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Minnesota Power proposes plan to resolve rate request in response to economic challenges of COVID-19

Customers will receive refund on bills and lower rates under proposal to state regulators

DULUTH, Minn. - Minnesota Power, a utility division of ALLETE (NYSE: ALE), today proposed a resolution to its November 2019 rate review that would reduce customers' monthly bills and provide refunds. Minnesota Power cited the economic uncertainty related to the COVID-19 crisis in its decision to seek early resolution of its rate review, submitted to the Minnesota Public Utilities Commission (MPUC) last fall.

"Since Minnesota Power initially filed its rate request last fall, the COVID-19 virus has spread and is now impacting the health and financial well-being of people around the state and here in our communities. We hope resolving our rate case will provide some much-needed relief for our customers in these difficult times," ALLETE CEO Bethany Owen said. "Especially during this pandemic, we know that our mission of delivering safe, reliable and affordable energy is even more important to our communities, homes, hospitals and businesses."

On Nov. 1, 2019, Minnesota Power requested a rate increase of approximately \$66 million or a 10.59% overall increase to cover rising operating expenses, expiring contracts and regulatory costs. The proposal filed today would limit this request to just the amount needed to recover income from a large, wholesale market contract that expires this month. This 10-year contract, which reduced customers' monthly bills as Minnesota Power sold excess energy, expires April 30.

If today's proposal is approved by regulators, Minnesota Power customer rates will be reduced from the current MPUC-approved interim increase of 5.8% to an average increase across customer classes of 4.1%, which is much lower than the increase of 10.59% proposed in the initial rate filing.

In addition to lowering customers' future monthly bills, this proposal would provide a refund of interim rates for all customers of approximately \$12 million. The company anticipates refunds would occur later this summer. The company's proposal will also delay any future rate proposal until at least March 1, 2021.

The proposal would also reclassify wholesale margin credits as part of the separate Resource Adjustment line item on bills, rather than as part of base rates, similar to what other utilities in the state do. Customers will be billed or credited monthly based on actual power sales, rather than an amount estimated during the most recent rate decision. This will not reduce the level of oversight by the MPUC and will not immediately impact the monthly bill of a typical customer.

As a regulated electric utility, Minnesota Power must receive approval from the MPUC whenever changes in revenue and expenses require adjusting its rates. Today's proposal reflects Minnesota Power's concern that a lengthy rate process should not be a priority during the pandemic crisis.

The company has worked closely with various stakeholders on this proposal. Energy CENTS Coalition, Citizens Utility Board and IBEW Local 31 have already publicly stated their support for the resolution.

“Every Minnesota resident and business is looking for ways to navigate the current economic challenges and so is Minnesota Power,” Owen said. “This proposal will lower all customers’ bills from what they are paying this month, and we hope the MPUC acts quickly on our request.”

Minnesota Power has taken other actions to help residential and small business customers who are facing financial hardships and to protect all employees and customers from the spread of COVID-19, including:

- Immediate suspension of disconnections for residential and small business customers having financial difficulties.
- Pausing disconnection notices after the Department of Commerce changed documentation guidance for crisis funding, removing these notices as a requirement to qualify.
- Prioritizing reconnections of previously disconnected customers and waiving reconnection fees during normal business hours.
- Waiving late payment fees.
- Offering flexible and extended payment plans for customers based on their unique financial circumstances.
- Suspending all non-emergency site visits that involve direct contact with a customer.
- Following CDC guidelines when entering a customer's home or business for emergency-related services only.

Despite the economic uncertainty, Minnesota Power sees no change in its EnergyForward strategy, which has significantly changed the way the company produces and delivers energy to its customers.

“We are still on pace to deliver half of our energy from renewable sources next year, as long as energy use remains fairly steady through the rest of the year,” Owen said.

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, 15 municipalities and some of the largest industrial customers in the United States. More information can be found at www.mnpower.com.

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.