

Below is a timeline of 2019-2020 events related to the rate changes:

- Nov. 1** Minnesota Power filed an application with the Minnesota Public Utilities Commission (MPUC) for a 10.59% increase in electric rates.
- Jan. 1** Interim rate increase of 5.8% and fuel costs moved from base energy rates to Resource Adjustment went into effect, as approved by the MPUC.
- April 23** In response to the COVID-19 crisis, Minnesota Power filed its rate case withdrawal proposal with the MPUC.
- May 1** The interim rate increases were lowered to 4.1% while the withdrawal proposal was considered.
- June 30** The MPUC approved Minnesota Power's withdrawal proposal.
- July 1** New rate changes become effective.
- Oct.** Customers receive interim rate refunds.

For more information

Minnesota Power

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Duluth, MN 55802
800-228-4966

www.mnpower.com/RateReview

Minnesota Public Utilities Commission

121 7th Place East, Suite 350
St. Paul, MN 55101
651-296-0406

MPUC eDockets

www.mn.gov/puc

Select *eDockets*, then type *19* in the year field, type *442* in the number field, click *Search*, and the list of documents will appear on the next page.

Questions about the Minnesota Public Utilities Commission's review process?

Consumer Affairs Office

121 7th Place East, Suite 350
St. Paul, MN 55101
651-296-0406 or 1-800-657-3782
consumer.puc@state.mn.us

Customers with hearing or speech disabilities may call through Minnesota Relay 1-800-627-3529 or 711.



Notice of new electric rates

Effective July 1, 2020



AN ALLETE COMPANY

mnpower.com/RateReview

Rate changes

Minnesota Power is withdrawing its 2019 rate increase request and refunding customers all interim rates collected from January 1, 2020 through April 30, 2020. All interim rates for May and June will be returned after netting out the change in margin credits, as discussed below. Exclusion of margin credits from base rates, results in an increase of approximately 5.75%. However, based on the amount of actual margin credits, part of the increase is offset as a credit to the resource adjustment line of customer bills based. Total monthly bills have not changed significantly from the amount customers have paid since May 1, 2020. The interim rate increase has been removed from bills and customers are receiving a one-time refund. The average refund for residential customers is expected to be about \$20.

This retains the final rates set in the last completed rate case filed in 2016, with one significant adjustment: wholesale energy and capacity sales margin credits are reclassified to flow through the resource adjustment rather than remain as part of base rates. Previously, base rates included a fixed amount for margin credits that was determined in a rate case. By reclassifying margin credits to the resource adjustment, customers will be credited or billed based on actual monthly usage, rather than having a set amount established in a rate case.

These changes were proposed by Minnesota Power in response to the financial challenges for customers and communities caused by the COVID-19 pandemic. The changes were approved by the MPUC on June 30, 2020, and were effective on customer bills starting in July.

Changes for monthly electric base rates

Final rates for electric service went into effect on July 1, 2020. The following table shows how the new electric rates affect monthly bills for an average customer in each customer class compared with rates set in the last completed rate case, which was filed in 2016.

| Customer Classification | Avg. monthly kWh usage | Previous monthly cost | Final monthly increase* | Final avg. monthly cost** |
|-----------------------------------|------------------------|-----------------------|-------------------------|---------------------------|
| Residential | 713 | \$78.25 | \$3.59 | \$81.85 |
| Residential Dual Fuel | 1,063 | \$89.16 | \$3.78 | \$92.94 |
| General Service | 2,711 | \$291.29 | \$13.32 | \$304.60 |
| Commercial & Industrial Dual Fuel | 4,255 | \$339.93 | \$16.47 | \$356.39 |
| Large Light & Power | 266,281 | \$21,152 | \$917 | \$22,070 |
| Large Power | 56,823,222 | \$3,359,505 | \$115,295 | \$3,474,800 |
| Street & Area Lighting | 337 | \$57.96 | \$3.01 | \$60.97 |

*Monthly costs and increases include all line items on bills except sales tax and municipal franchise fees, and may vary by customer class based on usage. **Some numbers are affected by rounding to whole dollar amounts.

Interim rate refund

State law allowed Minnesota Power to collect a temporary, or interim rate increase while the MPUC considered its rate request. Because the MPUC approved Minnesota Power's proposal to resolve its rate case, Minnesota Power is refunding customers all interim rates collected from January 1, 2020 through April 30, 2020, with interest, through a bill credit. **The average residential customer refund is about \$20.**

Energy charge changes by customer class (\$/kWh)

| Customer Classification | Previous rates with base fuel | Previous rates no base fuel | Present rates no base fuel |
|--|-------------------------------|-----------------------------|----------------------------|
| Residential | | | |
| 0-400 kWh | \$0.07423 | \$0.05272 | \$0.05911 |
| 401-800 kWh | \$0.09767 | \$0.07616 | \$0.08255 |
| 801-1200 kWh | \$0.12113 | \$0.09962 | \$0.10601 |
| Over 1200 kWh | \$0.14653 | \$0.12502 | \$0.13141 |
| Seasonal | \$0.10853 | \$0.08702 | \$0.09341 |
| Controlled Access | \$0.06769 | \$0.04618 | \$0.05249 |
| Dual Fuel interruptible | \$0.07563 | \$0.05412 | \$0.05888 |
| General Service | | | |
| Without demand meter | \$0.10204 | \$0.08008 | \$0.08639 |
| With demand meter | \$0.07619 | \$0.05423 | \$0.06054 |
| Commercial & Industrial Dual Fuel | | | |
| Low voltage | \$0.07563 | \$0.05367 | \$0.05888 |
| High voltage | \$0.06982 | \$0.04786 | \$0.05256 |

Previous rates include approximately \$0.02/kWh of fuel and purchased energy cost in the energy charges. New rates no longer include these costs in the energy charges because they are now in the Fuel and Purchased Energy Charge in the Resource Adjustment line item.