Contact: Eric Olson
218-723-3947
eolson@allete.com

NEWS

Minnesota Power Proposes Major Project to Reduce Air Emissions at Boswell Energy Center

5-09-06

Duluth, Minn. -- Minnesota Power plans to reduce mercury emissions by up to 90 percent and cut nitrogen oxide and sulfur dioxide emissions by more than 80 percent at its Boswell 3 generating unit in Cohasset, Minn. through a nearly $200 million air emission control upgrade announced today. The planned emission reduction installations would address new requirements developed under Environmental Protection Agency Rules dealing with interstate air quality, mercury reduction and regional haze.

At 350 megawatts, Boswell 3 is the second-largest electric generator operated by Minnesota Power, a division of Duluth-based ALLETE (NYSE: ALE). Today's announcement is the utility's second major proposal to reduce air emissions from its generating stations. In October 2005, Minnesota Power announced a $60 million Arrowhead Regional Emission Abatement (AREA) Plan to significantly reduce air emissions at its Laskin and Taconite Harbor facilities. Like AREA, the Boswell 3 plans are subject to state permitting and regulatory approvals.

"The Boswell Unit 3 upgrade builds on our track record of environmental stewardship in a region that is home to the Boundary Waters Canoe Area Wilderness, Voyageurs National Park and the Apostle Islands National Lakeshore," said ALLETE CEO Don Shippar. "Minnesota Power has a long history of successfully achieving and exceeding environmental requirements while providing competitive, reliable electric service to the region. We look forward to working with state officials and business leaders to make this ambitious project happen."

Minnesota Power utilizes extensive emission reduction technology at all of its coal-based facilities and already operates at 70 percent below existing air emission requirements. The new emission reduction installations at Boswell 3 would address new requirements, which take effect over the next several years.

Under the proposal announced today, Minnesota Power would employ what regulators term "Best Available Control Technology" and eliminate nearly all particulate matter emissions at Boswell 3 by installing a baghouse, while reducing mercury emissions using activated carbon technology in combination with the baghouse. Other technologies would also be deployed, including a wet flue gas desulfurization scrubber to reduce sulfur dioxide emissions. Emissions of nitrogen oxides would be reduced by installing low-NOx burners and selective catalytic reduction.

Review of technology applications and emission reduction effectiveness of the plan for Boswell 3 will be conducted by the Minnesota Pollution Control Agency (MPCA). Minnesota Power anticipates that costs for the Boswell 3 emission retrofit will be recovered from customers on a current basis, subject to approval by the Minnesota Public Utilities Commission (MPUC). Minnesota Power plans to make a filing to the MPUC for current cost recovery on the Boswell 3 project later this year. The existing statutory option for utility cost recovery on environmental retrofit projects was extended from 2006 to 2013 in emission reduction legislation that was recently passed unanimously by the Minnesota Legislature. The statutory option includes current recovery for capital costs, return on investment, a cash return on construction work in progress and associated operating and maintenance costs. This legislation is anticipated to be signed by Gov. Tim Pawlenty in the very near future.

"We will meet these new requirements successfully, as we have met them in the past, because of the innovative efforts of our environmental, engineering and operating teams at Minnesota Power," said Al Hodnik, Minnesota Power Vice President-Generation. "Minnesota Power also looks forward to working closely with many of the same national and local vendor resources with whom it has allied itself effectively on major projects for many years."

With permit approvals from the MPCA, construction on the Boswell Unit 3 emission reduction retrofit is planned to begin in 2007 and be completed by year-end 2009.