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NEWS

Rapids Power co-generation project canceled

8-06-02

GRAND RAPIDS, Minn.— Rapids Power LLC announced today that it has canceled plans to pursue construction of a state-of-the-art 225 megawatt combined-heat-and-power (CHP) facility in Grand Rapids. The announcement followed a decision last spring by the company to delay seeking a Certificate of Need permit, which would have led to further study of the project's feasibility.

"After additional analysis, we made the difficult decision not to move forward with the project," said Eric Norberg, vice president of strategic initiatives for Minnesota Power. "The Rapids Power technology remains the right choice for electric and steam requirements, but its cost is presently simply too high to support marketable electricity and lower mill steam costs."

The project was originally announced in August 2001 through a partnership between Minnesota Power and Blandin Paper Company, a subsidiary of UPM-Kymmene Corp., one of the world's largest paper producers. The new plant would have provided all steam requirements for the Blandin mill in Grand Rapids and additional generating capacity for the region. Design of the Rapids Power facility mirrored a plant in Pietarsaari, Finland.

Although Blandin officials believe that CHP is the right technology to meet the mill's power needs, the significantly higher-than-expected construction costs and the downturn in the U.S. electricity market meant building the facility did not make economic sense, said Joe Maher, Blandin's senior vice president and general manager.

"The paper industry is facing some of the toughest economic times in recent history," Maher said. "Paper companies around the world are making difficult decisions in response to the harsh market conditions. All of us in business must be prepared to make the tough choices during these challenging economic times that will ensure our companies' future viability."

This decision does not reflect any change in UPM's commitment to Blandin, Maher said. "UPM is dedicated to developing the Blandin mill so that it can achieve its potential as one of North America's most-competitive paper producers," he said. Although the project will not go forward, Minnesota Power and Blandin appreciate the work of the Grand Rapids community in evaluating the proposed facility, Rapids Power General Manager Warren Candy said.

"Many area residents invested considerable time and effort in studying Rapids Power and working toward an objective understanding of what it would mean to the community," Candy said. "We're particularly grateful to the City of Grand Rapids, Itasca County and the Chamber of Commerce for their efforts and support of this project."

Rapids Power will take immediate steps to withdraw all permitting applications with state agencies, and the Rapids Power office in Grand Rapids will be closed at the end of August. Rapids Power LLC is jointly owned by Minnesota Power and Blandin Paper Company.

Minnesota Power, an ALLETE (NYSE: ALE) company, serves 144,000 customers in northeastern Minnesota and northwestern Wisconsin with low-cost electricity. Headquartered in the Chicago suburb of Westmont, UPM-Kymmene, Inc. comprises the North American operations of global paper and forest products company UPM-Kymmene Corporation (NYSE: UPM), and is the continent's third-largest supplier of paper to magazines and catalog publishers.

The statement contained in this release and statements that may be made orally in connection with this release that are not historical facts are forward-looking statements. Actual results may differ 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 with the Securities and Exchange Commission.



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