 1: Comparison of MP's Margins in Millions

	Final Rates Excluding CPA	2010 Actual Margins	2011 Actual Margins	2012 Actual Margins
Large Power Margins	$175.8	$167.2	$184.4	$191.6
Residential General Service Large Light & Power Margins	$170.4	$174.9	$173.4	$168.1
Wholesale/ Off-System Sales Margins	$37.7	$33.9	$31.1	$29.5
Total Margins	**$383.9**	**$376.0**	**$388.9**	**$389.2**

[15] MP also provided an Attachment 1120.2, which shows a more detailed breakout of revenues and fuel costs for three margin categories, including individual customers for wholesale margins. The Department has attached the public version which shows total sales revenues and fuel costs, but did not include the trade secret version which is available to authorized parties upon request of the Department.
[16] MP used the March 7, 2011 Compliance filing for its approved rate case in Docket E015/GR-09-1151, compliance schedule 12 and Schedule E-1.
[17] According to MP, CPA revenue had a separate recovery mechanism outside of base rates; therefore, the CPA revenue amount should be excluded.

Based on the comparison shown in Table 1, MP's total margins have been fairly consistent. As a result, the Department considers it premature at this time to support a reopener based on the Margin Impact Analysis, since we are not seeing a significant increase in margins at this time.[18]

In response to Department information 1120, MP provided the following information regarding MP's return on equity (ROE) levels reported in MP's 2010 to 2012 Jurisdictional Reports:

MP's Authorized ROE	10.38%
MP's 2010 Actual ROE	9.49%
MP's 2011 Actual ROE	10.17%
MP's 2012 Actual ROE	7.46%

MP noted in response to Department information request 1120 that all of the ROE's for the period 2010 to 2012 are below its authorized ROE of 10.38 percent. MP also noted that it is concerned about recent under-earnings and continues to evaluate the timing of its next rate case.

In response, the Department notes first that the reported ROEs have not been audited by regulators, so they should be viewed carefully. For example, the Department is surprised that in 2012 MP's total margins were higher, yet their ROE was lower.[19] As a result, the Department did a limited review of MP's 2011 and 2012 Minnesota Jurisdictional Reports and noted two increases in expenses from 2011 to 2012: a $6.8 million increase in transmission operating expense and an increase in total depreciation expense of approximately $6 million (most related to production plant) when comparing 2011 to 2012. Unless offset by revenues, these increases in costs would reduce the ROE. Second, even if the figures above are correct, the authorized ROE is not a guaranteed return, and as noted in footnote 1 on page E14 of 2012 Minnesota Jurisdictional Report. Third, MP does not weather normalize its sales revenue, which may also skew MP's financial results when comparing the results to the weather-normalized authorized ROE. The Department recommends that MP should provide weather-normalized sales revenue for their ROE calculation beginning with its 2013 Minnesota Jurisdictional Report to allow for a more apples-to-apples comparison of their rate case authorized ROE. Finally, if it is necessary for MP to file a rate case, the Company certainly has that option.

The Department will continue to monitor MP's operating and maintenance expense in 2013 and 2014 to see if these are ongoing increases or one-time expenses. The Department considers it premature at this time to support a reopener based on our limited ROE review, and there does not appear to be an increase in the ROE at this time, based on unaudited data.

[18] As noted above the Department does not expect to see a significant increase in MP's margins and MP's ROE until the 2014 and 2015 timeframe, consistent with Essar/Nashwauk customer taking power at an estimated level of 110 MW later in 2014.
[19] The Department mathematically checked MP's ROE calculations for 2010 to 2012 as reported in MP's Minnesota Jurisdictional Annual Report, and did not see any errors.

IV. RECOMMENDATIONS

The Department believes that language in the June 23, 210 Settlement supports application of the Margin Impact Analysis for both a retail and wholesale Large Power customer, such as Nashwauk/Essar. However, since no customer has exceeded the 25 MW threshold reopener to date, the Department does not recommend use of the reopener at this time. The Department notes that the Commission does not need to decide at this time if a wholesale customer triggers the reopener and resulting Margin Impact Analysis, but instead could wait until such time when Essar or another customer exceeds the 25 MW threshold and it appears that MP's margins and return on equity (ROE) are sufficiently high to warrant a reopener and possible change in rates. However, the Department would appreciate any guidance the Commission would like to offer on this reopener and Margin Impact Analysis threshold issue.

In the future, the Department believes that MP should be required to provide this trade secret LISA Agreement between Nashwauk and Essar, so that the Department and Commission may determine, through more detailed information, when this customer Nashwauk/Essar customer likely will reach the 25 MW trigger for the Margin Impact Analysis. If MP continues to object to providing information regarding the amount of demand on its system due to Essar, the Department intends to bring this issue back to the Commission to decide, as may be appropriate.

Based on the Department's review, it appears that the 25 MW threshold may be reached as soon as **[TRADE SECRET DATA HAS BEEN EXCISED]**. Based on the newspaper article and Essar Resources' website discussed above, Nashwauk/Essar may exceed the 25 MW threshold in the second half of 2014. As a result, it will be 2014 or 2015 (depending on how late in 2014 Essar is at the higher 110 MW level) when MP may see a material financial gain that will warrant considering the use of the reopener tool and Margin Impact Analysis as approved in the June 23, 2010 Settlement.

In conclusion, at this time, MP has met the two requirements of exceeding the 596 MW average and exceeding the 662 MW LP Nomination Level by August 2, 2010, and therefore would be subject to the Margin Impact Analysis if the 25-MW threshold were met.

The Department recommends that MP should provide weather-normalized sales revenue for their ROE calculation beginning with its 2013 Minnesota Jurisdictional Report to allow for a more apples-to-apples comparison of their rate case authorized ROE.

The Department recommends MP support the continued designation of trade secret data for the information included in these comments, since information is similar to the information provided in publicly available resources, such as newspapers and websites as noted in these comments.

The Department considers it premature at this time to support a reopener based on our limited ROE review, since the 25-MW threshold has not been met there does not appear to be an increase in the ROE at this time, based on unaudited data.

/lt

Docket No. E015/GR-09-1151
DOC Attachment 1
Page 1 of 3

Log In | Register | My account | Subscribe Digital •Home delivery | eEdition Search All content Business listings Sea

StarTribune | business

News Local Sports Business Politics Opinion Lifestyle Entertainment Obituaries Classifieds Autos Housing Jobs

Economy Your Money Top Workplaces Blogs + Columns Business Finder Minnesota Topics

Home > Business

Essar's taconite plant on Iron Range delayed until second half of 2014

Article by: DEE DEPASS , Star Tribune | Updated: August 1, 2013 - 9:20 PM

CEO says delay is related to decision to expand capacity; planned opening now is last half of 2014.

2 comments resize text print buy reprints Tweet share +

Essar Steel Minnesota will delay the opening of its Nashwauk taconite plant until the second half of 2014, officials confirmed Thursday. *

The plant, 90 miles northwest of Duluth, was originally slated to open this fall with nearly 350 workers.

In a phone interview Thursday, CEO and President Madhu Vuppuluri said the delay was due to financing issues surrounding the company's 2012 decision to increase production from 4 million tons of taconite to 7 million tons.

The original plan called for $1.1 billion in spending. The new plan requires Essar to spend $1.7 billion. The company already has spent $1.1 billion. "We are at the advanced stages of" securing the additional $600 million needed to finish the project, Vuppuluri said.

He insisted that the plant delay is not related to softened global demand for steel, as some on the Iron Range have assumed. All of Essar's Minnesota taconite is slated for use only in the United States and Canada and not China or India, he said.

Right now in Nashwauk, all the concrete foundations have been poured and a few steel beams have been erected. Essar's giant ore crushers have been installed. Over the next year, the remaining steel beams and factory walls must be erected and other equipment installed.

Currently, about 100 Essar workers are on the site, along with up to 300 construction workers. The final plan still calls for 350 full-time taconite workers, officials said.

Allete Inc, which is the parent company of Minnesota Power, informed shareholders of Essar's delay during a conference call Thursday. Minnesota Power is scheduled to sell 110 megawatts of power to run the Essar plant. *

Tony Sertich, commissioner of the Iron Range Resources ~~and Rehabilitation Board (IRRRB), said the state learned~~ about Essar's delay two weeks ago. "They have been under construction for the past two years. Projects of this size and scope sometimes have delays," Sertich said. "This just pushes back the time frame for them to hire. But as soon as construction starts again, they will be looking ahead."

The delay will not affect Essar's $6 million loan with the IRRRB, Sertich said.

Dee DePass • 612-673-7725

more from business

Stocks mixed after new home sales plummet

P&G hiked ex-CEO's pay to $15.9M for last year

US new-home sales plunge as mortgage rates rise

from the homepage

Officer shoots and kills man at traffic stop in Brooklyn Center

N.J. lawsuit: Zygi and Mark Wilf await the price they must pay

Outrageous satire by the pint in 'The World's End'

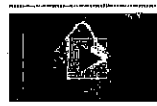
ADVERTISEMENT

most read most emailed most watched


Access Vikings: Has Felder secured a roster spot?


StribCast: Man killed in Brooklyn Center


Access Vikings: Game planning for the 49ers


Correia pitches well in loss to Tigers


Kidnap survivor Hannah Anderson speaks on 'Today'

More Video

ADVERTISEMENT

ADVERTISEMENT ADVERTISEMENT

ADVERTISEMENT

ADVERTISEMENT

ADVERTISEMENT

Docket No. E015/GR-09-1151
DOC Attachment 1
Page 2 of 3

search

Site Web Search powered by YAHOO!SEAR(

News | Local | Sports | Business | Entertainment | Life | Travel | Multimedia | Blogs | Opinion | | Obits | Jobs | Cars | Homes | Classifieds | Shop | Pets

Join us! Register | Sign In | Customer service | Mobile | E-dition | Contact | News tips | Correction request | Corrections | Advertise | **Subscribe**

Tweet

Print Email A A A Font Resize

Minnesota Power transmission project to serve Essar Steel on Iron Range

By Leslie Brooks Suzukamo
lsuzukamo@pioneerpress.com
Posted: 04/02/2013 12:01:00 AM CDT
Updated: 04/02/2013 11:21:15 AM CDT
0

Minnesota Power said Tuesday, April 2, that it has completed the installation of $35 million in new transmission lines and power substations near Nashwauk, Minn., to serve the new Essar Steel Minnesota taconite mine and processing facility.

Duluth-based Minnesota Power said the transmission project will satisfy the power demands of Essar, an India-based company that is building a mine and iron ore pellet plant capable of producing 7 million metric tons of taconite pellets per year by the end of 2014.

Minnesota Power said the project involves building 28 miles of lines, including three 230-kilovolt transmission lines, and rerouting or removing 21 miles of line.

One new substation, called the McCarthy Lake facility, will serve the taconite plant while the new Calumet substation will serve the mine area, the utility said. Substation construction began in August 2011, and the cost will be split between the city of Nashwauk and Minnesota Power, the utility said.

When it reaches full production, the Essar facility will require about 110 megawatts of electricity, Minnesota Power said.

Essar is a customer of the city of Nashwauk, which receives all its electricity through a municipal contract with Minnesota Power. Minnesota Power said it has a 12-year agreement to meet all of Nashwauk's electric requirements through June 30, 2024.

Leslie Brooks Suzukamo can be reached at 651-228-5475. Follow him at twitter.com/suzukamo.

Print Email A A A Font Resize Return to Top

RECOMMENDED FOR YOU

- Tom Powers: Gophers' Pitino choice is a reach...
- Fired KSTP-TV reporter says his gay joke was...
- Gophers basketball: Richard Pitino draws...
- Shooter Now: Ex-Gophers serve as Ray Williams...
- Shooter Now: Minnesota Twins' season tickets...
- Wisconsin insanity trial to begin for dad who...

-- SPONSORED LINK --
Marijuana legalization wins majority support nationwide
(From DailyMe.com)
Powered by newstogram

BUSINESS »

US economy adds 88K jobs, rate drops to 7.6 pct.

WASHINGTON—U.S. employers added just 88,000 jobs in March, the fewest in nine months and a sharp retreat after a period of strong hiring.

FAA funded airport towers using 30-year-old data

WASHINGTON—The government has been using 30-year-old data on aircraft collisions to justify the cost of operating control towers at small airports even though accident rates have improved significantly over that time.

US trade deficit narrows to $43B in February

WASHINGTON—The U.S. trade deficit unexpectedly narrowed in February as exports climbed close to an all-time high and the volume of imported crude oil fell to the lowest level in 17 years.

LOCAL BUSINESS BLOGS »

Frittering Your Life Away on Email

*Apr 4, 2013 19 hours ago from Future Of Project Management*While email today is "the" mode of communication, it can easily become a time-sucking landline. Try these tactics to get back your life. 1. Send less emails: If you send less mails you get less emails. 2. No email for ... Co..

Education Is Certainly a System So Why Don't We Measure Student Satisfaction?

*Apr 4, 2013 1 day ago from Matt Hunt*This morning there was a great article from MPR reporter Tom Robertson that touched on how the elimination of shop class in high schools is seen as a contributor to decline in skilled manufacturing candidate across the state. " Worker ski..

23% of Employers Plan to Hire Additional Workers in Q2

*Apr 4, 2013 1 day ago from CollegeRecruiter.com*Stable hiring is expected for the second quarter as U.S. employers continue to size up a market that is producing moderate economic growth, according to CareerBuilder's latest job forecast. Twenty-six percent of employers plan to increase f..

Related Topic Pages

Banking and Financial Services

dailydeals

Facebook article commenting: How-to and questions

POPULAR NEWS SPORTS BIZ A&E PHOTOS

Note: This is a sample of popular photo galleries

MORE OF TODAY'S HEADLINES

Kevin Ware's Top 10 List: Thoughts after breaking his leg (warning: graphic photo)

Docket No. E015/GR-09-1151
DOC Attachment 1
Page 3 of 3

ESSAR

Home | About us | The project | Media center | Careers | Contact us

--Search-- GO

Home > About us

In this section

- Our profile
- History
- Corporate information
  - CSR
  - Executive team
- Contact us

History

SHARE

Production of natural iron ore from the Mesabi Range commenced in 1866 through the late 1960s. After the natural ore reserves were depleted, Butler Taconite (jointly owned by the Inland Steel Company, Wheeling-Pittsburgh Steel Corporation and Hanna Mining Company (the operator)) developed a taconite mining operation at the site. Butler commenced operations in 1967 and produced high-quality pellets until May 1985.

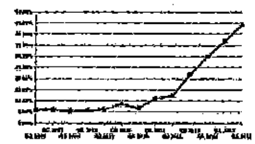
Following the closure of Butler Taconite, the property was reclaimed and the plant dismantled. On September 19, 1996, Minnesota Iron & Steel (MIS) was registered as a Minnesota corporation with the goal of reopening the former Butler mine site and constructing a new facility, not only as an iron pellet producer but also as a direct reduced iron and electric arc furnace steelmaking facility.

In 2004, the project was reactivated by Minnesota Steel Industries (MSI), a company formed by one of the major stakeholders of MIS. A feasibility study was prepared in 2007, and environmental permits were granted for a 4.1 MTPA pellet plant, a 2.8 MTPA direct reduced iron facility and a 2.5 MTPA electric arc furnace.

In October 2007, Essar Steel Holdings acquired the fully-permitted project from MSI.

Top

Plotting the progress



Click to enlarge »

Quick facts

Experienced management, engineering and construction team with excellent development and operational expertise in iron ore open pit mining, concentrating and pelletizing plants »

Copyright © 2012 Essar Group of companies. All rights reserved | Legal disclaimer | Sitemap | Contact us

Designed by The Information Company Pvt. Ltd.

Name of Respondent ALLETE, Inc.	This Report is: (1) X An Original (2) _ A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2012/Q4

FOOTNOTE DATA

Schedule Page: 106 Line No.: 1 Column: b

Full requirement municipal customers' rates were calculated based on standardized power supply formula rate contracts based on Form 1. The contracts, effective July 1, 2011, were executed under ALLETE's market-based rate (MBR) authority. These MBR contract agreements do not require a FERC filing. ALLETE reports the required contract and transaction information related to the agreements in ALLETE's electric quarterly reports. A new Electric Service Agreement with the City of Nashwauk, Minnesota went into effect April 1, 2013.

Schedule Page: 106 Line No.: 2 Column: b

FERC Rate Schedule 186 applies to Dahlberg Power and Light Company.

Schedule Page: 106 Line No.: 3 Column: b

On March 29, 2013, in FERC Docket No. ER13-1201-000, ALLETE submitted a Facilities Construction Agreement (FCA) among ALLETE, Nashwauk Public Utilities Commission, and ESSAR Steel Minnesota LLC (Essar). ALLETE has designated the FCA as FERC Electric Tariff No. 205. ALLETE requested that the FCA be accepted to become effective July 29, 2011, which is the date that ALLETE accepted a security deposit from Essar to provide the necessary credit assurances for the construction of the transmission upgrade subject to the FCA.

Schedule Page: 106 Line No.: 4 Column: b

In connection with the FERC Docket No. ER13-1201-000 submitted by ALLETE on March 29, 2013, ALLETE also submitted, on January 31, 2013, in FERC Docket No. ER13-859-000, a proposal to terminate ALLETE's stated rate, full requirements power supply agreement with the City of Nashwauk, Minnesota (Rate Schedule No. 93) effective April 1, 2013. The proposal to terminate FERC Rate Schedule No. 93 was approved in a final order on March 8, 2013. ALLETE and the City of Nashwauk have entered into a replacement full requirements power supply agreement executed under ALLETE's MBR authority, which went into effect April 1, 2013.

9/9/13 - NARUC Acct Conf. Portland Oregon

DOC nal comment told by FERC staff that market based contracts are filed in FERC's edockets/elibrary

State of Minnesota
Department of Commerce
Division of Energy Resources

Docket No. E015/GR-09-1151
DOC Attachment 3
PUBLIC

Utility Information Request

Docket Number: E015/GR-09-1151 Date of Request: October 24, 2012

Requested From: Minnesota Power Response Due: November 5, 2012

Analyst Requesting Information: Nancy Campbell

Type of Inquiry:

[ ].....Financial	[ ].....Rate of Return	[ ].....Rate Design
[ ].....Engineering	[ ].....Forecasting	[ ].....Conservation
[ ].....Cost of Service	[ ].....CIP	[ ].....Other:

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
1110	Please provide all MP large power customer nominations and reports for 2010, 2011 and 2012.

Response:

See attached Trade Secret table DOC IR 1110 table.xls, which contains the four-month nominations for MP's large power customers.

Response by: Mike Perala

Title: Manager – Strategic Accounts

Department: Marketing

Telephone: 218-471-4074

PUBLIC DOCUMENT
TRADE SECRET DATA EXCISED

Minnesota Power
Large Power Customer Nominations (MW)

Customer	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10
	(TRADE SECRET DATA EXCISED)											
United States Steel	[redacted]											
Hibbing Taconite Company												
United Taconite LLC												
Arcelor Mittal - Minorca Mine												
UPM - Blandin												
NewPage												
								(TRADE SECRET DATA EXCISED)				
Total	540	530	540	660	662	662	662	662	665	666	666	666

PUBLIC DOCUMENT
TRADE SECRET DATA EXCISED

Minnesota Power
Large Power Customer Nominations (MW)

(TRADE SECRET DATA EXCISED)

Customer	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
United States Steel	[redacted]											
Hibbing Taconite Company	[redacted]											
United Taconite LLC	[redacted]											
Arcelor Mittal - Minorca Mine	[redacted]											
UPM - Blandin	[redacted]											
NewPage	[redacted]											
Total	665	665	667	665	665	663	663	664	663	663	665	665

(TRADE SECRET DATA EXCISED)

PUBLIC DOCUMENT
TRADE SECRET DATA EXCISED

Minnesota Power
Large Power Customer Nominations (MW)

Customer	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12
	(TRADE SECRET DATAEXCISED)											
United States Steel	[redacted]											
Hibbing Taconite Company												
United Taconite LLC												
Arcelor Mittal - Minorca Mine												
UPM - Blandin												
NewPage												
								(TRADE SECRET DATA EXCISED)				
Total	665	665	663	661	662	662	662	662	662	662	663	663

State of Minnesota
DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

Utility Information Request

Docket Number: E015/GR-09-1151 Date of Request: October 24, 2012

Requested From: Minnesota Power Response Due: November 5, 2012

Analyst Requesting Information: Nancy Campbell

Type of Inquiry:	[ ]....Financial	[ ]....Rate of Return	[ ]....Rate Design
	[ ]....Engineering	[ ]....Forecasting	[ ]....Conservation
	[ ]....Cost of Service	[ ]....CIP	[ ]....Other:

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
1111	Please identify **any retail or wholesale customer whose annual electric demand for both 2011 and 2012 is now 25 MW's or greater than the customer's demand reflected in** MP's 2010 Rate Case (Docket E015/GR-09-1151). Please include schedules showing these comparisons.

Response:

Minnesota Power has no retail or wholesale customers whose electric demand for 2011 or 2012 is at least 25 MW greater than customer's demand reflected in MP's 2010 Rate Case (Docket E015/GR-09-1151). *

Response by: Pete Seeling

Title: Director – Energy Supply & Pricing

Department: Energy Supply Asset Optimization

Telephone: 218-723-7537

State of Minnesota
DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

Utility Information Request

Docket Number: E015/GR-09-1151

Date of Request: November 19, 2012

Requested From: Minnesota Power

Response Due: December 3, 2012
Revised: September 9, 2013

Analyst Requesting Information: Nancy A. Campbell

Type of Inquiry:			
	[ ]___Financial	[ ]___Rate of Return	[ ]___Rate Design
	[ ]___Engineering	[ ]___Forecasting	[ ]___Conservation
	[ ]___Cost of Service	[ ]___CIP	[ ]___Other:

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
1115	Please provide the Trade Secret version of 1113.5 Attachment - Facilities Construction Agreement, and the Public and Trade Secret versions of all agreements between MP and Nashwauk.

Response:

Minnesota Power has been authorized by Essar Steel and the Nashwauk Public Utilities Commission (NPUC) to provide the following documents in response to this request:

Facilities Construction Agreement – PUBLIC VERSION

Minnesota Power has been authorized by the NPUC to provide the following documents in response to this request:

- Electric Service Agreement (Schedule 93) – currently in effect
- Electric Service Agreement executed February, 2011 (effective April 1, 2013) - PUBLIC VERSION[1]

[1] This Agreement was replaced by the Market Based Electric Service Agreement prior to becoming effective.

Response by: Christopher D Anderson

Title: Associate General Counsel

Department: Legal Services

Telephone: 218-723-3961

- Market Based Electric Service Agreement executed April, 2011 (effective April 1, 2013) - PUBLIC VERSION[2]

The NPUC, Essar Steel, and Minnesota Power agree there are portions of the Facilities Construction Agreement, the Electric Service Agreements and the Market Based Electric Service Agreement (effective April 1, 2013) (collectively, the "Agreements"), that are Trade Secret under Minnesota Law. In the spirit of the Minnesota Public Utilities 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, the parties designated portions of the Agreements as Trade Secret. Neither the NPUC nor Essar Steel has consented to Minnesota Power's release of the trade secret versions of the Agreements. Minnesota Power understands consent was withheld because of the extreme sensitivity of the Trade Secret information in the Agreements, as well as the fact that the NPUC and Essar Steel question and object to the Department of Commerce's jurisdiction over the Agreements.

With respect to the Trade Secret information in the Agreements, Minnesota Power agrees with the NPUC and Essar Steel and emphasizes the extreme sensitivity of the Trade Secret information in the Agreements. The Agreements contain terms and conditions that are materially sensitive to Minnesota Power (due to the specific price and rate identification for electric service to this customer) and contain Minnesota Power's unique methods, techniques and process for supplying electric service and recovering costs of investments. The information regarding specific energy pricing and cost recovery methods, and process Minnesota Power utilizes to provide its services, combined with the identification of levels of energy usage, is valuable commercial information to Minnesota Power, the NPUC, and Essar Steel (given the intensely competitive marketplace in which it operates). All of the parties follow strict internal procedures to maintain the secrecy of this information in order to capitalize on the economic value of the information. Potential competitors would gain a commercial advantage if this information was publicly available, with severe competitive implications resulting. Although it is not entirely clear that the Agreements are subject the Department of Commerce's jurisdiction, Minnesota Power believes that the above statements provide sufficient justification as to why the information excised from the Agreements should remain a trade secret, as that term is used in Minn. Stat. § 13.37.

---

[2] In July 2013 Minnesota Power and the City of Nashwauk entered into an amended and restated Market Based Electric Service Agreement that changed only Exhibit B to the Agreement. Because the Public Versions of the two Market Based Electric Service Agreements are identical, this response has not been updated since it was originally drafted in order to create a Public Version of the 2013 Market Based Electric Service Agreement. A Trade Secret Copy of the 2013 Market Based Electric Service Agreement will be made available for inspection per the terms outlined in this response.

Response by: Christopher D Anderson

Title: Associate General Counsel

Department: Legal Services

Telephone: 218-723-3961

Without waiving its objections, Minnesota Power understands the NPUC and Essar Steel wish to reach a reasonable resolution. To protect the highly sensitive Trade Secret information, and provide the Department of Commerce with a chance to review (but not copy) the Trade Secret Agreements, counsel for the NPUC and Essar Steel have offered to provide a conference room at the law firm of Mackall, Crounse & Moore, upon appointment, for *in camera* review of the trade secret versions of the Agreements. Should the Department of Commerce reject this compromise and/or demand a copy of the Agreements, Minnesota Power understands the NPUC and Essar Steel intend to reassert their respective rights to object and challenge the Department of Commerce's jurisdiction. At that time, Minnesota Power may support the NPUC's and Essar Steel's position(s) and also respectfully requests the opportunity to provide its own additional justification for trade secret designation.

In addition to the three agreements identified above, there are additional agreements between Minnesota Power and the NPUC currently in effect or in effect at a future date that relate to either Minnesota Power's role as a wholesale service provider to the NPUC, or as ancillary agreements related to either the Electric Service Agreement effective in April 2013 or the Facilities Construction Agreement. These documents do not relate to energy delivery between the two entities, and as such have not been included as attachments to this response:

- Master Services Agreement
- Commitment Agreement (executed simultaneously with the Electric Service Agreement)
- Easement Agreement
- Billing Services Agreement (effective April 1, 2013)
- Project and Construction Management Services Agreement
- Maintenance Agreement (effective April 1, 2013)

Response by: Christopher D Anderson

Title: Associate General Counsel

Department: Legal Services

Telephone: 218-723-3961

State of Minnesota
DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

Utility Information Request

Docket Number: E015/GR-09-1151 Date of Request: August 20, 2013

Requested From: Minnesota Power (MP) Response Due: August 30, 2013

Analyst Requesting Information: Nancy Campbell

Type of Inquiry:	[X]...Financial	[ ].....Rate of Return	[ ].....Rate Design
	[ ].....Engineering	[ ].....Forecasting	[ ].....Conservation
	[ ].....Cost of Service	[ ].....CIP	[ ].....Other:

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
	Reference: Similar to MP's Response to DOC information request 1116 with more detailed information as requested below
1117	Please include on a table all retail and wholesale electric power sales contracts entered into by MP since June 23, 2010. Please include the following information in the table for each contract: • Minimum and maximum demand amounts under the contract; • Customer by contract (for example Magnetation, 2011 contract); • Applicable state or federal docket; • Retail or Wholesale contract; and • Actual demand and energy used for 2010, 2011, 2012, and through July 2013 by contract and customer (not by customer only, need information by contract).

Response:

See attached Trade Secret table in DOC IR 1117.1 Attachment TS which contains the requested non-standard contract information.

Response by: Leah Peterson

Title: Marketing Analyst

Department: Marketing

Telephone: 218-355-3014

List sources of information:

PUBLIC DOCUMENT
TRADE SECRET DATA EXCISED

					2010		2011		2012		2013 (through July)	
Customer by Contract	State or Federal Docket	Retail/ Wholesale Municipal	Minimum Demand (kW)	Maximum Demand (kW)	Total Annual Demand (kW)	Energy kWh	Total Annual Demand (kW)	Energy kWh	Total Annual Demand (kW)	Energy kWh	Total Annual Demand (kW)	Energy kWh
			(TRADE SECRET DATA EXCISED)									
NewPage, 2012 amended contract	E015/M-12-1025	Retail										
Blandin, 2007 contract[1]	E015/M-07-1457	Retail										
Enbridge, 2013 amended contract	E015/M-13-354	Retail										
Magnetation, 2013 amended contract[2]	E015/M-13-93	Retail										
Mining Resources, 2011 contract	E015/M-11-1215	Retail										
Nashwauk, 2012 contract	ER-10-2819-001	Wholesale Municipal			18,324	9,430,000	19,395	9,802,000	20,194	10,094,000		
Superior Water Light & Power, 2011 contract[3]	ER-10-2819-001	Wholesale Municipal			1,164,981	689,962,000	1,184,596	686,658,000	1,166,264	698,410,000		
Aitkin, 2011 contract[3]	ER-10-2819-001	Wholesale Municipal			76,997	38,207,000	77,762	37,840,000	77,617	37,873,000		
Biwabik, 2011 contract[3]	ER-10-2819-001	Wholesale Municipal			13,828	7,020,000	14,196	7,201,000	13,923	7,064,000		
Brainerd, 2011 contract[3]	ER-10-2819-001	Wholesale Municipal			456,232	239,580,000	470,656	242,241,000	470,272	247,092,000		
Buhl, 2011 contract[3]	ER-10-2819-001	Wholesale Municipal			15,022	7,902,000	15,554	8,164,000	15,328	7,987,000		
Ely, 2011 contract[3]	ER-10-2819-001	Wholesale Municipal			71,832	38,192,000	74,149	39,050,000	73,385	38,549,000		
Gilbert, 2011 contract[3]	ER-10-2819-001	Wholesale Municipal			22,280	11,375,000	21,928	11,410,000	21,803	11,154,000		
Grand Rapids, 2011 contract[3]	ER-10-2819-001	Wholesale Municipal			322,820	175,982,000	324,908	176,376,000	324,708	176,236,000		
Keewatin, 2011 contract[3]	ER-10-2819-001	Wholesale Municipal			12,868	6,022,000	12,705	5,951,000	12,771	5,969,000		
Mt. Iron, 2011 contract[3]	ER-10-2819-001	Wholesale Municipal			28,081	14,580,000	28,492	14,652,000	27,566	13,986,000		
Pierz, 2011 contract[3]	ER-10-2819-001	Wholesale Municipal			20,090	9,583,000	20,123	9,644,000	23,900	11,382,000		
Proctor, 2011 contract[3]	ER-10-2819-001	Wholesale Municipal			48,040	26,219,000	50,189	26,918,000	48,883	26,292,000		
Randall, 2011 contract[3]	ER-10-2819-001	Wholesale Municipal			10,629	5,233,000	10,787	5,238,000	10,854	5,160,000		
Two Harbors, 2011 contract[3]	ER-10-2819-001	Wholesale Municipal			56,563	30,313,000	56,416	30,442,000	56,047	29,876,000		
Hibbing, 2011 contract[3]	ER-10-2819-001	Wholesale Municipal			282,430	153,065,000	261,460	152,651,000	286,100	155,044,000		
Virginia, 2011 contract[3]	ER-10-2819-001	Wholesale Municipal			231,920	123,311,000	231,980	124,137,000	236,790	125,499,000		

(TRADE SECRET DATA EXCISED)

[1] Blandin 2012 contract is an open docket (E015/M-12-1348) at the MPUC
[2] Magnetation kW and kWh data are from the LLP contract and does not include small accounts, such as lighting or construction
[3] Contracts were amended in 2013

State of Minnesota

Department of Commerce
Division of Energy Resources

Utility Information Request

Docket Number: E015/GR-09-1151 Date of Request: August 20, 2013

Requested From: Minnesota Power (MP) Response Due: August 30, 2013

Analyst Requesting Information: Nancy Campbell

Type of Inquiry:	[X]...Financial	[ ].....Rate of Return	[ ].....Rate Design
	[ ].....Engineering	[ ].....Forecasting	[ ].....Conservation
	[ ].....Cost of Service	[ ].....CIP	[ ].....Other:

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
1118	For any new or amended large power contracts (retail or wholesale) where demand is 25 MW or greater, **please explain in detail** if a "Margin Impact Analysis" as identified in the June 23, 2010 Stipulation and Settlement Agreement in Docket No. E015/GR-09-1151, is required or not, and specifically for **Essar and Nashwauk.**

Response:

There are no new or amended Large Power contracts where demand is 25 MW or greater since the Stipulation and Settlement Agreement was approved by the Commission in Docket No. E015/GR-09-1151.

Essar Steel Minnesota is a retail customer of Minnesota Power for a portion of its load not served by the City of Nashwauk. That load connected in 2011 and has been less than 2,000 kW total demand for each year.

The City of Nashwauk is a wholesale customer of Minnesota Power. By the terms of the Stipulation and Settlement Agreement, only Large Power retail load is applicable when determining the need for a Margin Impact Analysis. As a result, a Margin Impact Analysis would not be required even if the City of Nashwauk's load increased by 25 MW in any year (which it has not).

Response by: Chris Anderson

List sources of information:

Title: Associate General Counsel

Department: Legal

Telephone: 218-723-3961

State of Minnesota

DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

Utility Information Request

Docket Number: E015/GR-09-1151 Date of Request: August 20, 2013

Requested From: Minnesota Power (MP) Response Due: August 30, 2013

Analyst Requesting Information: Nancy Campbell

Type of Inquiry:

[X]...Financial	[ ].....Rate of Return	[ ].....Rate Design
[ ].....Engineering	[ ].....Forecasting	[ ].....Conservation
[ ].....Cost of Service	[ ].....CIP	[ ].....Other:

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
	Reference: Same format as MP's response to DOC information request 1110
1119	Please provide all MP large power customer nominations and reports for 2013.

Response:

See attached Trade Secret table in DOC IR 1119.1 Attachment TS which contains the 2013 four-month nominations for MP's Large Power customers.

Response by: Leah Peterson

Title: Marketing Analyst

Department: Marketing

Telephone: 218-355-3014

List sources of information:

PUBLIC DOCUMENT
TRADE SECRET DATA EXCISED

Minnesota Power
Large Power Customer Nominations (MW)

Customer	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13
United States Steel												
Hibbing Taconite Company												
United Taconite LLC												
Arcelor Mittal - Minorca Mine				(TRADE SECRET DATA EXCISED)								
UPM - Blandin												
NewPage												
Total	662	662	661	661	665	665	665	665	665	665	667	667

State of Minnesota
DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

Utility Information Request

Docket Number: E015/GR-09-1151 Date of Request: August 20, 2013

Requested From: Minnesota Power (MP) Response Due: August 30, 2013
Revised Response: September 10, 2013

Analyst Requesting Information: Nancy Campbell

Type of Inquiry:	[X]...Financial	[ ].....Rate of Return	[ ].....Rate Design
	[ ].....Engineering	[ ].....Forecasting	[ ].....Conservation
	[ ].....Cost of Service	[ ].....CIP	[ ].....Other:

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
1120	Reference: June 23, 2010 Stipulation and Settlement in Docket No. E015/GR-09-1151 On page 1 of the June 23, 2010 Stipulation and Settlement, under item 1. Retail and Wholesale Margins, the Settling Parties agreed to the following margins – Large Power Class $139.6 million, Residential/General Service/LLP Class $159.3 million, and Wholesale Margins of $37.7 million. Please provide the same margin calculations and same margins for the three categories as used in the Settlement Agreement, for MP actual 2010, actual 2011, and actual 2012. Please provide all supporting information and calculations in spreadsheet format, for rate case Settlement margins, and actual 2010-2012 margins, to ensure consistency and comparability.

Revised Response (9/10/2013):

In developing our original response, we used an internal report that contains supporting detail for Minnesota Power's FERC Form No. 1, Page 304, Sales of Electricity by Rate Schedules. As we worked with that report to obtain the sales revenues for each rate class, we mistakenly included Renewable Resources Rider and Transmission Cost Recovery Rider revenues that should not have been included, since they are recovered separately outside of base rates and were not included in the Stipulation and Settlement Agreement margin calculations. In addition, we have now excluded Conservation Program Adjustment (CPA) revenues because they are also recovered outside of base rates and have a separate tracker mechanism. The attached DOC IR

Response by: Marcia Podratz

Title: Director - Rates

Department: Rates

Telephone: 218-355-3570

1120.1 Attachment Revised contains corrected actual retail sales revenue and margin numbers for 2010, 2011, and 2012. The original response is shown below our revised response.

Margins as defined in the June 23, 2010 Stipulation and Settlement Agreement in Docket No. E015/GR-09-1151 are revenues net of fuel and purchased energy costs. These margins may also be thought of as contributions to fixed costs, and as such they help to offset Minnesota Power's costs that have increased above the levels included in the last rate case test year. A Margin Impact Analysis would be triggered by a new or amended Large Power Electric Service Agreement where demand is 25 MW or greater than the level in the Stipulation and Settlement Agreement (which has not occurred) and would take into account Minnesota Power's last reported and next projected return on equity (ROE) levels as reported in the Company's Jurisdictional Annual Report. As shown on Page E-15 of the Company's Electric Jurisdictional Annual Reports (filed in Dockets 13-4, 12-4, and 11-4) Minnesota Power's actual ROEs were 7.46 percent, 10.17 percent, and 9.49 percent for Calendar Years 2012, 2011, and 2010, respectively. All of these are below the authorized ROE of 10.38 percent from the 2010 retail rate case. Minnesota Power is concerned about its recent under-earning and continues to evaluate the timing of its next rate case.

DOC IR 1120.1 Attachment Revised contains a summary of margins from the Large Power class; the combined Residential, General Service, and Large Light & Power classes; and wholesale (off-system) sales by year. It should be noted that the margin amounts in the rate case Stipulation and Settlement are the margins associated with "present rates" prior to the rate increase in the 2010 rate case. Accordingly, margins calculated in the same way for final rates for the 2010 rate case test year are also shown in DOC IR 1120.1 Attachment Revised, for comparison to the actual 2010 through 2012 margins. In addition, it should be noted that the margins for the Large Power Class in the Stipulation and Settlement Agreement should have been $139.4 million rather than $139.6 million.[1]

The 2010 rate case present rate information in DOC IR 1120.1 Attachment Revised for the Large Power, Residential, General Service, and Large Light & Power classes (Col. A) is from MP Exhibit___(MAP), Rebuttal Schedule 3, in Docket E015/GR-09-1151. The 2010 rate case final rate information (Col. B) is from Minnesota Power's March 7, 2011 Compliance Filing, Compliance Schedule 12 (Schedule E-1), in Docket No. E015/GR-09-1151. Column C contains the same information as column B, except that the Conservation Program Adjustment has been removed from the test year revenue. This was done in order to compare the test year margins with actuals from 2010 through 2012 because the Conservation Program Adjustment recovery mechanism is separate from base rates. Actual sales revenue and fuel and purchased power costs for 2010 through 2012 (Col. D – F) were calculated to include the same items that are in the rate case data shown in column C.

For wholesale margins, the 2010 Rate Case Test Year Total Company amount was determined by taking the approved Minnesota Retail Jurisdictional amount ($37.7 million) from the Annotated Stipulation and Settlement Agreement, as filed in Docket No. E015/GR-09-1151 on June 23, 2010, and estimating the corresponding Total Company amount using the weighted average ratio of the Total Company to Minnesota Retail Jurisdictional amounts for 2010 and

Response by: Marcia Podratz

Title: Director - Rates

Department: Rates

Telephone: 218-355-3570

2011 actuals. Actual wholesale margins for 2010 through 2012 were calculated using the same methodology that was originally used to calculate test year Total Company and Retail Jurisdictional wholesale margins in the 2010 rate case.

Supporting information and calculations are provided in Excel spreadsheet format in **Trade Secret** DOC IR 1120.2 Attachment TS Revised, which contains tabs entitled "2010 Wholesale," "2011 Wholesale," "2012 Wholesale," "2010-Retail Revenue," "2011-Retail Revenue," "2012-Retail Revenue," and "E-Sched CPA-Fuel Removed."

Notes:
1. Annotated Stipulation and Settlement Agreement (filed June 23, 2010 in Docket No. E-015/GR-09-1151) contains $139.6 million for the Large Power margin. However, the reference that the Large Power margin is based on shows a calculated margin of $139,412,648 ($139.4 million).

Original Response (8/30/2013):

Margins as defined in the June 23, 2010 Stipulation and Settlement Agreement in Docket No. E015/GR-09-1151 are revenues net of fuel and purchased energy costs. These margins may also be thought of as contributions to fixed costs, and as such they help to offset Minnesota Power's costs that have increased above the levels included in the last rate case test year. A Margin Impact Analysis would be triggered by a new or amended Large Power Electric Service Agreement where demand is 25 MW or greater than the level in the Stipulation and Settlement Agreement (which has not occurred) and would take into account Minnesota Power's last reported and next projected return on equity (ROE) levels as reported in the Company's Jurisdictional Annual Report. As shown on Page E-15 of the Company's Electric Jurisdictional Annual Reports (filed in Dockets 13-4, 12-4, and 11-4) Minnesota Power's actual ROEs were 7.46 percent, 10.17 percent, and 9.49 percent for Calendar Years 2012, 2011, and 2010, respectively. All of these are below the authorized ROE of 10.38 percent from the 2010 retail rate case. Minnesota Power is concerned about its recent under-earning and continues to evaluate the timing of its next rate case.

DOC IR 1120.1 Attachment contains a summary of margins from the Large Power class; the combined Residential, General Service, and Large Light & Power classes; and wholesale (off-system) sales by year. It should be noted that the margin amounts in the rate case Stipulation and Settlement are the margins associated with "present rates" prior to the rate increase in the 2010 rate case. Accordingly, margins calculated in the same way for final rates for the 2010 rate case test year are also shown in DOC IR 1120.1 Attachment, for comparison to the actual 2010 through 2012 margins. In addition, it should be noted that the margins for the Large Power Class in the Stipulation and Settlement Agreement should have been $139.4 million rather than $139.6 million.[1]

The 2010 rate case present rate information in DOC IR 1120.1 Attachment for the Large Power, Residential, General Service, and Large Light & Power classes (Col. A) is from MP Exhibit___(MAP), Rebuttal Schedule 3, in Docket E015/GR-09-1151. The 2010 rate case final rate information (Col. B) is from Minnesota Power's March 7, 2011 Compliance Filing,

Response by: Marcia Podratz

Title: Director - Rates

Department: Rates

Telephone: 218-355-3570

Compliance Schedule 12 (Schedule E-1), in Docket No. E015/GR-09-1151. Actual sales revenue and fuel and purchased power costs for 2010 through 2012 (Col. C – E) were calculated to include the same items that are in the rate case data shown in columns A and B.

For wholesale margins, the 2010 Rate Case Test Year Total Company amount was determined by taking the approved Minnesota Retail Jurisdictional amount ($37.7 million) from the Annotated Stipulation and Settlement Agreement, as filed in Docket No. E015/GR-09-1151 on June 23, 2010, and estimating the corresponding Total Company amount using the weighted average ratio of the Total Company to Minnesota Retail Jurisdictional amounts for 2010 and 2011 actuals. Actual wholesale margins for 2010 through 2012 were calculated using the same methodology that was originally used to calculate test year Total Company and Retail Jurisdictional wholesale margins in the 2010 rate case.

Supporting information and calculations are provided in Excel spreadsheet format in **Trade Secret** DOC IR 1120.2 Attachment TS, which contains tabs entitled "2010 Wholesale," "2011 Wholesale," "2012 Wholesale," "2010-Retail Revenue," "2011-Retail Revenue," "2012-Retail Revenue," and "E-Sched Fuel."

Notes:

1. Annotated Stipulation and Settlement Agreement (filed June 23, 2010 in Docket No. E-015/GR-09-1151) contains $139.6 million for the Large Power margin. However, the reference that the Large Power margin is based on shows a calculated margin of $139,412,648 ($139.4 million).

Response by: Marcia Podratz

Title: Director - Rates

Department: Rates

Telephone: 218-355-3570

Minnesota Power 2010 - 2012 Margins (Revenue Net of Fuel and Purchased Energy)

Category	[A]	[B] 2010 Rate Case Test Year	[C]		[D] 2010 Actuals 3/	[E] 2011 Actuals 3/	[F] 2012 Actuals 3/
	Present Rates 1/	Final Rates 2/	Final Rates 3/ Excl. CPA				
Large Power							
Sales Revenue	$258,489,417	$295,116,741	$294,903,625		$284,951,707	$311,832,687	$320,933,131
Fuel and Purchased Energy Expense	$119,076,769	$119,059,119	$119,059,119		$117,798,863	$127,389,050	$129,360,977
Large Power Margin	**$139,412,648**	**$176,057,623**	**$175,844,506**		**$167,152,844**	**$184,443,637**	**$191,572,154**
Residential							
Sales Revenue	$86,287,779	$90,303,365	$89,470,996		$91,677,029	$91,614,028	$86,884,226
Fuel and Purchased Energy Expense	$19,646,953	$21,057,148	$21,057,148		$20,515,637	$20,795,322	$20,250,663
Margin	$66,640,826	$69,246,216	$68,413,848		$71,161,392	$70,818,706	$66,633,563
General Service							
Sales Revenue	$48,952,811	$52,354,840	$51,870,484		$54,427,812	$54,252,008	$53,603,468
Fuel and Purchased Energy Expense	$11,358,285	$12,254,128	$12,254,128		$12,139,282	$12,379,528	$12,643,842
Margin	$37,594,526	$40,100,713	$39,616,356		$42,288,531	$41,872,480	$40,959,626
Large Light & Power Class							
Sales Revenue	$79,935,713	$88,478,958	$87,424,166		$87,293,695	$86,487,466	$86,323,837
Fuel and Purchased Energy Expense	$24,909,357	$25,103,410	$25,103,410		$25,880,271	$25,739,594	$25,797,191
Margin	$55,026,356	$63,375,548	$62,320,756		$61,413,424	$60,747,872	$60,526,646
Combined Res/GS/LLP Margin	**$159,261,708**	**$172,722,477**	**$170,350,961**		**$174,863,347**	**$173,439,059**	**$168,119,835**
Wholesale/Off-System Sales							
MN Retail Jurisdictional			**$37,700,000**		**$33,933,579**	**$31,060,825**	**$29,496,929**
Wholesale Jurisdictional			$7,455,437		$6,822,103	$6,030,992	$5,727,432
Total Company			$45,155,437	4/	$40,755,682	$37,091,817	$35,224,361

1/ Specified in the Stipulation and Settlement Agreement in Docket E015/GR-09-1151; taken from MP Exhibit___(MAP), Rebuttal Schedule 4, Revised Schedule E-1.

2/ Sales revenue from Minnesota Power's March 7, 2011 Compliance Filing, Compliance Schedule 12, Schedule E-1, page 2 of 49, General Rates column; Fuel expense was determined by taking the fuel adjustment amount included in Schedule E-1 and adding the base cost of fuel calculated based on the kWh sales for each rate class; For energy priced based on Minnesota Power's incremental energy cost the fuel expense included in Schedule E-1 was used.

3/ Revenues exclude Conservation Program Adjustment revenue since the CPA revenue has a separate recovery mechanism outside of base rates.

4/ The 2010 Test Year MN Retail Jurisdictional margin amount is specified in the June 23, 2010 Stipulation and Settlement Agreement, as approved in the November 2, 2010 MPUC Order (page 15) in Docket No. E015/GR-09-1151. The Total Company amount is not specified in the Stipulation and Settlement Agreement and was approximated using the weighted average ratio of the Total Company to MN Retail Jurisdictional amounts for 2010 and 2011.

PUBLIC DOCUMENT
TRADE-SECRET DATA EXCISED

Minnesota Power
Docket E015/GR-09-1151

DOC IR 1120.2 Attachment TS Revised
9/10/2013

Supporting Information and Calculations

PUBLIC DOCUMENT -- TRADE SECRET DATA EXCISED

2010 Actuals Summary

LINE No.	TRADE SECRET DATA EXCISED	MWH	FUEL COST	MN JURISDICTION FUEL COST	SALES PRICE	MN JURISDICTION SALES PRICE	NET MARGIN	MN JURISDICTION MARGIN	CAPACITY REVENUE	MN JURISDICTION CAPACITY REVENUE
1	[redacted]									
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										
								TRADE SECRET DATA EXCISED		
Total Wholesale Energy Sales		1,677,955	$ 30,287,710.00	$ 25,402,908.13	$ 57,618,792.00	$ 48,326,033.23	$ 27,331,082.00	$ 22,923,125.10	$ 13,424,600.00	$ 11,010,454.18

Total Margin	$ 40,755,682.00
MN Jurisdictional Margin	$ 33,933,579.28

Note: MN Jurisdictional amounts are based on final allocation factors from MP's 2009 retail rate case, Docket E015/GR-09-1151

Energy	0.83872
Demand	0.82017

PUBLIC DOCUMENT -- TRADE SECRET DATA EXCISED

2011 Actuals Summary

LINE No.	MWH	FUEL COST	MN JURISDICTION FUEL COST	SALES PRICE	MN JURISDICTION SALES PRICE	NET MARGIN	MN JURISDICTION MARGIN	CAPACITY REVENUE	MN JURISDICTION CAPACITY REVENUE
TRADE SECRET DATA EXCISED									
1	[redacted]								
2									
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									
							TRADE SECRET DATA EXCISED		
Total Wholesale Energy Sales	1,821,243	31,848,425.00	$ 26,711,911.02	66,308,242.00	$ 55,614,048.73	34,459,817.00	$ 28,902,137.71	$ 2,632,000.00	$ 2,158,687.44

Total Margin	$ 37,091,817.00
MN Jurisdictional Margin	$ 31,060,825.15

Note: MN Jurisdictional amounts are based on final allocation factors from MP's 2009 retail rate case, Docket E015/GR-09-1151

Energy	0.83872
Demand	0.82017

PUBLIC DOCUMENT – TRADE SECRET DATA EXCISED

2012 Year End Summary

LINE No.	TRADE SECRET DATA EXCISED	MWH	FUEL COST	MN JURISDICTION FUEL COST	SALES PRICE	MN JURISDICTION SALES PRICE	NET MARGIN	MN JURISDICTION MARGIN	CAPACITY REVENUE	MN JURISDICTION CAPACITY REVENUE
1	[redacted]									
2										
3										
4										
5										
6										
7										
8										
9										
10										
									TRADE SECRET DATA EXCISED	
Total Asset Based Energy Sales	TRADE SECRET DATA BEGINS	1,635,980	$ 29,328,470	$ 24,598,374	$ 62,048,943	$ 52,041,689	$ 32,720,473	$ 27,443,315	$ 2,503,888	$ 2,053,614

Total Margin	$ 35,224,361.00
MN Jurisdictional Margin	$ 29,496,928.94

Note: MN Jurisdictional amounte are based on final allocation factors from MP's 2009 retail rate case, Docket E015/GR-09-1151

Energy	0.83872
Demand	0.82017

Source:		FERC Yearly CIS Report	FERC Yearly CIS Report	calculated based on kWh in FERC Yearly CIS Report
Customer Class	**Rate**	**KWH Amount**	**Revenue Amount**	**Base Fuel Amount**
Residential	10	0	-$8,196.99	$0.00
Base Fuel	12	0	-$481.12	$0.00
0.01094	20	862,126,071	$84,331,483.29	$9,431,659.22
	22	81,528,238	$8,139,946.64	$891,918.92
	30	0	-$5,731.43	$0.00
Residential Seasonal	23	8,815,003	$1,280,376.29	$96,436.13
	33	1,128	-$268.45	$12.34
Residential Controlled Access	24	4,071,178	$274,045.97	$44,538.69
TOTAL RESIDENTIAL CLASS		956,541,616	$94,011,174.20	$10,464,565.30

Customer Class	Rate	KWH Amount	Revenue Amount	Base Fuel Amount
General Service	25	548,965,284	$53,196,521.45	$5,923,335.41
Base Fuel	25	24,571,966	$2,385,638.92	$265,131.51
0.01079	25	812,974	$86,728.90	$8,771.99
	25	1,894,557	$163,015.29	$20,442.27
	35	0	-$4,280.99	$0.00
	15	0	-$32,397.41	$0.00
Commercial Controlled Access	27	821,059	$56,608.42	$8,859.23
TOTAL GENERAL SERVICE CLASS		577,065,840	$55,851,834.58	$6,226,540.41

Customer Class	Rate	KWH Amount	Revenue Amount	Base Fuel Amount
LLP -Standard Rate	75	632,470,686	$45,309,878.68	$6,571,370.43
Base Fuel	75	516,911,840	$35,852,082.58	$5,370,714.02
0.01039	75	17,018,473	$1,137,536.07	$176,821.93
	55	116,539,500	$7,572,653.65	$1,210,845.41
	72	1,480,690	$259,637.88	N/A
TOTAL LLP CLASS		1,284,421,189	$90,131,788.86	$13,329,751.78

Customer Class	Rate	KWH Amount	Revenue Amount	Base Fuel Amount
Large Power	54	439,097,000	$22,452,961.30	N/A
	74	5,268,518,850	$267,957,245.44	N/A
Base Fuel	CA	24,096,500	$1,517,656.01	N/A
0.00995				
TOTAL LP + (Other & IPS)		5,731,712,350	$291,927,862.75	N/A

1/ DOA is reported on FERC Form No. 1, pg. 304 and thus needs to be backed out of total revenue;
2/ Transmission Rider collections removed to provide a sales revenue number comparable to the Stipulation and Settlement Agreement.
3/ Renewable Rider collections removed to provide a sales revenue number comparable to the Stipulation and Settlement Agreement.
4/ Conservation Program Adjustment collections removed since recovery mechanism is outside of Base Rates.

	KWH Amount	Revenue Amount	Base Fuel Amount
Market Priced Energy			
IPS	45,645,571	$2,247,341	N/A
Excess	112,597,753	$6,068,184	N/A
Economy	82,846,051	$3,237,635	N/A
Incremental	3,303,800	$102,251	N/A
RFPS	52,327,979	$2,531,143	N/A
CA Large Power	24,096,500	$1,517,656	N/A
Pool in Pool Service Charges	0	$720,000	N/A
Subtotal Other & IPS	320,817,654	$16,424,210.00	N/A
Firm Energy			
EMSS	89,836,145		N/A
Firm	5,321,058,551		$52,829,738.91
Subtotal LP Firm Energy	5,410,894,696	$275,503,652.75	$52,829,738.91

FERC Yearly CIS Report	FERC Yearly CIS Report	FERC Yearly CIS Report	Hyperion	Hyperion	Access Database used for DOC IR#3
Fuel Clause Amount	Total Fuel Revenue	DOA 1/	Trans. Collections 2/	Renewable Collections 3/	CPA Collections 4/
-$426.40	-$426.40	-$99.44			
$22.25	$22.25	-$5.68			
$9,024,158.18	$18,455,817.40	$324,719.20			
$892,182.32	$1,784,101.24	$23,182.60			
-$344.91	-$344.91	$0.00			
$88,442.64	$184,878.77	$29.26			
$32.50	$44.84	$0.00			
$47,005.17	$91,543.86	$237.19			
$10,051,071.76	$20,515,687.05	$348,067.34	$316,560.20	$493,158.06	$1,177,359.66

Fuel Clause Amount	Total Fuel Revenue	DOA 1/	Trans. Collections 2/	Renewable Collections 3/	CPA Collections 4/
$5,625,272.90	$11,548,608.31	$224,781.69			
$251,757.78	$516,889.29	$7,609.09			
$8,458.25	$17,230.24	$46.29			
$19,246.96	$39,689.23	$2.44			
-$155.14	-$155.14	$0.00			
-$1,283.54	-$1,283.54	-$396.30			
$9,443.99	$18,303.22	$7.45			
$5,912,741.20	$12,139,281.61	$282,090.26	$190,277.08	$301,934.37	$699,720.61

Fuel Clause Amount	Total Fuel Revenue	DOA 1/	Trans. Collections 2/	Renewable Collections 3/	CPA Collections 4/
$6,178,872.77	$12,750,243.20	$319,768.77			
$5,047,984.12	$10,418,698.14	$21,383.16			
$165,814.67	$342,636.60	$4,672.05			
$1,127,044.50	$2,337,889.91	$103,237.02			
N/A	$30,803.20	$0.00			
$12,519,716.06	$25,880,271.04	$449,061.00	$428,324.22	$721,540.32	$1,244,968.10

Fuel Clause Amount	Total Fuel Amount	DOA 1/	Trans. Collections 2/	Renewable Collections 3/	CPA Collections 4/
$4,054,309.14	N/A	$306,033.77			
$45,433,150.35	N/A	$0.00			
$0.00	N/A	$0.00			
$49,487,459.49	N/A	$306,033.77	N/A	N/A	N/A

Fuel Clause Amount	Total Fuel Amount	DOA 1/	Trans. Collections 2/	Renewable Collections 3/	CPA Collections 4/
N/A	$1,785,407	N/A	N/A	N/A	N/A
N/A	$5,506,452	N/A	N/A	N/A	N/A
N/A	$2,768,649	N/A	N/A	N/A	N/A
N/A	$102,251	N/A	N/A	N/A	N/A
N/A	$2,101,403	N/A	N/A	N/A	N/A
N/A	$1,056,908	N/A	N/A	N/A	N/A
N/A	$0.00	N/A	N/A	N/A	N/A
N/A	$13,321,070.66	N/A	N/A	N/A	N/A
N/A	$2,160,594	N/A	N/A	N/A	N/A
$49,487,459.49	$102,317,198.40	$306,033.77	$0.00	$4,570,545.02	$311,449.74
$49,487,459.49	$104,477,792.54	$306,033.77	$1,788,127.28	$4,570,545.02	$311,449.74

Revenue (not incl. Trans., Renewable, CPA, DOA)	Revenue (Net of Fuel)
[redacted]	

Revenue (not incl. Trans., Renewable, CPA, DOA)	Revenue (Net of Fuel)
[redacted]	

Revenue (not incl. Trans., Renewable, CPA, DOA)	Revenue (Net of Fuel)
[redacted]	

Revenue (not incl. Trans., Renewable, CPA, DOA)	Revenue (Net of Fuel)
[redacted]	

[redacted]

Source: FERC Yearly CIS Report | FERC Yearly CIS Report

Customer Class	Rate	KWH Amount	Revenue Amount
Residential	10	0	-$1,349.81
	20	875,266,626	$84,883,358.09
	22	86,240,279	$8,611,385.58
	32	0	-$567.15
	30	0	-$28,391.71
Residential Seasonal	23	9,085,556	$1,274,432.58
	33	0	-$1,475.86
Residential Controlled Access	24	4,410,696	$295,938.88
	34	0	-$1,755.89
TOTAL RESIDENTIAL CLASS		975,003,157	$95,031,574.71

Customer Class	Rate	KWH Amount	Revenue Amount
General Service	25	556,369,155	$53,484,588.49
	25	26,130,619	$2,562,542.82
	25	788,496	$81,419.55
	25	1,905,779	$163,669.99
	35	0	-$8,346.49
	15	0	-$13,118.65
	15	0	-$10,063.27
Commercial Controlled Access	27	894,607	$61,433.53
TOTAL GENERAL SERVICE CLASS		586,088,656	$56,322,125.97

Customer Class	Rate	KWH Amount	Revenue Amount
LLP -Standard Rate	75	633,755,808	$46,235,779.31
	75	531,026,756	$36,878,474.18
	75	16,906,146	$1,155,642.38
	55	0	-$15,512.50
	55	103,789,800	$6,736,209.49
TOTAL LLP CLASS		1,285,478,510	$90,990,592.86

Customer Class	Rate	KWH Amount	Revenue Amount
Large Power	54	352,668,000	$19,216,725.92
	74	5,804,650,550	$301,462,748.39
	CA	94,345,100	$4,558,230.37
TOTAL LP + (Other & IPS)		6,251,663,650	$325,237,704.68

1/ Base Fuel was calculated based on rate from 2008 rate case through May, and then based on 2009 rate case starting in June; Refer to DOC IR #3 workbook (Docket M-11-1264) for complete details.
2/ DOA is reported on FERC Form No. 1, pg. 304 and thus needs to be backed out of total revenue;
3/ Transmission Rider collections removed to provide a sales revenue number comparable to the Stip. and Settlement Agreement.
4/ Renewable Rider collections removed to provide a sales revenue number comparable to the Stip. and Settlement Agreement.
5/ Conservation Program Adjustment collections removed since recovery mechanism is outside of Base Rates.

	KWH Amount	Revenue Amount
Market Priced Energy		
IPS	72,476,103	$3,658,858.64
Excess	2,389,526	$107,683.48
Economy	107,071,674	$4,515,645.32
Incremental	8,970,293	$304,686.14
RFPS	31,878,284	$1,681,519.86
CA Large Power	94,345,100	$4,558,230.37
Pool in Pool Service Charges	0	$720,000.00
Subtotal Other & IPS	317,130,980	$15,546,623.81
Firm Energy		
EMSS	103,755,745	
Firm	5,830,776,925	
Subtotal LP Firm Energy	5,934,532,670	$309,691,080.87

calculated based on kWh in FERC Yearly CIS Report	FERC Yearly CIS Report	FERC Yearly CIS Report	FERC Yearly CIS Report & Hyperion	Hyperion
Base Fuel Amount 1/	Fuel Clause Amount	Total Fuel Revenue	DOA 2/	Trans. Collections 3/
$0.00	-$106.07	-$106.07	-$15.95	
$9,558,381.92	$9,092,085.58	$18,650,467.50	$215,721.17	
$942,185.68	$918,032.56	$1,860,218.24	$16,634.78	
$0.00	-$51.01	-$51.01	$0.00	
$0.00	-$2,410.13	-$2,410.13	$0.00	
$99,176.90	$92,093.85	$191,270.75	$31.01	
$0.00	-$86.18	-$86.18	$0.00	
$48,205.88	$48,054.60	$96,260.48	$162.99	
$0.00	-$241.76	-$241.76	$0.00	
$10,647,950.89	$10,147,371.44	$20,795,321.83	$232,534.00	$321,603.70

Base Fuel Amount 1/	Fuel Clause Amount	Total Fuel Revenue	DOA 2/	Trans. Collections 3/
$6,033,491.34	$5,719,428.47	$11,752,919.81	$149,385.89	
$283,285.26	$269,292.10	$552,577.36	$4,883.03	
$8,550.49	$7,733.97	$16,284.46	$9.31	
$20,669.15	$19,528.29	$40,197.44	$39.76	
$0.00	-$562.18	-$562.18	$0.00	
$0.00	-$690.12	-$690.12	-$23.01	
$0.00	-$549.23	-$549.23	-$15.40	
$9,679.61	$9,670.41	$19,350.02	$5.19	
$6,355,675.85	$6,023,851.71	$12,379,527.56	$154,302.08	$198,356.55

Base Fuel Amount 1/	Fuel Clause Amount	Total Fuel Revenue	DOA 2/	Trans. Collections 3/
$6,529,658.23	$6,164,541.00	$12,694,199.23	$213,328.05	
$5,472,131.89	$5,146,399.72	$10,618,531.61	$26,155.80	
$174,195.58	$164,744.55	$338,940.13	$3,077.44	
$0.00	-$1,683.19	-$1,683.19	-$183.40	
$1,071,255.78	$1,018,350.62	$2,089,606.40	$60,746.70	
$13,247,241.48	$12,492,352.70	$25,739,594.18	$303,124.59	$424,121.24

Base Fuel Amount 1/	Fuel Clause Amount	Total Fuel Amount	DOA 2/	Trans. Collections 3/
N/A	$3,361,468.98	N/A	$173,295.22	
N/A	$51,332,041.00	N/A	$36,216.45	
N/A	$0.00	$0.00	$0.00	
N/A	$54,693,509.98	N/A	$209,511.67	N/A

Base Fuel Amount 1/	Fuel Clause Amount	Total Fuel Amount	DOA 2/	Trans. Collections 3/
N/A	N/A	$2,920,267.00	N/A	N/A
N/A	N/A	$98,321.00	N/A	N/A
N/A	N/A	$3,913,648.41	N/A	N/A
N/A	N/A	$304,686.14	N/A	N/A
N/A	N/A	$1,394,726.54	N/A	N/A
N/A	N/A	$3,606,675.41	N/A	N/A
N/A	N/A	$0.00	N/A	N/A
N/A	N/A	$12,238,324.60	N/A	N/A
N/A	N/A	$2,440,984.68	N/A	N/A
$58,016,230.40	$54,693,509.98	$112,709,740.38	$209,512.81	$784,454.36
$58,016,230.40	$54,693,509.98	$115,150,725.07	$209,512.81	$1,900,212.77

Hyperion Renewable Collections 4/	Access Database used for DOC IR#3 CPA Collections 5/	Revenue (not incl. Trans., Renewable, CPA, DOA)	Revenue (Net of Fuel)
$1,452,211.58	$1,411,197.22	$91,614,028.21	$70,848,706.36

Renewable Collections 4/	CPA Collections 5/	Revenue (not incl. Trans., Renewable, CPA, DOA)	Revenue (Net of Fuel)
$873,855.19	$848,604.13	$54,252,008.02	$41,872,480.46

Renewable Collections 4/	CPA Collections 5/	Revenue (not incl. Trans., Renewable, CPA, DOA)	Revenue (Net of Fuel)
$1,915,001.11	$1,860,879.48	$86,487,466.44	$60,747,872.26

Renewable Collections 4/	CPA Collections 5/
N/A	N/A

Renewable Collections 4/	CPA Collections 5/	Revenue (not incl. Trans., Renewable, CPA, DOA)	Revenue (Net of Fuel)
N/A	N/A		
N/A	N/A		
N/A	N/A		
N/A	N/A		
N/A	N/A		
N/A	N/A		
N/A	N/A		
N/A	N/A	$15,546,623.81	$3,308,299.31
N/A	N/A		
$10,965,901.68	$329,390.36		
$10,965,901.68	$329,390.36	$296,286,063.26	$181,135,398.19

Source:

Customer Class	Rate	KWH Amount FERC Yearly CIS Report	Revenue Amount FERC Yearly CIS Report
Residential	20	859,105,472	$83,049,563.46
Base Fuel	30	0	-$868.14
0.01090	22	79,092,853	$7,750,928.43
Residential Seasonal	23	8,983,328	$1,271,742.49
Residential Controlled Access	24	3,790,849	$252,294.54
TOTAL RESIDENTIAL CLASS		950,972,502	$92,323,660.78

Customer Class	Rate	KWH Amount	Revenue Amount
General Service	25 - Commercial	565,880,037	$54,261,677.03
Base Fuel	25 - Industrial	24,625,089	$2,401,005.71
0.01090	25 - Lighting	785,590	$81,636.14
	25 - Other	1,929,639	$163,173.78
Commercial Controlled Access	27 - Commercial	946,811	$63,224.84
TOTAL GENERAL SERVICE CLASS		594,167,166	$56,970,717.50

Customer Class	Rate	KWH Amount	Revenue Amount
LLP -Standard Rate	75 - Commercial	634,762,587	$47,518,936.50
Base Fuel	75 - Industrial	644,905,554	$44,469,511.00
0.01022	75 - Other	16,785,814	$1,180,332.35
TOTAL LLP CLASS		1,296,453,955	$93,168,779.85

Customer Class	Rate	KWH Amount	Revenue Amount
Large Power	74	6,181,536,400	$326,733,667.10
Base Fuel	CA	192,700,400	$7,404,402.69
0.00995			
TOTAL LP + (Other & IPS)		6,374,236,800	$334,138,069.79

1/ DOA is reported on FERC Form No. 1, pg. 304 and thus needs to be backed out of total revenue;
2/ Transmission Rider collections removed to provide a sales revenue number comparable to the Stip. and Settlement Agreement.
3/ Renewable Rider collections removed to provide a sales revenue number comparable to the Stip. and Settlement Agreement.
4/ Conservation Program Adjustment collections removed since recovery mechanism is outside of Base Rates.

	KWH Amount	Revenue Amount
Market Priced Energy		
IPS	73,743,102	$3,706,934.89
Excess	1,161,227	$47,557.86
Economy	105,949,454	$4,668,045.41
Incremental	12,751,235	$452,830.55
RFPS	31,236,418	$1,619,187.85
CA Large Power	192,700,400	$7,404,402.69
Pool in Pool Service Charges	0	$720,000.00
Subtotal Other & IPS	417,541,836	$18,618,959.25
Firm Energy		
EMSS	89,836,145	
Firm	5,866,858,819	
Subtotal LP Firm Energy	5,956,694,964	$315,519,110.54

calculated based on kWh in FERC Yearly CIS Report	FERC Yearly CIS Report	FERC Yearly CIS Report	FERC Yearly CIS Report	Hyperion
Base Fuel Amount	Fuel Clause Amount	Total Fuel Revenue	DOA 1/	Trans. Collections 2/
$9,364,249.64	$8,936,304.71	$18,300,554.35	$228,179.60	
$0.00	-$69.81	-$69.81	$0.00	
$862,112.10	$815,249.33	$1,677,361.43	$16,019.87	
$97,918.28	$94,878.43	$192,796.71	$33.95	
$41,320.25	$38,700.18	$80,020.43	$124.79	
$10,365,600.27	$9,885,062.84	$20,250,663.11	$244,358.21	$842,036.15

Base Fuel Amount	Fuel Clause Amount	Total Fuel Revenue	DOA 1/	Trans. Collections 2/
$6,168,092.40	$5,879,430.06	$12,047,522.46	$161,825.34	
$268,413.47	$249,904.94	$518,318.41	$5,189.92	
$8,562.93	$8,150.49	$16,713.42	$0.00	
$21,033.07	$20,164.48	$41,197.55	$5.33	
$10,320.24	$9,770.21	$20,090.45	$5.42	
$6,476,422.11	$6,167,420.18	$12,643,842.29	$167,026.01	$205,456.99

Base Fuel Amount	Fuel Clause Amount	Total Fuel Revenue	DOA 1/	Trans. Collections 2/
$6,487,273.64	$6,190,463.02	$12,677,736.66	$232,747.47	
$6,590,934.76	$6,191,999.61	$12,782,934.37	$93,902.50	
$171,551.02	$164,969.23	$336,520.25	$3,199.57	
$13,249,759.42	$12,547,431.86	$25,797,191.28	$329,849.54	$425,563.61

Base Fuel Amount	Fuel Clause Amount	Total Fuel Amount	DOA 1/	Trans. Collections 2/
N/A	$55,562,679.66	N/A	$230,706.89	
N/A	$0.00	N/A	$0.00	
N/A	$55,562,679.66	N/A	$230,706.89	N/A

Base Fuel Amount	Fuel Clause Amount	Total Fuel Amount	DOA 1/	Trans. Collections 2/
N/A	N/A	$2,969,503.87	N/A	N/A
N/A	N/A	$43,234.42	N/A	N/A
N/A	N/A	$4,085,323.41	N/A	N/A
N/A	N/A	$452,830.55	N/A	N/A
N/A	N/A	$1,349,323	N/A	N/A
N/A	N/A	$4,201,410.06	N/A	N/A
N/A	N/A	$0.00	N/A	N/A
N/A	N/A	$13,101,625.52	N/A	N/A

N/A	N/A	$2,321,426.46	N/A	N/A
$58,375,245.25	$55,562,679.66	$113,937,924.91	$230,706.89	$1,902,488.46
N/A	N/A	$116,259,351.37	$230,706.89	$1,902,488.46

Hyperion Renewable Collections 3/	Hyperion CPA Collections 4/	Revenue (not incl. Trans., Renewable, CPA, DOA)	Revenue (Net of Fuel)
$1,544,411.93	$3,308,631.40	$86,884,226.09	$66,633,562.98

Renewable Collections 3/	CPA Collections 4/	Revenue (not incl. Trans., Renewable, CPA, DOA)	Revenue (Net of Fuel)
$928,686.67	$2,066,079.58	$53,603,468.25	$40,959,625.96

Renewable Collections 3/	CPA Collections 4/	Revenue (not incl. Trans., Renewable, CPA, DOA)	Revenue (Net of Fuel)
$1,921,068.13	$4,168,461.17	$86,323,837.40	$60,526,646.12

Renewable Collections 3/	CPA Collections 4/
N/A	N/A

Renewable Collections 3/	CPA Collections 4/	Revenue (not incl. Trans., Renewable, CPA, DOA)	Revenue (Net of Fuel)
N/A	N/A		
N/A	N/A		
N/A	N/A		
N/A	N/A		
N/A	N/A		
N/A	N/A		
N/A	N/A		
N/A	N/A	$18,618,959.25	$5,617,338.73
N/A	N/A		
$10,975,894.87			
$10,975,894.87	$95,848.46	$302,314,171.86	$186,054,820.49

MINNESOTA POWER
COMPARISON OF OPERATING REVENUES
PRESENT VS. GENERAL RATES
TEST YEAR 2010 - COMMISSION DECISION

Rate Classes	MWh	General
Residential	995,239	$90,303,365
General Service	579,131	$52,354,840
Large Light & Power	1,264,785	$88,478,958
Large Power	5,441,578	$280,620,887
Municipal Pumping	58,626	$4,711,730
Lighting	21,579	$3,141,281
Dual Fuel (Interruptible)		
Residential	103,366	$7,240,969
Commercial/Industrial	34,814	$2,125,670
Large Power (Other & IPS)	332,088	$14,495,855
TOTAL	8,831,206	543,473,554

CPA Rate	
All Retail (excluding Market-Priced Energy and Opt-outs)	$0.00083635

CPA/CCRC Large Power	$213,116.28

Base Fuel Rates	
Residential	0.01090
General Service	0.01090
Large Light & Power	0.01022
Municipal Pumping	0.00999
Lighting	0.00754
Residential Dual Fuel	0.01090
C/I Dual Fuel	0.01090

Fuel Clause Revenue (E-sched)	
Residential Rate	0.010257881
General Service	0.010259509
Large Light & Power	0.009620619
Municipal Pumping	0.009398267
Lighting	0.007091978
Residential Dual Fuel	0.010257881
C/I Dual Fuel	0.010259509

Large Light & Power Erie Mine Site Fuel Cost (E-sched)	
EMSS	300 MWh/month 2010
Jan 2010 EMSS Fuel Cost/MWh	$20.53
Feb 2010 EMSS Fuel Cost/MWh	$20.39
Mar 2010 EMSS Fuel Cost/MWh	$20.70
Apr 2010 EMSS Fuel Cost/MWh	$21.58
May 2010 EMSS Fuel Cost/MWh	$22.19
June 2010 EMSS Fuel Cost/MWh	$23.03
July 2010 EMSS Fuel Cost/MWh	$23.38
Aug 2010 EMSS Fuel Cost/MWh	$23.37
Sep 2010 EMSS Fuel Cost/MWh	$23.23
Oct 2010 EMSS Fuel Cost/MWh	$23.29
Nov 2010 EMSS Fuel Cost/MWh	$23.80
Dec 2010 EMSS Fuel Cost/MWh	$23.57

Total Firm Energy Fuel Revenue (E-sched, Large Power)	
Large Power	0.01976

Large Power Firm Fuel Cost (E-sched)	
Large Power Firm EMSS Fuel Cost (112,621 MWh)	$2,532,549

Large Power (Other & IPS) Fuel Cost (E-sched)	$10,511,671

Large Power (Other & IPS) Fuel Cost (E-sched)	
CA Large Power	1800 MWh/month 2010
Jan 2010 Economy Fuel Cost/MWh	$38.41
Feb 2010 Economy Fuel Cost/MWh	$43.02
Mar 2010 Economy Fuel Cost/MWh	$32.07
Apr 2010 Economy Fuel Cost/MWh	$30.07
May 2010 Economy Fuel Cost/MWh	$29.33
June 2010 Economy Fuel Cost/MWh	$31.64
July 2010 Economy Fuel Cost/MWh	$32.59
Aug 2010 Economy Fuel Cost/MWh	$38.16
Sep 2010 Economy Fuel Cost/MWh	$30.47
Oct 2010 Economy Fuel Cost/MWh	$30.66
Nov 2010 Economy Fuel Cost/MWh	$28.36
Dec 2010 Economy Fuel Cost/MWh	$32.28

CPA Revenue	General w/o CPA	Base Fuel Cost	Fuel Clause	Total Fuel Cost	General w/o CPA & Fuel
$832,368	89,470,996	$10,848,105	$10,209,043	$ 21,057,148	68,413,848
$484,356	51,870,484	$6,312,528	$5,941,600	$ 12,254,128	39,616,356
$1,054,792	87,424,166	$12,889,311	$12,133,381	$ 25,103,410	62,320,756
$213,116	280,407,770	N/A	N/A	$ 107,832,747	172,575,024
$49,032	4,662,698	$585,674	$550,983	$ 1,136,657	3,526,041
$18,048	3,123,233	$162,705	$153,038	$ 315,743	2,807,490
$86,450	7,154,519	$1,126,689	$1,060,316	$ 2,187,006	4,967,514
$29,117	2,096,553	$379,473	$357,175	$ 736,647	1,359,906
$0	14,495,855	N/A	N/A	$11,226,372	3,269,483
2,767,279	540,706,275	32,304,485	30,405,535	181,849,857	358,856,419

State of Minnesota
DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

Utility Information Request

Docket Number: E015/GR-09-1151 Date of Request: October 18, 2013

Requested From: Minnesota Power (MP) Response Due: October 30, 2013

Analyst Requesting Information: Nancy Campbell / Chris Shaw

Type of Inquiry:

[X]...Financial	[ ].....Rate of Return	[ ].....Rate Design
[ ].....Engineering	[ ].....Forecasting	[ ].....Conservation
[ ].....Cost of Service	[ ].....CIP	[ ].....Other:

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
1121	The Trade Secret documents referenced in MP's September 9, 2013 response to DOC information request 115 do not provided specific demand levels provided by MP to Nashwauk for its customer Essar, but instead reference another document referred to as "Large Industrial Service Agreement or LISA Agreement". Please provide a copy of this LISA Agreement so that the Department can review the levels of demand provided by MP to Nashwauk for its customer Essar.

Response:

Incorporating by reference Minnesota Power's response to Department Information Request 1115 and 1125, the public version of the LISA is attached as DoC IR 1121.1 Attachment.

Response by: Christopher D Anderson List sources of information:

Title: Associate General Counsel

Department: Legal Services

Telephone: 218-723-3961

PUBLIC VERSION:
TRADE SECRET DATA REDACTED

LARGE INDUSTRIAL SERVICE AGREEMENT

BETWEEN

NASHWAUK PUBLIC UTILITIES COMMISSION

AND

ESSAR STEEL MINNESOTA LLC

PUBLIC VERSION:
TRADE SECRET DATA REDACTED

Attachments:

Attachment A - NPUC Large Industrial Customer Tariff
Attachment B - Nashwauk Rate Components
Attachment C - Metering
Attachment D - Weekly Billing
Attachment E - Supplement for Curtailable Service
Attachment F - Supplement for Incremental Production Service
Attachment G - Credit and Security Addendum
Attachment H – Nashwauk Electric Service Regulations
Attachment I - Acknowledgement of Wholesale Provider

PUBLIC VERSION:
TRADE SECRET DATA REDACTED

LARGE INDUSTRIAL SERVICE AGREEMENT BETWEEN NASHWAUK PUBLIC UTILITIES COMMISSION AND ESSAR STEEL MINNESOTA LLC RETAIL SERVICE - FULL REQUIREMENTS

The NASHWAUK PUBLIC UTILITIES COMMISSION, Minnesota, ("Nashwauk" or "NPUC") and Essar Steel Minnesota LLC ("ESML") hereby enter into a Large Industrial Service Agreement (the "Agreement"), which provides that Nashwauk will supply electric power and associated energy sufficient for ESML to meet its electric system requirements for its sole use.

WHEREAS, Nashwauk has entered into a wholesale electric supply agreement (ESA) with Minnesota Power ("Wholesale Provider"), and some aspects of Nashwauk's electric service to ESML as described herein are governed or controlled by terms and conditions in that agreement; and

WHEREAS, ESML acknowledges that it has been provided with a copy of the ESA and the relevant tariffs referenced in the ESA and understands and accepts the portions of the ESA that are relevant to Nashwauk's electric service to ESML unless specifically modified through this Agreement; and

THEREFORE, in consideration of the commitments herein and for other good and valuable considerations Nashwauk and ESML agree as follows:

1. DEFINITIONS

Credit and Security Addendum means the agreement attached hereto as Attachment G between Wholesale Provider and ESML related to the credit assurances provided by ESML specifically supporting this Agreement, the terms of which are incorporated herein by reference.

Curtailable Energy means the energy component of Curtailable Service that can be suspended by Wholesale Provider upon 10 minutes notice to ESML, as specified herein and applicable to the ESML Points of Delivery, and will be priced either at the hourly incremental cost of supply during Price Recall periods or under the formula rate in all other hours.

Curtailable Demand means the demand component of Curtailable Service. The kW of Curtailable Demand will be directly associated with the MWh of Curtailable Energy and shall be subject to a monthly demand charge discount in exchange for the demonstration of ESML's ability and willingness to have this service curtailed in accordance with the terms and conditions as specified herein for the ESML Points of Delivery.

Curtailable Service means the service that can be suspended by Wholesale Provider upon 10 minutes notice to ESML for service at the ESML Points of Delivery as specified herein.

ESA means the Federal Energy Regulatory Commission (FERC) contract for wholesale electric service between Wholesale Provider and Nashwauk, along with any amendments, as originally executed on February 7, 2011.

ESML Phase 1-a of the ESML project shall mean the period during which only equipment and processes associated with taconite mining and processing at ESML's permitted production capacity of 4.1 Million Metric Tons Per Year (4.1 MTY) is operational.

ESML Phase 1-b of the ESML project shall mean the period during which not only ESML Phase 1-a equipment and processes are operational, but also that additional equipment and processes associated with taconite mining and processing at ESML's future amended Phase 1 permitted production capacity of 6.5 Million Metric Tons Per Year (6.5 MTY) is operational.

ESML Phase 2 of the ESML project shall mean the period during which equipment and processes associated with the production of direct reduced iron and/or semi-finished steel products utilizing equipment beyond that required for ESML Phase 1 is operational.

ESML Points of Delivery: The points of delivery under this Agreement for Nashwauk's retail service to ESML Phase 1 and Phase 2, as defined herein.

Excess Reactive Demand shall be the amount by which the maximum 15-minute integrated reactive demand (KVAR) measured during the current month exceeds 50% of the maximum 15-minute integrated demand (kW) measured during the current month.

Facilities Construction Agreement means the agreement between Wholesale Provider, Nashwauk, and ESML relating to the necessary transmission system modifications and upgrades to accommodate the presence of ESML on Wholesale Provider's transmission system, the terms of which are incorporated herein by reference.

Firm Power Billing Demand is ESML's demand above the Minimum Firm Demand and is priced at the Generation Capacity Charge.

Fuel and Purchased Power Base is the sum of the Wholesale Provider's annual fuel costs (FERC defined acct 501) plus annual purchase power costs (FERC Account 555) reduced by revenue credits for off-system sales. The total Fuel and Purchase Power Base costs are divided by net MWh generated and purchased reduced by MWh sold for off-system sales and further divided by 1000 to arrive at a cents/kwh monthly charge.

Incremental Firm Demand is the amount of firm demand selected above the Minimum Firm Demand levels specified in Section 6.2 and applicable to the ESML Points of Delivery per the nomination process as described in Section 6.3.

Incremental Production Service (IPS) shall mean service that is curtailable upon 10 minutes notice to ESML with no demand charge and with energy priced at the hourly incremental cost of supply plus a charge of **[redacted]**, as specified herein for ESML Points of Delivery.

Minimum Firm Demand is the minimum amount of Monthly Billing Demand kW as specified herein and applicable to the ESML Points of Delivery as described in Section 6.2.

Monthly Billing Demand is the kW of demand that will be charged to the ESML during each billing month. It shall be comprised of the sum of the kW of Minimum Firm Demand, Incremental Firm Demand, and any adjustments described in Section 6.

NPUC Large Industrial Customer Tariff is the Nashwauk Public Utilities Commission tariff applicable to large industrial retail customers such as ESML. It is attached for reference as Attachment A, but is not part of this Agreement. Any modifications to the Large Industrial Customer Tariff shall be made solely by the Nashwauk Public Utilities Commission.

Non-coincident Peak Demand shall be ESML's maximum fifteen minute demand (kW) measured during the month and used for determining monthly billed demand.

Non-Fuel Energy Charge is Wholesale Provider's annual non-fuel related energy expenses that are not included in the Fuel and Purchase Power Base. These expenses include non-fuel energy related generation operations and maintenance costs, administrative and general expenses, return on generation related rate base, generation related depreciation expense, and income taxes. The total Non-Fuel Energy Charge is divided by net MWh generated and purchased reduced by MWh sold for Wholesale Provider's off-system sales and further divided by 1000 to arrive at a cents/kwh monthly charge.

Party shall mean either ESML or Nashwauk as a party to this Agreement.

Phase 1-b Effective Date shall be the first day of the billing month in which ESML begins taking electric service for Phase 1-b facilities as indicated through written notice provided by ESML to Nashwauk and Wholesale Provider and as defined in Section 4.3.

Phase 2 Effective Date shall be the first day of the billing month in which ESML begins taking electric service for Phase 2 facilities as indicated through written notice provided by ESML to Nashwauk and Wholesale Provider and as defined in Section 10.

Power Supply Rate Components shall mean the wholesale rates for electric service contained in the ESA and passed through to ESML in this Agreement pursuant to Section 4.2.

PUBLIC VERSION:
TRADE SECRET DATA REDACTED

Power Surcharge shall be an application of a surcharge to ESML in the event that load increases associated with ESML Phase 1 or ESML Phase 2 result in Nashwauk being charged a Power Surcharge by Wholesale Provider.

Recall Hours shall be the maximum of 300 hours per year in which the Wholesale Provider may re-price Curtailable Energy at the at the hourly incremental cost of supply during Price Recall periods as opposed to the pricing under the Power Supply Rate Components.

Service Year shall mean a twelve-month period beginning on July 1 and ending on June 30.

Start-up Period shall be the period of time beginning with the commencement of the Term and continuing until the earlier of such a time as ESML achieves a measured monthly demand of **[redacted]**, or **[redacted]**, or some later date determined per the language of the ESA.

Total Nominated Demand shall mean the total of Minimum Firm Demand, Incremental Firm Demand, Curtailable Demand, and any additional demand that ESML may select per the demand nomination process described in Section 6.

2. CONDITIONS PRECEDENT

The following are conditions precedent to performance of the parties under this Agreement:

2.1 Execution of the Facilities Construction Agreement (FCA) between ESML, Wholesale Provider and Nashwauk specifying construction of transmission facilities by Wholesale Provider specifically to serve Nashwauk's new Large Industrial load associated with ESML Phase 1-a, 1-b and Phase 2. ("Transmission Facilities")

2.2 Execution of the Credit and Security Addendum attached as Addendum G and provision and acceptance of the Security provided in the Credit and Security Addendum.

Until both conditions precedent have occurred, this Agreement shall not become effective and neither party shall have any rights or obligations by reason of this Agreement, regardless of whether or not it has been executed.

3. TERM OF AGREEMENT

The Initial term of this Agreement shall be conterminous with the term of the ESA, i.e., from May 1, 2012 (or such later date as the conditions precedent have occurred) through at least April 30, 2022. Provided that the ESA term is extended by the action or inaction of Nashwauk and Wholesale Provider beyond April 30, 2022, the term of this

PUBLIC VERSION:
TRADE SECRET DATA REDACTED

Agreement shall also continue to be coterminous with the term of the ESA, except that ESML shall have the right to terminate this Agreement at any time after April 30, 2022 by delivering a notice of termination to Nashwauk effective three years after the date of delivery of the notice of termination. Any such notice delivered prior to May 1, 2019 shall be deemed to be effective on May 1, 2022. In the event that Nashwauk or Wholesale Provider provides a notice of termination of the ESA, effective on or after May 1, 2022 (causing the termination of the term of this Agreement on the same effective date), Nashwauk shall promptly notify ESML of the date of termination, provided, however, that Nashwauk shall provide ESML at least ninety (90) days advance notice of Nashwauk's intent to terminate the ESA, to provide an opportunity for ESML to provide any recommendations or input to Nashwauk. Once any notice of termination of the ESA is delivered, Nashwauk will promptly commence discussions with ESML regarding future power supply alternatives.

4. ELECTRIC SERVICE CONDITIONS AND RATE COMPONENTS

4.1. All Requirements

During the term of this Agreement ESML may not purchase electric power or energy within Nashwauk's electric service territory from any person or party other than Nashwauk, and may not construct generation to serve the ESML Phase 1-a and Phase 1-b facilities. That notwithstanding ESML may construct waste heat recovery cogeneration facilities as a part of the ESML Phase 2 construction to serve a portion of its own Phase 2 electric power needs that would otherwise be supplied under this Agreement. ESML agrees, however, that prior to constructing any such cogeneration facilities, it will notify Nashwauk and Wholesale Provider of its intentions and will discuss with both Nashwauk and Wholesale Provider the possibilities for involvement of either or both Nashwauk and Wholesale Provider in the ownership and/or construction of such cogeneration facilities.

4.2. Power Supply Rate Components

Electric Service Rates for the following billing components shall be identical to those rates charged to Nashwauk by Wholesale Provider for Nashwauk's wholesale electric service under the terms of the ESA and tariffs referenced by the ESA. Collectively these shall be referred to as the Power Supply Rate Components.

- **Customer Charge**
- **Generation Capacity Charge**
- **Base Energy Charge**
- **Monthly Energy Adjustment**
- **Excess Reactive Demand Charge**
- **Transmission Service and Ancillary Fees**
- **Annual True-up Adjustment**
- **Curtailable Demand Discount**
- **Curtailable Energy**
- **Power Surcharge (if applicable)**

The parties agree that the Power Supply Rate Components will simply be applied to ESML's billing determinants for purposes of billing ESML for Nashwauk's cost of power and energy, i.e., the costs to Nashwauk of the ESML power supply will be "passed through" to ESML in their entirety.

4.3. ESML Permitting and Transition from Phase 1-a to Phase 1-b Operating Level

It is understood that ESML Phase 1 is initially permitted based upon expected annual pellet production of 4.1 MTY, and that ESML has initiated environmental permit amendments to increase annual pellet production to an expected annual level of 6.5 MTY. Certain demand and energy billing determinants are specified throughout this Agreement as being associated with the 4.1 MTY level as Phase 1-a, and the 6.5 MTY level as Phase 1-b. The transition from Phase 1-a to Phase 1-b will occur following ESML's receipt of all necessary permits associated with the production increase to Phase 1-b and the completion of construction of the additional facilities necessary to reach the 6.5 MTY production level. ESML shall be required to give notice to Nashwauk and Wholesale Provider within 10 days of ESML's receipt of the final amended permits which notice shall specify the expected billing month upon which service will begin at the Phase 1-b level ("Phase 1-b Effective Date").

4.4. Nashwauk Rate Components

a. In addition to the Power Supply Rate Components, ESML also will pay the Nashwauk Rate Components, which are further detailed in Attachment B ("Nashwauk Rate Components"). The Parties agree that the Nashwauk Rate Components are intended to fully recover all of Nashwauk's costs on a timely basis for providing service to ESML in excess of the power supply costs passed through to ESML in the Power Supply Rate Components. The Nashwauk Rate Components will be included in the weekly billing process described in Attachment D, but section 3 thereof shall not apply. The Nashwauk Rate Components reflect Nashwauk's responsibility to replace Nashwauk's facilities as necessary to provide retail service to the ESML Points of Delivery.

b. The amounts shown in Attachment B are initial good faith estimates of the Nashwauk Rate Components. By November 30th of each year of this Agreement, Nashwauk shall provide ESML with the estimated and projected Nashwauk Rate Components for the following calendar year. If requested in writing by ESML within 15 days, Nashwauk will make individuals familiar with the projected cost process available to answer questions and receive feedback from ESML as to the projected Nashwauk Rate Components. Absent such request from ESML, the projected Nashwauk Rate Components shall automatically take effect on January 1. In the event ESML provides recommendations concerning the projected Nashwauk Rate Components, Nashwauk shall consider, as it deems appropriate, those recommendations in implementing the Nashwauk Rate Components to take effect on January 1.

c. Within 45 days after the approval of its audited calendar year financial statements, Nashwauk shall prepare a report comparing Nashwauk's actual costs in the calendar year versus the Nashwauk Rate Component amounts collected from ESML during this same period. Any excess collection shall be refunded to ESML as follows: (a) in equal monthly installments over the following 12 month period, or (b) in a lump-sum payment, as determined by Nashwauk. Any shortfall in recovery of costs shall be collected from ESML as follows: (a) in equal monthly installments over the following 12 month period, or (b) in a lump-sum payment, if mutually agreed. This "true up" process shall be repeated each year during the term of this Agreement.

d. For purposes of determining actual Nashwauk costs in the section 4.4(c) above, the Parties agree that: (i) all costs solely associated with service to ESML will be directly allocated and assigned to ESML; and (ii) that all other costs that are jointly attributable to ESML and Nashwauk's other customers will be allocated between ESML and Nashwauk's other customers based upon a fully embedded cost study prepared in accordance with generally accepted utility ratemaking practices or any other methodology upon which ESML and Nashwauk may mutually agree, the cost of which study shall be included in the Nashwauk Rate Components.

4.5. <u>Nashwauk Large Industrial Customer Tariff</u>

In addition to the terms and conditions contained in this Agreement, service to ESML shall also be subject to the terms and conditions contained in the Nashwauk Large Industrial Customer Tariff, attached hereto as Attachment A, and the applicable Electric Service Regulations attached hereto as Attachment H. Nashwauk and ESML agree, however, that only this Agreement shall govern the rates and charges that ESML shall pay to Nashwauk as set forth in Sections 4.2, 4.4, and 4.6.

4.6. <u>City of Nashwauk Franchise Fee</u>

ESML specifically agrees that Nashwauk shall be entitled to bill ESML, in the same manner as the Nashwauk Rate Components, a franchise fee imposed by the City of Nashwauk. Nashwauk has recommended to the Nashwauk City Council that the applicable electric franchise fee relating to ESML during the initial term of this Agreement be limited as follows: one and one-half percent (1.5%) of the NPUC Gross Revenue associated with ESML for a period of ten years starting May 1, 2012, provided that within four (4) years of that date, there is an increase in the amount of power and energy purchased from the NPUC under the LISA of 35 MW or more above the electrical load associated with the 6.5 million metric tons per year taconite plant. If there is no such increase in electrical load, then the City Council may, but is not required to, increase the applicable franchise fee to a maximum of two percent (2.0%) of NPUC Gross Revenue for the time remaining in the initial term of the LISA. If the electrical load at such customer's site at least doubles the load associated with the 6.5 million metric tons per year taconite plant and direct reduced iron process, for a minimum of 250 MW, then the applicable NPUC franchise fee will be reduced to one percent (1%) of NPUC Gross Revenue.

Nashwauk specifically agrees that if the City of Nashwauk chooses to increase the franchise fee during the initial term beyond Nashwauk's above recommendation, then Nashwauk, not ESML, shall bear the cost of any such increase.

4.7. Future Governmental Impositions

In the event that any governmental authority imposes any tax or assessment on Nashwauk during the term of this Agreement, which tax or assessment increases Nashwauk's cost of serving ESML, Nashwauk shall be entitled to recover those increased costs from ESML by adding those costs to the Nashwauk Rate Components. This Section 4.7 shall not apply to a franchise fee imposed by the City of Nashwauk, which franchise fee is governed by Section 4.6 of this Agreement.

4.8. Governmental Mandates or Requirements

In the event that the State of Minnesota or the United States of America or any agency of these governments imposes a renewable generation requirement, conservation improvement mandate, environmental tax or assessment, a transmission requirement, and/or a similar requirement, tax, or assessment on the NPUC which imposition increases NPUC's costs of providing service under this Tariff, NPUC shall be entitled to pass such cost through to ESML by adding those additional costs to the Nashwauk Rate Components.

5. SERVICE CONDITIONS

5.1. Point(s) of Delivery and Metering

ESML Points of Delivery: Two points of delivery are currently contemplated at 230 kV for the Wholesale Provider's delivery of power to Nashwauk for its retail service to ESML Phase 1 and Phase 2:

> ESML Point 1 (Steel Sub or McCarthy Sub): T 57 R 23, SW1/4 of the SW1/4 of section 25, Itasca County, Minnesota
> ESML Point 2 (Mine Sub or Calumet Sub): T56 R 23, SW1/4 of the SW1/4 of section 3, Itasca County, Minnesota

Nashwauk will have multiple points of delivery to ESML and more specific details regarding metering and the ESML Points of Delivery are detailed in Attachment C.

5.1.1. Billing

ESML shall be subject to Weekly Billing for all service under the terms and conditions of the LISA for the ESML Points of Delivery, including the Power

PUBLIC VERSION:
TRADE SECRET DATA REDACTED

Supply Components and the Nashwauk Rate Components, such service per the terms and conditions of Attachment D describing the weekly billing process

5.2. Power Surcharge

The Power Surcharge as defined in the Agreement as well as in the ESA between Nashwauk and the Wholesale Provider shall specifically be applied to ESML as detailed below:

[redacted]

6. DETERMINATION OF ESML DEMANDS FOR ASSESSMENT OF DEMAND CHARGES

6.1. Monthly Demand

Following completion of the Start-up Period ESML's Total Nominated Demand will be the sum of Minimum Firm Demand, Incremental Firm Demand, Curtailable Demand, and any additional demand that ESML may select. ESML's Monthly Billing Demand will consist of the Total Nominated Demand, modified by adding or subtracting kW based on the paragraphs below.

PUBLIC VERSION:
TRADE SECRET DATA REDACTED

6.2. Minimum Firm Demand

For each month of the initial Term of the Agreement, ESML will be obligated to pay for Minimum Firm Demand as indicated below:

[redacted]

6.3. Incremental Firm Demand

ESML may periodically select additional firm demand (Incremental Firm Demand) above the Minimum Firm Demand Level according to the schedule in Section 6.4. Notifications of selection of Incremental Firm Demand above the Minimum Firm Demand level per the schedule below shall be submitted to both Wholesale Provider and Nashwauk in writing.

6.4. Increases and Decreases in Monthly Billing Demand to serve ESML Facilities

For increases in Monthly Billing Demand above the Minimum Firm Demand level:

Summer Nomination

Nomination by March 1 for May– August

Non-Summer Nomination Periods

Nomination by August 1 for September – December
Nomination by December 1 for January – April

Nomination Down

Within either Non-Summer Nomination Period, ESML may reduce Total Billed Demand pursuant to the Nomination Down provision. Under the Nomination Down provision a reduced nomination of **[redacted]** may be allowed on a monthly basis with 30-day advance written notice. Nomination Down is allowed for maximum of 2 months per Non-Summer nomination period.

Under no conditions may the Nomination Down provision be used to lower the Monthly Billed Demand below the Minimum Firm Demand level.

PUBLIC VERSION:
TRADE SECRET DATA REDACTED

6.5. Demand Nomination Increases After the Beginning of a Nomination Period

Should ESML determine, after providing the notice required in Section 6.4 that a higher level of Incremental Firm Demand is necessary for all or for a portion of the Nomination Period, ESML may elect to set a higher Incremental Firm Demand level for one or more billing months within that Nomination Period by providing Wholesale Provider with written notice prior to the start of the calendar month in which the higher Incremental Firm Demand is needed. Upon receipt of such notice from ESML, the Incremental Firm Demand Level for such billing month(s) will be set at the kW level specified in ESML's notice. However, Energy taken by ESML during each billing month attributable to any increase in the Incremental Firm Demand established under this Paragraph, shall be billed as Excess Energy (incremental supply cost plus 10%) and the resulting increase in Demand shall be billed as Firm Power Billing Demand.

6.6. Measured Demand In Excess of Established Service Requirement

In the event ESML has a measured demand for a billing month which exceeds the billing demand established by the nomination process for any billing month covered under the nomination, ESML's Monthly Billing Demand for that billing month and all subsequent billing months in that Nomination Period will be increased to match the level of measured demand. However, energy taken by ESML during each billing month attributable to any increase in the Incremental Firm Demand established under this Paragraph shall be billed as Excess Energy (incremental supply cost plus 10%) and the resulting increase in Demand shall be billed as Firm Power Billing Demand.

6.7. Allowance for Scheduled Maintenance

PUBLIC VERSION:
TRADE SECRET DATA REDACTED

[redacted]

6.8. Decreases in Minimum Firm Demand for Permanent Facility Shutdown

[redacted]

7. INCREMENTAL PRODUCTION SERVICE (IPS)

7.1. General

The ESA between Wholesale Provider and Nashwauk contemplates allowing Wholesale Provider to provide Incremental Production Service following completion of the Startup Period and as described in Attachment F. IPS Service requires direct communication between Wholesale Provider and Nashwauk and Wholesale Provider and ESML. This product will also require Wholesale Provider's ability to automatically curtail service at any of the ESML Points of Delivery for curtailments of Incremental Production Service.

ESML shall abide by the terms and conditions of service for Incremental Production Service. Following completion of the Start-up Period ESML shall be allowed to use IPS per the terms Attachment F for amounts up to 10% in excess of the IPS Threshold (IPST) set by the demand nomination process and subject to the terms and conditions of this Agreement.

PUBLIC VERSION:
TRADE SECRET DATA REDACTED

[redacted]

7.2. Adjustment in IPST for Actual Operating Level ("True-up Adjustment)

[redacted]

8. CURTAILABLE SERVICE

8.1 General

The ESA between Wholesale Provider and Nashwauk contemplates allowing Wholesale Provider to provide curtailable service as described in Attachment E. Curtailable service requires direct communication between Wholesale Provider and Nashwauk and Wholesale Provider and ESML. The Wholesale Provider requires the ability to curtail service at any of the ESML Points of Delivery for curtailments of Curtailable Service as well as for Incremental Production Service. As a condition of taking retail service from Nashwauk, ESML shall abide by the following terms and conditions of service.

8.2 Quantities of Curtailable Service

ESML shall select **[redacted]** of Curtailable Service to begin on the Phase 1-b Effective Date and continue through completion of the Term.

8.3 Curtailable Demand Discount

ESML shall receive a Firm demand charge discount of **[redacted]**/kW for all kW of Curtailable Demand provided that the conditions for accreditation of such demand are met.

PUBLIC VERSION:
TRADE SECRET DATA REDACTED

8.4 Curtailable Energy Pricing

Curtailable Energy shall be priced as Firm Power Energy per Wholesale Provider's Power Supply Formula Rate for all hours of the year except those hours that are subject to the Price Recall provision below.

8.5 Price Recall

Wholesale Provider shall have the right to re-price ESML's curtailable energy at the incremental cost of supply plus 10% ("Recall Pricing") for Curtailable Energy Recall periods of 4-12 hours in duration. Wholesale Provider shall provide at least two (2) hours advance notice of a Price Recall period to both Nashwauk and ESML although generally Wholesale Provider will attempt to give notification with a day's advance notice. Wholesale Provider will provide the following information to Nashwauk and ESML when a Price Recall period is declared: i) the start time, stop time, and duration of the Price Recall period; ii) the estimated recall price for that period; and iii) notification within that period if the estimated recall pricing changes by more than $50/MWh. ESML will have the option to curtail load during the Price Recall periods or "run through" the Recall period and to pay the Recall Pricing for all curtailable energy used during the Recall Period. Wholesale Provider may recall ESML's curtailable energy pricing for up to **[redacted]** hours in each calendar year

8.6 Additional Curtailable Demand

ESML may select additional Curtailable Demand above the initial Curtailable Demand if such additional Curtailable Demand is offered by Wholesale Provider.

9. EQUIPMENT OWNERSHIP

ESML shall own, operate and maintain all facilities necessary to reach Nashwauk's available distribution and transmission lines of adequate capacity to handle ESML's electric service requirements. ESML's, Nashwauk's and Wholesale Provider's respective ownership of equipment is specified in Attachment A-4 of the Facilities Construction Agreement.

10. PHASE 2 LOAD INCREASES

[redacted]

PUBLIC VERSION:
TRADE SECRET DATA REDACTED

11. RELATED AGREEMENTS

11.1. Credit and Security Addendum

Nashwauk and ESML have entered into this Agreement with the express understanding that service at the ESML Points of Delivery will be subject to ESML's compliance with the Credit and Security Addendum attached hereto as Attachment G. To the extent possible, the Credit and Security Addendum and this Agreement will be interpreted in a manner to give effect to both agreements. To the extent that any provision in the Credit and Security Addendum directly and irreconcilably conflicts with the main body of this Agreement, the applicable Credit and Security Addendum provision shall govern. The Credit and Security Addendum is for the express benefit of Wholesale Provider; Wholesale Provider shall be an express third party beneficiary under this Agreement with respect to all obligations of ESML to establish and maintain the security required under the Credit and Security Addendum. Nothing in the Credit and Security Addendum or this Section 11.1 limits the rights or remedies otherwise available to Nashwauk under this Agreement.

11.2. Facilities Construction Agreement

Nashwauk and ESML have entered into this Agreement with the express understanding that service at the ESML Points of Delivery will be subject to the Facilities Construction Agreement (FCA). To the extent possible, the FCA and this Agreement will be interpreted in a manner to give effect to both agreements. To the extent that any provision in the FCA directly and irreconcilably conflicts with a provision in this Agreement, the applicable LISA provision shall govern in lieu of the conflicting provision in the FCA.

11.3. Electric Service Agreement

Wholesale Provider and Nashwauk have entered into an Electric Service Agreement (ESA) for wholesale service, components of which affect this Agreement. To the extent that any provision in the LISA conflicts with the ESA, the applicable LISA provision shall govern. No amendments to this Agreement, other than amendments to Sections, 4.4, 4.5, 4.6, 4.7, 4.8, Attachment B, or Attachment H, will be made by the Parties without Wholesale Provider's written consent or concurrence, and any such changes shall be in writing to be effective. The Wholesale Provider's initial concurrence with the terms and conditions of this LISA are indicated at Attachment I.

12. NOTICE

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:

TO NASHWAUK:
Nashwauk Public Utilities Commission
Attn: NPUC Commissioner
301 Central Avenue
Nashwauk, MN 55769

WITH A COPY TO WHOLESALE PROVIDER:
Minnesota Power
Attn: Vice President – Marketing and Public Affairs
30 West Superior Street
Duluth, MN 55802

TO ESSAR:
Project Director
Essar Steel Minnesota LLC
555 W 27th Street,
Hibbing MN 55746

And

Robert S. Lee
Mackall, Crounse & Moore, plc
1400 AT&T Tower
901 Marquette Avenue
Minneapolis, MN 55402

The Parties shall provide each other with any updated contact information. Nashwauk shall provide ESML with any updated contact information for its Wholesale Provider.

Any notice or request required or permitted to be given by a Party to another Party and not required by this Agreement to be given in writing may be so given by telephone, facsimile or email to the telephone numbers and email addresses set out below:

To Nashwauk Public Utilities Commission:

Voice telephone	(218) 885-1210
Facsimile telephone	(218) 885-1305
Email address	nashwaukcityhall@mchsi.com Attn: City Clerk

To Wholesale Provider (Minnesota Power):

Voice telephone	(218) 355-3971
Facsimile telephone	(218) 723-3923
Email address	pmullen@mnpower.com

To Essar:

Voice telephone	(218) 312-1443
Facsimile telephone	(218) 262-1497
Email address	steve.rutherford@essar.com; mahendra.mishra@essar.com; and rsl@mcmlaw.com

13. TRADE SECRET

ESML electric usage levels and other proprietary information of both ESML and Wholesale Provider that is not generally available to the trade or public and that contains value in remaining confidential shall be marked "trade secret" and considered as non-public data for purposes of the Minnesota Governmental Data Practices Act.

14. NASHWAUK'S LIMITATION ON DAMAGES

Notwithstanding anything to the contrary, the Parties acknowledge and agree that:

14.1 Essar, its successors and assigns, shall be solely responsible and liable for Essar's obligations under the terms of this Agreement, and failure by Essar to meet such obligations shall not create or give rise to any claim, liability, or obligation of Nashwauk;

14.2 Essar shall indemnify, defend, and hold Nashwauk, its officials, officers, agents, and employees harmless from any liability, claim, assessment, penalty, causes of action, judgment, damage, loss, cost, or expense, including reasonable attorneys' fees, to the extent resulting directly or indirectly from any act, failure to act, or omission of ESML, its employees, agents, or representatives, in the performance of this Agreement; and

PUBLIC VERSION:
TRADE SECRET DATA REDACTED

14.3 Nothing contained herein shall constitute a waiver by Nashwauk of, and Nashwauk's liability under this Agreement shall be subject to, statutory and other governmental immunities, including, but not limited to, the caps, limits and other restrictions contained in Chapter 466 of the Minnesota Statutes, as amended or supplemented, and including any successor law.

15. GENERAL

15.1. 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.

15.2. Tariffs and Regulations

The Parties agree that except to the extent stated in this Agreement or Attachment H, ESML is not and will not be subject to any Nashwauk promulgated tariff, rule, or electric service regulation for its service under this Agreement.

15.3 Governing Law and Jurisdiction

The validity, interpretation and performance of this Agreement and each of its provisions shall be governed by the laws of Minnesota without regard to its conflicts of law principles. The Parties agree that any claim, action or proceeding seeking any relief in connection with this Agreement shall be brought in a state or federal court of competent jurisdiction located in Minnesota.

15.4 Severability

If any provision in this Agreement is determined by any court of competent jurisdiction to be invalid, illegal, or unenforceable in any respect, the validity, legality, and enforceability of the remaining provisions will not in any way be affected or impaired and they shall remain in force and effect.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed by the duly authorized signatories the ______ day of July, 2011.

NASHWAUK PUBLIC UTILITIES COMMISSION

By: ______________________________

Title: ______________________________

PUBLIC VERSION:
TRADE SECRET DATA REDACTED

ESSAR STEEL MINNESOTA LLC

By: ______________________________

Title: ______________________________

Attachment A

Nashwauk Public Utilities Commission Large Industrial Customer Tariff

Availability: Service under this Tariff is available within the established Nashwauk Public Utilities Commission (NPUC) electric service territory for customers with an average coincident demand of more than one MW. Use of this Tariff requires the negotiation and execution by the customer and NPUC of a large industrial service agreement ("LISA") containing specific terms and conditions of service in addition to those contained in this tariff.

Current Application: Currently, this Tariff applies only to electric service delivered from NPUC facilities at the McCarthy Lake (Essar Steel Plant) Substation and the Calumet (Essar Taconite Plant) Substation. Essar Steel Minnesota LLC and the NPUC have executed a LISA governing the terms of this service by NPUC. In addition to the terms contained in the LISA and this Tariff, service under this Tariff is also subject to those NPUC Electric Service Regulations specifically referenced and incorporated into the LISA or the Facilities Construction Agreement ("FCA").

Rates: Service under this Tariff will be at individually negotiated rates set forth in the LISA that pass through to the customer all wholesale costs associated with the demands imposed and the energy consumed by the customer. In addition, these rates will allow the NPUC to fully recover all additional costs incurred by the NPUC in providing this service

Nashwauk Franchise Fee: Any customer taking service under this Tariff shall be required to pay the City of Nashwauk franchise fee under the terms and at the rate set forth in the LISA.

Attachment B

Nashwauk Rate Components

2012 Estimate (5-24-11)

NPUC Expenses (Non Wholesale Provider Costs)	Essar Total
Station Service **[redacted]**	$**[redacted]**
General & Administrative	$**[redacted]**
Maintenance -MP **[redacted]**	$**[redacted]**
Abnormal O & M Pass Through	$ -
Insurance	$**[redacted]**
MP Billing Agent Fee **[redacted]**	$**[redacted]**
Professional Services	$**[redacted]**
Book Depreciation	$**[redacted]**
Line of Credit Fee	$ -
Total NPUC Expenses	$**[redacted]**
NPUC Return On Rate Base Revenue Requirement	$**[redacted]**
NPUC Yearly Service Cost Total	$**[redacted]**
Weekly NPUC Service Costs	$**[redacted]**

Attachment C
Metering

1. Figure C-1 provides a pictorial representation of the meters required by the Wholesale Provider for the ESA billing of Nashwauk and for the weekly billing services performed by the Wholesale Provider on behalf of Nashwauk and associated with ESML as relating to the Mine Sub ("Calumet Sub") and the Steel Sub ("McCarthy Lake Sub") and as required to prepare the Nashwauk and ESML billing associated with the LISA. The billing component totals in Sections 2, 3, and 4 below will be derived by summing the meters as noted. The return on the capital cost of the Wholesale Provider's metering equipment is recovered through the monthly customer charge. Ongoing O&M of All Calumet Sub and McCarthy Lake Sub meters will be performed by Wholesale Provider and will be reflected in a separate agreement between Wholesale Provider and Nashwauk.

2. Nashwauk Wholesale Bill Calculation

Calumet Sub TR1	+
Calumet Sub TR2	+
Calumet Sub TR3	+
McCarthy Lake TR4	+
McCarthy Lake TR5	+
NASHWAUK 22kV Wholesale	+

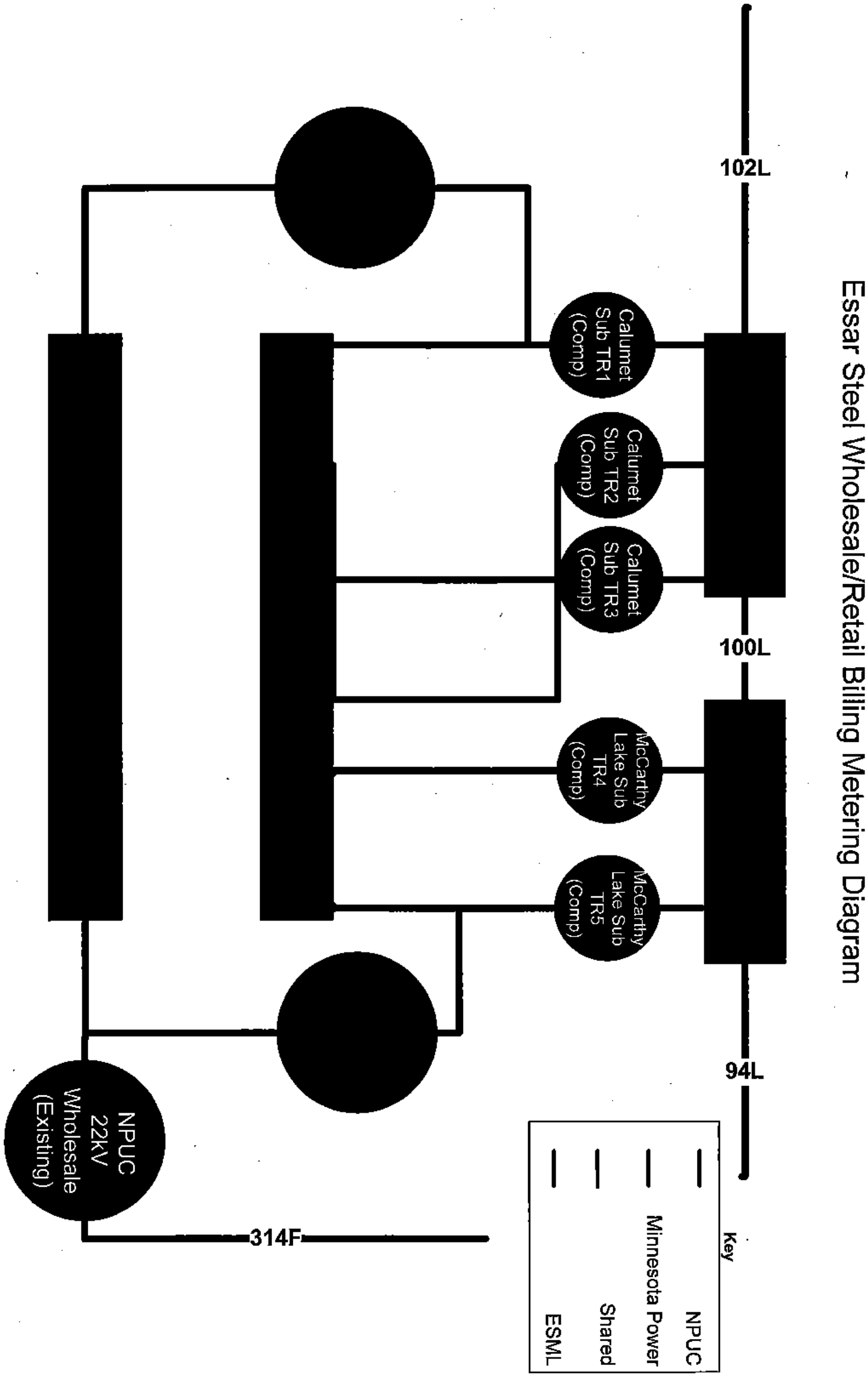
3. ESML Bill Calculation (ESML Subtotal)

Calumet Sub TR1	+
Calumet Sub TR2	+
Calumet Sub TR3	+
McCarthy Lake TR4	+
McCarthy Lake TR5	+
NASHWAUK Dist Load Meter 1	
NASHWAUK Dist Load Meter 2	

4. Nashwauk Distribution Load (Municipal Subtotal)

Nashwauk Dist Load Meter 1	+
Nashwauk Dist Load Meter 2	+
Nashwauk 22kV Wholesale	+

Figure C-1


Essar Steel Wholesale/Retail Billing Metering Diagram
102L
100L
94L
Calumet Sub TR1 (Comp)
Calumet Sub TR2 (Comp)
Calumet Sub TR3 (Comp)
McCarthy Lake Sub TR4 (Comp)
McCarthy Lake Sub TR5 (Comp)
NPUC 22kV Wholesale (Existing)
314F
Key
NPUC
Minnesota Power
Shared
ESML

Attachment D
Weekly Billing

Nashwauk has appointed Wholesale Provider as its billing agent with respect to electric service provided to ESML.

The Wholesale Provider will bill ESML on a weekly basis pursuant to its established standards in place for Wholesale Provider's service to other large industrial customers. Billing by Wholesale Provider to ESML will be on the following terms and conditions.

1. Wholesale Provider will issue a weekly bill to ESML consisting of the estimated ESML Subtotal, as defined in the ESA, the Nashwauk Rate Components, and any applicable assessments, franchise fees, or taxes. The weekly bill will be mailed to

Project Director
Essar Steel Minnesota LLC
555 West 27th Street
Hibbing, MN 55746

with a copy sent to:

Nashwauk Public Utilities Commission
City Clerk
301 Central Avenue
Nashwauk, MN 55769

Weekly bill payments are due in "same day funds" seven (7) days following issuance of the bill, the "Due Date" for payment. "Same day funds" means funds that are available for Wholesale Provider's use on the same day as the Due Date. Bills not paid in "same day funds" on or before such Due Date as printed on the bill are "past due", or "delinquent." The weekly billings are based on estimated weekly electric service usage, including the minimum demand charge, not on an actual meter reading.

2. Wholesale Provider will prepare a monthly billing summary which will show all power delivered to Nashwauk under the terms of the wholesale ESA. This monthly billing summary will include both the Municipal Subtotal and the ESML Subtotal as defined in the ESA. The actual ESML Subtotal from the monthly billing summary will be compared to the weekly billing payments received from ESML based on the weekly estimates and charges for actual electric service usage will be reconciled each month ("actual billing true-up"). The monthly actual billing true-up shall be reflected on the first ESML weekly billing rendered after such true-up amount has been determined.

3. ESML will receive credit for expedited billing payments reflecting the time value of funds made available to Wholesale Provider earlier than such funds otherwise would have been available under Wholesale Provider's standard monthly billing cycle. When ESML makes their first payment under the expedited cycle, the time value of money associated with that payment will be determined from the due date of that payment to ESML's respective due date under the standard monthly billing cycle, using prime plus two and one-half percent (2.5%) as the interest rate. This time value of money credit ("TVMC") will be determined for each of the succeeding expedited payments. If ESML has not made timely payment of the estimated bills in full in "same day funds" as they become due on the expedited due dates, no time value of money associated with such late payment will be included in the TVMC.

The total TVMC determined in a month shall be wire transferred by Wholesale Provider to ESML on the due date under the standard monthly billing cycle. The prime rate is defined as the average of the daily prime lending rates offered to preferred customers at the largest bank in the Ninth Federal Reserve District in effect during the month preceding the bill. This section shall not apply to the Nashwauk Rate Components nor to charges under sections 4.6 through 4.8 of this Agreement.

4. ESML Bills become delinquent if not paid on or before the past due date as shown on bill and service may be discontinued for delinquency upon two (2) days written notice to ESML. Additionally, Wholesale Provider may draw upon assurances as defined in the Credit and Security Addendum for delinquent bill amounts.

5. The disconnection of service for any cause shall not release ESML from any obligation to pay for utilities or services received or amounts specified in the Agreement. Any delinquent amounts will be subject to collection procedures. Nashwauk may employ any and all reasonable methods for collecting unpaid amounts, including assignment to collection agencies, or legal actions against ESML. If Nashwauk believes ESML is insolvent, is in financial difficulty or considering bankruptcy, Nashwauk may take appropriate action to secure payment of previous and present charges for electric service. Such action may include obtaining an adequate security deposit, collecting payment on a weekly basis, or other such actions as may be deemed necessary and reasonable under the circumstances.

6. Before Nashwauk considers any request by ESML for reconnection of service, all account balances must be paid in full. Before reconnecting service, Nashwauk may require a reconnect charge, deposit, assessment, security, or other appropriate conditions to assure payment.

Attachment E
Supplement for Curtailable Service

Curtailable Service Conditions:

1. The duration and frequency of curtailments shall be at the sole discretion of Wholesale Provider ("Minnesota Power"). They will normally occur at such times when Wholesale Provider expects to incur a system peak in excess of its accredited generating capability and at such other times when, in Wholesale Provider's opinion, the reliability of Wholesale Provider or MISO systems are endangered.
2. Wholesale Provider will not curtail this service for purposes of making non-firm sales.
3. Wholesale Provider will notify ESML as to the amount of its Curtailable Service that is to be curtailed. This notification will be stated as a portion of total Curtailable Service.
4. ESML shall be provided, whenever possible, notice in advance (generally one day) of probable curtailment and the estimated duration of the curtailment.
5. Upon receiving a control signal from Wholesale Provider, ESML must shed the amount of load specified above in 10 minutes or less, and for duration as required by Wholesale Provider, whenever Wholesale Provider determines such curtailment is necessary.
6. ESML must provide, at its expense, a means of Curtailing its Curtailable Service Load upon receiving a command or signal from Wholesale Provider. MP reserves the right to inspect and approve the installation.
7. MP & NPUC shall not be liable for any loss or damage, including consequential damages, caused by or resulting from any curtailment of service.
8. ESML must agree to fully participate in any testing requirements that Wholesale Provider may request associated with the certification and/or accreditation of ESML's Curtailable Load as a MISO Load Modifying Resource (LMR).
9. ESML's failure to curtail their Curtailable Service after being notified to do so by Wholesale Provider shall result in ESML being responsible for all costs incurred by Wholesale Provider due to such failure.
10. That portion of ESML's Curtailable Service that is not certified shall be served as Firm Service and subject to a Surcharge, if applicable.
11. ESML may convert some or all of its Curtailable Service to Firm Service, and such conversion shall be irrevocable. Upon such conversion, ESML shall not receive the Demand Charge Credit, and Wholesale Provider shall obtain firm capacity or shall construct new capacity to meet the increased service obligations and to maintain Wholesale Provider's system reserve margin as it existed prior to ESML's conversion election. Such conversion shall, to the extent practicable, mitigate impacts on non-converting firm customers due to the conversion. ESML may request conversion by providing advance written notification to Wholesale Provider at least six months prior to the beginning of a calendar year. Company shall respond to the written request with any and all projected costs for the converted Firm Service within sixty days. If accepted by ESML within fifteen days of the price

identification, such conversion shall take effect upon commencement of the next calendar year. The projected costs that ESML shall pay shall include (i) any applicable Surcharge for (1) a five-year period following conversion, or (2) the remaining term of ESML's Electric Service Agreement, whichever is shorter, and (ii) any additional capacity costs (capacity premium) incurred by Wholesale Provider that are greater than the forfeited **[redacted]** per kW per month Demand Charge Credit for the remaining term of ESML's Curtailable service obligation.

12. Should conditions change relating to qualifications for classification as a MISO Load Modifying Resource as defined in the MISO Open Access Transmission, Energy and Operating Reserve Market Tariff so as to make the Curtailable Service unreasonable to continue as mutually agreed upon by both Wholesale Provider and Nashwauk, the Parties agree to open contract negotiations in good faith to reach agreement on terms and conditions under which Wholesale Provider may provide Nashwauk a replacement service in lieu of the curtailable service described herein.

Attachment F
Supplement for Incremental Production Service

Demand Charge

During any Billing Month in which Nashwauk has Measured Demand as summed from all Points of Delivery in excess of the IPST but not greater than 110% of the IPST as defined in the Customer's service agreement, Nashwauk's Measured Demand above the IPST shall not be subject to any demand charges or ratchet provisions associated with Monthly Billing Demand unless otherwise provided in ESML's Electric Service Agreement.

Energy Charge

During any Billing Month in which Nashwauk has Measured Demand in excess of the IPST but not greater than 110% of the IPST, the energy associated with Measured Demand above the IPST shall be subject to an energy charge equal to the Incremental Production Rate, which shall consist of an energy surcharge of **[redacted]** per kWh plus Wholesale Provider's hourly incremental energy costs during the time of the sale, including third-party transmission costs incurred by Wholesale Provider.

SERVICE CONDITIONS

1. ESML shall be permitted to use Incremental Production Service, for service above the IPST established in the Electric Service Agreement, whenever ESML's Measured Demand during any Billing Month exceeds the IPST. Incremental Production Service shall be provided to ESML to occasionally increase production or throughput above historic and contractual demand levels and not as a replacement for such demand levels.

2. ESML's Measured Demand shall not exceed 110% of the IPST without Wholesale Provider's prior written consent. In the event that ESML exceeds this level without Wholesale Provider consent, Wholesale Provider may adjust ESML's Minimum Billing Demand upward to that amount for the duration of ESML's Electric Service Agreement.

3. ESML shall be provided, whenever possible, information regarding the probable curtailment, the estimated duration of the curtailment, and any availability restrictions for Incremental Production Service one day in advance. Advance notification under this Attachment shall be via telephone, facsimile or electronic communication.

4. Upon notification from Wholesale Provider to curtail service, ESML shall reduce its metered demand to the IPST in 10 minutes or less, and for duration as required by Wholesale Provider. The curtailment shall be for the entire amount of Incremental Production Service unless otherwise notified by Wholesale Provider. Ten minute notification under this Attachment shall be via automatic control unless otherwise

provided in ESML's Electric Service Agreement.

5. The duration and frequency of curtailments shall be at the sole discretion of Wholesale Provider. Curtailments shall normally occur for reasonable testing requirements, at such times when Wholesale Provider expects to incur a system peak in excess of its accredited generating capability (less the required planning reserve) and at such other times when, in Wholesale Provider's opinion, the reliability of Wholesale Provider systems are endangered. Curtailments shall normally not occur due to high energy costs. Unless agreed to in advance by ESML, Wholesale Provider shall not make additional non-firm off-system energy sales that would, if made, require curtailment of Incremental Production Service.

6. ESML shall pay any and all penalties or other costs incurred by Wholesale Provider if ESML fails to reduce its metered demand to the IPST or the requested reduction level (but not less than the IPST) within 10 minutes of receiving such notice from Wholesale Provider.

7. Wholesale Provider shall reserve the right to discontinue IPS service should ESML fail to curtail service as requested by Wholesale Provider.

8. Nashwauk and Wholesale Provider shall not be liable for any loss or damage, including consequential damages, caused by or resulting from any curtailment of service.

Attachment G
Credit and Security Addendum

THIS CREDIT AND SECURITY ADDENDUM (this "Addendum") is made and executed by and among Essar Steel Minnesota LLC ("ESML") and Minnesota Power, a division of ALLETE, Inc., a Minnesota corporation ("Wholesale Provider"), and is attached to and made a part of that certain Large Industrial Service Agreement dated as of July __, 2011 (the "Agreement") by and between Nashwauk Public Utilities Commission ("Nashwauk"), and ESML. All capitalized terms used but not otherwise defined in this Addendum shall have the meanings set forth in the Agreement.

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

Attachment H – Nashwauk Electric Service Regulations

1.0 ELECTRICAL REGULATIONS

1.1 GENERAL

All electrical wiring, apparatus, and equipment for electric light, heat, and power, shall comply with these electric service regulations of the Nashwauk Public Utilities Commission (NPUC), and the latest edition of the National Electric Code. This includes compliance with the Commissioner of Insurance, or the Industrial Commission, as applicable, the Minnesota Building Code, the Federal Mine Safety and Health Administration (MSHA) and any other code as adopted by a governmental agency applicable to safe and adequate electric wiring and installation of equipment and having jurisdictional oversight of said wiring and equipment installations. Deviations from the regulations may be made only at the discretion, and with the approval of the Supervisor Distribution, Nashwauk Public Utilities Commission.

1.2 PURPOSE

The primary purpose of these regulations is the practical safeguarding of persons, of buildings and their contents from hazards arising from the use of electricity for light, heat, power, radio and television signaling, and other safeguards to life and property. Nashwauk Public Utilities Commission has adopted the current National Electric Code Standards of the National Board of Fire Underwriters as approved by the American Standards Association as minimum requirements for electrical wiring and installations. Other requirements, as my be adopted by the Utilities Commission, are included herein and shall be complied with by all licensed electricians working within the jurisdiction of the Nashwauk Public Utilities Commission service area. The Nashwauk Public Utilities Commission operates under the National Electric Safety Code.

1.3 ACCESS

The Utilities Commission shall have access at all reasonable hours to meters, service connections and other property owned by it which may be located on customer's property. Access shall be provided for purposes of installation, maintenance, reading, checking or removal if necessary. Failure to provide access shall result in termination of service until it has been provided. It shall also be a requirement that the electric meter shall be located outside the building before service will be restored.

1.4 SERVICE CONTINUITY

The Utilities Commission will do all it can, when practical, to supply continuous service to its customers. It does not assume direct liability for loss or damage to persons or property due to its service, or as a result of failure of the service, interruptions, or variation because of an act of God, strikes, or any causes beyond the Utilities Commission's control.

The Utilities Commission reserves the right to curtail or temporarily interrupt the customer's electrical service, when necessary, to make repairs, and replacement changes to The Utilities Commission's facilities, either on or off the customer's premises, or during emergencies, when power may not be available on a short term basis.

1.5 FIRE DISCONNECT AND RECONNECT

Upon request by the fire department, Nashwauk Public Utilities Commission will disconnect utility service at the meter or as otherwise proper for the circumstance.

Service will be restored at the request of the customer PROVIDED:

A. On site authorization is provided by a Journeyman Electrician who has inspected, and repaired if necessary, premise wiring. This electrician shall be identified and shall furnish assurance that an affidavit will be provided to Nashwauk Public Utilities Commission by a licensed master electrician confirming the request for restored service.

B. In no event will service be restored if damage to Nashwauk Public Utilities distribution outside the premises presents a hazard to persons or property.

2.0 <u>INSPECTION</u>

2.1 AFFIDAVITS

Any electrical wiring within the service area of Nashwauk Public Utilities Commission requires a Certificate (Affidavit) of Electric Inspection issued and obtained by a licensed Master Electrician or from the State Electrical Inspector.

No wiring, devices or equipment for the transmission, distribution, or utilization of electric energy for light, power, radio, television and/or heat shall be installed within or upon any building or structure, or property, nor shall any alteration or addition be made in existing wiring, devices or equipment, without first submitting the Certificate (Affidavit) to the Electrical Inspector. The Certificate (Affidavit) form shall be made in writing by the person, firm or corporation installing the work, and shall state the premises to be wired with the complete detail of work covered by the Certificate (Affidavit) of Electrical Inspection. A complete set of plans and specifications for installation of wiring, showing the size of all conductors and such other details as may be necessary, shall be furnished to the electrical inspector when required to determine whether the installation, as described, will be in conformation with the requirements of these regulations.

2.2 CALLING FOR INSPECTION

The Certificate (Affidavit) of Inspection requires both a "rough in" inspection before the work is concealed and a "final Inspection". The inspector shall be properly notified when the job is ready for inspection. The customer must notify the electrical inspector immediately for his inspection requirements. If the inspector is not notified to make such inspection before the work is concealed, the inspector may require the wiring to be uncovered for proper inspection.

2.3 CONNECTION REFUSAL

Refusal to permit the inspector to properly examine the wiring will be caused for Nashwauk Public Utilities Commission to refuse to connect the premises to electrical service or to discontinue the existing service until such time as the wiring may be inspected. Service connection may also be refused if the wiring is not completed in conformance with the Electric Code as determined by the Electrical Inspector or other jurisdictional entity.

2.4 CUSTOMER'S RESPONSIBILITY

Customer assumes all responsibility on Customer's side of the point of delivery for the service supplied or taken, as well as for the electrical installation and apparatus used in connection therewith.

2.5 CUSTOMERS UNDER MSHA JURISDICTION

Should the Customer provide the NPUC verification of its status as an MSHA jurisdictional facility the inspection requirements under Sections 2.1 and 2.2 of the NPUC Electrical Service Regulations will be waived. NPUC retains the right, but does not assume the duty, to inspect Customer's installation at any time and will refuse to commence or to continue service whenever it does not consider such installation to be in good operating condition, but NPUC does not in any event assume any responsibility whatsoever in connection with such matters.

3.0 INSTALLATION AND MAINTENANCE

Except as otherwise provided in these Service Regulations, in Service Agreements or Rate Schedules, the NPUC will install and maintain its lines and equipment on its side of the point of delivery, but shall not be required to install or maintain any lines or equipment, except meters, on Customer's side of the point of delivery.

Only NPUC's agents are authorized to connect NPUC service to Customer's service entrance conductors and to connect NPUC's meters.

(a) Electrical Permit: The NPUC is prohibited from connecting its service drop to Customer's service entrance conductors until permitted by the governmental authority having jurisdiction.

(b) Standard Connection: The ordinary method of connection between NPUC's distribution system and Customer's equipment will be by overhead wires. If Customer desires to have connection made in any other manner, special arrangements will be made between Customer and NPUC by which the connection will be made and maintained at Customer's expense.
(c) Suitable Space: The Customer shall provide at no cost to NPUC a suitable room or space for Company's transformers and equipment specifically used in providing service to Customer when such room or space is deemed necessary by NPUC.

4.0 METERING - MISCELLANEOUS

4.1 <u>Adjustment for Inaccurate Meter Registration</u> In the event that any routine or special test of a meter discloses its average accuracy of registration to be in error by more than 2%, fast or slow, Nashwauk will (a) refund the overcharge for a fast meter, or (b) charge for electricity consumed but not included in earlier bills for a slow meter. The refund or charge for both fast and slow meters will be based on corrected meter readings for a period equal to one-half the time elapsed since the last previous test but not to exceed six (6) months, unless it can be established that the error was due to some cause, the date of which can be fixed with reasonable certainty, in which case the refund or charge will be computed to that date, but in no event for a period longer than one (1) year. Whenever any bill or bills have been adjusted or corrected as provided above, Nashwauk will refund to Customer any amount due that exceeds one ($1) dollar, and Nashwauk will bill Customer any amount due that exceeds ten ($10) dollars.

4.2 <u>Meter fails to register or registers intermittently</u> When the average error cannot be determined by test because the meter is not found to register or is found to register intermittently, Nashwauk may charge an estimated amount of electricity used. The estimated amount shall be calculated by averaging the amounts registered over corresponding periods in previous years, or, in the absence of such information, over similar periods of known accurate measurement preceding or subsequent thereto, but in no event shall such charge be for a period longer than one year. If Customer provided notice to Nashwauk concerning the meter's accuracy and Nashwauk has failed within a reasonable time to investigate, there shall be no back billing for the period between the date of Customer's notification and the date the meter was checked.

11.2 DISCONNECTION OF SERVICE (GENERAL STATEMENT)

The Nashwauk Public Utilities Commission may refuse to connect, or may disconnect service for good cause including violation of any of its service regulations included in this Agreement or in the FCA, failure to pay a deposit when requested, failure to pay utility charges when due, theft or illegal diversion of the electricity or water, or upon receipt of written instructions from the proper authorities of the violation of municipal, state or National Electric codes.

Attachment I – Acknowledgement of Wholesale Provider

The signature below indicates that Nashwauk's wholesale supplier of energy under the ESA and billing agent has reviewed and approved the terms and conditions of this LISA and all addenda and attachments thereto:

MINNESOTA POWER

By: ____

Title:_______________________________________

Date: _______________________________________

Nashwauk's Wholesale Provider and Billing Agent

State of Minnesota
DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

Utility Information Request

Docket Number: E015/GR-09-1151 | Date of Request: October 18, 2013

Requested From: Minnesota Power (MP) | Response Due: October 30, 2013

Analyst Requesting Information: Nancy Campbell / Chris Shaw

Type of Inquiry:
[X]...Financial | [ ].....Rate of Return | [ ].....Rate Design
[ ].....Engineering | [ ].....Forecasting | [ ].....Conservation
[ ].....Cost of Service | [ ].....CIP | [ ].....Other:

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
1122	Has MP provided to Nashwauk for its customer Essar 25 MW of demand or more in any month, starting when Essar began taking power through September 30, 2013?

Response:

No. Nashwauk's average demand each month has been virtually unchanged in relation to Essar's usage.

Response by: Christopher D Anderson | List sources of information:

Title: Associate General Counsel

Department: Legal Services

Telephone: 218-723-3961

State of Minnesota
DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

Utility Information Request

Docket Number: E015/GR-09-1151 Date of Request: October 18, 2013

Requested From: Minnesota Power (MP) Response Due: October 30, 2013

Analyst Requesting Information: Nancy Campbell / Chris Shaw

Type of Inquiry:	[X]...Financial	[ ].....Rate of Return	[ ].....Rate Design
	[ ].....Engineering	[ ].....Forecasting	[ ].....Conservation
	[ ].....Cost of Service	[ ].....CIP	[ ].....Other:

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
1123	When (by what date) does MP expect to provide 25 MW or more of demand to Nashwauk for its customer Essar?

Response:

Minnesota Power cannot predict a date at this time, nor do we understand the relevance to the Margin Impact Analysis.

Currently, Essar expects to begin blasting, mining and commissioning equipment in 2014. These activities will require an insignificant amount of electric power and as a result, we expect minimal impact from electric sales on our results of operations through 2014. Essar expects to begin increasing its electric power requirements as it ramps up production in late 2014, and expects to achieve a 4 million metric ton production level by the first half of 2015, and work towards a full production level of 7 million metric tons by the end of 2015.

Response by: Christopher D Anderson List sources of information:

Title: Associate General Counsel

Department: Legal Services

Telephone: 218-723-3961

State of Minnesota
DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

Utility Information Request

Docket Number: E015/GR-09-1151 | Date of Request: October 18, 2013

Requested From: Minnesota Power (MP) | Response Due: October 30, 2013

Analyst Requesting Information: Nancy Campbell / Chris Shaw

Type of Inquiry:	[X]___Financial	[ ]____Rate of Return	[ ]____Rate Design
	[ ]____Engineering	[ ]____Forecasting	[ ]____Conservation
	[ ]____Cost of Service	[ ]____CIP	[ ]____Other:

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
1124	Please provide a list of all agreements between and among MP, Nashwauk and Essar including all agreements between only MP and Nashwauk.

Response:

There have been numerous agreements between Minnesota Power, the City of Nashwauk and/or the Nashwauk Public Utilities Commission and Essar related to the Essar development in northeastern Minnesota:

Agreements between MP and the City of Nashwauk or the Nashwauk Public Utilities Commission :

- Electric Service Agreement (Schedule 93)*
- Electric Service Agreement executed February, 2011 (effective April 1, 2013)*
- Market Based Electric Service Agreement executed April, 2012 (effective April 1, 2013)*
- Market Based Electric Service Agreement executed July, 2013 (effective August 1, 2013)*
- Commitment Agreement (executed simultaneously with the Electric Service Agreement)

Response by: Christopher D Anderson

List sources of information:

Title: Associate General Counsel

Department: Legal Services

Telephone: 218-723-3961

- Facilities Construction Agreement*
- First Amendment to Facilities Construction Agreement dated April 30, 2013
- Easement Agreement
- Master Services Agreement
- Metering Services Agreement for Calumet and McCarthy Lake Substations
- Billing Services Agreement (effective April 1, 2013)
- Project and Construction Management Services Agreement
- Maintenance Agreement March 2012 (effective April 1, 2013)
- Restated Maintenance Agreement April 2013 (effective April 1, 2013)
- Escrow Agreement
- Franchise Agreement March 2012

Agreements between MP and Essar or MP has acknowledged review and consent:

- Essar Draper Annex Electric Service Agreement *
- Essar Pit 5 Dewatering Electric Service Agreement*
- Essar Tails Reclaim Electric Service Agreement**
- Large Industrial Service Agreement (LISA)**
- First Amendment to LISA
- Second Amendment to LISA
- Facilities Construction Agreement*
- First Amendment to Facilities Construction Agreement dated April 30, 2013
- Essar Preliminary Engineering Design Agreement
- Confidentiality Agreement dated February 26, 2013
- Letter Agreements related to FCA construction costs and credit requirements:
    - Letter dated September 28, 2012
    - Joint Proposal dated April 4, 2013

* Public Document previously provided to the Department
** Submitted with Information Request 1121 or 1124

Response by: Christopher D Anderson

Title: Associate General Counsel

Department: Legal Services

Telephone: 218-723-3961

List sources of information:

minnesota power /401 douglas avenue / eveleth, minnesota 55734 / www.mnpower.com
AN ALLETE COMPANY

August 4, 2011

Terry Corradi
Essar Steel Minnesota, LLC
555 West 27th Street
Hibbing, MN 55746

Dear Terry:

I have included a fully executed copy of the Electric Service Agreement for Essar's Tailings Reclaim Electric Service for your files.

Please call with any questions, and thank you very much for your business.

Best regards,

Michael A Perala

Michael A. Perala
Manager – Strategic Accounts

MAP/mp

attachments

cc: Steve Benoit
David Moeller
Reed Rosandich
Eric Clement
Daniel Gunderson
Steve Rutherford (ESML)

ELECTRIC SERVICE AGREEMENT

THIS AGREEMENT, made this 12th day of July, 2011, between Minnesota Power, a Minnesota corporation, and Essar Steel Minnesota, LLC(ESML), hereafter called Customer, in consideration for the covenants and promises made herein creates the obligation of Minnesota Power to furnish electric service and Customer to pay for said electric service in accordance with the following terms and conditions.

1. Electric service shall be furnished to Customer's premises located at Essar Steel's Tails Reclaim Pumping Service

   in the County of Itasca and State of Minnesota, described as follows:

   (1) NW 1/4 of Section 17, T 56N, R 22 W, Itasca County and (2) NE 1/4 of Section 12, T 56N, R 23 W, Itasca County
   Billing Address:
   Essar Steel Minnesota, LLC
   555 West 27th Street
   Hibbing, MN 55746

2. Electric service shall be furnished at a point of delivery described as Legal Locations described in 1. above Point 1 - Tailings Reclaim Water Pumphouse; Point 2 - Tailings Booster Pump Station

3. Annual revenues paid to Minnesota Power by Customer inclusive of payments for electric service received, billed at the applicable rate schedule plus any adjustments shall not be less than [see 6. below] per year, for a period of not less than 5 years, commencing from the date Minnesota Power begins providing electric service or 90 days from the date of installation of said electric service, whichever occurs first. An annual billing will be rendered for any deficit to the above annual revenue guarantee.

4. An advance payment of -0- shall be made to cover that portion of Minnesota Power's investment not covered by the revenue guarantee.

5. This electric service shall be billed at the current applicable rate and class at the time the electric service is used or as approved by any regulating body having jurisdiction thereof.

6. Meter-Special Conditions: Sum of separate electric service billings for the two Points of Delivery will be added into a single billing. Customer guarantees annual revenues of $30,000 in year 1 of service and $80,000 per year for the next four (4) years of service.

7. The parties hereto mutually agree to abide by any and all applicable statutes, agency rules and Minnesota Power's Electric Service Regulations which are hereby incorporated by reference.

8. This Agreement is not assignable to any other party without the express written consent of Minnesota Power.

9. This Agreement shall be in full force and effect for the term above specified and each party shall be bound unless an express written release is executed by the party not requesting said release.

MINNESOTA POWER

By Patrick F. Mullen

Title Vice President

CUSTOMER

Essar Steel Minnesota, LLC

By Steve Rutherford

Title PROJECT DIRECTOR

State of Minnesota
DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

Utility Information Request

Docket Number: E015/GR-09-1151 Date of Request: October 18, 2013

Requested From: Minnesota Power (MP) Response Due: October 30, 2013

Analyst Requesting Information: Nancy Campbell / Chris Shaw

Type of Inquiry:

[X]...Financial	[ ].....Rate of Return	[ ].....Rate Design
[ ].....Engineering	[ ].....Forecasting	[ ].....Conservation
[ ].....Cost of Service	[ ].....CIP	[ ].....Other:

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
1125	If MP has not already provided all of the agreements listed in response to the above information request, please provide each agreement so listed or explain in detail the legal basis for MP to withhold the document.

Response:

The remaining agreements that have not been disclosed by Minnesota Power have been withheld from submission and review on the basis that 1) their content is outside the scope of the Department's inquiry into the effects of the Margin Impact Analysis and are unrelated to the issue of Minnesota Powers retail rates established in this Docket; and 2) the counterparties to these agreements question the jurisdictional basis or right that the Department has to review such agreements, and as a result have not consented to disclosure. As a result, Minnesota Power is not authorized to provide copies of those agreements.

Response by: Christopher D Anderson List sources of information:

Title: Associate General Counsel

Department: Legal Services

Telephone: 218-723-3961

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

Minnesota Department of Commerce
Public Comments

Docket No. E015/GR-09-1151

Dated this **17th** day of **December, 2013**

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Christopher	Anderson	canderson@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022191	Electronic Service	Yes	OFF_SL_9-1151_Official
Gary	Anderson	N/A	Stora Enso	Duluth Paper Mill 100 N. Central Avenue Duluth, MN 55807	Paper Service	No	OFF_SL_9-1151_Official
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_9-1151_Official
Thomas	Bailey	tbailey@briggs.com	Briggs And Morgan	2200 IDS Center 80 S 8th St Minneapolis, MN 55402	Electronic Service	No	OFF_SL_9-1151_Official
Richard	Baxendale		Boise Cascade Corporation	926 Harvard Avenue East Seattle, WA 98102	Paper Service	No	OFF_SL_9-1151_Official
John	Berklich		Hibbing Taconite Company	PO Box 589 Hibbing, MN 55746	Paper Service	No	OFF_SL_9-1151_Official
William A.	Blazar	bblazar@mnchamber.com	Minnesota Chamber Of Commerce	Suite 1500 400 Robert Street North St. Paul, MN 55101	Electronic Service	No	OFF_SL_9-1151_Official
David F.	Boehm		Boehm, Kurtz & Lowry	Suite 1510 36 East Seventh Street Cincinnati, OH 45202	Paper Service	No	OFF_SL_9-1151_Official
William	Bond	william.bond@arcelormittal.com	ArcelorMittal USA - Minorca Mine Inc.	PO Box 1 5950 Old Highway 53 Virginia, MN 55792	Electronic Service	No	OFF_SL_9-1151_Official
Elizabeth	Brama	ebrama@briggs.com	Briggs and Morgan	2200 IDS Center 80 South 8th Street Minneapolis, MN 55402	Electronic Service	No	OFF_SL_9-1151_Official
Christina	Brusven	cbrusven@fredlaw.com	Fredrikson & Byron, P.A.	200 S 6th St Ste 4000 Minneapolis, MN 554021425	Electronic Service	No	OFF_SL_9-1151_Official

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Nancy	Cashman		The Salvation Army	P.O. Box 16052 Duluth, MN 55816	Paper Service	No	OFF_SL_9-1151_Official
Greg	Chandler	greg.chandler@upm-kymmene.com	UPM Blandin Paper	115 SW First Street Grand Rapids, MN 55744	Paper Service	No	OFF_SL_9-1151_Official
Jeanne	Cochran	Jeanne.Cochran@state.mn.us	Office of Administrative Hearings	P.O. Box 64620 St. Paul, MN 55164-0620	Electronic Service	No	OFF_SL_9-1151_Official
Derick O.	Dahlen	derick.dahlen@avantenergy.com	Avant Energy Services	220 S. Sixth St Ste 1300 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_9-1151_Official
Michael	Darland	N/A	Sappi Fine Paper North America	255 State St Fl 4 Boston, MA 02109-2617	Paper Service	No	OFF_SL_9-1151_Official
Ian	Dobson	ian.dobson@ag.state.mn.us	Office of the Attorney General-RUD	Antitrust and Utilities Division 445 Minnesota Street, 1400 BRM Tower St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_9-1151_Official
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500 Saint Paul, MN 551012198	Electronic Service	Yes	OFF_SL_9-1151_Official
Darla	Frink	N/A	City of Cohasset	305 Northwest 1st Avenue Cohasset, MN 55721	Paper Service	No	OFF_SL_9-1151_Official
Edward	Garvey	garveyed@aol.com	Residence	32 Lawton St Saint Paul, MN 55102	Paper Service	No	OFF_SL_9-1151_Official
John R.	Gasele	jgasele@fryberger.com	Fryberger Buchanan Smith & Frederick PA	700 Lonsdale Building 302 West Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_9-1151_Official

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Benjamin	Gerber	bgerber@mnchamber.com	Minnesota Chamber of Commerce	400 Robert Street North Suite 1500 St. Paul, Minnesota 55101	Electronic Service	No	OFF_SL_9-1151_Official
Elizabeth	Goodpaster	bgoodpaster@mncenter.org	MN Center for Environmental Advocacy	Suite 206 26 East Exchange Street St. Paul, MN 551011667	Electronic Service	No	OFF_SL_9-1151_Official
Christopher	Greenman	bademailChristopherGreenman@excelsiorenergy.com	Excelsior Energy	225 S 6th St Ste 1730 Minneapolis, MN 55402-4638	Paper Service	No	OFF_SL_9-1151_Official
Burl W.	Haar	burl.haar@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_9-1151_Official
Samuel	Hanson	N/A	Briggs And Morgan, P.A.	2200 IDS Center E 80 South Eighth Street Minneapolis, MN 55402	Paper Service	No	OFF_SL_9-1151_Official
Annete	Henkel	mui@mnutilityinvestors.org	Minnesota Utility Investors	413 Wacouta Street #230 St.Paul, MN 55101	Electronic Service	No	OFF_SL_9-1151_Official
Shane	Henriksen	shane.henriksen@enbridge.com	Enbridge Energy Company, Inc.	1409 Hammond Ave FL 2 Superior, WI 54880	Electronic Service	No	OFF_SL_9-1151_Official
James	Jarvi	N/A	Minnesota Ore Operations - U S Steel	P O Box 417 Mountain Iron, MN 55768	Paper Service	No	OFF_SL_9-1151_Official
Eric	Jensen	ejensen@iwla.org	Izaak Walton League of America	Suite 202 1619 Dayton Avenue St. Paul, MN 55104	Electronic Service	No	OFF_SL_9-1151_Official
Linda	Jensen	linda.s.jensen@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota Street St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_9-1151_Official

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Bruce	Johnson	bruce.johnson@state.mn.us	Office of Administrative Hearings	PO Box 64620 St. Paul, MN 551640620	Electronic Service	No	OFF_SL_9-1151_Official
Trish	Klein	trish.klein@co.itasca.mn.us	Itasca County	123 NE Fourth Street Grand Rapids, MN 557442600	Electronic Service	No	OFF_SL_9-1151_Official
Gerald P.	Kohanski	gpkohanski@cleveland-cliffs.com	Cleveland-Cliffs Inc.	Suite 1500 1100 Superior Avenue Cleveland, OH 441142518	Paper Service	No	OFF_SL_9-1151_Official
Travis	Kolari	N/A	Keetac	PO Box 217 Keewatin, MN 55753	Paper Service	No	OFF_SL_9-1151_Official
James D.	Larson	james.larson@avantenergy.com	Avant Energy Services	220 S 6th St Ste 1300 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_9-1151_Official
John	Lindell	agorud.ecf@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_9-1151_Official
Jay	Lofgren	bademailjaylofgren@boisepaper.com	Boise, Inc.	Paper Division 400 - 2nd Street International Falls, MN 56649	Paper Service	No	OFF_SL_9-1151_Official
David	Lund		Legal Aid of Minnesota	302 Ordean Building 424 W. Superior Street Duluth, MN 55802	Paper Service	No	OFF_SL_9-1151_Official
Sarah	Manchester	N/A	Sappi Fine Paper North America	255 State St Fl 4 Boston, MA 02109-2617	Paper Service	No	OFF_SL_9-1151_Official
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E St. Paul, MN 55106	Electronic Service	No	OFF_SL_9-1151_Official

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Keith	Matzdorf	keith.matzdorf@sappi.com	Sappi Fine Paper North America	PO Box 511 2201 Avenue B Cloquet, MN 55720	Electronic Service	No	OFF_SL_9-1151_Official
David	McMillan		Minnesota Power	30 W. Superior Street Duluth, MN 55802	Paper Service	Yes	OFF_SL_9-1151_Official
Angie	Miller	N/A	Community Action Duluth	2424 W. 5th St Suite 102 Duluth, MN 55806	Paper Service	No	OFF_SL_9-1151_Official
Andrew	Moratzka	apmoratzka@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_9-1151_Official
Richard L.	Morgan		Sappi Fine Paper North America	P.O. Box 511 2201 Avenue B Cloquet, MN 55720	Paper Service	No	OFF_SL_9-1151_Official
Christopher J.	Oppitz	N/A	-	110 1/2 1ST ST E Park Rapids, MN 56470-1695	Paper Service	No	OFF_SL_9-1151_Official
Catherine	Peterson		Duluth Community Action Program, Inc.	19 N. 21 Avenue West Duluth, MN 55805	Paper Service	No	OFF_SL_9-1151_Official
Marcia	Podratz	mpodratz@mnpower.com	Minnesota Power	30 W Superior S Duluth, MN 55802	Electronic Service	Yes	OFF_SL_9-1151_Official
Ralph	Riberich	rriberich@uss.com	United States Steel Corp	600 Grant St Ste 2028 Pittsburgh, PA 15219	Electronic Service	No	OFF_SL_9-1151_Official
Buddy	Robinson	buddy@citizensfed.org	Minnesota Citizens Federation NE	2110 W. 1st Street Duluth, MN 55806	Electronic Service	No	OFF_SL_9-1151_Official

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Thomas	Scharff	thomas.scharff@newpagecorp.com	New Page Corporation	P.O. Box 8050 610 High Street Wisconsin Rapids, WI 544958050	Electronic Service	No	OFF_SL_9-1151_Official
William	Schmidt		USG Interiors, Inc.	35 Arch Street Cloquet, MN 55720	Paper Service	No	OFF_SL_9-1151_Official
Robert H.	Schulte	rhs@schulteassociates.com	Schulte Associates LLC	15347 Boulder Pointe Road Eden Prairie, MN 55347	Electronic Service	No	OFF_SL_9-1151_Official
Joe	Scipioni		PolyMet Mining, Inc.	P.O. Box 475 County Highway 666 Hoyt Lakes, MN 55750	Paper Service	No	OFF_SL_9-1151_Official
Janet	Shaddix Elling	jshaddix@janetshaddix.com	Shaddix And Associates	Ste 122 9100 W Bloomington Frwy Bloomington, MN 55431	Electronic Service	No	OFF_SL_9-1151_Official
Ron	Spangler, Jr.	rlspangler@otpco.com	Otter Tail Power Company	215 So. Cascade St. PO Box 496 Fergus Falls, MN 565380496	Electronic Service	No	OFF_SL_9-1151_Official
Eric	Swanson	eswanson@winthrop.com	Winthrop Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_9-1151_Official
SaGonna	Thompson	Regulatory.Records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7 Minneapolis, MN 554011993	Electronic Service	No	OFF_SL_9-1151_Official
David	Thornton	J.David.Thornton@state.mn.us	MN Pollution Control Agency	520 Lafayette Road St. Paul, MN 55101	Electronic Service	No	OFF_SL_9-1151_Official
Jessica	Tritsch	jessica.tritsch@sierraclub.org	Sierra Club	2327 E Franklin Ave Minneapolis, MN 55406	Electronic Service	No	OFF_SL_9-1151_Official

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Laurance R.	Waldoch	lwaldoch@lindquist.com	Lindquist & Vennum	4200 IDS Center 80 South 8th Street Minneapolis, MN 554022274	Paper Service	No	OFF_SL_9-1151_Official
Kevin	Walli	kwalli@fryberger.com	Fryberger, Buchanan, Smith & Frederick	1st National Bank Building 332 Minnesota St Ste W1260 St. Paul, MN 55101	Electronic Service	No	OFF_SL_9-1151_Official
Dan	Williams		Lutheran Social Services	600 Ordean Building 424 W. Superior Street Duluth, MN 55802	Paper Service	No	OFF_SL_9-1151_Official
Scott	Zahorik	scott.zahorik@aeoa.org	Arrowhead Economic Opportunity Agency	702 S. 3rd Avenue Virginia, MN 55792	Electronic Service	No	OFF_SL_9-1151_Official