



AN ALLETE COMPANY

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

November 28, 2017

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

Re: Minnesota Power's Petition for Approval of Transmission Assets and Substation Access
Agreement Between United Taconite LLC and Minnesota Power
Docket No. E015/PA-17-400

Dear Mr. Wolf:

On November 24, 2017 the Federal Energy Regulatory Commission ("FERC") issued its Order Authorizing Acquisition of Transmission Facilities ("FERC Order"). See Attachment 1. The FERC Order provides federal approval of the same transmission assets subject to the above-referenced Docket and currently pending before the Minnesota Public Utilities Commission.

If you have any questions regarding this letter, please do not hesitate to contact me at the number above.

Yours truly,

A handwritten signature in black ink that reads "David R. Moeller".

David R. Moeller

DRM:sr
Attach.

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

ALLETE, Inc.
United Taconite, LLC

Docket No. EC17-165-000

ORDER AUTHORIZING ACQUISITION OF TRANSMISSION FACILITIES

(Issued November 24, 2017)

On August 25, 2017, ALLETE, Inc. (ALLETE) and United Taconite, LLC (United Taconite) (together, Applicants), filed an application under section 203(a)(1) of the Federal Power Act (FPA)¹ requesting authorization for ALLETE to acquire certain transmission assets, including breakers, switches, a transformer, and a relay panel, located within the ETCO substation (Transmission Assets) from United Taconite (Proposed Transaction). The jurisdictional facilities affected by the Proposed Transaction consist of the Transmission Assets.

Applicants explain that ALLETE is an energy services company with market-based rate authority. ALLETE generates, transmits and distributes electricity. ALLETE owns electric transmission and distribution lines, and control over the transmission facilities has been transferred to Midcontinent Independent System Operator, Inc. (MISO). Service to its transmission facilities is provided pursuant to the Open Access Transmission, Energy and Operating Reserve Markets Tariff (MISO Tariff).

According to Applicants, United Taconite is a wholly owned subsidiary of Cleveland-Cliffs Inc., an American mining and natural resources company. United Taconite owns a taconite mine and associated facilities including the Transmission Assets near Forbes, Minnesota.

The Transmission Assets are listed on a Transmission Assets and Substation Access Agreement (Asset Purchase Agreement). Under the Asset Purchase Agreement, United Taconite will transfer the Transmission Assets to ALLETE for approximately \$423,000, and then United Taconite will provide ALLETE easements and rights of way to own and operate the Transmission Assets. Applicants state that the purchase price for the Transmission Assets is their net book value.

¹ 16 U.S.C. § 824b (2012).

Applicants state that the Proposed Transaction will raise no horizontal market power concerns because it will not involve the disposition of generating assets; thus, the Proposed Transaction will not result in any change in market concentration for generation.

With respect to vertical market power, Applicants state that transmission service over facilities developed and owned by ALLETE is provided pursuant to the MISO Tariff, with the Transmission Assets under MISO's operational control. Additionally, no inputs to electric power production are involved in or affected by the Proposed Transaction. Thus, Applicants assert that the Proposed Transaction will raise no vertical market power concerns.

With regard to rates, Applicants state that the Transmission Assets to be acquired will be transferred at net book value and the transmission customers receiving transmission service from ALLETE, under the MISO Tariff, will be protected from incurring any acquisition premium. Thus, the proposed acquisition of the Transmission Assets will only increase ALLETE's rate base in an amount equal to the net book value of the Transmission Assets. Further, there are no wholesale power rates or franchise public service entities that are affected by the Proposed Transaction.

With respect to regulation, Applicants state that the Proposed Transaction will not diminish federal authority over ALLETE, and that following the Proposed Transaction, ALLETE will remain subject to the Commission's jurisdiction. Applicants explain that ALLETE's retail operations are regulated by the Minnesota Public Utilities Commission (Minnesota Commission) and that Minnesota Commission's approval is necessary to effectuate the Proposed Transaction. ALLETE will continue to be regulated by the Minnesota Commission after it purchases the Transmission Assets. Therefore, According to Applicants, the Proposed Transaction will have no adverse impact on federal or state regulation.

Applicants verify that, based on facts and circumstances known to them or that are reasonably foreseeable, the Proposed Transaction will not result in, at the time of the Proposed Transaction or in the future, any cross-subsidization of a non-utility associate company or pledge or encumbrance of utility assets for the benefit of an associate company, including: (1) any transfer of facilities between a traditional public utility associate company that has captive customers or that owns or provides transmission service over jurisdictional transmission facilities, and an associate company; (2) any new issuance of securities by a traditional public utility associate company that has captive customers or that owns or provides transmission service over jurisdictional transmission facilities, for the benefit of an associate company; (3) any new pledge or encumbrance of assets of a traditional public utility associate company that has captive customers or that owns or provides transmission service over jurisdictional transmission facilities, for the benefit of an associate company; or (4) any new affiliate contract between a non-utility

associate company and a traditional public utility associate company that has captive customers or that owns or provides transmission service over jurisdictional transmission facilities, other than non-power goods and service agreements subject to review under sections 205 and 206 of the FPA.

The filing was noticed on August 25, 2017, with comments, protests, or interventions due on or before September 15, 2017. None were filed.

Information and/or systems connected to the bulk power system involved in these transactions may be subject to reliability and cybersecurity standards approved by the Commission pursuant to FPA section 215. Compliance with these standards is mandatory and enforceable regardless of the physical location of the affiliates or investors, information databases, and operating systems. If affiliates, personnel or investors are not authorized for access to such information and/or systems connected to the bulk power system, a public utility is obligated to take the appropriate measures to deny access to this information and/or the equipment/software connected to the bulk power system. The mechanisms that deny access to information, procedures, software, equipment, etc., must comply with all applicable reliability and cybersecurity standards. The Commission, North American Electric Reliability Corporation or the relevant regional entity may audit compliance with reliability and cybersecurity standards.

When a controlling interest in a public utility is acquired by another company, whether a domestic company or a foreign company, the Commission's ability to adequately protect public utility customers against inappropriate cross-subsidization may be impaired absent access to the parent company's books and records. Section 301 (c) of the FPA gives the Commission authority to examine the books and records of any person who controls, directly or indirectly, a jurisdictional public utility insofar as the books and records relate to transactions with or the business of such public utility. The approval of the Proposed Transaction is based on such examination ability.

Order No. 652 requires that sellers with market-based rate authority timely report to the Commission any change in status that would reflect a departure from the characteristics the Commission relied upon in granting market-based rate authority.² To the extent that a transaction authorized under FPA section 203 results in a change in status, sellers that have market-based rates are advised that they must comply with the requirements of Order No. 652.

After consideration, it is concluded that the Proposed Transaction is consistent

² *Reporting Requirement for Changes in Status for Public Utilities with Market-Based Rate Authority*, Order No. 652, FERC Stats. & Regs. ¶ 31,175, *order on reh'g*, 111 FERC ¶ 61,413 (2005).

with the public interest and is authorized, subject to the following conditions:

- (1) The Proposed Transaction is authorized upon the terms and conditions and for the purposes set forth in the application;
- (2) Applicants must inform the Commission of any material change in circumstances that departs from the facts or representations that the Commission relied upon in authorizing the Proposed Transaction within 30 days from the date of the material change in circumstances;
- (3) The foregoing authorization is without prejudice to the authority of the Commission or any other regulatory body with respect to rates, service, accounts, valuation, estimates or determinations of costs, or any other matter whatsoever now pending or which may come before the Commission;
- (4) Nothing in this order shall be construed to imply acquiescence in any estimate or determination of cost or any valuation of property claimed or asserted;
- (5) If the Proposed Transaction results in changes in the status or upstream ownership of Applicants' affiliated qualifying facilities, an appropriate filing for recertification pursuant to 18 C.F.R. § 292.207 (2017) shall be made;
- (6) The Commission retains authority under sections 203(b) and 309 of the FPA to issue supplemental orders as appropriate;
- (7) Applicants shall make any appropriate filings under section 205 of the FPA, as necessary, to implement the Proposed Transaction;
- (8) Applicants shall notify the Commission within 10 days of the date that the acquisition of jurisdictional facilities has been consummated; and
- (9) ALLETE shall account for the Proposed Transaction in accordance with Electric Plant Instruction No. 5, Electric Plant Purchased or Sold and Account 102, Electric Plant Purchased or Sold. ALLETE shall submit its final accounting entries within six months of the date that the Proposed Transaction is consummated, and the accounting submissions shall provide all the accounting entries and amounts related to the purchase along with narrative explanations describing the basis for the entries.

This action is taken pursuant to the authority delegated to the Director, Division of Electric Power Regulation - West, under 18 C.F.R. § 375.307 (2017). This order constitutes final agency action. Requests for rehearing by the Commission may be filed within 30 days of the date of issuance of this order, pursuant to 18 C.F.R. § 385.713 (2017).

Steve P. Rodgers, Director
Division of Electric Power
Regulation - West

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

AFFIDAVIT OF SERVICE VIA
ELECTRONIC FILING

SUSAN ROMANS of the City of Duluth, County of St. Louis, State of Minnesota, says that on the **28th** day of **November, 2017**, she served Minnesota Power's FERC Approval in **Docket No. E015/PA-17-400** on the Minnesota Public Utilities Commission and the Energy Resources Division of the Minnesota Department of Commerce via electronic filing. Parties requested paper copies were served as requested.



Susan Romans

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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_17-400_PA-17-400
Greg	Chandler	greg.chandler@upm.com	UPM Blandin Paper	115 SW First St Grand Rapids, MN 55744	Electronic Service	No	OFF_SL_17-400_PA-17-400
David	Chura	dchura@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_17-400_PA-17-400
Paul	Ciesielski	Paul.Ciesielski@arcelormittal.com	ArcelorMittal	3300 Dickey Road East Chicago, IN 46312	Electronic Service	No	OFF_SL_17-400_PA-17-400
Jack	Croswell	Jack.croswell@cliffsnr.com	Hibbing Taconite	P O Box 589 Hibbing, MN 55746	Electronic Service	No	OFF_SL_17-400_PA-17-400
Ian	Dobson	Residential.Utilities@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_17-400_PA-17-400
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_17-400_PA-17-400
Kimberly	Hellwig	kimberly.hellwig@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-400_PA-17-400
Shane	Henriksen	shane.henriksen@enbridge.com	Enbridge Energy Company, Inc.	1409 Hammond Ave FL 2 Superior, WI 54880	Electronic Service	No	OFF_SL_17-400_PA-17-400
James	Jarvi	N/A	Minnesota Ore Operations - U S Steel	P O Box 417 Mountain Iron, MN 55768	Paper Service	No	OFF_SL_17-400_PA-17-400

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Michael	Krikava	mkrikava@briggs.com	Briggs And Morgan, P.A.	2200 IDS Center 80 S 8th St Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-400_PA-17-400
David	Langmo	david.langmo@sappi.com	Sappi North America	P O Box 511 2201 Avenue B Cloquet, MN 55720	Electronic Service	No	OFF_SL_17-400_PA-17-400
Patrick	Loupin	PatrickLoupin@Packaging Corp.com	Packaging Corporation of America	PO Box 990050 Boise, ID 83799-0050	Electronic Service	No	OFF_SL_17-400_PA-17-400
Sarah	Manchester	sarah.manchester@sappi.com	Sappi North American	255 State Street Floor 4 Boston, MA 02109-2617	Electronic Service	No	OFF_SL_17-400_PA-17-400
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_17-400_PA-17-400
Matthew	McClinicy	MMcClincy@usg.com	USG	35 Arch Street Clouquet, MN 55720	Electronic Service	No	OFF_SL_17-400_PA-17-400
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	Yes	OFF_SL_17-400_PA-17-400
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-400_PA-17-400
Tolaver	Rapp	Tolaver.Rapp@cliffsnr.com	Cliffs Natural Resources	200 Public Square Suite 3400 Cleveland, OH 441142318	Electronic Service	No	OFF_SL_17-400_PA-17-400
Ralph	Riberich	rriberich@uss.com	United States Steel Corp	600 Grant St Ste 2028 Pittsburgh, PA 15219	Electronic Service	No	OFF_SL_17-400_PA-17-400

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Santi	Romani	N/A	United Taconite	P O Box 180 Eveleth, MN 55734	Paper Service	No	OFF_SL_17-400_PA-17-400
Susan	Romans	sromans@allete.com	Minnesota Power	30 West Superior Street Legal Dept Duulth, MN 55802	Electronic Service	No	OFF_SL_17-400_PA-17-400
Thomas	Scharff	thomas.scharff@versoco.com	Verso Corp	600 High Street Wisconsin Rapids, WI 54495	Electronic Service	No	OFF_SL_17-400_PA-17-400
Eric	Swanson	eswanson@winthrop.com	Winthrop & Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_17-400_PA-17-400
Jim	Tieberg	jtieberg@polymetmining.com	PolyMet Mining, Inc.	PO Box 475 County Highway 666 Hoyt Lakes, MN 55750	Electronic Service	No	OFF_SL_17-400_PA-17-400
Karen	Turnboom	karen.turnboom@versoco.com	Verso Corporation	100 Central Avenue Duluth, MN 55807	Electronic Service	No	OFF_SL_17-400_PA-17-400
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_17-400_PA-17-400