

September 21, 2016

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: Comments on Minnesota Power's Petition for Approval of an Amended and Restated Electric Service Agreement Between United Taconite LLC, Northshore Mining Company and Minnesota Power – Docket No. E015/M-16-534

Dear Mr. Wolf:

Fresh Energy respectfully submits these comments regarding Minnesota Power's petition for an amended electric service agreement (ESA) between the company, United Taconite LLC and Northshore Mining Company, filed on June 22, 2016. Fresh Energy appreciates the progress that Minnesota Power has made to expand the potential for onsite cogeneration opportunities on large industrial sites through these agreements.

Background

On July 24, 2015, Minnesota Power filed an ESA with Magnetation, LLC that set the terms and conditions of electric service between the customer and the utility. In comments filed on August 24, 2015, Fresh Energy noted a specific provision in the contract that precluded "any right to construct, operate, or utilize self-generating or cogenerating capacity..." by the customer.¹ Fresh Energy argued that this was inconsistent with previous Commission orders regarding industrial energy efficiency, ongoing efforts to improve standby rates policy in the state, and the potential benefits of onsite generation to the competitive viability of large industrial customers in Minnesota Power's service territory.

In its Order in that docket, the Commission "directed Minnesota Power to work with any large power customer who is interested in self-generating to determine how those generation additions may be incorporated into the Company's resource-planning decisions."²

Current Electric Service Agreement

In the current petition to approve an amended ESA between Minnesota Power, United Taconite, LLC, and Northshore Mining Company, Fresh Energy notes the following language from the proposed contract:

¹ Amended and Restated Electric Service Agreement between Magnetation LLC and Minnesota Power. Docket No. E-015/15-699. Filed July 24, 2015. Page 9 of 17.

² Order by the Minnesota Public Utilities Commission. In the Matter of Minnesota Power's Petition for Approval of an Electric Service Agreement Between Magnetation, LLC and Minnesota Power. Docket No. E-015/M-15-699. Filed February 2, 2016.

During the Term of this Agreement the Parties shall have the right to collaboratively explore and develop potential On-site Cogeneration projects as well as the various business arrangements governing the ownership and operation of all On-site Cogeneration facilities that could provide for lower ongoing total electric power costs to Customer or create value to the Company. Should joint exploratory efforts regarding On-site Cogeneration projects prove unsuccessful at adequately containing Customer's total electric power costs and Company's tariff rate structures become more costly than the net total electric power costs Customer will incur from an On-site Cogeneration project without Company participation, then Company agrees to consider in good faith Customer proposals for On-site Cogeneration that may be permitted by law, with or without Company participation, such that Customer can remain a more viable business enterprise than would otherwise be the case should the Customer continue to take service under the current terms and conditions contained therein.³

Fresh Energy believes that this contract language meets the intent of the Commission's ruling in docket no. 15-699 regarding Magentation's ESA, and advances the role that cogeneration can play in Minnesota Power's resource mix. Fresh Energy also commends Minnesota Power for incorporating a comprehensive view of the potential business arrangements that an onsite cogeneration facility may entail.

Thank you for the opportunity to comment in this docket. Please contact me at the information below with any questions in this matter.

Sincerely,

/s/ Will Nissen

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³ Minnesota Power's Petition for Approval of an Amended and Restated Electric Service Agreement Between United Taconite LLC, Northshore Mining Company and Minnesota Power. Docket No. E015/M-16-534. Filed June 22, 2016. Page 12 of 22.