



December 18, 2015

VIA E-FILING

Mr. Daniel P. Wolf
Minnesota Public Utilities Commission
121 7th Place Street, Suite 350
St. Paul, MN 55101

**Re: In the Matter of a Petition to Ensure Competitive Electric Rates for Energy-Intensive Trade-Exposed (“EITE”) Customers
Docket No. E-015/M-15-984**

Dear Mr. Wolf:

Thank for the opportunity to comment on the EITE petition before the Public Utilities Commission. The Iron Mining Association of Minnesota (IMA) is a trade association whose mission is to promote an iron ore industry that will provide long-term growth and prosperity for all stakeholders through profitability in a competitive, global market. As such we strongly recommend the PUC accept the EITE rate as proposed. In other words, IMA would greatly appreciate simultaneous Commission approval of both the EITE Rate proposal and EITE current cost recovery rider. Any other decision, even a partial approval, could negatively impact the ability of the industry to maintain competitiveness at a time when global market pressures have contributed to the idling of numerous facilities on the Iron Range.

The IMA is made up of 11 iron mines and 150 companies who supply products and services to the mines. According to a 2012 University of Minnesota, Labovitz School of Economics, BBER study which was based on 2010 production numbers, the iron mining industry accounts for 30% of the Gross Regional Product of NE Minnesota and NW Wisconsin. The industry has the single largest impact on the region’s economy and the state’s educational trust funds. The industry employs approximately 4,600 people and supports an additional 11,000 jobs through companies that supply products and services to the mines. [See https://lsbe.d.umn.edu/bber/bber_projects.php.] The iron mining industry is the economic engine of the economy of Northeast Minnesota.

While iron mining’s contribution to the “Iron Range” is well known, the industry’s positive effects extend much broader. In fact, 30 percent of the companies belonging to the IMA are located in the Duluth Metro area—employing thousands of workers. The Range itself is home to about 60 percent of the companies, and the remaining 10 percent are located throughout Minnesota and the United States.

According to a recent Department of Employment and Economic Development study, the iron mines' workers' salaries are the highest in the region, followed closely by utility workers. [See "Northeast Minnesota Economic Development Region 3" published September 1, 2015 Tables 13, 14, and 15 (attached).] Please note that the wages do not account for additional benefits realized by the workers such as health care and retirement packages.

Many other industries in the region that do not work directly with the mines rely heavily on business from the people who work for the iron mining industry. For example, health care, retail, restaurants, hotels, schools and local colleges all benefit from a thriving iron ore industry.

Additionally, the corpus of both the U of M Trust and the K-12 Trust Funds are primarily from royalties paid by the mines. The state, schools, local government, and economic development entities receive funding from iron mining as well. (Information is combined from the Department of Revenue and Department of Natural Resources.)

2014 Taxes & Royalties

Production	\$101,214,301
Occupation	15,776,560
<u>State Royalties</u>	<u>71,366,339</u>
TOTAL	\$188,357,200

State Royalties and Occupation

Tax Distribution

School Trust	\$58,746,544
U of M Trust	16,775,630
County	3,732,445
General Fund	7,888,200

Production Tax Distribution

School Districts Local	\$21,426,698
IRRRB	32,459,946
Counties	14,502,580
Cities and Townships	14,911,750
Property Tax Relief	13,783,501
Others	12,843,534

As you are aware, the iron mining industry in Minnesota is being harmed by global events beyond our control. Presently, over 30 percent of the steel mills in the United States are idled, directly affecting Minnesota's iron mines. Overproduction of iron by the three largest mining companies (Rio Tinto, BHP, and Vale) is a direct attempt to drive down the commodity price and flood China with more iron ore than the country needs. This is causing China and other countries to overproduce steel and dump it in the United States below their production costs.

If this situation continues, an oligopoly could occur where iron and steel availability and prices would be controlled by China and several large global companies. A recent addition to the big three is the Roy Hill iron mine in Australia. It has just started shipping to China at a price lower than the other three can produce. That mine alone, with an annual capacity of 50 million tons, produces more iron ore than all of Minnesota's mines (44 million tons) combined. If our iron ore mines and domestic steel industry can't compete, the risk to the United State is serious.

Minnesota's iron supply and the steel it produces play an important role in the national security and economy of this country. We need to assure it is available in the future as well.

While we cannot control global economics, Minnesota has to play its part in stabilizing the State's economy when and where it can.

Electric power costs account for up to 25 percent of the cost to produce a ton of iron pellets. A reduction of electric costs, while not the sole solution, can go a long way to assure there are jobs in the region keeping the United States free of domination by the iron and steel production in other countries. These costs have to be closer to the cost the utility incurs to serve a customer than the present rate structure. Electric rates to the iron mines have increased 60 percent in the last 9 years, partially due to rate structure, and are projected to increase an additional 34 percent in the next 5 years with the effects of the Clean Power Plan.

The 2015 Minnesota State Legislature, recognizing the current rate structure and the impact of steel dumping, passed legislation that would help Minnesota's iron mines remain competitive by requiring the Public Utilities Commission (PUC) to review and approve electric rates that are more equitable so Minnesota's iron mines can maintain their long-term viability.

The IMA and its members look forward to continued dialogue regarding Minnesota Power's EITE petition and respectfully request the Notice to be amended to address the entirety of Minnesota Power's EITE petition in accordance with the EITE Statute.

We would also like to point out that while we represent the iron mining industry as a whole, the individual companies, due to their differing business structures, would like to retain the ability for future comments to the PUC.

Respectfully,



Craig Pagel
President
Iron Mining Association of Minnesota