

**Meeting
of the
Iron Range Resources
and
Rehabilitation Board**

Thursday, October 20, 2011

10:00 a.m.

IRRRB

Eveleth, Minnesota

**MEETING OF THE IRON RANGE RESOURCES AND REHABILITATION
BOARD
IRRRB, Eveleth, Minnesota
Thursday, October 20, 2011
10:00 a.m.**

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**MEETING OF THE IRON RANGE RESOURCES
AND REHABILITATION BOARD
IRRRB
Eveleth, Minnesota
Thursday, October 20, 2011 – 10:00 a.m.**

Agenda

- 1) Roll Call

- 2) Approval of the August 18, 2011, Minutes

- 3) Commissioner's Comments

- 4) Douglas J. Johnson Economic Protection Trust Fund
Action required: Project approval requires 8 votes
 - a) Premier Plastics, Inc. – **Resolution No. 12-004**

- 5) Taconite Area Environmental Protection Fund
Action required: Project approval requires 7 votes
 - a) Enterprise Minnesota – **Resolution No. 12-005**
 - b) City of Babbitt Public Works Grant – **Resolution No. 12-006**
 - c) Town of Fayal Public Works Grant Reallocation – **Resolution No. 12-007**
 - d) City of Orr Renewable Energy Grant Amendment – **Resolution No. 12-008**

- 6) Taconite Economic Development Fund (Production 2010, Pay 2011)
Action required: Project approval requires 7 votes
 - a) TEDF Memo
 - b) TEDF Chart
 - c) TEDF Statutes
 - d) Hibbing Taconite Company – **Resolution No. 12-009**
 - e) Northshore Mining Company – **Resolution No. 12-010**
 - f) United Taconite, LLC. – **Resolution No. 12-011**
 - g) United States Steel – Keetac – **Resolution No. 12-012**
 - h) United States Steel – Minntac – **Resolution No. 12-013**

- 7) Other

- 8) Adjournment

Approval of the August 18, 2011, Minutes

Thursday, August 18, 2011
10:00 a.m.

Iron Range Resources & Rehabilitation Board
Eveleth, Minnesota

I. Roll Call

Representative Tom Rukavina, Chair, called the meeting to order at approximately 10:00 a.m. Present: Representative Tom Anzelc, Representative Carolyn McElfatrick, Representative Carly Melin, Senator John Carlson, Senator Paul Gazelka, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. David Chura and Mr. Jack Ryan. Minute Taker: Laureen Hall, Executive Assistant. Also present: Tony Sertich, Commissioner; Doug Gregor, Assistant Attorney General; Matt Sjoberg, Development Strategies Director; Dave Hart, Loan Officer Sr., Richard Walsh, Community Development Representative, Linda Johnson, Director, Giants Ridge®, Jean Dolensek, Chief Financial Officer; Brian Hiti, Community Development Director; Sheryl Kochevar, Communications and Marketing Coordinator; Janette Paul, Executive Assistant; Larry Lehtinen and Matt Lehtinen, Magnetation, Inc.; John Grahek, Plumbers & Pipefitters Local; Michelle Gunderson, Up North Stone; Mitch Robertson, Tritec.

II. Approval of the June 16, 2011, Minutes

Action required: Approval requires 7 votes

Senator David Tomassoni moved approval of the June 16, 2011, minutes. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Carolyn McElfatrick, Representative Carly Melin, Representative Tom Rukavina, Senator John Carlson, Senator Paul Gazelka, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. David Chura, Mr. Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Bakk, Representative David Dill

IV. Other

a) Wage Subsidy Program

Chairman Rukavina heard supportive testimony from Michelle Gunderson, Up North Stone, Inc. and Mitch Robertson, Tritec, businesses that participated in the Wage Subsidy Program.

V. Douglas J. Johnson Economic Protection Trust Fund

Action required: Approval requires 8 votes

a. Magnetation, Inc. – Resolution No. 12-001

Motion by Representative Tom Anzelc to approve the Magnetation, Inc. request that the IRRRB remove the cap on the amount of senior debt allowed by the agency, as presented in Resolution No. 12-001. Seconded by Senator Tom Saxhaug. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Carolyn McElpatrick, Representative Carly Melin, Representative Tom Rukavina, Senator John Carlson, Senator Paul Gazelka, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. David Chura, Mr. Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Bakk, Representative David Dill

Magnetation, Inc.



IRRRB
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To: IRRRB Members

From: Tony Sertich
Commissioner

Date: August 18, 2011

Re: MAGNETATION, INC. – COLLATERAL SUBORDINATION

Magnetation, Inc. has requested that the IRRRB remove the cap on the amount of senior debt allowed by the agency. In June of 2010, the IRRR Board agreed to take a subordinate position to up to \$5.6 million of senior debt, and in December 2010, the IRRRB agreed to increase this cap to \$12.6 million. JP Morgan Chase Bank (“JP Morgan”) currently has an outstanding line of credit with Magnetation in the amount of \$12.6 million. JP Morgan has indicated an interest in providing incremental increases in its line of credit to facilitate the continued growth of the company, which is anticipated to include additional plants, and corresponding capacity, within the TAA. To consider any

additional increases in the availability of credit to Magnetation, the bank will require continued full subordination of collateral by the agency.

An expansion of Plant 1 (Mesabi Chief site near Keewatin) of Magnetation, including the addition of a Rev3 separator and ball mill has recently been completed. The expansion has more than doubled the capacity of that plant to approximately 400,000 tons of concentrate per year. The expansion was funded with credit from JP Morgan, a subordinated loan from Cargill, as well as internally generated cash. Plans are currently being developed for Plant 2 (Holman site near Bovey) with a capacity of approximately 800,000 tons. The capital investment required is estimated to be \$50 million. The sources of funding for this project have yet to be finalized. Steel Dynamics, Inc. (SDI) has recently announced a joint venture with Magnetation for Plant 3 (Duncan Douglas site near Chisholm). The plant is estimated to have a capacity of 1,000,000 tons with the majority of the off-take expected to be sold to Mesabi Nugget. Magnetation will design and construct the proprietary portions of the plant with SDI providing the majority of the capital requirements.

Any additional credit that may be advanced by JP Morgan would be subject to the credit policies of the bank; this subordination alone would simply satisfy one of their requirements. There have been several positive developments in recent months at Magnetation, including: entering into a partnership with Cargill; the successful expansion of Plant 1, and; the joint venture with SDI. In addition, iron ore markets continue to be strong with a positive outlook into the intermediate future. Given our existing level of subordination, it is unlikely the agency would realize any recovery from the existing collateral in the case of a default. However, agreeing to additional subordination may further dilute our collateral position.

Magnetation currently has four loans outstanding with the IRRRB with a current principal balances in aggregate of \$5,455,862.37 (including a loan with balance of \$881,068.21 that has been participated to DEED). To date, the company has made interest payments on its loans to the agency totaling over \$450,000 and royalty payments totaling nearly \$600,000, including about \$360,000 to the IRRRB and \$240,000 to DEED (half of which has gone to reduce the principal balance of the first loan – this provision expires at the end of 2011). All payments of interest and royalties have been made as agreed.

I recommend removing the cap on subordination as requested by Magnetation. However, the agency would reserve the right to reinstitute a cap should it be determined that: 1) Magnetation used loan proceeds for any purpose unrelated to the development and operation of Plant 2, or; 2) Magnetation defaults on the terms of any indebtedness to the State, including but not limited to, failure to pay any obligation when due or noncompliance with any state, local or federal law.

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
DOULGAS J. JOHNSONECONOMIC PROTECTION TRUST FUND
MAGNETATION, INC. SUBORDINATION AGREEMENT**

Resolution No.: 12-001

WHEREAS, Magnetation, Inc. (the “**Borrower**”) currently owes Iron Range Resources and Rehabilitation Board (IRRRB) as of July 1, 2011, a total of \$5,455,862.37 (consisting of principal in the amount of \$5,377,232.11 and uncapitalized accrued interest in the amount of \$78,630.26) under the terms of four loans (designated Loans A, B, C, and D) that the agency has made in recent years to finance the construction, equipping and operations of certain of Borrower’s facilities and operations (collectively the “**IRRRB Loans**”), \$881,068.21 of which principal balance is due to the State of Minnesota’s Department of Employment and Economic Development (DEED) under the terms of a separate agreement by which DEED purchased a 50% participation interest (the “**DEED Loan**”) in Loan A of the IRRRB Loans;

WHEREAS, Borrower’s obligations to repay the IRRRB Loans are secured by shared (shared with comparable security and interests and liens securing the repayment of the DEED Loan) security interests and liens in the Borrower’s real estate, machinery and equipment, other personal property, a processing facility building, and intellectual property interests (collectively, the “**Borrower’s Property**”);

WHEREAS, the agency on July 21, 2010, entered into an Intercreditor Agreement with another lender of Borrower, JP Morgan Chase Bank (“**JP Morgan**”), that subsequently on November 22, 2010, December 17, 2010, and June 30, 2011, was amended (such original Intercreditor Agreement and the amendments thereto being referenced collectively as the “**Amended Intercreditor Agreement**”) under the terms of which the priority of the agency’s security interests in portions of Borrower’s Property as more fully described therein (the “**Intercreditor Property**”) was subordinated to JP Morgan’s security interest in such Intercreditor Property to secure the repayment of \$12,600,000 of Borrower’s debt financing obligations to JP Morgan;

WHEREAS, Borrower has now requested the agency to remove the \$12,600,000 cap on such subordination and to agree to further subordinate the agency’s security interests and liens in the Intercreditor Property to the security interests and liens of JP Morgan Chase Bank in such Intercreditor Property as an inducement to J.P. Morgan to lend additional, as yet undetermined amounts, of funds to Borrower (the “**Additional Loans**”) to enable it to develop its planned Plant 2 expansion project (the “**Plant 2 Project**”);

WHEREAS, the Commissioner has requested the Board to approve the Borrower’s request to further subordinate the agency’s security interests and liens securing repayment of the IRRRB Loans to the proposed security interests and liens associated with the Additional Loans, on those terms proposed in the Board packet materials

presented at the Board’s August 18, 2011, meeting (the “**Modified Subordination Terms**”).

NOW, THEREFORE, IT IS HEREBY RESOLVED that the Board hereby approves the Borrower’s request, as more specifically set forth in the Modified Subordination Terms, to subordinate the priority of the agency’s security interests and liens in the Intercreditor Property that secure repayment of the IRRRB Loans to the proposed additional and prior security interests and liens of Borrower’s senior lender which secure the repayment of the Additional Loans. This approval shall be subject to the further understanding the Commissioner shall have the right to reinstitute a cap on the extent of the subordination of the agency’s security interests in the Intercreditor Property if the Commissioner determines that Borrower has used any of the proceeds from the Additional Loans for any purpose unrelated to the development and operation of Plant 2 Project, or Borrower defaults on any obligations owed to the State under the terms of any loan documents, including, specifically, but without limitation, if Borrower fails to pay any obligation owed to the State when due or fails to comply with any state, local or federal law.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 18TH DAY OF AUGUST 2011.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk				X
Senator John Carlson	X			
Senator Paul Gazelka	X			
Senator Tom Saxhaug	X			
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill				X
Representative Carolyn McElfatrick	X			
Representative Carly Melin	X			
Representative Tom Rukavina	X			
Mr. Joe Begich	X			
Mr. David Chura	X			
Mr. Jack Ryan	X			
TOTAL	11	0	0	2

Signed: _____
Tom Rukavina, Chair

b. Hibbing Public Utilities and Virginia Public Utilities – Resolution No. 12-002

Motion by Representative Carly Melin to approve the Hibbing Public Utilities and Virginia Public Utilities request to reduce the interest rate on their biomass loans from the

current 3.5% rate to 0%, as presented in Resolution No. 12-002. Seconded by Senator David Tomassoni. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Carolyn McElfatrick, Representative Carly Melin, Representative Tom Rukavina, Senator John Carlson, Senator Paul Gazelka, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. David Chura, Mr. Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Bakk, Representative David Dill

Hibbing Public Utilities and Virginia Public Utilities



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To: IRRRB Board

From: Tony Sertich
Commissioner

Date: August 15, 2011

Re: HIBBING PUBLIC UTILITIES and VIRGINIA PUBLIC UTILITIES

In September, 2004, IRRRB approved two \$4,000,000 loans, one to the Hibbing Public Utilities and one to the Virginia Public Utilities. The funds were part of an \$87,000,000 project to provide the two entities with the ability to use biomass to produce electricity. In addition to extending the life of the aging facilities and retaining over 70 jobs, the project provided a new market for the local logging industry.

In addition to the retained jobs at the utilities, over the past five years, the project has injected approximately \$25,000,000 into the economy through purchases of locally-produced biomass. These dollars were previously sent out-of-state to purchase coal. Also, since this project came on-line, this region has received over \$100,000,000 from sales of electricity to Excel Energy.

While the project has been successful, the utilities are experiencing economic challenges, primarily related to the cost and availability of biomass due to contraction of the logging industry, yielding less biomass, and competition from other biomass users. With the increased power production, the two facilities continue to deal with high costs of maintaining old equipment. They also anticipate future Federal requirements for increased pollution controls.

The two utilities have requested that the interest rate on their loans be reduced from the current 3.5% rate to 0%. This will provide each with additional cash flow to address the economic challenges they face.

I recommend approval of this request.

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
HIBBING AND VIRGINIA PUBLIC UTILITY BIOMASS PROJECT LOANS**

Resolution No.: 12-002

WHEREAS, the Commissioner, pursuant to approval granted in the Board's Resolution 05-001, entered into loan agreements in 2005 with Hibbing Public Utilities and Virginia Public Utilities (the "**PUCs**"), under the terms of which the agency loaned \$4 million to each entity at an interest rate of 3.5% simple interest per annum to provide funds for their biomass energy generation facility projects (the "**Biomass Loans**");

WHEREAS, for the reasons set forth in the materials presented to the Board at this meeting (the "**Board Packet Materials**"), the PUCs have requested that the agency reduce the interest rate applicable to those Biomass Loans from 3.5% to 0% (the "**Interest Rate Reduction Request**"), effective as of the date of the most recent loan installment payment made to the agency by each entity (the "**Reduction Date**"); and,

WHEREAS, the Board met at the agency's Administration Building near Eveleth on Thursday, August 18, 2011, at 10:00 a.m. to consider, among other matters, the Interest Rate Reduction Request; and

WHEREAS, the Board has determined that the reduction of the loan interest rates consistent with the Interest Rate Reduction Request in the manner set forth in the Board Packet Materials would be in the best interests of the agency and the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341.

NOW, THEREFORE, IT IS HEREBY RESOLVED that the Board approves the Interest Rate Reduction Request, effective as to interest accruing on the Biomass Loans from and after the Reduction Date, reducing the interest rate that is applicable to the Biomass Loans from 3.5% to 0%.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 18th DAY OF AUGUST 2011.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk				X
Senator John Carlson	X			
Senator Paul Gazelka	X			
Senator Tom Saxhaug	X			
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill				X
Representative Carolyn McElfpatrick	X			
Representative Carly Melin	X			
Representative Tom Rukavina	X			
Mr. Joe Begich	X			
Mr. David Chura	X			
Mr. Jack Ryan	X			
TOTAL	11	0	0	2

Signed: _____
Tom Rukavina, Chair

VI. FY12 IRRRB Budget

Action required: Approval requires 8 votes

a) FY12 Budget Request – Resolution No. 12-003

Motion by Representative Carolyn McElfpatrick to approve the FY12 IRRRB Budget request, as presented in Resolution No. 12-003. Seconded by Senator Paul Gazelka. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Carolyn McElfpatrick, Representative Carly Melin, Representative Tom Rukavina, Senator John Carlson, Senator Paul Gazelka, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. David Chura, Mr. Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Bakk, Representative David Dill



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Fax: (218)735-3047

To: Iron Range Resources & Rehabilitation Board

From: Tony Sertich
Commissioner

Date: August 18, 2011

Re: Fiscal Year 2012 IRRRB Budget

Enclosed is the IRRRB Fiscal Year 2012 budget for your review and approval.

Shortly after my appointment as IRRRB Commissioner, I initiated an analysis of the agency resources (both human and financial) with the goals of:

- Better streamlined processes
- Better deployment of IRRRB workforce directed toward the mission
- Better response to business and community needs

With the agency's revenue primarily dependent on the production of taconite, the FY2012 budget is impacted due to the lack of 2009 taconite production, at which time taconite production dropped from 39 million to 17 million tons. Taconite tax revenue for the agency has decreased by 35% from last year. Based on the three-year averaging of taconite tax, agency revenues will be reduced impacting both the FY2012 and FY2013 budgets.

To help account for this loss in revenue, some of the steps we are taking include:

- cutting our operations budget by almost 9%
- reducing costs at Giants Ridge®
- using carryforward resources

By implementing these measures, our key programs will be maintained at the previous year's level and the business development account is budgeted above the level invested last year.

I am optimistic about the future of the Iron Range. Taconite production has rebounded. Exciting opportunities for large development of our natural resources are on the horizon. Today's investment in our small businesses, communities, and workforce will prepare our region for jobs tomorrow.

FY 2012 Budget



IRON RANGE
Resources
& REHABILITATION BOARD

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***The IRRRB’s mission is to invest in
business, community and workforce development
for the betterment of northeastern Minnesota.***

FY12 Budget

Iron Range Resources & Rehabilitation Board	FY 2011 Budget	FY 2011 Projected	FY 2012 Budget
Resources			
Carryforward In	\$10,929,874	\$11,001,645	\$14,378,387
Current Resources			
Taconite Production Taxes	\$20,166,490	\$20,166,490	\$13,233,678
Investment Earnings	752,099	545,341	494,116
Loan Revenues	2,491,498	4,725,514	2,393,377
Facilities Revenues	4,672,507	4,253,988	5,061,975
Occupation Tax Region III	267,284	267,284	456,565
Subtotal Current Resources	\$28,349,878	\$29,958,617	\$21,639,711
Total Resources	\$39,279,752	\$40,960,262	\$36,018,098
Estimated Expenditures			
Operations	\$6,094,922	\$5,271,056	\$5,552,622
Facilities			
Giants Ridge Golf & Ski Resort	8,553,548	7,885,166	7,100,688
Minnesota Discovery Center	42,156	42,154	43,200
Total Facilities	\$8,595,704	\$7,927,320	\$7,143,888
Programs			
Program Grants	3,589,391	3,447,142	3,608,000
Occupation Tax Region III	267,284	267,284	456,565
Total Programs	\$3,856,675	\$3,714,426	\$4,064,565
Projects			
Business Development	9,600,000	4,169,073	6,500,000
Public Works	4,000,000	4,000,000	4,000,000
Legislative Transfer - Wage Enhancement Program	1,500,000	1,500,000	0
Total Projects	\$15,100,000	\$9,669,073	\$10,500,000
Total FY12 Budget	\$33,647,301	\$26,581,875	\$27,261,075
Estimated Carryforward Out	\$5,632,451	\$14,378,387	\$8,757,023

Operations

Operations reflect ongoing and day-to-day general and administrative expenses for running the agency: payroll, purchased services, attorney fees, indirect costs, consumable supplies, materials, repairs and maintenance. Personnel and operating expenses for all agency functional divisions including information & communications and community and business development are included. Operations work is largely directed by state-wide systems and policies including those in Human Resources, Finance, and Information Technology.

Operations Budget

Operations¹	FY 2011 Budget	FY 2011 Projected	FY 2012 Budget
Payroll			
Wages and Benefits	\$3,584,232	\$3,323,451	\$3,545,092
Retirement Insurance	60,557	53,530	120,095
Unemployment Compensation	100,000	44,562	100,000
Workers Compensation	150,925	150,925	120,297
Other Payroll Costs	15,200	7,302	32,700
Total Payroll	\$3,910,914	\$3,579,770	\$3,918,184
Purchased Services			
Rentals and Utilities	\$63,116	\$53,899	\$57,291
Printing and Advertising	305,800	196,651	115,300
Professional/Technical Services	250,000	254,901	144,200
Computer and System Services	68,400	53,298	76,000
Communications	148,288	104,238	125,840
Travel	164,325	99,686	150,100
Employee Development	49,810	19,302	42,310
Total Purchased Services	\$1,049,739	\$781,975	\$711,041
Supplies and Materials	\$382,420	\$280,957	\$209,670
Repairs and Maintenance	\$171,760	\$130,455	\$127,040
Indirect Costs			
Statewide Indirect Costs	\$131,589	\$130,296	\$131,637
Attorney General Costs	336,000	254,448	336,000
Total Indirect Costs	\$467,589	\$384,744	\$467,637
Other Expenses	\$112,500	\$113,155	\$119,050
Total Operations	\$6,094,922	\$5,271,056	\$5,552,622

¹ The FY12 budget includes Residential Building Demolition operations starting in 2012.

Facilities

Giants Ridge Golf & Ski Resort

The primary mission of Giant Ridge is to develop and promote tourism and recreational opportunities for the economic enhancement and diversification of the Taconite Assistance Area (TAA). Giants Ridge operates 36 holes of championship golf and a winter sports area that attracts 130,000 visitors annually. The Giants Ridge recreation area is comprised of 10,000 acres of land of which IRRRB owns 1,850 acres. A Master Plan for the Giants Ridge recreational area serves as the blueprint for residential and commercial growth.

New Giants Ridge Initiatives

- Food and Beverage Consolidation with The Lodge at Giants Ridge: October 2011
- Giants Ridge Central Reservations Center: August 2011
- New Resort Tax: Implemented July 1, 2011

Giants Ridge Golf & Ski Resort Budget

Giants Ridge Golf & Ski Resort	FY 2011 Budget	FY 2011 Projected	FY 2012 Budget
Revenues			
Admissions	\$2,938,190	\$2,534,477	\$2,560,931
Advertising & Marketing Sales	100,964	23,307	92,421
Commissions	17,908	18,800	16,805
Facility Rental	128,802	133,522	138,631
Retail Sales	1,171,733	1,037,589	1,723,597
Equipment Rental	200	1,811	200
Miscellaneous Revenue	124,713	85,636	202,697
Total Revenues	\$4,482,510	\$3,835,142	\$4,735,282
Expenses			
Salaries & Benefits	\$1,442,574	\$1,502,962	\$1,474,755
Utilities	276,303	306,596	321,445
Advertising & Marketing	297,394	220,970	277,723
Communications	370,042	180,888	145,765
General & Administrative	10,400	290	10,000
Equipment Rental	140,172	139,874	139,872
Management Fees	79,920	115,923	84,240
Professional Services	62,231	69,766	62,231
Management Expenses ²	2,964,487	2,667,673	3,664,055
Other Professional Services	5,000	3,250	25,000
Insurance	93,565	93,684	96,453
Maintenance & Repairs	69,415	68,786	23,477
Supplies	251,865	282,803	252,923
Travel	2,600	2,308	2,700
Other Operational Costs	212,677	216,346	194,296
Total Operational Expenses	\$6,278,645	\$5,872,119	\$6,774,935
Excess of Revenues Over (Under) Expenses	(\$1,796,135)	(\$2,036,977)	(\$2,039,653)
Non Operational Expenses			
Equipment	\$216,500	\$126,150	\$72,347
Capital Improvements / Leases / Grants	488,703	308,997	253,406
Debt Service ³	1,569,700	1,577,900	0
Total Non-Operational Expenses	\$2,274,903	\$2,013,047	\$325,753
Total Expenditures	\$8,553,548	\$7,885,166	\$7,100,688
Budget Surplus (Shortage)	(\$4,071,038)	(\$4,050,024)	(\$2,365,406)

² Golf, food & beverage operating expenses. In FY12, the Lodge food & beverage and central reservation expenses were added to this line item.

³ On November 1, 2010, the Commissioner of Iron Range Resources and Rehabilitation called and redeemed all of the Giants Ridge Recreation Area Series 2000 Bonds. The redemption cost, \$8,707,689, was funded by a loan from the corpus of the Douglas J. Johnson Economic Protection Trust Fund.

Minnesota Discovery Center

Minnesota Discovery Center (formerly Ironworld Discovery Center) is under the management of a nonprofit, Ironworld Development Corporation (IDC). The nonprofit Ironworld Development Corporation (IDC) manages the IRRRB's museum and park facilities at Ironworld under a Sublease/Management Agreement.

IDC is doing business as Minnesota Discovery Center, whose mission is to "collect, preserve, interpret and promote the history and cultural heritage of northeastern Minnesota; and to manage, promote, sustain and develop the assets of Ironworld for the long-term benefit of area residents and visitors."

The Sublease/Management Agreement provides an annual operating subsidy, the interest on an endowment fund and a \$250,000 challenge grant for operating or endowment fund raising. Grant funds for FY12 total \$1,348,000 and are included in the agency programs budget.

In addition to these grants, the agency budgets for annual insurance and other expenses which are identified below.

Minnesota Discovery Center⁴	FY 2011 Budget	FY 2011 Projected	FY 2012 Budget
IDC Operating	\$0	\$0	\$0
Endowment Challenge Match	0	0	0
Building Insurance	42,156	42,154	43,200
Building Capital Improvements	0	0	0
Total Minnesota Discovery Center	\$42,156	\$42,154	\$43,200

⁴ The budgets for IDC operating, endowment challenge match and building capital improvements transferred to Programs Grants - Culture & Tourism.

Programs

Grants

Community Readiness

Community Redevelopment

Community Redevelopment grants fund the demolition and removal of commercial or publicly-owned structures, or the clean-up of brownfield sites, making way for new development.

Workforce Development

Grants assist in workforce development by funding programs for industry, industry clusters, schools or collaborative partners that build capacity, responsiveness or innovation to address workforce needs. Funding is also available for secondary and post-secondary educational institutions to develop and deliver curriculum that prepares students for a seamless transition from high school or post-secondary education to the workforce.

Mining and Mineland Reclamation

Mineland Reclamation and Restoration

Projects in this category reclaim, restore and enhance lands in the TAA that have been adversely affected by past mining activities. Local units of government, reclamation committees and county mine inspectors may submit projects for consideration. In FY12, plans are to continue the rainbow trout stocking program in six mine pits: St. James Pit, Aurora; Lake Ore-Be-Gone, Gilbert; Mott Pit, Mountain Iron; Kinney Pit, Kinney, Judson Pit, Buhl; and La Rue Pit, Nashwauk. Funding also is included to remediate safety issues or other emergencies that may arise at abandoned mine areas.

Laurentian Vision Innovation Projects

Innovation grants continue to encourage and help fund collaborations between mining companies and local governments to build post-mining landscapes that benefit Iron Range communities. Funds from FY11 are being used to convert mined-out pits at Hibbing Taconite into shore land and upland areas for future community use. Also funded was the design for transforming the Peter Mitchell mine at Northshore into a future lake and recreational area.

Commissioner

Grants under the Commissioner's Program allow the agency to respond quickly to emergency situations or to support development opportunities that may not meet other program requirements. The Commissioner provides quarterly reports to the Board on grant awards.

Culture and Tourism

Culture and Tourism

Culture and Tourism grants help non-profit organizations undertake projects that stimulate tourism and enrich communities through artistic, heritage-related or recreational activities.

Minnesota Discovery Center

Minnesota Discovery Center's mission is to "collect, preserve, interpret and promote the history and cultural heritage of northeastern Minnesota; and to manage, promote, sustain and develop the assets of Ironworld for the long-term benefit of area residents and visitors."

Through FY 2016 the Sublease/Management Agreement provides an annual \$1,000,000 operating subsidy, the interest on an endowment fund and a \$250,000 challenge grant for operating or endowment fund raising. In addition to these financial terms, the budget includes \$98,000 for building capital improvements. Grant funds for FY12 total \$1,348,000.

Application Fund

The agency will reimburse communities, non-profits and educational organizations for up to one-half of the cost of applying for funding from other state, federal or private grant programs.

Region III

M.S. 298.17 authorizes Koochiching and Carlton County (Region III) grants from occupation taxes for economic and environmental development projects:

- The allocation is equal to the amount that would have been generated by a 1.5-cent tax imposed on each taxable ton for the preceding production year.
- The amount for both counties in FY11 was \$267,284, from which Iron Range Resources was reimbursed \$14,000 for costs of administering the fund.
- By law, one-third of the portion allocated for Koochiching County must be used to fund the Koochiching County Economic Development Commission.

Programs Budget

Program Grants	FY 2011 Budget	FY 2011 Projected	FY 2012 Budget
Community Readiness			
Community Redevelopment	\$1,000,000	\$1,000,000	\$1,000,000
Workforce Development	250,000	220,000	250,000
Total Community Readiness	\$1,250,000	\$1,220,000	\$1,250,000
Mining and Mineland Reclamation			
Mineland Reclamation and Restoration	\$35,000	\$15,457	\$35,000
Laurentian Vision Innovation Projects	250,000	250,000	250,000
Mining and Minerals ⁵	40,000	0	0
Total Mining and Mineland Reclamation	\$325,000	\$265,457	\$285,000
Commissioner Program	\$500,000	\$482,800	\$500,000
Culture & Tourism			
Culture & Tourism	\$150,000	\$150,000	\$150,000
Minnesota Discovery Center ⁶	1,289,391	1,289,391	1,348,000
Total Culture & Tourism	\$1,439,391	\$1,439,391	\$1,498,000
Application Fund	\$75,000	\$39,494	\$75,000
Total Program Grants	\$3,589,391	\$3,447,142	\$3,608,000

	FY 2011 Budget	FY 2011 Projected	FY 2012 Budget
Region III Grant – Carlton/Koochiching			
Region III	\$267,284	\$267,284	\$456,565

⁵ Proposed expenditures for this line item will be brought back to the Board at subsequent meetings during FY12.

⁶ In FY12, Minnesota Discovery Center is a new Program Grants budget.

Projects

Business Development

A total of \$6,500,000 is designated for economic development projects to promote business development opportunities and attract new investments to the region.

Public Works

Public Works grants help cities, townships, airport authorities, hospital boards, utility commissions and collaborative organizations complete projects that support community and economic development. Eligible projects include publicly owned infrastructure such as wastewater, drinking water, storm water and utility systems, health care and airport facility improvements and renewable energy or energy efficiency initiatives.

Projects Budget

Development Projects	FY 2011 Budget	FY 2011 Projected	FY 2012 Budget
Business Development	\$9,600,000	\$4,169,073	\$6,500,000
Public Works	4,000,000	4,000,000	4,000,000
Legislative Transfer - Wage Enhancement Program ⁷	1,500,000	1,500,000	0
Total Development Projects	\$15,100,000	\$9,669,073	\$10,500,000

⁷ Minn. Stat. 298.294 (b) transferred \$1.5 million of Douglas J. Johnson Economic Protection Trust Funds in FY10 and FY11 for loans or grants to small businesses for wage subsidies, short-term operating expenses and purchases of equipment and materials.

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
FISCAL YEAR 2012 AGENCY BUDGET APPROVAL**

Resolution No.: 12-003

WHEREAS, the Commissioner pursuant to the provisions of Minnesota Statutes Section 298.22, Subd. 11 has submitted to the Board for its consideration and approval a proposed FY12 Agency Investment Plan for the funding of operational expenditures, programs and projects of the agency during the State's fiscal year 2012 ("FY12") which covers the period of time from July 1, 2011, through June 30, 2012 (the "**Proposed FY12 Budget**"); and

WHEREAS, the Board on June 16, 2011, and the Governor on June 27, 2011, each previously approved an "Interim FY12 Operational Expenditure Funding" plan for the agency's anticipated expenditures during the period from July 1 through September 30, 2011 ("**Interim FY12 Budget**"); and,

WHEREAS, the Board met at the agency's Administration Building near Eveleth on Thursday, August 18, 2011, at 10:00 a.m. to consider, among other matters, the Proposed FY12 Budget; and

WHEREAS, the Board, after careful deliberation of the current and future resources anticipated to be available to the agency, has concluded that it would be in the best interests of the agency and the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341 ("**TAA**") to approve the Proposed FY12 Budget and to approve the requested expenditures of funds made available to the Commissioner under the provisions of Minnesota Statutes Section 298.22 ("**Board Account**"), Section 298.223 ("**Taconite Area Environmental Protection Fund**"), Sections 298.291 through 298.294 ("**Douglas J Johnson Economic Protection Trust Fund**"), and Section 298.17 ("**Occupation Tax Funds**"), for the projects and purposes, in the amounts, and to the extent requested for final approval authorization in the Proposed FY12 Budget; and,

WHEREAS, the Board finds that, in compliance with the requirements of Minnesota Statutes Section 298.223, Subd. 2(b), the Proposed FY12 Budget provides for the planned expenditure of at least one-half of the FY12 Taconite Environmental Protection Funds for public works projects.

NOW, THEREFORE, IT IS HEREBY RESOLVED that the Board approves, subject to the conditions indicated below, the Proposed FY12 Budget and the expenditure authorizations therein requested to fund the operations and facilities of the agency during FY12 and those additional specific programs and projects for which final expenditure authorization was requested by the Commissioner in the Proposed Budget, with such approval granted for the expenditures in the amounts, for the purposes, and from the sources indicated in the Proposed FY12 Budget, reserving the right of the Board to approve or disapprove at subsequent meetings

during FY12 expenditures for those projects for which final expenditure authorization was not requested in the Proposed Budget.

BE IT FURTHER RESOVED that the Board’s approval of the proposed expenditure under the “Program” portion of the Proposed Budget of \$500,000 for the “Commissioner’s Program” is subject to the additional requirements that:

1. The Commissioner may expend the first \$250,000 portion of the budgeted amount without further Board approval;
2. Expenditure of the remaining \$250,000 of the budgeted amount is subject to further Board approval; and,
3. The Commissioner shall report quarterly to the Board the amounts and purposes for which the approved Commissioner projects funds were expended.

BE IT FURTHER RESOLVED, that the Board intends that the Proposed FY12 Budget, as hereby approved shall, upon final approval by the Governor, supersede and replace the Interim FY12 Budget.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 18th DAY OF AUGUST 2011.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk				X
Senator John Carlson	X			
Senator Paul Gazelka	X			
Senator Tom Saxhaug	X			
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill				X
Representative Carolyn McElfatrick	X			
Representative Carly Melin	X			
Representative Tom Rukavina	X			
Mr. Joe Begich	X			
Mr. David Chura	X			
Mr. Jack Ryan	X			
TOTAL	11	0	0	2

Signed: _____
Tom Rukavina, Chair

5) Adjournment

The meeting adjourned at 11:55 a.m.

Douglas J. Johnson Economic Protection Trust Fund

Action required: Project approval requires 8 votes

- a) Premier Plastics, Inc.

Premier Plastics, Inc.
Bank Participation Loan Program

APPLICANT:

Premier Plastics, Inc.

PRINCIPAL(S):

Bob Menne III, President
Jamie Miklya, Vice President

BRIEF PROJECT DESCRIPTION:

Purchase of additional manufacturing equipment.

PROJECT COST:

Equipment purchase and installation. \$447,000

PROJECT BREAKDOWN:

Company Cash	\$147,000
Bank Loan	\$150,000
IRRRB Bank Participation Loan	\$150,000

COLLATERAL:

The new Rotational Molding Machine to be purchased with loan proceeds. Personal guaranty of Bob Menne III.

JOBS:

Retain 26 FT and create 5 FT at a starting wage of \$9 per hour plus benefits. The average wage for Premier's manufacturing personnel is \$13.06 per hour.

CONTINGENCIES:

Other project funding indicated above must be committed.

TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS:

The project was recommended for approval at the October 11, 2011, Technical Advisory Committee meeting.

FUNDING AUTHORIZATION:

Douglas J. Johnson Economic Protection Trust Fund: This project is authorized under the provisions of the Douglas J. Johnson Economic Protection Trust Fund Act (Minnesota Statutes sections 298.291-298.298) pertaining to expenditures of Douglas J. Johnson Economic Protection Trust Fund monies for economic development projects in that these statutes authorize small business development loans to private enterprises for the purposes of job creation and economic development within the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341.

PROJECT DESCRIPTION:

Premier Plastics, Inc. was established in 1997. The business is owned 65% by Bob Menne III, 20% Bob Menne Jr. and 15% Lori Obar. Prior to forming Premier Plastics, Bob Menne III was production manager for Polaris industries. Bob Menne Jr. is the co-founder of Premier Marine, which manufactures pontoon boats in Wyoming, MN.

Premier Plastics began producing roto-molded and vacuum-formed plastic components in Wyoming, MN for the recreation industry, concentrating on marine and All-Terrain-Vehicle applications. They relocated to Hoyt Lakes in 2003 and now have 26 full-time employees.

The company is recovering well from the recent recession and is experiencing strong sales growth. To meet their customer's increasing demand, Premier must expand its production capacity with additional manufacturing equipment.

MANAGEMENT TEAM:

Bob Menne III, President of Premier Plastics, started the company in 1997 and oversees all aspects of the operation. He has over 30 years of experience in the marine and recreation industries.

Jamie Miklya, Vice President of Premier Plastics, holds a Bachelor's degree in accounting and is responsible for all financial areas. Jamie has been with Premier Plastics for 10 years.

MARKET OPPORTUNITY:

In addition to the marine and recreation markets, Premier has expanded into heavy-equipment companies such as Terex/ASV and transportation companies such as Bombardier trains. Their product line includes tables, doors, seat bottoms, helms, galleys, live-wells and ski/rod lockers for the marine industry. They also produce cargo boxes, baskets and roofs for the ATV and UTV industries. Their customer list includes: ASV/Terex, Dingwell/Bombardier, Parts Canada, J&M ATV Supply, Lemans/Parts Unlimited, MNStar Technologies, Flexsteel, Tucker Rocky Distributing, Wide Open Company, Premier Marine, Polaris, Kawasaki, Suzuki, and Sportsman's Guide.

COLLATERAL REVIEW:

Collateral will consist of a new Ferry RotoSpeed Model RS3-3000HD Independent-Arm Rotational Molding Machine with InfraRed Thermometry. Purchase price of the equipment is \$375,000.

PAST IRON RANGE RESOURCES HISTORY:

IRRRB involvement with Premier Plastics includes financing to the City of Hoyt Lakes for the manufacturing facility which is leased by Premier Plastics. Lease payments have reduced the facilities debt by \$432,000 with a balance of \$860,000 remaining. IRRRB extended \$100,000 in financing for a storage facility and \$125,000 for production equipment. Approximately \$125,000 remains on these two loans.

Taconite Area Environmental Protection Fund

Action Required: Approval requires 7 votes

- a) Enterprise Minnesota
- b) City of Babbitt Public Works Grant
- c) Fayal Township Public Works Grant Reallocation
- d) City of Orr Renewable Energy Grant Amendment

Enterprise Minnesota



Iron Range Resources

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Fax: (218)735-3047

To: Iron Range Resources & Rehabilitation Board Members

From: Tony Sertich
Commissioner

Date: 10/14/11

Re: ENTERPRISE MINNESOTA

Enterprise Minnesota is a 501(c)3, fee for service organization that works with small and medium sized Minnesota manufacturing companies to help them compete and grow profitably. The organization was originally chartered and funded by Governor Rudy Perpich and the Minnesota Legislature in 1987 as the Greater Minnesota Corporation with a mission to work with manufacturing companies in greater Minnesota. Enterprise Minnesota has not received any state funding for operations since 2004. The organization is one of 59 affiliates of the US Department of Commerce National Institute of Standards and Technology (NIST) Manufacturing Extension Partnership (MEP), that works with manufacturers to help them become operationally efficient and on a path towards growth. Enterprise Minnesota works with about 200 companies annually to help them become more efficient and compete in a global economy. They have a proven track record of helping companies grow and creating more jobs.

Enterprise Minnesota offers a variety of services, many of which can be customized, to its manufacturing business clientele, such as: the incorporation of “lean” concepts and techniques through its Growth Acceleration Program (GAP); other programs that utilize “lean” training; CEO peer councils, and; proactive marketing training, to name a few.

I am proposing we use \$50,000 in partnership with Enterprise Minnesota to make its services more accessible to our local Taconite Assistance Area manufacturers. The grant would be structured on a reimbursement basis. The companies receiving the assistance of Enterprise Minnesota would be required to match the eligible IRRRB assistance on a dollar for dollar basis and to apply for any other available funding to offset the cost. It is estimated that 8-10 area manufacturers would benefit from the grant. No other organization provides these services exclusively to manufacturing businesses. This would be a pilot project to see if this tool would be useful to our existing local manufacturing business to increase their competitiveness and create jobs.

City of Babbitt Public Works Grant



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Fax: (218)735-3047

To: Iron Range Resources and Rehabilitation Board

From: Tony Sertich
Commissioner

Date: October 20, 2011

Re: \$180,000 CITY OF BABBITT PUBLIC WORKS GRANT

The city of Babbitt is requesting a \$180,000 Public Works grant for emergency upgrades to a water line that will allow for the new construction of the Zup's Food Market store and pharmacy. The new water line will provide adequate water flow and fire protection for the new building. The old main water line was only three inches in diameter and was installed in the 1950's. The new water line will be 8 inches in diameter. The total project cost, including the building, inventory and infrastructure, is approximately \$1.9 million. This project will retain 26 employees and add several other jobs.

A fire in the middle of the night on Saturday, September 24, 2011, destroyed Zup's Food Market and Babbitt Drug and caused smoke and water damage, along with power loss, to other businesses including US Bank, The Lost Sock Laundromat, Magic Shears Salon, The Babbitt Weekly News, Maximum Fitness and Kell's Kitchen. US Bank, which will be gutted and renovated, has set up a mobile station for its customers. Maximum Fitness suffered smoke and water damage and will be gutted. The Lost Sock Laundromat and Magic Shears are now open for business. The power has been restored to Kell's Kitchen and clean-up is in process. Kell's Kitchen was expected to open during the week of October 10.

Zup's Food Market has been in Babbitt since June 20, 1983, and also operates stores in Ely, Tower, Cook, Aurora and Silver Bay. Zup's of Babbitt employs 26 people. Employees are still receiving their pay and benefits after the fire. While Zup's intent is to rebuild, the Babbitt Drug will be closing after 52 years of business. Plans are for a new pharmacy to be included in Zup's new store. Two pharmacists have already expressed interest. The shell is expected to be up by the first of the year and the store to be open for business by April 1, 2012. All debris was removed by October 13, 2011.

Funding Authorization

This project is authorized under the provisions of the Taconite Area Environmental Protection Fund, as codified under Minnesota Statutes, Section 298.223, by supporting local economic development and public works projects located within the Taconite Assistance Area defined in Section 273.1341.

Town of Fayal Public Works Grant Reallocation



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Fax: (218)735-3047

To: Iron Range Resources and Rehabilitation Board

From: Tony Sertich
Commissioner

Date: October 20, 2011

Re: \$100,000 TOWN OF FAYAL PUBLIC WORKS GRANT REALLOCATION FOR A RENEWABLE ENERGY GRANT

In FY 09, the Board awarded a \$100,000 Public Works Grant to the Town of Fayal to extend water service to a single family residential development. Due to the downturn in the economy and the real estate market, Fayal has been unable to secure a developer to follow through on the project, and the Town Board believes that it is improbable that the project will move forward.

Therefore, the Town of Fayal is requesting use of the original \$100,000 grant to instead design and construct a solar photovoltaic (PV) system to serve their Town and Fire Hall complex. Proposed is an 11.4 kW solar PV system, consisting of Silicon Energy collectors, which would be installed on three pole mount racks. It is estimated that the system would produce 16,225 kWh annually and prevent 32,450 pounds of CO2 from being emitted into the environment each year.

Procedurally, this recommended action is to cancel the FY09 Public Works grant to Fayal Township for the single family residential development, and to increase the FY12 budget by \$100,000 to fund the renewable energy project in FY12.

USES	SOURCES		
	Applicant	IRRRB	Total
Solar Panel Design, Purchase and Installation	\$10,000	\$100,000	\$110,000
	\$10,000	\$100,000	\$110,000

Funding Authorization

This project is authorized under the provisions of the Taconite Area Environmental Protection Fund, as codified under Minnesota Statutes, Section 298.223, by supporting local economic development and public works projects located within the Taconite Assistance Area defined in Section 273.1341.

City of Orr Renewable Energy Grant Amendment



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Fax: (218)735-3047

To: Iron Range Resources and Rehabilitation Board

From: Tony Sertich
Commissioner

Date: October 20, 2011

Re: CITY OF ORR RENEWABLE ENERGY GRANT AMENDMENT

At the August 19, 2010, Board meeting, a \$184,761 FY11 Renewable Energy Grant was awarded to the City of Orr. The grant was to install biomass boilers at seven city-owned properties, in addition to installing two solar photovoltaic systems on city buildings. The biomass boilers were intended to provide a market demand for the proposed biomass pellet plant in Orr, which is a project that has not moved forward to date.

Therefore, the City is requesting a change to the original grant request and to use the entire \$184,761 for a solar photovoltaic project.

Funding Authorization

This project is authorized under the provisions of M.S. 298.2961, Subd 6., which was amended in 2009 to provide funds for cooperative projects between the IRRRB and local governments for renewable energy initiatives.

Taconite Economic Development Fund (TEDF) – Production 2010, Pay 2011

Action Required: Approval requires 7 votes

- a) TEDF Memo
- b) TEDF Chart
- c) TEDF Statutes
- d) Hibbing Taconite Company
- e) Northshore Mining Company
- f) United Taconite, LLC.
- g) United States Steel – Keetac
- h) United States Steel – Minntac

TEDF Memo



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Fax: (218)735-3047

To: Iron Range Resources and Rehabilitation Board

From: Tony Sertich
Commissioner

Date: October 20, 2011

Re: Taconite Economic Development Fund

The attached documents provide information on the pay 2011 based on 2010 production Taconite Economic Development Fund (TEDF) program.

1. The table presents the total TEDF allocation that each producer is eligible to receive as determined by the Department of Revenue. The total amount (30.1 cpt*) is composed of two (2) parts, 15.4 cpt and 14.7 cpt. To receive the 14.7 cpt component, the producer must match 50% of this amount.
2. Minnesota Statutes Section 298.227, Taconite Economic Development Fund
3. Minnesota Statutes Section 298.28, Subdivision 9a, Division and Distribution Of Proceeds, Taconite Economic Development Fund

*cpt = cents per ton

TEDF Chart

Taconite Economic Development Fund M.S. 298.227

Pay 2011 (2010 production)

PRODUCER	15.4 c-p-t	14.7 c-p-t	Total TEDF Pay 2011	Producer Match 7.35 c-p-t
Hibbing Taconite	793,066	757,017	1,550,083	378,509
ArcelorMittal - Minorca	456,979	320,497	777,476	160,249
Magnetation, Inc.	11,700	1,280	12,980	640
Northshore	748,048	636,039	1,384,087	318,020
US Steel - Keetac	623,871	471,483	1,095,354	235,742
US Steel - Minntac	1,717,155	1,612,199	3,329,354	806,100
United Taconite	848,445	675,826	1,524,271	337,913
Totals	5,199,264	4,474,341	9,673,605	2,237,171

Reference: Department of Revenue Minerals Tax Office, February 2011.

Note: Chips and fines are reflected in the 15.4 c-p-t amount.

c-p-t = cents per ton

TEDF Statutes

298.227 TACONITE ECONOMIC DEVELOPMENT FUND.

(a) An amount equal to that distributed pursuant to each taconite producer's taxable production and qualifying sales under section 298.28, subdivision 9a, shall be held by the Iron Range Resources and Rehabilitation Board in a separate taconite economic development fund for each taconite and direct reduced ore producer. Money from the fund for each producer shall be released by the commissioner after review by a joint committee consisting of an equal number of representatives of the salaried employees and the nonsalaried production and maintenance employees of that producer. The District 11 director of the United States Steelworkers of America, on advice of each local employee president, shall select the employee members. In nonorganized operations, the employee committee shall be elected by the nonsalaried production and maintenance employees. The review must be completed no later than six months after the producer presents a proposal for expenditure of the funds to the committee. The funds held pursuant to this section may be released only for workforce development and associated public facility improvement, or for acquisition of plant and stationary mining equipment and facilities for the producer or for research and development in Minnesota on new mining, or taconite, iron, or steel production technology, but only if the producer provides a matching expenditure to be used for the same purpose of at least 50 percent of the distribution based on 14.7 cents per ton beginning with distributions in 2002. Effective for proposals for expenditures of money from the fund beginning May 26, 2007, the commissioner may not release the funds before the next scheduled meeting of the board. If a proposed expenditure is not approved by at least seven Iron Range Resources and Rehabilitation Board members, the funds must be deposited in the Taconite Environmental Protection Fund under sections 298.222 to 298.225. If a producer uses money which has been released from the fund prior to May 26, 2007 to procure haulage trucks, mobile equipment, or mining shovels, and the producer removes the piece of equipment from the taconite tax relief area defined in section 273.134 within ten years from the date of receipt of the money from the fund, a portion of the money granted from the fund must be repaid to the taconite economic development fund. The portion of the money to be repaid is 100 percent of the grant if the equipment is removed from the taconite tax relief area within 12 months after receipt of the money from the fund, declining by ten percent for each of the subsequent nine years during which the equipment remains within the taconite tax relief area. If a taconite production facility is sold after operations at the facility had ceased, any money remaining in the fund for the former producer may be released to the purchaser of the facility on the terms otherwise applicable to the former producer under this section. If a producer fails to provide matching funds for a proposed expenditure within six months after the commissioner approves release of the funds, the funds are available for release to another producer in proportion to the distribution provided and under the conditions of this section. Any portion of the fund which is not released by the commissioner within one year of its deposit in the fund shall be divided between the taconite environmental protection fund created in section 298.223 and the Douglas J. Johnson economic protection trust fund created in section 298.292 for placement in their respective special accounts. Two-thirds of the unreleased funds shall be distributed to the taconite environmental protection fund and one-third to the Douglas J. Johnson economic protection trust fund.

(b)(i) Notwithstanding the requirements of paragraph (a), setting the amount of distributions and the review process, an amount equal to ten cents per taxable ton of production in 2007, for distribution in 2008 only, that would otherwise be distributed under paragraph (a), may be used for a loan or grant for the cost of providing for a value-added wood product facility located in the taconite tax relief area and in a county that contains a city of the first class. This amount must be deducted from the distribution under paragraph (a) for which a matching expenditure by the producer is not required. The granting of the loan or grant is subject to approval by at least seven Iron Range Resources and Rehabilitation Board members. If the money is provided as a loan, interest must be payable on the loan at the rate prescribed in section 298.2213, subdivision 3. (ii) Repayments of the loan and interest, if any, must be deposited in the taconite environment protection fund under sections 298.222 to 298.225. If a loan or grant is not made under this paragraph by July 1, 2012, the amount that had been made available for the loan under this paragraph must be transferred to the taconite environment protection fund under sections 298.222 to 298.225. (iii) Money distributed in 2008 to the fund established under this section that exceeds ten cents per ton is available to qualifying producers under paragraph (a) on a pro rata basis.

(c) Repayment or transfer of money to the taconite environmental protection fund under paragraph (b), item (ii), must be allocated by the Iron Range Resources and Rehabilitation Board for public works projects in house legislative districts in the same proportion as taxable tonnage of production in 2007 in each house legislative district, for distribution in 2008, bears to total taxable tonnage of production in 2007, for distribution in 2008. Notwithstanding any other law to the contrary, expenditures under this paragraph do not require approval by the governor. For purposes of this paragraph, "house legislative districts" means the legislative districts in existence on the effective date of this section.

298.28 DIVISION AND DISTRIBUTION OF PROCEEDS.

Subd. 9a. **Taconite economic development fund.** (a) 30.1 cents per ton for distributions in 2002 and thereafter must be paid to the taconite economic development fund. No distribution shall be made under this paragraph in 2004 or any subsequent year in which total industry production falls below 30 million tons. Distribution shall only be made to a taconite producer's fund under section 298.227 if the producer timely pays its tax under section 298.24 by the dates provided under section 298.27, or pursuant to the due dates provided by an administrative agreement with the commissioner.

Hibbing Taconite Company



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To: Iron Range Resources and Rehabilitation Board Members

From: Tony Sertich
Commissioner

Date: October 20, 2011

**Re: HIBBING TACONITE COMPANY TACONITE ECONOMIC DEVELOPMENT FUND
PROJECT (PAY 2011, PRODUCTION 2010) – \$1,550,083**

Minnesota Statutes 298.227, authorize grants to Minnesota's taconite producers *for workforce development and associated public facility improvement, or for acquisition of plant and stationary mining equipment and facilities for the producer or for research and development in Minnesota on new mining, or taconite, iron, or steel production technology, but only if the producer provides a matching expenditure to be used for the same purpose of at least 50 percent of the distribution based on 14.7 cents per ton.* These funds are held in the Taconite Economic Development Fund.

Effective for proposals for expenditures of money from the fund beginning May 26, 2007, the commissioner may not release the funds before the next scheduled meeting of the board. . If a proposed expenditure is not approved by at least seven Iron Range Resources and Rehabilitation Board members, the funds must be deposited in the Taconite Environmental Protection Fund under sections 298.222 to 298.225.

Hibbing Taconite Company is eligible for a pay 2011, based on 2010 production, Taconite Economic Development Fund rebate of \$1,550,083, subject to the company providing a match of \$378,509 for a total project cost of \$1,928,592.

The Hibbing Taconite Mining Company TEDF Review Committee completed its review on September 29, 2011, and unanimously approved submitting the following project.

Project 1 – Tailing Basin Spillway - \$2,000,000

The Hibbing Taconite tailings basin is a critical component to the taconite production process. It must provide storage for the current and future production of tailings.

Construction of a spillway for the existing western tailings basin cells will improve the safety and allow better control of tailings deposition, water reclamation and increase the capacity of the tailings basin complex. The spillway passes water into the clearwater reservoir from Hibbing Taconite's interior dam and will be regularly raised to maximize available tailing storage during the life of the mine. Hibbing Taconite evaluated several alternatives and they selected the spillway design that provides for operative feasible construction, good constructability and lowest operational cost.

Phase 1 of the spillway will begin in 2011. The work includes foundation construction for the new spillway that involves the excavating, loading, hauling, and placing of earthen fill materials, including coarse tailing granular and mine rock riprap. Final construction and operation of the spillway will occur in 2012.

The benefits of this project are to maintain clarified water for plant operations, maintain adequate pond flood fireboard for all the dams, and to prevent shortening the useful life of the tailing basin.

TEDF Grant	\$1,550,083
Company Match	<u>\$499,917</u>
Estimated Project Total Cost	\$2,000,000

Northshore Mining Company



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To: Iron Range Resources and Rehabilitation Board Members

From: Tony Sertich
Commissioner

Date: October 20, 2011

**Re: NORTHSHORE MINING COMPANY TACONITE ECONOMIC DEVELOPMENT
FUND PROJECT (PAY 2011, PRODUCTION 2010) - \$1,384,087**

Minnesota Statutes 298.227, authorize grants to Minnesota's taconite producers *for workforce development and associated public facility improvement, or for acquisition of plant and stationary mining equipment and facilities for the producer or for research and development in Minnesota on new mining, or taconite, iron, or steel production technology, but only if the producer provides a matching expenditure to be used for the same purpose of at least 50 percent of the distribution based on 14.7 cents per ton.* These funds are held in the Taconite Economic Development Fund.

Effective for proposals for expenditures of money from the fund beginning May 26, 2007, the commissioner may not release the funds before the next scheduled meeting of the board. If a proposed expenditure is not approved by at least seven Iron Range Resources and Rehabilitation Board members, the funds must be deposited in the Taconite Environmental Protection Fund under sections 298.222 to 298.225.

Northshore Mining Company is eligible for a pay 2011, based on 2010 production, Taconite Economic Development Fund rebate of \$1,384,087, subject to the company providing a match of \$318,020, for a total project cost of \$1,702,107.

The Northshore Mining Company TEDF Review Committee completed its review on September 23, 2011, and unanimously approved submitting the following project.

Project 1 – Reactivation of Concentrator Section 6 - \$4,838,000

Northshore Mining Company has reactivated Furnace 5 to provide additional pellet production capacity. This has increased the demand for concentrate since the eleven existing concentrate producing sections do not have the capacity to supply Furnace 5's maximum production capability. Some concentrator lines, along with Furnace 5, have been idle since the early 80's. Furnace 5 can provide an additional 800,000 tons of annual pellet capacity if there is an adequate supply of concentrate. Each concentrator section provides 400,000 tons of concentrate.

Reactivation of concentrator section 6 would provide additional concentrate to meet the needs of Furnace 5. Other advantages of this project are that it will allow Northshore to process harder ore, which takes longer, and allow outside sales of concentrate to occur.

TEDF Grant	\$1,384,087
Company	<u>\$3,453,913</u>
Estimated Project Total Cost	\$4,838,000

United Taconite, LLC.



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To: Iron Range Resources and Rehabilitation Board Members

From: Tony Sertich
Commissioner

Date: October 20, 2011

**Re: UNITED TACONITE LLC TACONITE ECONOMIC DEVELOPMENT FUND
PROJECT (PAY 2011, PRODUCTION 2010) \$1,524,271**

Minnesota Statutes 298.227, authorize grants to Minnesota's taconite producers *for workforce development and associated public facility improvement, or for acquisition of plant and stationary mining equipment and facilities for the producer or for research and development in Minnesota on new mining, or taconite, iron, or steel production technology, but only if the producer provides a matching expenditure to be used for the same purpose of at least 50 percent of the distribution based on 14.7 cents per ton.* These funds are held in the Taconite Economic Development Fund.

Effective for proposals for expenditures of money from the fund beginning May 26, 2007, the commissioner may not release the funds before the next scheduled meeting of the board. If a proposed expenditure is not approved by at least seven Iron Range Resources and Rehabilitation Board members, the funds must be deposited in the Taconite Environmental Protection Fund under sections 298.222 to 298.225.

United Taconite LLC is eligible for a pay 2011, based on 2010 production, Taconite Economic Development Fund rebate of \$1,524,271, subject to the company providing a match of \$337,913 for a total project cost of \$1,862,184.

The United Taconite TEDF Review Committee completed its review on September 29, 2011, and unanimously approved submitting the following project.

Project 1 – New Track Arrangement (Loop Track) - \$2,018,000

United Taconite LLC utilizes the Canadian National (CN) Railroad to transport ore 10 miles from the mine pit to the pellet processing plant. The current track arrangement at the mine requires an inbound train to pull onto a set of tail tracks located parallel to and extending past the loading pocket. The engine and ore cars must clear the switch to the loading pocket, and then the

locomotive disconnects from the ore cars and travels on the adjacent track to the other end of the train. This process is time consuming and cumbersome because it requires bleeding off air on the string of cars, moving the locomotive, reconnecting the locomotive and then rebuilding air pressure in order to release the brakes on the cars. In addition, the two existing tail tracks and the tracks under the loading pocket are all located on mineable ore reserves, which are part of United Taconite's long-range mine plan.

United Taconite's project involves the design and construction of a new loop track arrangement that will eliminate the need for a locomotive to disconnect and reconnect. The loop track will be constructed on lands adjacent to the existing tracks that will not affect access to commercial ore reserves. All necessary permits have been secured and soil stabilization efforts were initiated in prior years. Construction of the loop track is scheduled to occur in 2011.

The benefits of this project are time reduction in train cycle time (pit to plant) by 15-20 minutes, allow for an increase of 20 cars per train and opening access to additional ore reserves in the future.

TEDF Grant	\$1,524,271
Company	<u>\$493,729</u>
Estimated Project Total Cost	\$2,018,000

United States Steel – Keetac



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To: Iron Range Resources and Rehabilitation Board Members

From: Tony Sertich
Commissioner

Date: October 20, 2011

**Re: UNITED STATES STEEL – KEETAC TACONITE ECONOMIC DEVELOPMENT
FUND PROJECTS (Pay 2011, Production 2010) - \$1,095,354**

Minnesota Statutes 298.227, authorize grants to Minnesota's taconite producers *for workforce development and associated public facility improvement, or for acquisition of plant and stationary mining equipment and facilities for the producer or for research and development in Minnesota on new mining, or taconite, iron, or steel production technology, but only if the producer provides a matching expenditure to be used for the same purpose of at least 50 percent of the distribution based on 14.7 cents per ton.* These funds are held in the Taconite Economic Development Fund.

Effective for proposals for expenditures of money from the fund beginning May 26, 2007, the commissioner may not release the funds before the next scheduled meeting of the board. If a proposed expenditure is not approved by at least seven Iron Range Resources and Rehabilitation Board members, the funds must be deposited in the Taconite Environmental Protection Fund under sections 298.222 to 298.225.

US Steel – Keetac Mining Company is eligible for a pay 2011, based on 2010 production, Taconite Economic Development fund rebate of \$1,095,354, subject to the company providing a match of \$235,742, for a total project cost of \$1,331,096.

The US Steel Keetac Mining Company TEDF Review Committee completed its review on September 7, 2011, and unanimously approved submitting the following projects.

Projects 1 – 5 are Primary Projects and projects 6 – 7 are Residual Projects. Approved Primary Projects are funded first. If the eligible expenses or the total cost of the project is less than the estimated project total cost the company may not receive their total rebate. To address this possibility the company may submit Residual Projects for Board review and approval. The Residual Projects become eligible for funding upon completion of the approved and funded Primary Projects.

Project 1 – Tailings Basin Reclamation & Dust Control - \$540,000

The Keetac active tailings pond is 2,500 acres in size and has a perimeter dike of 44,000 feet. Each year, 12,000 linear feet of the perimeter dike is built up by six feet by using coarse tailings and bulldozing the coarse tailings up onto the dike. The tailing beaches adjacent to the 12,000 lineal feet of tailings basin dike vary in width between the dike and the water from 600 to 2,000 feet. The tailing beaches starting at the perimeter dike consist of the coarse and medium tailings; second, the medium and the fine tailings; and the third, the fine tailings. The water carries the medium and fine tailings flows toward the interior of the pond, finally settling out in the interior water reservoir.

Keetac is required to establish and execute an annual reclamation activity by the Department of Natural Resources and control fugitive dust to levels established by the Minnesota Pollution Control Agency. The annual vegetation and tree planting activity on the tailings basin is used to satisfy the requirements of both of these agencies.

Seed and fertilizer are applied to bare areas of tailings on the inactive areas of the basin by using specialized low ground pressure seeding equipment. Various seed mixtures are used to match the needs of each seeded area. Temporary vegetated areas are seeded within the basin during March and April while the ground is still frozen. Permanent seeding activities on the outer slopes are generally completed in May. The nutrient levels of tailings are very low, so significant amount of fertilizer are required to establish and sustain plant growth. In lieu of chemical fertilizers, bio-solids have been tried and found to be a successful alternative.

The use of tackified hay mulch has been an effective method of controlling dust on the tailings basin. Mulch is spread by either bale busters that are pulled by low ground pressure tractors or it can be spread effectively by a helicopter. Tractors and other ground equipment can only be used when the ground is dry or frozen. The use of helicopters is needed in areas where tailings have been recently deposited. Native trees are used to enhance the perimeter of the tailings basin. The benefits of trees include acting as a noise and visual buffer for the operation, and they have proved effective as a means of windbreak controlling wind erosion and fugitive dust. The trees that are used are either supplied by the IRRRB, purchased from local nurseries, or grown from seed and cuttings collected from the Keetac property. Approximately 15,000 trees are planted annually.

TEDF Grant	\$444,366
Company	<u>\$95,634</u>
Estimated Project Total Cost	\$540,000

Project 2 – Mobile Equipment Storage Building - \$575,000

Keetac removed the West Hill Equipment Storage Building in February 2011 in order to allow for overburden removal in the area of the South Stevenson Mining Area on the east end of the Keetac Pit. Keetac must find a site and build a new cold storage building to store maintenance equipment.

TEDF Grant	\$473,168
Company	<u>\$101,832</u>
Estimated Project Total Cost	\$575,000

Project 3 – Mine Data Communication Equipment - \$250,000

Keetac currently uses a wideband, wireless radio transmitting infrastructure in their mine. In 2013, the FCC is mandating all radio transmitting systems be narrow band compliant, therefore, Keetac needs to install an updated radio transmission system to relay mine production dispatch communications to the mobile units in the pit. Keetac has researched the available systems and have selected the Motorola Mesh Network to meet their needs and satisfy the FCC requirements.

TEDF Grant	\$177,820
Company	<u>\$72,180</u>
Estimated Project Total Cost	\$250,000

Project 4 – Plant Guarding - \$1,330,000

MSHA has determined that the existing guarding or lack of guarding on equipment throughout the facility must be addressed. Keetac will make this a priority. New or replacement guarding will be designed, fabricated and installed in the crusher, concentrator and agglomerator facilities to meet the requirements and mandates established by MSHA. Each area of the three facilities has stationary equipment with moving parts where this work will occur. Keetac’s plan is to change out the current inadequate guards with newly designed guards that will be specific to each piece of equipment or install new guards where none are currently present. The issue is that many pieces of equipment have guards that do not cover all of the moving parts, and the new designs will alleviate this potential safety issues.

The benefit of this project is that an employee working on or around a piece of equipment will be better protected from injury with the new guards in place. The goal of this project is to eliminate exposure to moving parts on all the facilities equipment.

TEDF Grant	\$0
Company	<u>\$1,330,000</u>
Estimated Project Total Cost	\$1,330,000

Project 5 - Automation Ball Charges - \$440,000

Liberation of the iron units found in the taconite ore requires the rock to be crushed and ground to very small particles and this happens in the concentrator process. The Keetac concentrator utilizes 10 Semi Autogenous Grinding Mills to reduce rock that is sized 8” to ¼” minus sized material in order to liberate the iron units. These mills are charged with 5” diameter steel grinding balls used to pulverize and grind the ore. The balls must be periodically added to the grinding mills. Employees are required to manually count and if necessary add balls to the mill, which can be hazardous and may provide inconsistent results if not accurately counted. Automatic Ball Chargers enable grinding balls to be added to the mills in small consistent batches at a greater frequency, while enhancing safety.

TEDF Grant	\$0
Company	<u>\$440,000</u>
Estimated Project Total Cost	\$440,000

The following are Residual Projects that will be eligible for funding upon completion of the approved and funded Primary Projects.

Project 6 - Exploratory Drilling and Analysis - \$250,000

Keetac needs to conduct additional investigation regarding the ore reserves on the west end of the Keetac Pit in the area referred to as the Nashwauk Reserve. Ten diamond drill holes are needed to further define the pit limits and quantify the ore reserves. Idea Drilling in Virginia performed the drilling. Lerch Brothers in Hibbing performed the drill core analysis. The analysis will be used to determine how the ore will be mined in the future

TEDF Grant	\$0
Company	<u>\$250,000</u>
Estimated Project Total Cost	\$250,000

Project 7 – Crusher Canopy Doors - \$600,000

The Keetac crusher buildings each have two doors separating the crusher cavity from the maintenance bay. One door is a bi-fold door; the other is a swinging canopy door. They are configured in a T-Shape with the tall bi-fold door below the swinging canopy door. These doors also provide a dust seal between the crusher cavity and the rest of the building but they need to be opened periodically to perform maintenance on the crusher. The doors are past their useful life, have become very difficult to use, and are therefore unsafe because they no longer open and close properly. The bi-fold door in #1 crusher is four feet narrower than the door in the #2 crusher. Keetac will widen this door. This will facilitate the easy removal of the spider assembly. The assembly will be lifted out of the crusher cavity and placed in the maintenance bay when repairs are performed. This will provide more room to work in and increase the safety for the maintenance workers. Keetac will replace with the doors with new ones fabricated by a local company.

The new doors will provide for safer, more reliable operation, and provide a better dust seal between the cavity and the building, thus providing a cleaner workplace.

TEDF Grant	\$0
Company	<u>\$600,000</u>
Estimated Project Total Cost	\$600,000

United States Steel - Minntac



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To: Iron Range Resources and Rehabilitation Board Members

From: Tony Sertich
Commissioner

Date: October 20, 2011

**Re: UNITED STATES STEEL – MINNTAC TACONITE ECONOMIC DEVELOPMENT
FUND PROJECTS (Pay 2011, Production 2010) - \$3,329,354**

Minnesota Statutes 298.227, authorize grants to Minnesota's taconite producers *for workforce development and associated public facility improvement, or for acquisition of plant and stationary mining equipment and facilities for the producer or for research and development in Minnesota on new mining, or taconite, iron, or steel production technology, but only if the producer provides a matching expenditure to be used for the same purpose of at least 50 percent of the distribution based on 14.7 cents per ton.* These funds are held in the Taconite Economic Development Fund.

Effective for proposals for expenditures of money from the fund beginning May 26, 2007, the commissioner may not release the funds before the next scheduled meeting of the board. If a proposed expenditure is not approved by at least seven Iron Range Resources and Rehabilitation Board members, the funds must be deposited in the Taconite Environmental Protection Fund under sections 298.222 to 298.225.

The US Steel Minntac Mining Company is eligible for a pay 2011, based on 2010 production, Taconite Economic Development Fund rebate of \$3,329,354, subject to the company providing a match of \$806,100, for a total project cost of \$4,135,454.

The US Steel Minntac Mining Company TEDF Review Committee completed its review on September 7, 2011, and unanimously approved submitting the following projects.

Projects 1 – 5 are Primary Projects and projects 6 – 7 are Residual Projects. Approved Primary Projects are funded first. If the eligible expenses or the total cost of the project is less than the estimated project total cost the company may not receive their total rebate. To address this possibility the company may submit Residual Projects for Board review and approval. The Residual Projects become eligible for funding upon completion of the approved and funded Primary Projects.

Project 1 –Agglomerator Line 6 Kiln Burner - \$2,300,000

Minntac currently operates five iron ore pelletizing lines that fuel their pellet furnaces. The indurating process uses a “grate-kiln” system that employs a traveling grate, rotary kiln, and annular cooler. In the process, green pellets are dried and heated in an oxidation atmosphere.

Effective February 1, 2010, Minntac will comply with a new air emission limit of 7,300 tons/year NO_x as established in their latest Prevention of Significant Deterioration (PSD) Air permit. The new NO_x limit is a rolling sum based on the previous 365 days emissions.

To prepare the pellet furnaces for the new limit, Minntac replaced the Line 6 kiln burner with a new low NO_x burner and burner combustion blowers. The new burner operates at a much higher stoichiometric ratio which significantly reduces NO_x emissions.

TEDF Grant	\$1,851,730
Company	<u>\$ 448,270</u>
Estimated Project Total Cost	\$2,300,000

Project 2 – Crusher Turn Bin 3 Dust Collectors - \$875,000

When taconite ore is removed from the pit, it is hauled to the Primary and Fines Crushing facilities prior to delivery to the concentrator. The Minntac Fines Crusher System consists of 15 second stage crushers, 27 third stage crushers, 91 conveyor belts with over 11.5 miles of conveyor and 64 dust collectors. Most of the major equipment is over 30 years old, including the dust collectors that capture emissions from the screens and transfer points. These dust collectors are beyond their economic life and due to age and wear, are not performing to their design capabilities. The dust collection equipment needs to operate properly in order to control respirable silica dust levels in the facility.

Therefore, Minntac purchased and installed a new cartridge type dust collector system and associated ductwork for the Step 3 turn bin building of the fines crushing system. The new system is sized for an increase of 20% over the original exhaust design flows, thus reducing the potential for respirable dust.

TEDF Grant	\$704,463
Company	<u>\$170,537</u>
Estimated Project Total Cost	\$875,000

Project 3 – Agglomerator I & II Control System Upgrade - \$790,000

Minntac upgraded their distributed control systems in the agglomerator. This project included the installation of 21 pairs of controllers, application and configuration software conversion by Emerson, new fiber infrastructure for input/output, Human Machine Interface (HMI) and control system interfaces, eight server workstations, and operator HMI’s all utilizing Minntac’s existing input/output structure for Agglomerator 1 & 2. The original Westinghouse Distributed Processing Family control systems were close to their maximum limit capabilities for internal control. As additional requests for operating control strategies were continuously being made, such as changes to reduce NO_x emissions, it became obvious that the distributed control systems were inadequate.

The project's benefits are that the new Ovation distributed control systems have increased the internal control point capacity allowing for future control development and expansion, enhanced the capacity of developing new control strategies, provided the ability to interface to a wider range of smart plant devices, and provided better fiber infrastructure access. Minntac's upgrade has also eliminated the concern that support and supplies for the original Westinghouse hardware and software would no longer be available due to equipment obsolescence.

TEDF Grant	\$636,029
Company	<u>\$153,971</u>
Estimated Project Total Cost	\$790,000

Project 4 – Capacity of the Tailings Basin Increase - \$500,000

The tailings basin at Minntac covers an area approximately 8,000 acres in size. This area is used to deposit the tailings which are a product of processing taconite. The tailings basin also provides a way to reclaim water that is used in processing taconite. The basin is divided into cells allowing Minntac to limit disturbance to the active cell which is the location where the tailings are being deposited. The other cells have been temporarily vegetated to minimize dust generation. The tailings settle out in the active cell and the water flows to a reservoir where there is a pump station. Minntac pumps the water back to the concentrator allowing it to be reused to process taconite.

The Minntac basin was designed to operate by relying on gravity flow of water and tailings. The concentrator is set at the highest elevation at Minntac allowing the slurry of tailings and water to flow out of the concentrator and to the active cell in the basin. When this active cell is filled to a preset decant height, a different cell becomes the active cell. All of the cells continue to alternate between being active and temporarily vegetated. This process allows Minntac to control where the tailings flow to and where the tailings are deposited, resulting in additional height of the tailings basin.

Minntac's original design of their tailings basin acknowledged the fact that the present foot-print would eventually fill in. Minntac's future plan was to build a substantial addition to the west of the present tailings basin. However, upon further analysis few years back, Minntac determined that environmental permitting for this addition would be extremely difficult so they modified the operation of the basin by discontinuing their dependency on gravity and instead they will use a pump to distribute the tailings and increase the height of the basin.

Minntac will accomplish this by increasing the tank height in the concentrator. Minntac will then install a pump and pipe outside of the concentrator to carry the slurry to a higher elevation before discharging the slurry into the basin. Discharging the tailings slurry at a higher elevation will allow the existing cells to be filled to a higher elevation without expanding the footprint of the tailings basin.

TEDF Grant	\$137,132
Company	<u>\$362,868</u>
Estimated Project Total Cost	\$500,000

Project 5 – Shop Burning Machine - \$500,000

Minntac is replacing the existing multi-head, submerged plasma cutting table with a new model. Replacement parts for the old machine have become harder to locate and the existing unit is no longer cost effective to repair. The new machine allows for greater precision when cutting and it also handles thicker pieces of material.

TEDF Grant	\$0
Company	<u>\$500,000</u>
Estimated Project Total Cost	\$500,000

The following are Residual Projects that will be eligible for funding upon completion of the approved and funded Primary Projects.

Project 6 – 045 Conveyor Product Load Out Motor Soft Start - \$36,000

A motor soft starter is a device used with AC electric motors to temporarily reduce load and torque in the power train of the motor during startup. This reduces the mechanical stress on the motor and shaft, as well as the electrodynamic stresses on the attached power cables and electrical distribution network, thereby extending the lifespan and reducing the downtime of the system.

Minntac installed a motor soft start on the 045 load out conveyer. The old drive that was replaced had a multitude of problems, including a high cost to rebuild and a high failure rate.

TEDF Grant	\$0
Company	<u>\$36,000</u>
Estimated Project Total Cost	\$36,000

Project 7 – Administration Building Elevator - \$500,000

The Administration Building at Minntac was built before American with Disabilities Act (ADA) requirements. The building has three total floors accessible only by traveling internal stairwells. Additionally, the employment office located on the main floor is only accessible from the front of the building by going up five steps. Installation of an elevator and ramp would make the Administration Building accessible and compliant with the current ADA guidelines. In addition, this would improve the safety of moving heavy and bulky objects between floors.

TEDF Grant	\$0
Company	<u>\$500,000</u>
Estimated Project Total Cost	\$500,000