

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Barbara Beerhalter	Chair
Cynthia A. Kitlinski	Commissioner
Norma McKanna	Commissioner
Robert J. O'Keefe	Commissioner
Darrel L. Peterson	Commissioner

In the Matter of Proposed Amendment to the Electric Service Agreement Between Minnesota Power Company and Hibbing Taconite Joint Venture

ISSUE DATE: December 30, 1987

DOCKET NO. E-015/M-87-780

ORDER APPROVING AMENDMENT TO ELECTRIC SERVICE AGREEMENT

PROCEDURAL HISTORY

On May 29, 1987 the Minnesota Public Utilities Commission (the Commission) approved a temporary amendment to the electric service agreement (contract) between Minnesota Power Company (the Company) and Hibbing Taconite Joint Venture (Hibbing). Docket No. E-015/M-87-261. The amendment allowed Hibbing to take power in excess of 120% of its contract demand level without establishing a new contract demand level for the remainder of the contract term. The amendment, by its terms, was to expire December 31, 1987.

On November 24, 1987 the Company petitioned the Commission to approve a similar contract amendment for the period from January 1, 1988 until December 31, 1988.

The Department of Public Service (DPS) investigated the request and recommended Commission approval. Eveleth Taconite Company and Eveleth Expansion Company, operating as "Eveleth Mines," filed objections to the proposed amendment on December 8, 1987. On December 22, 1987 Eveleth Mines withdrew its objections, without prejudice to its position that the "best efforts" provision of its contract with the Company required the Company to credit the extra Hibbing sales to Eveleth Mines' account.

STATEMENT OF THE ISSUE

The issue before the Commission is whether the proposed amendment is in the public interest and comports with the statutory requirement that rates be just and reasonable, equitable and consistent

as to customers within the same customer class, and not unreasonably preferential, prejudicial, or discriminatory. Minn. Stat. Sec. 216B.03.

### FINDINGS AND CONCLUSIONS

Unless the contract is amended, Hibbing will be forced to choose between permanently increasing its contract demand obligation, which may jeopardize its future financial condition, and forgoing the additional power it may need in 1988. Hibbing reports that it would forgo the additional power, which would curtail production, cause financial losses, and result in the lay-off of approximately sixty employees. The Commission therefore finds that it would benefit Hibbing and the public to approve the contract amendment.

The Commission finds that amending the contract would benefit the Company and its ratepayers because it would increase revenues without creating any need for additional capacity.

Finally, the Commission finds that amending the contract would not be discriminatory or unreasonable, as long as the Company offers the same type of amendment to all of its large power customers. The Company has agreed to do this.

The Commission therefore finds that permitting the Company and Hibbing to amend the contract would benefit Hibbing, the Company, the Company's ratepayers, and the general public. The Commission also finds that permitting the amendment would not violate statutory requirements that rates be just, reasonable, and non-discriminatory.

The Commission notes that other issues relating to Hibbing's purchase of excess power, such as its proper effect on the Company's revenue requirement, rate design, and its best efforts obligation to other large power customers, will be addressed in other Commission proceedings. Today's Order is not intended to address those issues and is limited to the narrow issue of whether the contract amendment should be approved.

### ORDER

1. The electric service agreement between Minnesota Power and Hibbing Taconite Joint Venture may be amended to allow Hibbing Taconite Joint Venture to take power in excess of 120% of its contract demand level without permanently increasing its contract demand obligation with Minnesota Power.
2. The amendment discussed above will expire December 31, 1988.
3. Minnesota Power shall offer similar electric service contract amendments to all its large power

customers, subject to capacity availability.

4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen  
Executive Secretary

(S E A L)