

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

121 7th Place East, Suite 350  
St. Paul, MN 55101-2147

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In the Matter of Minnesota Power's Petition to  
Ensure Competitive Electric Rates for Energy-  
Intensive Trade-Exposed Customers

PUC Docket No. E-015/M-15-984

**AFFIDAVIT OF JACK CROSWELL**

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STATE OF MINNESOTA )

) ss.

COUNTY OF ST. LOUIS )

I, Jack Crosswell, being first duly sworn upon oath, state as follows:

1. I am the General Manager at Hibbing Taconite, an iron ore mining and processing facility located in Hibbing, MN, operated by Cliffs Natural Resources, with shared ownership by ArcelorMittal (62.3%), Cliffs Natural Resources (23%) and U.S. Steel (14.7%). Hibbing Taconite produces value-added high-grade iron pellets that are a critical ingredient in steel production. The annual rated capacity of Hibbing Taconite is 8.0 million gross tons. In 2015, Hibbing Taconite produced 8.1 million gross tons.

**Hibbing Taconite's Contributions to Minnesota**

2. Hibbing Taconite is a major employer in northeast Minnesota. As of the end of 2015, Hibbing Taconite employed 701 individuals. Hibbing Taconite's total payroll in 2015, including benefits, was \$85 million. [TRADE SECRET DATA BEGINS... ...TRADE SECRET DATA ENDS].

**PUBLIC DOCUMENT  
TRADE SECRET DATA EXCISED**

3. According to the UMD Labovitz School of Business study entitled “The Economic Impact of Ferrous and Non-Ferrous Mining on the State of Minnesota and the Arrowhead Region, Including Douglas County, Wisconsin” (the “Labovitz Mining Study”), a copy of which is attached to the affidavit of Kelsey Johnson, for every job in the iron-ore mining industry, another 1.8 jobs are created elsewhere in the Minnesota economy. Thus, in addition to directly employing 701 individuals, Hibbing Taconite creates an additional 1,262 jobs in the region. Examples of indirect jobs created by Hibbing Taconite include truckers delivering supplies, rail employees hauling pellets and other materials, construction employees conducting repairs and engineering firms conducting environmental, civil or mechanical engineering studies.
4. Hibbing Taconite spent approximately \$255 million directly in Minnesota in 2015 in local services and supplies, which include, but are not limited to, payments for electric power, diesel fuel, and freight.
5. The annual spend for Hibbing Taconite in 2015 was approximately [TRADE SECRET DATA BEGINS... ...TRADE SECRET DATA ENDS].
6. According to the Labovitz Mining Study, for every dollar spent on wages, rents, interest, and profits, another \$0.69 is generated throughout the State economy. Thus, Hibbing Taconite’s [TRADE SECRET DATA BEGINS... ...TRADE SECRET DATA ENDS] spend produced an additional [TRADE SECRET DATA BEGINS... ...TRADE SECRET DATA ENDS] throughout Minnesota.
7. In 2015, Hibbing Taconite paid \$22.6 million in State and local taxes. [TRADE SECRET DATA BEGINS... ...TRADE SECRET DATA ENDS]. Collectively, these

taxes directly support education at all levels, local units of government, and the State general fund.

8. Hibbing Taconite actively supports our community. In 2015, Hibbing Taconite contributed approximately \$89,000 to charitable and community organizations. Employees at Hibbing Taconite contributed an additional \$121,000 to the United Way; they also contribute their time and effort to a variety of charitable organizations or youth activities. Furthermore, in 2015, The Cliffs Foundation, a Cliffs Natural Resources corporate charitable fund, contributed approximately \$201,000 to not-for-profit organizations that provide services to the communities in Northeastern Minnesota in the areas of education, health and human services and cultural endeavors.
9. Hibbing Taconite also contributes to the northeast Minnesota region as a major customer on Minnesota Power's system, annually consuming **[TRADE SECRET DATA BEGINS... ...TRADE SECRET DATA ENDS]**.

**Hibbing Taconite's Electric Rates are Currently Uncompetitive**

10. Energy costs are a significant component of Hibbing Taconite's operations, representing approximately 20%-25% of Hibbing Taconite's overall cost of production.
11. Since 2007, our electric rates for our Minnesota operations have increased by 30%, **[TRADE SECRET DATA BEGINS... ...TRADE SECRET DATA ENDS]**.
12. By 2020, our electric rates are forecasted to increase another roughly **[TRADE SECRET DATA BEGINS... ...TRADE SECRET DATA ENDS]**.

13. Because energy costs are such a significant percentage of Hibbing Taconite's cost of production, Hibbing Taconite is serious about conserving energy. From 2011 to 2015, Hibbing Taconite reduced the total kWh consumed per ton of pellet production by **[TRADE SECRET DATA BEGINS... ...TRADE SECRET DATA ENDS]**. This was achieved through a concerted effort to improve reliability, increase efficiency of our operations and implement conservation projects. By way of example, Hibbing Taconite recently completed the following projects:

**[TRADE SECRET DATA BEGINS...**

**...TRADE SECRET DATA ENDS]**

Despite these conservation efforts, Hibbing Taconite's energy costs have continued to rise in the past several years.

14. Compared with Cliffs Natural Resources other similar facilities in Michigan, Hibbing Taconite's electricity rates are currently higher by **[TRADE SECRET DATA BEGINS... ...TRADE SECRET DATA ENDS]**. The State of Michigan utilizes Cost of

Service as its rate making mandate, which facilitates lower rates for industry when compared to Minnesota.

15. As detailed in the affidavit of Kelsey Johnson, Minnesota Power's industrial rates are increasingly uncompetitive with other states.

16. If Minnesota Power's Petition were approved, it would be reasonably likely to help Hibbing Taconite regain its competitive advantage in electricity rates.

**Hibbing Taconite is Subject to Global Pressures**

17. As described in the affidavit of Kelsey Johnson, Hibbing Taconite is subject to intense and unfair competition from international competitors.

18. As a result of this competition, Hibbing Taconite is constantly striving to reduce costs in all aspects of our business. From 2014 to 2015, Cliffs Natural Resources decreased its cash cost of production by [TRADE SECRET DATA BEGINS... ...TRADE SECRET DATA ENDS] across its United States Iron Ore segment, representing a decrease of [TRADE SECRET DATA BEGINS... ...TRADE SECRET DATA ENDS]. Through this concerted effort, costs have been successfully reduced across our operations, except for our energy costs, notwithstanding the marginal savings arising from the conservation projects described above. As we reduce our costs in other categories and our energy costs continue to increase, energy is a growing share of our cost of production.

19. We will continue to evaluate any and all other mechanisms to reduce costs in an effort to remain competitive.

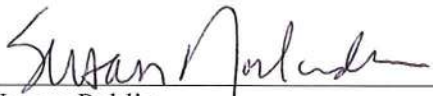
Consequences of Inaction

20. The combination of global competitive pressures and uncompetitive electric rates threaten the viability of Hibbing Taconite.
21. There would be significant costs to the region and the State if Hibbing Taconite were to shut down, including lost jobs, decreased tax revenue, and lower community investment.
22. If Hibbing Taconite receives a rate reduction as a result of Minnesota Power's EITE tariff, it is reasonably likely that this discount could be one of the factors that will keep Hibbing Taconite viable.

**FURTHER YOUR AFFIANT SAYETH NOT.**

  
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Jack Croswell, General Manager  
Hibbing Taconite

Subscribed and sworn to before me  
this 28<sup>th</sup> day of June 2016.

  
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Notary Public

