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Minnesota Power Files Electric Rate Review Request with State Regulators

Energy**Forward** investments in reliable, safe and cleaner power are transforming the energy system that serves customers

DULUTH, Minn.--(BUSINESS WIRE)-- Minnesota Power, a utility division of ALLETE (NYSE:ALE), today filed a rate review request with the Minnesota Public Utilities Commission (MPUC) asking for a rate increase of \$55 million to support infrastructure investments, efficiency upgrades and business expenses as the company continues to transform how power is produced and delivered to customers.

"Since 2011, Minnesota Power has invested extensively in our ambitious Energy**Forward** plan, changing how we provide safe and reliable energy to our customers in ways that include producing cleaner power, strengthening the electric grid that delivers energy, and adding technology that will help improve customer control over energy use," said David McMillan, executive vice president Minnesota Power. "The rate review process will evaluate recent investments we have made on our system that enable us to continue transforming energy supply and delivery to benefit customers."

The majority of the rate request (\$37 million) is related to additional Energy**Forward** capital investments which include upgrades to transmission and distribution infrastructure, measures to protect against extreme weather events and enable the safe integration of renewable resources, and the continuation of efficiency and environmental improvements at the company's existing power plants. Other components of the rate request address lower sales revenue and pension investment costs. MP also is proposing to provide annual savings to customers by extending to 2050 the capital cost recovery on the Boswell Energy Center. Minnesota Power's last general rate review was seven years ago.

The MPUC will make two separate decisions in the rate review: setting interim rates that go into effect while the commission considers Minnesota Power's full request, and a final ruling on the amount of the full rate request. Minnesota Power is asking for an interim rate increase of 8 percent for all customers. If approved, a typical residential customer's monthly bill would increase by \$6.00 when interim rates take effect Jan. 1, 2017. A small business customer's monthly bill would increase by \$22.00.

Minnesota Power also is requesting the MPUC to review the rate alignment for all customer classes to reflect the actual costs of serving those individual groups. Different customer classes already pay different rates, but a cost-of-service study, required to be filed with the company's rate review request, concluded that residential customer rates would need to increase by approximately 35 percent to cover the actual cost of producing and delivering their energy. Business customers are paying the remainder of those additional costs within their current rates.

"When customers pay energy bills that don't reflect the true cost of the service, those price signals affect everything from the investments businesses make in their employees and the region to the willingness of homeowners to invest in conservation," McMillan said. "Every Minnesota Power customer will experience increased rates under our proposal. However, we are asking the MPUC to start aligning rates more closely with the true cost of providing service."

If the MPUC agrees with Minnesota Power's assessment of cost allocation on its system, residential customers will see an additional 10 percent increase in early 2018. The combined interim and final rate will result in an average monthly increase of \$15.00 for residential customers and \$28.00 for small business customers. That decision on when and at what level to implement final rates will occur after the MPUC accepts input from the public, state agencies and other community stakeholders.

Corresponding with the rate review request, Minnesota Power also filed its annual Renewable Resources Rider plan. If approved by the MPUC, the proposal will result in a 2017 reduction to residential and most business customers' bills that would offset about half of the interim rate increase.

Minnesota Power has undertaken significant cost management steps in the past seven years. Minnesota Power's request reflects operations and maintenance business expenses that will be comparable to 2010 levels.

"Our energy is an outstanding value when you consider the security, comfort and quality of life it provides," McMillan said. "We know that there is no good time for a rate increase, though the investments we've made are meeting customer expectations for the safety, reliability and flexibility of our energy grid while adding cleaner energy sources, all under our

Energy**Forward** plan."

To help customers manage and reduce their monthly bills, Minnesota Power offers conservation programs that provide helpful tools to lower energy use and obtain rebates for energy efficiency. For customers who find it difficult to pay bills each month, Minnesota Power partners with community programs that provide energy assistance. Minnesota Power has established a special website—www.mnpower.com/2016RateReview—where customers can get more information and they can submit questions about the rate request to AskUs@mnpower.com.

Minnesota Power provides electric service within a 26,000-square-mile area in Northeastern and Central Minnesota, supporting comfort, security and quality of life for 145,000 customers, 16 municipalities and some of the largest industrial customers in the United States. More information can be found at www.mnpower.com. (ALE-ENRG)

The statements contained in this release, and statements that ALLETE may make orally in connection with this release that are not historical facts, are forward-looking statements. Actual results may differ materially from those projected in the forward-looking statements. These forward-looking statements involve risks and uncertainties and investors are directed to the risks discussed in documents filed by ALLETE with the Securities and Exchange Commission.

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