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NEWS

Minnesota regulators set interim electricity rates for Minnesota Power

An amended request and reduction in the Renewable Resources Rider means many customers will see only a small increase in January bills

Duluth, Minn. – The Minnesota Public Utilities Commission (MPUC) today approved an interim rate increase of 5.6 percent for Minnesota Power customers as the first step of its broader review of the company’s recent rate request. Minnesota Power is a utility division of ALLETE Inc. (NYSE: ALE).

The increase on customers’ bills will be less than initially projected in November. Before the MPUC hearing, Minnesota Power lowered its interim rate request to \$34.7 million from approximately \$49 million to reflect a projected increase in energy sales to industrial customers. In addition, the MPUC approved a separate request for a reduction in the current renewable resources rider, or line item, previously authorized by the MPUC to pay for investments in new sources of energy.

The increase from interim rates on residential customers on bills in early 2017 will be \$4 per month for the average residential customer. For small business customers, the increase will be \$15 per month for the average customer. However, many customers may see a much smaller increase in their bill because the reduction in the renewable resources line item will significantly offset the interim rate increase.

“We’re pleased the MPUC agreed that an interim rate increase is appropriate, in light of the extensive investments we have made in our ambitious EnergyForward plan,” said David McMillan, executive vice president of Minnesota Power. “EnergyForward investments are providing our customers with safe and reliable energy while continuing our transformation to cleaner sources.”

The MPUC’s ruling to set interim rates is the first of two separate decisions in the review of Minnesota Power’s full rate request. Comments will be accepted from interested members of the public and stakeholder groups in the coming months, along with input from state agencies, and public hearings are likely this summer or early fall. A final decision by regulators on the full request will occur in early 2018.

“The combination of an improved outlook for the regional economy and the MPUC decision on the renewable rider is good news for our customers,” McMillan said. “Keeping energy prices affordable is important to the quality of life for residents and businesses in this area of the state.”

The majority of the rate request is related to additional EnergyForward 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 revenues and pension investment costs. MP is also 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 interim rate increase will take effect Jan. 1, 2017. Factors resulting in the company's lower interim rate request may also impact the company's final rate request. The company will file additional information with the Commission in February 2017.

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 or ask questions about the rate request at 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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