

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 11-K

(Mark One)

Annual Report Pursuant to Section 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended DECEMBER 31, 1998

or

Transition Report Pursuant to Section 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File No. 1-3548

MINNESOTA POWER AND AFFILIATED COMPANIES
SUPPLEMENTAL RETIREMENT PLAN
(Full Title of the Plan)

Minnesota Power, Inc.
30 West Superior Street
Duluth, Minnesota 55802-2093

(Name of issuer of securities
held pursuant to the Plan and
the address of its principal
executive office)

INDEX

| | Page |
|---|------|
| Report of Independent Accountants | 1 |
| Statement of Net Assets Available for Plan Benefits | 2 |
| Statement of Changes in Net Assets Available for Plan Benefits | 3 |
| Notes to Financial Statements | 4 |
| Supplemental Schedules | |
| Schedule I: Investments Held | 12 |
| Schedule II: Transactions in Excess of 5% of Fair Value of Plan Assets | 13 |
| Signatures | 14 |

REPORT OF INDEPENDENT ACCOUNTANTS

To the Participants and Administrator
of the Minnesota Power and Affiliated
Companies Supplemental Retirement Plan

In our opinion, the accompanying statements of net assets available for plan benefits and the related statements of changes in net assets available for plan benefits present fairly, in all material respects, the net assets available for plan benefits of the Minnesota Power and Affiliated Companies Supplemental Retirement Plan at December 31, 1998 and 1997, and the changes in net assets available for plan benefits for the years then ended, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Plan's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information included in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements but is additional information required by the Employee Retirement Income Security Act of 1974. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PRICEWATERHOUSECOOPERS LLP

PricewaterhouseCoopers LLP
Minneapolis, Minnesota
June 9, 1999

MINNESOTA POWER AND AFFILIATED COMPANIES
 SUPPLEMENTAL RETIREMENT PLAN
 STATEMENT OF NET ASSETS AVAILABLE FOR PLAN BENEFITS
 Thousands

| | 1998 | DECEMBER 31, 1997 |
|--|-----------|----------------------|
| ----- | | |
| ASSETS | | |
| INVESTMENTS, AT FAIR/CONTRACT VALUE | | |
| Guaranteed Investment Contracts | \$ 16,465 | \$ 18,405 |
| Pooled Investment Contracts | 2,464 | - |
| Minnesota Power, Inc. Common Stock | 18,584 | 17,929 |
| Mutual Fund Securities | 52,050 | 39,590 |
| Money Market Securities | 16 | 54 |
| Loans Receivable from Participants | 2,068 | 1,882 |
| | ----- | ----- |
| Total Investments | 91,647 | 77,860 |
| CASH | 98 | 11 |
| | ----- | ----- |
| NET ASSETS AVAILABLE FOR PLAN BENEFITS | \$ 91,745 | \$ 77,871 |
| | ===== | ===== |

 The accompanying notes are an integral part of these statements.

MINNESOTA POWER AND AFFILIATED COMPANIES
 SUPPLEMENTAL RETIREMENT PLAN
 STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS
 Thousands

| | 1998 | YEAR ENDED DECEMBER 31, 1997 |
|--|-----------|------------------------------------|
| <hr style="border-top: 1px dashed black;"/> | | |
| SOURCES OF NET ASSETS | | |
| Participant Contributions | \$ 6,137 | \$ 5,546 |
| Employer Contributions | 117 | 48 |
| Interest Income | 1,146 | 1,167 |
| Dividend Income | 2,376 | 3,431 |
| Net Unrealized Appreciation in Aggregate Fair Value of Securities | 6,643 | 9,470 |
| Participants' Loan Interest Income | 182 | 150 |
| Net Realized Gain on Sale of Securities | 49 | 374 |
| | ----- | ----- |
| | 16,650 | 20,186 |
| APPLICATION OF NET ASSETS | | |
| Transfers to Retirement Plans | (479) | (624) |
| Benefit Distributions | (2,287) | (2,372) |
| Administrative Expenses | (10) | (9) |
| | ----- | ----- |
| INCREASE IN NET ASSETS | 13,874 | 17,181 |
| NET ASSETS AVAILABLE FOR PLAN BENEFITS | | |
| Beginning of Year | 77,871 | 60,690 |
| | ----- | ----- |
| End of Year | \$ 91,745 | \$ 77,871 |
| | ===== | ===== |

The accompanying notes are an integral part of these statements.

MINNESOTA POWER AND AFFILIATED COMPANIES
SUPPLEMENTAL RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE PLAN

The Minnesota Power and Affiliated Companies Supplemental Retirement Plan (SRP) provides benefits for eligible employees of Minnesota Power, Inc. (Minnesota Power); Superior Water, Light and Power Company; and MP Affiliated Resources, Inc. (collectively, the Companies). The SRP is a defined contribution plan that is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

CONTRIBUTIONS

- Participant contributions to the SRP consist of the following:
 - Flexible Dollar Contributions. Flexible dollar contributions for the non-union participants are up to 3 percent of each participant's compensation, up to a maximum compensation of \$160,000 in 1998. The contribution is equal to an amount the participant has elected to contribute to the SRP and included in the participant's before-tax account.
 - Salary Reduction Contributions (Before-Tax Contributions). Before-tax contributions are equal to an amount the participant has elected to reduce his or her compensation pursuant to a salary reduction agreement. Before-tax contributions may not exceed \$10,000 in 1998, as permitted under Section 401(k) of the Internal Revenue Code of 1986 (Code).
 - Results Sharing Contributions. Results sharing contributions are equal to the portion (up to 100 percent) of the Results Sharing Award the participant irrevocably agrees to forgo and that, pursuant to the Minnesota Power Results Sharing Program, would otherwise be paid to the participant. Results sharing contributions are included in the participant's before-tax account and subject to limitations under Section 401(k) of the Code.
 - Voluntary Contributions (After-Tax Contributions). Each participant is also allowed to make voluntary after-tax contributions to the SRP through payroll deductions or lump-sum contributions. Total voluntary contributions made by a participant for all fiscal years since July 1, 1980 shall not exceed 8.5 percent of the aggregate compensation received for all years since becoming a participant less the amount of voluntary contributions made to either the Minnesota Power and Affiliated Companies Retirement Plan A or Plan B.
 - Rollovers. Contributions by participants may also be made through rollovers from other qualified plans.
- Employer contributions to the SRP consist of non-elective contributions equal to 0.5 percent of each union participant's compensation, up to a maximum compensation of \$160,000 in 1998. Employer contributions are included in the participant's before-tax account.

VESTING

All contributions plus actual earnings are fully vested and nonforfeitable.

LOAN PROGRAM

The SRP allows participants to borrow money from their SRP accounts. A participant may borrow up to \$50,000 or 50 percent of their total account balances, whichever is less, for up to 5 years for a general purpose loan and 10 years for the acquisition of a primary residence. A fixed interest rate of the prime rate plus 1 percent, but not less than the Minnesota Power Employees Credit Union share secured rate, is charged until the loan is repaid. As loans are repaid, principal and interest amounts are redeposited into the participant's SRP accounts.

PARTICIPANT ACCOUNTS

Each participant's account is credited with the participant's contribution and their share of the Companies' contributions. Income from the SRP's investment funds is allocated to each participant's account based upon their ownership interest in each fund.

Every December participants are required to make an election as to contributions to the SRP for the subsequent year. Funds may be transferred between investment options once a month with at least 10 days written notice to Minnesota Power's Benefits Accounting and Administration. A brief description of the Plan's investment options follows. For a detailed description of the investment options and respective risk profiles refer to the fund prospectus.

- Minnesota Power Common Stock Fund seeks capital appreciation and current income by investing in the common stock of Minnesota Power.
- Heartland Value Fund seeks long-term capital appreciation by investing primarily in equity securities of small companies with market capitalization of less than \$500 million selected on a value basis.
- Fidelity Magellan Fund seeks capital appreciation by investing in securities of domestic, foreign and multinational issuers.
- Vanguard Institutional Index Fund seeks to match, as closely as possible, the performance of the Standard & Poor's 500 Composite Stock Price Index, which invests in stocks of large U.S. companies.
- Vanguard Short Term Federal Portfolio invests primarily in U.S. Government agency securities, which are debt obligations issued or guaranteed by agencies or instrumentalities of the U.S. Government. This fund may also invest in U.S. Treasury securities, as well as in repurchase agreements collateralized by the United States.
- BlackRock Funds Small Cap Growth Equity Portfolio seeks small cap stocks considered to have favorable and above-average earnings growth prospects versus the fund's benchmark, the Russell 2000 Growth Index. This fund replaced IAI Emerging Growth Fund in 1997.
- Templeton Institutional Funds, Inc. Foreign Equity Series seeks long-term capital growth through a flexible policy investing in equity securities and debt obligations of companies and governments outside the United States. This fund replaced IAI International Developed Market Fund in 1997.
- Templeton Institutional Funds, Inc. Emerging Market Series seeks long-term capital growth by investing primarily in equity securities of issuers in countries having emerging markets.
- Janus Balanced Fund seeks long-term capital growth consistent with preservation of capital and balanced by current income. This fund invests in securities selected primarily for their growth or income potential. This fund replaced the Fidelity Balanced Fund in 1997.
- Fixed Income Fund is a conservative fund consisting of guaranteed investment contracts (GICs) with insurance companies and pooled investment contracts (PICs) managed by American Express Trust Company.
 - GICs are guaranteed by the issuing insurance company and supported by the insurance industry, and not guaranteed by the federal government.
- American Express Trust Income Fund I is an actively managed, diversified pool of stable value contracts of varying maturity, size and yield. This fund seeks to preserve principal and income while maximizing current income by investing in pooled insurance investment contracts, bank investment contracts and stable value contracts regulated by the Securities and Exchange Commission and federal and state bank regulators.

While participants are active employees, they may withdraw money as a loan from their before-tax account. After age 59 1/2, participants may withdraw the full amount of their before-tax account. After-tax accounts may be withdrawn at specified times during the year by participants of any age. When participants terminate employment, become disabled or die, they or their beneficiaries may elect to receive the vested amount of all their SRP accounts. Upon retirement participants may elect to transfer the vested amount of their SRP account balances to the Minnesota Power and Affiliated Companies Retirement Plan A or Plan B.

Minnesota Power maintains the participants' records and issues a quarterly report to each participant showing the status of individual accounts. At December 31, 1998 there were 1,669 participants in the SRP.

ADMINISTRATION

The SRP is administered by the Employee Benefit Plans Committee (Committee). The address of the Committee is 30 West Superior Street, Duluth, Minnesota 55802-2093. The responsibility of the Committee includes the determination of compliance with the SRP's eligibility requirements as well as the administration and payment of benefits all in a manner consistent with the terms of the SRP and applicable law. The Committee has the authority to designate persons to carry out fiduciary responsibilities (other than trustee responsibilities) under the SRP. The Committee has the power to appoint an investment manager or managers. Administration fees and expenses of agents, outside experts, consultants, and investment managers are paid by the Companies or the SRP. The Committee may from time to time establish, modify and repeal rules for the administration of the SRP as may be necessary to carry out the purpose of the SRP. Members of the Committee receive no compensation for their services with respect to the SRP.

As of June 1, 1999 the members of the Committee, all employees of Minnesota Power, and their respective titles are as follows:

| Name | Title |
|----------------------|---|
| Robert D. Edwards | Executive Vice President and President - Minnesota Power Electric (1) |
| David G. Gartzke | Senior Vice President - Finance and Chief Financial Officer |
| Roger P. Engle | Vice President - Minnesota Power Electric and President - Superior Water, Light and Power Company |
| Philip R. Halverson | Vice President, General Counsel and Secretary |
| Donald J. Shippar | Senior Vice President - Minnesota Power Electric |
| Claudia S. Welty | Vice President - Information Technology |
| Mark A. Schober | Controller |
| Lori A. Collard | President - Electric Outlet, Inc. |
| Brenda J. Flayton | Vice President - Human Resources |
| Alan R. Hodnik | Manager - Laskin Energy Center |
| Jeweleon W. Tuominen | Manager - Executive Compensation and Employee Benefits |

(1) Committee Chairman

North Shore Bank of Commerce is retained as Trustee (Trustee) for the SRP. The Trustee's main office is located at 131 West Superior Street, Duluth, Minnesota 55802. The Trustee carries blanket bond insurance in the amount of \$2 million.

PLAN TERMINATION

The Companies reserve the right to reduce, suspend, or discontinue their contributions at any time or to terminate the SRP subject to the provisions of ERISA and the Code. In the event of SRP termination, all of the account balances of the participants will be fully vested and nonforfeitable, and distribution will be made in accordance with the terms of the SRP.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES

The SRP uses the accrual basis of accounting and accordingly reflects income in the year earned and expenses when incurred.

Mutual funds, money market securities and Minnesota Power common stock are reported at fair value based on quoted market prices. GIC and PIC amounts are reported at contract value which represents the purchase price of the contract plus accrued interest. Participants' loans are reported at cost which approximates fair value.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to (i) make estimates and assumptions that affect the reported amounts of assets and liabilities, (ii) disclose contingent liabilities at the date of the financial statements and (iii) report amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

NOTE 3 - FEDERAL INCOME TAX STATUS

A favorable determination letter dated December 12, 1995 was obtained from the Internal Revenue Service stating that the SRP, as amended and restated effective January 1, 1992, qualifies as a profit sharing plan under Section 401(a) of the Code.

NOTE 4 - GUARANTEED INVESTMENT CONTRACTS

Thousands

| | Crediting Interest Rate | Contract Value December 31, | |
|---|----------------------------|--------------------------------|----------|
| | | 1998 | 1997 |
| ----- | | | |
| Provident Life and Accident Insurance Company Due 1998 | 7.06% | | \$ 3,100 |
| Allstate Life Insurance Company Due 1998 | 7.14% | | 2,472 |
| Aetna Life Insurance Company Due 1999 | 6.06% | \$ 2,695 | 2,537 |
| Provident Mutual Insurance Company Due 1999 | 5.80% | 2,130 | 2,014 |
| SunAmerica Life Insurance Company Due 2000 | 6.00% | 2,150 | 2,028 |
| Jackson National Life Insurance Company Due 2000 | 6.30% | 3,368 | 3,169 |
| Commonwealth Life Insurance Company Due 2001 | 6.67% | 2,008 | 1,883 |
| Protective Life Insurance Company Due 2001 | 6.17% | 2,089 | 1,202 |
| Continental Assurance Company Due 2001 | 5.88% | 2,025 | - |
| | | ----- | ----- |
| | | \$16,465 | \$18,405 |
| | | ===== | ===== |
| Average Yield | | 6.51% | 6.47% |

NOTE 5 - CHANGES IN SRP ASSETS FOR PARTICIPANT DIRECTED ACCOUNTS
Thousands

The table below summarizes the changes in SRP assets for each investment fund for the year ended December 31, 1998.

| | Fixed Income Fund | Mutual Fund Securities | | | |
|--|-------------------------|----------------------------|------------------------------|--|--|
| | GICs and PICs | Heartland Value Fund | Fidelity Magellan Fund | Vanguard Institutional Index Fund | Vanguard Short Term Federal Portfolio |
| Sources of Net Assets | | | | | |
| Participant Contributions | \$ 700 | \$ 860 | \$ 655 | \$ 1,294 | \$ 147 |
| Employer Contributions | 55 | 9 | 8 | 13 | 1 |
| Interest Income | 1,146 | | | | |
| Dividend Income | | 102 | 761 | 250 | 73 |
| Net Unrealized Appreciation (Depreciation) in Aggregate Fair Value of Securities | | (620) | 3,281 | 2,393 | 16 |
| Participants' Loan Repayments, Including Interest | 311 | 50 | 124 | 104 | 10 |
| Net Gain (Loss) on Sale of Securities | | (41) | 97 | 78 | 1 |
| | 2,212 | 360 | 4,926 | 4,132 | 248 |
| Application of Net Assets | | | | | |
| Transfers to Retirement Plans | (479) | | | | |
| Benefit Distributions | (1,435) | (80) | (211) | (116) | (14) |
| Loans to Participants | (1,066) | | | | |
| Administrative Expenses | (10) | | | | |
| Increase (Decrease) in Net Assets | (778) | 280 | 4,715 | 4,016 | 234 |
| Net Transfers | 1,304 | (344) | (368) | 448 | 260 |
| Net Assets Available for Plan Benefits | | | | | |
| Beginning of Year | 18,416 | 4,606 | 12,266 | 8,649 | 1,055 |
| End of Year | \$ 18,942 | \$ 4,542 | \$ 16,613 | \$ 13,113 | \$ 1,549 |

Mutual Fund Securities (Continued)

| | BlackRock Funds Small Cap Growth Equity Portfolio | Templeton Institutional Funds, Inc. Foreign Equity Series | Janus Balanced Fund | Templeton Institutional Funds, Inc. Emerging Market Series |
|--|---|---|---------------------------|--|
| Sources of Net Assets | | | | |
| Participant Contributions | \$ 782 | \$ 246 | \$ 849 | \$ 297 |
| Employer Contributions | 8 | 2 | 7 | 3 |
| Interest Income | | | | |
| Dividend Income | | 150 | 147 | 43 |
| Net Unrealized Appreciation (Depreciation) in Aggregate Fair Value of Securities | 377 | 22 | 1,281 | (374) |
| Participants' Loan Repayments, Including Interest | 60 | 26 | 40 | 26 |
| Net Gain (Loss) on Sale of Securities | (21) | 8 | 56 | (74) |
| | <u>1,206</u> | <u>454</u> | <u>2,380</u> | <u>(79)</u> |
| Application of Net Assets | | | | |
| Transfers to Retirement Plans | | | | |
| Benefit Distributions | (35) | (10) | (31) | (23) |
| Loans to Participants | | | | |
| Administrative Expenses | ----- | ----- | ----- | ----- |
| Increase (Decrease) in Net Assets | 1,171 | 444 | 2,349 | (102) |
| Net Transfers | (584) | 12 | 171 | (240) |
| Net Assets Available for Plan Benefits | | | | |
| Beginning of Year | 4,730 | 1,776 | 4,280 | 2,228 |
| End of Year | <u>\$ 5,317</u> | <u>\$ 2,232</u> | <u>\$ 6,800</u> | <u>\$ 1,886</u> |

| | Minnesota Power Common Stock | Loans Receivable from Participants | Total Changes |
|--|---------------------------------------|---|--------------------|
| Sources of Net Assets | | | |
| Participant Contributions | \$ 307 | | \$ 6,137 |
| Employer Contributions | 11 | | 117 |
| Interest Income | | | 1,146 |
| Dividend Income | 850 | | 2,376 |
| Net Unrealized Appreciation (Depreciation) in Aggregate Fair Value of Securities | 267 | | 6,643 |
| Participants' Loan Repayments, Including Interest | 275 | \$ (844) | 182 |
| Net Gain (Loss) on Sale of Securities | (55) | | 49 |
| | ----- 1,655 | ----- (844) | ----- 16,650 |
| Application of Net Assets | | | |
| Transfers to Retirement Plans | | | (479) |
| Benefit Distributions | (296) | (36) | (2,287) |
| Loans to Participants | | 1,066 | 0 |
| Administrative Expenses | ----- | ----- | (10) |
| Increase (Decrease) in Net Assets | 1,359 | 186 | 13,874 |
| Net Transfers | (659) | | 0 |
| Net Assets Available for Plan Benefits | | | |
| Beginning of Year | 17,983 | 1,882 | 77,871 |
| End of Year | \$ 18,683 ===== | \$ 2,068 ===== | \$ 91,745 ===== |

Balances include \$54 of short-term money market securities of which \$43 was being held to be invested in Minnesota Power Common Stock and the balance for participant distributions. Balances also include \$11 in cash.

Balances include \$16 of short-term money market securities which were being held for participant distributions and \$98 in cash which was being held to be invested in Minnesota Power Common Stock.

NOTE 5 - CHANGES IN SRP ASSETS FOR PARTICIPANT DIRECTED ACCOUNTS
Thousands

The table below summarizes the changes in SRP assets for each investment fund for the year ended December 31, 1997.

| | Fixed Income Fund | Mutual Fund Securities | | | | |
|--|-------------------------|----------------------------|------------------------------|--|--|-----------------------------------|
| | | Heartland Value Fund | Fidelity Magellan Fund | Vanguard Institutional Index Fund | Vanguard Short Term Federal Portfolio | IAI Emerging Growth Fund |
| | GICs | | | | | |
| Sources of Net Assets | | | | | | |
| Participant Contributions | \$ 684 | \$ 740 | \$ 588 | \$ 924 | \$ 125 | \$ 534 |
| Employer Contributions | 25 | 2 | 3 | 7 | | |
| Interest Income | 1,166 | | | | | |
| Dividend Income | | 573 | 808 | 191 | 61 | 50 |
| Net Unrealized Appreciation (Depreciation) in Aggregate Fair Value of Securities | | 117 | 1,704 | 1,665 | 2 | |
| Participants' Loan Repayments, Including Interest | 289 | 32 | 82 | 64 | 6 | 42 |
| Net Gain (Loss) on Sale of Securities | | 53 | 208 | 127 | (1) | (360) |
| | 2,164 | 1,517 | 3,393 | 2,978 | 193 | 266 |
| Application of Net Assets | | | | | | |
| Transfers to Retirement Plans | (624) | | | | | |
| Benefit Distributions | (861) | (101) | (300) | (165) | (58) | (33) |
| Loans to Participants | (1,098) | | | | | |
| Administrative Expenses | (9) | | | | | |
| Increase (Decrease) in Net Assets | (428) | 1,416 | 3,093 | 2,813 | 135 | 233 |
| Net Transfers | 1,527 | 397 | (1,626) | 236 | (63) | (4,443) |
| Net Assets Available for Plan Benefits | | | | | | |
| Beginning of Year | 17,317 | 2,793 | 10,799 | 5,600 | 983 | 4,210 |
| End of Year | \$ 18,416 | \$ 4,606 | \$ 12,266 | \$ 8,649 | \$ 1,055 | \$ 0 |

Mutual Fund Securities (Continued)

| | BlackRock Funds Small Cap Growth Equity Portfolio | IAI International Developed Market Fund | Templeton Institutional Funds, Inc. Foreign Equity Series | Fidelity Balanced Fund | Janus Balanced Fund | Templeton Institutional Funds, Inc. Emerging Market Series |
|--|---|---|---|------------------------------|---------------------------|--|
| Sources of Net Assets | | | | | | |
| Participant Contributions | \$ 398 | \$ 119 | \$ 98 | | \$ 742 | \$ 333 |
| Employer Contributions | 3 | | 1 | | 1 | 2 |
| Interest Income | | | | | | |
| Dividend Income | 235 | 39 | 76 | | 438 | 128 |
| Net Unrealized Appreciation (Depreciation) in Aggregate Fair Value of Securities | (11) | | (133) | | 148 | (460) |
| Participants' Loan Repayments, Including Interest | 24 | 10 | 8 | | 32 | 30 |
| Net Gain (Loss) on Sale of Securities | (5) | 111 | (1) | \$ 70 | | 31 |
| | 644 | 279 | 49 | 70 | 1,361 | 64 |
| Application of Net Assets | | | | | | |
| Transfers to Retirement Plans | | | | | | |
| Benefit Distributions | (33) | (33) | (24) | (10) | (160) | (69) |
| Loans to Participants | | | | | | |
| Administrative Expenses | | | | | | |
| Increase (Decrease) in Net Assets | 611 | 246 | 25 | 60 | 1,201 | (5) |
| Net Transfers | 4,119 | (1,781) | 1,751 | (2,576) | 3,079 | 172 |
| Net Assets Available for Plan Benefits | | | | | | |
| Beginning of Year | 0 | 1,535 | 0 | 2,516 | 0 | 2,061 |
| End of Year | \$ 4,730 | \$ 0 | \$1,776 | \$ 0 | \$ 4,280 | \$ 2,228 |

| | Minnesota Power Common Stock | Loans Receivable From Participants | Total Changes |
|--|---------------------------------------|---|------------------|
| Sources of Net Assets | | | |
| Participant Contributions | \$ 261 | | \$ 5,546 |
| Employer Contributions | 4 | | 48 |
| Interest Income | 1 | | 1,167 |
| Dividend Income | 832 | | 3,431 |
| Net Unrealized Appreciation (Depreciation) in Aggregate Fair Value of Securities | 6,438 | | 9,470 |
| Participants' Loan Repayments, Including Interest | 218 | \$ (687) | 150 |
| Net Gain (Loss) on Sale of Securities | 141 | | 374 |
| | ----- | ----- | ----- |
| | 7,895 | (687) | 20,186 |
| Application of Net Assets | | | |
| Transfers to Retirement Plans | | | (624) |
| Benefit Distributions | (448) | (77) | (2,372) |
| Loans to Participants | | 1,098 | 0 |
| Administrative Expenses | | | (9) |
| | ----- | ----- | ----- |
| Increase (Decrease) in Net Assets | 7,447 | 334 | 17,181 |
| Net Transfers | (792) | | 0 |
| Net Assets Available for Plan Benefits | | | |
| Beginning of Year | 11,328 | 1,548 | 60,690 |
| | ----- | ----- | ----- |
| End of Year | \$17,983 | \$ 1,882 | \$77,871 |
| | ===== | ===== | ===== |

Balances include \$110 of short-term money market securities of which \$80 was being held to be invested in Minnesota Power Common Stock and the balance for participant distributions.

Balances include \$54 of short-term money market securities of which \$43 was being held to be invested in Minnesota Power Common Stock and the balance for participant distributions. Balances also include \$11 in cash.

Schedule I

MINNESOTA POWER AND AFFILIATED COMPANIES
 SUPPLEMENTAL RETIREMENT PLAN
 SCHEDULE OF INVESTMENTS HELD
 DECEMBER 31, 1998
 Thousands

| Description | Number of Shares | Cost | Fair/ Contract Value |
|---|---------------------|-----------|----------------------------|
| ----- | | | |
| Guaranteed Investment Contracts | | | |
| Aetna Life Insurance Company 6.06% due 1999 | | \$ 2,695 | \$ 2,695 |
| Provident Mutual Insurance Company 5.80% due 1999 | | 2,130 | 2,130 |
| SunAmerica Life Insurance Company 6.00% due 2000 | | 2,150 | 2,150 |
| Jackson National Life Insurance Company 6.30% due 2000 | | 3,368 | 3,368 |
| Commonwealth Life Insurance Company 6.67% due 2001 | | 2,008 | 2,008 |
| Protective Life Insurance Company 6.17% due 2001 | | 2,089 | 2,089 |
| Continental Assurance Company 5.88% due 2002 | | 2,025 | 2,025 |
| | | ----- | ----- |
| Total Guaranteed Investment Contracts | | 16,465 | 16,465 |
| | | ----- | ----- |
| Pooled Investment Contracts | | | |
| American Express Trust Income Fund I | 51 | 2,464 | 2,464 |
| | | ----- | ----- |
| Minnesota Power, Inc. Common Stock * | 425 ** | 11,783 | 18,584 |
| | | ----- | ----- |
| Mutual Fund Securities | | | |
| Heartland Value Fund | 155 | 4,844 | 4,542 |
| Fidelity Magellan Fund | 137 | 10,558 | 16,611 |
| Vanguard Institutional Index Fund | 116 | 8,445 | 13,113 |
| Vanguard Short Term Federal Portfolio | 151 | 1,529 | 1,549 |
| BlackRock Small Cap Growth Equity Portfolio | 242 | 4,932 | 5,317 |
| Templeton Institutional Fund Foreign Equity Series | 126 | 2,327 | 2,232 |
| Janus Balanced Fund | 347 | 5,383 | 6,800 |
| Templeton Institutional Fund Emerging Market Series | 227 | 2,567 | 1,886 |
| | | ----- | ----- |
| Total Mutual Funds | | 40,585 | 52,050 |
| | | ----- | ----- |
| Money Market Securities | | | |
| Dreyfus Institutional Government Securities Fund, Floating Interest Rate with No Maturity Date | | 16 | 16 |
| | | ----- | ----- |
| Loans Receivable from Participants * - 7% to 10% | | - | 2,068 |
| | | ----- | ----- |
| Total Investments | | \$ 71,313 | \$91,647 |
| | | ===== | ===== |

* Party-in-interest

** Does not reflect Minnesota Power's two-for-one Common Stock split effective March 2, 1999.

The above data was prepared from information certified as complete and accurate by North Shore Bank of Commerce, the plan Trustee.

MINNESOTA POWER AND AFFILIATED COMPANIES
 SUPPLEMENTAL RETIREMENT PLAN
 SCHEDULE OF TRANSACTIONS IN EXCESS OF
 5% OF FAIR VALUE OF PLAN ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 1998
 Dollars in Thousands

Purchases

| Description ----- | Aggregate Purchase Price and Fair Value on Transaction Dates ----- | Number of Transactions ----- |
|---|--|------------------------------------|
| Dreyfus Institutional Government Series | \$7,100 | 201 |
| Protective Life Insurance Company | \$2,853 | 21 |
| Continental Assurance Company | \$3,200 | 17 |

Sales

| Description ----- | Aggregate ----- | | | Number of Transactions ----- |
|--|-------------------------|---------------|-----------------|------------------------------------|
| | Net Cost of Asset | Sale Price | Gain/ (Loss) | |
| Dreyfus Institutional Government Series | \$7,161 | \$7,161 | 0 | 148 |
| Protective Life Insurance Company | \$2,028 | \$2,028 | 0 | 15 |
| Continental Assurance Company | \$1,217 | \$1,217 | 0 | 15 |

 The above data was prepared from information certified as complete and accurate
 by North Shore Bank of Commerce, the plan Trustee.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Employee Benefit Plans Committee has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Minnesota Power and Affiliated Companies
Supplemental Retirement Plan

(Name of Plan)

June 14, 1999

By R.D. Edwards

R.D. Edwards
Chairman,
Employee Benefit Plans Committee

INDEX TO EXHIBITS

Exhibit

- - - - -

a - Consent of Independent Accountants

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-26755) of the Minnesota Power and Affiliated Companies Supplemental Retirement Plan of our report dated June 9, 1999 appearing on page 1 of this Annual Report of the Minnesota Power and Affiliated Companies Supplemental Retirement Plan on Form 11-K for the year ended December 31, 1998.

PRICEWATERHOUSECOOPERS LLP

PricewaterhouseCoopers LLP
Minneapolis, Minnesota
June 11, 1999