minnesota power
AN ALLETE COMPANY

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November 2, 2026

Sasha Bergman
Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, MN 55101-2147

RE: *In the Matter of the Application of Minnesota Power for Authority to Increase Rates for Electric Utility Service in Minnesota*
Docket No. E015/GR-26-199

Dear Ms. Bergman:

Today, Minnesota Power is filing with the Minnesota Public Utilities Commission ("Commission") an Application for Authority to Increase Rates for Electric Utility Service in Minnesota ("Application"). This Application is being filed with the Commission pursuant to Minn. Stat. § 216B.16, subd. 1.

Over the last 30 years, Minnesota Power has submitted only five completed rate cases, plus one case that it withdrew via settlement to reduce customer impacts during the COVID pandemic. At the same time, Minnesota Power has managed to accomplish great things for the climate, our customers, and the communities we serve. Minnesota Power is proud to be the first Minnesota utility to deliver a power supply that is 50 percent renewable, and continues to:

- Provide safe, reliable service as we transform our generation fleet and add the skilled resources required for Minnesota Power to achieve Minnesota's 100 percent carbon-free by 2040 goal;

- Modernize the transmission and distribution grids to maintain reliability, increase resiliency, and facilitate the delivery of renewable energy, including through projects like the Duluth Loop Reliability Project and the HVDC Modernization Project;

- Accelerate and enhance customer empowerment and conservation through advanced metering infrastructure, expanded customer affordability programs, and energy assessments;

- Exceed State Conservation Improvement Program/Energy Conservation and Optimization Act goals every year since 2010; and

- Expanded the Customer Affordability of Residential Electricity ("CARE") program, including assistance for income-qualified customers and a self-declaration option to

reduce barriers to participation, while also implementing the On Track Arrears Forgiveness Program to assist customers who are behind on their bill.

Minnesota Power takes great pride in keeping costs and rates low, and avoiding requests for rate increases to the extent possible. The Company brings this case because it is critical to timely address revenue fluctuations and recover new costs the utility cannot absorb while maintaining its financial health and ability to provide customers with safe, reliable and increasingly clean electric service. Specifically, the Company continues to make necessary investments in its electric system and workforce to maintain quality service and meet Minnesota's energy and environmental policy goals, while managing inflation, labor costs, rising interest rates, and other cost pressures.

At the same time, a decline in sales combined with decommissioning costs associated primarily with federal environmental regulations around retiring coal facilities – both outside the Company's control – together account for nearly half of the revenue deficiency in this proceeding. In particular, the Company has seen a reduction of approximately 1 million megawatt-hours (MWh) per year from its last approved test year due to the idling and partial idling of the Minorca and Hibbing Taconite mines. While the Company is optimistic about future growth opportunities in the region, they have not yet materialized. And in 2026 the Company is experiencing significant costs associated with United States Environmental Protection Agency requirements for groundwater monitoring and corrective action at existing Coal Combustion Residual ("CCR") impoundments at Minnesota Power's Boswell Energy Center.

Given these factors, Minnesota Power was in need of a rate increase more than a year ago, but agreed to a one-year stay-out as part of the acquisition of ALLETE, Inc. approved by the Commission in Docket No. E015/PA-24-198. Minnesota Power is proud that its shareholders' agreement to this delay saved customers approximately $100 million in 2026; at the same time, a rate case that reflects three years of cost increases instead of two will result in a greater difference between current and proposed base rates.

We understand that no customer wants to see their rates increase. Therefore, it is important to be clear that not all of the requests in this case translate to cost increases for customers, and to note the offsetting reductions and assistance customers will see from Minnesota Power. Specifically, approximately $32 million of the gross general rate increase reflects two rider adjustments. The $9.2 million Minnesota jurisdictional revenue requirement for the Duluth Loop Reliability Project will move from the Transmission Cost Recovery Rider into base rates, without increasing the total amount billed for those costs. There is also a $23.0 million impact to base rates as a result of resetting the baseline level of Production Tax Credits in the 2027 Renewable Resources Rider. Exclusive of the Duluth Loop Reliability Project transfer and PTC reset, Minnesota Power seeks authority to increase general rates by a net $134.4 million, or 17.83 percent, based on the 2027 test year. Including the cost transfers between the rider adjustments, this equates to a $166.6 million, or 22.09 percent gross increase over current rates. Nor are the Company's rate of return on equity ("ROE"), investor relations costs, or Board of Director

expenses drivers of this case; most such costs are limited or excluded, and the Company's ROE request accounts for only two percent of the total revenue deficiency.

Additionally, customers will see real offsets to the implementation of rates in this proceeding. In 2027, the Company will be providing proceeds from the sale of land associated with Minnesota Power's hydroelectric operations to customers as well as implementing a shareholder-funded $10 million customer rate credit. Together, these credits will offset more than 70 percent of the interim rate impact on Minnesota Power's customers in 2027.

Minnesota Power also stands ready to support customers who may need assistance with their electric bills in a range of ways. Minnesota Power offers a best-in-class Customer Affordability of Residential Electricity ("CARE") program that includes a self-declare eligibility process to eliminate barriers to participation. As detailed in the Company's most recent CARE Annual Report, Minnesota Power has continued implementing program enhancements designed to increase customer participation, expand access to CARE discounts, and reopen the affordability discount to new applicants. Additionally, the Company offers flexible billing arrangements, and in 2026 implemented an On Track arrears forgiveness program funded by the Company's shareholders. Minnesota Power also continues to encourage conservation as both an environmental benefit and a means of saving on electric bills; for example, the Company's Long-Term Residential Energy Bill Mitigation Fund will provide $10 million in long-term bill mitigation for income-qualified customers through weatherization, energy efficiency, and electrification improvements, with particular attention to households using delivered fuels for space and water heating.

Over the last decade, Minnesota Power has maintained average operations and maintenance ("O&M") expense levels that are below the average rate of inflation, all while transforming its fleet, addressing risks to the grid, maintaining near-perfect reliability, and supporting its customers. As the Company continues to experience increases in necessary costs at the same time two of the largest industrial mines are idled in whole or part, the rate case is critical to align the Company's operating revenue with its costs, to ensure Minnesota Power can continue providing safe and reliable electric service while also meeting state policy goals well into the future. And to the extent Minnesota Power experiences new large customer growth or changes in federal regulations between cases, we propose a Sales Adjustment Mechanism to share with customers the benefits of future load growth, and identify the possibility of separately tracking the impact of federal environmental regulations on decommissioning costs to ensure neither customers nor the Company pay more or less than is necessary.

Minnesota Power recognizes that this case will present complex issues, and that the Commission will likely elect to suspend the proposed rate increase pursuant to Minn. Stat. § 216B.16, subd. 2. In that event, and pursuant to Minn. Stat. § 216B.16, subd. 3, Minnesota Power requests a net interim rate increase of $116.7 million or 15.48 percent over current rates, exclusive of rider transfers to base rates, with final rates effective within ten (10) months of the date of the Application. This equates to a gross interim base rate increase of $148.9 million, or 19.75 percent, over present base rate components with rider and PTC transfers. Minnesota Power acknowledges that the interim rate period may be extended by 90 days pursuant to Minn. Stat. § 216B.16, subd. 2(f).

Minnesota Power's Application is presented in four volumes as described below:

Volume 1

- Volume 1 Index
- Statement Regarding Trade Secret Information
- Statement on Rounding
- Summary of Filing
- Notice of Change in Rates
- Notice and Petition for Interim Rates
- Index of Interim Rate Schedules
- Interim Rate Schedules
- Interim Rates Tariff Sheets – Redlined and Clean
- Proposed Notice to Counties and Municipalities
- Proposed Notice to Customers
- Proposed Newspaper Publication
- Agreement and Undertaking
- Certification
- List of Counties and Cities
- Completeness Checklist
- Certificate of Service
- Service List

Volume 2

- Volume 2 Index
- Direct Testimony in Support of Change of Rates

Volume 3

- Volume 3 Index
- Required Filing Schedules
- Final Rates Tariff Sheets – Redlined and Clean

Volume 4

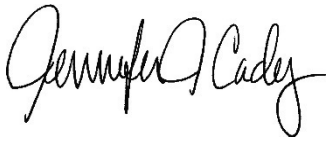
- Volume 4 Index
- Workpapers

Finally, please note that certain portions of the enclosed documents and exhibits contain non-public, trade secret information. Relevant pages or documents containing non-public, trade secret information are designated as such. The index of non-public information attached to the Statement Regarding Trade Secret Information contained herein summarizes the documents and exhibits that have been designated as non-public and/or trade secret and the justification for those designations.

Minnesota Power appreciates the Commission's attention to this request, and looks forward to productive discussions with all stakeholders.

If you have any questions regarding this filing, please contact me at (218) 355-3202 or jjcady@allete.com.

Yours truly,



Jennifer J. Cady
Vice President of Public Policy and External Affairs