



Eric Johnson
Community Development Director
City of Hermantown
5105 Maple Grove Road
Hermantown, MN 55811

September 4, 2026

Melissa Kuskie
Ecological & Water Resources Division Director
Minnesota Department of Natural Resources
500 Lafayette Road
St. Paul, MN 55155

Dear Ms. Kuskie:

The City of Hermantown appreciates its ongoing coordination with the Minnesota Department of Natural Resources (MNDNR) regarding the Updated Hermantown Industrial Alternative Urban Areawide Review (AUAR). As MNDNR is aware, the City published the Final AUAR on August 4, 2026. On August 25, 2026, and within the 10-day period afforded for agency review under Minn. R. 4410.3610, subp. 5 (C), the MNDNR provided a letter to the City (the August 2026 Letter) offering several clarifications to the Final AUAR.¹ While the City believes many of these comments could have been addressed through a written submittal from MNDNR during the comment period afforded on the Draft AUAR, the City is committed to working with the MNDNR to address these issues and believes doing so will further strengthen its environmental review process.

Accordingly, representatives from the City and the Project Proposer met with representatives from the MNDNR on September 2, 2026, to discuss each of the issues identified in MNDNR's August 2026 Letter. On September 3, 2026, the DNR sent the City a second letter to provide additional clarity on its comments about MNDNR's authority and cumulative effects. The City appreciates the collaborative and constructive discussion with MNDNR. This response letter is

¹ As noted in the August 2026 Letter, the MNDNR did not formally object to the Final AUAR. While the August 2026 Letter is not a formal objection, the City is working with MNDNR to resolve the issues, similar to the steps encouraged in Minn. R. 4410.3610, subp. 5(F).

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intended to convey the City's understanding of how its Final AUAR and administrative record can be further clarified to address each of the issues raised in the August 2026 Letter.

MNDNR Scoping Comments

The August 2026 Letter states that MNDNR intended for its April 30, 2026 Scoping Comments to be included as a responsive comment to the August 4, 2026 Final AUAR. The MNDNR's Scoping Comments were submitted during the scoping comment period, are a part of the City's administrative record, and were thoroughly considered in the City's May 18, 2026 Final Scoping Document. Because the MNDNR did not submit or resubmit any comments on the Draft AUAR, these comments were not attached to the Final AUAR with other comments received during the June 11 to July 16, 2026 comment period on the Draft AUAR. The City now better understands the MNDNR's intent to have its scoping comments included with the Draft AUAR comments, and given that the April 30, 2026 Scoping Comments were attached again to the August 2026 Letter, the City will include both letters as an attachment prior to the City's action on the Final AUAR.

Alternatives Analysis and Cumulative Impacts

Alternatives Analysis

The August 2026 Letter notes that certain elements of the Project exceed the threshold for an Environmental Impact Statement (EIS) under Minn. R. 4410.4400, and, therefore, as MNDNR further clarified, the agency approached its review of the Final AUAR as it would an EIS to ensure the appropriate level of analysis was included in the Final AUAR. With this lens, the MNDNR suggested that further analysis of off-site alternatives should be included and evaluated.

As discussed in the September meeting, the AUAR is an alternative form of environmental review authorized in Minn. R. 4410.3610 that can serve to evaluate the mandatory commercial, industrial and institutional categories, as well as potential shoreland conversion, identified in the August 2026 Letter.

The requirements for an AUAR alternatives analysis differ from that required of an EIS in important ways. For example, Minn. R. 4410.3610, subps. 3 and 5 and the EQB's Guide to Minnesota Environmental Review Rules (May 2010) (EQB Guidance) state that an AUAR can evaluate one or more development scenarios for a geographic area but at least one must be

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consistent with the Responsible Governmental Unit (RGU)'s current adopted comprehensive plan. Since the Proposed Project development scenario is consistent with the City of Hermantown's comprehensive plan, a maximum-development or "worst case" scenario was studied. This meets the requirements for evaluating one or more development scenarios for the geographic area studied.

Minn. R. 4410.3610, subp. 5a(C) and the EQB AUAR Guidance provide that, during scoping, commenters may suggest additional development scenarios that include alternatives to the specific large project or projects proposed to be included in the review, including development at sites outside of the proposed geographic boundary, if comments "provide reasons why a suggested development scenario or alternative to a specific project is potentially environmentally superior to those identified in the RGU's draft order." As we discussed, neither the MNDNR nor the Minnesota Pollution Control Agency (MPCA) identified specific off-site alternatives for consideration during the AUAR scoping process.

In response to DNR's comment on this topic, the City is hereby providing further information regarding the availability of alternative sites within the City of Hermantown. **Attachment A** to this letter provides additional information regarding the City's analysis supporting that there are no other suitable off-site locations within the City of Hermantown that both meet the purpose and need for the Project and have any significant environmental benefit compared to the Project.

Cumulative Impacts

MNDNR suggested that the AUAR should evaluate cumulative effects associated with recent high voltage transmission line and substation upgrade projects in the area proposed by Minnesota Power. During our September meeting, MNDNR clarified that it does not view these projects as connected actions to the Project, but rather flagged these projects because of the close geographic proximity of the transmission projects and the site. MNDNR's September 3, 2026 letter is also consistent with this conclusion, clarifying that MNDNR's "usage of the term 'connected' when describing a nearby project that would be suitable for inclusion in a cumulative effects analysis . . . is not asserting the nearby project is a 'connected action' that would need to be wholly considered as part of environmental review." The City appreciates this clarification.

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Further, as the City highlighted at the meeting, an evaluation of the cumulative effects of these projects was included in Items 21 and 22 of the Final AUAR based on comments received on the Draft AUAR. After reviewing this content, MNDNR's September 3, 2026 Letter suggests that it may be helpful to include more information in the cumulative effects analysis on the potential for wetland impacts, stormwater runoff, and hydrologic alteration of groundwater systems and nearby watercourses. In response, the City provides the following supplemental analysis:

As discussed in the AUAR, Minnesota Power has three projects nearby:

- Iron Range-St. Louis County-Arrowhead 345 kV Transmission Line Project – this project is located west of the Study Area and also connects to the Arrowhead Substation. It is currently in a permitting stage and is tentatively scheduled for construction in late 2027.
- A Control Equipment Replacement Project is scheduled to be constructed in fall 2026 to replace outdated infrastructure at the Arrowhead Substation.
- High Voltage Direct Current Modernization Project is located west of the Study Area and is currently under construction and is anticipated to be completed in 2029.

These projects have also affected, or may affect, wetlands in the area around the Project. Together, these Projects would increase impervious surface area in the vicinity of the Project. Their effects were considered in the AUAR to the extent that the projects are located within the same environmentally relevant area as the Project.

All three Minnesota Power projects are at varying stages of project implementation; however, each project includes wetland mitigation within the same Wetland Bank Service Area as the proposed Project, which mitigates wetland impacts by providing wetland benefits back to the same geographic area. In addition, all development in Minnesota must include sufficient stormwater management. The Project Proposer has coordinated the Project's wetland evaluation with available information for these nearby projects so that overlapping losses or functional effects are not overlooked.

This proposed Project includes the regulatory requirements in place for post construction stormwater as it relates to trout stream protection and follows the stormwater rules and standards of the City of Hermantown, and the NPDES Stormwater Permit for water quality, rate control, erosion control, and maintenance/ monitoring. The Project Proposer must also follow the sequencing process for wetland avoidance, minimization, rectification, and mitigation as outlined in the WCA to mitigate any wetland impacts.

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Additionally, as noted as a mitigation item in the Final AUAR, the Project Proposer is now in the process of installing monitoring wells to collect groundwater data to inform final design (see Attachment B). Specifically, for determining hydrostratigraphy, groundwater elevations, flow directions, and temperature, and hydraulic conductivity as it relates to nearby water resources. During construction, this data will inherently capture cumulative effects because it measures groundwater flow in the area through construction (Attachment B).

Therefore, adverse cumulative impacts to wetlands and stormwater runoff are not anticipated. Further, as described in Attachment B, the Project Proposer is installing monitoring wells to collect groundwater data through construction and will provide data to the City, MDNR, and MPCA to confirm no unanticipated impacts are occurring.

Assessment and Mitigation of Environmental Impacts

The City values the MNDNR's technical expertise on groundwater issues and trout stream protection. As we discussed, the City and Project Proposer are engaged in ongoing data collection, modeling, and adaptive management planning to inform final design, including grading, stormwater management, and mitigation measures, as needed. As the MNDNR noted, seasonal variations (including this year's drought conditions), can impact onsite groundwater data collection, and thus collecting a single season of data is often less desirable than a longer data collection or analysis period. The Project Proposer is installing groundwater monitoring wells in September 2026 that will begin collecting onsite data now, prior to the start of construction. However, there are reasonable time bounds on data that can be collected during any environmental review process. Here, the City has sufficient information in the Final AUAR to assess potential impacts to groundwater and surface water, but additional data collection will be helpful to inform final design and ongoing monitoring and compliance.

To this end, Braun Intertec has been engaged to conduct groundwater, wetland, and surface water measurements and laboratory analyses to establish existing environmental conditions prior to construction. This monitoring will continue through construction, with the results made public and reported regularly to the City, along with recommended adaptive management measures informed by the data. As we discussed in the September meeting, the City would welcome the MNDNR's (and MPCA's) continued technical expertise in assessing this data and developing and modifying adaptive management strategies, as needed.

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Attachment B to this letter contains a Groundwater-Surface Water Evaluation and Monitoring Plan with shared responsibilities for data collection, monitoring, and analysis by both the City and Project Proposer. As we discussed, the City looks forward to coordinating with MNDNR regarding data analysis and adaptive management plans resulting from this Plan.

Resource Impact Concerns

Based on its additional discussions, the City understands that the additional “resource impact concerns” stated on page 2 of the August 2026 Letter were intended to emphasize the MNDNR’s concerns noted above related to indirect impacts to wetlands and trout streams and will be addressed through the additional data collection, monitoring, and adaptive management discussed above.

Mitigation Measures and Mitigation Plan

During our September meeting, we agreed that monitoring and mitigation measures for potential groundwater-surface water interactions are best achieved through adaptive management strategies. Adaptive management allows the City to revisit and update data collection and monitoring efforts, along with mitigation measures, based on the best available information. The City welcomes MNDNR’s technical expertise in these areas. As discussed in the Monitoring Plan, the City will be receiving regular reports from Braun, and the City will include MNDNR in these reports and seek its input, as appropriate, to inform adaptive management measures resulting from these reports.

While the City has regulatory oversight to ensure the Project will avoid negative impacts to groundwater discharge, groundwater temperatures, or adjacent cold-water resources, the City will seek MNDNR’s technical expertise on these issues as outlined in **Attachment B**.

Regulatory Roles

The August 2026 Letter expresses concern that the Final AUAR mischaracterizes MNDNR’s regulatory role over the Project. During our September meeting, MNDNR further clarified that, while the MNDNR has technical, subject matter expertise, particularly regarding groundwater and trout streams, it does not presently have regulatory or permitting authority over the Project. MNDNR expressed concern that the current references to the MNDNR in the Mitigation Plan and elsewhere in the AUAR may create ‘false expectations’ regarding MNDNR

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oversight. That said, MNDNR expressed its continued interest and willingness in providing its technical expertise to the City of Hermantown in these areas.

Based on this discussion, the City will clarify the MNDNR's role, consistent with the September 3, 2026 letter, as follows:

MDNR is a reviewer of the AUAR and has provided technical comments in an advisory role. The City, not the MDNR, is the Responsible Government Unit (RGU) for reviewing this project, and MDNR's involvement in identifying topics to be included in the AUAR has been through public comments.

While MDNR does not have regulatory authority over the Project, and the City of Hermantown is responsible for determining appropriate mitigation, MDNR is willing to participate in a technical advisory role on topics within its expertise.

The City reiterates its appreciation for MDNR's technical expertise, and will continue to work with MDNR as discussed in the AUAR, **Appendix B**, and this letter.

Conclusion

The City again thanks the MNDNR for its ongoing collaboration and technical assistance in this environmental review process. The City welcomes further input and coordination from the MNDNR in the areas of its technical expertise. To ensure a clear public record, the City would appreciate receiving a written response from the MNDNR confirming that the clarifications and additional information provided in this response fully address the issues raised in the MNDNR's August 2026 Letter.

Sincerely,

A handwritten signature in black ink, appearing to read 'Eric Johnson', written over a light blue horizontal line.

Eric Johnson

Community Development Director
City of Hermantown

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Attachment A. Alternatives Analysis

Within the City of Hermantown there are three areas of Business and Light Manufacturing (BLM) zoning (Hermantown Zoning Map – Exhibit 1). The BLM zoning district permits Communication Services Facilities with a Special Use Permit. The three areas within the City are:

- NE Quadrant of City – Generally bounded by Haines Road, Stebner Road and Arrowhead Road (Exhibit 2)
- Hermantown Industrial Park – Generally bounded by Stebner Road, Maple Grove Road and Getchell Road (Exhibit 3)
- AUAR Study Area – SW Quadrant of City Generally bounded by Morris Thomas Road – Midway Road and St. Louis River Road (Exhibit 4)

As further explained below, only the AUAR Study Area has sufficient contiguous area within a BLM zone that contains the necessary infrastructure, including but not limited to utilities and roadways, to site the Project. As further described, neither of the other locations has significant environmental benefits as compared to the AUAR Study Area.

NE Quadrant of City – Generally bounded by Haines Road, Stebner Road and Arrowhead Road (Exhibit 2)

- 255 acres zoned BLM;
- There are 11 existing businesses and 11 residences in this area;
- This area lacks the necessary major power infrastructure and would require significant upgrades including the extension of electric transmission lines;
- There are three existing roads within this area that would potentially need to be closed to facilitate a development of this size, one of which, Airbase Road, which provides access to support service associated with Duluth International Airport (hangers, Cirrus, maintenance areas);
- This area is generally bounded by local Hermantown roads or County Roads - W. Arrowhead Road which functions as a minor arterial/collector roadway and Haines Road which functions as an arterial roadway;
- Miller Creek, a designated trout stream, and its associated shoreland area is on eastern edge of this zoning district and bisects part of the area;
- There are approximately 35 acres of wetlands within this zoning area;
- Duluth sanitary sewer in this area would require upgrades and water service would need to be extended.
-

Hermantown Industrial Park – Generally bounded by Stebner Road, Maple Grove Road and Getchell Road (Exhibit 3)

- 100 acres zoned BLM;
- Adjacent to ½ acre single family neighborhood located on the northern boundary of the zoning district;

- There are 22 existing businesses in this area;
- There are approximately 37 acres of wetlands within this zoning area;
- Sanitary sewer and water mains are present but require upgrades;
- Hermantown City roads are located on the east and west of the zoning district and Maple Grove Road (St. Louis County arterial road) is located on the southern boundary;
- Area is lacking in necessary major power infrastructure and would require significant upgrades including the extension of electric transmission lines.

AUAR Study Area – SW Quadrant of City Generally bounded by Morris Thomas Road – Midway Road and St. Louis River Road (Exhibit 4)

- Entirety of 278 study area is zoned BLM;
- There are approximately 58 acres of wetlands within this study area; approximately 32 acres of assumed maximum development wetland impacts (to be reduced/refined as site design advances);
- A cohesive land area within the City with the ability to extend municipal water and sewer service to the site;
- State Highway 2 is located just to the north of the study area boundary with Midway Road (County Road 13), Morris Thomas Road (County Road 56) located on the north boundary of the study area and St. Louis River Road (County Road 21) located just south of the study area, providing sufficient transportation infrastructure;
- 21 large acreage residential parcels acquired or to be acquired;
- Proximity to existing, reliable power infrastructure, including the Arrowhead Substation.

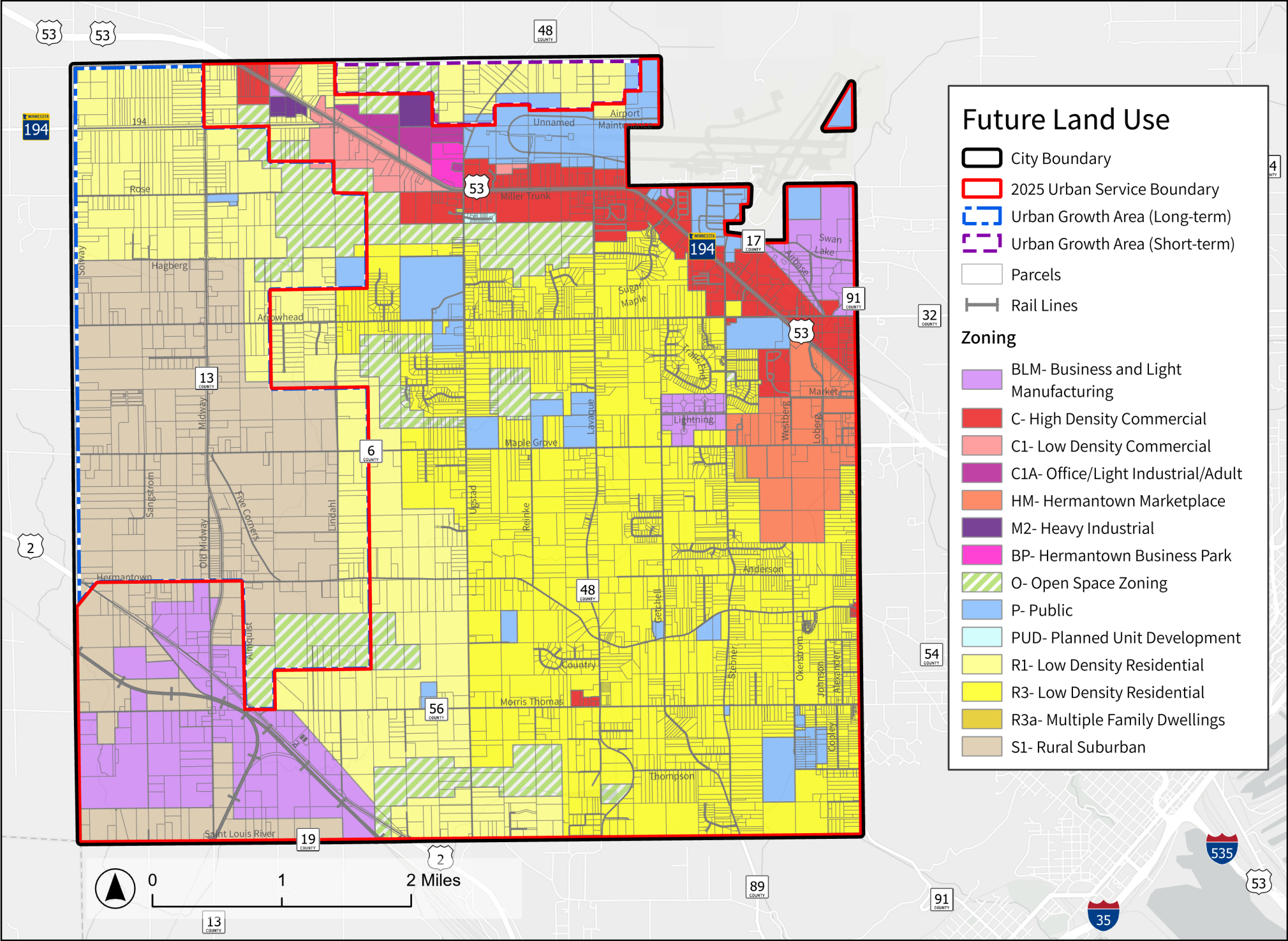


EXHIBIT 2 - NE QUADRANT OF HERMANTOWN



LEGEND

 BUSINESS AND LIGHT MANUFACTURING (BLM) BOUNDARY ±255 ACRES

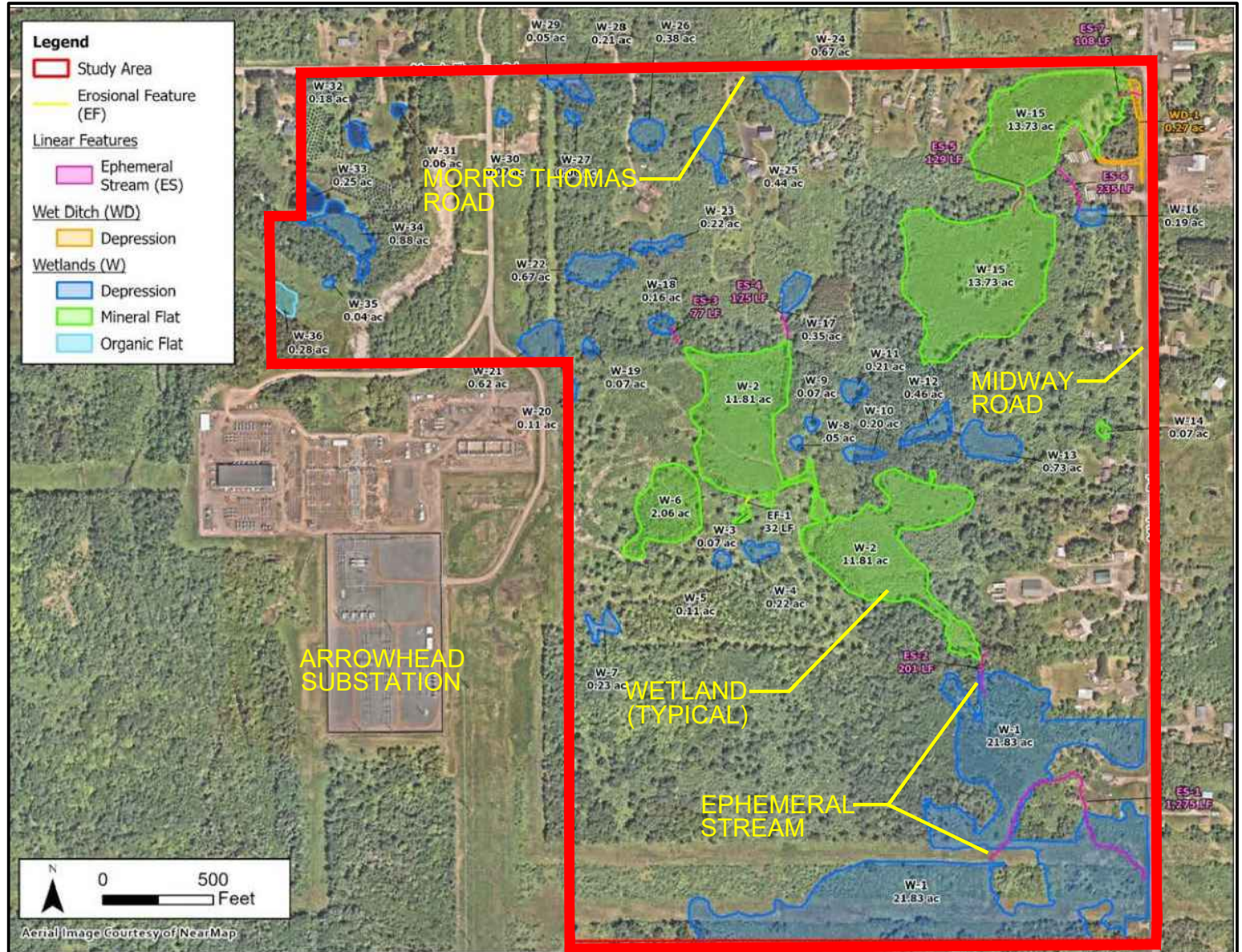
EXHIBIT 3 - HERMANTOWN INDUSTRIAL PARK



LEGEND

— BUSINESS AND LIGHT MANUFACTURING (BLM) BOUNDARY ±100 ACRES

EXHIBIT 4 - SW QUADRANT OF HERMANTOWN - AUAR STUDY AREA



LEGEND

- AUAR PROJECT STUDY AREA 278 ACRES (ENTIRELY WITHIN BUSINESS AND LIGHT MANUFACTURING ZONING DISTRICT)

Attachment B. Groundwater-Surface Water Evaluation and Monitoring Plan

Braun Intertec has been engaged to establish an environmental monitoring program to characterize baseline groundwater, wetland hydrology, and surface water conditions prior to construction. Data collection will begin in September 2026 and will continue until construction begins.

The Project Proposer has also retained a local environmental consultant (Barr Engineering) to implement a groundwater surface-water interaction and thermal impact work plan as described in the Updated Hermantown Industrial Alternative Urban Areawide Review (AUAR) and the Final AUAR mitigation plan. The purpose of this effort is to better understand existing groundwater conditions, identify groundwater discharge features such as springs and seeps, evaluate potential interactions between groundwater and nearby surface waters, and assess whether future development could affect thermal conditions in nearby trout streams. The results of the analysis will inform the Project Proposer's final design and the City of Hermantown's adaptive management plan to address ongoing monitoring and/or potential impacts, as needed.

Ongoing and future efforts related to the groundwater and surface water evaluation and monitoring plan includes the following elements:

1. Agency Technical Coordination

To date, agency coordination has included the Project Proposer sharing the groundwater surface-water interaction and thermal impact work plan with the MnDNR and MPCA for review. The results of the groundwater surface-water interaction and thermal impact work plan will also be shared with MnDNR and MPCA.

On an ongoing basis, the City of Hermantown and Project Proposer will continue to seek MnDNR's and MPCA's technical expertise in analyzing data collected through this plan and in developing adaptive management strategies, as needed.

2. Spring Inventory and Survey

Barr Engineering conducted a desktop review and performed a field investigation in July 2026 to identify and document springs, seeps, and other groundwater discharge features within and around the study area where landowner access was available. Findings are mapped and summarized in the Final AUAR.

In summary, one new spring was identified southeast of the study area and an additional spring outside of the study area to the northeast (that MPCA also previously surveyed) was verified.

3. Groundwater-Surface Water and Thermal Impact Evaluation

Barr Engineering will implement a groundwater surface-water interaction and thermal impact work plan to further evaluate existing groundwater and surface water conditions through data review and review of field-gathered data, including data collected from groundwater piezometers within the study area (see Figure 1 for locations). The study will assess groundwater flow, groundwater discharge to nearby streams, and potential effects of future development on stream temperatures. Groundwater data will be collected to determine hydrostratigraphy, groundwater elevations, flow directions, temperature, and hydraulic conductivity as it relates to nearby water resources. Using data collected in the field from September to October 2026, Barr Engineering will complete a hydrogeologic conceptual model to consider the influence of proposed grading, stormwater management, impervious surface, and potential groundwater pumping (if planned) during Project construction. The results of the model and assessment will be provided to Kimley-Horn to inform the final design (e.g., site layout and stormwater plans, if applicable) and to the City of Hermantown for incorporation into the Adaptive Management Plan, if applicable.

4. Adaptive Management Plan

Based on the results of the data collection and modeling efforts, the City of Hermantown will create an Adaptive Management Plan to adjust the groundwater monitoring and reporting and to inform mitigation measures, as needed. The City of Hermantown will request technical assistance and review from the MnDNR and MPCA during the development of and revisions to this Adaptive Management Plan.

5. Summary of Baseline Groundwater, Wetland, and Surface Water Monitoring Program for Construction

As stated in the Final AUAR and mitigation plan, groundwater data collection and monitoring will occur to establish baseline groundwater, wetland hydrology, and surface water conditions prior to construction so that future monitoring can identify and evaluate any potential construction-related changes. The monitoring program will begin in September 2026 and is designed to document seasonal environmental conditions, assess hydraulic connections between groundwater, wetlands, and surface waters, and provide a scientifically-supported baseline dataset for future comparison.

This work will be completed through four primary tasks:

Monitoring Network Installation and Baseline Data Collection

Braun Intertec will establish a monitoring network consisting of:

- Eight groundwater monitoring wells, including four shallow and four deep wells installed as nested pairs to evaluate groundwater elevations and flow conditions (see Figure 1 for locations).
- Eight wetland hydrology monitoring wells to document wetland water levels and seasonal hydrologic conditions.
- Continuous water-level and temperature monitoring instrumentation installed throughout the monitoring network.
- An initial baseline monitoring event that will include groundwater, wetland, and surface water measurements and laboratory analyses to establish existing environmental conditions prior to construction.

These monitoring wells are expected to be installed in September 2026 and will also serve as means for gathering the baseline data to be used in the groundwater surface-water interaction and thermal impact work plan.

Quarterly Monitoring Program

Until construction begins, Braun Intertec will conduct quarterly monitoring analysis to evaluate seasonal variations and trends. Monitoring activities will include:

- Groundwater level measurements, sampling, and water quality analyses at all groundwater monitoring wells.
- Wetland hydrology monitoring to assess seasonal groundwater fluctuations, inundation patterns, and wetland conditions.
- Surface water monitoring and sampling at a designated tributary location to characterize stream conditions and water quality.
- Collection and evaluation of water quality parameters, field measurements, and continuous groundwater and temperature data.

Data Management and Reporting

Data collected during each monitoring event will be compiled, reviewed, quality-checked, and incorporated into a centralized project database. Braun Intertec will prepare quarterly monitoring memoranda summarizing field activities, monitoring results, groundwater elevations, water quality conditions, and observed seasonal trends. Upon completion of the monitoring program, a comprehensive Baseline Monitoring Report will be prepared documenting groundwater conditions, wetland hydrology characteristics, surface water quality, and seasonal environmental trends across the site.

City Council and Agency Updates

Following completion of the Baseline Monitoring Report, Braun Intertec will conduct a public City Council workshop to present the monitoring program results. The presentation will summarize monitoring activities, key findings, seasonal trends, and recommendations for future monitoring during project construction. This information will also be shared with the MnDNR and MPCA as part of ongoing technical assistance reviews.

The baseline monitoring program is intended to establish baseline environmental data before construction begins. Once construction begins, data collection and monitoring will continue through construction, with reporting completed after each monitoring event and a final baseline report issued at the conclusion of the monitoring period.

Figure 1.

