

August 8, 2024

Ms. Lisa Felice
Executive Secretary
Michigan Public Service Commission
7109 W. Saginaw Highway
P.O. Box 30221
Lansing, MI 48909

Re: Comments, MPSC Case No. U-21572

Ms. Felice:

Pursuant to the schedule set forth by the Michigan Public Service Commission (“MPSC” or “Commission”) in its February 8, 2024 order issued in this proceeding (“February 8 Order”), we respectfully submit these comments on the unique conditions influencing electric generation in Michigan’s Upper Peninsula (“UP”). We offer these comments to assist the Commission in its compliance with Section 51(5) of Act 235 of 2023 (“Act 235”), MCL 460.1051(5), which directs the Commission to submit a report to the Michigan Governor and Legislature on the unique conditions affecting electric supply in the UP.

Tilden Mining Company L.C. (“Tilden”), a subsidiary of Cleveland-Cliffs Inc. (“Cleveland-Cliffs”, “Cliffs”), is a large industrial customer that owns and operates an iron ore mine and pelletizing plant near Ishpeming, Michigan. Cliffs has been mining in the UP continuously since the founding of our company in 1847. Tilden, together with our LS&I short line railroad, Marquette ore dock and Cliffs’ Technical Group research lab, employ more than 1,000 individuals. Access to reliable and affordable electricity is essential to our operations.

Tilden alone has a peak electric demand of 180 MW and consumes 1.1 million MWh of electricity each year. As a customer of Upper Michigan Energy Resources Corporation (“UMERC”), Tilden receives electric service from UMERC pursuant to a contract that was approved by the Commission in an order dated October 25, 2017 in MPSC Case No. U-18224. That contract is inextricably tied to UMERC’s operation of two reciprocating internal combustion engine (“RICE”) electric generating facilities that were also approved in MPSC Case No. U-18224. The two RICE facilities total 183 MW of installed capacity and are instrumental to providing reliable and competitively priced electric service in the UP.

The installation of the two RICE generating facilities was the result of an energy crisis that confronted the UP and its residents. In 2013, plans were announced to retire the aging coal-fired Presque Isle Power Plant (“PIPP”) in Marquette. Following that announcement, the Midcontinent Independent System Operator (“MISO”) mandated that PIPP continue operating in order to ensure reliable electric service across the UP and imposed System Support Resource (“SSR”) payments that cost UP energy customers \$6 million per month to support the aging, over-sized plant. Due to the peninsular

nature of the UP, MISO's proposed alternatives to PIPP consisted of new and costly transmission lines from Wisconsin meaning that the UP would obtain most of its power from outside the state.

In response to the energy crisis, Cleveland-Cliffs took on a leadership position, working in close alignment with the State of Michigan, Wisconsin Electric Power Company, the Commission and other UP stakeholders to arrive at an innovative solution to solve the UP's energy challenges. As part of this solution, the Tilden Mine committed to a 20-year contract wherein we agreed to purchase power from RICE generating facilities. The solution allowed the retirement of PIPP, established clean, right-sized replacement generation to ensure reliable power across the UP, eliminated the costly SSR payments, and avoided expensive transmission lines. It is estimated that the replacement of the coal-fueled PIPP with the natural gas-fueled RICE units resulted in an 86% reduction in Greenhouse Gas emissions for the region. This innovative solution also led to the establishment of UMERC as a Michigan-jurisdictional utility that put an end to years of cost allocation disputes between the UP and Wisconsin. In sum, the establishment of UMERC's RICE units was the perfect solution to a difficult problem.

As it currently stands, Act 235 would upend the affordability and reliability of the current electric power dynamics in the UP. Act 235 mandates, among other things, that Michigan's electric providers serve their customers with at least 50% renewable energy beginning in 2030 and 60% renewable energy in 2035 and beyond. Further, Act 235 requires that Michigan's electric providers achieve a clean energy standard of 80% in 2035 and 100% in 2040. UMERC's existing RICE units are not classified as either renewable energy or clean energy under Act 235. To meet the standards, UMERC will need to either construct new generation, build transmission to renewable energy projects, or purchase renewable energy credits with the associated capacity. Compliance with Act 235 will be costly and places in jeopardy the future of the RICE units. In short, absent accommodations, Act 235 imposes a new UP energy crisis.

We request that the Commission's report convey the unique circumstances of providing electric service across Michigan's UP and the importance of UMERC's RICE generating facilities, placed in-service just five years ago, for providing reliable electric service. It is essential that the RICE generating facilities remain in service throughout the useful life of the plants so as not to impair that contract, upend the UP energy solution, and impose additional costs on UP ratepayers. We urge the Commission to recommend a solution that will allow the RICE units to operate throughout their remaining useful life without requiring the costly construction of transmission, duplicative generation, or the purchase of renewable energy credits.

We look forward to working with other UP stakeholders, the State of Michigan, and the Commission to ensure that Act 235 achieves its objectives without producing unintended consequence for Tilden and the 1,000 families that rely on our mine for good paying, middle class jobs.

Sincerely,



Patrick M. Bloom
Senior Vice President, Government Relations
Cleveland-Cliffs Inc.