

Energy-Intensive Trade-Exposed Rates

Taconite mines and paper mills are some of this region's largest employers, and also require large amounts of electricity to produce their products. At times, energy is as much as 25 percent of the cost of production at these facilities, making energy prices a very important factor in whether their Minnesota-produced paper and mining products are competitive on the world market.

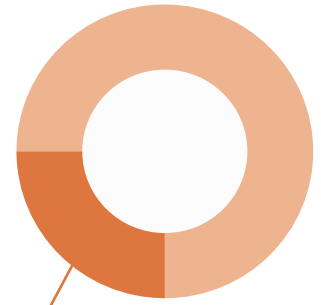
In June 2015, the Minnesota Legislature passed a law allowing Minnesota Power to propose new electric rates for these energy-intensive companies that operate in highly competitive markets. These rates, called EITE (Energy-Intensive, Trade-Exposed) rates, are intended to promote a healthy and stable regional economy. It should be noted these customers continually look for and implement energy conservation measures to run highly efficient operations.

In June 2016, Minnesota Power asked permission from the Minnesota Public Utilities Commission to reduce the rate paid by these industrial companies by 5 percent. Residential customers will see an increase of about 10 percent or approximately \$8.00/month for the average energy user. Businesses and other classes of customers will see an average increase of 1.8 percent. Minnesota Power's reasons for supporting the new law are:

- Mining and paper companies in other parts of the world have become bigger players in the global marketplace for these products, threatening the success of important Northeastern Minnesota businesses. **Lower energy prices** are one of the reasons that foreign companies are successfully competing against companies operating in our region.
- As this region's mining and paper industries remain competitive, it **helps protect thousands of jobs** – both within these industries and the other regional businesses that provide goods and services to large industrial companies and their employees. The mining and paper industries also **sustain a strong property tax base**, reducing homeowner taxes and supporting schools and government services.
- No one can predict the future success of any business. However, if our paper and mining companies are no longer competitive, residents in this region face **a future that places the stability of jobs, taxes and electric rates at risk**.

The proposed EITE rate is not the only step being taken to help these major employers stay competitive in the global market. As these companies continue to improve the efficiency of their operations – including their electric use – and lower costs in other areas, more competitive electric rates will further improve their ability to compete favorably with other companies in the paper and mining markets.

Minnesota Power strives to provide safe and reliable electricity to this region at a reasonable price. We also are committed to retaining and growing jobs in Northeastern Minnesota. We believe that an EITE rate helps meet these goals, and will benefit our other utility customers by encouraging a healthier regional economy for all.



Energy can be up to **25%** of the cost of production for the mining and paper industry.

“Currently the mines alone directly employ **4,200** men and women and support an additional **13,000** employed by vendors.”

—Iron Mining Association of Minnesota

“With more than **30,000** dedicated workers and annual economic impact of **\$8.9 billion**, Minnesota's forest products industry contributes greatly to the state's employment and financial health.”

— Minnesota Forest Industries

Answers to Questions about EITE Rates

What does the 2015 EITE law say?

The law declares that it is the state's energy policy to ensure competitive rates for energy-intensive, trade-exposed businesses. This law also gives Minnesota Power permission to provide rate options to those customers, subject to the approval of state regulators.

What kinds of companies will receive the reduction in electric rates?

The current plan includes 11 mining and paper companies that are eligible for this rate.

Who decides whether this proposal should be approved?

The Minnesota Public Utilities Commission will make the final decision, after input from state agencies, industrial customers, consumer groups and other interested stakeholders. By law, their decision must come within 90 days.

How will electric rates change under this proposal?

Large industrial customers that qualify for EITE rates will see an approximate 5 percent decrease in rates. Residential customers will see an increase of about 10 percent or approximately \$8.00/month for the average energy user. Businesses and other classes of customers will see an average increase of 1.8 percent.

Why are the rate increases for most Minnesota Power customers larger than the decrease for the large industrial customers?

Because of our unique customer base, large industrial customers – who make up less than one percent of Minnesota Power customers – consume significantly more than half of our daily volume of electricity. They use large quantities of energy to operate things like 6,000 horsepower motors in taconite plants or large pulp grinding mills. As rates are reduced for those large industrial customers, other customers must pay more to offset the lost revenue and continue to support investments in the electric system.

How is this filing different from the original plan filed by the company in November 2015?

Changes to the plan to address Public Utilities Commission concerns include lessening the impact on residential customers, capping the number of customers eligible for the EITE rate, basing the rate increase on energy usage for all business customers and expanding outreach efforts to qualify additional low-income customers.

Estimated Customer Impact

Average Rate Class Impacts

Adjustment

Residential

Typical Average Monthly Bill (\$/month)	\$79.44
Increase (cents/kWh)	1.054¢
Average Increase (\$/month)	\$7.94
Average Increase (%)	10.00%

General Service

Typical Average Monthly Bill (\$/month)	\$284.33
Increase (cents/kWh)	0.171¢
Average Increase (\$/month)	\$4.62
Average Increase (%)	1.62%

Large Light & Power

Typical Average Monthly Bill (\$/month)	\$17,769.87
Increase (cents/kWh)	0.171¢
Average Increase (\$/month)	\$351.13
Average Increase (%)	1.98%

Municipal Pumping

Typical Average Monthly Bill (\$/month)	\$622.50
Increase (cents/kWh)	0.171¢
Average Increase (\$/month)	\$10.98
Average Increase (%)	1.76%

Are any customers exempted from paying higher rates under the EITE proposal?

Minnesota Power's low-income customers who are enrolled in heating assistance are exempt and energy-intensive trade-exposed industrial customers that are not eligible for the EITE rate.

Will Minnesota Power earn more profits next year because of the EITE rates?

The proposal is revenue neutral, meaning that rates for most customers can increase only as much as is needed to offset the reduction in the rates for large industrial customers. Minnesota Power will not profit from the EITE rate change.

What can customers do to reduce the impact of increased rates?

Conservation measures can help customers reduce energy use and potentially pay lower rates, which will help reduce the size of monthly energy bills. Interested customers should go to mnpower.com/EnergyConservation.

My business doesn't qualify for the new rate, but it also is affected by competitive pressures — how can Minnesota Power help us?

Minnesota Power regularly works with business customers to help manage energy use and reduce electric bills. Interested customers should go to mnpower.com/EnergyConservation/ForYourBusiness.