

ITASCA JUST TRANSITION TASK FORCE

Monday, February 26, 2024 | 1:00 – 4:00PM

In-Person Bass Brook Community Center [305 NW 1st Ave, Cohasset, MN 55721](https://www.google.com/maps/place/305+NW+1st+Ave,+Cohasset,+MN+55721)

with Zoom virtual option here: <https://us02web.zoom.us/j/2602699615>

Task Force Attendees: Ben Benoit, Blake Bailey, David Lick, Ed Zabinski, Jason Quiggin, Kristin Renskers, Lisa Marcis, Malissa Bahr, Matt Grose, Paul Peltier, Shane Zahrt, Shayla Drake

Absent: Brandy Toft, Brian Peterson, Carol Burr, Jaci David, Jim Houlihan, Joni Namyst, Julie Lucas, Andy MacDonell, Jennifer Cady

Other Attendees: Corey Smith, Max Peters, Arik Forsman, Tamara Lowney, Pete Makowski, Josh Bergstad, Angie McKinley, Brett Skyles, Matt Shermoen, Mandi Aalto

Facilitator Attendees: Deirdre Coleman, Elissa Hansen, Karl Schuettler, Amy Ward

Welcome & Introductions

Elissa Hansen, Northspan President & CEO, called the meeting to order at 1:05 PM. She gave an overview of the agenda and invited participants to introduce themselves. Tamara Lowney of IEDC then gave an overview of the purpose of the Just Transition Task Force, acknowledging Minnesota Power's work to prepare for this transition and explaining some of the unique funding opportunities available to assist. She explained the importance of communication without driving fear and invited input on the process, no matter how much experience people have with the concept of an energy transition.

Minnesota Power: How are we messaging transition?

Arik Forsman, Manager – Strategic Accounts, email: aforsman@mnpower.com

Forsman introduced himself and gave an overview of Minnesota Power (MP) and the companies under the Allete umbrella all have roles in the energy transition. He noted Allete's market leadership in energy transition and shared the unique customer mix of MP, with 70% of its sales coming from industrial sales, which is driven by the region's natural resource-based economy. MP has a goal to be 100% carbon free by 2050 and reached 59% in 2022. The Minnesota legislature has set a goal for the state to have 100% carbon free energy by 2040. The company had nine coal units in 2012, and the vast majority of its energy came from carbon; seven of those nine units have since closed or transitioned, including two Boswell units that shuttered in 2019.

Forsman explained the importance of diversified resources in meeting energy needs, including baseload power from traditional plants; intermittent renewables (wind and solar); natural gas to stabilize generation when other sources are unavailable; purchased energy from the market; and demand response, in which users curtail their usage under certain circumstances to meet demand. The looming question will be how to manage the baseload without coal.

Forsman explained that the Boswell site is central to MP's operations. Its transmission infrastructure all runs from the site, which has opportunities for complementary generation, including solar at the Boswell site.

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MP is now evaluating its needs post-coal to maintain its baseload. Current Boswell capacity is as follows:

Unit 1- 68 MW (retired)

Unit 2- 68 MW (retired)

Unit 3- 335 MW

Unit 4- 468 MW

The Integrated Resource Plan (IRP) provides a 15-year outlook for how MP will serve its customers with energy. It recently completed its 2021 IRP, and the next IRP is beginning on a parallel track to the Just Transition group; there will be opportunities for the two groups to collaborate. The most recent IRP said Boswell will “cease coal” (not retire) Boswell units 3 and 4, and it ensured loss of tax revenue and jobs are criteria for consideration in the future, which MP considers to be wins for Cohasset. MP hopes to collaborate to develop a sustainable transition plan for its host communities.

Forsman answered questions following his presentation.

Ice Breaker

Coleman welcomed participants to think about what is top of mind for the scope of work for the task force.

- Zabinski asked if we are making recommendations and to whom, and how these outputs will be used. Lowney replied that there will be a strategic path and that this plan will be essential for accessing state and federal funding; it may not have a single home, but it will feed into many potential projects.
- Lowney clarified that the process is not a one-to-one replacement for lost tax base, but instead an opportunity to pursue unique funds for the community. This level of collaboration was essential for successful federal grant applicants in other communities.
- This group is not planning the future of Boswell, but looking at how the community can use this transition to bring in new business and resources.
- Lick asked if there are opportunities to talk with local businesses about supply chains to explore opportunities. Lowney replied that there are some, though the workforce shortage can limit local capacity. Lick emphasized the value of identifying many small wins to fill some of the gap.
- Smith emphasized the degree of the challenge of replacing the Boswell tax base for the city, county, and school district.
- Drake noted the importance of site readiness and finding uses that make sense for the region and the sites that are available or could be brought online.
- Renskers shared the concern about labor shortages and expressed the importance of keeping workers through the transition process, especially if they think their jobs have expiration dates; she noted workers have many technical skills that may not be perfect matches for existing openings. She also said that Boswell has excellent wages and benefits

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that may be difficult to replace. She added that there are fewer jobs associated with gas plants, and even fewer for wind and solar. Drake echoed the importance of thinking about transitional career opportunities.

- Lick asked about potential examples from other communities. Renskers shared that Xcel is able to re-absorb its workers elsewhere due to its size, while MP has less of an opportunity, a sentiment Forsman echoed. Lowney noted that many comparable Minnesota plants are in urban areas and the lack of comparable jobs in Itasca County.
- Grose asked about what “ceasing coal” (vs. “retirement”) could look like. Forsman explained that there may be opportunities to repurpose Boswell, potentially with biomass, if regulations allow it to be considered carbon-free. He added that the Public Utilities Commission is the ultimate stakeholder.
- Smith asked about moratoria; there is currently one on nuclear generation, while biomass is more ambiguous. There is an active public comment period on the topic through the PUC.
- Lick voiced support for exploring biomass and asked that local politicians address the question.
- Lowney will share information on the comment period with the group.
- Renskers asked about the most effective method to move on the biomass question. Forsman said Jennifer Cady could answer this question, and Hansen said the Just Transition group could have an advocacy role.
- Skyles reiterated the importance of advocacy.

Steering Committee Recommended Guiding Principles

Hansen shared recommended guiding principles for the group and provided context for them. She then facilitated a conversation with participants.

- Lowney expressed appreciation for not always recording and having all in-person meetings.
- Bailey appreciated the acknowledgment that people be comfortable with being uncomfortable.
- Drake appreciated the principle for having grace with others.
- Zabinski reiterated the importance hearing everyone’s voice.
- Quiggin noted the kids walking past the community center’s windows how this process will affect the community’s future.
- Hansen clarified the attendance expectation (3 of 5 task force meetings).
- Bahr suggested that we add “Own your own story” to the list, as members are not speaking on behalf of other organizations. The group agreed to add this principle.

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Drafting a Vision

Hansen explained that the steering committee held a workshop that includes a draft vision and several overarching areas that will be important components in this work. Hansen she said this vision will be workshopped in the third session when task force members have a better understanding of the scope. Lowney noted that we have outside resources that we will share for the group for those who are interested.

City of Cohasset Presentation with Q&A

Max Peters, Director of City Operations / Finance Director, email: maxp@cohasset-mn.com

Hansen introduced Peters, who presented on the Cohasset's history as an energy generation community, emphasizing the scope and scale of Boswell. He noted the size of the community, some general demographics, and its substantial tax capacity. Boswell is 70% of Cohasset's tax base; it lost \$3 million in capacity when Boswell Units 1 and 2 closed, and the end of coal operations at Boswell at Units 3 and 4 could result in another \$3 million loss each. If Boswell were to cease all operations, Cohasset's total tax capacity could drop from \$13 million in 2018 to \$4 million in 2035, resulting in city taxes rising by potentially 3.3 times.

Cohasset has five pillars of municipal excellence: 1) its tax levy and utility funds; 2) economic development; 3) state and federal assistance; 4) local government aid (LGA); and 5) Iron Range fiscal disparities funding. The community has pursued numerous economic development activities, many of which have fallen through, and even if they had all come to fruition, it would not replace half the potential tax base loss from a complete shutdown of Boswell. Community readiness for projects can also be a challenge.

The city has landed some wins in recent years. Community development projects have provided leverage to attract visitors, including the Tioga Recreation Area. The Coalition of Utility Cities has given Cohasset an avenue to lobby for the community, leading to the creation of the DEED Energy Transition Office, \$30 million in transition aid, and a potential \$1 million transition grant. Because Cohasset is already an energy transition community, there will be immediate funding in transition aid. There is no anticipated bonding money in the coming year.

Cohasset currently receives no funding in LGA because it is a utility city; it could receive \$700,000 per year in the future. The community contributes \$1 million to fiscal disparities, but it would be collecting \$500,000 if Boswell were to entirely shut down. This will have substantial effects on area communities who currently receive fiscal disparities money from Cohasset.

Potential new opportunities include the riverfront downtown development, MN Technologies (a cannabis operation), Northland Machine, development on the MP site previously identified for Huber, and potential housing projects, though all of these initiatives face some obstacles. The community is doing what it can to support these projects, but it cannot solve the challenge on its own.

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Peters answered questions during and after the presentation. Lowney noted the nearby Ainsworth site, with its many assets, has been vacant since 2006. Peters explained the concept of fiscal disparities and how Cohasset supports other communities in the Taconite Assistance Area.

Coalition of Utility Cities with Q&A

Shane Zahrt, Senior Attorney/Lobbyist for Flaherty & Hood,

email: sazahrt@flaherty-hood.com

Hansen introduced Zahrt, who is a lobbyist for the Coalition of Utility Cities (CUC); he represents local governments at the capitol on taxes, energy, transportation, economic development, and other issues, and has worked with the group since 2016. The Coalition includes Cohasset, Hoyt Lakes, Becker, Monticello, Granite Falls, Oak Park Heights, and Red Wing, which host, or have hosted, many of the state's largest power plants. It dates to 1998, when all communities noted the extreme effects of power plants on their tax bases and sought a unified effort to prevent major swings in tax capacity. The shifting energy landscape has led the coalition to shift its efforts to focus on plant retirement, especially as several coal plants have started retiring sooner than originally expected. It now works to find positive outcomes for communities.

Coalitional and planning efforts include participation in the creation of numerous reports, including state and multi-state reports, including one for the state Energy Transition Advisory Committee. The resources noted by Peters are direct results of these efforts.

Community Energy Transition Grants: Created in 2020, the Renewable Development Account provides funds designated to invest in new energy resources dating to Xcel nuclear expansions in the 1990s. It can be used to assist workers, increase property tax bases, and develop economic development strategies. Historically, they have been limited to use in Xcel territory; the Coalition seeks to include Cohasset and Itasca County. The grants do not include local match and are flexible, recognizing the divergent needs of communities. In 2023, the program received \$10 million from the state general fund (which could be used outside Xcel territory), plus \$2 million from the Renewable Development Account. A \$5 million grant round will be rolled out soon (official dates TBD), with a FY 2025 round of \$5 million after July 2024. Communities can receive up to \$1 million in grants per year, with eligibility for 5 years after unit retirement. Funds have been used to fund transition processes, economic impact assessments, or public infrastructure costs to support employers and business park expansions. Zahrt will follow up with a list of past projects. DEED Deputy Commissioner Kevin McKinnon believes there are many other potential uses, and the grants could be used in coordination with other funding sources.

Energy Transition Office and Advisory Committee: This new state office draws on an example from Colorado to create centralized coordination for local governments and workers affected by plant retirement. The state recognized that no one agency had the expertise necessary to address plant retirement, leading to its creation by the legislature in 2021. Its statutory charges include establishing transition programs, promoting economic development, providing support to local

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government workers, and advising the governor and legislature on relevant issues. Carla Vita was hired as its director in 2022, and it quickly issued a transition plan and is embarking on further planning. The office created the Energy Transition Advisory Committee (ETAC), which issued a late 2022 plan with five major categories for work (tax base and economic incentives, workforce, economic diversification reuse of assets, and community engagement). ETAC was reestablished in the 2023 legislative session and extended through at least 2027. ETAC includes 18 voting members, including several layers of government, workers, ED, utilities, Coalition of Utility Cities, and Senate and House members; and 8 non-voting members, including state agencies, the governor's office, and the Public Utilities Commission. It meets quarterly, monitors emerging issues through a task force (e.g., power plant and pipeline valuations), and looks for ways to directly support communities, participate in IRPs, and advance federal coordination.

Electric Generation Transition Aid: Passed as part of the 2023 omnibus bill, this funding is designed to keep governments whole in first year after plant retirement. It includes the possibility of retroactive aid for communities that already faced plant retirement. The aid should assist communities that lose any tax base, even if they transition to another fuel source. Cohasset and Itasca County should be eligible for aid, though the exact amount is unclear. Counties, cities, school districts, and townships are eligible upon retirement of an electric generating unit at a plant powered by coal, nuclear, or natural gas.

Zahrt concluded by noting that these tools alone are not the sole answer. There is considerably more work to do, and more people need to be aware of this work. CUC will continue to participate with the PUC through IRPs, share best practices across communities, and respond to legislation or proposals that may affect tax treatment of new technologies.

Zahrt answered questions during and after the presentation.

Next Steps

Hansen facilitated a reflection on the information shared in the session.

- Ridlon shared her hope for action and focused the group on smaller initiatives that can help fill the tax base gap. We listen to many people sharing their resources, but the community needs to tell higher levels of government what they want to do.
- Grose noted the potentially overlapping goals and asked about the process for prioritization.
- Benoit expressed a desire to learn from other communities that have gone through similar processes.
- Drake: What's possible, what can we do, and what is actionable in this area with the resources we have?
- Bahr appreciated the variety of perspectives in the group; how can we be supportive, but not get in the way? MP has its own timeline, so how can we be supportive without hindering their progress?

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- Zabinski noted that municipal boundaries don't limit effects of transition; why aren't Grand Rapids, UPM, etc. included in this discussion? Lowney added that the group is trying to bring in unusual suspects and shared some of the process behind the committee selection.

Adjournment

Hansen adjourned the meeting at 4:05 PM.

Future TASK FORCE Meeting Dates

MEETING #2 MONDAY, APRIL 22, 2024 | 1:00 – 4:00PM @ The Forge, Grand Rapids, MN

SURVEY ON YOUR OWN

MEETING #3 MONDAY, JUNE 24, 2024 | 1:00 – 4:00PM @ TBD

MEETING #4 MONDAY, AUGUST 26, 2024 | 1:00 – 4:00PM @TBD

MEETING #5 MONDAY, OCTOBER 28, 2024 | 1:00 – 4:00PM @ Boswell Energy Center, Cohasset, MN

MEETING #6 IEDC SUMMIT NOVEMBER | DATE & LOCATION TBD

IEDC WILL PROVIDE TO THE GROUP

- *Google drive with all shared documentation and weblinks and a*
- *Binder with hard copies of all materials from each meeting throughout the year*

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Task Force Members

Jaci	David	Blandin Foundation	Task Force
Carol	Burr	Bois Forte Band of Chippewa	Task Force
Shane	Zahrt	Coalition of Utility Cities	Task Force
Ed	Zabinski	Entrepreneur	Task Force
Jim	Houlihan	Entrepreneur	Task Force
Malissa	Bahr	Grand Rapids Area Chamber of Commerce	Task Force
Kristin	Renskers	IBEW Local 31	Task Force
Jason	Quiggin	Iron Range Building Trades Council	Task Force
Matt	Grose	ISD # 318	Task Force
David	Lick	Itasca Water Legacy Partnership	Task Force
Brandy	Toft	Leech Lake Band of Ojibwe	Task Force
Julie	Lucas	Mining Minnesota	Task Force
Blake	Bailey	Minnesota North College	Task Force
Lisa	Marcis	Minnesota North College	Task Force
Brian	Peterson	Nelson Wood Shims	Task Force
Paul	Peltier	RAMS	Task Force
Ben	Benoit	US Forest Service	Task Force
Shayla	Drake	Workforce Strategy Consultant MN DEED	Task Force
Joni	Namyst	YMCA	Task Force
Andy	MacDonell	City of Cohasset	Steering Committee
Max	Peters	City of Cohasset	Steering Committee
Whitney	Ridlon	DIRRR	Steering Committee
Matt	Shermoen	IEDC Staff	Steering Committee
Tamara	Lowney	IEDC Staff	Steering Committee
Brett	Skyles	Itasca County Administrator	Steering Committee
Corey	Smith	Itasca County Commissioner	Steering Committee
Mandie	Aalto	Leech Lake Band of Ojibwe	Steering Committee
Arik	Forsman	Minnesota Power	Steering Committee
Jennifer	Cady	Minnesota Power	Steering Committee