

**MOUNTAIN IRON CITY COUNCIL MEETING
COMMUNITY CENTER
MOUNTAIN IRON ROOM
MONDAY, JULY 1, 2013 - 6:30 P.M.
A G E N D A**

- I. Roll Call
- II. Consent Agenda
 - A. June 17, 2013, Regular Meeting (#1-12)
 - B. Receipts
 - C. Bills and Payroll
 - D. Communications
- III. Public Forum
 - A. Bernie Collins – Laurentian Chamber of Commerce
- IV. Committee and Staff Reports
 - A. Auditor
 - 1. Review of 2012 Audit
 - B. Mayor’s Report
 - C. City Administrator’s Report
 - 1. Demolition Authorization (#13-14)
 - 2. Insurance Liability Coverage Waiver (#15)
 - D. Public Works Director’s Report
 - 1. Award Quotes for Striping
 - E. Library Directors Report
 - F. Sheriff’s Department Report
 - G. City Engineer’s Report
 - H. Utility Advisory Board
 - 1. Electric Service Agreement (#16-55)
 - I. Liaison Reports
- V. Unfinished Business
- VI. New Business
 - A. Ordinance Number 01-13 Amending Special District 3 (#56-57)
 - B. Resolution Number 21-13 Bank Authorization (#58-60)
- VII. Communications
- VIII. Announcements
- IX. Closed Meeting (#61)
- X. Employment Agreement
- XI. Adjourn

MINUTES
MOUNTAIN IRON CITY COUNCIL
JUNE 17, 2013

Mayor Skalko called the City Council meeting to order at 6:32 p.m. with the following members present: Joe Prebeg, Jr., Susan Tuomela, Tony Zupancich, Alan Stanaway, and Mayor Gary Skalko. Also present were: Craig J. Wainio, City Administrator; Jill M. Clark, Municipal Services Secretary; Michael Downs, Director of Public Works; Rod Flannigan, City Engineer; John Backman, Sergeant; and Brian Lindsay, City Attorney.

It was moved by Skalko and seconded by Tuomela that the consent agenda be approved as follows:

1. Approve the minutes of the June 3, 2013, committee-of-the-whole meeting as submitted.
2. Approve the minutes of the June 3, 2013, regular meeting as submitted.
3. That the communications be accepted and placed on file and those requiring further action by the City Council be acted upon during their proper sequence on the agenda.
4. To acknowledge the receipts for the period June 1-15, 2013, totaling \$137,695.57, (a list is attached and made a part of these minutes).
5. To authorize the payments of the bills and payroll for the period June 1-15, 2013, totaling \$436,013.49, (a list is attached and made a part of these minutes).

The motion carried unanimously on a roll call vote.

No one spoke during the public forum.

The Mayor reported on the following:

- Acknowledgements. Councilor Tuomela acknowledged Phyllis Yelenich's 89th birthday.

It was moved by Zupancich and seconded by Tuomela to authorize City Staff to purchase a bingo machine console and numbers only flashboard from Allied Bingo Supplies for the Mountain Iron Senior Center at a cost of \$5,776.10. It was moved by Stanaway and seconded by Tuomela to amend the motion to allow other non-profit groups in the area to be authorized to use the machine with the assistance of the Mountain Iron Seniors Citizens. The amended motion carried unanimously on a roll call vote.

The City Administrator reported on the following:

- Sirens. He informed the Council that the City of Virginia had been looking into new sirens for their City and he said that Public Health and Safety Board has been reviewing sirens for the City of Mountain Iron.

It was moved by Zupancich and seconded by Prebeg to authorize an expenditure of approximately \$6,700 to purchase an Advance orbital floor scrubber. It was moved by Zupancich and seconded by Prebeg to amend the motion to direct Staff to check whether the scrubber could be purchased through the State bid. The amendment to the motion carried. The amended motion carried unanimously on a roll call vote.

It was moved by Prebeg and seconded by Tuomela to authorize the following summer employees to be hired:

Taylor Mesia	Public Works
William Pond	Assistant T-Ball Coach
Naomi Moritz	Head T-Ball Coach
Laura Ostman	Head Softball Coach
Connor Rautio	Head Softball Coach

The motion carried.

It was moved by Prebeg and seconded by Tuomela to authorize City Staff to call for quotes for the 2013 striping plan as submitted. The motion carried.

The Council reviewed the May 2013 statistics as submitted by the Sheriff's Department.

The Mayor congratulated the City Attorney for being appointed to the Iron Range Rehab Board.

It was moved by Zupancich and seconded by Tuomela to accept the recommendation of the Planning and Zoning Commission and approve the new forms for building permit application and conditional use permit and/or variance application, (copies are attached and made a part of these minutes). The motion carried.

During the liaison reports, Councilor Zupancich, Planning and Zoning Commission, advised the Council that the Commission and the Economic Development Commission discussed changing the covenants for the South Forest Grove development with regard to allowing larger accessory buildings to be constructed in the development. The Planning and Zoning Commission has a public hearing scheduled for June 24, 2013, to get input on this issue.

It was moved by Zupancich and seconded by Stanaway to adopt Resolution Number 19-13, approving plans and specifications and ordering advertisement for bids for improvements to Unity Drive, (a copy is attached and made a part of these minutes). The motion carried.

It was moved by Prebeg and seconded by Zupancich to adopt Resolution Number 20-13, accepting bids on the utility extension on County Road 102, (a copy is attached and made a part of these minutes). The motion carried unanimously on a roll call vote.

It was moved by Stanaway and seconded by Prebeg to appoint Jeremy Waldron as the Mountain Iron Fire Chief effective July 1, 2013. The motion carried.

The Mayor thanked Joe Buria, Fire Chief, again for his 20 years of service to the Mountain Iron Fire Department. The City Administrator said that he would send him a thank you letter from the Council.

It was moved by Zupancich and seconded by Tuomela to direct City Staff begin the process for posting for the Assistant Fire Chief's position pending Jeremy Waldron acceptance as Fire Chief. The motion carried.

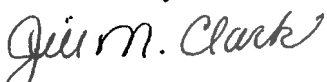
It was moved by Zupancich and seconded by Prebeg to accept the resignation of Dan Nitz from the Water/Wastewater Operator Position, effective June 21, 2013. The motion carried.

It was moved by Zupancich and seconded by Tuomela to direct City Staff to contact the second place candidate for the Water/Wastewater Operator position and offer the position to the candidate on the condition that he passes the necessary physical, and drug and alcohol testing. The motion carried.

The Council reviewed the list of communications. The Council discussed having Bob Brown, the Fire Chief, and Jerry D. Kujala notified of the construction of the Mountain Iron-Buhl School Districts propane fueling station.

At 7:04 p.m., it was moved by Skalko and seconded by Prebeg that the meeting be adjourned. The motion carried.

Submitted by:



Jill M. Clark, MMC
Municipal Services Secretary

www.mtniron.com

COMMUNICATIONS

1. Minnesota Association of Small Cities, a thank you for being a member.
2. League of Minnesota Cities, information regarding the dues.
3. Mountain Iron-Buhl School, advising the City of the installation of propane fueling station.
4. Range Mental Health Center, a thank you for the contribution to the Dustin Damm Walk/Emergency Fund.

Summary By Category And Distribution

Category	Distribution	Amount
UTILITY	UTILITY	115,083.83
PERMITS	BUILDING	758.63
CHARGE FOR SERVICES	REFUSE REMOVAL-CHG FOR SERVICE	467.40
CAMPGROUND RECEIPTS	FEEs	3,664.40
CHARGE FOR SERVICES	SEWER-CHARGE FOR SERVICES	69.29
BUILDING RENTALS	BUILDING RENTAL DEPOSITS	1,100.00
BUILDING RENTALS	COMMUNITY CENTER	1,600.00
MISCELLANEOUS	BASEBALL/SOFTBALL FEES	285.00
METER DEPOSITS	ELECTRIC	650.00
MISCELLANEOUS	BLUE CROSS/BLUE SHIELD PAYABLE	186.13
LICENSES	ANIMAL	15.00
COPIES	COPIES	9.25
INTERGOVERNMENTAL REVENUE	IRRRRA-APPLICATION GRANT	3,500.00
MISCELLANEOUS	ASSESSMENT SEARCHES	50.00
CD INTEREST	CD INTEREST 101	649.21
CD INTEREST	CD INTEREST 602	115.18
CD INTEREST	CD INTEREST 603	104.71
CD INTEREST	CD INTEREST 604	178.02
SALE OF PROPERTY	FIRE DEPT-SALE OF SURPLUS EQUI	5,789.99
SPECIAL ASSESSMENTS	SPECIAL ASSESS.-BOND MONEY	1,743.83
SPECIAL ASSESSMENTS	INTEREST-SP.ASSESS.-BONDS ISSU	69.56
BUILDING RENTALS	NICHOLS HALL	25.00
FINES	CRIMINAL	1,569.44
CAMPGROUND RECEIPTS	CREDIT CARD FEES	11.70
Summary Totals:		<u>137,695.57</u>

Check Issue Date(s): 06/17/2013 - 06/26/2013

Report Criteria:

Check.Check No = 143939-144015

Per	Date	Check No	Vendor No	Payee	Check GL Acct	Amount
06/13	06/18/2013	143939	10056	A T & T MOBILITY	604-20200	1,030.51
06/13	06/18/2013	143940	10070	A-1 RENTAL SERVICES INC	101-20200	888.03
06/13	06/18/2013	143941	10057	AMERICAN BANK	101-20200	1,600.00
06/13	06/18/2013	143942	130017	AMERICAN BANK	101-20200	391.61
06/13	06/18/2013	143943	6054	ANNETTE PIRI	101-20200	100.00
06/13	06/18/2013	143944	10023	ARROWHEAD REGIONAL DEVELOPME	301-20200	3,500.00
06/13	06/18/2013	143945	6058	ASHLEY BEHL	604-20200	305.12
06/13	06/18/2013	143946	20055	BARNES & NOBLE BOOKSELLERS	101-20200	291.97
06/13	06/18/2013	143947	20022	BENCHMARK ENGINEERING INC	301-20200	10,013.18
06/13	06/18/2013	143948	30084	CARDMEMBER SERVICE	603-20200	5,644.86
06/13	06/18/2013	143949	6088	CARL E. BURT	101-20200	103.00
06/13	06/18/2013	143950	6062	CATHERINE MAKI	604-20200	125.82
06/13	06/18/2013	143951	170001	CENTURY LINK	101-20200	678.50
06/13	06/18/2013	143952	220003	CITY OF VIRGINIA	101-20200	48.56
06/13	06/18/2013	143953	30072	COMPUTER WORLD	101-20200	506.71
06/13	06/18/2013	143954	40015	DULUTH NEWS TRIBUNE	101-20200	287.56
06/13	06/18/2013	143955	7045	ELLEN OSTMAN	101-20200	100.00
06/13	06/18/2013	143956	6061	EMILY KILPATRICK	604-20200	127.87
06/13	06/18/2013	143957	6057	ESTATE OF VIDELLE CARLSON	604-20200	105.43
06/13	06/18/2013	143958	70016	GOPHER STATE ONE CALL INC	604-20200	72.50
06/13	06/18/2013	143959	70028	GREATER MINNESOTA AGENCY INC	101-20200	222.00
06/13	06/18/2013	143960	80022	HAWKINS INC	601-20200	1,694.59
06/13	06/18/2013	143961	80050	HIBBING COMMUNITY COLLEGE	101-20200	1,000.00
06/13	06/18/2013	143962	80037	HOMETOWN MEDIA PARTNERS	604-20200	362.25
06/13	06/18/2013	143963	90003	INTERSTATE POWER SYSTEMS	101-20200	1,872.49
06/13	06/18/2013	143964	6060	KEITH LEPPANEN	604-20200	76.74
06/13	06/18/2013	143965	110029	KOKAL, GLEN	101-20200	470.00
06/13	06/18/2013	143966	6053	KRISTEN GAUTHIER	101-20200	200.00
06/13	06/18/2013	143967		Information Only Check	101-20200	.00 V
06/13	06/18/2013	143968	120006	L & M SUPPLY	101-20200	1,871.64
06/13	06/18/2013	143969	130030	MACQUEEN EQUIPMENT	101-20200	11.80
06/13	06/18/2013	143970	6055	MARISA MASON	101-20200	200.00
06/13	06/18/2013	143971	130004	MESABI DAILY NEWS	602-20200	1,155.88
06/13	06/18/2013	143972	130006	MESABI HUMANE SOCIETY	101-20200	1,500.00
06/13	06/18/2013	143973	130026	MESABI SIGN COMPANY	101-20200	1,132.88
06/13	06/18/2013	143974	6059	MICHAEL GREIW	604-20200	262.36
06/13	06/18/2013	143975	130039	MINNESOTA DEPT OF COMMERCE	604-20200	458.15
06/13	06/18/2013	143976	140026	MINNESOTA ENERGY RESOURCES	101-20200	433.63
06/13	06/18/2013	143977	130024	MINNESOTA POLLUTION CONTROL AG	301-20200	750.00
06/13	06/18/2013	143978	130009	MINNESOTA POWER (ALLETE INC)	604-20200	71,181.35
06/13	06/18/2013	143979	130128	MTI DISTRIBUTING	101-20200	1,765.58
06/13	06/18/2013	143980	140047	NARDINI FIRE EQUIPMENT CO INC	101-20200	628.85
06/13	06/18/2013	143981	140014	NELSON WILLIAMS LININGS INC	101-20200	641.25
06/13	06/18/2013	143982	140052	NORTHEAST SERVICE COOPERATIVE	101-20200	55,853.30
06/13	06/18/2013	143983	160034	PARADE FLOAT	101-20200	75.00
06/13	06/18/2013	143984	160035	PARADE FLOAT	101-20200	50.00
06/13	06/18/2013	143985	160033	PARADE FLOATS	101-20200	100.00
06/13	06/18/2013	143986	160003	PERPICH TV & MUSIC INC	601-20200	12.79
06/13	06/18/2013	143987	160058	PIONEER	101-20200	100.00
06/13	06/18/2013	143988	160037	PRAXAIR	101-20200	390.18
06/13	06/18/2013	143989	160071	PURCHASE POWER	602-20200	1,000.00
06/13	06/18/2013	143990	180017	RELIABLE OFFICE SUPPLIES	604-20200	120.85
06/13	06/19/2013	143991	30087	VOID - RIDGEWOOD APPRAISAL & DEV	701-20200	.00 M
06/13	06/18/2013	143992	180053	RUSSO CONSULTING (DBA)	101-20200	220.00

M = Manual Check, V = Void Check

Check Issue Date(s): 06/17/2013 - 06/26/2013

Per	Date	Check No	Vendor No	Payee	Check GL Acct	Amount
06/13	06/18/2013	143993	6063	SARA MAAS	604-20200	131.18
06/13	06/18/2013	143994	190045	SERVICE SOLUTIONS	101-20200	24.58
06/13	06/18/2013	143995	6051	SHEILA DAVIDSON	101-20200	200.00
06/13	06/18/2013	143996	6020	SHERRI MONSON	101-20200	200.00
06/13	06/18/2013	143997	1152	ST LOUIS COUNTY PHHS	604-20200	291.77
06/13	06/18/2013	143998	190039	ST LOUIS COUNTY RECORDERS OFFC	101-20200	46.00
06/13	06/18/2013	143999	190030	STRATEGIC INSIGHTS INC	301-20200	533.84
06/13	06/18/2013	144000	6052	SUSAN NORLANDER	101-20200	200.00
06/13	06/18/2013	144001	200042	TERRY KNUTI/DJ SERVICES	101-20200	300.00
06/13	06/18/2013	144002	200020	THE TRENTI LAW FIRM	101-20200	2,101.65
06/13	06/18/2013	144003	6056	THERESA RAUTIO	101-20200	100.00
06/13	06/18/2013	144004	210001	UNITED ELECTRIC COMPANY	101-20200	230.99
06/13	06/18/2013	144005	130011	UNITED STATES POSTAL SERVICE	602-20200	386.63
06/13	06/18/2013	144006	210004	UPSTART INC	101-20200	429.12
06/13	06/18/2013	144007	220004	VIRGINIA DEPARTMENT OF PUBLIC	604-20200	44,705.75
06/13	06/18/2013	144008	220020	VISA OR AMERICAN BANK CC PMT	101-20200	2,613.32
06/13	06/18/2013	144009	230005	WESCO DISTRIBUTION INC	604-20200	3,751.51
06/13	06/18/2013	144010	230043	WISCONSIN CENTRAL	602-20200	127.06
06/13	06/18/2013	144011	230028	WISCONSIN ENERGY CONSERVATION	604-20200	558.75
06/13	06/18/2013	144012	60038	WRIGHT EXPRESS FINAN SERV CORP	101-20200	7,370.33
06/13	06/18/2013	144013	240001	XEROX CORPORATION	602-20200	742.89
06/13	06/18/2013	144014	260005	ZEP MANUFACTURING COMPANY	101-20200	424.33
06/13	06/18/2013	144015	260001	ZIEGLER INC	301-20200	123,711.53

Totals

360,915.82

Payroll-PP Ending 6/7/13	60,944.89
Electronic Trans.-Sales Tax 6/20/13	14,152.78
TOTAL EXPENDITURES	<u>\$436,013.49</u>

CITY OF MOUNTAIN IRON

BUILDING/ZONING PERMIT APPLICATION

Date Approved: _____ PW _____ ZA _____ UTIL _____ BI _____ PERMIT NO. _____

Name of Owner: _____ E-mail Address: _____
Address of Property: _____ Phone: _____
Mailing Address: _____

Legal Description:
Sec/Lot _____ Twp/Block _____ Rge/Subd _____ Parcel Code: _____

Zoning District: _____
Name of Contractor: _____ Contractor License # _____
Address of Contractor: _____ Phone: _____

PROJECT DESCRIPTION:

TYPE OF IMPROVEMENT: New _____ Addition _____ Alteration _____
 Repair _____ Wrecking _____ Moving _____ Foundation Only _____

LOT SIZE (Sq. Ft./Ac) _____ NO. OF STORIES _____ TOTAL SQ. FT. ALL
TOTAL SQ. FT. STRUCTURE _____ SQ. FT. NEW _____ STRUCTURES _____

COST OF IMPROVEMENT: \$ _____
Not included in above:
a. Electrical \$ _____
b. Plumbing \$ _____
c. Heating/Air Cond. \$ _____
TOTAL COST OF IMPROVE. \$ _____

Applicable Fees – OFFICE USE ONLY			
	<u>Amount</u>	<u>Date Ok'd</u>	<u>Initial</u>
Building Permit	_____	_____	_____
Plan Review Fee	_____	_____	_____
Inspection	_____	_____	_____
State Surcharge	_____	_____	_____
Other (Util. Bill)	_____	_____	_____
TOTAL	_____	_____	_____

I hereby certify that I have read and examined this application and know the same to be true and correct. All provisions of laws and ordinances governing this type of work will be complied with whether specified here or not. The granting of a permit does not presume to regulate construction or the performance of construction.

Signature of Owner

Signature of Applicant

Date

NOTICE**NOTICE**NOTICE** NOTICE**NOTICE**NOTICE** NOTICE**NOTICE**NOTICE**NOTICE

- *If this permit is for a structure including a fence then the owner must provide a site plan to scale on reverse side or attachment with dimensions, setbacks of all existing and proposed structures on lot.*
- *The Building Permit becomes null and void if work or construction authorized is not commenced with 180 days or if construction or work is suspended or abandoned for a period of 180 days at any time after work has commenced.*
- *Permits will not be issued unless property is in compliance with Mountain Iron Code Sections 151.20 & 151.21.*



INDICATE NORTH IN CIRCLE

SITE PLAN TO SCALE-SHOW DIMENSIONS OF LOT AND ALL EXISTING AND PROPOSED STRUCTURES,
DISTANCES FROM FRONT, SIDE AND REAR LOT LINE SETBACKS TO ALL EXISTING AND PROPOSED
STRUCTURES. SHOW ALLEY AND STREET NAMES ABUTTING LOT AND EASEMENTS.

I/We certify that the proposed construction will conform to the dimensions and uses shown and that no
changes will be made without first obtaining approval.

Owners Signature _____ Date _____

CITY OF MOUNTAIN IRON

CONDITIONAL USE PERMIT **VARIANCE APPLICATION**

Name of Owner: _____ Signature of Owner: _____
Address: _____ Date: _____

Legal Description:
Sec/Lot _____ Twp/Block _____ Rge/Subd _____ Parcel Code: _____

Description of Proposed Use for **CONDITIONAL USE PERMIT**:

Statement as to why proposed use will not cause injury to value of adjoining property.

Statement as to how proposed use is to be designed, arranged, and operated in order to permit development and use of neighboring property.

Area for which **VARIANCE** requested: (i.e. setbacks, height, etc)

Statement addressing condition of "undue hardship" for which **VARIANCE** is requested.

*Owner is required to submit a vicinity map, drawn to scale, showing owners and adjoining property including all existing or proposed buildings or uses. Use reverse side of this form.

OFFICE USE ONLY

ITEM	ACTION	DATE	INITIAL
Application Submitted/Paid			
Zoning Administrator Review			
Public Hearing Set			
Hearing Notice Published			
Planning & Zoning Recommendation (Board of Adjustment and Appeals Rec.)			
City Council Action			
Filed with County Recorder			

Conditions Attached _____

VICINITY MAP TO SCALE - SHOW DIMENSIONS OF LOT AND ALL EXISTING AND PROPOSED STRUCTURES, DISTANCES FROM FRONT, SIDE AND REAR LOT LINE SETBACKS TO ALL EXISTING AND PROPOSED STRUCTURES. SHOW ALLEY AND STREET NAMES ABUTTING LOT.

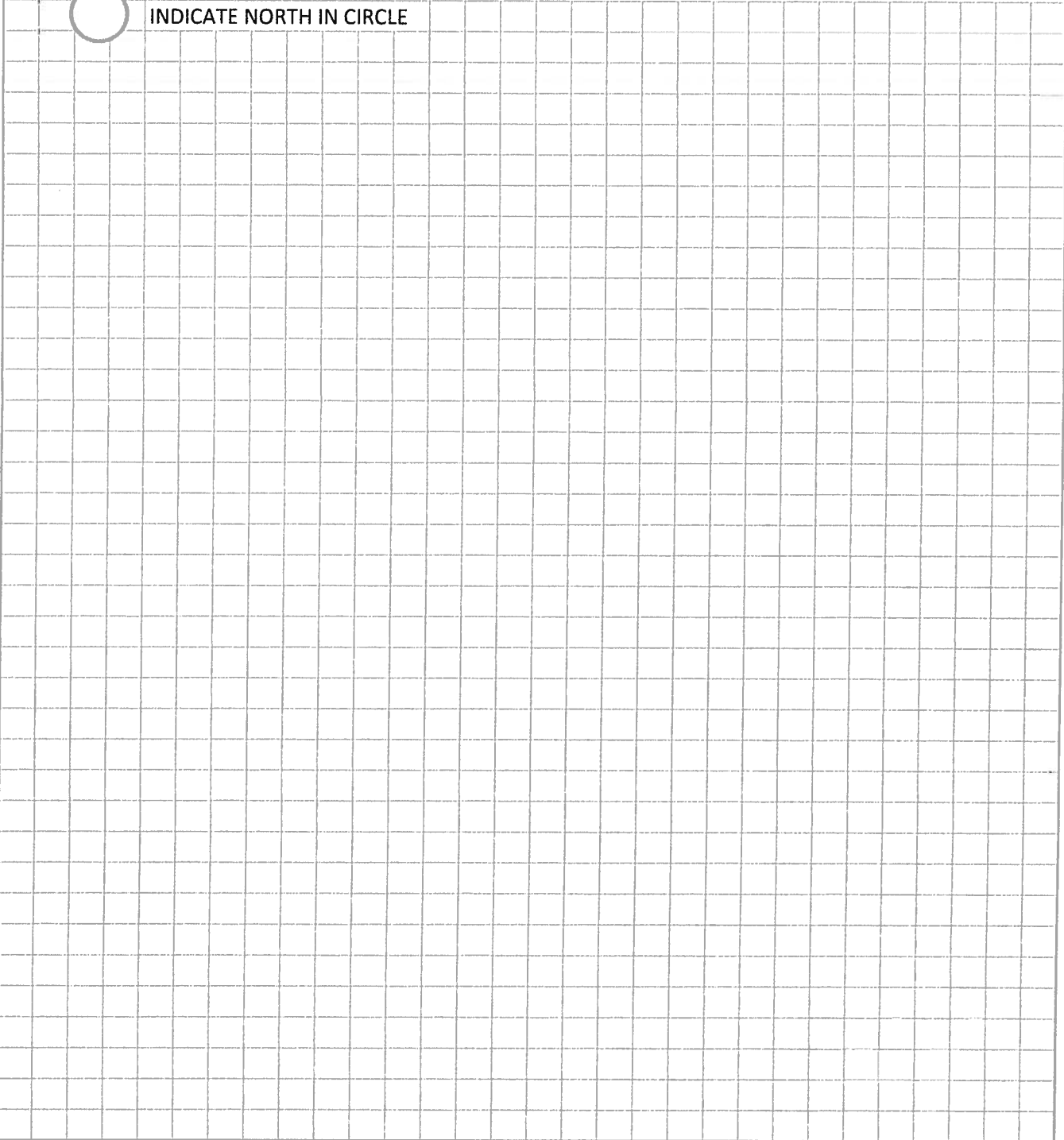
I/We certify that the proposed construction will conform to the dimensions and uses shown and that no changes will be made without first obtaining approval.

OWNERS SIGNATURE

DATE



INDICATE NORTH IN CIRCLE





CITY OF MOUNTAIN IRON

"TACONITE CAPITAL OF THE WORLD"

PHONE: 218-748-7570 • FAX: 218-748-7573 • www.mtniron.com
8586 ENTERPRISE DRIVE SOUTH • MOUNTAIN IRON, MN • 55768-8260

RESOLUTION NUMBER 19-13

APPROVING PLANS AND SPECIFICATIONS AND ORDERING ADVERTISEMENT FOR BIDS

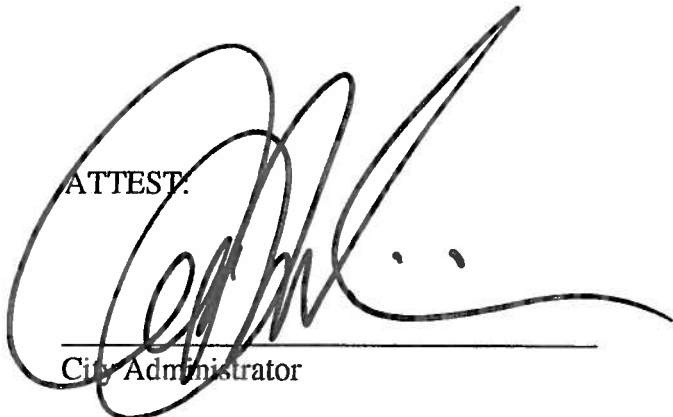
WHEREAS, pursuant to a motion passed by the City Council, the City Engineer has prepared plans and specifications for Improvement Number 13-07, the proposed improvement of Unity Drive between the centerline of Diamond Lane and the centerline of Park Drive by construction and has presented such plans and specifications to the council for approval;

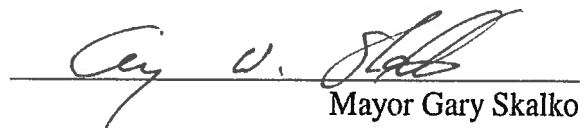
NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF MOUNTAIN IRON, MINNESOTA:

1. Such plans and specifications, a copy of which is attached hereto and made a part hereof, are hereby approved.
2. The City Administrator shall prepare and cause to be inserted in the official paper an advertisement for bids upon the making of such improvement under such approved plans and specifications. The advertisement shall be published for 21 days, shall specify the work to be done, shall state that bids will be received by the clerk until 10:00 a.m. on July 10, 2013, at which time they will be publicly opened in the Mountain Iron Room of the Community Center by the City Administrator and engineer, will then be tabulated, and will be considered by the City Council at 6:30 p.m. on July 15, 2013, in the Mountain Iron Room of the Community Center. Any bidder whose responsibility is questioned during consideration of the bid will be given an opportunity to address the council on the issue of responsibility. No bids will be considered unless sealed and filed with the clerk and accompanied by a cash deposit, cashier's check, bid bond or certified check payable to the City Administrator for ten percent of the amount of such bid.

DULY ADOPTED BY THE CITY COUNCIL THIS 17th DAY OF JUNE, 2013.

ATTEST.



City Administrator

Mayor Gary Skalko



CITY OF MOUNTAIN IRON

"TACONITE CAPITAL OF THE WORLD"

PHONE: 218-748-7570 ▪ FAX: 218-748-7573 ▪ www.mtniron.com
8586 ENTERPRISE DRIVE SOUTH ▪ MOUNTAIN IRON, MN ▪ 55768-8260

RESOLUTION NUMBER 20-13

ACCEPTING BID

WHEREAS, pursuant to an advertisement for bids for the improvements of new County Road 102 between the centerline of Nichols Avenue and the centerline of Mineral Avenue by installing utilities, bids were received, opened and tabulated according to law, and the following bids were received complying with the advertisement:

Ulland Brothers	\$625,000.00
Hammerlund Construction	\$680,500.00
Hoover Construction	\$715,452.60
Utility Systems of America	\$781,730.25
KGM Contractors	\$1,248,672.50

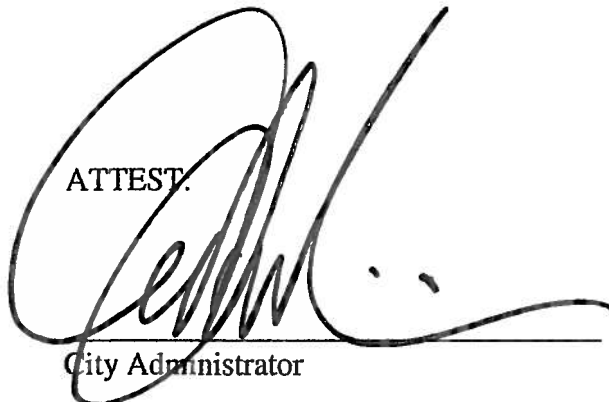
AND WHEREAS, it appears that Ulland Brothers of Cloquet, Minnesota is the lowest responsible bidder,

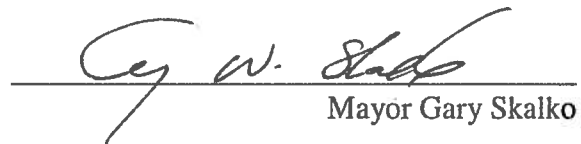
NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MOUNTAIN IRON, MINNESOTA:

1. The Mayor and City Administrator are hereby authorized and directed to enter into the attached contract with Ulland Brothers of Cloquet, Minnesota in the name of the City of Mountain Iron for the improvements of new County Road 102 between the centerline of Nichols Avenue and the centerline of Mineral Avenue by installing utilities, according to the plans and specifications therefore approved by the City Council and on file in the Office of the City Administrator.
2. The City Administrator is hereby authorized and directed to return forthwith to all bidders the deposits made with their bids, except that the deposits of the successful bidder and the next lowest bidder shall be retained until a contract has been signed.

DULY ADOPTED BY THE CITY COUNCIL THIS 17th DAY OF JUNE, 2013.

ATTEST.



City Administrator

Mayor Gary Skalko

COUNCIL LETTER 070113-IVA1

ADMINISTRATOR

DEMOLITION

DATE: June 27, 2013

FROM: Craig J. Wainio
City Administrator

Staff sought quotes for the removal of asbestos and the demolition of a structure located on Giorgi's Road. One quote was received and is enclosed for your consideration. This project will be funded through the IRRRB's Residential Redevelopment Program. It is recommended that the City Council award the enclosed quote.

**PROPOSAL
JUNE 18, 2013**



**TO:
CITY OF MOUNTAIN IRON**

**Project Property:
5418 GIORGIS RD
MOUNTAIN IRON MN**

We propose to abate as specified, per all local, Federal and State regulations.

The proposal does include the proper disposal of such materials in a licensed landfill, labor, notification to the State of Minnesota if applicable and materials.

SCOPE OF WORK

TO REMOVE ENTIRE STRUCTURE AND DISPOSE OF AS ASBESTOS CONTAINING BUILDING APPROX 30 X 60. NO BASEMENT

NOTES: A COMPLETE ASBESTOS INSPECTION COULD NOT BE CONDUCTED DUE TO THE BUILDING FALLING OVER, SAMPLES FROM THIS HOME INDICATE THAT THE WHITE WALL BOARD CONTAINED ASBESTOS, IT IS NOT SAFE TO REMOVE SO THE HOME WILL HAVE TO BE DEMOED AS ASBESTOS CONTAINING AS A WHOLE PER MDH RULES. WE WILL REMOVE AND DISPOSE OF STRUCTURE HOWEVER NO SITE WORK(BACK FILLING SOD OR GRASS SEED WILL BE PROVIDED, WE WILL REMOVE STRUCTURE

**TOTAL 19800.00
Quote is good for 30 days**

Balance due upon completion.

If this is acceptable please sign and date below and return a copy to our office either by fax (218) 262 1273 or email Matt@Abatetek.com

X
Accepted By _____ Date _____

Thank you for the opportunity to bid this project
Matthew Cuffe
218-929-2900

SECTION I: LIABILITY COVERAGE WAIVER FORM

Cities obtaining liability coverage from the League of Minnesota Cities Insurance Trust must decide whether or not to waive the statutory tort liability limits to the extent of the coverage purchased. The decision to waive or not to waive the statutory limits has the following effects:

- o *If the city does not waive the statutory tort limits*, an individual claimant would be able to recover no more than \$500,000. on any claim to which the statutory tort limits apply. The total which all claimants would be able to recover for a single occurrence to which the statutory tort limits apply would be limited to \$1,500,000. These statutory tort limits would apply regardless of whether or not the city purchases the optional excess liability coverage.
- o *If the city waives the statutory tort limits and does not purchase excess liability coverage*, a single claimant could potentially recover up to \$1,500,000. on a single occurrence. The total which all claimants would be able to recover for a single occurrence to which the statutory tort limits apply would also be limited to \$1,500,000., regardless of the number of claimants.
- o *If the city waives the statutory tort limits and purchases excess liability coverage*, a single claimant could potentially recover an amount up to the limit of the coverage purchased. The total which all claimants would be able to recover for a single occurrence to which the statutory tort limits apply would also be limited to the amount of coverage purchased, regardless of the number of claimants.

Claims to which the statutory municipal tort limits do not apply are not affected by this decision.

This decision must be made by the city council. **Cities purchasing coverage must complete and return this form to LMCIT before the effective date of the coverage.** For further information, contact LMCIT. You may also wish to discuss these issues with your city attorney.

City of Mt Iron accepts liability coverage limits of \$ 1,500,000 from the League of Minnesota Cities Insurance Trust (LMCIT).

Check one:

- The city **DOES NOT WAIVE** the monetary limits on municipal tort liability established by Minnesota Statutes 466.04.
- The city **WAIVES** the monetary limits on tort liability established by Minnesota Statutes 466.04, to the extent of the limits of the liability coverage obtained from LMCIT.

Date of city council meeting _____

Signature _____ Position _____

Return this completed form to LMCIT, 145 University Ave. W., St. Paul, MN. 55103-2044

COUNCIL LETTER 070113-IVG1

UAB

ELECTRIC SERVICE AGREEMENT

DATE: June 27, 2013

FROM: Utility Advisory Board

Mike Downs
Director of Public Works

Craig J. Wainio
City Administrator

The Utility Advisory Board has reviewed and is recommending that the City Council adopt the Electric Service Agreement with Minnesota Power to provide wholesale power to the Public Utilities. This agreement runs from July 2013 to June 2014 and contains only minor revisions and changes. It is recommended that the City Council adopt the Electric Service Agreement as presented.

Market Based Electric Service Agreement

Electric Rate Schedule
Filing Party: ALLETE, Inc.

Other Party: City of Mountain Iron, Minnesota

Table of Contents

1. Electric Service Agreement
2. Minnesota Power Regulations for Wholesale Electric Service
3. Power Supply Formula Rate

**AMENDED AND RESTATED
ELECTRIC SERVICE AGREEMENT
BETWEEN MINNESOTA POWER**

AND

CITY OF MT IRON

RESALE SERVICE - FULL REQUIREMENTS

July 1, 2013

Minnesota Power ("MP", "Minnesota Power", or "the Company") and the City of Mountain Iron, Minnesota, ("Customer") hereby enter into an Electric Service Agreement (the "Agreement"), which provides that MP will supply electric power and associated energy sufficient for Customer to meet its electric system requirements for resale to its retail customers in its service territory effective July 1, 2011.

In consideration of the commitments herein and for other good and valuable considerations, MP and Customer, agree as follows:

1. DEFINITIONS

- 1.1 Coincident Peak Demand** is Customer's hourly demand at the time of MP's maximum system peak demand (kW or kilowatt) measured during the month.
- 1.2 Company's Basic Capacity Costs per kW (kilowatt)** is Company's estimated annual Revenue Requirements associated with Company-owned power production facilities and with Company firm power purchases divided by the aggregate coincidental kilowatts of all customer loads serviced by such generating capacity and purchased capacity, adjusted for estimated transmission losses and load coincidence factor.
- 1.3 Company's Basic Energy Costs per kWh (kilowatt hour)** is Company's estimated annual Revenue Requirements for fuel and associated operation and maintenance expenses at Company-owned power production facilities, and for energy associated with firm power purchases and economy purchases divided by the aggregate associated kilowatt-hours, adjusted for estimated transmission losses.
- 1.4 Economic Power** is power or energy purchased over a period of twelve months or less where the total cost of the purchase is less than the MP's total avoided variable cost.
- 1.5 End-Use Load Obligation** is an obligation imposed by law, regulation, or contract to serve the load of persons or other entities that purchase or produce electric energy for their own consumption and not for resale.

- 1.6 Excess Reactive Demand** is the amount by which the maximum 15-minute integrated reactive demand (KVAR or kilovolt-amperes reactive) measured during the current month exceeds 50% of the maximum 15-minute integrated demand (kW or kilowatt) measured during the current month.
- 1.7 Generation Capacity Demand** is Customer's maximum 15-minute integrated demand (kW or kilowatt) measured during the month.
- 1.8 High-Efficiency Energy** is electricity generated by a distributed generation facility of no more than ten megawatts of interconnected capacity that is certified by the Commissioner of the Minnesota Department of Commerce under Minnesota Statute section 216B.169, subdivision 3 as a high-efficiency, low-emissions facility.
- 1.9 MISO** is the Midwest Independent Transmission System Operator or its successor organization.
- 1.10 Net Generating Capability** is determined by performing an annual Real Power Test in accordance with MISO Model E testing requirements between September 1st and August 31st for the planning year that commences on June 1st of the year following that test.
- 1.11 Non-coincidental Peak Demand** is Customer's highest fifteen minute demand (kW or kilowatt) measured during the month and used for determining monthly billed demand.
- 1.12 Party** is either Customer or MP.
- 1.13 Power Supply Formula Rate** is the embedded-cost-based rate designed to recover Minnesota Power's cost of providing full requirements electric service to Customer.
- 1.14 Renewable Energy** is electricity generated through use of any of the following resources: (1) wind, (2) solar, (3) geothermal, (4) hydro, (5) trees or other vegetation, or (6) landfill gas; or has the meaning as may be amended from time to time in Minnesota Statute section 216B.2422, subdivision 1, paragraph (c) or other laws amendatory thereof.
- 1.15 Service Regulations** is MP's Regulations for Wholesale Electric Service (attached to this Agreement as Attachment A) that govern MP's electric service to Customer.
- 1.16 Service Year** is a twelve-month period beginning on July 1st and ending on June 30th and shall be designated by the year the period begins.
- 1.17 Total Avoided Variable Cost** is all identified and documented variable costs that would have been incurred by MP had a particular purchase not been made. Such costs include, but are not limited to, those associated with fuel, start-up, shut-down or any purchases that would have been made in lieu of the purchase made.

1.18 Total Cost of the Purchase is all charges incurred in buying economic power and having such power delivered to MP's system. The total cost includes, but is not limited to, capacity or reservation charges, energy charges, adders and any transmission or wheeling charges associated with the purchase.

2. TERM OF AGREEMENT

The term of the Agreement begins July 1, 2011 and ends at midnight on June 30, 2019 and will continue thereafter unless either MP or Customer terminates the agreement upon three years written notice to the other party; provided however, such termination notice may not be delivered prior to June 30, 2016.

3. ELECTRIC SERVICE AND RATES

3.1 Customer Charge

The Customer Charge shall be \$1,175 per month per Point of Delivery.

3.2 Generation Capacity Charge

The Generation Capacity Charge is currently \$15.45 per kW per month thereafter; the Generation Capacity Charge for each Service Year shall be as calculated pursuant to the Power Supply Formula Rate, as defined in Attachment B.

3.3 Base Energy Charge

The Base Energy Charge is currently \$0.02136/kWh. Thereafter the Base Energy Charge shall continue to be comprised of two components, the Fuel and Purchased Power Base and the Non-fuel Energy Charge. The Base Energy Charge for each Contract Year shall be as calculated pursuant to the Power Supply Formula Rate, as defined in Attachment B.

3.4 Monthly Energy Adjustment

The Monthly Energy Adjustment shall be calculated pursuant to the Power Supply Formula Rate. The Monthly Energy Adjustment shall be calculated as the difference between Minnesota Power's actual monthly fuel and purchased power cost and the Fuel and Purchased Power Base, as defined in Attachment B.

3.5 Excess Reactive Demand Charge

\$0.15 per KVAR (kilovolt-amperes reactive) per month of Excess Reactive Demand.

3.6 Transmission Service and Ancillary Fees

In accordance with applicable filed and approved MISO tariffs, MP will be responsible, on Customer's behalf, for designating resources and securing transmission network service for energy delivery to customer. Customer will be responsible for any and all charges associated with such transmission services. Under MISO Network Service, the initial monthly transmission demand charge rate for the energy provided hereunder will be the appropriate control area's zonal tariff rate (Schedule 7-8-9) for Network Integration Transmission Service plus the MISO Scheduling, System Control and Dispatch Service fee (Schedule 1) plus the MISO Cost Recovery Adder (MISO Administration fee Schedule 10), plus MISO network upgrade charges from

Transmission Expansion Planning fee (Schedule 26), plus any charges not published to date, as such rates and fees may be revised periodically due to changes in MISO, or its successor organization's tariffs and fees (the "Transmission Service Rate"). Customer monthly Peak Demands with the appropriate control area's Peak Demand will be used in the application of these rates.

In addition, any applicable ancillary services will be provided in accordance with any applicable tariff ("Ancillary Services Fees"). The Ancillary Service Fees currently include: Reactive Supply and Voltage Control from Generation Sources Service (Schedule 2) and may include any charges not published to date, as such rates and fees may be revised periodically due to changes in MISO, or its successor organization's tariffs and fees. Customer's monthly Coincident Peak Demands with the appropriate control area's Peak Demand will be used in the application of these rates.

MP will bill Customer the actual monthly cost for the MISO Transmission Service Rate and Ancillary Services Fees no later than one month after MP receives the MISO Transmission Service invoice for each month. Upon termination of this Agreement any remaining unbilled accounts will be settled in full within one month. Customer reserves the right to audit relevant MISO invoices upon which such charges to Customer are based.

3.7 Service Voltage Adjustment

Where all electric service is delivered and metered at (or compensated to) the Service Voltage indicated below, the amount computed at the above rate, before other adjustments, will be adjusted as follows:

Less than 115 kV

Increase the amount computed above in the Generation Capacity Charge by \$1.55 per kW of Generation Capacity Demand.

Less than 13.8 kV

Increase the amount computed above in Customer Charge, Generation Capacity Charge, Energy Charge/Base Energy Charge, Reactive Demand Charge and Transmission and Ancillary Fees, including the Service Voltage Adjustment for Less than 115 kV, by 1%.

3.8 Annual True-up Adjustment

For Service Year 2011 and each Service Year thereafter, prior to June 30 of the year following each Service Year, the total difference in monthly billing amounts between the estimated and actual Generation Capacity Charge and Non-fuel Energy Charge component of the Base Energy Charge for the Service Year will be accumulated into a total dollar "true up" amount (positive or negative) for the year. Minnesota Power will bill or credit this amount to Customer in equal monthly installments for the term set forth in each Option below beginning with service on July 1 of each year. Prior to June 30 of each year, the party making the payment will make a selection of a True-up Adjustment as defined in Attachment B according to one of the options listed below (A, B, C). If no option is selected, Option A will be applied.

Option A. Six Month Adjustment

Minnesota Power to apply annual True-up Adjustment using six equal monthly installments

during the subsequent six months beginning in July of the year following the relevant Service Year (i.e. July of the year following the Service Year). Any such refund by Minnesota Power or payment by Customer using this method will include interest calculated at the prime rate over the six month payment period July-December. If there is a default of a monthly True-up Adjustment payment, the following monthly billing will require full payment of the remaining True-up Adjustment balance, including interest. Further delinquency will follow Minnesota Power's Regulations for Wholesale Service, Section VIII-Billing, No. 34-Delinquent Bills, attached to this Agreement. Upon termination of the agreement any remaining True-up Adjustment amount will be settled in full between Minnesota Power and Customer.

Option B. Twelve Month Adjustment

Minnesota Power to apply annual True-up Adjustment using twelve equal monthly installments during the subsequent twelve months beginning in July of the year following the relevant Service Year (i.e. July of the year following the Service Year through June). Any such refund by Minnesota Power or payment by Customer using this method will include interest calculated at the prime rate over the twelve month payment period July-June. If there is a default of a monthly True-up Adjustment payment, the following monthly billing will require full payment of the remaining True-up Adjustment balance, including interest. Further delinquency will follow Minnesota Power's Regulations for Wholesale Service, Section VIII-Billing, No. 34-Delinquent Bills, attached to this Agreement. Upon termination of the agreement any remaining True-up Adjustment amount will be settled in full between Minnesota Power and Customer.

Option C. Lump Sum Method

Customer and Company have the right to make a one-time lump sum payment of the amounts owed, excluding interest. If there is a default of the True-up Adjustment payment, the following monthly billing will require full payment of the remaining True-up Adjustment balance including interest. Further delinquency will follow Minnesota Power's Regulations for Wholesale Service, Section VIII-Billing, No. 34-Delinquent Bills, attached to this Agreement. Upon termination of the agreement any remaining True-up Adjustment amount will be settled in full between Minnesota Power and Customer.

3.9 Customer Audit Rights

In approximately May of 2012 and each year thereafter, Minnesota Power shall arrange a pre-meeting with the municipal customer's designated Audit Committee members, as needed, prior to meeting with all Customers subject to the Power Supply Formula Rates and provide to those Customers its Power Supply Formula Rate true-up for the prior Service Year. The purpose of the meetings will be to (i) review the formula calculations and the resulting actual rates for the current Service Year and (ii) review the formula calculations and resulting estimated rates, subject to true-up, that apply for the upcoming Service Year.

At the true-up meeting, Minnesota Power will:

- (i) provide sufficient information to enable Customers to verify the calculation of formula results from FERC Form No. 1 or other applicable accounting inputs and to compare that calculation to that of prior years;
- (ii) identify any respects in which the formula rate's application to the prior Service Year materially differed from its application in the preceding year (e.g., due to changes in accounting procedures, the purchase or sale of major assets, or other such significant changes), and describe how such altered application has affected the formula output; and
- (iii) identify the major reason(s) for the differences, if any, between (a) the actual rate and the estimated rate for the Service Year and (b) the actual rate and the preceding year's actual rate.

Customer shall have the right to audit the actual Service Year data to verify the formula inputs, calculations, and resulting rates, and to verify that all formula inputs have been adjusted as appropriate so that the formula output reflects the fully allocated average embedded cost. Minnesota Power will provide such information as the Customer may reasonably request in order to understand the actual rate calculations and true-up calculations. The Customer shall be entitled to request Minnesota Power to adjust the true-up rates in the event that there is an error in the data or application of the formula rate used by Minnesota Power in performing the true-up calculations.

Any audit with respect to billings for a Service Year shall be completed by April 30th of the calendar year following the Service Year.

If the Customer does not object to the true-up calculations in writing by June 30th of the second calendar year following the Service Year, Minnesota Power's costs and rates for the Service Year shall be deemed final, shall not be subject to further dispute or challenge by the Customer, and shall not be subject to refund or collection.

If the Customer and Minnesota Power fail to resolve the Customer's objection within 60 days of such objection, the Customer may file a complaint with FERC pursuant to Federal Power Act ("FPA") Sections 205 or 206. In any such filing, the Customer shall specify the portion(s) of the revenue collection subject to dispute. In any such proceeding, Minnesota Power shall bear the burden of proving that it has reasonably applied the terms of the Formula Rate; that the resultant rate is just, reasonable, and not unduly discriminatory; and that it followed the applicable procedures herein. If the Customer disputes the true-up rates, the Customer shall continue to pay its total bill on a monthly basis. If a refund is determined to be due to the Customer, it shall be paid to the Customer with interest calculated based upon the process set forth in Section 35.19a of the Commission's regulations, 18 CFR 35.19a.

The following example illustrates the timeline contemplated by the preceding provisions.

- Service Year: July 2011 through June 30, 2012
- Basis for estimated rates, prior to true-up:
 - Formula applied to projected calendar year 2011 data
- Basis for actual billing:
 - Formula applied to calendar 2011 FERC Form 1 data
- Filing of FERC Form 1 that will be used as basis for actual billing: April 2012
- True-up provided by Minnesota Power, subject to audit: On or before July 31, 2012

- End of Customer audit period: April 30th 2013
- Deadline for Customer objections to rate calculations: June 30, 2014

3.10 Changes to the Formula

If the formula must be changed to conform with changes in the format of FERC Form 1, the format of the Uniform System of Accounts, or other reasons of a similar nature that do not materially impact the results, Minnesota Power shall, absent extraordinary circumstances, provide Customers with 30 days notice of Minnesota Power's intent to change such references or data sources in the formula and a full explanation of the changes. If such notice is given and no Customer presents a good faith, written objection in response within 30 days, the Customers will be deemed to have consented to the change and the effective date necessary, including a retroactive effective date, to implement the formula as originally intended.

4. RENEWABLE AND HIGH EFFICIENCY ENERGY RATE OPTION

Customer may voluntarily request to purchase from MP optional Renewable and/or High-Efficiency Energy for the purpose of meeting its requirement under Minnesota Statute section 216B.169 to offer its customers one or more options that allow a customer to determine that a certain amount of the electricity generated or purchased on behalf of the customer is renewable energy or energy generated by high-efficiency, low-emissions, distributed generation.

Under the Renewable and High-Efficiency Energy Rate Option, MP shall make available to Customer Renewable and/or High Efficiency Energy in increments of 100 kWh blocks monthly on an as-needed basis to supply the actual energy subscriptions sold to Customer's retail customers. MP shall also provide to Customer administrative services associated with the provision of Renewable and/or High-Efficiency Energy. Customer shall notify MP each month of the number of blocks of energy to be purchased for that month.

The standard rates above shall apply. In addition, Customer shall have the option at its sole discretion to purchase a portion of its electric service requirements as Renewable and/or High-Efficiency Energy and pay the following additional charges if Customer elects the Renewable and High-Efficiency Energy Rate Option in accordance with the following:

4.1 Renewable/High-Efficiency Service Charge (Annual)

\$500 per year billed in January of each calendar year

4.2 Renewable/High-Efficiency Energy Charge (Monthly)

\$2.50 per 100 kWh block for all kWh of Renewable/High-Efficiency Energy

5. ADDITIONAL GENERATION

Unless MP and Customer otherwise agree in a written amendment, Customer may not, during the term of this Agreement, construct, operate or utilize its own generating or cogenerating capacity and may not purchase electric power and energy from any other person or party. Except as follows:

Customer may choose to install up to a maximum of 2% of its previous year's 15 Minute Peak kW Demand but not greater than 2,000kW of Renewable Generation (i.e. to achieve the 2,000 kW maximum of self-generation the customer would need a 15 Minute Peak Demand of 100,000 kW) to offset some of the power used by the customer through its point of delivery. If outside participation in development of the renewable generation is being sought MP has the right but not the obligation, to participate should the project prove to be economically feasible in MP's sole discretion. The selected Renewable Generating unit's nameplate rating will be used in determining the size and number of renewable generation unit(s) to be allowed for installation based on the 2% calculation. In the case of wind generation, the customer is required to prepare a one year minimum meteorological study at the proposed generation site as well as meet all MP interconnection requirements before any units are actually installed. MP approval is required if the selected renewable generator(s) nameplate capacity exceeds the 2% calculation.

Notwithstanding the forgoing provisions, Customer may, individually or collectively with other MP wholesale customers, propose to construct, operate, or utilize its own generating or cogenerating capacity in lieu of MP adding new generating capacity or purchasing capacity from any other person or party to meet its power and energy commitments to Customer and other wholesale customers. This generating capacity may consist of any new construction or acquisition without regard to fuel type (coal, gas, bio-mass, wind, etc.). Accordingly, Customer hereby grants MP the exclusive right of first refusal to (1) acquire or construct and operate on behalf of Customer such additional generating capacity that Customer proposes to construct, operate or utilize during the term of this Agreement, and (2) purchase the energy, capacity and applicable renewable attributes from such additional generating capacity that is surplus to Customer requirements.

6. RENEWABLE RESOURCE REQUIREMENTS

Any requirements applicable to Customer to generate, satisfy, or procure renewable energy objectives under law (e.g., Minn. Stat. § 216B.1691, as may be amended) shall be satisfied by Company. Provided, however, that under Minn.Stat. § 216B.1691, any eligible energy technology requirements applicable to Customer shall first be satisfied by any Customer-owned eligible energy technology and thereafter by Company through the Term of this Agreement.

7. LOAD GROWTH

If Customer total native electrical load served by MP increases by more than 5,000 kW in any year, MP reserves the right to adjust its Electric Service and Rate (from those set forth above) to incorporate the additional incremental cost of obtaining power supply to serve such an increase. For additional power requirements in excess of 5,000 kW in any twelve month period MP must be notified. The additional power requirements in excess of 5,000 kW in any twelve month period will be subject to a Surcharge for a period of five years from the date a binding Commitment Agreement to take the power is signed by the Customer. The Surcharge will be assessed to cover the additional cost of obtaining such power supply in excess of Company's Basic Capacity and Energy Costs. The Surcharge will not be less than zero. MP will advise the customer of approximate Company's Basic Capacity and Energy Cost 30 days prior to the beginning of each year.

As an alternative to MP providing the electric capacity and energy needed to meet Customer's load

growth as described above, Customer may propose to construct, operate, or utilize its own generating or cogenerating capacity as described in the paragraph titled "Additional Generation."

8. ADJUSTMENTS

There shall be added to the monthly bill the applicable proportionate part of any taxes and assessments imposed by any governmental authority in excess of those in effect July 1, 2011, which are assessed on the basis of meters or customers, or the price of or revenues from electric energy or service sold, or the volume of energy generated, transmitted or purchased for sale or sold.

9. SERVICE CONDITIONS

9.1 Type of Service. Customer will take service from MP at three phase, 60 hertz, at one standard transmission voltage of 23,000 volts. Customer will take all of its electric service requirements from MP for redistribution and resale. The delivery is where MP's wires connect to Customer's wires on Customer's dead end structure near Customer's Substation East of Mineral Avenue and North of Burlington Northern Railway tracks in the SW 1/4 of the NW 1/4 of Section 10, T58N, R18W, St. Louis County.

9.2 Point(s) of Delivery and Metering. By mutual agreement of MP and Customer, service may be taken at additional points of delivery; however, a separate Customer Charge shall be billed for each point of delivery. The measurements obtained at each point of delivery will be combined for billing purposes so as to produce the same quantities as measurements obtained by a single-metering installation. Combining the metering in this manner will provide Customer the benefit of any diversity which exists between the points of delivery and produce the equivalent maximum 15-minute demands (kW and KVAR) as would have been produced through metering the entire load at one metering point.

9.3 Equipment Ownership. Customer shall own, operate and maintain all facilities necessary to reach MP's available transmission line of adequate capacity to handle Customer's electric service requirements. Such facilities include any transformers, regulators, protective devices and other equipment needed to deliver electricity at Customer's utilization or distribution voltage. MP will own and maintain the metering equipment and any high-voltage disconnect switches which MP deems necessary.

9.4 Demand Waiver after System Outage. For billing purposes, MP will waive Customer Generation Capacity Demands and Coincident Peak Demands for one hour after any complete Customer system outage. If such hour is coincident with the MP system peak, Customer's load during the first hour thereafter will be considered the Coincident Peak Demand for billing purposes.

10. REGULATION AND JURISDICTION

Electric service shall be available from MP at the rates and under the terms and conditions set forth in this Agreement. Customer agrees to cooperate without waiver of substantive rights all regulatory filings made by MP with the FERC to implement this Agreement.

The agreement and all the rates and charges herein are subject to approval, amendment and change by any regulatory body having jurisdiction thereof. Both MP and Customer reserve the right to seek amendments, changes, increases or decreases in the rates and charges set forth herein, in accordance with law, from any regulatory body having jurisdiction thereof.

Nothing contained herein shall be construed as affecting in any way the right of the party furnishing service under this Agreement to unilaterally make application to the Federal Energy Regulatory Commission for a change in rates, charges, classification, or service, or any rule, regulation or contract relating thereto under Section 205 of the Federal Power Act and pursuant to the Commission's Rules and Regulations promulgated thereunder, or any other regulation or authority granted MP allowing the Company to change rates.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed by the duly authorized signatories the _____ day of _____, 2013.

CITY OF MOUNTAIN IRON

By: _____

Title: _____

MINNESOTA POWER

By: _____

Title: _____

**ATTACHMENT A
MINNESOTA POWER
REGULATIONS FOR WHOLESALE ELECTRIC SERVICE**

Attached to and made part of agreement with _____

Dated _____

PURPOSE AND CONTENTS

These Service Regulations govern the supplying and taking of electric service. The regulations are designed to provide each Customer the greatest practicable latitude in the use of service consistent with reliable, economical and safe service to all Customers.

These Service Regulations and Rate Schedule are on file in the Company's various offices, and copies are obtainable by any Customer upon request made in person, by telephone or by mail, at any office of the Company.

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SECTION I—DEFINITIONS

The following expressions when used in these Service Regulations, in Rate Schedules and in Service Agreements, shall, unless otherwise indicated, have the meanings given below:

1. **Customer:** A municipality or other wholesale customer having Company's electric service at any specified location.
2. **Company:** Minnesota Power.
3. **Electric Service:** The supplying of electric power and energy, or its availability, irrespective of whether any electric power and energy is actually used. Supplying of service by Company consists of the maintaining by it, at the point of delivery, of approximately the agreed voltage and frequency by means of facilities adequate for carrying Customer's contracted load.
4. **Customer's Installation:** In general, all wiring and apparatus of any kind or nature on Customer's side of the point of delivery (except Company's meter installation), useful in connection with Customer's ability to take electric service.
5. **Point of Attachment:** Point of delivery defined by Contract or the point at which Company's conductors connect to Customer's service conductors or dead end insulators.
6. **Service Conductors:** The wires provided by the Customer extending from Customer's main line switch or center at which circuits originate, to the Point of Attachment.
7. **Month:** An interval of approximately thirty days between successive meter reading dates.
8. **Service Agreement:** The agreement or contract between Company and Customer pursuant to which service is supplied and taken.
9. **Notice:** Unless otherwise specified, a written notification delivered personally or mailed by one party to the other, the period of notice being computed from the date of such personal delivery or mailing.
10. **Meter:** The meter or meters, together with auxiliary devices, if any, constituting the complete installation needed to measure the power and energy supplied to any Customer's point of delivery.
11. **Customer Extension:** Any branch from, or continuation of, an existing line to the point of delivery to Customer, including increases in capacity of any of Company's existing facilities, or the changing of any line to meet the Customer's requirements, and including all transformers, service connection to Point of Attachment and meters.

SECTION II—SERVICE AGREEMENTS

12. **Company's Right to Cancel Service Agreement or to Suspend Service:** Company, in addition to all other legal remedies, may terminate the Service Agreement, or suspend delivery of service, for any default or breach of the Service Agreement by the Customer, but no such termination or suspension will be made by Company without five (5) days written notice to Customer, stating in what particular the Service Agreement has been violated, except in cases of unlawful or unauthorized use of service by Customer, or dangerous leakage or short circuit on Customer's side of the point of delivery, or in case of utilization by Customer of service in such manner as to cause danger to persons or property. Failure of Company at any time to either suspend delivery of service or to terminate the Service Agreement, or to resort to any other legal remedy, or its adoption of either one or the other of such alternatives, shall not affect Company's right to resort to any of such remedies for the same or any future default or breach by Customer.

13. **Successors and Assigns:** Service Agreements inure to the benefit of and are binding upon the respective heirs, legal representatives, successors and assigns of the parties thereto; but no assignment by Customer shall be binding upon Company until accepted in writing by the latter.

SECTION III—SUPPLYING AND TAKING OF SERVICE

14. **Continuity of Service:** Company will endeavor to provide continuous service but does not guarantee a constant supply of electric energy and shall not be liable to Customer for damages occasioned by interruption from any cause other than gross negligence of Company. The Company shall not be liable for any loss of profits or special or consequential damages resulting from the use of service or any interruption or disturbance of service. In the event of power shortage any curtailment among Customers shall be made as nearly as practical pro rata without liability on the part of Company to any Customer affected.

15. **Suspension of Service for Repairs and Changes:** When necessary to make repairs to or changes in its lines or system, Company may, without incurring any liability therefor, suspend service for such periods as may be necessary, and in such manner as to minimize inconvenience to Customer.

16. **Customer's Responsibility:** Customer assumes all responsibility on Customer's side of the point of delivery for the service supplied or taken, as well as for the electrical installation and apparatus used in connection therewith, and shall save Company harmless from and against all claims for injury or damage to persons or property occasioned by or in any way resulting from such service or the use thereof on Customer's side of the point of delivery.

17. **Right-of-Way:** Customer shall, without compensation, make or procure satisfactory conveyance to Company of right-of-way for Company's lines necessary and incidental to the furnishing of service to Customer and for continuing or extending said lines over, under, across or through the property owned or controlled by Customer in a manner deemed appropriate by the Company.

18. **Access to Premises:** The duly authorized agents of Company shall have access at all reasonable hours to the premises of Customer for the purpose of inspecting wiring and apparatus, inspecting, maintaining and repairing lines over, under, across or through said premises, removing, replacing, or reconstructing Company's property, reading of meter and all other purposes incident to the supplying of service.

19. **Location of Point of Attachment:** Customer's Point of Attachment is to be located at a point readily accessible to Company's distribution mains. Customer shall install and maintain a Point of Attachment for Company's conductors. Said Point of Attachment shall be of sufficient mechanical strength to support the wind and ice loaded weight of the conductors and shall be located as determined by the Company.

SECTION IV—CUSTOMER'S INSTALLATION

20. **Inspection by Company:** Company retains the right, but does not assume the duty, to inspect Customer's installation at any time and will refuse to commence or to continue service whenever it does not consider such installation to be in good operating condition, but Company does not in any event assume any responsibility whatever in connection with such matters.

21. **Changes in Installations:** As Company's service conductors, transformers, meters, and other facilities used in supplying service to Customer have a definite limited capacity, Customer shall give notice to Company, and obtain Company's consent, before making any material changes or increases in Customer's installation. Company as promptly as possible after receipt of such notice will give its approval to the proposed change or increase, or will advise Customer upon what conditions service can be supplied for such change or increase. Failure to secure Company's approval shall make Customer liable for any damage to Company's facilities.

SECTION V—COMPANY'S INSTALLATION

22. **Installation and Maintenance:** Except as otherwise provided in these Service Regulations, in Service Agreements or Rate Schedules, Company will install and maintain its lines and equipment on its side of the point of delivery, but shall not be required to install or maintain any lines or equipment, except meters, on Customer's side of the point of delivery. Only Company's agents are authorized to connect Company's service drop to Customer's service entrance conductors and to connect Company's meters.

(a) **Electrical Permit:** The Company is prohibited from connecting its service conductors to Customer's conductors until permitted by the governmental authority having jurisdiction.

(b) **Standard Connection:** The ordinary method of connection between Company's distributing mains and Customer's service conductors will be by overhead wires. If Customer desires to have connection made in any other manner, special arrangements will be made between Customer and Company by which the connection will be made and maintained at Customer's expense.

(c) **Suitable Space:** The Customer shall provide at no cost to Company a suitable room or space for Company's transformers and equipment specifically used in providing service to Customer when such room or space is deemed necessary by Company.

23. **Protection by Customer:** Customer shall protect Company's wiring and apparatus on Customer's premises and shall permit no one except Company's agents or persons authorized by law to inspect or handle same. In the event of any loss or damage to such property of Company or other person caused by or arising out of carelessness, neglect or misuse by Customer or other unauthorized persons, the cost of making good such loss or repairing such damage shall be paid by Customer.

Company shall not be responsible to Customer or any other party because of any damage resulting from such installations which are not readily subject to inspection from the ground and the exterior of the premises, or from the meter location, unless Customer shall have notified Company of a condition which, in the reasonable opinion of the Customer, requires attention and the Company shall have had a reasonable time within which to inspect and, if necessary, repair the same.

24. **Customer Extensions:** The Company, at its own expense, makes extensions where the revenue therefrom is sufficient, in Company's opinion, to justify the necessary expenditure.

Where the Company cannot be assured that the term of service will be of sufficient duration, where unusual expenditures are necessary to supply service because of location, size or character of installation, or where area requirements of regulatory bodies may control, Customer shall make arrangements satisfactory to Company dependent upon the particular conditions of each situation.

25. **Relocation of Facilities:** Company will, at its discretion, alter, relocate or remove Company's facilities as may be requested in writing by Customer. Customer shall pay Company for all costs associated with such alteration, relocation or removal including any new facilities required to provide service after the alteration, relocation or removal.

Customers requesting the alteration, relocation, or removal shall pay the estimated cost for the change, less salvage, of the facilities required to effect such change prior to Company committing funds for the work. Where the actual cost is different from the estimated cost upon which the advance payment was based, as determined upon completion of the requested alteration, relocation or removal, Company will refund any excess payment made by Customer or render a bill for any additional amount due.

SECTION VI—METERING

26. **Installation:** Company shall furnish and install the necessary meter or meters, and Customer shall provide and maintain a location, free of expense and satisfactory to Company, all in accordance with Company's Metering Standards.

27. **Evidence of Consumption:** Unless proven to be inaccurate, the registration of Company's meter shall be accepted and received at all times and places as prima facie evidence of the amount of power and energy taken by Customer.

28. **Tests:** Company tests its meters and maintains their accuracy of registration in accordance with good practice. On request of Customer, Company will make a special test which will be done at the expense of the Company. If the Customer requests another test before the expiration of a twelve-month period, the Customer shall bear the cost of the test if the meter is found to be in error by less than 2%, fast or slow. The average registration

accuracy of a meter is taken as the mean of full load (100% of rated load) accuracy, and light load (5-10% of rated load) accuracy. At Company's discretion, tests may be made under average load conditions.

SECTION VII—PARALLEL GENERATION

29. **Design:** The Seller's electric generating equipment shall be designed (1) to operate in synchronization with Company's system and (2) to automatically disconnect the facility from Company's system in the event Company's system becomes de-energized. All synchronizing and protective devices to accomplish this mode of operation shall be provided and maintained by Customer.

30. **Disconnection:** The Seller shall provide and maintain a manual, lockable disconnect switch providing a visible open and capable of isolating the Customer's generator from the Company's electrical system. This disconnect switch shall be readily accessible to Company personnel at all times, shall include a provision for padlocking it in the open position, and shall meet all other reasonable requirements established by Company.

31. **Customer Responsibility:** The Seller shall pay for the cost of rebuilding and/or modifying Company facilities to provide adequate capacity for the parallel generation system and adequate protection for the Company's electrical system.

SECTION VIII—BILLING

32. **Billing Periods:** Bills ordinarily are rendered regularly at monthly intervals, but may be rendered more or less frequently at Company's option. Non-receipt of bills by Customer does not release or diminish the obligation of Customer with respect to payment thereof.

33. **Adjustment for Inaccurate Meter Registration:** In the event that any routine or special test of a Company meter discloses its average accuracy of registration to be in error by more than 2%, fast or slow, Company will refund the overcharge for a fast meter or charge for electricity consumed, but not included in the bills previously rendered for a slow meter. The refund or charge for both fast and slow meters will be based on corrected meter readings for a period equal to one-half the time elapsed since the last previous test but not to exceed six (6) months, unless it can be established that the error was due to some cause, the date of which can be fixed with reasonable certainty, in which case the refund or charge will be computed to that date, but in no event for a period longer than one (1) year.

34. **Delinquent Bills:** Bills become delinquent if not paid on or before the past due date as shown on bill and service may be discontinued upon five (5) days written notice to Customer after becoming delinquent.

35. **Unlawful Use of Service:** In any case of tampering with meter installation or interfering with the proper functioning thereof or any other unlawful use or diversion of service by any person, or evidence of any such tampering, interfering, unlawful use or service diversion, Customer is liable to immediate discontinuance of service, without notice, and to prosecution under applicable laws, and Company shall be entitled to collect from Customer at the appropriate rate for all power and energy not recorded on the meter by reason of such tampering, interfering, or other unlawful use or service diversion (the amount of which may be estimated by Company from the best available data), and also for all expenses incurred by the Company on account of such unauthorized act or acts.

36. **Charge for Restoring Service:** If service to Customer is discontinued by Company for valid cause, then before service is restored, Customer shall pay Company all permitted costs of discontinuing and restoring service. There will be no charge for reconnection when service has been discontinued in the event of a condition determined to be hazardous to Customer, to other Customers of Company, to Company's equipment, or to the public.

If Customer requests that service be discontinued and subsequently requests restoration of same service within twelve (12) months of discontinuance, the charge for restoring service will be the sum of minimum bills during the elapsed period but not less than all costs of discontinuing and restoring service.

37. **Selection of Schedule:** If, for any cause a Service Agreement is entered into in which is specified a Rate Schedule not applicable to the class of service taken, on discovery of the error all bills rendered during the preceding twelve (12) months will be recalculated in accordance with the properly applicable Rate Schedule and Company will refund to Customer any amount due, or will bill Customer for any amount owed, as the case may be.

38. **Proration of Bills:** Bills for energy used during a billing period that is longer or shorter than the normal billing period by more than five (5) days shall be prorated on a daily basis, but no billing will be made for three (3) or less days when no energy is used. However, in no event will the total length of service between initial and final service be taken as less than one (1) month.

No bill will be prorated for change in operating level within the billing period.

SECTION IX—MISCELLANEOUS REGULATIONS

39. **Conflicts:** In case of conflict between any provision of these Service Regulations, Customer's Service Agreement or a Rate Schedule, the provision of the Service Agreement takes precedence, followed by the provision of the Rate Schedule.

40. **Regulations and Jurisdiction:** Electric service shall be available from Company at the rates and under the terms and conditions set forth in the currently applicable Rate Schedule or other superseding Rate Schedules in effect from time to time. All the rates and regulations referred to herein are subject to amendment and change by Company. Any such amendments or changes are subject to approval by the Federal Energy Regulatory Commission or succeeding authority.

**Attachment B - ALLETE, Inc., d/b/a Minnesota Power
POWER SUPPLY FORMULA RATE**

I. Generation Capacity Charge

- a. The Estimated Generation Capacity Charge for the Service Year shall be determined in accordance with the formula in the supporting workpapers included herein as Appendices A-1 through A-18, using projected cost and load information for the calendar year in which the Service Year begins.
- b. The Actual Generation Capacity Charge for the Service Year shall be determined in May of the following year using cost and load information reported in the FERC Form 1 for the calendar year in which the Service Year begins. The calculation will use average rate base balances for the specified calendar year.
- c. The Generation Capacity Charge True-up Adjustment is any difference between the sum of the monthly billings for the Service Year based upon the Estimated Generation Capacity Charge and the Actual Generation Capacity Charge and shall be refunded to or collected from the Customer in equal six-month, twelve-month or lump-sum amounts in the monthly bills for July through June of the year following the Service Year. Any such refund by Company or payment by the Customer shall be increased by interest if a six- or twelve-month payment or refund plan is selected vs. a lump-sum payment or refund.

II. Base Energy Charge

- a. The Estimated Base Energy Charge for the Service Year shall be determined in accordance with the formula in the supporting workpapers included herein as Appendices A-1 through A-18, using projected cost and load information for the calendar year in which the Service Year begins. It shall be the sum of two components, the Fuel and Purchased Power Base and the Non-fuel Energy Charge.
- b. The Actual Base Energy Charge for the Service Year shall be determined in May of the following year using cost and load information reported in the FERC Form 1 for the calendar year in which the Service Year begins. Only the Non-fuel Energy Charge shall be subject to change in the annual true-up calculation. The Fuel and Purchased Power Base and resulting Monthly Energy Adjustments shall not change as a result of the annual true-up calculation.
- c. The Non-fuel Energy Charge True-up Adjustment is any difference between the sum of the monthly billings for the Service Year based upon the Estimated Non-fuel Energy Charge and the Actual Non-fuel Energy Charge and shall be refunded to or collected from the Customer in equal six-month, twelve-month or lump-sum amounts in the monthly bills for July through June of the year following the Service Year. Any such refund by Company or payment by the Customer shall be increased by interest if a six- or

twelve-month payment plan or refund is selected vs. a lump sum payment or refund.

III. Monthly Energy Adjustment

- a. The Monthly Energy Adjustment shall be calculated each month as the difference (positive or negative) between Company's monthly fuel and purchased power cost and the Fuel and Purchased Power Base.
- b. The Estimated Monthly Energy Adjustment is calculated each month for the upcoming calendar year (e.g., calculated in December 2010 for January 2011 - December 2011) based on projected monthly fuel and purchased power costs. In the month immediately following the service month (e.g., August 2011 for July 2011), when the actual costs of fuel and purchased power are known, the actual Monthly Energy Adjustment will be calculated, and a true-up to the actual costs is either billed or credited to Customer on that month's bill.

IV. Changes to Formula Methodology

- a. The Power Supply Formula Rate formulas will be revised to include recovery of costs associated with MP's required pension plan contributions at such time when the Minnesota Public Utilities Commission approves inclusion of such costs for retail customer rate recovery.

V. Cost of Capital

- a. The Cost of Capital used to determine the rate of return on investment will be calculated using a return on equity ("ROE") of 10.38 percent and over the term of this agreement will change to match the ROE established by the most recent final order of the Minnesota Public Utilities Commission in any MP rate proceeding. The capital structure will be initially fixed at 41 percent debt and 59 percent equity.

ALLETE, Inc., d/b/a Minnesota Power

TOC	Cost-based Formula Rate Calculation Table of Contents:
A-1	Determination of Demand-Related Costs and Generation Capacity Charges
A-2	Determination of Energy-Related Costs and Energy Charges
A-3, A-3.1	CP Demand with Losses and NCP Demand @ Meter
A-4	Off-System Sales/Revenue Credits
A-5, A-5.1	Return on Production Related Investment
A-6	Production Related Electric Plant in Service
A-7	Production Related General Plant Allocation
A-8	Production Related Cash Requirement
A-9	Production Related Materials & Supplies
A-10	Production Related Administrative & General Expense Allocation
A-11	Composite Cost of Capital
A-12	Long Term Debt
A-13	[Intentionally Left Blank]
A-14	Production O&M Expenses
A-14(a)	Classification of Fixed and Variable Production Expenses
A-15	Production Related Depreciation Expense
A-16	Production Related Taxes Other than Income Taxes (TOTI)
A-17	Production Related Income Tax
A-18	Computation of Effective Income Tax Rate

For the period July 1, 2XXX to June 30, 2XXX

Cost-based Formulas - ALLETE, Inc. d/b/a Minnesota Power
A-1

Determination of Demand-Related Costs and Generation Capacity Charges
Twelve Months Ended December 31, 2XXX__ -Actual

	Reference	Demand Related			
1. Return on Capital Investment	pg A-5, L 18, Col 2	\$			
2. Operation & Maintenance Expense	pg A-14, L 7, Col 2	\$			
3. Depreciation Expense	pg A-15, L 6, Col 2	\$			
4. Taxes Other than Income Taxes	pg A-16, L 9, Col 3	\$			
5. Income tax	pg A-17, L 7, Col 2	\$			
6. Subtotal	Sum L1 thru L5	\$			
7. Less: Off-System Sales/Revenue Credits	pg A-4, L 1, Col 2	\$			
8. Less: Ancillary Service Revenues	Note 1	\$			
9. Annual Production Fixed Cost	L6 - L7 - L8	\$			
10. Total 12 Months System Peaks	FERC 1, p. 401b, Col d		XX,XXX/MW		
11. Demand Cost at Generation	L9 / L10 / 1,000	\$	/kw \$	<u>Municipals</u>	<u>SWLP</u>
12. CP Demand with Losses (60 minutes)	A-3 col. (g) L18 a, L19			/kw \$	/kw
13. Annual Demand Revenue Requirements	L11 X L12		\$	XXX.XXX	XXX.XXX
14. NCP Demand @ Meter Note 2	A-3.1 col (a) L18 a, L19			/kw \$	/kw
15. Generation Capacity Cost	L13/L14		\$	XXX.XXX	XXX.XXX
16. Plus: Customer related Costs not in Cust. Charge	Docket ER08-397 Stmt BL			/kw \$	/kw
17. Generation Capacity Charge			\$	\$0.15/kw	\$0.10/kw
				/kw \$	/kw

Note 1: Line 8 Ancillary Service Revenue for Municipal customers, SWL&P & Dahlberg from MP's OATT or equivalent MISO rate.

Note 2: Line 14 - NCP Demand at Meter is based actual 15 min NCP.

Cost-based Formulas - ALLETE, Inc. d/b/a Minnesota Power
A-2

Determination of Energy-Related Costs and Energy Charges
Twelve Months Ended December 31, 2XXX__-Actual

	Reference	Energy Related
Fuel & Purchased Power Base		
1. Total fuel	pg A-14, L 10, Col 4	\$
2. Purchased power (555)	pg A-14, L 1, Col 4	\$
3. Subtotal fuel & purchased power	L1 + L2	\$
4. Less: Off-System Sales/Revenue Credits	pg A-4, L 1, Col 3	\$
5. Total Fuel & Purchased Power Base	L3 - L4	\$
Non-Fuel Energy Charge		
6. Non-fuel energy production expense	pg A-14, L 4, Col 3	\$
7. Administrative and general expense	pg A-10, L 19, Col 5	\$
8. Return on capital investment	pg A-5, L 18, Col 3	\$
9. Depreciation Expense	pg A-15, L 6, Col 3	\$
10. Income tax	pg A-17, L 7, Col 3	\$
10.A Less: Production Tax Credit (PTC) generated	pg A-17, L11, Col 3	\$
11. Total Non-Fuel Energy Charge	Sum (L6:L10)	\$
12. Net MWh generated and purchased, less MWh sold	FERC 1, p. 401 a & b	XX,XXX,XXX/Mwh
13. Non-Fuel Energy Charge	L11 / L12 / 1,000	.XXXX/kwh
14. Fuel and Purchased Power Base	L5 / L12 / 1,000	.XXXX/kwh
15. Combined Non-Fuel Energy & Fuel/Purchased Power Base	L13 + L14	.XXXX/kwh

Cost-based Formulas - ALLETE, Inc. d/b/a Minnesota Power
A.3

Allete, Inc., d/b/a Minnesota Power
Cost-Based Formulas A-3
Demand Responsibility for Power Supply Costs Based on 12-Month Average CP Demands (MW)
2XXX

Line (No)	Lowest Level of Allocation (kV)	Demand at Meter (a)	Lowest Level of Allocation		Power Supply Transmission		Power Supply Production		
			Losses to Meter Point (b)	Demand at LLA (c)	Losses on Dist Bulk Del (d)	Demand at Trans (e)	Losses on Trans Sys (f)	Demand at Prod (g)	
Group A - Full Requirement Customers									
1	Buhl	##	###	###	###	###	###	###	###
2	Gilbert	##	###	###	###	###	###	###	###
3	Keewalin	##	###	###	###	###	###	###	###
4	Mountain Iron	##	###	###	###	###	###	###	###
5	Nashwauk	##	###	###	###	###	###	###	###
6	Pierz	##	###	###	###	###	###	###	###
7	Randall	##	###	###	###	###	###	###	###
8	Blwablk	##	###	###	###	###	###	###	###
9	Ely	##	###	###	###	###	###	###	###
10	Allkin	PST	###	###	###	###	###	###	###
11	Brainerd	PST	###	###	###	###	###	###	###
12	Grand Rapids	PST	###	###	###	###	###	###	###
13	Hibbing	PST	###	###	###	###	###	###	###
14	Proctor	PST	###	###	###	###	###	###	###
15	Two Harbors	PST	###	###	###	###	###	###	###
16	Virginia	PST	###	###	###	###	###	###	###
17	Group A - Total		###	###	###	###	###	###	###
Group B - Private Utilities									
18	Superior Water, Light & Power Company	PST	###	###	###	###	###	###	###
19	Group B - Total		###	###	###	###	###	###	###

Notes:

Demand at LLA (c) = (a) + (b).

Demand at Trans (e) = (c) + (d).

Demand at Prod (g) = (e) + (f).

Demand loss factors:

Secondary (%) @ 0.68

Line Transf (%) @ 1.69

Primary (%) @ 3.93

Distribution Subs (%) @ 0.33

Dist Bulk Delivery (%) @ 1.48

Transmission (%) @ 4.89

Transmission losses supplied through MISO and not allocated here.

Cost-based Formulas - ALLETE, Inc. d/b/a Minnesota Power
A-3.1

Allete, Inc., d/b/a Minnesota Power
Cost-Based Formulas A-3.1
2XXX Actual 12-Month Average NCP (15-min) Demands (MW)

Line (No)	Lowest Level of Allocation (kV)	NCP Demand at Meter (a)	Lowest Level of Allocation		Power Supply Transmission		Power Supply Production		
			Losses to Meter Point (b)	Demand at LLA (c)	Losses on Dist Bulk Del (d)	Demand at Trans (e)	Losses on Trans Sys (f)	Demand at Prod (g)	
Group A - Full Requirement Customers									
1	Buhl	##	###	###	###	###	###	###	###
2	Gilbert	##	###	###	###	###	###	###	###
3	Keewalin	##	###	###	###	###	###	###	###
4	Mountain Iron	##	###	###	###	###	###	###	###
5	Nashwauk	##	###	###	###	###	###	###	###
6	Pierz	##	###	###	###	###	###	###	###
7	Randall	##	###	###	###	###	###	###	###
8	Blwabik	##	###	###	###	###	###	###	###
9	Ely	##	###	###	###	###	###	###	###
10	Atiktn	PST	###	###	###	###	###	###	###
11	Brainerd	PST	###	###	###	###	###	###	###
12	Grand Rapids	PST	###	###	###	###	###	###	###
13	Hibbing	PST	###	###	###	###	###	###	###
14	Proctor	PST	###	###	###	###	###	###	###
15	Two Harbors	PST	###	###	###	###	###	###	###
16	Virginia	PST	###	###	###	###	###	###	###
17	Group A - Total		###	###	###	###	###	###	###
Group B - Private Utilities									
18	Superior Water, Light & Power Company	PST	###	###	###	###	###	###	###
19	Group B - Total		###	###	###	###	###	###	###

Notes:

Demand at LLA (c) = (a) + (b).

Demand at Trans (e) = (c) + (d).

Demand at Prod (g) = (e) + (f).

Demand loss factors:

Secondary (%) @ 0.68

Line Transf (%) @ 1.69

Primary (%) @ 3.93

Distribution Subs (%) @ 0.33

Dist Bulk Delivery (%) @ 1.48

Transmission (%) @ 4.89

Transmission losses supplied through MISO and not allocated here.

Cost-based Formulas

A-4

Off-System Sales/Revenue Credits

Twelve Months Ended December 31, 2XXX - Actual

	Ref.	Production		
		Total	Demand	Energy
1. Off-System Sales Revenues/Revenue Credits	a/	\$	\$	\$

a/ See FERC Form 1 p 311.1 subtotal line non-RQ, column h. Also includes industrial economy, non-firm, and interruptible sales.

Economy Energy:	<u>2XXX</u>
Boise	\$
Blandin	\$
Sappi	\$
Silver Bay	\$
Total Economy Energy	\$
Total other energy	\$
Total off system sales	\$

Cost-based Formulas - ALLETE, Inc. d/b/a Minnesota Power
A-5

Return on Production Related Investment
Twelve Months Ended December 31, 2XXX -Actual

	Ref.	Production		
		Total	Demand	Energy
1. <u>Electric plant</u>				
2. Gross plant in service	pg A-6, L 6, Col 2	\$	\$	\$
3. Accumulated depreciation	pg A-6, L 12, Col 2	\$	\$	\$
4. Accumulated Deferred Taxes	pg A-6, L 13, Col 2	\$	\$	
5. Net plant in service	L2 + L3 + L4	\$	\$	\$ -
6. ARO (net 2300 & 1832)	c/	\$	\$	
7. Construction work in progress a/	A-5.1	\$	\$	\$ -
8. Subtotal - Electric Plant	L5 + L6 + L7	\$	\$	\$ -
9. <u>Working capital</u>				
10. Materials & supplies				
11. Fuel	pg A-9, L 2	\$		\$ -
12. Non-fuel	pg A-9, L 4	\$	\$	
13. Total M&S	L11 + L12	\$	\$	\$ -
14. Prepayments b/	b/	\$	\$	\$ -
15. Cash requirements	pg A-8, L11	\$	\$	\$
16. Total investment	L8 + L13 thru L15	\$	\$	\$
17. Composite cost of capital	pg A-11, L 4, Col 4		%	%
18. Return on investment	L16 X L17	\$	\$	\$ %

a/ Production amount only - One major 100% pollution control projects at page A-5.1.

b/ Classified and functionalized using General Plant:

	Prepayments	
2XXX AVG Ending Bal	\$	
A-7 line 16		%
Total Prepayments	\$	% Demand Related
		% \$

c/ ARO Average Balance L6	<u>12/31/2XXX</u>	<u>12/31/2XXX</u>	<u>Average Balance</u>
FERC Form 1- p 112 line 34	\$	\$	\$
FERC Form 1- p 232 line 3	\$	\$	\$
Total above line 6	\$	\$	\$

Cost-based Formulas

A-5.1

Construction Work in Progress

For Thirteen Months Ending December 31, 2XXX

Line No.	Month	BEC 4 Environmental Proj. # 103698	Less AFUDC	Net BEC 4 Environmental
1	December 2XXX	\$	\$	\$
3	January 2XXX	\$	\$	\$
5	February	\$	\$	\$
7	March	\$	\$	\$
9	April	\$	\$	\$
11	May	\$	\$	\$
13	June	\$	\$	\$
15	July	\$	\$	\$
17	August	\$	\$	\$
19	September	\$	\$	\$
21	October	\$	\$	\$
23	November	\$	\$	\$
25	December 2XXX	\$	\$	\$
	Average	\$	\$	\$
	100% Pollution Control		\$	

Cost-based Formulas - ALLIANT, Inc. d/b/a Minnesota Power
A-6
Production Related Electric Plant in Service
Twelve Months Ended December 31, 2XXX -Actual

		Production			
		System (1)	Total (2)	Demand (3)	Energy (4)
1. Gross plant in service					
2. Plant in service, excl G&I & Non-regulate	n/	\$	\$	\$	-
3. Plant in service		\$	\$	\$	-
4. GSUs included in accts 353 & 362 above	f/	\$	\$	\$	-
5. General & intangible	pg A-7, L. 18	\$	\$	\$	-
6. Total Adj. Gross Plant	L3 thru L. 5	\$	\$	\$	\$
7. Gross Plant allocator	L6/L6		%	%	%
8. Accumulated Depreciation & Amortization			%	%	%
9. Plant in service, excl G&I & Non-regulate	c and h/	\$	\$	\$	-
10. GSUs included in accts 353 & 362 above	r	\$	\$	\$	-
11. General & intangible	b/	\$	\$	\$	\$
12. Total Adj. Accum. Deprec. & Amort.	L9+L10+L11	\$	\$	\$	\$
13. Accumulated Deferred Taxes	e/		- \$	\$	-

n/ Gross plant in service is the average of beginning and ending balances (FERC-1, p 206 & 207) See footnote g below.

f/ % from P A-7, L16

c/ Accumulated depreciation is the average of beginning and ending balances (FERC-1, p 219)

e/ FERC accounts 281, 282, 283 and 190 adjusted to exclude retail related deferred taxes and FAS 109 and FAS 133 deferred taxes.

Directly assigned demand related based on statements AF & AG and general plant allocated on gross plant

Direct assignment Production only #281 tax credits \$
#282 prop. tax \$
#283-other cr. \$

ADIT pension related liability removed

Total Deferred Income Tax Credits -production \$
Direct assignment Production only #190 \$
Net accumulated deferred taxes 100% Production \$
General Plant 281,282,283 total net of #190 \$
Allocation gross plant factor %
Net accumulated deferred taxes 100% Production \$
Total Deferred Income Tax 100% demand \$

f/ See FERC Form 1 p 206 Transmission Plant acct #353 transmission station equipment and acct #362 distribution station equipment.

These accounts contain generation step-up transformers (GSU's) located at MP's generating stations are subfunctionalized to production demand and energy

AVG acct #353 \$
AVG acct #362 \$
Total AVG GSU's Assets \$
Accum.depr.GSU's \$

	System Column 1 above	Production Only Column 2 above
g/ Plant in service is adjusted for non-regulated plant		
Average plant in service, excluding G&I	\$	\$
less average non-regulated plant	\$	\$
Plant in service, excl G&I & Non-regulate	\$	\$

h/ Accumulated Depreciation adjusted for non-regulated plant:

Plant in Service, excl. G & I \$
less average accum deprec. non-regulated plant \$
Total Adj. Accum. Deprec. & Amort. \$

Cost-based Formulas - ALLETE, Inc. d/b/a Minnesota Power
A-7

Production Related General Plant Allocation

Twelve Months Ended December 31, 2XXX__-Actual

	General plant accounts 101 and 106				
	Total system	Allocator	Production	Demand	Energy
1. General plant FERC Form 1 p 206 Lines 86-96					
2. 389 Land and land rights.	\$				
3. 390 Structures and improvements.	\$				
4. 391 Office furniture and equipment.	\$				
5. 392 Transportation equipment.	\$				
6. 393 Stores equipment.	\$				
7. 394 Tools, shop and garage equipment.	\$				
8. 395 Laboratory equipment.	\$				
9. 396 Power operated equipment.	\$				
10. 397 Communication equipment.	\$				
11. 398 Miscellaneous equipment.	\$				
12. Subtotal a/	\$		\$	\$	\$
13. Percent of subtotal		%	\$	\$	\$
14. 399 Other tangible property L-97		-			%
15. Total general plant	\$			-	\$
16. Percent of total		%		%	%
17. Intangible plant	\$		\$	\$	\$
18. General and intangible plant	\$		\$	\$	\$

a/ FERC-1, p. 354: Production payroll/Total payroll excl. A&G

b/ Allocation between demand and energy on production payroll:

Total production payroll	\$
Total production payroll-demand related	\$
	% *

* "Total production payroll-demand related " is classified by FERC O&M acct numbers between demand and energy based on established FERC methodology used in rate cases. See separate file "2XXX labor only O&M.xls" for individual FERC account classification between demand and energy.

Cost-based Formulas - ALLETE, Inc. d/b/a Minnesota Power
A-8

Production Related Cash Requirement

Twelve Months Ended December 31, 2XXX__-Actual

	Ref	Amount	Production	
			Demand	Energy
1. Fuel expense	pg A14, L10	\$	-	\$
2.				
3. Purchased power	pg A14, L1	\$	\$	\$
4.				
5. Total O&M excluding fuel	pg A14, L7	\$	\$	\$
6. Other O&M expenses (excl. fuel/purch power)	L5 - L3	\$	\$	\$
7. Other O&M expenses cash requirements	L 6 * 1/8	\$	\$	\$
8. Other cash requirements	L7	\$	\$	\$
9. Administrative & general expense-	pg A10, L 19	\$	\$	\$
10. A&G Cash requirements	L 9 * 1/8	\$	\$	\$
11. Total Cash requirements	L8 + L10	\$	\$	\$

Cost-based Formulas - ALLIETE, Inc. d/b/a Minnesota Power
 A-9
 Production Related Materials & Supplies
 Twelve Months Ended December 31, 2XXX__ -Actual

	Reference	System	Allocator	Production	Demand	Energy
1. Materials & supplies						
2. Fuel - average balance n/	FERC-1 p.110 L 45	\$	%	\$		\$
3. Plant materials (154) average balance b/	FERC-1 p.110 L 48	\$	FERC-1 p 227	\$	\$	
4. Total non-fuel plant materials	line 3	\$		\$	\$	
5. Total materials & supplies	L2 + L3	\$		\$	\$	\$

n/ FERC account 151 excluding non-regulated. Average balance calculated by taking 12-31-11 balance (beginning balance) and 12-31-12 (ending balance) and dividing by 2.

b/ FERC account 154, excluding non-regulated materials. Average balance is calculated by taking 12-31-11 (beginning balance) and 12-31-12 (ending balance) and dividing by 2. See below:

	12/31/XX	12/31/XX	Avg Balance
Fuel Stock Inventory p 110 L 45	\$	\$	\$
Plant Materials p 227 L7	\$	\$	\$
deduct non-regulated sch p 227 p 450.1	\$	\$	\$
Net Reg. Plant Materials	\$	\$	\$

Cost-based Formulas - ALLETE, Inc. d/b/a Minnesota Power
 A-10
 Production Related Administrative & General Expense Allocation
 Twelve Months Ended December 31, 2XXX__-Actual

	Reference	System (1)	Allocator (2)	Production (3)	Demand (4)	Energy (5)
1. Administrative & general expense-						
2. Operations:						
3. 920 Administrative and general salaries.	FERC-1 p.323 L 181	\$				
4. 921 Office supplies and expenses.	FERC-1 p.323 L 182	\$				
5. 922 Administrative expenses transferred— Credit.	FERC-1 p.323 L 183	\$				
6. 923 Outside services employed.	FERC-1 p.323 L 184	\$				
7. 925 Injuries and damages.	FERC-1 p.323 L 186	\$				
8. 926 Employee pensions and benefits.	FERC-1 p.323 L 187	\$				
9. 927 Franchise requirements.	FERC-1 p.323 L 188	\$				
10. 929 Duplicate charges—Credit.	FERC-1 p.323 L 190	\$				
11. 930.1 General advertising expenses.	FERC-1 p.323 L 191	\$				
12. 930.2 Misc. general expense	FERC-1 p.323 L 192	\$				
13. 931 Rents.	FERC-1 p.323 L 193	\$				
14. Subtotal a/	subtotal L3 to L13	\$	%	\$	\$	\$
15. 924 Property insurance.	FERC-1 p.323 L 185	\$	%	\$	\$	\$
16. 928 Regulatory commission expenses.	FERC-1 p.323 L 189	\$	assigned	\$	\$	\$
17. Reg comm exp FERC annual assessment	FERC-1, p. 351	-		-	-	-
18. 935 Maintenance of general plant.	FERC-1 p.323 L 196	\$	%	\$	\$	\$
19. Total	total L14 to L18	\$		\$	\$	\$

a/ General plant allocator based on production payroll at page A-7 line 12.

Cost-based Formulas - ALLETE, Inc. d/b/a Minnesota Power
 A-11
 Composite Cost of Capital
 Twelve Months Ended December 31, 2XXX__-Actual

		Total company		
		Fixed	Cost	Wtd cost
Reference		(2)	(3)	(4)
1. Long term debt	pg A-12	41%	%	%
2. Preferred stock		0%		%
3. Common equity	Note 1 below	59%	%	%
4. Total		<u>100%</u>		<u>%</u>

New customer contracts effective 7-1-2011 include a lower ROE of 10.38%. Not retroactive to Jan. 1, 2011.

Cost of Capital

The Cost of Capital used to determine the rate of return on investment will be calculated using a return on equity (ROE) that matches the retail rate until June 30, 2019.

The capital structure will be fixed at 41% debt and 59% equity until June 30, 2019.

Cost-based Formulas - ALLETE, Inc. d/b/a Minnesota Power
 A-12
 Long Term Debt
 Twelve Months Ended December 31, 2XXX__ - Actual

		Debt Balances
		Average Balance
1. Total Long-term Debt	FERC-1 p.112 L. 24 [(c)+(d)]/2	\$
2. Interest on Long-term Debt	FERC-1 p.117 L. 62 col c	\$
3. Amort. Of Debt Disc. And Expense	FERC-1 p.117 L. 63 col c	\$
4. Amortization of Loss on Reaquired Debt	FERC-1 p.117 L. 64 col c	\$
5. Amort. Of Premiumm on Debt-Credit	FERC-1 p.117 L. 65 col c	\$
6. Total Interest	L2+L3+L4+L5	\$
7. Cost of Long-term debt	L6/L1	%

Cost-based Formulas - ALLETE, Inc. d/b/a Minnesota Power
 A-14
 Production O&M Expenses
 Twelve Months Ended December 31, 2XXX__-Actual

			Variable			
			Total company	Fixed	Non-fuel	Fuel
			(1)	(2)	(3)	(4)
1	555 Purchased power b/	FERC-1, p.327	\$	\$		
2	556 System control and load dispatching.	FERC-1, p.321 L.77	\$	\$		\$
3	557 Other expenses.	FERC-1, p.321 L.78	\$	\$		
4	Other production expenses	PB A-14(a)	\$	\$		
5	Total production excluding fuel used in generation	L1 + L2 + L3 + L4	\$	\$	\$	
6	A&G expenses	PB A-10 L.19 col (3)	\$	\$	\$	
7	Total O&M, excluding fuel	L5 + L6	\$	\$	\$	
8	501 Fuel a/	FERC-1 p.320 L.5	\$		\$	
9	Less Gains on Disposition of Allowance	FERC-1 p.114 L.22	\$			\$
10	Total Fuel	L8 + L9	\$		\$	\$
11	Total Production O&M	L7 + L10	\$	\$	\$	\$

a/ FERC account 501, excluding non-regulated:
 FERC Form 1, p. 320, line 5 Fuel \$
 deducted non regulated fuel expense \$
 Total regulated fuel expense at line 8 above \$

b/Purchased power at page 327 is energy charges plus lines 11 + 14 other charges col (1).

Cost-based Formulas - ALLIANT, Inc. d/b/a Minnesota Power
A-14(a)
Classification of Fixed and Variable Production Expenses
Twelve Months Ended December 31, 2XXX__-Actual

			Demand	Energy
1	FERC-1 p.320 L.4	500 Operation supervision and engineering.	\$	
2	FERC-1 p.320 L.5	501 Fuel		xx
3	FERC-1 p.320 L.5	501 Fuel-handling		
4	FERC-1 p.320 L.5	501 Fuel-sale of fly ash		
5	FERC-1 p.320 L.6	502 Steam expenses	\$	
6	FERC-1 p.320 L.7	503 Steam from other sources.		\$
7	FERC-1 p.320 L.8	504 Steam transferred—Credit.		
8	FERC-1 p.320 L.9	505 Electric expenses	\$	
9	FERC-1 p.320 L.10	506 Miscellaneous steam power expenses	\$	
10	FERC-1 p.320 L.11	507 Rents		
11	FERC-1 p.320 L.12	509 Allowances.		
12	FERC-1 p.114 L.22	Less: 411.8 Gains from Disposition of allowances		
13	FERC-1 p.114 L.23	Plus: 411.9 Losses from Disposition of allowances		xx
14	FERC-1 p.320 L.15	510 Maintenance supervision and engineering		xx
15	FERC-1 p.320 L.16	511 Maintenance of structures	\$	\$
16	FERC-1 p.320 L.17	512 Maintenance of boiler plant		\$
17	FERC-1 p.320 L.18	513 Maintenance of electric plant		\$
18	FERC-1 p.320 L.19	514 Maintenance of miscellaneous steam plant	\$	
19		Total steam power generation		
20	FERC-1 p.320 L.24	517 Operation supervision and engineering		
21	FERC-1 p.320 L.26	519 Coolants and water		
22	FERC-1 p.320 L.27	520 Steam expenses		
23	FERC-1 p.320 L.28	521 Steam from other sources		
24	FERC-1 p.320 L.29	522 Steam transferred—Credit.		
25	FERC-1 p.320 L.30	523 Electric expenses		
26	FERC-1 p.320 L.31	524 Miscellaneous nuclear power expenses		
27	FERC-1 p.320 L.32	525 Rents		
28		Total nuclear operating		
29	FERC-1 p.320 L.35	528 Maintenance supervision and engineering		
30	FERC-1 p.320 L.36	529 Maintenance of structures		
31	FERC-1 p.320 L.37	530 Maintenance of reactor plant equipment		
32	FERC-1 p.320 L.38	531 Maintenance of electric plant		
33	FERC-1 p.320 L.39	532 Maintenance of miscellaneous nuclear plant		
34		Total nuclear maintenance		
35	FERC-1 p.320 L.44	535 Operation supervision and engineering.	\$	
36	FERC-1 p.320 L.45	536 Water for power.		
37	FERC-1 p.320 L.46	537 Hydraulic expenses	\$	
38	FERC-1 p.320 L.47	538 Electric expenses		
39	FERC-1 p.320 L.48	539 Miscellaneous hydraulic power generation expenses	\$	
40	FERC-1 p.320 L.49	540 Rents.		
41	FERC-1 p.320 L.53	541 Maintenance supervision and engineering	\$	
42	FERC-1 p.320 L.54	542 Maintenance of structures	\$	
43	FERC-1 p.320 L.56	543 Maintenance of reservoirs, dams and waterways	\$	
44	FERC-1 p.320 L.58	544 Maintenance of electric plant		\$
45	FERC-1 p.320 L.57	545 Maintenance of miscellaneous hydraulic plant	\$	
46		Total hydraulic		
47	FERC-1 p.321 L.62	546 Operation supervision and engineering.	\$	
48	FERC-1 p.321 L.63	547 Fuel.		\$
49	FERC-1 p.321 L.64	548 Generation expenses		
50	FERC-1 p.321 L.65	549 Miscellaneous other power generation expenses	\$	
51	FERC-1 p.321 L.66	550 Rents.	\$	
52	FERC-1 p.321 L.69	551 Maintenance supervision and engineering	\$	
53	FERC-1 p.321 L.70	552 Maintenance of structures	\$	
54	FERC-1 p.321 L.71	553 Maintenance of generating and electric plant	\$	
55	FERC-1 p.321 L.72	554 Maintenance of miscellaneous other power generation plant	\$	
56	FERC-1 p.321 L.74	Total other power generation		
57	FERC-1 p.320 L.76	555 Purchased power.	xx	xx
58	FERC-1 p.320 L.77	556 System control and load dispatching	xx	
59	FERC-1 p.320 L.78	557 Other expenses.	xx	
60	L1 to L59	Total Demand and Total Energy	\$	\$

Cost-based Formulas - ALLETE, Inc. d/b/a Minnesota Power
A-15

Production Related Depreciation Expense
Twelve Months Ended December 31, 2XXX____-Actual

	Reference	Regulated Production related	Demand	Energy
1 Steam production (net of non-regulated utility)	FERC-1 p.336 L. 2 (f)	\$	\$	
2 Other production (Hydro & Wind)	FERC-1 p.336 L. 4 + 6 (f)	\$	\$	
3 Subtotal	L1 + L2	\$	\$	
4 Production related G&I plant	a/	\$	\$	\$
5 GSU-related depreciation expense	Actual @ b/	\$	\$	
6 Total production depreciation expense	L3 + L4 + L5	\$	\$	\$

a/ General & Intangible Plant Depreciation Expense FERC-1 p.336 (f) L 1 + 10 \$ includes \$ amortization intangible
 Allocator from General Plant A-7 A-7 line 12 %
 Production Related General & Intangible Deprec Exp. \$

b/ GSU's 2012 Depreciation Expense \$
 \$
 Total \$

Cost-based Formulas - ALLETE, Inc. d/b/a Minnesota Power
 A-16
 Production Related Taxes Other than Income Taxes (TOTI)
 Twelve Months Ended December 31, 2XXX___-Actual

Line	Description	Reference	System (1)	Allocator (2)	Production (3)
1	Unemployment	FERC -1, p 263 line 3+8 col (i)			
2	FICA	FERC -1, p 263 line 2 col (i)			
3	Total taxes related to wages & salaries	L1+ L2	\$	%	\$
4	Real and personal property tax	Direct assignment Prod.	\$	assigned	\$
5	MN Wind Assessment on production	Direct assignment Prod.	\$	100%	\$
6	MN Air Quality Emission Fee	Direct assignment Prod.	\$	100%	\$
7	Total taxes related to property & Other	L4 +L5 +L6	\$		\$
8	Total taxes other than income taxes	L3 + L7	\$		\$
9	Total TOTI	sum above	\$		\$
10	Difference	L9-L11	\$		\$
11	Total TOTI	FERC-1 p.114 L 14	\$		\$

(1) System - FERC-1, p. 262-263

(2) Allocator:

Total taxes related to wages & salaries - Wages & salaries - A-7

Line 4 Real and personal property taxes are related to production only

Steam	\$
Hydro	\$
Wind	\$
Total Production	\$

Cost-based Formulas - ALLETE, Inc. d/b/a Minnesota Power
A-17

Production Related Income Tax

Twelve Months Ended December 31, 2XXX__-Actual

Line	Description	Reference	Total (1)	Demand (2)	Energy (3)
1	Total Rate Base Investment	pg A-5, L16	\$	\$	\$
2	Weighted return on L T Debt + Equity	pg A-18		%	%
3	Return	L1 X L2	\$	\$	\$
4	Combined income tax factor	pg A-18	\$	\$	\$
5	Subtotal	L3 X L4	\$	\$	\$
6	ITC Adjustment	line 11 below	\$	\$	\$
7	Total Income Tax		\$	\$	\$
8	Amortized Investment Tax Credit				PTC
9	1/(1 - T) from line 1 @ A-18		1.7056		1.7056
10	Amortized Investment Tax Credit	Ref @ Note 1	\$		\$
11	ITC and PTC Adjustment	L9 * L10	\$		\$

Note 1: This calculation method is consistent with FERC approved MISO Attachment O.

Note 1: FERC Form 1 p 266, column (f) line 8 less transmission and distribution related ITC.

Total Company ITC	\$
Less Transmission and Distribut	\$
Net Production related ITC	\$

Cost-based Formulas - ALLETE, Inc. d/b/a Minnesota Power
A-18

Computation of Effective Income Tax Rate
Twelve Months Ended December 31, 2XXX__-Actual

Tax Calculation from Transmission Formula:

1	$T = 1 - \{[(1 - \text{SIT}) * (1 - \text{FIT})] / (1 - \text{SIT} * \text{FIT} * p)\} =$	41.37%
2	$\text{CIT} = (T / (1 - T)) * (1 - (\text{WCLTD} / \text{R})) =$	%

where WCLTD=(A-11, line 1 col 4) and where
R= (A-11, line 4 col 4)
and where FIT, SIT & p are as given below.
1 / (1 - T) = (from first line of tax calc)

where FIT rate =	0.3500
where SIT rate =	0.0980
where p= (percentage of federal income tax deductible for state purpo	0.0000
where WCLTD = (A-11, line 1. Weighted Cost Long Term Debt)	%
where R = (A-11 line 4. Total weighted cost long term debt + equity)	%

Note: The above method is consistent with the MISO Schedule O calculation of Effective Income Tax Rate and the Combined Income Tax Factor.

COUNCIL LETTER 070113-VIA

ADMINISTRATION

ORDINANCE NUMBER 01-13

DATE: June 27, 2013

FROM: Craig J. Wainio
City Administrator

The EDA and the Planning and Zoning Commission recommend amending the ordinance covering South Forest Grove by allowing larger outbuildings in the development. It is recommended that the City Council adopt Ordinance Number 01-13 as presented.



CITY OF MOUNTAIN IRON

"TACONITE CAPITAL OF THE WORLD"

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ORDINANCE NUMBER 01-13

AMENDING CHAPTER 154 OF THE MOUNTAIN IRON CITY CODE

THE CITY COUNCIL OF MOUNTAIN IRON ORDAINS:

Section 1. Section 154.034. Section 154.034(C) of the City Code for City of Mountain Iron is hereby repealed and replaced with the following:

- (C) Special Provisions. The following special provisions must be complied within Special Zoning District Number 3:
- (1) new construction with earth tone natural or muted colors.
 - (2) minimum 1200 square feet living space (not garage) foot print.
 - (3) up to 3 stall attached garage not to exceed 1000 square feet.
 - (4) accessory buildings of same style and appearance as house, no larger than a total of 150 percent of the square footage of the living space of the primary structure not to exceed a maximum height of 25 feet.
 - (5) fencing must be wood/simulated wood and left natural or stained earth tones or chain link or decorative iron.
 - (6) no double lots.
 - (7) 30 months from purchase of lot to substantial completion of structure.
 - (8) no commercial or home businesses.
 - (9) solid surface (asphalt, concrete, brick pavers) driveways.

Section 2. Repeal of Inconsistent Ordinance. All Ordinances inconsistent herewith are hereby repealed and replaced with the provisions of this Ordinance.

Section 3. Effective Date. This Ordinance shall be effective according to State Statute.

DULY ADOPTED BY THE CITY COUNCIL THIS 1st DAY OF JULY, 2013.

Mayor Gary Skalko

Attested:

City Administrator

COUNCIL LETTER 070113-0000

ADMINISTRATION

RESOLUTION 21-13

DATE: June 27, 2013

FROM: Craig J. Wainio
City Administrator

Resolution Number 21-13 Places Mike Downs as a signature for the City of Mountain Iron. Currently the only staff person allowed to sign checks is the City Administrator, this resolution allows the Director of Public Works to sign when the City Administrator is unavailable.



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RESOLUTION NUMBER 21-13

BANK AUTHORIZATION

THIS IS TO CERTIFY: That at a meeting of the City Council of the City of Mountain Iron, (hereafter referred to as the "City"), operating under the laws of the State of Minnesota, duly held on January 7, 2013, the following resolution was adopted:

BE IT RESOLVED, that the American Bank of the North, (hereafter referred to as the "Bank"), is hereby designated as a depository for the funds of the City, which may be withdrawn on checks, drafts, advices of debit, notes or other orders for the payment of monies bearing any two of the following officers or employees of the City, whose actual signatures are shown below:

Gary Skalko – Mayor

Craig J. Wainio – City Administrator

Susan Tuomela – Deputy Mayor

Michael L. Downs – Dir. of Public Works

and said Bank shall be and authorized to honor and pay whether or not payable to bearer or to the individual order of any agent or agents signing the same.

BE IT FURTHER RESOLVED, that the Bank is hereby directed to accept and pay without further inquiry any item drawn against any of the City's accounts with the Bank bearing the signature or signatures of Agents, as authorized above or otherwise, even though drawn or endorsed to the order of any Agent signing or tendered by such Agent for cashing or in payment of the individual obligation of such Agent or for deposit to the Agent's personal account, and the Bank shall not be required or be under any obligation to inquire as to the circumstances of the issue or use of any item signed in accordance with the resolutions contained herein, or the application or disposition of such item or the proceeds of the item,

BE IT FURTHER RESOLVED, that any one of such Agents is authorized to endorse all checks, drafts, notes and other items payable to or owned by this City for deposit with the Bank, or for collection or discount by the Bank; and to accept drafts and other items payable at the Bank.

BE IT FURTHER RESOLVED, that the above named agents are authorized and empowered to execute such other agreements, including, but not limited to, special depository agreements and arrangements regarding the manner, conditions, or purposes for which funds, checks, or items of the City may be deposited, collected, or withdrawn and to perform such other acts as they deem reasonably necessary to carry out the provisions of these resolutions. The other agreements and other acts may not be contrary to the provisions contained in this Resolution,

BE IT FURTHER RESOLVED that the City hereby conferred upon the above named agents shall be and remain in full force and effect until written notice of any amendment or revocation thereof shall have been delivered to and received by the Bank at each location where an account is maintained. Bank shall be indemnified and held harmless from any loss suffered or any liability incurred by it in continuing to act in accordance with this resolution. Any such notice shall not affect any items in process at the time notice is given.

DULY ADOPTED BY THE CITY COUNCIL THIS 1st DAY OF JULY, 2013.

Mayor Gary Skalko

ATTEST:

City Administrator

COUNCIL LETTER 070113-IX

PERSONNEL COMMITTEE

CLOSED MEETING

DATE: June 27, 2013

FROM: Personnel Committee

Craig J. Wainio
City Administrator

The City Council may go into Closed Session to discuss the negotiation being undertaken with management personnel. The meeting is being closed pursuant to 2012 Minnesota Statutes 13D.03

The following provisions of State Statute must be observed:

- Before closing the meeting, the council must decide to close the meeting by a majority vote at a public meeting and must announce the time and place of the closed meeting.
- Before closing the meeting, the council must state on the record the specific grounds permitting the meeting to be closed and describe the subject to be discussed.
- A written record of all people present at the closed meeting must be available to the public after the closed meeting.
- The meeting must be tape-recorded.
- The recording must be kept for two years after the contract is signed.
- The recording becomes public after all labor agreements are signed by the city council for the current budget period.