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Minnesota Power Asks Regulators to Consider a Reduced Rate Request

Higher demand for energy from large industrial customers provides an expected benefit to other customers

DULUTH, Minn.--(BUSINESS WIRE)-- Minnesota Power, a utility division of ALLETE (NYSE:ALE), today filed an updated request with the Minnesota Public Utilities Commission (MPUC) to reduce the amount of its current rate request from \$55 million to approximately \$39 million.

In its filing, the company told state regulators that increased energy demand from the region's mining industry is expected to result in higher-than-expected revenue from electricity sales. Consequently, the required revenue from other customers, including residential and small business customers, will decrease.

"Minnesota Power believes that healthy mining and timber companies improve our region's economy and quality of life," said David McMillan, executive vice president Minnesota Power. "One way that area residents benefit from these businesses is in the cost of energy. As mining and paper companies expand production, they use more energy, which in turn can reduce the costs others must pay for delivering the energy we produce."

Minnesota Power filed its original request for a rate review in November 2016, to support infrastructure investments, efficiency upgrades and business expenses, recommending a 9.1 percent average increase in electricity rates for all customers, including an 18 percent increase for those receiving residential service. With today's filing, the updated requested rate will result in a 6.1 percent average increase, with a 15 percent increase for residential customers. Minnesota Power also has requested that the interim rate increase, which has been on customer bills since January, be reduced from 5.6 percent to 5.1 percent or \$32.2 million.

However, the total change that customers are seeing in their monthly bills will be less than this increase requested by Minnesota Power. The impact of this rate request already has been partially offset by a reduction in a monthly energy charge used to pay for renewable energy investments. Consequently, the net increase from the rate request that typical residential customers will see in their monthly bills in mid-2018 will be approximately 10 percent, if Minnesota Power's rate request is approved in full.

A typical residential customer's bill would increase from about \$81 per month to about \$90.

"Our *EnergyForward* plan to ensure reliable and safe power from a cleaner mix of energy sources has transformed how we produce and deliver energy to our customers," McMillan explained. "This is the first time since the start of *EnergyForward* that we have requested a rate review by state regulators. When customers think about investments we have made in our power plants and the energy grid, we hope they agree that an increase in monthly bills of an average of \$9 per month is resulting in significant value for this region," McMillan said.

The MPUC's rate review process will continue with a series of public hearings that will take place in communities throughout Minnesota Power's service territory this summer. A final rate determination is expected in early 2018.

Below are examples of the effect of the proposed increase on typical customer bills. Individual changes may be higher or lower depending on actual electricity usage.

Customer Classification	Average monthly kWh usage	Previous monthly usage	Interim monthly increase	Renewable Adjustment charge	New TOTAL monthly cost with interim and renewable adjustments	Additional proposed final monthly increase*
Residential	744	\$81 +	\$4 -	\$4 =	\$81	\$9
Residential CARE	778	\$66 +	\$3 -	\$4 =	\$65	\$9
Residential Dual Fuel	1,119	\$102 +	\$5 -	\$6 =	\$101	\$3
General Service	2,670	\$299 +	\$14 -	\$15 =	\$297	\$10
Commercial & Industrial Dual Fuel	4,278	\$371 +	\$17 -	\$25 =	\$363	\$11

Municipal Pumping	6,220	\$676	+	\$31	-	\$36	=	\$671	\$26
Large Light & Power	297,246	\$25,714	+	\$1,155	-	\$1,706	=	\$25,164	\$356
Large Power	54,834,528	\$3,608,097	+	\$171,332	+	\$51,463	=	\$3,830,892	-\$31,952
Street & Area Lighting	364	\$61	+	\$3	-	\$2	=	\$62	-\$3

*If the \$39 million increase we requested is approved by the MPUC in early 2018, the average residential bill will increase from \$81 a month to \$90.

Minnesota Power provides electric service within a 26,000-square-mile area in Northeastern 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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