



Minnesota Power Files Request for Rate Change to Support Sustainable Energy Future Amid Changing Customer Demand

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DULUTH, Minn.--(BUSINESS WIRE)--Nov. 1, 2021-- Minnesota Power, a utility division of ALLETE Inc. (NYSE: ALE), is filing a request today with the Minnesota Public Utilities Commission (MPUC) to increase its annual operating revenue by \$108 million and adjust rates for its retail electric customers.

The approximately 18% increase proposed by the company reflects changes in revenue and expenses related to Minnesota Power's ongoing *EnergyForward* clean energy transition, evolving customer demand, business operations and regulatory requirements since the company's last completed rate review submitted in 2016. In the past 25 years, Minnesota Power has completed only three full rate reviews.

"The energy industry of the 2020s looks far different than it did five years ago as our customers' expectations for clean energy and high-value service are increasing," said Bethany Owen, ALLETE Chair, President and CEO. "Through *EnergyForward*, Minnesota Power is meeting those expectations by delivering a resilient, reliable and sustainable supply of 50% renewable energy that is competitively priced. We are proud to be halfway to our goal of providing 100% carbon-free energy by 2050, and we look forward to continuing our close work with our customers and stakeholders to complete this transition."

Clean-energy transition while maintaining a reliable grid

Minnesota Power achieved an unprecedented milestone in late 2020, becoming the first Minnesota utility to deliver more than 50% of its energy supply from renewable sources and closing or transitioning seven of nine of its coal units. In its Integrated Resource Plan submitted to state regulators on Feb. 1, 2021, Minnesota Power announced its goal to achieve a 70% renewable energy mix by 2030, an 80% carbon reduction and end to all coal operations by 2035, and reach a 100% carbon-free energy supply by 2050.

Recognizing the impacts of climate change, Minnesota Power is making additional investments in a more resilient grid to maintain energy delivery as the number of more extreme weather events increases. Minnesota Power also is providing customers greater control over their daily energy decisions and monthly bills through new tools that empower customers to reduce how much energy they use and to choose their sources of energy.

"Rate reviews are part of doing business as a regulated utility, and we've worked hard to keep rates affordable for customers by keeping operations and maintenance costs to 2010 levels," said Minnesota Power Chief Operating Officer Josh Skelton. "The investments we have made in our *EnergyForward* plan over the past five years and the changing demand for energy require the company to seek this review. We understand our customers have high expectations that this energy transformation is done the right way, with thoughtful planning and efficient coordination of resources."

Customer demand

Minnesota Power's request also reflects changes in customer demand for energy. Minnesota Power customers have exceeded state energy conservation goals every year for the last decade, reducing energy consumption and total energy bills for households and businesses. In addition, the economy of northeastern Minnesota continues to evolve, and as the energy requirements of customers change, it affects rates paid by all classes of customers.

"Our unique customer base helps drive the economy of northeastern Minnesota, and this has helped keep residential rates among the lowest in the state," explained Frank Frederickson, vice president of customer experience. "However, the costs for maintaining a safe and reliable electric system remain even when there are changes in customer demand. If our request is approved by the MPUC, the average monthly bill for our residential customers will remain below the national average while they receive the highest percentage of renewable energy in the state."

The requested rate increase

As a regulated utility, Minnesota Power must receive approval from the MPUC whenever changes in revenue or expenses require adjusting its rates. Over the next year, the MPUC will receive feedback from state agencies, interested parties and customers before making a final decision on the rate request.

In this request to the MPUC, a typical residential customer with a monthly usage of 701 kilowatt-hours would see an increase of about \$15 a month. A small-business customer with a monthly usage of 2,581 kilowatt-hours would see an increase of \$55 per month.

The company has requested an interim rate increase of approximately 14% for all customers beginning in early January 2022. According to Minnesota law, the MPUC will approve an interim rate increase that will remain in effect until a decision is made on final rates. If the approved final rate is lower, the company will refund the difference to customers with interest.

Today's filing is the first step in a full regulatory review of rates and recovery of the company's expenses for delivering energy to its customers. The company's last completed rate review was filed in 2016, while a 2019 request was withdrawn in response to the COVID-19 pandemic and its impacts on customers and the region's economy.

Minnesota Power instituted additional steps to protect customers during these challenging times, including suspension of disconnections for 17 months and advancing three solar projects to spur economic recovery. The company has also redesigned its customer affordability program called "CARE," increasing bill discounts available to income-eligible customers. If the rate request is approved, usage-qualified low-income customers will

continue to have some of the lowest average bills in the state due to special discounts included in the company's rate design transition.

"The request we submitted today will help achieve our sustainability commitments to the climate, our customers and the communities we are grateful to serve," Owen said. "We are continuing to pursue aggressive carbon-reduction goals, working to keep rates as low as possible for families and businesses, and advocating for a regional economy that supports the well-being and quality of life for everyone."

Minnesota Power provides electric service within a 26,000-square-mile area in northeastern Minnesota, supporting comfort, security and quality of life for 145,000 customers, 15 municipalities and some of the largest industrial customers in the United States. More information can be found at www.mnpower.com.

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. ALE-CORP

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Amy Rutledge
Manager Corporate Communications
Minnesota Power/ALLETE
arutledge@mnpower.com

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