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Direct Testimony and Schedules
Tara L. Anderson

Before the Minnesota Public Utilities Commission

State of Minnesota

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

Exhibit ____

RETIREMENT PLAN ACCOUNTING

November 2, 2026

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I. INTRODUCTION AND QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Tara L. Anderson, and my business address is 30 West Superior Street, Duluth, Minnesota 55802.

Q. By whom are you employed and in what position?

A. I am employed by ALLETE, Inc. ("ALLETE"), doing business as Minnesota Power ("Minnesota Power" or the "Company"). My current position is Manager – Treasury and Investments.

Q. Please describe your educational background and work experience with ALLETE and Minnesota Power.

A. I have more than 25 years of experience in accounting and finance. I earned a bachelor's degree in accounting and a Master of Arts in Management from the College of St. Scholastica in 1999 and 2005, respectively, and I am a Certified Public Accountant. I began my career at ALLETE in 2005 as an Accounting Analyst. In 2009, I became Supervisor of Financial Reporting. I later transferred to the Customer Experience department for two years as an Account Representative, primarily working with large light and power, retail, and municipal customers. I moved to the Finance Department in 2016 as a Financial Analyst and later served as Supervisor and Manager, gaining experience in financial modeling, debt and equity financing, and treasury. I have been a member of the Company's Retirement Plan Investment Subcommittee since 2019 and its chair since 2020. Before joining ALLETE, I worked for three years as a Local Government Auditor for the Minnesota Office of the State Auditor and for two years as a Revenue Tax Specialist for the Minnesota Department of Revenue. As Manager – Treasury and Investments, I am responsible for raising capital (primarily debt), banking and bank relationships, cash management, and benefit plan investments.

Q. Have you testified in any other proceedings?

A. No, I have not testified in any other proceedings.

Q. What is the purpose of the testimony you are presenting on behalf of Minnesota Power?

A. My testimony addresses Minnesota Power's proposals for recovery of test year pension and other post-employment benefit ("OPEB") expenses and supports the Company's request to include Minnesota Power's cumulative pension contributions in excess of cumulative recognized pension expense (also known as the prepaid pension asset) in rate base.

My testimony provides support for Minnesota Power's forecasted 2027 Test Year pension expense of $10,398,672 ALLETE ($6,928,176 Minnesota Power regulated ("MP regulated"); $5,911,189 Minnesota jurisdictional ("MN Jurisdictional")) and OPEB expense of negative $9,481,071 ALLETE (negative $7,482,734 MP regulated; negative $6,384,344 MN Jurisdictional), for an overall retirement benefit expense of negative $473,155.[1] I explain why the Company believes it is appropriate to establish pension and OPEB expense based on the Company's best estimate of current costs for the pension and OPEB plans.

I also support including in rate base the Company's 13-month average 2027 test year balance of cumulative pension contributions in excess of cumulative recognized pension expense of $112,443,510 MN Jurisdictional, net of the associated accumulated deferred income taxes ("ADIT") liability of $34,262,262 MN Jurisdictional, or net $78,181,248 MN Jurisdictional, and allowing that net amount to earn a pretax weighted average cost of capital ("WACC") return. This treatment is consistent with standard ratemaking treatment for other rate base items in which the Company incurs cash costs well in advance of when those amounts are expensed on the Company's income statement and recovered from customers. It fairly compensates for the use of investor-supplied capital, supports critical credit ratings, and is warranted because the Company's contribution levels are mandated, as discussed further in my testimony. It is also consistent with recent decisions by the Minnesota Court of Appeals, including in the Company's 2021

[1] A summary of allocation factors used across the Company for purposes of calculating the Minnesota Jurisdictional totals is provided in Volume 3, Direct Schedules B-16 to B-19 and C-13 to C-16.

Rate Case, holding that a utility's pension contributions are an expense of a capital nature under Minn. Stat. § 216B.16, subd. 6, and should be included in rate base to the extent the prepaid pension asset is attributable to shareholder or investor contributions.

Q. Has the Minnesota Public Utilities Commission ("Commission") issued any recent decisions regarding this issue?

A. Yes. As discussed later in my testimony, in the remand proceeding of the Company's 2021 Rate Case, the Commission recently denied a return on the prepaid pension asset and ordered the Company to propose a true-up mechanism for pension expense in its next rate case, in lieu of requesting a return on the prepaid pension asset. However, during the oral discussion of this decision option, the Commission recognized that this decision was being made a few weeks before the filing of this rate case such that it may not be possible to develop and propose a true-up mechanism in Direct Testimony.

Q. Given the Commission's decision, has the Company developed and proposed a tracker mechanism in this testimony?

A. Not yet. The Commission's oral decision was made on October 14, 2026, less than three weeks before the filing of this rate case, and a written order has not yet been issued at this time. The Company has been preparing this case for several months, including testimony on this issue, which was already substantially drafted before the Commission's decision. Accordingly, the Company is providing its originally prepared testimony in part due to this timing issue and in part to make a record that it has a prepaid pension asset that it believes should be included in rate base. However, the Company intends to propose a true-up mechanism in this proceeding consistent with the Commission's decision and agrees to work with the parties on how the Company's proposal for a true-up mechanism will be handled procedurally.

Q. How is your testimony organized?

A. My testimony is organized as follows:

- In Section II, I describe and discuss accounting for pension expense and the prepaid pension asset, and ratemaking support for the prepaid pension asset;

- In Section III, I describe and discuss OPEB; and
- In Section IV, I provide my overall conclusions and recommendations.

Q. Are you sponsoring any exhibits in this proceeding?

A. Yes. I am sponsoring the following schedules to my Direct Testimony:

- MP Exhibit ___ (Anderson), Direct Schedule 1: Prepaid Pension Roll Forward (Years 1987-2027 Proposed Test Year);
- MP Exhibit ___ (Anderson), Direct Schedule 2: Willis Towers Watson ("WTW") Expected Return Estimator Summary – Pension & OPEB (January 2026);
- MP Exhibit ___ (Anderson), Direct Schedule 3: Prepaid Pension Asset Requirements (2027 Proposed Test Year);
- MP Exhibit ___ (Anderson), Direct Schedule 4: 2023-2026 Pension Contributions;
- MP Exhibit ___ (Anderson), Direct Schedule 5: Moody's Credit Opinion on ALLETE, Inc. (April 3, 2019);
- MP Exhibit ___ (Anderson), Direct Schedule 6: 2025-2026 ALLETE Independent Audit Report;
- MP Exhibit ___ (Anderson), Direct Schedule 7: WTW Actuarial Valuation Report – Qualified Retirement Plans (2025 Disclosures; 2026 Costs);
- MP Exhibit ___ (Anderson), Direct Schedule 8: EEI Pension and OPEB Survey 2025–2026 and Select Results; and
- MP Exhibit ___ (Anderson), Direct Schedule 9: 2025 WTW Actuarial Valuation Report – Postretirement Welfare Plans (2025 Disclosures; 2026 Costs).

II. PENSION

Q. What is the purpose of this section of your Direct Testimony?

A. In this section, I explain the Company's pension plans, the accounting for those plans, how the Company's 2027 proposed test year pension expense was derived, and the resulting prepaid pension asset. The Direct Testimony of Company witness Wing H.

Chan provides background on overall compensation, including how retirement plans fit within the Company's compensation management strategy.

A. Pension Accounting

Q. How many qualified pension plans does ALLETE have?

A. The Company's qualified pension plans and plan components can be found in the Direct Testimony of Company witness Chan. For purposes of my testimony, ALLETE has two qualified pension plans — Plans B and C, collectively referred to as ALLETE's pension or pension plan — with the former Plan A rolled into Plan C in late 2018:

- Plan A – "non-bargaining plan": as a cost-savings measure, all benefits in Plan A were frozen effective November 30, 2018, and Plan A was merged into Plan C on December 31, 2018. Thus, Plan A no longer exists;
- Plan B – "bargaining plan" for active bargaining unit employees hired prior to February 1, 2011, and participants who left service from the bargaining unit after December 31, 2015; and
- Plan C – "inactive plan," for all non-bargaining participants, retired participants—including surviving spouses, and bargaining unit participants or retirees—including surviving spouses—who were no longer represented by the union contract as of December 31, 2015. No new benefits are earned by participants in this plan.

Q. How does pension expense relate to the pension benefits paid to Minnesota Power employees/retirees?

A. Pension expense and pension benefits paid relate to the same underlying employee benefit, but they represent different aspects of the pension plan. Pension benefits are the payments made to retirees and beneficiaries, while pension expense reflects the actuarially determined cost of the benefits earned by employees during their service to the Company. Under accounting standards, pension cost is recognized as employees earn the benefit, rather than when retirement benefits are ultimately paid.

Q. Why is this important to understand?

A. Understanding this distinction is important because pension expense is a component of employee compensation and a reasonable and necessary cost of providing safe and reliable utility service. Employees earn pension benefits while serving customers, and pension expense reflects the cost of those earned benefits. Recovery of pension expense through rates helps ensure that the costs of employee compensation are recognized during the same period that customers receive the benefits of employees' services and supports the retirement benefits promised to current and former employees.

Q. How are the pension benefits paid to Minnesota Power employees funded?

A. Pension benefits are funded by shareholder contributions to the pension trust in accordance with Internal Revenue Service ("IRS") rules. Separately, the Company recovers its annual pension expense through customer rates based on Generally Accepted Accounting Principles ("GAAP"). This timing difference between funding requirements and accounting requirements has caused cumulative shareholder funding to exceed cumulative expense. The Company finances this funding gap using a combination of debt and equity until those costs are ultimately recovered from customers (largely years after the fact), while investment returns on the cumulative contributions are used solely to reduce the annual pension expense.

Q. How are ALLETE's pension plan contributions and expense levels determined?

A. Two different authorities govern the amounts of the Company's contributions to its pension plan and annual pension expense. Contributions to the pension plan must comply with the funding requirements of the Employee Retirement Income Security Act of 1974 ("ERISA") and the Internal Revenue Code ("IRC"), including the provisions of the Pension Protection Act of 2006 ("PPA"), which has been amended multiple times. The latest change was part of the American Rescue Plan Act of 2021. These federal laws require Minnesota Power to provide a minimum level of funding to the pension trust, and the Company (with the support of its actuary) seeks to ensure that it is making the legally required minimum contributions each year while not overfunding the pension trust. Additionally, the Company has a letter of understanding

with International Brotherhood of Electrical Workers Local 31 to maintain minimum contribution levels.

The pension expense is determined by GAAP set forth by the Financial Accounting Standards Board ("FASB") and adopted by the U.S. Securities and Exchange Commission ("SEC") for public companies.[2] Minnesota Power's actuary, Willis Towers Watson ("WTW"), calculates the Company's pension expense using actuarial analyses, which are performed in accordance with Accounting Standards Codification ("ASC") 715-30 Defined Benefit Plans – Pension (formerly known as Statement of Financial Accounting Standards ("SFAS") 87).

ASC 715-30 requires the pension expense for a given year to be determined on an annual basis. The Company engages a qualified actuary to calculate its pension expense. The Company's independent auditor, PricewaterhouseCoopers, LLP ("PwC"), assesses WTW's qualifications as an actuarial specialist in connection with its audit in accordance with the applicable auditing standards. In addition, PwC audits the actuarial assumptions used and management's internal control procedures to ensure compliance with GAAP. ASC 715-30 requires that every actuarial assumption used to determine the expense represents the Company's best estimate of its future experience. PwC has always found the actuarial assumptions applied to be in accordance with GAAP.

Q. What are SFAS and ASC, and why are they important?

A. SFAS is the acronym for "statements of financial accounting standards." The acronym is usually used with a number after it, which is the pronouncement number. These pronouncements were created by the FASB, which is the "independent, private-sector, not-for-profit organization . . . that establishes financial accounting and reporting standards for public and private companies and not-for-profit organizations that follow [GAAP]."[3]

[2] As of December 15, 2025 (closing date of the Acquisition), ALLETE, Inc. is no longer subject to SEC reporting requirements.

[3] *About the FASB*, FIN. ACCOUNTING STANDARDS BD., https://www.fasb.org/about-us/about-the-fasb (last visited Aug. 24, 2026).

In September 2006, the FASB issued SFAS 158, which required all plan sponsors to recognize the funded status of their defined benefit pension and other postretirement plans on their balance sheets. SFAS 158 also required employers to recognize as a component of other comprehensive income, net of tax, the gains or losses and prior service costs or credits that arise during the period but that are not recognized as components of pension expense in the current period. Such gains and losses are amortized as a component of pension and OPEB expense in future periods. The pronouncement also required additional disclosures in the notes to financial statements.[4] SFAS 158 was effective for fiscal years ending after December 15, 2006.

In 2009, the FASB moved from a SFAS structure to the current ASC structure. This change did not alter GAAP but did provide a new topical structure that was designed to make GAAP requirements easier to locate. SFAS 158 was re-codified as part of ASC 715 (Compensation—Retirement Benefits). The Direct Testimony of Company witness Michael F. Farrell of WTW discusses these matters in more detail.

Q. How is the MN Jurisdictional portion of pension expense and contributions derived from the ALLETE totals?

A. As described in more detail below, Minnesota Power's actuary, WTW, calculates ALLETE's—as well as Superior Water, Light and Power's ("SWLP")—pension expense, contributions, and cumulative contributions in excess of cumulative recognized expense using actuarial analyses. Determining the MN Jurisdictional amounts begins with the ALLETE total and subtracts out subsidiaries (SWLP and ALLETE Clean Energy) to get Minnesota Power's allocation. Then the Company applies a regulated allocator to remove: 1) the non-regulated Minnesota Power portion and 2) the capitalized amounts in order to arrive at MP regulated (also called "Total Company") pension expense/contributions. Then the Company applies the MN

[4] *Summary of Statement No. 158*, FIN. ACCOUNTING STANDARDS BD., available at https://www.fasb.org/page/PageContent?pageId=/reference-library/superseded-standards/summary-of-statement-no-158.html&bcpath=tff.

Jurisdictional allocator to get to the MN Jurisdictional amount. The calculation for pension expense and contributions for the 2027 test year is provided below in Table 1.

Table 1. Allocation – Test Year 2027

	Expense	Contribution
ALLETE	$10,398,672	$17,039,280
Less: Subsidiaries	2,194,016	2,444,964
Minnesota Power	$8,204,656	$14,594,316
x Regulated Allocator	84.442%	84.442%
MP Regulated	$6,928,176	$12,323,732
MN Jurisdictional Allocator	85.321%	85.321%
MN Jurisdictional	**$5,911,189**	**$10,514,732**

Q. Conversely, how are the subsidiary amounts determined for pension expense and contributions?

A. As mentioned above, WTW calculates SWLP's pension expense, contributions, and cumulative contributions in excess of cumulative recognized expense using actuarial analyses. Due to its small number of eligible pension plan participants, ALLETE's other subsidiary, ALLETE Clean Energy, is allocated expense based on its proportion of pension-eligible salaries to ALLETE's total pension eligible salaries. ALLETE Clean Energy makes contributions to the plan equal to its expense each year; therefore, ALLETE Clean Energy does not have a prepaid pension asset.

B. <u>Pension Expense</u>

Q. What amount of pension expense is included in Minnesota Power's 2027 test year budget?

A. The 2027 pension expense is projected to be $10,398,672 for ALLETE ($6,928,176 MP regulated), which equates to $5,911,189 MN Jurisdictional pension expense in the 2027 test year. The Company recommends including the 2027 test year pension expense, consistent with the approach approved in prior rate cases discussed below. The

Company's actuarially determined test year pension expense has been a reasonable predictor of actual pension expense and has generally been supported by the Minnesota Department of Commerce ("Department") in prior rate proceedings.

Q. How was the Company's 2024 test year pension expense established in the Company's 2023 rate case (Docket No. E015/GR-23-155) (the "2023 Rate Case")?

A. In the 2023 Rate Case, the Department recommended using Minnesota Power's 2024 test year pension expense based on a December 31, 2023 measurement date, adjusted on a per employee basis for 2020-2023 with a 4 percent increase applied to the average.[5] After updating for the jurisdictional allocator changes in the proceeding, the pension expense amount included in rates was $4.0 million MN Jurisdictional (See MP Exhibit ___ (Anderson), Direct Schedule 1, Column Z, footnote 7).

Q. Can you provide more information about the Company's historical pension expense?

A. Yes. In MP Exhibit ___ (Anderson), Direct Schedule 1, I provide a historical record of pertinent pension information—such as contributions, expense, and rate case recovery since 1987. The main source of this data is actuarial documentation reconciled to the general ledger, which presents a complete and accurate view of the available information. In addition, the ALLETE amounts in MP Exhibit ___ (Anderson), Direct Schedule 1 also agree to the Company's annual audited financial statements.[6]

Q. What else does this schedule show?

A. MP Exhibit ___ (Anderson), Direct Schedule 1 also shows that cumulative Company-funded contributions exceed both pension expense and customer recovery dating back to 1987. This schedule is important because it demonstrates, on a cumulative basis, the actual contributions made to the plan, the pension expense recorded, and the amounts

[5] *See In the Matter of the Application of Minn. Power for Auth. to Increase Rates for Elec. Serv. in Minn.*, Docket No. E015/GR-23-155, SETTLEMENT AGREEMENT at 8 (May 3, 2024) (eDocket No. 20245-206372-01); *Id.,* ORDER ACCEPTING AND ADOPTING AGREEMENT SETTING RATES at Order Point 1 (Nov. 25, 2024) (eDocket No. 202411-212388-01).

[6] *See* Volume 3, Direct Schedule F-1.

recovered from customers through rates. It shows that contributions have far exceeded both pension expense and rate recovery, resulting in the prepaid pension asset at issue in this case. This historical record supports the Company's position, which I discuss later in my testimony, that the prepaid pension asset is entirely shareholder-funded.

Q. Has the Company taken any steps to contain its pension expense?

A. Yes. Consistent with all other elements of its Operations and Maintenance expense, the Company continually seeks to minimize the cost of its plans. Below is a summary of the steps Minnesota Power has taken to reduce customer costs through lower pension expense.

- Closed Plan A to new entrants – September 30, 2006, and credited service accrual, one of two factors affecting benefit value for non-union participants, was frozen at that time;
- Closed Plan B to new entrants – February 1, 2011;
- Determined discount rate using Mercer Bond Model to support a higher discount rate, lowering liabilities and overall expense – 2014;
- Created Plan C – Effective January 1, 2016. The purpose of creating Plan C was to restructure Plan A and Plan B into a third plan (Plan C) for inactive participants in order to deliver benefits in a more cost-effective manner. Plan C was established to place all participants not accruing benefits into one plan with the assets and liabilities associated with those accrued benefits. The benefits from creating Plan C were: 1) to create a plan that could, if so desired, be more easily annuitized when the opportunity arises—thus reducing risk to the Company and customers; 2) to take advantage of provisions within ASC 715-30 that allow a longer amortization period for actuarial losses within the pension calculation for plans covering only inactive participants—thus reducing annual expense; and 3) as to some participants who received benefits under both Plan A and Plan B, placing them into Plan C meant they were paid out of only one plan—reducing the Company's Pension Benefit Guaranty Corporation ("PBGC") premiums paid for by the plans. Accordingly, certain assets and liabilities were transferred from Plans A and B to Plan C with this change.

Because no new Minnesota Power employees are eligible for pension benefits, this was just a shifting of participants from one plan to another plan;

- In 2017, to limit the Company's long-term liability and reduce premiums to the PBGC, the Company offered terminated employees the option of a lump sum buyout for vested pension benefits; and
- Froze final average earnings for all non-bargaining unit participants as of November 30, 2018. A participant's pension benefit is determined by two inputs: years of credited service and "final average earnings," which is the participant's average monthly base pay over the 48 consecutive months in which that pay was highest. Because credited service for these participants had already been frozen as of September 30, 2006, freezing final average earnings locked both inputs in place. As a result, future pay increases for these employees no longer increase their pension benefit or the Company's pension obligation, and these participants no longer earn new benefits that would add to annual service cost. The freeze also allowed Plan A to be merged into Plan C on December 31, 2018, so these participants are now part of a plan that earns no new benefits. That gave them the cost-saving features of Plan C described above: easier future annuitization, longer amortization periods, and lower PBGC premiums.

Company witness Chan discusses changes to the Company's defined benefit plans and the effect on expense.

Q. Generally speaking, what are the components of ALLETE's pension expense calculation?

A. ALLETE's pension expense is determined by calculating and aggregating five components:

1. Service Cost – The present value (using the discount rate as described below) of the projected retirement benefits earned by each employee in the current year;
2. Interest Cost – The amount that the present value (using the discount rate as described below) of future benefit payments is expected to increase during the year due to interest accrual over a one-year period. In other words, this is the expense incurred because employees are one year closer to receiving benefits;

3. Expected Return on Plan Assets – The amount expected to be earned on the plan's assets. It is estimated by multiplying the Long-Term Expected Return on Assets ("EROA") by the five-year smoothed pension asset balance;
4. Amortization of Prior Service Cost – The cost of increased/(decreased) benefits that result from plan amendments, amortized over the remaining service life of the affected participants; and
5. Amortization of Net Gain or Loss – Gains or losses accumulated when the annual change in the benefit obligation or the plan assets (which both affect funded status) deviates from expectations, *e.g.*, the difference between the prior years' actual return on plan assets versus the prior years' Expected Return on Plan Assets. If these accumulated gains or losses exceed 10 percent of the greater of the benefit obligation or smoothed value of plan assets, the excess is amortized over a period of time based on participant demographics.

Q. What information did the actuaries use to calculate the annual pension expense for the 2027 test year?

A. The most significant pension assumptions used by WTW to estimate the Company's 2027 pension expense using a weighted average of both plans are listed below:

- Discount rate of 5.79 percent: ALLETE determines the discount rate by considering a number of factors, though the primary consideration is the discount rate suggested by WTW's U.S. BOND:Link Model as of the most recent fiscal year-end, adjusted for inter-year economic conditions. This model creates a hypothetical portfolio of AA or better rated corporate bonds such that subsequent cash flows produced are sufficient to fund projected plan benefit payments. The discount rate is set equal to the yield on this hypothetical portfolio. The bonds in the model reflect the requirements of ASC 715-30 for financial reporting to utilize rates of high-quality debt securities. This methodology is more precise than a simple yield curve approach and typically results in a higher discount rate (lower expense);
- 2027 contributions of $17.0 million ALLETE ($12.3 million MP regulated; $10.5 million MN Jurisdictional); and

- EROA of 6.67 percent: The 6.67 percent rate is an assumption that WTW considers to not conflict with what they believe to be reasonable, using WTW's passive investment projections for ALLETE's pension asset allocation, which has a combined approximate fixed-asset allocation of 50 percent. WTW's net of fee mid- or 50th percentile projection for ALLETE's portfolio is 6.8 percent. (See MP Exhibit ___ (Anderson), Direct Schedule 2).

Q. Why does the Company's plan have an approximate 50 percent allocation to fixed income?

A. The goal of pension plan investing is to balance the attainment of maximum investment returns with the management of risk for the plan. Many people understand from their personal financial advisors for personal 401(k) investment allocations that one should reduce risk as retirement approaches by gradually switching to less risky, fixed-income-type investments from riskier equity-type investments. Aging investors nearing retirement have less opportunity or time to recover from a loss due to their shorter time horizon. Furthermore, corporate pension sponsors, like ALLETE, are required to measure the assets against the liabilities each year-end, with fluctuations recorded on the balance sheet and in annual cost measurements. This further increases the need to reduce risk as the plan becomes more fully funded (this is known as "Liability Driven Investing"), to reduce annual volatility for shareholders.

This scenario is no different for pension plans that "age." A pension plan that is open—meaning that new employees get pension benefits and participants accrue benefits—does not "age" significantly from year to year. However, once pension plans close and/or freeze benefits—as is the case for ALLETE's plan—such plans have similar risk aging characteristics and a shorter time horizon.

The Company's investment policy is based on periodic asset allocation studies that reduce risk over time as the plan becomes better funded. The policy uses a dynamic asset allocation strategy commonly referred to as an investment "glide path." The most recent asset allocation study, conducted in 2021 by Mercer US Inc. (the Company's

actuary at the time), confirmed that the glide path was substantially appropriate. Minimal changes were implemented as a result of that study, including managing Plans B and C asset allocation and glide paths separately.

Taking the increasing maturity of the plans into consideration, ALLETE has made a commitment to lowering the risk of the investment by gradually increasing allocation to fixed income. It does this by allocating a higher percentage of the portfolio's assets to fixed income as the plan achieves higher funded trigger point levels. Thus, ALLETE's combined plans' approximate 50 percent allocation to fixed income is a result of ALLETE prudently adopting and following the investment policy glide path for the plans given the funded status of the pension plans and their frozen benefit status.

Q. What is meant by a "trigger point" level?

A. Trigger points are predetermined funded status levels in Liability Driven Investing that cause the pension portfolio to shift into more liability-matching asset allocations. For example, in Figure 1 below, if a plan had a funded status of 87 percent, it would aim for an asset allocation of 55 percent growth (equity investments) and 45 percent fixed income. If that same plan were then to hit a funded status of 93 percent, it would likely shift its asset allocation down the glide path to 45 percent growth and 55 percent fixed income. As you can see, as the plan becomes more fully funded it will invest more in fixed income assets in order to reduce plan risk.

Figure 1. Liability Driven Investing Glide Path Targets

	Funded Status								
	< 80%	80%-85%	85%-90%	90%-95%	95%-97.5%	97.5%-100%	100%-102.5%	102.5%-105%	105%+
US Equity	49%	45%	38%	31%	24%	21%	14%	10%	7%
Non-US Equity	21%	20%	17%	14%	11%	9%	6%	5%	3%
Growth Total	70%	65%	55%	45%	35%	30%	20%	15%	10%
Fixed Income Total	30%	35%	45%	55%	65%	70%	80%	85%	90%

Q. Are there other benefits of a pension owning fixed income investments?

A. Yes. Pension expenses and liabilities are directly and directionally sensitive to interest rate changes; however, both pension liability values and fixed income asset prices are inversely sensitive to interest rate movements (*e.g.*, interest rates go down, causing fixed income asset prices to increase). Therefore, a pension plan that invests in more fixed income assets, all other things being equal, will hedge more of the interest rate risk inherent in a pension plan's liability, which provides an additional risk reducing benefit. As mentioned above, this characteristic of matching a pension's assets to its liabilities, called Liability Driven Investing, is what ALLETE's pension policy is accomplishing over time. As the plan becomes more fully funded, the Company is transitioning its assets from return seeking to liability hedging.

Q. What is the benefit of Liability Driven Investing?

A. Liability Driven Investing means the assets of a plan mimic the liabilities of the plan. It is impossible for a pension to have perfect Liability Driven Investing because all the future variables of the assets and liabilities, such as participants' life spans, cannot be predicted perfectly. However, for the five main pension expense components[7] explained previously, fixed income investments when appropriately stratified by duration are the best investments to mimic the liabilities. This is because all five pension expense components are driven, at least in part, by interest rates, return on assets, or both—which are the same drivers of fixed income returns. Because of this, adjusting fixed income assets through Liability Driven Investing reduces expense volatility through matching interest cost and EROA while also mitigating risk of additional loss amortizations.

Q. What is the benefit of the EROA to customers?

A. When the Company makes contributions to the pension fund, those funds are assumed to earn the EROA—which is then incorporated into the revenue requirement and reduces the funds customers pay to cover annual pension expense. This reduction in

[7] The main pension expense components are: 1) Service Cost, 2) Interest Cost, 3) Expected Return on Plan Assets, 4) Amortization of Prior Service Cost, and 5) Amortization of Net Gain or Loss.

pension expense is a direct benefit to customers, as annual pension expense is recovered in rates.

Q. Do earnings on the pension contributions help fund the prepaid pension asset?

A. No. It is important to distinguish the source of the pension contributions from the earnings generated on those contributions. Pension fund earnings do not fund the prepaid pension asset; they arise from Company-funded contributions and the earnings as a result of the contributions to the pension trust are passed back to customers through lower pension expense. The prepaid pension asset is calculated by summing the required contributions made in excess of historical pension expense (which would include pension earning impacts). In addition, the contributions creating the prepaid pension asset were funded solely by shareholders, and the pension fund earnings do not change this fact.

Q. Do Company investors benefit from the EROA?

A. No. Because the pension plan assets are required to be in a restricted trust, the Company has no ability to utilize those assets (*i.e.*, the returns on the Company's contributions) for any purpose other than funding pension benefits for its employees. Those earnings remain in the trust and, as noted above, are passed back to customers by reducing pension expense recovered through rates; they are not paid to shareholders as compensation for the capital used to fund the pension plan. Therefore, it is not a benefit to Company investors, as they do not receive the benefits of the EROA.

Q. Please provide an example of how the EROA and the related investment earnings reduce pension expense.

A. The earnings on the investments, referred to as the Expected Return on Plan Assets (created by the EROA), significantly reduce ALLETE's pension expense. For example, Table 2 below shows the components used to calculate ALLETE's 2025 pension expense (most recent fiscal year audited). As Table 2 demonstrates, all the investment return or EROA reduced the 2025 pension expense by $43.5 million, or approximately 83 percent, of the plan's expense. If there was no reduction for the Expected Return on

Plan Assets – i.e., if investors were not making contributions to the pension fund that earned a market return – 2025 pension expense would have been $52.3 million rather than $8.8 million.

Table 2. Pension Expense Example ($ in millions)

	2025 ALLETE Actual	2027 ALLETE Proposed Test Year	2027 MP Regulated Proposed Test Year	2027 MN Jurisdictional Proposed Test Year
Service cost	$ 6.3	$ 4.6	$ 3.0	$ 2.6
Interest cost	39.0	38.2	25.5	21.8
Amortization of loss	7.1	9.6	6.4	5.5
Amortization of prior service cost	(0.1)	(0.1)	(0.1)	(0.1)
Expected return on plan assets	(43.5)	(41.9)	(27.9)	(23.9)
Pension Expense	**$ 8.8**	**$ 10.4**	**$ 6.9**	**$ 5.9**
Pension Expense If No EROA	$52.3	$52.3	$34.8	$29.8

Q. Earlier you mentioned the EROA is multiplied by a five-year smoothed pension asset balance. Why does the Company take this step to determine pension expense?

A. Because the payment of a pension obligation is over a significant period of time, ASC 715-30 allows the use of certain smoothing techniques to "normalize" pension expense. The assumed EROA is then applied to the smoothed asset value to determine that component of the current year expense. ALLETE smooths asset gains and losses over five years—the maximum allowable under ASC 715. Using a five-year smoothed pension asset balance reduces the volatility, or normalizes the pension expense, so that customers do not see such wide ranges of pension expense from year to year as they otherwise would. The Company has used a five-year smoothed pension asset balance to calculate expense since it was first allowed with FAS 87 (i.e., the standard was issued in 1985 with an effective date of 1987).

Q. Does ALLETE take other steps to reduce pension expense volatility?

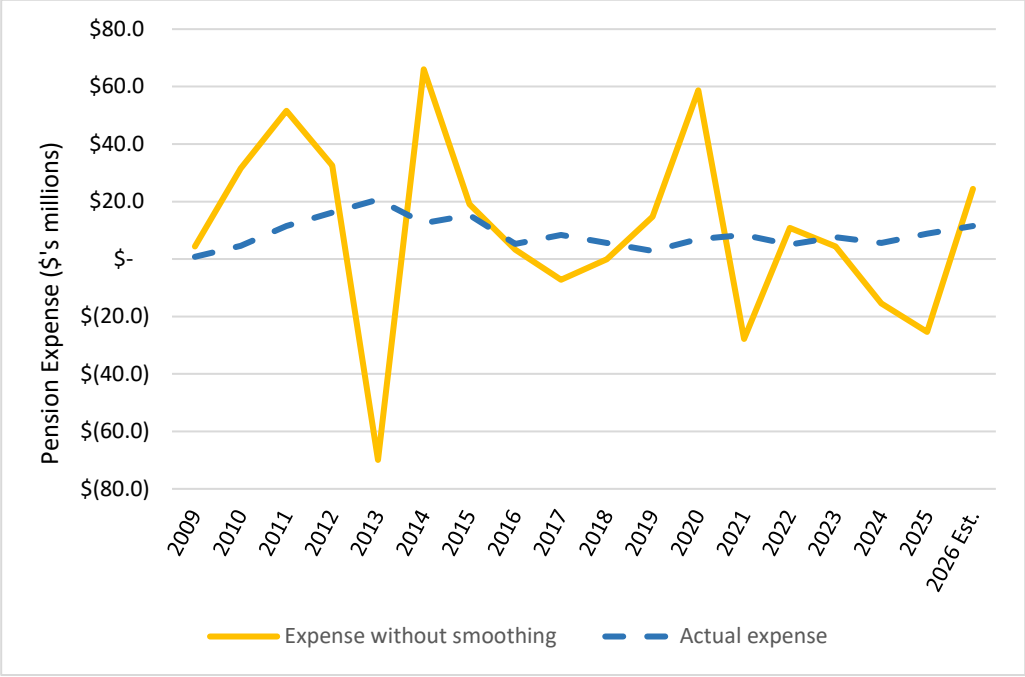
A. Yes. For purposes of calculating pension expense, the Company utilizes all smoothing methods allowed under pension accounting rules (ASC 715-30). Under these methods:

- ALLETE uses a smoothed market-related value of assets in calculating expense. This is the smoothed pension asset balance mentioned immediately above. The market-related value of assets phases in investment gains or losses over a five-year period, which reduces volatility by using a more stable asset value to determine the Expected Return on Plan Assets component of expense. The market-related value of assets also reduces volatility in the amortization of gains and losses, described below, because recent investment gains and losses are excluded from the amortization calculation to the extent they are not included in the market-related value of assets;
- In accordance with ASC 715-30, ALLETE amortizes accumulated gains and losses, excluding gains and losses not yet phased into the market-related value of assets, in the pension expense.
    - ALLETE uses a corridor to determine if gains and losses will be amortized in expense. The corridor is the greater of 10 percent of the plan's obligation or 10 percent of the plan's market-related value of assets. This is the maximum corridor allowed by ASC 715 and so provides the greatest possible reduction to volatility.
        - If accumulated gains and losses are within the corridor, no gains and losses are amortized in expense.
        - If accumulated gains and losses subject to amortization exceed the corridor, only the excess is amortized over the average future service of active participants or the average life expectancy of all plan participants if there are no active participants accruing benefits in the plan; and
- Increases or decreases in plan liabilities resulting from plan amendments are amortized over the average future service of the active participants affected by the plan amendment.

Q. What are the effects of smoothing?

A. The smoothing approaches within ASC 715 have the benefit of reducing volatility and increasing predictability of the pension expense. The actual benefits of smoothing on ALLETE's pension expense from 2009 through 2025 are shown vividly in Figure 2 below, where the actual expense, which is smoothed (blue dashed line), is relatively flat compared to the pension expense without smoothing (orange solid line). This comparison demonstrates that over the last 17 years, ALLETE's actual pension expense (smoothed) range was less than $20 million ($0.8 million to $20.7 million); however, the range of pension expense without smoothing was almost seven times greater, with an approximate range of $136 million (negative $69.9 million to $66.0 million).

Figure 2. ALLETE Historic Pension Expense – With and Without Smoothing



Q. Does Minnesota Power typically support using the actuarially determined pension expense for ratemaking purposes?

A. Yes. As in past cases, Minnesota Power has consistently recommended using actuarially determined pension expense to set rates because it is objective, consistent, and

represents a specific test year cost of providing utility service. Certainly, actuarial methodologies are the most reliable and independent bases for conducting pension expense calculations. At the same time, this calculation of pension expense reduces customer-paid pension expense by giving customers the full benefit of expected market returns on shareholders' contributions to the pension fund for which customers are not presently compensating shareholders. Absent a return on the prepaid pension asset, it may be necessary to use the same actuarial calculation methodology to determine pension expense, but without passing to customers the benefit of the EROA that only exists because of market returns on shareholder-contributed funds. I discuss this issue in more detail later in my Direct Testimony.

C. Pension – Cumulative Contributions in Excess of Cumulative Recognized Expense

1. Overview of the Prepaid Pension Asset

Q. What is the Company requesting with regard to its prepaid pension asset?

A. The Company requests that the 13-month average of its 2027 test year pension plan cumulative contributions in excess of cumulative recognized expense of $112,443,510 MN Jurisdictional (see MP Exhibit ___ (Anderson), Direct Schedule 3) be included in rate base. This would result in a net increase to rate base of $78,181,248 MN Jurisdictional for cumulative excess contributions, net of ADIT. The ADIT applied to the cumulative contributions in excess of cumulative recognized expense equals $34,262,262[8] MN Jurisdictional and consists of $32,318,514 computed at the statutory tax rate of 28.742 percent plus excess deferred tax of $1,943,748. The excess deferred tax is a result of the corporate income tax rate change in the Tax Cuts and Jobs Act of 2017. The net increase, or $78,181,248 MN Jurisdictional, is the amount on which the Company seeks to earn a return.

The Company is not seeking recovery of the pension trust balance, nor is it seeking to recover pension contributions themselves through rates. Rather, Minnesota Power seeks the opportunity to earn a return solely on the cumulative excess of contributions over

[8] *See* Volume 1, Direct Schedule B-4 (IR).

pension expense (*i.e.*, the prepaid pension asset) – this excess amount is funded by the Company using shareholder-supplied funds[9] and remains invested in the pension trust for the benefit of employees and customers. To be clear, the prepaid pension asset on which the Company seeks a return is not the same as the entire pension trust.

Q. How does the status of the prepaid pension asset differ from the funded status?

A. As detailed in the Direct Testimony of Company witness Farrell, funded status and prepaid pension are separate measurements under ASC 715 and FERC guidance and reflect different economic realities. The funded status is a measurement that compares the fair value of a pension plan's assets against the value of its future pension obligations. The Company's pension obligations are actuarial estimates of amounts that may be paid to employees in the future and are based on several factors, such as the level of retirement benefits offered, vesting rules, the age and years of service of eligible employees, and the like. By contrast, the prepaid pension asset simply measures the amount by which actual contributions to the pension trust exceed cumulative pension expense.

Q. Has the Company requested recovery of a return on prepaid contributions to the pension fund before this case?

A. Yes. Minnesota Power recognizes that the Commission has not approved rate base treatment of the prepaid pension asset in the Company's prior rate cases. The Commission directed the Company to remove the prepaid pension asset, along with the associated tax savings, from the test year rate base.[10]

[9] *See* MP Exhibit ___ (Anderson), Direct Schedule 4 for years 2023-2026.

[10] *In the Matter of the Application of Minn. Power for Auth. to Increase Rates for Elec. Serv. in Minn.*, Docket No. E015/GR-16-664, FINDINGS OF FACT, CONCLUSIONS, AND ORDER at 16 (Mar. 12, 2018) (eDocket No. 20183-140963-01); *In the Matter of the Application of Minn. Power for Auth. to Increase Rates for Elec. Serv. in Minn.*, Docket No. E015/GR-21-335, FINDINGS OF FACT, CONCLUSIONS, AND ORDER at 9 (Feb. 28, 2023) (eDocket No. 20232-193486-01); *See In the Matter of the Application of Minn. Power for Auth. to Increase Rates for Elec. Serv. in Minn.*, Docket No. E015/GR-23-155, SETTLEMENT AGREEMENT at 8 (May 3, 2024) (eDocket No. 20245-206372-01); *Id.,* ORDER ACCEPTING AND ADOPTING AGREEMENT SETTING RATES at Order Point 1 (Nov. 25, 2024) (eDocket No. 202411-212388-01).

Q. If this request has been denied in the past, why is Minnesota Power seeking to include this asset in rate base and earn a return on it in this proceeding?

A. The investment of this significant amount of capital on behalf of the Company's workers, and to the benefit of its customers, has direct negative financial impacts on the Company and its capital structure when it is not recognized. As discussed later in my testimony, the Company has consistently under-recovered its pension expense since the prepaid pension asset came into existence in 2008. This under-recovery combined with no return on the prepaid pension asset continues to contribute to these negative financial impacts. These impacts compel the Company to continue requesting authorization to include this important utility investment in rate base.

Further, the Company concludes that excluding the asset from rate base does not provide a return on a reasonable investment that exists to compensate employees and serve customers, and that Minnesota Power is justified on the merits and the reasonableness of including the prepaid pension asset in rate base. In this testimony, the Company addresses concerns raised by the Commission and parties in prior rate cases, provides additional information, and explains the justifications supporting recovery in this proceeding.

Additionally, since Minnesota Power's 2021 rate case, the Minnesota Court of Appeals has held that the Company's mandatory contributions to its pension plan are an expense of a capital nature under Minn. Stat. § 216B.16, subd. 6, and should be included in rate base to the extent the prepaid pension asset is attributable to shareholder (investor) contributions.[11] As I will demonstrate herein, the entire prepaid pension asset that the Company seeks to include in rate base resulted from mandatory investor contributions, and therefore is entitled to a return.

[11] *In the Matter of the Application by Minnesota Power for Authority to Increase Rates for Electric Service in Minnesota*, 12 N.W.3d 477, 493 (Minn. Ct. App. 2024); *In the Matter of the Application by Northern States Power Company d/b/a Xcel Energy for Authority to Increase Rates for Electric Service in the State of Minnesota*, No. A23-1672, 2025 WL 249995, at *9 (Minn. Ct. App. Jan. 21, 2025).

Q. How is your discussion of the prepaid pension asset organized in your Direct Testimony?

A. First, I explain what the prepaid pension asset is and how it benefits Minnesota Power employees while also directly reducing customer rates. Next, I explain how the Company's prepaid pension asset appears on the ALLETE financial statements and are stated in accordance with GAAP. Finally, I walk through the Commission's reasons for denying a return on this asset in the prior rate cases and identify how the Company has rectified any concerns the Commission had.

Q. Can you describe Minnesota Power's prepaid pension asset in more detail?

A. Yes. The prepaid pension asset consists of cumulative contributions the Company has made to the pension fund in excess of cumulative pension expense. Minnesota Power's prepaid pension asset arose because the Company has been required to contribute more to its employee pension plan, cumulatively, since the plan's inception. The Company has been required to obtain equity and debt financing in order to make those contributions.

Q. What is the current balance of the plan's cumulative contributions in excess of cumulative recognized expense?

A. As of December 31, 2025, the ALLETE plan's cumulative contributions in excess of cumulative recognized expense balance was an asset balance of $143,236,902, and the Company estimates the ALLETE plan's December 31, 2026 and 2027 balances to be $156,128,799 and $162,769,407, respectively. Additional historical information is included in MP Exhibit ___ (Anderson), Direct Schedule 1.

Q. Is there a tax benefit for making contributions to the pension plan?

A. Yes. The Company's contribution to the pension plan is tax-deductible up to the limit set by the Internal Revenue Service ("IRS"). This tax deduction is a cash benefit to the Company in the year that the contribution is made. When pension contributions exceed the expense in any given year, this cash benefit creates a corresponding deferred income tax liability. Since the pension plan's inception, the accumulation of these annual

deferred tax liabilities has created a related ADIT balance. If the MN Jurisdictional portion of the cumulative contributions in excess of cumulative recognized expense is included in rate base, then the resulting ADIT will also be included and reduce rate base. In other words, customers would receive the full economic benefit of the excess tax deductions over the Company's GAAP-determined pension expense.

Q. Are there other current components in rate base that are treated the same way as pension contributions for tax purposes?

A. Yes. When Minnesota Power makes a contribution to the pension plan, that contribution is tax deductible when paid. Therefore, the payment is treated exactly the same as prepaid insurance, another item that is included in rate base. In contrast, other components in rate base, such as fixed assets, are depreciated for GAAP accounting and IRS purposes.

Q. Can you calculate the ADIT related to the prepaid pension?

A. Yes. The calculation for the tax treatment of the pension contributions that created the prepaid pension asset is as follows: multiply the cumulative contributions in excess of cumulative recognized expense by ALLETE's combined federal and state tax rate of 28.742 percent, which equals the ADIT, then add back the excess deferred tax (as described previously). The total impact to the full MN Jurisdictional amount in rate base will be reduced by the corresponding ADIT.

Q. What, then, is the total amount the Company is proposing to include in rate base?

A. The Company requests that the 13-month average of its 2027 test pension plan cumulative contributions in excess of cumulative recognized expense of $112,443,510 MN Jurisdictional, less the related ADIT of $34,262,262 MN Jurisdictional, for a net amount of $78,181,248 MN Jurisdictional be included in rate base and allowed to earn a WACC return. For clarity, the Company is requesting to earn a return *on*—not a return *of*—these cumulative contributions in excess of cumulative expense.

2. Ratemaking Support for Asset

Q. Please summarize why Minnesota Power's cumulative contributions in excess of cumulative recognized expense should be included in rate base and earn a return like other instances where the Company incurs a cost in advance of when that cost is recovered from customers.

A. Over the life of the plan, the ultimate cost of any pension plan to the Company is the cash contributions required to fund participant benefits. From a ratemaking perspective, annual recovery of pension expense provides a consistent and predictable rules-based method for recovering a portion of those contributions. However, for decades there has been a difference between the cumulative contributions made to the pension trust to serve customers and the cumulative expense included in rates based on test year values.

That difference is not unusual in ratemaking. As with all test year costs, timing differences occur. The Company is asking for rate base treatment of the cumulative excess contributions that shareholders have been required to fund. Shareholders should be compensated for investor-supplied capital contributed to the pension trust in excess of cumulative pension expense.

The prepaid pension asset represents actual cash contributions that the Company must finance to meet the required funding levels and provide employee pension benefits under its plan. To ensure neither the Company nor customers are harmed during periods when the Company has invested more in the pension plan than it has recovered through expense, and therefore has lost the time value of money on those funds, the fairest method of recovering the financing costs of its plan is to recover annual expense each year and apply a carrying charge to the difference between the cash funded and the amount recovered from customers through expense.

In the absence of rate base treatment for the cumulative contributions in excess of cumulative expense, the Company is forced to obtain financing for these contributions with no corresponding recovery from customers. This prevents the Company from

having a reasonable opportunity to earn its return on equity authorized by the Commission.

As discussed in detail below, Minnesota Power's prepaid pension asset should be included in rate base for several reasons: 1) these costs are necessary to provide safe and reliable electric service; 2) a certain level of pension contribution is required by law and is not discretionary; 3) contributions in excess of pension expense are financed solely by the Company and its investors and benefit customers by lowering expenses and liabilities; 4) other jurisdictions have included prepaid pension assets in rate base or otherwise recognized the need to compensate shareholders for pension funds contributed in excess of amounts included in rates; 5) this treatment is consistent with standard ratemaking when cash expenditures and accrual-based expenses differ significantly for any cost of providing utility service; and 6) this treatment is consistent with recent decisions by the Minnesota Court of Appeals (including in the Company's 2021 Rate Case), which held that a utility's contributions to its pension plan are an expense of a capital nature under Minn. Stat. § 216B.16, subd. 6, and should be included in rate base to the extent the prepaid pension asset is attributable to shareholder (investor) contributions.[12] Because a regulated utility is entitled to a fair return on costs incurred to provide safe and reliable utility service, these costs should be included in rate base.

Q. Is including the prepaid pension asset in rate base consistent with standard ratemaking treatment?

A. Yes. Including the prepaid pension asset in rate base is consistent with standard ratemaking treatment.[13] In fact, it is fundamental to ratemaking that when expense deviates from cash payments, an asset or liability for the differences is included in rate

[12] *Minnesota Power*, 12 N.W.3d at 493; *Northern States Power Company*, 2025 WL 249995 at *9.

[13] Notably, the administrative law judge ("ALJ") in the Company's 2021 Rate Case confirmed that "Minnesota Power's funding of the…prepaid pension asset…should be included in the working capital section of its rate base for several reasons[, including]…doing so is consistent with standard ratemaking treatment when contributions and expenses differ significantly for any cost of providing utility service, such as with other prepaid amounts." *In the Matter of the Application of Minn. Power for Auth. to Increase Rates for Elec. Serv. in Minn.*, Docket No. E015/GR-21-335, FINDINGS OF FACT, CONCLUSIONS, AND RECOMMENDATIONS at ¶ 259(5) (Sept. 1, 2022) (eDocket No. 20229-188786-01).

base. Company witness Farrell explains that FERC and GAAP expressly recognize assets and liabilities arising from timing differences between expense recognition and cash outlay. Examples include deferred tax assets, deferred tax liabilities, and items such as accounts receivable, accounts payable, inventory, and prepaid expenses.

As another example, customers receive the financing benefit of contributions in aid of construction through a reduction to rate base. These items involve timing differences between cash flows and expense recognition, which require one party to finance the difference. The timing difference between pension contributions and pension expense should be treated no differently. If it is not, one party receives the time value of money at the other party's expense. Simply stated, the current treatment gives customers the benefit of an interest-free loan: earnings within the pension trust directly reduce customer pension expense, while the Company finances contributions without compensation for the cost incurred. Put differently, as discussed further in my testimony and shown in Figure 3, the funding of the prepaid pension asset earns returns are used—and can only be used—to reduce annual pension expense for customers. Compounded earnings on those contributions further reduce pension expense and future contribution requirements. Given the long-term nature of pension obligations and the continued existence of the prepaid pension asset, this interest-free financing, which entirely benefits customers, is likely to continue for decades absent rate base treatment.

Q. Is there precedent for including the prepaid pension asset in rate base?

A. Yes. Multiple other state commissions have also specifically found that it is important to the regulatory compact to allow a utility making cumulative contributions to its pension fund in excess of cumulative expense to earn a return on those assets; otherwise, the utility's additional contributions are being used to reduce customer expense without any compensation to the shareholders who made the contribution. I discuss other states' analysis and conclusions later in my testimony.

a. Legal Requirements for Contributions

Q. Why doesn't the Company just make contributions to the plan equal to its pension expense, so that it would not have a prepaid pension asset balance?

A. By law, a company has limited discretion in the amount of its plan contributions and therefore cannot simply make contributions to the plan equal to its pension expense. As I discussed earlier, the pension expense and contributions represent different aspects of the pension plan and are governed by two different authorities. *Pension expense* represents the Company's annual pension plan costs on the income statement, which is determined by GAAP as set forth by the FASB and is the approach/item used to recover from Minnesota Power customers. *Contributions* to the pension plan, on the other hand, are made by the Company (via its shareholders) to satisfy the funding requirements of ERISA, the IRC, and the provisions of the PPA. The PPA established certain minimum funding requirements for plan years beginning in 2008 and continuing through the present. Prior to enactment of the PPA, pension contributions and pension expense were either largely equal or in balance. The funding rules have been promulgated by Congress to ensure that companies adequately fund their plans over time. Those rules are based on different discount rates and amortization periods from the accounting standards. In addition, pension funding rules reflect the inherent political nature of the federal rulemaking processes and tax policies.

Q. Does the Company make only the legally required minimum contributions?

A. Yes. In making pension contributions, the Company contributes the legally required minimum of cash to the pension trust each year. The contribution amounts are not arbitrary, and the Company is not overfunding the pension fund – contributions are based on actuarial valuation under the aforementioned federally prescribed funding rules and related letter of understanding.

Q. How do these requirements result in an asset or liability?

A. These requirements result in an asset or liability because of different calculation and timing requirements. When an employer finances the contribution of more cash to the pension plan (per ERISA, the IRC, and the PPA) than it has recorded in expense over

the same period (per GAAP), the result is the recognition of a prepaid pension asset. Conversely, utilizing customer funds to contribute less than the expense recognized would result in additional liability or a "prepaid pension liability." And customers should receive the economic benefit of that liability in such case.

Q. How did the enactment of the PPA prompt the Company to request to include the regulatory asset in rate base in the 2016 Rate Case as well as future rate cases?

A. There are several reasons the Company did not request prepaid pension assets or liabilities to be included in rate base *prior* to the enactment of the PPA, including:

- Contributions and expenses were largely equal, as illustrated in MP Exhibit ___ (Anderson), Direct Schedule 1 and—as a result—this issue did not have a material impact on either customers or the Company;
- The prepaid pension balance was both an asset and liability at times over the prior years, and neither favored customers nor the Company over long periods of time; and
- Prior to enactment of the PPA, the Company had more flexibility in determining the timing and amount of contributions.

The enactment of the PPA resulted in significant increases in contributions in 2008 and projected future years. This had noticeable detrimental impacts on the then-current and future cash financial ratios. In fact, these projected contributions had such a large impact on any company offering pension plans that the U.S. Congress subsequently enacted laws multiple times reducing some of the PPA-required contributions. The latest example of this is the American Rescue Plan Act of 2021, enacted in March 2021. Upon understanding these historical impacts, on December 22, 2011, the Company requested deferred accounting and the recognition of the prepaid asset in its Petition for Approval of Deferred Accounting Related to Pension Plan (Docket No. E015/M-11-1264). The Company's request was denied in part because the cost was not considered "unusual, unforeseeable, and large enough to have a significant impact on the utility's financial

condition," which are the traditional Commission criteria for deferred accounting.[14] The Company was directed to take up the issue in a future rate case if the Company so chose.

Q. Is the Company only seeking to include the cumulative contributions in excess of cumulative recognized expense in rate base if it is an asset?

A. No. The Company believes it is appropriate to include cumulative contributions in excess of cumulative recognized expense in rate base, whether it is an asset or a liability, for the duration of the plan. In other words, the treatment of the prepaid pension asset now should also determine the treatment of a prepaid pension liability if cumulative pension expense exceeds cumulative contributions.

b. Harm of Excluding Asset from Rate Base

Q. What are the financial, regulatory, and credit implications of excluding the prepaid pension asset from rate base?

A. Excluding the prepaid pension asset from rate base has several adverse consequences for the Company and its customers, including the following:

- It denies shareholders recovery of the actual financing costs incurred associated with pension contributions made in excess of pension expense recovered in rates. Since 2008, the Company has made significant pension contributions beyond the amounts reflected in customer rates, resulting in the accumulation of a prepaid pension asset. Shareholders have provided the capital necessary to fund these contributions, while the earnings generated on those contributions have been used to reduce pension expense for the benefit of customers. Absent rate base treatment, customers receive the financial benefit of those shareholder-funded contributions without compensating shareholders for the time value and financing cost of the capital invested.
- It prevents the Company from earning a fair return on a prudently incurred utility investment. The prepaid pension asset represents capital invested to satisfy

[14] *In the Matter of Minn. Power's Petition for Approval of Deferred Accounting Related to Pension Plan Contributions and Expenses*, Docket No. E015/M-11-1264, ORDER DENYING PETITION at 2 (Mar. 11, 2013) (eDocket No. 20133-84570-01).

pension funding obligations and support employee benefits necessary to provide utility service. Consistent with established ratemaking principles, the Company should have a reasonable opportunity to recover its prudently incurred costs and earn its authorized return on capital devoted to public service. Excluding the prepaid pension asset from rate base denies the Company a return on a legitimate utility investment and shifts the economic burden of funding the pension plan to shareholders. This is not sustainable for the Company to continue funding the pension plans at investors' expense for customers' financial benefit. That outcome has, and will continue to, send the wrong signal regarding support for important employee benefits.

- It weakens cash flow and credit metrics, which can adversely affect credit quality and customer costs. Disallowing recovery of the financing cost associated with the prepaid pension asset reduces the Company's cash flow and negatively affects credit metrics used by rating agencies. Deterioration in those metrics can place downward pressure on credit ratings and increase the Company's cost of capital. In turn, higher financing costs ultimately increase the overall cost of providing utility service and may result in higher costs for customers over time. In fact, the Company's credit rating agencies have identified the Commission's past decision not to include Minnesota Power's pension prepayments in rate base as credit negative. Specifically, when Moody's Investors Service downgraded ALLETE from an A3 to Baa1 in its April 3, 2019 report, it cited a "negative general rate case outcome" as well as "various expense disallowances including a decision to disallow the recovery of about $3 million of prepaid pension expenses."[15] Therefore, the Company's credit rating decisions make it particularly important to recover its significant costs of service.

[15] *See* MP Exhibit ___ (Anderson), Direct Schedule 5.

c. Benefit of Prepaid Pension Asset to Customers

Q. Earlier you referenced that the prepaid pension asset provides a direct benefit to customers in addition to simply funding the provision of utility service. Please explain how that works.

A. Because pension cost recovery is currently based on pension expense recognized for accounting purposes, pension contributions in excess of expense must be made with Company-financed funds rather than customer-provided rate recovery. All investment earnings resulting from these contributions have benefited customers by significantly reducing annual pension expense under ASC 715-30. The Company, however, has incurred 100 percent of the financing cost related to the prepaid pension asset, net of the income tax benefit. Customers benefit through lower pension expense included in base electric rates. More specifically, the prepaid pension asset benefits customers in at least three ways:

1. Customers benefit from prepaid pension asset because ALLETE's credit rating agencies model the reduced future cash funding requirements, thus reducing the cost of capital customers pay;
2. All investment earnings from the increase in pension plan assets reduce pension expense. The pension trust is able to recognize higher earnings because the EROA is applied to the prepaid balance, which directly reduces costs to customers (how EROA earnings reduce pension expense is demonstrated in Table 2 above); and
3. Customers benefit from applying the EROA to the accumulated earnings on the prepaid pension asset (the compounding of earnings).

Q. How do these benefits relate to whether the Company should earn a return on the prepaid pension asset?

A. It is a long-standing ratemaking principle that utilities are entitled to an opportunity to earn a reasonable return on investments made to provide safe and reliable service for

the benefit of customers.[16] Without including the Company's pension contributions (the cumulative contributions in excess of cumulative recognized expense) in rate base, the Company is not being compensated for the financing cost it incurs, even though customers are earning a return on these assets through the resulting pension expense reduction. Here, customers benefit from the federally-mandated Company-financed contributions made to fund pension benefits available to utility employees.

Q. Are there any other reasons it is appropriate to include the prepaid pension asset in rates?

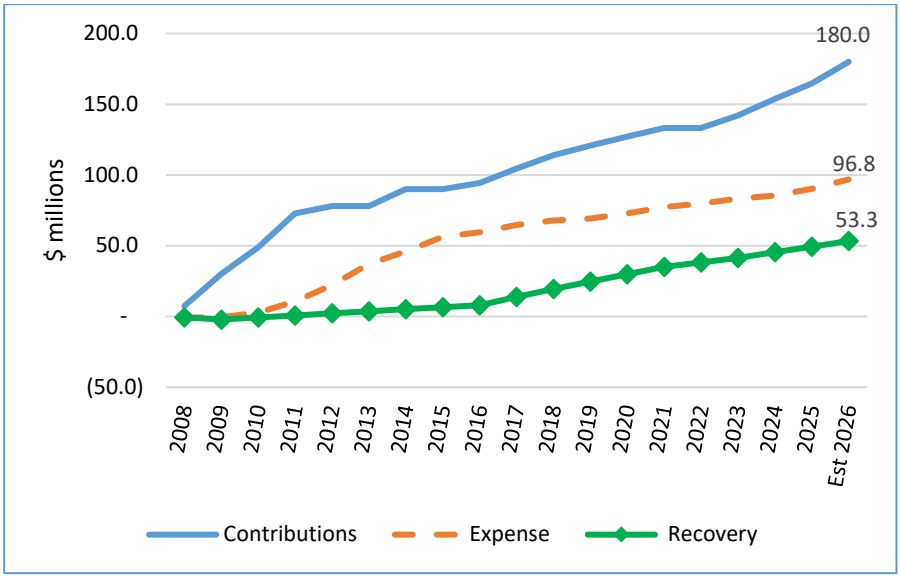
A. Yes. As the pension plans become more fully funded, it is expected that contributions will decline to the point where they are less than the pension expense, reducing the prepaid pension asset. This declining asset balance is no different than depreciation on a physical asset. The prepaid pension asset represents pension costs that have been funded in advance by shareholders rather than customers. Shareholders provided the capital years before it is recognized in pension expense, yet customers receive the benefit of the investment earnings during that period. As pension obligations are ultimately settled and pension costs are recognized through pension expense, customers will pay costs that were previously funded by shareholders. Absent inclusion of the prepaid pension asset in rate base so the utility may earn a return on that investment, the current treatment creates a mismatch between traditional ratemaking principles and cost recovery. Regulated utilities are generally afforded the opportunity to earn a fair return on investor-supplied capital that is used to provide utility service (because the Company is only seeking a return *on* the asset and not recovery *of* the asset). Here, shareholders have financed pension costs in advance, customers have benefited from the resulting investment earnings and reduced pension expense, yet the Company is denied the opportunity to earn a return on the capital it supplied. Allowing a return on the prepaid pension cost asset appropriately aligns the provision of capital with the opportunity to earn a return on that capital.

[16] *See Bluefield Waterworks & Improvement Co. v. Pub. Serv. Comm'n of W. Va.*, 262 U.S. 679, 692 (1923) (stating that a "public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public").

Q. What is the level of Minnesota Power's pension contributions, expense, and recovery since the PPA took effect?

A. As illustrated in MP Exhibit ___ (Anderson), Direct Schedule 1 and in Figure 3 below, ALLETE's pension contributions from 2008 through 2026 have totaled $284.6 million ($206.0 million MP regulated; $180.0 million MN Jurisdictional). In addition, ALLETE has incurred pension expense totaling $157.0 million ($111.4 million MP regulated; $96.8 million MN Jurisdictional)—of which it has collected only $53.3 million MN Jurisdictional through rates since 2008.

Figure 3. MN Jurisdictional Historical Pension Contributions, Expense, and Recovery (2008-2026)



Q. Why doesn't recovery of pension expense adequately compensate the Company for its pension investments?

A. As illustrated in Figure , the inclusion of pension expense in rates only recovers a portion of the actual pension amounts paid out to retirees each year; it does not compensate the Company for the foregone opportunity cost arising from additional Company contributions to the pension fund each year. If the prepaid asset and the related deferred income tax liability were included in rate base, the cost of capital to finance the asset

would be easily calculated by multiplying the pretax WACC by the Company's cumulative contributions in excess of cumulative recognized expense. The WACC is the true cost to investors, who must fund the pension plan in excess of what the Company recovers from customers.

Q. How does the calculation of the prepaid pension asset account for the fact that the amount of pension expense included in a test year may differ somewhat from the actual pension expense incurred in a test year or between rate cases?

A. It does so in multiple ways. First, this is no different from any other test year cost, where rates are based on the best information available at the time and on a representative test year. For example, actual depreciation expense in a test year or between rate cases will likely differ from amounts included in a representative test year; such differences are inherent in ratemaking. Second, because the prepaid pension asset in any given year is calculated based on cumulative contributions compared to cumulative pension expense, it reflects the current asset or liability balance regardless of prior test year differences. The data in each test year is updated to include the most current actual information since the last rate case and the best available forecast for future periods. This is consistent with how other balance sheet and rate base items, including related expenses, are calculated.

3. Financial and Audit Support for Asset

Q. Is the prepaid pension asset balance reported in your GAAP financial statements?

A. Yes. This balance, which is a net debit balance (asset), is included in ALLETE's audited GAAP financial statements. The balance is reported in ALLETE's 2025 (most recent) financial statement, in Note 10—PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (page 55 of the 2025 audited financial statements; included in Volume 3, Direct Schedule F-1, Other Supplemental Information). An excerpt of this portion of the footnote is shown in Figure 4 below.

Figure 4. ALLETE 2025 Audited Financial Statements – Pension and Postretirement Benefit Plans Footnote[17]

Reconciliation of Net Pension Amounts Recognized in Consolidated Balance Sheet As of December 31	2025	2024
Millions		
Net Loss	$(200.9)	$(235.2)
Prior Service Cost	(0.1)	(0.1)
Accumulated Contributions in Excess of Net Periodic Benefit Cost (Prepaid Pension Asset)	130.8	119.9
Total Net Pension Amounts Recognized in Consolidated Balance Sheet	$(70.2)	$(115.4)

Q. Can you reconcile what is reported in ALLETE's 2025 Financial Statements Note 10 for cumulative contributions in excess of cumulative recognized expense (the prepaid pension asset) balance with the ALLETE plan's balance?

A. Yes. The footnote in the 2025 audited financial statements also includes other plans. To reconcile ALLETE's reported financial statement balance, two other benefit plans—Supplemental Executive Retirement Plan ("SERP") and Executive Investment Plan ("EIP")—must be included with ALLETE's pension plan's cumulative contributions in excess of cumulative recognized expense balance. Table 3 below illustrates the reconciliation.

Table 3. Reconciliation of ALLETE's plan balance to ALLETE's audited financial statements for the year ended 2025

ALLETE prepaid asset balance	$143,236,902
SERP and EIP liability balances	($12,412,631)
Audited financial statements reported balance	**$130,824,271**

Q. Following GAAP, does ALLETE have a net asset or liability balance when reporting its balance?

A. It has an asset balance. Table 4 below illustrates how the plan balance is recorded in the Company's financial records.

[17] It should be noted that "accumulated contributions in excess of net periodic benefit cost" and "cumulative contributions in excess of cumulative recognized expense" have the same meaning.

Table 4. Plan Balance as Recorded in Company Financial Records
($ in millions)

FERC Account Number	Name	Type	2027 MP Balance Proposed Test Year	2027 MP Regulated Proposed Test Year	2027 MN Juris. Balance Proposed Test Year
18230-6015	Pension	Asset	$161.6	$136.5	$116.5
22830-2009 & 22830-2011	Pension Plan B&C	Liability	(36.7)	(31.0)	(26.5)
21900-0003	Accumulated Other Comprehensive Income – Pension		28.4	24.0	20.5
		Total Plan Balance	**$153.3**	**$129.5**	**$110.5**

Q. How does this $110.5 million total correspond to the amount the Company is requesting to include in rates?

A. The 2027 expected ending asset balance for Minnesota Power of $153.3 million ($129.5 million MP regulated; $110.5 million MN Jurisdictional)—as reflected in Table 4 above—corresponds to the amount of Minnesota Power's estimated 2027 test year 13-month average, which is $156.3 million ($131.8 million MP regulated; $112.4 million MN Jurisdictional) as reflected in MP Exhibit ___ (Anderson), Direct Schedule 3.

Q. Does Minnesota Power follow GAAP in all regards to its accounting and financial statements?

A. Yes. Although ALLETE, doing business as Minnesota Power, is no longer publicly traded as of December 2025, it has audited financial statements, which are filed with the Commission in compliance with the December 10, 2025 Commission Order approving the Acquisition of ALLETE ("Acquisition Order").[18] The Company is also required to file audited financial statements prepared in accordance with the Uniform System of Accounts on Form 1 with FERC each year. As part of the annual audit,

[18] *In the Matter of the Petition of Minnesota Power for Acquisition of ALLETE by Canada Pension Plan Investment Board and Global Infrastructure Partners*, Docket No. E015/PA-24-198, ORDER APPROVING PETITION FOR ACQUISITION WITH CONDITIONS AND ESTABLISHING OTHER REQUIREMENTS at Order Point 6, Settlement Stipulation ¶ 1.37 (Dec. 10 2024) (eDocket No. 202512-225721-01).

ALLETE's independent registered public accounting firm, PwC, opines that ALLETE's consolidated financial statements, supported by the books and records that also form the basis for this general rate case, are presented fairly in all material respects and in conformity with GAAP.[19] That opinion would not be possible if Minnesota Power did not follow GAAP with respect to a net asset as significant as the prepaid pension asset. In addition, governmental authorities have reviewed ALLETE's audited financial statements; for example, when ALLETE filed Form 10-Ks, the SEC reviewed those filings every three years and did not comment on the Company's accounting for benefit plans, including presentation of cumulative contributions in excess of cumulative expense.

4. Past Decisions on Prepaid Pension Assets in Rates

a. Prior Minnesota Commission Decisions

Q. What is the purpose of this section of your testimony?

A. In this section of my testimony, I address the Commission's past decisions that the Company did not meet its burden to justify including the prepaid pension asset in rate base.

Q. What has been the rationale for the Commission's decision to exclude the "prepaid pension" asset from rate base?

A. In the Company's 2021 Rate Case, the Commission held that Minnesota Power "failed to satisfy its burden to show that the prepaid pension is entirely funded by shareholders and not partially by market returns."[20] In making this statement, the Commission concurred with the Department that "it would be impractical, if not impossible, to equitably separate the prepaid amount attributable solely to Minnesota Power's contributions from that attributable to ratepayer contributions and market returns."[21] The Commission also stated that "pension-plan assets and benefit obligations fluctuate

[19] *See* MP Exhibit ___ (Anderson), Direct Schedule 6.
[20] *In the Matter of the Application of Minn. Power for Auth. to Increase Rates for Elec. Serv. in Minn.*, Docket No. E015/GR-21-335, FINDINGS OF FACT, CONCLUSIONS, AND ORDER at 9 (Feb. 28, 2023) (eDocket No. 20232-193486-01).
[21] *Id.*

up and down, depending on funding or market conditions. The balances in the prepaid pension asset are temporary, and fundamentally different from typical rate-base assets on which the Company earns a return on investment."[22]

Q. Did the Company appeal the Commission's decision in the 2021 Rate Case?

A. Yes. In the 2021 Rate Case appeal, the Minnesota Court of Appeals reversed the Commission's decision to "categorically and entirely" exclude the Company's prepaid pension asset from its rate base as not supported by substantial evidence and arbitrary and capricious.[23] The court addressed each of the Commission's reasons for its decision. First, the court rejected the Commission's reasoning that the prepaid pension asset should be excluded because it fluctuates in value, is temporary, and is distinct from other assets included in rate base.[24] Importantly, the court held that "a utility's mandatory contributions to pension plans are an 'expense[ ] of a capital nature' to which the commission must give 'due consideration' in determining the utility's rate base under Minn. Stat. § 216B.16, subd. 6."[25] The court also found that "[t]his conclusion is consistent with persuasive authority from other jurisdictions holding that 'some or all of a prepaid pension asset should be included in the rate base to the extent that the evidence evinces that the asset was investor-funded, as opposed to ratepayer-funded.'"[26]

Second, the court determined that "[t]he commission did not explain why it was discounting evidence offered by Minnesota Power that the prepaid pension asset was derived solely from shareholder contributions. Nor did the commission explain why it was rejecting the ALJ's detailed findings crediting Minnesota Power's position."[27] The court then remanded to the Commission to resolve the dispute between the parties of

[22] *Id.* at 8.
[23] Minnesota Power, 12 N.W.3d at 494.
[24] *Id.* at 492-93.
[25] *Id.* at 493.
[26] *Id.*
[27] *Id.* at 494.

the extent to which the Company's prepaid pension asset is attributable to shareholder contributions as opposed to market returns or negative pension expense.[28]

Q. What happened in the Company's 2023 Rate Case?

A. In the 2023 Rate Case, the parties agreed that "the prepaid pension be removed from the test year, resulting in a $56.94 million net reduction to test year rate base and a $6.02 million reduction to the revenue deficiency; subject to the outcome of Minnesota Power's…appeal of the 2021 Rate Case prepaid pension asset denial, which [was] pending at the time of [the] filing. The Settling Parties agreed that should the appeal result in a reversal or modification of the Commission's 2021 Rate Case Order with regard to the prepaid pension asset, Minnesota Power shall be permitted to include the prepaid pension asset consistent with the court's order, net of ADIT, in the final revenue requirement and recover the amount through rates accordingly."[29]

Q. Has the Commission issued a decision in the remand proceeding for the 2021 Rate Case?

A. At a Commission agenda meeting on October 14, 2026, the Commission denied a return on the prepaid pension asset and ordered the Company to propose a true-up mechanism for pension expense in its next rate case, in lieu of requesting a return on the prepaid pension asset. The written order is pending as of the preparation of this testimony. As previously discussed, due to the timing of the Commission's decision and the filing of this rate case, the Company is providing this testimony but will also propose a true-up mechanism in this proceeding consistent with the Commission's decision.

[28] *Id.* Later, in *Northern States Power Company*, decided on January 21, 2025, the Minnesota Court of Appeals confirmed its findings and conclusions in Minnesota Power. *Northern States Power Company*, 2025 WL 249995 at *8-10.

[29] *In the Matter of the Application of Minn. Power for Auth. to Increase Rates for Elec. Serv. in Minn.*, Docket No. E015/GR-23-155, SETTLEMENT AGREEMENT at 9 (May 3, 2024) (eDocket No. 20245-206372-01); *Id.,* ORDER ACCEPTING AND ADOPTING AGREEMENT SETTING RATES at Order Point 1 (Nov. 25, 2024) (eDocket No. 202411-212388-01).

Q. Is the Commission's reasoning for denying a return on the prepaid pension asset in the 2021 Rate Case applicable to the Company's request in this case?

A. No. As discussed above, the Minnesota Court of Appeals has rejected much of the Commission's reasoning, including that the prepaid pension asset should be excluded because it fluctuates in value, is temporary, and is distinct from other assets included in rate base. The court also held that the prepaid pension asset is an expense of a capital nature under Minn. Stat. § 216B.16, subd. 6, that should be included in rate base to the extent it is shareholder-funded. As I discuss below, the Company's prepaid pension asset is completely funded by shareholders. I also address each of the Commission's conclusions in turn.

i. The prepaid pension asset is entirely funded by shareholders, not market returns or ratepayer contributions.

Q. Is there proof that the prepaid pension asset is funded entirely by shareholders?

A. Yes. As discussed earlier, pension contributions and pension expense are governed by different authorities—ERISA, the IRC, and the PPA for contributions, and FASB for expense—and each is determined annually. Pension contributions are funded with Company cash using investor-supplied capital to maintain the plan's funded status. Pension expense is a non-cash accrued expense calculated by Minnesota Power's actuary, WTW, in accordance with GAAP.

The distinction is straightforward. Contributions are cash payments recognized by the Company into the pension trust. Pension expense is the amount recognized for accounting and ratemaking purposes and recovered from customers through rates.

Pension contributions are direct reductions to the Company's cash flow while pension expense collected from customers results in positive operating cash flow. As shown in Figure and included in MP Exhibit ___ (Anderson), Direct Schedule 1, over the years, pension contributions have far exceeded the amount of pension expense recorded by the Company and recovered by customers.

MP Exhibit ___ (Anderson), Direct Schedule 1 provides a complete historical record supporting this conclusion. It tracks the contributions made to the trust, the pension expense recognized, and the amounts recovered in rates. That evidence demonstrates that the prepaid pension asset is the cumulative result of Company-funded contributions in excess of pension expense and customer recovery.

It should also be noted that the ALJ in the Company's 2021 Rate Case found that "[t]he entire prepaid pension asset that the Company seeks to include in rate base resulted from investor contributions."[30]

Q. Ultimately, is it difficult to determine whether customers or investors made the contributions to the prepaid pension asset?

A. No. The Company makes contributions to the pension trust—they occur by no other means. All pension trust contributions are funded by the Company using investor-supplied capital which, as mentioned above, is supported by the ALJ's findings that the prepaid pension asset is entirely investor-funded.[31] Customers fund pension expense through rates as indicated in the Company's cost of service; they do not fund pension trust contributions as those contributions are not included in the cost of service.

Regarding recovery, historically, the amount that the Company has been able to recover from customers has been pension expense. This is even true when pension expense has been negative, meaning the customer would be reimbursed (paid) through rates.[32] Moreover, Minnesota Power's operating revenues from customers are fully delineated in each rate case filing and compliance filing. Pension contributions have never been included. As such, there is no possible source for contributions other than investor funds.

[30] *In the Matter of the Application of Minn. Power for Auth. to Increase Rates for Elec. Serv. in Minn.*, Docket No. E015/GR-21-335, FINDINGS OF FACT, CONCLUSIONS, AND RECOMMENDATIONS at ¶ 257 (Sept. 1, 2022) (eDocket No. 20229-188786-01).
[31] *Id.*
[32] *See* MP Exhibit ___ (Anderson), Direct Schedule 1, column Z.

It is also fundamental to ratemaking that when expense deviates from cash payments, an asset or liability for the differences is included in rate base. If it were not, one party would benefit from the time value of money at the other party's expense, as previously discussed.

The fact that pension fund assets earn a return does not alter who funded contributions. Investment earnings are generated because the Company first contributed capital to the trust. Those earnings remain in the trust and reduce pension expense (which benefits customers) and future contribution requirements; they are not a source of pension contributions and they are not compensation to shareholders.

Q. Can the Company offer even more evidence to prove that the market returns on Company contributions to the prepaid pension asset are not returns provided to shareholders as compensation for their investment, but rather are applied to reduce expense?

A. Yes. Although pension plan assets earn investment returns, by law, the benefit of investment returns remains within the pension fund, where those returns are used solely to pay retiree benefits and reduce the amount of pension expense recoverable from customers. Therefore, investment returns are never paid to shareholders as compensation for their investment.

This point is sometimes misunderstood. The existence of market returns does not mean that the prepaid pension asset was funded by market returns. Market returns are earned only because the Company first made contributions to the pension trust. Without Company-funded contributions, there would be no pension assets and no investment earnings to pass through to customers as a reduction to the pension expense.

Moreover, by definition, the prepaid pension asset consists only of cumulative shareholder contributions to the pension trust fund minus cumulative pension expense over time. This definition directly excludes market returns.

Importantly, since those returns result from contributions to a qualified pension plan, they can *never* be used to compensate shareholders for the federally-mandated contributions they've made into the pension plan. Rather, as I demonstrated earlier in my testimony, and as supported by the ALJ in the 2021 Rate Case,[33] the market returns solely go to reducing the cost of providing services to customers.

Company witness Farrell also explains that changes in funded status caused by market returns are required to be recorded in accumulated other comprehensive income by ASC 715 and do not form part of the prepaid pension balance for which recovery is sought. Accounting for pension expense under GAAP (ACS 715) requires reducing the actuarially calculated pension expense by the expected return on plan assets. In respect to cash payments—all of the contributions and benefit payments are made to/from the pension trust, and the corresponding assets and income generated from these assets are retained by the pension trust. This is shown clearly in MP Exhibit ___ (Anderson), Direct Schedule 7, in the actuarial statements where on page 3, "Changes in Disclosed Plan Obligations and Assets," section B, "Change in Plan Assets," there is no line item nor cash payment to the Company but there is a line item for Employer contributions. This clearly shows that there is no payment to the Company. Therefore, the customer receives all the benefit of the investment returns generated by the assets in the pension.

This was also demonstrated previously in Table 3 above, where all of the Expected Return on Plan Assets reduced pension expense by approximately 83 percent in 2025. This pension expense, which is net of all expected return on plan assets or net of future expected earnings on plan assets, then is recorded in FERC general ledger account 92608.

[33] *In the Matter of the Application of Minn. Power for Auth. to Increase Rates for Elec. Serv. in Minn.*, Docket No. E015/GR-21-335, FINDINGS OF FACT, CONCLUSIONS, AND RECOMMENDATIONS at ¶ 256 (Sept. 1, 2022) (eDocket No. 20229-188786-01).

Q. If no part of the prepaid pension asset is funded by customers, how do you account for the fact that the asset may increase in a year when the Company makes no contributions to the pension fund?

A. The prepaid pension asset is the mathematical result of cumulative contributions in excess of cumulative recognized expense. Like all mathematical formulas, it remains valid when one component is negative. The prepaid pension asset can increase when contributions are zero if pension expense is negative. A negative pension expense means the Company is recording income while still providing employee benefits. (Note that in this situation, customers would benefit from the negative expense by it lowering rates.) One reason pension expense can be negative is when the Expected Return on Assets, which results from Company contributions to the pension fund, exceeds the other components of pension expense. This is comparable to other assets where expense and asset balances are interrelated and expense can be negative.

Q. Can you prove this out using actual data?

A. Yes. I will use 2025, the most recent year of actuals, as an example because the plan had both expense and contributions.

Q. What was the 2025 amount of pension expense and who paid for it?

A. The customer has historically paid for pension expense. Looking at the actuals for 2025, pension expense was $8.8 million ALLETE ($5.2 million MP regulated; $4.6 million MN Jurisdictional). The amount allowed to be recovered from customers in 2025 (which was established in the 2023 Rate Case settlement and implemented into customer bills accordingly) was $4.0 million. In every rate case since the PPA was enacted, Minnesota Power's revenue recovery for the pension fund has been established based on a version of expected pension expense.

Q. What was the 2025 amount of pension contributions?

A. The 2025 amount of pension contributions was $19.1 million ALLETE ($12.3 million MP regulated; $10.8 million MN Jurisdictional).

Q. What does the 2025 data demonstrate regarding the source of funding for pension contributions?

A. The 2025 data demonstrates the same principle reflected in the historical record. The Company made pension contributions to the trust using Company funds. The Company recovered a portion of its pension expense from customers through rates. To the extent contributions exceeded the expense recovered from customers, the difference was funded by the Company through investor-supplied capital.

Q. Who paid for the 2025 pension contributions in excess of pension expense?

A. The Company, or more accurately its shareholders, paid for these contributions. The same conclusion is reflected on a cumulative basis in MP Exhibit ___ (Anderson), Direct Schedule 1. That schedule shows the historical relationship among contributions, pension expense, and rate recovery and demonstrates that the prepaid pension asset is the result of Company-funded contributions in excess of amounts recovered from customers.

The important point is not whether any single test year perfectly matches actual pension expense or actual contributions. In a traditional test year ratemaking framework without a true-up mechanism, timing differences are expected. The Company is not asking to revisit each year's authorized pension expense. Rather the Company is asking to earn a return on the cumulative excess contributions that shareholders funded and that continue to reduce customer costs through pension trust earnings.

Q. Is it possible that any portion of the prepaid pension asset may have been funded using pension expense collected from customers?

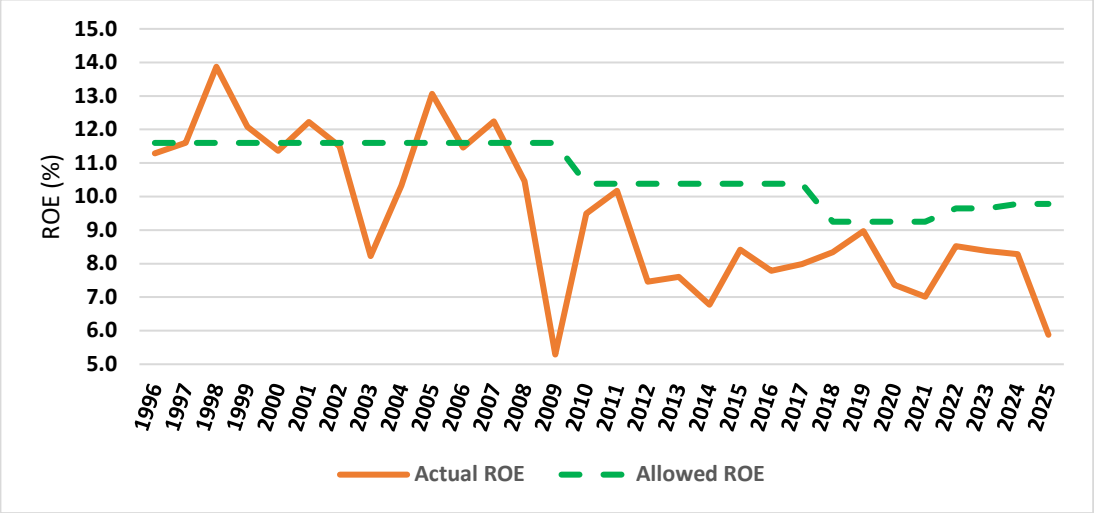
A. No, for two reasons. First, the prepaid pension asset cannot include pension expense because the formula used to determine the prepaid pension asset balance is cumulative contributions minus cumulative expense, and therefore pension expense is subtracted out of the prepaid pension asset. Second, as I explained earlier in my testimony, prior to the existence of the current prepaid pension asset on which the Company seeks to earn a return, contributions and expense were largely equal. But even after contributions

significantly increased in 2008 following the enactment of the Pension Protection Act, the Company has consistently under-recovered its pension expense, as shown in Figure 3. This means that there has been no point when a pension liability would have been included in the current prepaid pension asset.

Q. Is it possible that any portion of the prepaid pension asset may have been funded using any other source of operating funds collected from customers?

A. No. As shown in the Figure 5 below, the Company has not earned its rate of return in any year since 2007. This means that there has not been extra money that was not already earmarked for another purpose, and therefore money from sources other than shareholders could not have been used to create the prepaid pension asset.

Figure 5. Historical ROE – Actual vs. Allowed



Sources:

- *Actual Return on Equity ("ROE"): Minnesota Jurisdictional Annual Reports, Docket No. YR-04.*
- *Allowed ROE: Docket Nos. E-015/GR-94-001 (for years 1996-2008); E-015/GR-08-415 (for year 2009); E-015/GR-09-1151 (for years 2010-2017); E-015/GR-16-664 (for years 2018-2021); E-015/GR-19-442 (the 2019 Rate Case settled and was subsequently withdrawn in 2020 in response to the COVID-19 pandemic); E-015/GR-21-335 (for years 2022-2023); E-015/GR-23-155 (for years 2024-current).*

ii. The prepaid pension asset is not different from typical rate-base assets.

Q. Is the prepaid pension asset different from typical rate-base assets on which the Company earns a return on investment?

A. No. As previously explained, the Minnesota Court of Appeals has expressly rejected past arguments that the Company's prepaid pension asset must be excluded because it fluctuates in value, is temporary, and is distinct from other assets included in rate base.[34] The court held that the prepaid pension asset is an expense of a capital nature under Minn. Stat. § 216B.16, subd. 6, and should be included in rate base to the extent it is shareholder-funded.[35] The prepaid pension asset is consistent with other utility assets, including accounts receivable, accounts payable, inventory, materials and supplies, prepayments, and accumulated deferred income taxes, that are included in rate base.

Q. Can you provide a specific example to show how the prepaid pension asset is not different from other kinds of rate base assets?

A. Yes. Tax assets and liabilities are another example of how timing differences between when the Company incurs a cost and receives the tax deduction may result in deferred tax assets or liabilities in rate base. In the case of a liability such as ADIT, the utility, with Commission approval, has included the ADIT in rate base as a liability (reduction in rate base to customers) to the extent that the Company realizes a tax deduction from the government prior to the period in which the customers receive the benefit of the deduction as a reduction in rates.[36] ADIT is treated as a reduction to rate base because the company received the tax benefit before the customers, which in essence is the customer providing capital to the Company. Both ADIT and the prepaid pension asset arise from timing differences. ADIT is created when the Company realizes tax deductions, such as accelerated tax depreciation, before those deductions are recognized for ratemaking purposes. As a result, current tax payments are reduced relative to the tax expense reflected in rates, creating a source of cost-free capital that appropriately

[34] *Minnesota Power*, 12 N.W.3d at 492-93.
[35] *Id.* at 493; *Northern States Power Company*, 2025 WL 249995 at *9.
[36] *In the Matter of Minnesota Power's Petition for Approval of its 2011 Transmission Cost Recovery Rider Factor,* Docket No. E015/M-11-695, ORDER (Nov. 12, 2013) (eDocket No. 201311-93584-01).

reduces rate base. Ultimately, both ADIT and the prepaid pension asset are the result of timing differences between when funds are provided and when those amounts are reflected in customer rates. By contrast, the prepaid pension asset should be included in rate base because the Company has provided capital in advance of recovery from customers. The same ratemaking principle applies in both cases; only the source of capital differs.

b. Other State Outcomes

Q. Do other state jurisdictions allow utilities to recover their prepaid pension assets?

A. Yes. Many jurisdictions allow recovery for prepaid pension assets in one form or another.[37] This was also addressed in the most recent EEI 2025–2026 Pension and Other Post-Employment Benefits Annual Survey where over sixty percent of respondents stated they were allowed rate base treatment or other recovery in *all* or *some* jurisdictions in which they operated.[38]

Another example includes a 2015 appellate court precedent in New Mexico that upheld the decision of the New Mexico Public Regulation Commission to allow rate base

[37] *See, e.g., N.M. Atty. Gen. v. N.M. Pub. Regulation Comm'n*, 359 P.3d 133, 138-40 (N.M. 2015) (authorizing inclusion of prepayments for pension expenses in rate base with a return because the utility is "out-of-pocket for such costs" until they are recovered from customers); *Ind. Office of Util. Consumer Counselor*, 7 N.E.3d 1025, 2014 WL 934350, at *12 (Ind. Ct. App. 2014) (unpublished) (upholding inclusion of prepaid pension asset in rate base with a return because the "asset amounted to working capital that benefited the ratepayers by reducing the total pension costs needed in [the utility's] revenue requirement"); *R.I. Consumers' Council v. Smith*, 322 A.2d 17 (R.I. 1974) (authorizing inclusion in rate base of insurance premium prepayments, which reduce the cost of premiums for ratepayers); *In the Matter of Advice No. 912-Gas Filed by Pub. Serv. Co. of Colorado to Roll the Pipeline Sys. Integrity Adjustment Costs into Base Rates Beginning in 2019 & Increase Rates for All Nat. Gas Sales & Transportation Servs. by Implementing A Gen. Rate Schedule Adjustment in the Company's Colorado P.U.C. No. 6-Gas Tariff, to Become Effective July 3, 2017*., No. 17AL-0363G, 2021 WL 3023053, at *4 (Co. P.S.C. July 12, 2021) (implementing district court order directing the commission to include prepaid pension asset in rate base because "regulated utilities must be permitted to earn 'a reasonable return on value of property used at the time it is being used to render the service[,]" and excluding the prepaid pension asset from rate base would "deprive [the utility] and its shareholders of their constitutional right to earn a reasonable return on their investment."); *In re Rocky Mountain Power*, 2014 WL 7526282, at *14, *36 (Wyo. P.S.C. 2014) (agreeing utility should recover financing costs of its prepaid pension asset by including the asset in the rate base and earning a return on it); *In re Potomac Elec. Power Co.*, 263 P.U.R.4th 1, ¶ 113 (D.C. P.S.C. Jan. 30, 2008) (finding investor-supplied cash contributions created a prepaid pension asset that should earn a return); *In re Ky.-Am. Water Co.*, No. 97-034, 1997 WL 34863470 (Ky. P.S.C. Sept. 30, 1997); *Pub. Serv. Co. of Colo. v. Pub. Utils. Comm'n*, Case No. 19CV31427, Order, 18 (Denver Cty. Dist. Ct. Mar. 12, 2020); *Application of Southwestern Public Service Company for Authority to Change Rates*, Control No. 43695, Order on Rehearing, 23 (PUCT Feb. 23, 2016).

[38] *See* MP Exhibit ___ (Anderson), Direct Schedule 8 at 11.

treatment for the "prepaid pension asset" of Southwestern Public Service Company. The Company recognizes these other states' appellate decisions and commission decisions are not binding on the Minnesota Commission, but they do clearly identify the issue and correctly apply federal law, and their straightforward and accurate reasoning for recognizing these assets should serve as persuasive guidance to the Commission.

Specifically, the New Mexico Supreme Court noted that a utility should be compensated for prepayments for both physical property and other investments on behalf of customers and employees:

> A utility can include prepayments for pension expenses in its rate base because the utility is out-of-pocket for such costs until they are recovered from ratepayers and is therefore entitled to recover its cost of financing such prepaid expenses. For example, in the context of prepaid pension assets, income earned on the pension fund is reported under [GAAP] as a reduction to the utility's pension expense. If that reduction in pension expense is used in determining a utility's rates, there will be a corresponding reduction in the amounts collected from ratepayers. Under these circumstances, the utility must finance the reduction because it cannot use the income from the pension trust to pay other current obligations; as a result, the utility is allowed to recover the costs of financing the reduction by including the pension income in the rate base.
>
> […]
>
> Basically, when a utility supplies working capital to fund contributions in excess of pension expenses to create an income-producing prepaid pension asset, the utility finances the entire cost of the prepaid pension asset.[39]

The Missouri Supreme Court has also addressed the inclusion of prepaid pension assets in rate base. In that case, the Public Service Commission of Missouri agreed that prepaid

[39] *N.M. Atty. Gen. v. N.M. Pub. Regulation Comm'n*, 359 P.3d 133, 137-38 (N.M. 2015) (citing *S. Co. Servs., Inc.*, 122 FERC ¶ 61,218, at 62,235 (2008)) (order on tariff filing) (finding it generally appropriate to include pension prepayments in rate base because "utility is out-of-pocket for such costs until they are recovered from ratepayers and is therefore entitled to recover its cost of financing such prepaid expenses"), *order clarified by* 128 FERC ¶ 61,276 (2009); *In re Rocky Mountain Power*, 2014 WL 7526282, at *14, *36 (a "prepaid pension asset represents [a utility's] contributions to its pension ... plans in excess of what is expensed to that time" and the utility "finances the asset with a combination of debt and equity financing").

pension assets should be included in rate base but disagreed with the utility on the amount to be included in the pension asset.[40] Thus, both the Missouri Public Service Commission and the Missouri Supreme Court acknowledge that prepaid pension assets are properly included in rate base.

And most importantly, the Company has a constitutional right to earn a return on its prepaid pension asset because it consists of investor-supplied funds used to pay for an employee benefit that is part of the cost of providing electric service to customers.[41]

Q. Is there an alternative recommendation for the Company to recover partial compensation in relation to the prepaid pension asset?

A. Yes. A partial solution would be the approach recommended by the ALJ in the 2021 rate case of Northern States Power Company, doing business as Xcel Energy ("Xcel Energy").[42] This would be to increase the annual pension expense by the degree to which it is currently reduced by applying the expected return on assets earned as a result of the Company contributions to the prepaid pension asset. Put differently, rather than allowing customers to receive all benefits from the Company's uncompensated investments in the pension fund through lower pension expense, and rather than allowing the Company to earn a return on those investments net of ADIT, the benefit of the Company contributions to the pension fund would be removed from the annual pension expense calculation.

Q. Based on all of this information, please summarize the Company's request with respect to the prepaid pension asset.

A. Minnesota Power requests that the 13-month average balance for the 2027 test year, updated for actuals at the December 31, 2026 measurement date, of cumulative contributions in excess of cumulative recognized expense—$112,443,510 MN

[40] *Spire Missouri, Inc. v. Pub. Serv. Comm. of Mo.*, 618 S.W.3d 225, 235-36 (Mo. 2021).
[41] *See Public Service Company of Colorado v. The Public Utilities Commission of the State of Colorado*, Case No. 19CV31427, Order at 18 (Denver County District Court, Mar. 12, 2020).
[42] *In the Matter of the Application of Northern States Power Company, d/b/a Xcel Energy, for Authority to Increase Rates for Electric Service in the State of Minnesota,* Docket Nos. E002/GR-21-630, E002/M-21-748, FINDINGS OF FACT, CONCLUSIONS OF LAW AND RECOMMENDATIONS at 55 (Mar. 31, 2023) (eDocket No. 20233-194394-01).

Jurisdictional—be included in rate base. The total rate base increase, net of the associated ADIT asset of $34,262,262 MN Jurisdictional, would be $78,181,248 MN Jurisdictional. The Company requests the opportunity to earn a pretax WACC return on this net asset, consistent with the treatment of other prepayments in rate base.

The Company is not seeking recovery of the pension trust balance or its contributions. The Company is also not seeking to earn a return on the entire pension trust. Rather, it seeks only the opportunity to earn a return *on* the cumulative excess of shareholder-funded contributions over pension expense recovered from customers.

Because the prepaid pension asset represents the contributions exceeding the cumulative pension expense recovered from customers, investor capital is required to fund those contributions; as such, investors should be permitted to earn a return on their capital.

Lastly, the Company reiterates that it is required by federal law to fund the pension plan and that customers benefit from these pension plan shareholder contributions because earnings on these contributions directly reduce pension expense. The existence of those earnings does not change the source of the underlying contributions. Without Company-funded contributions, there would be no pension assets generating earnings to reduce customer expense. Excluding these Company contributions from rates is directly contrary to Minn. Stat. § 216B.16, subd. 6, which requires that: "The commission, in the exercise of its powers under this chapter to determine just and reasonable rates for public utilities, shall give due consideration to the public need for adequate, efficient, and reasonable service and to the need of the public utility for revenue sufficient to enable it to meet the cost of furnishing the service." It is also inconsistent with the Minnesota Court of Appeals holding that the prepaid pension asset is an expense of a capital nature under Minn. Stat. § 216B.16, subd. 6, that should be included in rate base to the extent it is shareholder-funded. The Company's pension plan is part of its costs of furnishing service, and shareholders have entirely funded those pension benefits; therefore, exclusion of a significant portion of the costs of the pension plan from rate recovery is contrary to the law governing ratemaking in Minnesota. Accordingly, it is

necessary to include the prepaid pension asset in rate base to fully reimburse the Company (shareholders) for its reasonable and necessary utility costs to comply with federal law, which provides benefits to customers.

III. OTHER POST-EMPLOYMENT BENEFITS

Q. What is the purpose of this section of your Direct Testimony?

A. In this section, I explain the Company's OPEB plans, the accounting for OPEB, and how the Company's 2027 proposed test year OPEB expense was derived. Company witness Chan provides background on how employee post-employment medical, dental, and life benefits fit within the Company's overall compensation and benefits strategy.

Q. How many OPEB plans does the Company have and why?

A. ALLETE has two main types of OPEB plans because collectively bargained plans and non-bargained plans have different IRS rules for contributions and taxability:

- "Bargaining, union plan, or non-taxable plan" – Company contributions to bargained plans are fully deductible for tax purposes. In addition, similar to a pension plan, earnings are generally not taxed; and
- "Non-bargained plan or taxable plan" – Company contributions to non-bargained plans have deductibility limitations. In addition, these plans pay tax on their investment income.

Q. What amount of OPEB expense is included in Minnesota Power's 2027 test year?

A. The 2027 test year OPEB expense is negative $9,481,071 ALLETE (negative $7,482,734 MP regulated; negative $6,384,344 MN Jurisdictional). For clarity, a negative expense is income.

Q. Why is OPEB expense expected to be negative in the 2027 test year?

A. OPEB expense is expected to be negative in the 2027 test year for two primary reasons: 1) the Expected Return on Plan Assets offsets the cost components of the expense calculation; and 2) the cost savings from past benefit reductions will continue to be reflected in the expense for several more years.

Q. How was the Company's 2024 test year OPEB expense established in the Company's last approved rate case in 2025?

A. OPEB costs allowed by the Commission for the 2024 test year were based on the Company's forecasted 2024 expense as determined by its actuaries, WTW.

Q. What has the historical OPEB expense been?

A. ALLETE's OPEB was an expense from its inception in 1996 to 2012. Then—primarily due to benefit reductions and $145 million of contributions through 2013 and the related earnings—the OPEB expense turned to a benefit in 2013; it has remained a negative expense through 2026. Below in Table 5 is the last five years of OPEB expense.

Table 5. Historical OPEB Expense/(Benefit) in $ millions

Year	ALLETE	MP Regulated	MN Jurisdictional
2022	($9.5)	($6.6)	($5.9)
2023	($14.8)	($9.0)	($8.0)
2024	($20.5)	($11.6)	($10.3)
2025	($13.3)	($9.2)	($8.1)
2026 Est.	($11.6)	($8.9)	($7.9)

Q. Can you explain in more detail why the OPEB expense has been negative since 2013?

A. Yes. A primary reason the OPEB benefit has persisted is because Minnesota Power has funded its OPEB plans at the expense level, unlike other utilities in Minnesota that have been permitted not to fund their plans, resulting in higher expenses. This funding has generated significant investment income that, together with benefit reductions, has more than offset the other components of OPEB expense discussed later in my testimony. Minnesota Power's customers have benefited from negative OPEB expense since 2013 because it reduces the Company's revenue requirement while continuing to provide earned benefits to retirees. Although unusual, this negative expense is likely to continue in future years.

Q. How do utilities fund OPEB plans and calculate OPEB expense?

A. There is no legal mandate to fund OPEB plans as there is for pension plans; however, utilities have typically funded their OPEB plans as mandated or agreed upon by their governing commissions. ALLETE's OPEB funding policy is to fund, at a minimum, its OPEB expense. The OPEB expense is determined by GAAP mandated by FASB, which is similar to pension expense.

Q. Why does the Company have the policy to fund OPEB expense?

A. On September 22, 1992, the Commission issued an Order adopting "SFAS 106 accrual accounting for Minnesota utility recordkeeping and ratemaking purposes."[43] That Order stated, "SFAS 106 does not require funding for OPEB obligations."[44] The Department, however, "recommended that external funding be required, in order to provide assurance of future payment of these obligations."[45] In 1992, "the Commission required Xcel [Energy] to establish an external funding mechanism by its next general rate case for FAS 106."[46] Later, Minnesota Power filed its 1994 rate case in which Company witness Bruce E. Gagnon testified—based largely on the Xcel Energy precedent—that "[t]he Company intends to fund the SFAS 106 liabilities as the funds are collected."[47] Since then, Minnesota Power has not only funded its expense—it has funded more than its expense.

On June 27, 2012, the Company requested the ability to determine on an annual basis whether to fund its post-employment benefit trust obligations;[48] however, the

[43] *In the Matter of the Accounting and Ratemaking Effects of the Statement of Fin. Accounting Standards*, Docket No. U999/CI-92-96, ORDER ADOPTING ACCOUNTING STANDARD AND ALLOWING DEFERRED ACCOUNTING at 7 (Sept. 22, 1992) (eDocket No. 334956).
[44] *Id.* at 4.
[45] *Id.*
[46] *In the Matter of Xcel's Petition for Approval to Discontinue Funding of Tax Advantaged Extern Fund (VEBA Fund) for Retiree Medical Costs and the Withdrawal of the Accumulated VEBA Fund Balance over a Five-Year Period*, Docket No. E,G002/M-02-2188, ORDER APPROVING PETITION WITH MODIFICATION AND REQUIRING COMPLIANCE FILING at 1 (Oct. 17, 2003) (citing the Commission's Order in Docket No. U-999/CI-92-96) (eDocket No. 1598293).
[47] *In the Matter of the Application of Minn. Power for Auth. to Change its Schedule of Rates for Retail Elec. Serv. in the State of Minn.*, Docket No. E015/GR-94-001, DIRECT TESTIMONY OF BRUCE E. GAGNON at 8 (Jan. 3, 1994).
[48] *In the Matter of Minn. Power's Petition for Approval of Deferred Accounting Related to Pension Plan Contributions and Expenses*, Docket No. E015/M-11-1264, REPLY COMMENTS (Jun. 27, 2012) (eDocket No. 20126-76130-01).

Commission denied this request.[49] One of the reasons for the denial was that the "request would appear to defeat the trust account's purpose, which is to ensure that funds are available to pay benefits when they are due."[50]

The requirement to fund OPEB benefits in a VEBA is consistent with the prefunding required by most state regulators and FERC to receive rate treatment for ASC 715-60 expense amounts.

Q. What is the benefit of contributions to fund the OPEB plan?

A. As with pension funding, by making contributions to the OPEB fund, investors are providing an assurance of future payments of these obligations and reducing annual expense amounts. For the 2027 test year, WTW projected that the earnings on these funds will reduce the OPEB expense to a negative $9.5 million ALLETE (negative $7.5 million MP regulated; negative $6.4 million MN Jurisdictional).

Q. Can you provide more detail explaining how the Company's annual OPEB expense is derived?

A. Yes. Minnesota Power had WTW calculate OPEB expense using actuarial analyses performed in accordance with ASC 715-60, Defined Benefit Plans—Other Postretirement ("ASC 715-60"). ASC 715-60 sets forth the methodologies and assumptions used to calculate OPEB expense.

ASC 715-60 requires the OPEB expense for a given year to be determined annually, which is calculated by WTW. In addition, the Company's independent auditor—PwC—audits the actuarial assumptions used to ensure compliance with GAAP.

[49] *In the Matter of Minn. Power's Petition for Approval of Deferred Accounting Related to Pension Plan Contributions and Expenses*, Docket No. E015/M-11-1264, ORDER DENYING PETITION (Mar. 11, 2013) (eDocket No. 20133-84570-01).
[50] *Id.* at 2.

Q. Has the Company taken steps to reduce/control OPEB costs in recent years?

A. Yes. The Company has made several recent changes over the past few years, which are addressed in the Direct Testimony of Company witness Chan and highlighted below:

1. Effective January 1, 2024, the post-65 group transitioned from a fully insured Medicare Advantage Plan to a Medicare marketplace administered by Aptia. This change provides Medicare eligible participants greater flexibility by allowing them to choose between health plan carriers, provider networks, and coverage options that best meet their individual needs and circumstances. To support this transition, the Company provided an annual $1,000 contribution to a tax-free health reimbursement account ("HRA"), which may be used for qualified medical expenses, including premiums and other eligible out-of-pocket costs. Retirees also have year-round access to Aptia's benefits counselors, who assist them with plan comparison, enrollment, and ongoing support and advocacy;
2. Effective January 1, 2026, the annual HRA allocation was negotiated by the Board of Governors Negotiating Committee with an updated schedule as follows:

Year	Annual HRA allocation per participant
2026	$1,100
2027	$1,100
2028	$1,200
2029	$1,200

3. Also, effective January 1, 2026, participants in the Post-65 plan also transitioned to an "open model," meaning they remain eligible to receive the HRA allocation regardless of the insurance broker or agent they choose to use in electing coverage.

Q. What are the components of the 2027 OPEB calculation?

A. ALLETE's OPEB expense is determined in largely the same manner as pension expense—that is, by calculating and aggregating five components:

1. Service Cost – The present value (using the discount rate as described below) of the portion of the projected benefits attributable to service during the upcoming year;
2. Interest Cost – The amount the present value (using the discount rate as described below) of future benefit payments is expected to increase during the year due to one year's interest accrual. In other words, this is the expense incurred because the employees are one year closer to receiving their benefits;
3. Expected Return on Plan Assets – The amount expected to be earned on the plan's assets. It is estimated by multiplying the EROA by the five-year smoothed OPEB asset balance;
4. Amortization of Prior Service Cost – The amortization of the cost of increased/ decreased benefits, amortized over the remaining service life (to full eligibility) of the affected participants; and
5. Amortization of Net Gain or Loss – Gains or losses accumulate when the annual change in the benefit obligation or the plan assets deviate from expectations, *e.g.*, the difference between the prior years' actual return on plan assets vs. the prior years' Expected Return on Plan Assets. If these accumulated gains or losses exceed 10 percent of the greater of the benefit obligation or plan assets, the excess is amortized over a period of time based on participant demographics.

Q. What information did the actuary utilize to calculate the annual 2027 test year OPEB expense?

A. The primary OPEB assumptions used to estimate the Company's 2027 OPEB expense are listed below:

- Discount rate of 5.77 percent: ALLETE determines the discount rate by considering a number of factors, though the primary consideration is the discount rate suggested by WTW's U.S. Bond:Link Model. This model creates a hypothetical portfolio of AA or better rated corporate bonds such that the subsequent cash flows produced are sufficient to fund projected benefit payments. The discount rate is estimated to be the yield on this hypothetical portfolio. The bonds in the model reflect the requirements of ASC 715-60 to

utilize rates of high-quality debt securities. This methodology is more precise than a simple yield curve approach and results in a higher discount rate (lower expense);

- EROA of 7.0 percent for non-taxable plans: This 7.0 percent rate is in line with WTW's 6.9 percent net of fee mid- or 50th percentile projection for the plan (see MP Exhibit ___ (Anderson), Direct Schedule 2). The EROA for ALLETE's taxable plan is 5.6 percent, or 80 percent of the non-taxable plan's EROA, because it assumes a 20 percent tax rate; and
- Health care trend rates: initial trend rate of 7.0 percent for 2026 with ultimate trend rate of 5.0 percent. This is very comparable to the EEI Pension and OPEB Survey 2024–2025 average initial trend rate of 7.58 percent and average ultimate trend rate of 4.73 percent (see MP Exhibit ___ (Anderson), Direct Schedule 9).

Q. Please provide an example how the EROA and the related investment earnings reduce OPEB expense.

A. As illustrated by Table 6, the EROA and related Expected Return on Plan Assets are the main OPEB expense reducer at negative $10.7 million for 2025. However, the amortization of prior service cost of negative $5.8 million also reduced the cost of the OPEB plans and shows how the reduction of OPEB benefits has helped to reduce the Company's OPEB expense.[51]

[51] *See* MP Exhibit ___ (Anderson), Direct Schedule 9.

Table 6. OPEB Expense Example Utilizing 2025 Actual and 2027 Proposed Test Year Information ($ in millions)

	2025 ALLETE Actual	2027 ALLETE Proposed Test Year	2027 MP Regulated Proposed Test Year	2027 MN Jurisdictional Proposed Test Year
Service cost	$ 1.7	$ 2.1	$ 1.7	$ 1.4
Interest cost	3.9	4.2	3.3	2.8
Amortization of loss / (gain)	(2.4)	(1.5)	(1.2)	(1.0)
Amortization of prior service cost	(5.8)	(4.9)	(3.9)	(3.3)
Expected return on plan assets	(10.7)	(9.4)	(7.4)	(6.3)
OPEB Expense	**$ (13.3)**	**$ (9.5)**	**$ (7.5)**	**$ (6.4)**

Q. Does the OPEB expense calculation, like the pension expense calculation, incorporate a smoothing mechanism?

A. Yes, the OPEB expense calculation incorporates the same smoothing mechanisms as the pension expense, including use of the market-related value of assets, amortizations of prior service costs/(credits), amortizations of (gains)/losses, and the application of the corridor (described below) for determining if (gains)/losses need to be amortized.

For purposes of calculating OPEB expense, the Company utilizes all smoothing methods allowed under OPEB accounting rules (ASC 715-60) that are designed to reduce OPEB expense volatility. Under these methods:

- ALLETE uses a market-related value of assets in calculating expense. The market-related value of assets phases in gains or losses over a five-year period. This reduces volatility by using a more stable asset value to determine the Expected Return on Plan Assets component of expense. The market-related value of assets also reduces volatility in the amortization of gains and losses, described below, because recent gains and losses are excluded from the amortization calculation to the extent they are not phased in;

- ALLETE amortizes accumulated gains and losses, excluding gains and losses not yet phased into the market-related value of assets, in the OPEB expense;
  - ALLETE uses a corridor to determine if gains and losses will be amortized in expense. The corridor is the greater of 10 percent of the plan's obligation or 10 percent of the plan's market-related value of assets;
    - If accumulated gains and losses fall within the corridor, no gains and losses are amortized in expense;
    - If accumulated gains and losses exceed the corridor, the excess is amortized over the average working lifetime of active participants or the average lifetime of inactive participants if there are no active participants in the plan; and
- Increases or decreases in plan liabilities resulting from plan amendments are amortized over the expected years to full eligibility age, which typically is the average working lifetime of the active participants affected by the plan amendment.

Q. Is there an alternative way to recover OPEB expense?

A. Yes. As with the pension expense discussed previously, an alternative approach could be to use updated actuals as of the December 31, 2026 measurement date, which will be available in late January or early February 2027.

Q. What do you recommend with respect to including OPEB costs in Minnesota Power's 2027 test year?

A. Similar to pension expense, Minnesota Power supports recovery of the Company's actual 2027 OPEB expense as determined by the actuaries. Recovery of actual 2027 OPEB expense is the most accurate and consistent method for determining OPEB expense and has been approved in the Company's prior rate cases. Using another method, such as a historical average, could distort the forecasting methodology required by GAAP to measure the cost of the plan and prevent the Company from recovering its actual costs of providing these benefits to utility employees. Historical averages also do

not incorporate changes in the economic environment or plan and assumption changes implemented by the Company to control OPEB costs.

IV. CONCLUSION

Q. What are your overall recommendations for the 2027 proposed test year?

A. Minnesota Power recommends recovery of the Company's 2027 proposed test year pension expense of $5,911,189 MN Jurisdictional and negative OPEB expense of $6,384,344 MN Jurisdictional, for a combined negative benefit expense of $473,155 MN Jurisdictional, as determined by WTW, or updated for actuals through the annual adjustment mechanism. Minnesota Power also requests that the 13-month average balance for the 2027 test year, updated for actuals at the December 31, 2026 measurement date, of cumulative pension contributions in excess of cumulative recognized pension expense of $112,443,510 MN Jurisdictional, net of the associated ADIT asset of $34,262,262 MN Jurisdictional, or $78,181,248 MN Jurisdictional, be included in rate base and allowed to earn a pretax WACC return.

Q. Does this complete your testimony?

A. Yes.

Total Pension Rollforward

A	B	C	D	E (B+C-D)	F	G	H	I	J (C-F)	K (D-G)	L[8] (I+J-K)	M	N	O	P (J* M)	Q (K*M)	R (O+P-Q)	S	T	U	V (P * S)	W (Q * S)	X (U+V-W)	Y	Z
	ALLETE				**Less Subsidiary**			**Minnesota Power**						**Minnesota Power Regulated**						**MN Jurisdictional**						
Year	**Beginning Prepaid**	**Contributions**	**Expense**	**Ending Prepaid**	**Contributions**	**Expense**	**Year**	**Beginning Prepaid**	**Contributions**	**Expense**	**Ending Prepaid**	**MN Power to MP Regulated Allocator**	**Year**	**Beginning Prepaid**	**Contributions**	**Expense**	**Ending Prepaid**	**Jurisdictional Allocator**	**Year**	**Beginning Prepaid**	**Contributions**	**Expense**	**Ending Prepaid**		**TOTAL Recovery**	
1987	3,908	4,054,160	4,053,454	4,614	559,999	457,574	**1987**	3,908	3,494,161	3,595,880	(97,811)	76.70%	**1987**	3,908	2,680,021	2,758,040	(74,110)	92.1000%	**1987**	3,908	2,468,300	2,540,155	(67,947)	**1987**	n/a	
1988	4,614	2,673,674	2,678,288	0	149,635	204,411	**1988**	(97,811)	2,524,039	2,473,877	(47,649)	76.70%	**1988**	(74,110)	1,935,938	1,897,464	(35,636)	92.1000%	**1988**	(67,947)	1,782,999	1,747,564	(32,512)	**1988**	n/a	
1989	0	2,466,133	2,466,133	0	102,421	169,626	**1989**	(47,649)	2,363,712	2,296,507	19,556	76.70%	**1989**	(35,636)	1,812,967	1,761,421	15,910	92.1000%	**1989**	(32,512)	1,669,743	1,622,269	14,962	**1989**	n/a	
1990	0	3,022,676	2,796,953	225,723	164,956	120,722	**1990**	19,556	2,857,720	2,676,231	201,045	76.70%	**1990**	15,910	2,191,871	2,052,669	155,112	92.1000%	**1990**	14,962	2,018,713	1,890,508	143,167	**1990**	n/a	
1991	225,723	5,724,650	2,321,988	3,628,385	258,884	67,754	**1991**	201,045	5,465,766	2,254,234	3,412,577	76.700%	**1991**	155,112	4,192,243	1,728,997	2,618,357	92.1000%	**1991**	143,167	3,861,055	1,592,407	2,411,816	**1991**	n/a	
1992	3,628,385	4,033,434	2,026,297	5,635,522	169,750	38,131	**1992**	3,412,577	3,863,684	1,988,166	5,288,095	76.700%	**1992**	2,618,357	2,963,446	1,524,923	4,056,880	92.1000%	**1992**	2,411,816	2,729,333	1,404,454	3,736,695	**1992**	n/a	
1993	5,635,522	4,008,886	1,904,872	7,739,536	62,510	105,189	**1993**	5,288,095	3,946,376	1,799,683	7,434,788	76.700%	**1993**	4,056,880	3,026,870	1,380,357	5,703,393	92.1000%	**1993**	3,736,695	2,787,748	1,271,309	5,253,134	**1993**	n/a	
1994	7,739,536	1,787,709	801,925	8,725,320	27,909	(113,184)	**1994**	7,434,788	1,759,800	915,109	8,279,479	76.700%	**1994**	5,703,393	1,349,767	701,889	6,351,271	92.1000%	**1994**	5,253,134	1,243,135	646,439	5,849,830	**1994**	368,504	[1]
1995	8,725,320	3,621	2,323,762	6,405,179	-	13,352	**1995**	8,279,479	3,621	2,310,410	5,972,690	76.700%	**1995**	6,351,271	2,777	1,772,084	4,581,964	92.1000%	**1995**	5,849,830	2,558	1,632,090	4,220,298	**1995**	368,504	
1996	6,405,179	-	5,195,829	1,209,350	-	113,051	**1996**	5,972,690	-	5,082,778	889,912	76.700%	**1996**	4,581,964	-	3,898,491	683,473	91.9200%	**1996**	4,220,298	-	3,583,493	636,805	**1996**	368,504	
1997	1,209,350	-	4,596,632	(3,387,282)	-	109,340	**1997**	889,912	-	4,487,292	(3,597,380)	76.700%	**1997**	683,473	-	3,441,753	(2,758,280)	91.9200%	**1997**	636,805	-	3,163,659	(2,526,854)	**1997**	368,504	
1998	(3,387,282)	-	(459,478)	(2,927,804)	-	(171,476)	**1998**	(3,597,380)	-	(288,002)	(3,309,378)	76.700%	**1998**	(2,758,280)	-	(220,898)	(2,537,382)	91.9200%	**1998**	(2,526,854)	-	(203,049)	(2,323,805)	**1998**	368,504	
1999	(2,927,804)	-	(3,922,267)	994,463	-	(284,191)	**1999**	(3,309,378)	-	(3,638,076)	328,698	76.700%	**1999**	(2,537,382)	-	(2,790,404)	253,022	91.9200%	**1999**	(2,323,805)	-	(2,564,940)	241,134	**1999**	368,504	
2000	994,463	-	(8,497,214)	9,491,677	-	(411,904)	**2000**	328,698	-	(8,085,310)	8,414,008	76.700%	**2000**	253,022	-	(6,201,433)	6,454,455	91.9200%	**2000**	241,134	-	(5,700,357)	5,941,491	**2000**	368,504	
2001	9,491,677	-	(9,567,909)	19,059,586	-	(725,066)	**2001**	8,414,008	-	(8,842,843)	17,256,851	76.700%	**2001**	6,454,455	-	(6,782,461)	13,236,916	91.9200%	**2001**	5,941,491	-	(6,234,438)	12,175,929	**2001**	368,504	
2002	19,059,586	-	(6,975,895)	26,035,481	-	(379,100)	**2002**	17,256,851	-	(6,596,795)	23,853,646	76.700%	**2002**	13,236,916	-	(5,059,742)	18,296,657	91.9200%	**2002**	12,175,929	-	(4,650,915)	16,826,844	**2002**	368,504	
2003	26,035,481	-	(2,628,334)	28,663,815	-	(52,538)	**2003**	23,853,646	-	(2,575,796)	26,429,442	76.700%	**2003**	18,296,657	-	(1,975,636)	20,272,293	91.9200%	**2003**	16,826,844	-	(1,816,004)	18,642,848	**2003**	368,504	
2004	28,663,815	7,862,565	3,097,015	33,429,365	390,044	425,527	**2004**	26,429,442	7,472,521	2,671,488	31,230,475	76.700%	**2004**	20,272,293	5,731,424	2,049,031	23,954,685	91.9200%	**2004**	18,642,848	5,268,325	1,883,470	22,027,703	**2004**	368,504	
2005	33,429,365	-	4,951,308	28,478,057	-	547,212	**2005**	31,230,475	-	4,404,096	26,826,379	77.120%	**2005**	23,954,685	-	3,396,439	20,558,246	89.4600%	**2005**	22,027,703	-	3,038,454	18,989,249	**2005**	368,504	
2006	28,478,057	8,257,827	7,305,480	29,430,404	873,279	722,553	**2006**	26,826,379	7,384,548	6,582,927	27,628,000	82.956%	**2006**	20,558,246	6,125,926	5,460,933	21,223,239	89.4600%	**2006**	18,989,249	5,480,253	4,885,351	19,584,151	**2006**	368,504	
2007	29,430,404	187,819	1,096,191	28,522,032	-	389,871	**2007**	27,628,000	187,819	706,320	27,109,499	83.657%	**2007**	21,223,239	157,124	590,886	20,789,477	87.4900%	**2007**	19,584,151	137,468	516,966	19,204,653	**2007**	368,504	
2008	28,522,032	10,898,460	(577,913)	39,998,405	1,111,644	492,799	**2008**	27,109,499	9,786,816	(1,070,712)	37,967,027	85.936%	**2008**	20,789,477	8,410,399	(920,127)	30,120,002	87.6767%	**2008**	19,204,653	7,373,960	(806,737)	27,385,349	**2008**	(598,935)	[2]
2009	39,998,405	32,900,000	764,042	72,134,363	3,355,820	306,228	**2009**	37,967,027	29,544,180	457,814	67,053,394	87.422%	**2009**	30,120,002	25,828,113	400,230	55,547,885	87.6767%	**2009**	27,385,349	22,645,237	350,909	49,679,678	**2009**	(1,566,373)	
2010	72,134,363	26,500,000	4,603,064	94,031,299	2,081,415	514,800	**2010**	67,053,394	24,418,585	4,088,264	87,383,715	89.220%	**2010**	55,547,885	21,786,262	3,647,549	73,686,598	86.1672%	**2010**	49,679,678	18,772,612	3,142,991	65,309,299	**2010**	1,452,891	[3]
2011	94,031,299	33,819,786	11,486,072	116,365,013	2,289,883	991,698	**2011**	87,383,715	31,529,903	10,494,374	108,419,244	88.827%	**2011**	73,686,598	28,007,067	9,321,838	92,371,828	86.1672%	**2011**	65,309,299	24,132,906	8,032,366	81,409,838	**2011**	1,452,891	
2012	116,365,013	7,292,000	16,174,087	107,482,926	673,856	1,245,657	**2012**	108,419,244	6,618,144	14,928,430	100,108,958	89.600%	**2012**	92,371,828	5,929,857	13,375,873	84,925,811	86.1672%	**2012**	81,409,838	5,109,592	11,525,615	74,993,814	**2012**	1,452,891	
2013	107,482,926	-	20,670,516	86,812,410	-	1,529,187	**2013**	100,108,958	-	19,141,329	80,967,629	89.693%	**2013**	84,925,811	-	17,168,432	67,757,379	86.1672%	**2013**	74,993,814	-	14,793,557	60,200,257	**2013**	1,452,891	
2014	86,812,410	19,499,040	12,522,446	93,789,004	3,780,934	935,383	**2014**	80,967,629	15,718,106	11,587,063	85,098,672	88.661%	**2014**	67,757,379	13,935,830	10,273,206	71,420,003	86.1672%	**2014**	60,200,257	12,008,114	8,852,134	63,356,238	**2014**	1,452,891	
2015	93,789,004	-	15,304,684	78,484,320	-	1,562,991	**2015**	85,098,672	-	13,741,693	71,356,979	87.124%	**2015**	71,420,003	-	11,972,313	59,447,691	86.5161%	**2015**	63,356,238	-	10,357,978	52,998,260	**2015**	1,452,891	
2016	78,484,320	6,300,180	5,285,744	79,498,756	582,518	788,160	**2016**	71,356,979	5,717,662	4,497,584	72,577,057	85.021%	**2016**	59,447,691	4,861,213	3,823,891	60,485,013	86.0536%	**2016**	52,998,260	4,183,249	3,290,596	53,890,913	**2016**	1,452,891	
2017	79,498,756	15,165,725	8,376,836	86,287,645	1,385,239	1,348,589	**2017**	72,577,057	13,780,486	7,028,247	79,329,296	85.149%	**2017**	60,485,013	11,733,946	5,984,482	66,234,477	87.0129%	**2017**	53,890,913	10,210,047	5,207,271	58,893,688	**2017**	5,719,569	[4,5]
2018	86,287,645	15,000,000	5,590,407	95,697,238	1,675,888	1,333,926	**2018**	79,329,296	13,324,112	4,256,481	88,396,927	82.681%	**2018**	66,234,477	11,016,509	3,519,301	73,731,685	87.5035%	**2018**	58,893,688	9,639,831	3,079,512	65,454,008	**2018**	5,678,717	
2019	95,697,238	10,430,000	2,823,926	103,303,312	682,042	693,322	**2019**	88,396,927	9,747,958	2,130,604	96,014,281	78.353%	**2019**	73,731,685	7,637,818	1,669,392	79,700,110	88.9693%	**2019**	65,454,008	6,795,313	1,485,247	70,764,074	**2019**	5,229,348	
2020	103,303,312	10,679,000	6,970,212	107,012,100	969,917	1,450,389	**2020**	96,014,281	9,709,083	5,519,823	100,203,541	72.982%	**2020**	79,700,110	7,085,883	4,028,477	82,757,516	88.2992%	**2020**	70,764,074	6,256,776	3,557,112	73,463,738	**2020**	5,229,348	
2021	107,012,100	10,340,000	8,412,171	108,939,929	1,060,985	1,664,804	**2021**	100,203,541	9,279,015	6,747,367	102,735,189	75.403%	**2021**	82,757,516	6,996,656	5,087,717	84,666,455	88.2530%	**2021**	73,463,738	6,174,756	4,490,061	75,148,433	**2021**	5,229,348	
2022	108,939,929	-	5,028,072	103,911,857	-	1,364,018	**2022**	102,735,189	-	3,664,054	99,071,135	75.370%	**2022**	84,666,455	-	2,761,597	81,904,857	88.7690%	**2022**	75,148,433	-	2,451,442	72,696,991	**2022**	3,186,553	[6]
2023	103,911,857	17,316,359	7,593,935	113,634,281	2,515,927	1,677,824	**2023**	99,071,135	14,800,432	5,916,111	107,955,456	66.273%	**2023**	81,904,857	9,808,690	3,920,784	87,792,763	88.7983%	**2023**	72,696,991	8,709,950	3,481,590	77,925,351	**2023**	3,186,553	
2024	113,634,281	24,960,000	5,631,154	132,963,127	3,199,129	1,486,548	**2024**	107,955,456	21,760,871	4,144,606	125,571,721	61.040%	**2024**	87,792,763	13,282,836	2,529,868	98,545,731	89.0002%	**2024**	77,925,351	11,821,750	2,251,587	87,495,514	**2024**	3,956,738	
2025	132,963,127	19,100,000	8,826,225	143,236,902	2,580,219	1,807,085	**2025**	125,571,721	16,519,781	7,019,140	135,072,362	74.428%	**2025**	98,545,731	12,295,343	5,224,206	105,616,868	88.0660%	**2025**	87,495,514	10,828,016	4,600,749	93,722,782	**2025**	3,956,738	[7]
2026 est	143,236,902	24,400,000	11,508,103	156,128,799	3,364,382	2,326,624	**2026 est**	135,072,362	21,035,618	9,181,479	146,926,501	82.756%	**2026 est**	105,616,868	17,408,236	7,598,225	115,426,880	88.1280%	**2026 est**	93,722,782	15,341,530	6,696,164	102,368,149	**2026 est**	3,956,738	
2027 est	156,128,799	17,039,280	10,398,672	162,769,407	2,444,964	2,194,016	**2027 est**	146,926,501	14,594,316	8,204,656	153,316,161	84.442%	**2027 est**	115,426,880	12,323,732	6,928,176	120,822,436	85.3210%	**2027 est**	102,368,149	10,514,732	5,911,189	106,971,692	**2027 est**		
																					176,793,848	88,324,200			54,536,897	

[1] Docket Number E015/GR-94-001.

[2] Per Docket No. E015/GR-08-415, Information Request 184 (July 31, 2008). 2008 test year was a half year (recovery amount includes half of 2007 and 2008 recovery amounts).

[3] In the Matter of the Application of Minnesota Power for Authority to Increase Rates for Electric Service in Minnesota, Docket No. E015/GR-09-1151, Findings of Fact, Conclusions, and Order (Nov. 2, 2010) at p. 26.

[4] In the Matter of the Application of Minnesota Power for Authority to Increase Rates for Electric Service in Minnesota, Docket No. E015/GR-16-664, Rebuttal Testimony and Schedules of Patrick L. Cutshall (June 29, 2017) at pp. 4-5 and Schedule 12, p.4.

[5] The MN Jurisdicational Allocation factor of 87.0129% was used to calculate the amount of pension expense recovered in the 2016 rate case (Docket No. E015/GR-16-664, "Compliance Filing - Final General Rates" (June 28, 2018) at Schedule 16, p. 45). The calculation of the pension expense was calculated as follows:

	Per Cutshall Direct Testimony	Per Cutshall Rebuttal Testimony	Per Compliance Filing - Final Rates
Total Company	$ 6,610,094	$ 6,009,854	$ 6,009,854
MN Jurisdictional Allocation	86.5278%	86.5278%	87.0129%
MN Power Jurisdictional (MN)	$ 5,719,569	$ 5,200,194	$ 5,229,348

[6] In the Matter of the Application of Minnesota Power for Authority to Increase Rates for Electric Service in Minnesota, Docket No. E015/GR-21-335, Direct Testimony and Schedules of Patrick L. Cutshall (Nov. 1, 2021) at p. 45 and Schedule 9.

	Per Cutshall Direct Testimony	Per Settlement Agreement - Final
Total Company	$ 3,588,541	$ 3,588,541
MN Jurisdictional Allocation	88.9113%	88.7980%
MN Power Jurisdictional (MN)	$ 3,190,618	$ 3,186,553

[7] In the Matter of the Application of Minnesota Power for Authority to Increase Rates for Electric Service in Minnesota, Docket No. E015/GR-23-155, Direct Testimony and Schedules of Patrick L. Cutshall (Nov. 1, 2023) at p. 45 and Schedule 1; and Settlement Agreement (May 3, 2024) at p. 8.

	Per Cutshall Direct Testimony	Per Settlement Agreement - Final
Total Company	$ 4,751,507	$ 4,445,763
MN Jurisdictional Allocation	88.9860%	89.0002%
MN Power Jurisdictional (MN)	$ 4,228,176	$ 3,956,738

[8] The 2027 est "Ending Prepaid" amount agrees to MP Exhibit ___ (Anderson) Schedule 3, Column E (Dec-27). For MP Regulated Ending Prepaid in Column R, we apply the regulated allocator to the contribution and expense amounts on an annual basis rather than to the Minnesota Power (or Total Company) Ending Prepaid amount, which results in a difference between Column R in this schedule and Column I in MP Exhibit ___ (Anderson) Schedule 3. Please see footnote 3 of Direct Schedule 3.

Expected Return Estimator (January 2026) – Summary

Asset Class Name	Asset Model Expected Return	Plan B	Plan C	OPEB Union	OPEB Nonunion
Large-Cap Stocks	8.69%	14.7%	11.7%	16.8%	16.3%
Mid-Cap Stocks	8.98%	6.5%	5.2%	15.0%	14.8%
Small-Cap Stocks	8.98%	5.9%	4.7%	8.1%	8.1%
All US Stocks	8.78%	20.1%	16.0%	0.0%	0.0%
International Stocks	8.85%	21.1%	16.9%	13.6%	13.7%
Emerging Market Stocks	11.61%	0.0%	0.0%	10.2%	10.9%
Real Estate	7.11%	2.1%	3.3%	0.0%	0.0%
Long Government / Credit	5.93%	27.2%	41.7%	0.0%	0.0%
Intermediate Government Bonds	4.19%	0.0%	0.0%	19.9%	36.1%
Intermediate Corporate Bonds	4.76%	0.0%	0.0%	14.9%	0.0%
Cash/Treasury Bills	3.76%	2.4%	0.5%	1.5%	0.1%
Probability Distribution of Geometric Returns for 20 Years		**Nominal**	**Nominal**	**Nominal**	**Nominal**
	75th Percentile	8.1%	7.8%	8.1%	8.1%
	50th Percentile	7.0%	6.7%	6.9%	6.9%
	25th Percentile	5.9%	5.8%	5.8%	5.8%
	FY 2026 EROA assumption (pre-tax)	7.0%	6.5%	7.0%	5.6%*

** OPEB Non-Union EROA assumption is provided post tax*

50th Percentile Weighted Average (Pension)	50th Percentile Weighted Average (OPEB)
6.80%	**6.90%**

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Minnesota Power
Working Capital Requirements
Prepaid Pension Asset
2027 Projected Budget Unadjusted

Projected

Month	A Pension 18230-6015	B Pension Plan B 22830-2009	C Pension Plan C 22830-2011	D AOCI Pension 21900-0003	E Total (A+B+C+D)	F MP Regulated Allocator	G Prepaid Pension Asset MP Regulated E x F	H MN Jurisdictional Allocator	I Prepaid Pension Asset - MN Jurisdictional G x H
December-26	161,625,235	(23,313,502)	(19,834,543)	28,449,311	$ 146,926,501	82.756%	$ 121,590,495	85.321%	$ 103,742,226
January-27	161,625,235	(14,008,201)	(15,229,250)	28,449,311	160,837,095	84.442%	135,814,060	85.321%	115,877,914
February-27	161,625,235	(14,187,857)	(15,733,316)	28,449,311	160,153,373	84.442%	135,236,711	85.321%	115,385,314
March-27	161,625,235	(14,367,513)	(16,237,382)	28,449,311	159,469,651	84.442%	134,659,363	85.321%	114,892,715
April-27	161,625,235	(14,547,169)	(16,741,448)	28,449,311	158,785,929	84.442%	134,082,014	85.321%	114,400,115
May-27	161,625,235	(14,726,825)	(17,245,514)	28,449,311	158,102,207	84.442%	133,504,666	85.321%	113,907,516
June-27	161,625,235	(14,906,481)	(17,749,580)	28,449,311	157,418,485	84.442%	132,927,317	85.321%	113,414,916
July-27	161,625,235	(15,086,137)	(18,253,646)	28,449,311	156,734,763	84.442%	132,349,969	85.321%	112,922,317
August-27	161,625,235	(15,265,793)	(18,757,712)	28,449,311	156,051,041	84.442%	131,772,620	85.321%	112,429,717
September-27	161,625,235	(15,445,449)	(19,261,778)	28,449,311	155,367,319	84.442%	131,195,272	85.321%	111,937,118
October-27	161,625,235	(15,625,105)	(19,765,844)	28,449,311	154,683,597	84.442%	130,617,923	85.321%	111,444,518
November-27	161,625,235	(15,804,761)	(20,269,910)	28,449,311	153,999,875	84.442%	130,040,574	85.321%	110,951,919
December-27	161,625,235	(15,984,414)	(20,773,971)	28,449,311	$ 153,316,161 [3]	84.442%	$ 129,463,233	85.321%	$ 110,459,325
							$ 1,713,254,216 [1]		$ 1,461,765,630 [1]
13 month Average					**$ 156,295,846**		**$ 131,788,786** [2]		**$ 112,443,510** [2]

Reconciliation of how 13-month average number and year end 2027 numbers tie to each other.

Total Minnesota Power 2027 year end balance	$ 153,316,161
Minnesota Power regulated allocator	84.44%
Total Minnesota Power regulated	129,463,233
MN Jurisdictional allocator	85.321%
MN Jurisdictional 2027 year end balance	$ 110,459,325

[1] Total 13 months - Dec 26 to Dec 27

[2] Total 13 months in [1] divided 13 months

[3] Dec-27 agrees to MP Exhibit ___ (Anderson), Schedule 1, Column L. However, the MP Regulated ending prepaid in Column G of this schedule does not agree to Column R in Schedule 1 due to calculating the prepaid differently between the schedules. In this schedule we apply the % allocators appropriately to the ending prepaid amount, while in Schedule 1 the % allocators are applied to the annual contribution and expense amounts (rather than the ending prepaid) for instructive purposes.

Form 3273 Rev. 6/18

Request for Payment

Date January 17, 2023

To Accounts Payable

Please issue check in amount of $6,450,000.00

To U.S. Bank

Address _____

Requested by Tara Anderson

City, State _____

Zip Code _____

Tax ID or SS# _____

You need to supply a Purchasing Category and Intended Use for this Invoice

Purchasing Category: Please Select

Intended Use: Financial Transactions

Explanation for Request:

Purchasing Category: PERMITS, LICENSES, FEES
***Please include Cash & Investments exception
MP Pension Contribution- Plan B

SPECIAL CHECK HANDLING

Reason for Special Handling Request:

Wire Instructions:
U.S Bank National Association
ABA: 091000022
Account Name: Trust NRK St. Paul
Account #: [redacted]
Attn: Kyle Christensen & Anthony Sauro
MN Power A/C # 14563410

Special Handling Instructions:

_____ Check needs to be delivered to _____

_____ Attachment needs to be sent with check (send attachments with this request)

_____ Check needs to be overnighted

(provide Project_____ and Work Order_____ for charges)

Project, Task (WO), Expense Type or GL String (To be entered by user in Oracle)	**Amount**	
100.0000.22830.2009.0000.0000.0000.00000.0000	$6,450,000	00

Form 3273 Rev. 6/18

Request for Payment

Date September 15, 2023

To Accounts Payable

Please issue check in amount of $10,850,000.00

To U.S. Bank

Address _____

_____

_____

Requested by Tara Anderson

City, State _____

Zip Code _____

Tax ID or SS# _____

You need to supply a Purchasing Category and Intended Use for this Invoice

Purchasing Category: Please Select

Intended Use: Financial Transactions

Explanation for Request:

Purchasing Category: PERMITS, LICENSES, FEES
***Please include Cash & Investments exception
MP Pension Contribution- Plan B

SPECIAL CHECK HANDLING

Reason for Special Handling Request:

Wire Instructions:
U.S Bank National Association
ABA: 091000022
Account Name: Trust NRK St. Paul
Account #: [redacted]
Attn: Kyle Christensen & Anthony Sauro
MN Power A/C # 14563410

Special Handling Instructions:

_____ Check needs to be delivered to _____

_____ Attachment needs to be sent with check (send attachments with this request)

_____ Check needs to be overnighted

(provide Project_____ and Work Order_____ for charges)

Project, Task (WO), Expense Type or GL String (To be entered by user in Oracle)	**Amount**	
100.0000.22830.2009.0000.0000.0000.00000.0000	$10,850,000	00

Form 3273 Rev. 6/18

Request for Payment

Date November 1, 2023

To Accounts Payable

Please issue check in amount of $16,359.11

To U.S. Bank

Address _____

Requested by Tara Anderson

City, State _____

Zip Code _____

Tax ID or SS# _____

You need to supply a Purchasing Category and Intended Use for this Invoice

Purchasing Category: Please Select

Intended Use: Financial Transactions

Explanation for Request:

Purchasing Category: PERMITS, LICENSES, FEES
***Please include Cash & Investments exception
MP Pension Plan B - reimbursement for overpayment to participant

SPECIAL CHECK HANDLING

Reason for Special Handling Request:

Wire Instructions:
U.S Bank National Association
ABA: 091000022
Account Name: Trust NRK St. Paul
Account #: [redacted]
Attn: Kyle Christensen & Anthony Sauro
MN Power A/C # 14563410

Special Handling Instructions:

_____ Check needs to be delivered to _____

_____ Attachment needs to be sent with check (send attachments with this request)

_____ Check needs to be overnighted

(provide Project_____ and Work Order_____ for charges)

Project, Task (WO), Expense Type or GL String (To be entered by user in Oracle)	**Amount**	
100.0000.22830.2009.0000.0000.0000.00000.0000	$16,359	11

From: Jessica Hansen (ALLETE)
To: Tara Anderson (ALLETE)
Subject: RE: Trust payment
Date: Wednesday, November 1, 2023 8:38:04 AM
Attachments: image001.png

Plan B.

From: Tara Anderson (ALLETE) <tlanderson@allete.com>
Sent: Wednesday, November 1, 2023 8:19 AM
To: Jessica Hansen (ALLETE) <jhansen@allete.com>
Subject: RE: Trust payment

Do you know which plan this was paid out of?

Thanks,
Tara Anderson (she/her)
Supervisor - Treasury & Investments
218.355.3470 (office)
218.780.0347 (mobile)

From: Jessica Hansen (ALLETE) <jhansen@allete.com>
Sent: Wednesday, November 1, 2023 8:13 AM
To: Tara Anderson (ALLETE) <tlanderson@allete.com>
Subject: Trust payment

Good Morning Tara-

Following up on our phone conversation, MP needs to pay the pension trust $16,359.11. This is due to an overpayment that was paid to a participant. We are unable to recoup the funds from the participant because too much time has lapsed since the overpayment began.

Please let me know if you have questions or if there is anything I need to do.

Thank you,

Jessica Hansen
Human Resources Analyst
ALLETE | 30 W Superior St. Duluth, MN 55802 | 218.355.3190

CONTRIBUTION ACTIVITY

DATE	DESCRIPTION	CASH	BOOK VALUE	MARKET
Employer Contributions				
Employer Contribution				
01/17/2023	Recd From Wells Fargo Sf	6,450,000.00		
09/15/2023	Employer Contribution For Plan Year 2022	10,850,000.00		
11/02/2023	Contribution For Plan B Participant	16,359.11		
Total Employer Contribution		**17,316,359.11**		
Total Employer Contributions		**17,316,359.11**		
Rollover Proceeds				
Rollover Proceeds				
01/05/2023	Wire For Peter Anthony Bergman	300,000.00		
02/03/2023	Wire For Tracie Latscher	200,000.00		
04/04/2023	Wire For Steven Schiller	250,000.00		
05/02/2023	Wire For Anthony McNeil	450,000.00		
06/05/2023	Wire For Jens Jauhola	500,000.00		
06/07/2023	Wire For Christopher Youngren	500,000.00		
06/07/2023	Wire For Scott Anderson	38,141.79		
06/07/2023	Wire For Stacy Hedin	199,675.47		
08/02/2023	Wire For Rodney Strom	150,000.00		
08/02/2023	Wire For John Palokangas	58,159.70		

Minnesota Power
Docket No. E015/GR-26-199
MP Exhibit___(Anderson)
Anderson Direct Schedule 4
Volume 2
Page 5 of 17

Form 3273 Rev. 6/18

Request for Payment

Date January 12, 2023

To Accounts Payable

Please issue check in amount of $12,550,000.00

To U.S. Bank

Address _____

Requested by Tara Anderson

City, State _____

Zip Code _____

Tax ID or SS# _____

You need to supply a Purchasing Category and Intended Use for this Invoice

Purchasing Category: Please Select

Intended Use: Financial Transactions

Explanation for Request:

Purchasing Category: PERMITS, LICENSES, FEES
***Please include Cash & Investments exception
MP Pension Contribution- Plan B

SPECIAL CHECK HANDLING

Reason for Special Handling Request:

Wire Instructions:
U.S Bank National Association
ABA: 091000022
Account Name: Trust NRK St. Paul
Account #: [redacted]
Attn: Kyle Christensen & Anthony Sauro
MN Power A/C # 14563410

Special Handling Instructions:

_____ Check needs to be delivered to _____

_____ Attachment needs to be sent with check (send attachments with this request)

_____ Check needs to be overnighted

(provide Project_____ and Work Order_____ for charges)

Project, Task (WO), Expense Type or GL String (To be entered by user in Oracle)	**Amount**	
100.0000.22830.2009.0000.0000.0000.00000.0000	$12,550,000	00

CONTRIBUTION ACTIVITY

DATE	DESCRIPTION	CASH	BOOK VALUE	MARKET
Employer Contributions				
Employer Contribution				
01/12/2024	Plan Years 2023 (Residual) And 2024	12,550,000.00		
Total Employer Contribution		**12,550,000.00**		
Total Employer Contributions		**12,550,000.00**		
Rollover Proceeds				
Rollover Proceeds				
01/03/2024	Wire For [redacted]	425,000.00		
05/02/2024	Wire For [redacted]	150,000.00		
05/02/2024	Wire For [redacted]	350,000.00		
05/02/2024	Wire For [redacted]	361,160.57		
07/02/2024	Wire For [redacted]	266,568.89		
08/02/2024	Wire For [redacted]	337,356.65		
09/06/2024	Wire For [redacted]	225,000.00		
11/08/2024	Wire For [redacted]	119,179.90		
Total Rollover Proceeds		**2,234,266.01**		
Total Rollover Proceeds		**2,234,266.01**		
Total Contributions		**14,784,266.01**		

Minnesota Power
Docket No. E015/GR-26-199
MP Exhibit___(Anderson)
Anderson Direct Schedule 4
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Form 3273 Rev. 6/18

Request for Payment

Date January 12, 2024

To Accounts Payable

Please issue check in amount of $12,410,000.00

To U.S. Bank

Address _____ Requested by Tara Anderson

_____

_____

City, State _____ Zip Code _____

Tax ID or SS# _____

You need to supply a Purchasing Category and Intended Use for this Invoice

Purchasing Category: Please Select

Intended Use: Financial Transactions

Explanation for Request:

Purchasing Category: PERMITS, LICENSES, FEES
***Please include Cash & Investments exception
MP Pension Contribution- Plan C

SPECIAL CHECK HANDLING

Reason for Special Handling Request:

Wire Instructions:
U.S Bank National Association
ABA: 091000022
Account Name: Trust NRK St. Paul
Account #: [redacted]
Attn: Kyle Christensen & Anthony Sauro
MN Power A/C # 14563420

Special Handling Instructions:

_____ Check needs to be delivered to _____

_____ Attachment needs to be sent with check (send attachments with this request)

_____ Check needs to be overnighted

(provide Project_____ and Work Order_____ for charges)

Project, Task (WO), Expense Type or GL String (To be entered by user in Oracle)	Amount	
100.0000.22830.2011.0000.0000.0000.00000.0000	$12,410,000	00

CONTRIBUTION ACTIVITY

DATE	DESCRIPTION	CASH	BOOK VALUE	MARKET
Employer Contributions				
Employer Contribution				
01/12/2024	Plan Years 2023 (Residual) And 2024	12,410,000.00		
Total Employer Contribution		**12,410,000.00**		
Total Employer Contributions		**12,410,000.00**		
Rollover Proceeds				
Rollover Proceeds				
01/03/2024	Wire For [redacted]	75,000.00		
02/02/2024	Wire For [redacted]	500,000.00		
03/06/2024	Wire For [redacted]	625,717.00		
03/06/2024	Wire For [redacted]	500,000.00		
05/02/2024	Wire For [redacted]	500,000.00		
08/02/2024	Wire For [redacted]	500,000.00		
08/02/2024	Wire For [redacted]	909,444.94		
09/06/2024	Wire For [redacted]	400,000.00		
11/01/2024	Wire For [redacted]	550,000.00		
12/03/2024	Wire For [redacted]	678,721.68		
Total Rollover Proceeds		**5,238,883.62**		
Total Rollover Proceeds		**5,238,883.62**		

Minnesota Power
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Request for Payment

Date January 7, 2023

To Accounts Payable

Please issue check in amount of $12,600,000.00

To U.S. Bank

Address _____ Requested by Tara Anderson

_____

_____

City, State _____ Zip Code _____

Tax ID or SS# _____

You need to supply a Purchasing Category and Intended Use for this Invoice

Purchasing Category: Please Select

Intended Use: Financial Transactions

Explanation for Request:

Purchasing Category: PERMITS, LICENSES, FEES
***Please include Cash & Investments exception
MP Pension Contribution- Plan B (due on or before 1/15/2025)

SPECIAL CHECK HANDLING

Reason for Special Handling Request:

Wire Instructions:
U.S Bank National Association
ABA: 091000022
Account Name: Trust NRK St. Paul
Account #: [redacted]
Attn: Kyle Christensen & Anthony Sauro
MN Power A/C # 14563410

Special Handling Instructions:

_____ Check needs to be delivered to _____

_____ Attachment needs to be sent with check (send attachments with this request)

_____ Check needs to be overnighted

(provide Project_____ and Work Order_____ for charges)

Project, Task (WO), Expense Type or GL String (To be entered by user in Oracle)	**Amount**	
100.0000.22830.2009.0000.0000.0000.00000.0000	$12,600,000	00

CONTRIBUTION ACTIVITY

DATE	DESCRIPTION	CASH	BOOK VALUE	MARKET
Employer Contributions				
Employer Contribution				
01/15/2025	Contribution For Plan Years 2024 (Residual) And 2025	12,600,000.00		
Total Employer Contribution		**12,600,000.00**		
Total Employer Contributions		**12,600,000.00**		
Rollover Proceeds				
Rollover Proceeds				
01/03/2025	Wire For John Michael Boser	476,444.29		
06/03/2025	Wire For Michael Joseph Poissant	235,000.00		
07/03/2025	Wire For Bradley R Belich	500,000.00		
08/05/2025	Wire For Kyle John Nelson	500,000.00		
08/05/2025	Wire For Sheldon R Bolin	120,000.00		
09/05/2025	Wire For Christopher T Wipson	400,000.00		
09/05/2025	Wire For Rossautio	197,717.27		
11/04/2025	Wire For Mark S Dalbec	129,229.66		
12/02/2025	Wire For Kyle R Tuominen	63,764.00		
Total Rollover Proceeds		**2,622,155.22**		
Total Rollover Proceeds		**2,622,155.22**		

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Request for Payment

Date January 7, 2025

To Accounts Payable

Please issue check in amount of $6,500,000.00

To U.S. Bank

Address _____

Requested by Tara Anderson

City, State _____

Zip Code _____

Tax ID or SS# _____

You need to supply a Purchasing Category and Intended Use for this Invoice

Purchasing Category: Please Select

Intended Use: Financial Transactions

Explanation for Request:

Purchasing Category: PERMITS, LICENSES, FEES
***Please include Cash & Investments exception
MP Pension Contribution- Plan C (due on or before 1/15/2025)

SPECIAL CHECK HANDLING

Reason for Special Handling Request:

Wire Instructions:
U.S Bank National Association
ABA: 091000022
Account Name: Trust NRK St. Paul
Account #: [redacted]
Attn: Kyle Christensen & Anthony Sauro
MN Power A/C # 14563420

Special Handling Instructions:

_____ Check needs to be delivered to _____

_____ Attachment needs to be sent with check (send attachments with this request)

_____ Check needs to be overnighted

(provide Project_____ and Work Order_____ for charges)

Project, Task (WO), Expense Type or GL String (To be entered by user in Oracle)	Amount	
100.0000.22830.2011.0000.0000.0000.00000.0000	$6,500,000	00

CONTRIBUTION ACTIVITY

DATE	DESCRIPTION	CASH	BOOK VALUE	MARKET
Employer Contributions				
Employer Contribution				
01/15/2025	Contribution For Plan Years 2024 (Residual) And 2025	6,500,000.00		
Total Employer Contribution		**6,500,000.00**		
Total Employer Contributions		**6,500,000.00**		
Rollover Proceeds				
Rollover Proceeds				
01/03/2025	Wire For [redacted]	516,825.54		
02/19/2025	Wire For [redacted]	500,000.00		
03/06/2025	Wire For [redacted]	500,000.00		
03/10/2025	Wire For [redacted]	500,000.00		
07/02/2025	Wire For [redacted]	500,000.00		
07/02/2025	Wire For [redacted]	500,000.00		
08/05/2025	Wire For [redacted]	815,291.66		
09/05/2025	Wire For [redacted]	283,802.57		
09/05/2025	Wire For [redacted]	500,000.00		
09/05/2025	Wire For [redacted]	500,000.00		
09/05/2025	Wire For [redacted]	500,000.00		

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Request for Payment

Date January 7, 2026

To Accounts Payable

Please issue check in amount of $12,900,000.00

To U.S. Bank

Address _____

_____

_____

Requested by Tara Anderson

City, State _____

Zip Code _____

Tax ID or SS# _____

You need to supply a Purchasing Category and Intended Use for this Invoice

Purchasing Category: Please Select

Intended Use: Financial Transactions

Explanation for Request:

Purchasing Category: PERMITS, LICENSES, FEES
***Please include Cash & Investments exception
MP Pension Contribution- Plan B (due on or before 1/15/2026)

SPECIAL CHECK HANDLING

Reason for Special Handling Request:

Wire Instructions:
U.S Bank National Association
ABA: 091000022
Account Name: Trust NRK St. Paul
Account #: [redacted]
Attn: Kyle Christensen & Anthony Sauro
MN Power A/C # 14563410

Special Handling Instructions:

_____ Check needs to be delivered to _____

_____ Attachment needs to be sent with check (send attachments with this request)

_____ Check needs to be overnighted

(provide Project_____ and Work Order_____ for charges)

Project, Task (WO), Expense Type or GL String (To be entered by user in Oracle)	**Amount**	
100.0000.22830.2009.0000.0000.0000.00000.0000	$12,900,000	00

CONTRIBUTION ACTIVITY

DATE	DESCRIPTION	CASH	BOOK VALUE	MARKET
Employer Contributions				
Employer Contribution				
01/15/2026	Contribution For Plan Year 2025	12,900,000.00		
Total Employer Contribution		**12,900,000.00**		
Total Employer Contributions		**12,900,000.00**		
Rollover Proceeds				
Rollover Proceeds				
01/06/2026	Wire For [redacted] [redacted] Jasperson	425,000.00		
Total Rollover Proceeds		**425,000.00**		
Total Rollover Proceeds		**425,000.00**		
Total Contributions		**13,325,000.00**		

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Request for Payment

Date January 7, 2026

To Accounts Payable

Please issue check in amount of $11,500,000.00

To U.S. Bank

Address _____

_____

_____

Requested by Tara Anderson

City, State _____

Zip Code _____

Tax ID or SS# _____

You need to supply a Purchasing Category and Intended Use for this Invoice

Purchasing Category: Please Select

Intended Use: Financial Transactions

Explanation for Request:

Purchasing Category: PERMITS, LICENSES, FEES
***Please include Cash & Investments exception
MP Pension Contribution- Plan C (due on or before 1/15/2026)

SPECIAL CHECK HANDLING

Reason for Special Handling Request:

Wire Instructions:
U.S Bank National Association
ABA: 091000022
Account Name: Trust NRK St. Paul
Account #: [redacted]
Attn: Kyle Christensen & Anthony Sauro
MN Power A/C # 14563420

Special Handling Instructions:

_____ Check needs to be delivered to _____

_____ Attachment needs to be sent with check (send attachments with this request)

_____ Check needs to be overnighted

(provide Project_____ and Work Order_____ for charges)

Project, Task (WO), Expense Type or GL String (To be entered by user in Oracle)	**Amount**	
100.0000.22830.2011.0000.0000.0000.00000.0000	$11,500,000	00

CONTRIBUTION ACTIVITY

DATE	DESCRIPTION	CASH	BOOK VALUE	MARKET
Employer Contributions				
Employer Contribution				
01/15/2026	Contribution For Plan Year 2025	11,500,000.00		
Total Employer Contribution		**11,500,000.00**		
Total Employer Contributions		**11,500,000.00**		
Total Contributions		**11,500,000.00**		

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PUBLIC DOCUMENT

TRADE SECRET DATA EXCISED IN ITS ENTIRETY

MP Exhibit ___ (Anderson), Direct Schedule 5 – Moody's Credit Opinion on ALLETE Inc (April 3, 2019)

pwc

Report of Independent Auditors

To the Board of Directors of ALLETE, Inc.

Opinion

We have audited the accompanying consolidated financial statements of ALLETE, Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of income, of comprehensive income, of equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance

and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the 2025 Supplementary Schedules, but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

PricewaterhouseCoopers LLP

Minneapolis, Minnesota
March 19, 2026

ALLETE, Inc.			
Qualified Pension Plans	Total	Plan B	Plan C
Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP	USD	USD	USD
Disclosed Benefit Cost	31-Dec-25	31-Dec-25	31-Dec-25
A Disclosed Benefit Cost			
1 Employer service cost	6,343,712	4,843,712	1,500,000
2 Interest cost	38,977,714	13,288,547	25,689,167
3 Expected return on plan assets	(43,542,186)	(14,272,869)	(29,269,317)
4 Subtotal	1,779,240	3,859,390	(2,080,150)
5 Net prior service cost/(credit) amortization	(66,977)	82,041	(149,018)
6 Net loss/(gain) amortization	7,113,962	0	7,113,962
7 Subtotal	7,046,985	82,041	6,964,944
8 Net periodic benefit cost/(income)	8,826,225	3,941,431	4,884,794
9 Curtailment (gain)/loss	0	0	0
10 Settlement (gain)/loss	0	0	0
11 Special/contractual termination benefits	0	0	0
12 Disclosed net benefit cost	8,826,225	3,941,431	4,884,794
B Presentation of Benefit Cost Pursuant to ASC 715-20			
1 Employer service cost	6,343,712	4,843,712	1,500,000
2 Other components of net periodic benefit cost	2,482,513	(902,281)	3,384,794
3 Other adjustments to net benefit cost	0	0	0
4 Disclosed net benefit cost	8,826,225	3,941,431	4,884,794
C Assumptions Used to Determine Benefit Cost			
1 Discount rate		5.790%	5.780%
2 Expected long-term rate of return on plan assets		7.000%	6.500%
3 Rate of compensation increase		3.493%	0.000%
4 Pension increases for in-payment benefits		2.500%	2.500%
5 Pension increases for deferred benefits		0.000%	0.000%
Balance Sheet Asset/(Liability)			
A Development of Balance Sheet Asset/(Liability)			
1 Projected benefit obligation (PBO)	(713,989,356)	(244,259,701)	(469,729,655)
2 Fair value of plan assets, excluding receivable contributions	660,031,944	215,470,548	444,561,396
3 Net balance sheet asset/(liability)	(53,957,412)	(28,789,153)	(25,168,259)
B Current and Noncurrent Classification			
1 Noncurrent asset	0	0	0
2 Current liability	0	0	0
3 Noncurrent liability	(53,957,412)	(28,789,153)	(25,168,259)
4 Net balance sheet asset/(liability)	(53,957,412)	(28,789,153)	(25,168,259)
C Reconciliation of Net Balance Sheet Asset/(Liability)			
1 Net balance sheet asset/(liability) at end of prior fiscal year	(98,457,780)	(51,892,441)	(46,565,339)
2 Employer service cost	(6,343,712)	(4,843,712)	(1,500,000)
3 Interest cost	(38,977,714)	(13,288,547)	(25,689,167)
4 Expected return on plan assets	43,542,186	14,272,869	29,269,317
5 Plan amendments	0	0	0
6 Actuarial gain/(loss)	27,179,608	14,362,678	12,816,930
7 Employer contributions	19,100,000	12,600,000	6,500,000
8 Benefits paid directly by the Company	0	0	0
9 Transfer payments	0	0	0
10 Acquisitions/divestitures	0	0	0
11 Curtailments	0	0	0
12 Settlements (if settled using corporate cash)	0	0	0
13 Special/contractual termination benefits	0	0	0
14 Net balance sheet asset /(liability) at end of current fiscal year	(53,957,412)	(28,789,153)	(25,168,259)
D Assumptions and Dates Used for Disclosure			
1 Discount rate		5.840%	5.520%
2 Rate of compensation increase		4.315%	N/A
3 Pension increases for in-payment benefits		2.500%	2.500%
4 Pension increases for deferred benefits		0.000%	0.000%
5 Census date		N/A	N/A

Proprietary and confidential. For WTW and WTW client use only.

ALLETE, Inc. **Qualified Pension Plans** **Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP**	Total USD	Plan B USD	Plan C USD
Accumulated Other Comprehensive (Income)/Loss			
A Accumulated Other Comprehensive (Income)/Loss			
1 Net prior service cost/(credit)	118,105	475,747	(357,642)
2 Net loss/(gain)	197,076,209	4,684,207	192,392,002
3 Accumulated other comprehensive (income)/loss [Before adjustment for tax effects]	197,194,314	5,159,954	192,034,360
B Development of Accumulated Other Comprehensive (Income)/Loss (AOCI)			
1 AOCI at prior fiscal year end	231,420,907	19,604,673	211,816,234
2 Amounts amortized during the year			
a. Net prior service (cost)/credit	66,977	(82,041)	149,018
b. Net (loss)/gain	(7,113,962)	0	(7,113,962)
3 Occurring during the year			
a. Net prior service cost/(credit)	0	0	0
b. Net loss/(gain)	(27,179,608)	(14,362,678)	(12,816,930)
4 Amounts recognized due to curtailment/settlement			
a. Net prior service (cost)/credit	0	0	0
b. Net (loss)/gain	0	0	0
5 AOCI at current fiscal year end	197,194,314	5,159,954	192,034,360
Additional Disclosure Information			
A Accumulated Benefit Obligation (ABO)			
1 ABO at current fiscal year end	(695,142,816)	(225,413,161)	(469,729,655)
B Expected Future Benefit Payments			
1 During fiscal year ending December 31, 2026	57,731,536	13,001,479	44,730,057
2 During fiscal year ending December 31, 2027	57,538,428	13,412,937	44,125,491
3 During fiscal year ending December 31, 2028	57,213,184	13,899,688	43,313,496
4 During fiscal year ending December 31, 2029	56,770,466	14,405,814	42,364,652
5 During fiscal year ending December 31, 2030	55,999,007	14,879,631	41,119,376
6 During fiscal years ending December 31, 2031 through December 31, 2035	265,544,395	81,359,031	184,185,364
C Expected Contributions during Fiscal Year ending December 31, 2026			
1 Employer	24,400,000	12,900,000	11,500,000
2 Plan participants	0	0	0
D Actuarial Gain/(Loss)			
1 Gain/(loss) due to demographic experience	(5,457,135)	(1,258,651)	(4,198,485)
2 Gain/(loss) due to financial assumption changes	(10,004,478)	527,379	(10,531,856)
3 Gain/(loss) due to demographic assumption changes	0	0	0
4 Gain/(loss) due to investment return different from that assumed	42,641,221	15,093,950	27,547,271
5 Total	27,179,608	14,362,678	12,816,930
Changes in Disclosed Plan Obligations and Assets			
A Change in Projected Benefit Obligation (PBO)			
1 PBO at prior fiscal year end	702,594,820	235,732,155	466,862,665
2 Employer service cost	6,343,712	4,843,712	1,500,000
3 Interest cost	38,977,714	13,288,547	25,689,167
4 Actuarial loss/(gain)	15,461,613	731,272	14,730,341
5 Plan participants' contributions	0	0	0
6 Benefits paid from plan assets	(58,392,111)	(12,448,834)	(45,943,277)
7 Benefits paid from Company assets	0	0	0
8 Transfers from (to) other plans	11,093,586	2,622,155	8,471,431
9 Administrative expenses paid	(2,089,978)	(509,306)	(1,580,672)
10 Plan amendments	0	0	0
11 Acquisitions/(divestitures)	0	0	0
12 Curtailments	0	0	0
13 Settlements	0	0	0
14 Special/contractual termination benefits	0	0	0
15 PBO at current fiscal year end	713,989,356	244,259,701	469,729,655

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ALLETE, Inc. **Qualified Pension Plans** **Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP**	Total USD	Plan B USD	Plan C USD
B Change in Plan Assets			
1 Fair value of plan assets at prior fiscal year end	604,137,040	183,839,714	420,297,326
2 Actual return on plan assets	86,183,407	29,366,819	56,816,588
3 Employer contributions	19,100,000	12,600,000	6,500,000
4 Plan participants' contributions	0	0	0
5 Benefits paid	(58,392,111)	(12,448,834)	(45,943,277)
6 Transfer payments	11,093,586	2,622,155	8,471,431
7 Administrative expenses paid	(2,089,978)	(509,306)	(1,580,672)
8 Acquisitions/(divestitures)	0	0	0
9 Settlements	0	0	0
10 Fair value of plan assets at current fiscal year end	660,031,944	215,470,548	444,561,396
Reconciliation of Net Balances			
A Reconciliation of Prior Service Cost/(Credit) Bases			
1 Net amount at prior fiscal year end	51,128	557,788	(506,660)
2 Amortization amount	66,977	(82,041)	149,018
3 Plan amendments	0	0	0
4 Effect of curtailments	0	0	0
5 Other events	0	0	0
6 Net amount at current fiscal year end	118,105	475,747	(357,642)
B Reconciliation of Net Loss/(Gain)			
1 Net amount at prior fiscal year end	231,369,779	19,046,885	212,322,894
2 Amount recognized	(7,113,962)	0	(7,113,962)
3 Experience loss/(gain)	(27,179,608)	(14,362,678)	(12,816,930)
4 Effect of curtailments	0	0	0
5 Effect of settlements	0	0	0
6 Other events	0	0	0
7 Net amount at current fiscal year end	197,076,209	4,684,207	192,392,002
Development of Plan Assets for Benefit Cost			
A Reconciliation of Fair Value of Plan Assets			
1 Fair value of plan assets at 31-Dec-24	604,137,040	183,839,714	420,297,326
2 Actual return on plan assets	86,183,407	29,366,819	56,816,588
3 Employer contributions	19,100,000	12,600,000	6,500,000
4 Plan participants' contributions	0	0	0
5 Benefits paid	(47,298,525)	(9,826,679)	(37,471,846)
6 Administrative expenses paid	(2,089,978)	(509,306)	(1,580,672)
7 Acquisitions/(divestitures)	0	0	0
8 Settlements	0	0	0
9 Fair value of plan assets at 31-Dec-25	660,031,944	215,470,548	444,561,396
B Reconciliation of Market-Related Value of Plan Assets			
1 Market-related value of plan assets at 31-Dec-24	664,475,072	198,011,691	466,463,381
2 Actual return on plan assets	13,735,402	8,562,113	5,173,289
3 Employer contributions	19,100,000	12,600,000	6,500,000
4 Plan participants' contributions	0	0	0
5 Benefits paid	(47,298,525)	(9,826,679)	(37,471,846)
6 Administrative expenses paid	(2,089,978)	(509,306)	(1,580,672)
7 Acquisitions/(divestitures)	0	0	0
8 Settlements	0	0	0
9 Market-related value of plan assets at 31-Dec-25	647,921,971	208,837,819	439,084,152
C Rate of Return on Invested Assets			
1 Weighted invested assets	597,799,988	190,781,707	407,018,281
2 Rate of return	27.727%	15.393%	13.959%
D Investment Loss/(Gain)			
1 Actual return	86,183,407	29,366,819	56,816,588
2 Expected return	39,810,908	13,354,720	26,456,188
3 Loss/(gain)	(46,372,499)	(16,012,099)	(30,360,400)

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ALLETE, Inc. Qualified Pension Plans Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP	Total USD	Plan B USD	Plan C USD
E Market-Related Value of Assets			
1 Fair value of plan assets at 31-Dec-25	660,031,944	215,470,548	444,561,396
2 Deferred investment (gains) and losses for the last 5 years			
a. Deferred amount from measurement year ending 31-Dec-25			
i. (Gain) / Loss	(46,372,499)	(16,012,099)	(30,360,400)
ii. Percent recognized	N/A	N/A	N/A
iii. Percent deferred	N/A	N/A	N/A
iv. Deferred amount	(37,098,000)	(12,809,680)	(24,288,320)
b. Deferred amount from measurement year ending 31-Dec-24			
i. (Gain) / Loss	(3,952,867)	1,882,397	(5,835,264)
ii. Percent recognized	N/A	N/A	N/A
iii. Percent deferred	N/A	N/A	N/A
iv. Deferred amount	(2,371,721)	1,129,438	(3,501,159)
c. Deferred amount from measurement year ending 31-Dec-23			
i. (Gain) / Loss	(18,524,479)	(8,782,697)	(9,741,782)
ii. Percent recognized	N/A	N/A	N/A
iii. Percent deferred	N/A	N/A	N/A
iv. Deferred amount	(7,409,791)	(3,513,079)	(3,896,712)
d. Deferred amount from measurement year ending 31-Dec-22			
i. (Gain) / Loss	173,847,698	42,802,962	131,044,736
ii. Percent recognized	N/A	N/A	N/A
iii. Percent deferred	N/A	N/A	N/A
iv. Deferred amount	34,769,539	8,560,592	26,208,947
e. Deferred amount from measurement year ending 31-Dec-21			
i. (Gain) / Loss	25,379,677	4,072,469	21,307,208
ii. Percent recognized	N/A	N/A	N/A
iii. Percent deferred	N/A	N/A	N/A
iv. Deferred amount	0	0	0
f. Total deferred amount	(12,109,973)	(6,632,729)	(5,477,244)
3 Market-related value of assets	647,921,971	208,837,819	439,084,152

Summary of Benefit Cost and Cash Flows		31-Dec-26	31-Dec-26
A Total Benefit Cost			
1 Employer service cost	6,514,813	4,914,813	1,600,000
2 Interest cost	38,579,766	13,885,239	24,694,527
3 Expected return on plan assets	(42,836,789)	(15,031,617)	(27,805,172)
4 Subtotal	2,257,790	3,768,435	(1,510,645)
5 Net prior service cost/(credit) amortization	(66,977)	82,041	(149,018)
6 Net loss/(gain) amortization	9,317,290	0	9,317,290
7 Subtotal	9,250,313	82,041	9,168,272
8 Net periodic benefit cost/(income)	11,508,103	3,850,476	7,657,627
9 Curtailment (gain)/loss	0	0	0
10 Settlement (gain)/loss	0	0	0
11 Special/contractual termination benefits	0	0	0
12 Total benefit cost	11,508,103	3,850,476	7,657,627
B Assumptions			
1 Discount rate		5.840%	5.520%
2 Expected long-term rate of return on plan assets		7.000%	6.500%
3 Rate of compensation increase		4.315%	0.000%
4 Pension increases for in-payment benefits		2.500%	2.500%
5 Pension increases for deferred benefits		0.000%	0.000%
6 Census date		N/A	N/A
C Plan Assets at Beginning of Year			
1 Fair value	660,031,944	215,470,548	444,561,396
2 Market-related value	647,921,971	208,837,819	439,084,152

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ALLETE, Inc. **Qualified Pension Plans** **Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP**	Total USD	Plan B USD	Plan C USD
D Expected Cash Flows			
1 Employer contributions	24,400,000	12,900,000	11,500,000
2 Plan participants' contributions	0	0	0
3 Benefits paid from Company assets	0	0	0
4 Benefits paid from plan assets	57,727,562	12,997,505	44,730,057
E Amortization Period	N/A	N/A	N/A
Participant Information - Census Date		**N/A**	**N/A**
A Participating Employees			
1 Number		276	144
2 Average annual compensation/salary		100,497	N/A
3 Average age		49.54	54.53
4 Average credited service		17.30	9.40
B Participants with Deferred Benefits			
1 Number		19	78
2 Average age		47.40	55.88
3 Participants with deferred annuity benefits			
a. Number		19	78
b. Average annual benefits		17,796	4,472
C Participants Receiving Benefits			
1 Number		241	1,533
2 Average annual benefit payments		51,468	30,120
3 Average age		65.40	75.34
D Other Participants			
1 Number		0	0
2 Average annual benefit payments		N/A	N/A
3 Average age		N/A	N/A
Reconciliation of Prior Service Cost/(Credit) Bases			
Amortization Details of Plan Amendment #1			
1 Net amount at 31-Dec-24	51,128	557,788	(506,660)
2 Amortization amount during 2025	66,977	(82,041)	149,018
3 Effect of curtailments	0	0	0
4 Other events	0	0	0
5 Net amount at 31-Dec-25	118,105	475,747	(357,642)
6 Remaining amortization period	N/A	5.79889	N/A
Accumulated Contributions in Excess of Net Periodic Benefit Cost			
A Reconciliation of Amounts Recognized in Statement of Financial Position			
1 Projected Benefit Obligation (PBO)	(713,989,356)	(244,259,701)	(469,729,655)
2 Fair value of plan assets, excluding receivable contributions	660,031,944	215,470,548	444,561,396
3 Net balance sheet asset/(liability)	(53,957,412)	(28,789,153)	(25,168,259)
4 Net prior service cost/(credit)	118,105	475,747	(357,642)
5 Net loss/(gain)	197,076,209	4,684,207	192,392,002
6 Accumulated Employer contributions in excess of net periodic benefit cost	143,236,902	(23,629,199)	166,866,101
B Accumulated Employer Contributions in Excess of Net Periodic Benefit Cost			
1 Amount as of beginning of year	132,963,127	(32,287,768)	165,250,895
2 Net periodic postretirement benefit (cost)/income	(8,826,225)	(3,941,431)	(4,884,794)
3 Employer contributions	19,100,000	12,600,000	6,500,000
4 Benefits paid from plan assets	0	0	0
5 Benefits paid from Company assets	0	0	0
6 Other recognized loss/(gain)	0	0	0
7 Other adjustments	0	0	0
8 Amount as of end of year	143,236,902	(23,629,199)	166,866,101

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ALLETE, Inc. **Plan B** **Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP**	Total USD	Superior Water, Light and Power USD	Minnesota Power USD
Disclosed Benefit Cost	31-Dec-25	31-Dec-25	31-Dec-25
A Disclosed Benefit Cost			
1 Employer service cost	4,843,712	797,151	4,046,561
2 Interest cost	13,288,547	1,503,412	11,785,135
3 Expected return on plan assets	(14,272,869)	(1,604,615)	(12,668,254)
4 Subtotal	3,859,390	695,948	3,163,442
5 Net prior service cost/(credit) amortization	82,041	82,041	0
6 Net loss/(gain) amortization	0	0	0
7 Subtotal	82,041	82,041	0
8 Net periodic benefit cost/(income)	3,941,431	777,989	3,163,442
9 Curtailment (gain)/loss	0	0	0
10 Settlement (gain)/loss	0	0	0
11 Special/contractual termination benefits	0	0	0
12 Disclosed net benefit cost	3,941,431	777,989	3,163,442
B Presentation of Benefit Cost Pursuant to ASC 715-20			
1 Employer service cost	4,843,712	797,151	4,046,561
2 Other components of net periodic benefit cost	(902,281)	(19,162)	(883,119)
3 Other adjustments to net benefit cost	0	0	0
4 Disclosed net benefit cost	3,941,431	777,989	3,163,442
C Assumptions Used to Determine Benefit Cost			
1 Discount rate	5.790%	5.790%	5.790%
2 Expected long-term rate of return on plan assets	7.000%	7.000%	7.000%
3 Rate of compensation increase	3.493%	3.868%	3.445%
4 Pension increases for in-payment benefits	2.500%	2.500%	2.500%
5 Pension increases for deferred benefits	0.000%	0.000%	0.000%
Balance Sheet Asset/(Liability)			
A Development of Balance Sheet Asset/(Liability)			
1 Projected benefit obligation (PBO)	(244,259,701)	(27,707,625)	(216,552,076)
2 Fair value of plan assets, excluding receivable contributions	215,470,548	24,298,018	191,172,530
3 Net balance sheet asset/(liability)	(28,789,153)	(3,409,607)	(25,379,546)
B Current and Noncurrent Classification			
1 Noncurrent asset	0	0	0
2 Current liability	0	0	0
3 Noncurrent liability	(28,789,153)	(3,409,607)	(25,379,546)
4 Net balance sheet asset/(liability)	(28,789,153)	(3,409,607)	(25,379,546)
C Reconciliation of Net Balance Sheet Asset/(Liability)			
1 Net balance sheet asset/(liability) at end of prior fiscal year	(51,892,441)	(6,106,121)	(45,786,320)
2 Employer service cost	(4,843,712)	(797,151)	(4,046,561)
3 Interest cost	(13,288,547)	(1,503,412)	(11,785,135)
4 Expected return on plan assets	14,272,869	1,604,615	12,668,254
5 Plan amendments	0	0	0
6 Actuarial gain/(loss)	14,362,678	1,858,663	12,504,015
7 Employer contributions	12,600,000	1,533,799	11,066,201
8 Benefits paid directly by the Company	0	0	0
9 Transfer payments	0	0	0
10 Acquisitions/divestitures	0	0	0
11 Curtailments	0	0	0
12 Settlements (if settled using corporate cash)	0	0	0
13 Special/contractual termination benefits	0	0	0
14 Net balance sheet asset /(liability) at end of current fiscal year	(28,789,153)	(3,409,607)	(25,379,546)
D Assumptions and Dates Used for Disclosure			
1 Discount rate	5.840%	5.840%	5.840%
2 Rate of compensation increase	4.315%	4.668%	4.271%
3 Pension increases for in-payment benefits	2.500%	2.500%	2.500%
4 Pension increases for deferred benefits	0.000%	0.000%	0.000%
5 Census date	N/A	01-Jan-25	01-Jan-25

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ALLETE, Inc. **Plan B** **Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP**	Total USD	Superior Water, Light and Power USD	Minnesota Power USD
Accumulated Other Comprehensive (Income)/Loss			
A Accumulated Other Comprehensive (Income)/Loss			
1 Net prior service cost/(credit)	475,747	475,747	0
2 Net loss/(gain)	4,684,207	(536,715)	5,220,922
3 Accumulated other comprehensive (income)/loss [Before adjustment for tax effects]	5,159,954	(60,968)	5,220,922
B Development of Accumulated Other Comprehensive (Income)/Loss (AOCI)			
1 AOCI at prior fiscal year end	19,604,673	1,879,736	17,724,937
2 Amounts amortized during the year			
a. Net prior service (cost)/credit	(82,041)	(82,041)	0
b. Net (loss)/gain	0	0	0
3 Occurring during the year			
a. Net prior service cost/(credit)	0	0	0
b. Net loss/(gain)	(14,362,678)	(1,858,663)	(12,504,015)
4 Amounts recognized due to curtailment/settlement			
a. Net prior service (cost)/credit	0	0	0
b. Net (loss)/gain	0	0	0
5 AOCI at current fiscal year end	5,159,954	(60,968)	5,220,922
Additional Disclosure Information			
A Accumulated Benefit Obligation (ABO)			
1 ABO at current fiscal year end	(225,413,161)	(25,361,296)	(200,051,865)
B Expected Future Benefit Payments			
1 During fiscal year ending December 31, 2026	13,001,479	1,358,036	11,643,443
2 During fiscal year ending December 31, 2027	13,412,937	1,413,944	11,998,993
3 During fiscal year ending December 31, 2028	13,899,688	1,464,938	12,434,750
4 During fiscal year ending December 31, 2029	14,405,814	1,523,029	12,882,785
5 During fiscal year ending December 31, 2030	14,879,631	1,581,551	13,298,080
6 During fiscal years ending December 31, 2031 through December 31, 2035	81,359,031	9,153,421	72,205,610
C Expected Contributions during Fiscal Year ending December 31, 2026			
1 Employer	12,900,000	1,537,291	11,362,709
2 Plan participants	0	0	0
D Actuarial Gain/(Loss)			
1 Gain/(loss) due to demographic experience	(1,258,651)	N/A	N/A
2 Gain/(loss) due to financial assumption changes	**527,379**	N/A	N/A
3 Gain/(loss) due to demographic assumption changes	0	N/A	N/A
4 Gain/(loss) due to investment return different from that assumed	15,093,950	1,697,118	13,396,832
5 Total	14,362,678	1,858,663	12,504,015
Changes in Disclosed Plan Obligations and Assets			
A Change in Projected Benefit Obligation (PBO)			
1 PBO at prior fiscal year end	235,732,155	26,594,791	209,137,364
2 Employer service cost	4,843,712	797,151	4,046,561
3 Interest cost	13,288,547	1,503,412	11,785,135
4 Actuarial loss/(gain)	731,272	(161,545)	892,817
5 Plan participants' contributions	0	0	0
6 Benefits paid from plan assets	(12,448,834)	(1,339,929)	(11,108,905)
7 Benefits paid from Company assets	0	0	0
8 Transfers from (to) other plans	2,622,155	390,711	2,231,444
9 Administrative expenses paid	(509,306)	(76,966)	(432,340)
10 Plan amendments	0	0	0
11 Acquisitions/(divestitures)	0	0	0
12 Curtailments	0	0	0
13 Settlements	0	0	0
14 Special/contractual termination benefits	0	0	0
15 PBO at current fiscal year end	244,259,701	27,707,625	216,552,076

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ALLETE, Inc. Plan B Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP	Total USD	Superior Water, Light and Power USD	Minnesota Power USD
B Change in Plan Assets			
1 Fair value of plan assets at prior fiscal year end	183,839,714	20,488,670	163,351,044
2 Actual return on plan assets	29,366,819	3,301,733	26,065,086
3 Employer contributions	12,600,000	1,533,799	11,066,201
4 Plan participants' contributions	0	0	0
5 Benefits paid	(12,448,834)	(1,339,929)	(11,108,905)
6 Transfer payments	2,622,155	390,711	2,231,444
7 Administrative expenses paid	(509,306)	(76,966)	(432,340)
8 Acquisitions/(divestitures)	0	0	0
9 Settlements	0	0	0
10 Fair value of plan assets at current fiscal year end	215,470,548	24,298,018	191,172,530
Reconciliation of Net Balances			
A Reconciliation of Prior Service Cost/(Credit) Bases			
1 Net amount at prior fiscal year end	557,788	557,788	0
2 Amortization amount	(82,041)	(82,041)	0
3 Plan amendments	0	0	0
4 Effect of curtailments	0	0	0
5 Other events	0	0	0
6 Net amount at current fiscal year end	475,747	475,747	0
B Reconciliation of Net Loss/(Gain)			
1 Net amount at prior fiscal year end	19,046,885	1,321,948	17,724,937
2 Amount recognized	0	0	0
3 Experience loss/(gain)	(14,362,678)	(1,858,663)	(12,504,015)
4 Effect of curtailments	0	0	0
5 Effect of settlements	0	0	0
6 Other events	0	0	0
7 Net amount at current fiscal year end	4,684,207	(536,715)	5,220,922
Development of Plan Assets for Benefit Cost			
A Reconciliation of Fair Value of Plan Assets			
1 Fair value of plan assets at 31-Dec-24	183,839,714	20,488,670	163,351,044
2 Actual return on plan assets	29,366,819	3,301,733	26,065,086
3 Employer contributions	12,600,000	1,533,799	11,066,201
4 Plan participants' contributions	0	0	0
5 Benefits paid	(9,826,679)	(949,218)	(8,877,461)
6 Administrative expenses paid	(509,306)	(76,966)	(432,340)
7 Acquisitions/(divestitures)	0	0	0
8 Settlements	0	0	0
9 Fair value of plan assets at 31-Dec-25	215,470,548	24,298,018	191,172,530
B Reconciliation of Market-Related Value of Plan Assets			
1 Market-related value of plan assets at 31-Dec-24	198,011,691	22,016,196	175,995,495
2 Actual return on plan assets	8,562,113	999,495	7,562,618
3 Employer contributions	12,600,000	1,533,799	11,066,201
4 Plan participants' contributions	0	0	0
5 Benefits paid	(9,826,679)	(949,218)	(8,877,461)
6 Administrative expenses paid	(509,306)	(76,966)	(432,340)
7 Acquisitions/(divestitures)	0	0	0
8 Settlements	0	0	0
9 Market-related value of plan assets at 31-Dec-25	208,837,819	23,523,306	185,314,513
C Rate of Return on Invested Assets			
1 Weighted invested assets	190,781,707	21,449,728	169,331,979
2 Rate of return	15.393%	15.393%	15.393%
D Investment Loss/(Gain)			
1 Actual return	29,366,819	3,301,733	26,065,086
2 Expected return	13,354,720	1,501,481	11,853,239
3 Loss/(gain)	(16,012,099)	(1,800,252)	(14,211,847)

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ALLETE, Inc. **Plan B** **Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP**	Total USD	Superior Water, Light and Power USD	Minnesota Power USD
E Market-Related Value of Assets			
1 Fair value of plan assets at 31-Dec-25	215,470,548	24,298,018	191,172,530
2 Deferred investment (gains) and losses for the last 5 years			
a. Deferred amount from measurement year ending 31-Dec-25			
i. (Gain) / Loss	(16,012,099)	(1,800,252)	(14,211,847)
ii. Percent recognized	N/A	20.000%	20.000%
iii. Percent deferred	N/A	80.000%	80.000%
iv. Deferred amount	(12,809,680)	(1,440,202)	(11,369,478)
b. Deferred amount from measurement year ending 31-Dec-24			
i. (Gain) / Loss	1,882,397	209,284	1,673,113
ii. Percent recognized	N/A	40.000%	40.000%
iii. Percent deferred	N/A	60.000%	60.000%
iv. Deferred amount	1,129,438	125,570	1,003,868
c. Deferred amount from measurement year ending 31-Dec-23			
i. (Gain) / Loss	(8,782,697)	(958,049)	(7,824,648)
ii. Percent recognized	N/A	60.000%	60.000%
iii. Percent deferred	N/A	40.000%	40.000%
iv. Deferred amount	(3,513,079)	(383,220)	(3,129,859)
d. Deferred amount from measurement year ending 31-Dec-22			
i. (Gain) / Loss	42,802,962	4,615,701	38,187,261
ii. Percent recognized	N/A	80.000%	80.000%
iii. Percent deferred	N/A	20.000%	20.000%
iv. Deferred amount	8,560,592	923,140	7,637,452
e. Deferred amount from measurement year ending 31-Dec-21			
i. (Gain) / Loss	4,072,469	443,240	3,629,229
ii. Percent recognized	N/A	100.000%	100.000%
iii. Percent deferred	N/A	0.000%	0.000%
iv. Deferred amount	0	0	0
f. Total deferred amount	(6,632,729)	(774,712)	(5,858,017)
3 Market-related value of assets	208,837,819	23,523,306	185,314,513

Summary of Benefit Cost and Cash Flows	31-Dec-26	31-Dec-26	31-Dec-26
A Total Benefit Cost			
1 Employer service cost	4,914,813	798,800	4,116,013
2 Interest cost	13,885,239	1,578,493	12,306,746
3 Expected return on plan assets	(15,031,617)	(1,702,553)	(13,329,064)
4 Subtotal	3,768,435	674,740	3,093,695
5 Net prior service cost/(credit) amortization	82,041	82,041	0
6 Net loss/(gain) amortization	0	0	0
7 Subtotal	82,041	82,041	0
8 Net periodic benefit cost/(income)	3,850,476	756,781	3,093,695
9 Curtailment (gain)/loss	0	0	0
10 Settlement (gain)/loss	0	0	0
11 Special/contractual termination benefits	0	0	0
12 Total benefit cost	3,850,476	756,781	3,093,695
B Assumptions			
1 Discount rate	5.840%	5.840%	5.840%
2 Expected long-term rate of return on plan assets	7.000%	7.000%	7.000%
3 Rate of compensation increase	4.315%	4.668%	4.271%
4 Pension increases for in-payment benefits	2.500%	2.500%	2.500%
5 Pension increases for deferred benefits	0.000%	0.000%	0.000%
6 Census date	N/A	01-Jan-25	01-Jan-25
C Plan Assets at Beginning of Year			
1 Fair value	215,470,548	24,298,018	191,172,530
2 Market-related value	208,837,819	23,523,306	185,314,513

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ALLETE, Inc. Plan B Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP	Total USD	Superior Water, Light and Power USD	Minnesota Power USD
D Expected Cash Flows			
1 Employer contributions	12,900,000	1,537,291	11,362,709
2 Plan participants' contributions	0	0	0
3 Benefits paid from Company assets	0	0	0
4 Benefits paid from plan assets	12,997,505	1,357,263	11,640,242
E Amortization Period	N/A	11.68620	8.20337
Participant Information - Census Date	**N/A**	**01-Jan-25**	**01-Jan-25**
A Participating Employees			
1 Number	276	49	227
3 Average annual compensation/salary	100,497		
4 Average age	49.54		
5 Average credited service	17.30		
B Participants with Deferred Benefits			
1 Number	19	4	15
2 Average age	47.40		
3 Participants with deferred annuity benefits			
a. Number	19	4	15
b. Average annual benefits	17,796		
C Participants Receiving Benefits			
1 Number	241	28	213
2 Average annual benefit payments	51,468		
3 Average age	65.40		
D Other Participants			
1 Number	0	0	0
2 Average annual benefit payments	N/A	N/A	N/A
3 Average age	N/A	N/A	N/A
Reconciliation of Prior Service Cost/(Credit) Bases			
Amortization Details of Plan Amendment #1			
3 Net amount at 31-Dec-24	557,788	557,788	0
4 Amortization amount during 2025	(82,041)	(82,041)	0
5 Effect of curtailments	0	0	0
6 Other events	0	0	0
7 Net amount at 31-Dec-25	475,747	475,747	0
8 Remaining amortization period	5.79889	5.79889	0.00000
Accumulated Contributions in Excess of Net Periodic Benefit Cost			
A Reconciliation of Amounts Recognized in Statement of Financial Position			
1 Projected Benefit Obligation (PBO)	(244,259,701)	(27,707,625)	(216,552,076)
2 Fair value of plan assets, excluding receivable contributions	215,470,548	24,298,018	191,172,530
3 Net balance sheet asset/(liability)	(28,789,153)	(3,409,607)	(25,379,546)
4 Net prior service cost/(credit)	475,747	475,747	0
5 Net loss/(gain)	4,684,207	(536,715)	5,220,922
6 Accumulated Employer contributions in excess of net periodic benefit cost	(23,629,199)	(3,470,575)	(20,158,624)
B Accumulated Employer Contributions in Excess of Net Periodic Benefit Cost			
1 Amount as of beginning of year	(32,287,768)	(4,226,385)	(28,061,383)
2 Net periodic postretirement benefit (cost)/income	(3,941,431)	(777,989)	(3,163,442)
3 Employer contributions	12,600,000	1,533,799	11,066,201
4 Benefits paid from plan assets	0		
5 Benefits paid from Company assets	0		
6 Other recognized loss/(gain)	0		
7 Other adjustments	0		
8 Amount as of end of year	(23,629,199)	(3,470,575)	(20,158,624)

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ALLETE, Inc. **Plan C** **Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP**	Total USD	Superior Water, Light and Power USD	Minnesota Power USD
Disclosed Benefit Cost	31-Dec-25	31-Dec-25	31-Dec-25
A Disclosed Benefit Cost			
1 Employer service cost	1,500,000	112,750	1,387,250
2 Interest cost	25,689,167	1,750,370	23,938,797
3 Expected return on plan assets	(29,269,317)	(1,854,116)	(27,415,201)
4 Subtotal	(2,080,150)	9,004	(2,089,154)
5 Net prior service cost/(credit) amortization	(149,018)	(10,957)	(138,061)
6 Net loss/(gain) amortization	7,113,962	664,689	6,449,273
7 Subtotal	6,964,944	653,732	6,311,212
8 Net periodic benefit cost/(income)	4,884,794	662,736	4,222,058
9 Curtailment (gain)/loss	0	0	0
10 Settlement (gain)/loss	0	0	0
11 Special/contractual termination benefits	0	0	0
12 Disclosed net benefit cost	4,884,794	662,736	4,222,058
B Presentation of Benefit Cost Pursuant to ASC 715-20			
1 Employer service cost	1,500,000	112,750	1,387,250
2 Other components of net periodic benefit cost	3,384,794	549,986	2,834,808
3 Other adjustments to net benefit cost	0	0	0
4 Disclosed net benefit cost	4,884,794	662,736	4,222,058
C Assumptions Used to Determine Benefit Cost			
1 Discount rate	5.780%	5.780%	5.780%
2 Expected long-term rate of return on plan assets	6.500%	6.500%	6.500%
3 Rate of compensation increase	0.000%	0.000%	0.000%
4 Pension increases for in-payment benefits	2.500%	2.500%	2.500%
5 Pension increases for deferred benefits	0.000%	0.000%	0.000%
Balance Sheet Asset/(Liability)			
A Development of Balance Sheet Asset/(Liability)			
1 Projected benefit obligation (PBO)	(469,729,655)	(31,754,304)	(437,975,351)
2 Fair value of plan assets, excluding receivable contributions	444,561,396	27,071,782	417,489,614
3 Net balance sheet asset/(liability)	(25,168,259)	(4,682,522)	(20,485,737)
B Current and Noncurrent Classification			
1 Noncurrent asset	0	0	0
2 Current liability	0	0	0
3 Noncurrent liability	(25,168,259)	(4,682,522)	(20,485,737)
4 Net balance sheet asset/(liability)	(25,168,259)	(4,682,522)	(20,485,737)
C Reconciliation of Net Balance Sheet Asset/(Liability)			
1 Net balance sheet asset/(liability) at end of prior fiscal year	(46,565,339)	(5,572,176)	(40,993,163)
2 Employer service cost	(1,500,000)	(112,750)	(1,387,250)
3 Interest cost	(25,689,167)	(1,750,370)	(23,938,797)
4 Expected return on plan assets	29,269,317	1,854,116	27,415,201
5 Plan amendments	0	0	0
6 Actuarial gain/(loss)	12,816,930	218,598	12,598,332
7 Employer contributions	6,500,000	680,060	5,819,940
8 Benefits paid directly by the Company	0	0	0
9 Transfer payments	0	0	0
10 Acquisitions/divestitures	0	0	0
11 Curtailments	0	0	0
12 Settlements (if settled using corporate cash)	0	0	0
13 Special/contractual termination benefits	0	0	0
14 Net balance sheet asset /(liability) at end of current fiscal year	(25,168,259)	(4,682,522)	(20,485,737)
D Assumptions and Dates Used for Disclosure			
1 Discount rate	5.520%	5.520%	5.520%
2 Rate of compensation increase	N/A	N/A	N/A
3 Pension increases for in-payment benefits	2.500%	2.500%	2.500%
4 Pension increases for deferred benefits	0.000%	0.000%	0.000%
5 Census date	N/A	01-Jan-25	01-Jan-25

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ALLETE, Inc. **Plan C** **Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP**	Total USD	Superior Water, Light and Power USD	Minnesota Power USD
Accumulated Other Comprehensive (Income)/Loss			
A Accumulated Other Comprehensive (Income)/Loss			
1 Net prior service cost/(credit)	(357,642)	(26,294)	(331,348)
2 Net loss/(gain)	192,392,002	15,865,491	176,526,511
3 Accumulated other comprehensive (income)/loss [Before adjustment for tax effects]	192,034,360	15,839,197	176,195,163
B Development of Accumulated Other Comprehensive (Income)/Loss (AOCI)			
1 AOCI at prior fiscal year end	211,816,234	16,711,527	195,104,707
2 Amounts amortized during the year			
a. Net prior service (cost)/credit	149,018	10,957	138,061
b. Net (loss)/gain	(7,113,962)	(664,689)	(6,449,273)
3 Occurring during the year			
a. Net prior service cost/(credit)	0	0	0
b. Net loss/(gain)	(12,816,930)	(218,598)	(12,598,332)
4 Amounts recognized due to curtailment/settlement			
a. Net prior service (cost)/credit	0	0	0
b. Net (loss)/gain	0	0	0
5 AOCI at current fiscal year end	192,034,360	15,839,197	176,195,163
Additional Disclosure Information			
A Accumulated Benefit Obligation (ABO)			
1 ABO at current fiscal year end	(469,729,655)	(31,754,304)	(437,975,351)
B Expected Future Benefit Payments			
1 During fiscal year ending December 31, 2026	44,730,057	3,344,281	41,385,776
2 During fiscal year ending December 31, 2027	44,125,491	3,255,949	40,869,542
3 During fiscal year ending December 31, 2028	43,313,496	3,157,605	40,155,891
4 During fiscal year ending December 31, 2029	42,364,652	3,069,711	39,294,941
5 During fiscal year ending December 31, 2030	41,119,376	2,934,988	38,184,388
6 During fiscal years ending December 31, 2031 through December 31, 2035	184,185,364	12,475,296	171,710,068
C Expected Contributions during Fiscal Year ending December 31, 2026			
1 Employer	11,500,000	1,160,094	10,339,906
2 Plan participants	0	0	0
D Actuarial Gain/(Loss)			
1 Gain/(loss) due to demographic experience	(4,198,485)	N/A	N/A
2 Gain/(loss) due to financial assumption changes	(10,531,856)	N/A	N/A
3 Gain/(loss) due to demographic assumption changes	0	0	0
4 Gain/(loss) due to investment return different from that assumed	27,547,271	1,674,743	25,872,528
5 Total	12,816,930	218,598	12,598,332
Changes in Disclosed Plan Obligations and Assets			
A Change in Projected Benefit Obligation (PBO)			
1 PBO at prior fiscal year end	466,862,665	31,961,626	434,901,039
2 Employer service cost	1,500,000	112,750	1,387,250
3 Interest cost	25,689,167	1,750,370	23,938,797
4 Actuarial loss/(gain)	14,730,341	1,456,145	13,274,196
5 Plan participants' contributions	0	0	0
6 Benefits paid from plan assets	(45,943,277)	(3,405,898)	(42,537,379)
7 Benefits paid from Company assets	0	0	0
8 Transfers from (to) other plans	8,471,431	0	8,471,431
9 Administrative expenses paid	(1,580,672)	(120,689)	(1,459,983)
10 Plan amendments	0	0	0
11 Acquisitions/(divestitures)	0	0	0
12 Curtailments	0	0	0
13 Settlements	0	0	0
14 Special/contractual termination benefits	0	0	0
15 PBO at current fiscal year end	469,729,655	31,754,304	437,975,351

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ALLETE, Inc. **Plan C** **Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP**	Total USD	Superior Water, Light and Power USD	Minnesota Power USD
B Change in Plan Assets			
1 Fair value of plan assets at prior fiscal year end	420,297,326	26,389,450	393,907,876
2 Actual return on plan assets	56,816,588	3,528,859	53,287,729
3 Employer contributions	6,500,000	680,060	5,819,940
4 Plan participants' contributions	0	0	0
5 Benefits paid	(45,943,277)	(3,405,898)	(42,537,379)
6 Transfer payments	8,471,431	0	8,471,431
7 Administrative expenses paid	(1,580,672)	(120,689)	(1,459,983)
8 Acquisitions/(divestitures)	0	0	0
9 Settlements	0	0	0
10 Fair value of plan assets at current fiscal year end	444,561,396	27,071,782	417,489,614
Reconciliation of Net Balances			
A Reconciliation of Prior Service Cost/(Credit) Bases			
1 Net amount at prior fiscal year end	(506,660)	(37,251)	(469,409)
2 Amortization amount	149,018	10,957	138,061
3 Plan amendments	0	0	0
4 Effect of curtailments	0	0	0
5 Other events	0	0	0
6 Net amount at current fiscal year end	(357,642)	(26,294)	(331,348)
B Reconciliation of Net Loss/(Gain)			
1 Net amount at prior fiscal year end	212,322,894	16,748,778	195,574,116
2 Amount recognized	(7,113,962)	(664,689)	(6,449,273)
3 Experience loss/(gain)	(12,816,930)	(218,598)	(12,598,332)
4 Effect of curtailments	0	0	0
5 Effect of settlements	0	0	0
6 Other events	0	0	0
7 Net amount at current fiscal year end	192,392,002	15,865,491	176,526,511
Development of Plan Assets for Benefit Cost			
A Reconciliation of Fair Value of Plan Assets			
1 Fair value of plan assets at 31-Dec-24	420,297,326	26,389,450	393,907,876
2 Actual return on plan assets	56,816,588	3,528,859	53,287,729
3 Employer contributions	6,500,000	680,060	5,819,940
4 Plan participants' contributions	0	0	0
5 Benefits paid	(37,471,846)	(3,405,898)	(34,065,948)
6 Administrative expenses paid	(1,580,672)	(120,689)	(1,459,983)
7 Acquisitions/(divestitures)	0	0	0
8 Settlements	0	0	0
9 Fair value of plan assets at 31-Dec-25	444,561,396	27,071,782	417,489,614
B Reconciliation of Market-Related Value of Plan Assets			
1 Market-related value of plan assets at 31-Dec-24	466,463,381	29,476,766	436,986,615
2 Actual return on plan assets	5,173,289	195,329	4,977,960
3 Employer contributions	6,500,000	680,060	5,819,940
4 Plan participants' contributions	0	0	0
5 Benefits paid	(37,471,846)	(3,405,898)	(34,065,948)
6 Administrative expenses paid	(1,580,672)	(120,689)	(1,459,983)
7 Acquisitions/(divestitures)	0	0	0
8 Settlements	0	0	0
9 Market-related value of plan assets at 31-Dec-25	439,084,152	26,825,568	412,258,584
C Rate of Return on Invested Assets			
1 Weighted invested assets	407,018,281	25,279,768	381,738,513
2 Rate of return	13.959%	13.959%	13.959%
D Investment Loss/(Gain)			
1 Actual return	56,816,588	3,528,859	53,287,729
2 Expected return	26,456,188	1,643,185	24,813,003
3 Loss/(gain)	(30,360,400)	(1,885,674)	(28,474,726)

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ALLETE, Inc. **Plan C** **Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP**	Total USD	Superior Water, Light and Power USD	Minnesota Power USD
E Market-Related Value of Assets			
1 Fair value of plan assets at 31-Dec-25	444,561,396	27,071,782	417,489,614
2 Deferred investment (gains) and losses for the last 5 years			
a. Deferred amount from measurement year ending 31-Dec-25			
i. (Gain) / Loss	(30,360,400)	(1,885,674)	(28,474,726)
ii. Percent recognized	N/A	20.000%	20.000%
iii. Percent deferred	N/A	80.000%	80.000%
iv. Deferred amount	(24,288,320)	(1,508,539)	(22,779,781)
b. Deferred amount from measurement year ending 31-Dec-24			
i. (Gain) / Loss	(5,835,264)	(372,211)	(5,463,053)
ii. Percent recognized	N/A	40.000%	40.000%
iii. Percent deferred	N/A	60.000%	60.000%
iv. Deferred amount	(3,501,159)	(223,327)	(3,277,832)
c. Deferred amount from measurement year ending 31-Dec-23			
i. (Gain) / Loss	(9,741,782)	(625,461)	(9,116,321)
ii. Percent recognized	N/A	60.000%	60.000%
iii. Percent deferred	N/A	40.000%	40.000%
iv. Deferred amount	(3,896,712)	(250,184)	(3,646,528)
d. Deferred amount from measurement year ending 31-Dec-22			
i. (Gain) / Loss	131,044,736	8,679,182	122,365,554
ii. Percent recognized	N/A	80.000%	80.000%
iii. Percent deferred	N/A	20.000%	20.000%
iv. Deferred amount	26,208,947	1,735,836	24,473,111
e. Deferred amount from measurement year ending 31-Dec-21			
i. (Gain) / Loss	21,307,208	1,443,447	19,863,761
ii. Percent recognized	N/A	100.000%	100.000%
iii. Percent deferred	N/A	0.000%	0.000%
iv. Deferred amount	0	0	0
f. Total deferred amount	(5,477,244)	(246,214)	(5,231,030)
3 Market-related value of assets	439,084,152	26,825,568	412,258,584

Summary of Benefit Cost and Cash Flows	31-Dec-26	31-Dec-26	31-Dec-26
A Total Benefit Cost			
1 Employer service cost	1,600,000	122,170	1,477,830
2 Interest cost	24,694,527	1,660,535	23,033,992
3 Expected return on plan assets	(27,805,172)	(1,707,446)	(26,097,726)
4 Subtotal	(1,510,645)	75,259	(1,585,904)
5 Net prior service cost/(credit) amortization	(149,018)	(10,957)	(138,061)
6 Net loss/(gain) amortization	9,317,290	863,320	8,453,970
7 Subtotal	9,168,272	852,363	8,315,909
8 Net periodic benefit cost/(income)	7,657,627	927,622	6,730,005
9 Curtailment (gain)/loss	0	0	0
10 Settlement (gain)/loss	0	0	0
11 Special/contractual termination benefits	0	0	0
12 Total benefit cost	7,657,627	927,622	6,730,005
B Assumptions			
1 Discount rate	5.520%	5.520%	5.520%
2 Expected long-term rate of return on plan assets	6.500%	6.500%	6.500%
3 Rate of compensation increase	0.000%	0.000%	0.000%
4 Pension increases for in-payment benefits	2.500%	2.500%	2.500%
5 Pension increases for deferred benefits	0.000%	0.000%	0.000%
6 Census date	N/A	01-Jan-25	01-Jan-25
C Plan Assets at Beginning of Year			
1 Fair value	444,561,396	27,071,782	417,489,614
2 Market-related value	439,084,152	26,825,568	412,258,584

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ALLETE, Inc. **Plan C** **Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP**	Total USD	Superior Water, Light and Power USD	Minnesota Power USD
D Expected Cash Flows			
1 Employer contributions	11,500,000	1,160,094	10,339,906
2 Plan participants' contributions	0	0	0
3 Benefits paid from Company assets	0	0	0
4 Benefits paid from plan assets	44,730,057	3,344,281	41,385,776
E Amortization Period	N/A	14.98434	16.31896
Participant Information - Census Date	**N/A**	**01-Jan-25**	**01-Jan-25**
A Participating Employees			
1 Number	144	8	136
3 Average annual compensation/salary	N/A		
4 Average age	54.53		
5 Average credited service	9.40		
B Participants with Deferred Benefits			
1 Number	78	2	76
2 Average age	55.88		
3 Participants with deferred annuity benefits			
a. Number	78	2	76
b. Average annual benefits	4,472		
C Participants Receiving Benefits			
1 Number	1,533	124	1,409
2 Average annual benefit payments	30,120		
3 Average age	75.34		
D Other Participants			
1 Number	0	0	0
2 Average annual benefit payments	N/A		
3 Average age	N/A		
Reconciliation of Prior Service Cost/(Credit) Bases			
Amortization Details of Plan Amendment #1			
3 Net amount at 31-Dec-24	(506,660)	(37,251)	(469,409)
4 Amortization amount during 2025	149,018	10,957	138,061
5 Effect of curtailments	0	0	0
6 Other events	0	0	0
7 Net amount at 31-Dec-25	(357,642)	(26,294)	(331,348)
8 Remaining amortization period	N/A	2.40000	2.40000
Accumulated Contributions in Excess of Net Periodic Benefit Cost			
A Reconciliation of Amounts Recognized in Statement of Financial Position			
1 Projected Benefit Obligation (PBO)	(469,729,655)	(31,754,304)	(437,975,351)
2 Fair value of plan assets, excluding receivable contributions	444,561,396	27,071,782	417,489,614
3 Net balance sheet asset/(liability)	(25,168,259)	(4,682,522)	(20,485,737)
4 Net prior service cost/(credit)	(357,642)	(26,294)	(331,348)
5 Net loss/(gain)	192,392,002	15,865,491	176,526,511
6 Accumulated Employer contributions in excess of net periodic benefit cost	166,866,101	11,156,675	155,709,426
B Accumulated Employer Contributions in Excess of Net Periodic Benefit Cost			
1 Amount as of beginning of year	165,250,895	11,139,351	154,111,544
2 Net periodic postretirement benefit (cost)/income	(4,884,794)	(662,736)	(4,222,058)
3 Employer contributions	6,500,000	680,060	5,819,940
4 Benefits paid from plan assets	0		
5 Benefits paid from Company assets	0		
6 Other recognized loss/(gain)	0		
7 Other adjustments	0		
8 Amount as of end of year	166,866,101	11,156,675	155,709,426

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Appendix A: Statement of actuarial assumptions, methods and data sources

Plan Sponsor

ALLETE, Inc.

Statement of Assumptions

The assumptions disclosed in this Appendix are for the fiscal year ending December 31, 2025 financial reporting and the fiscal year 2026 benefit cost.

Assumptions and methods for pension cost purposes

Actuarial Assumptions and Methods — Pension Cost

Economic Assumptions

Pre-tax rate of return on assets 7.00%

Discount rate 5.84%

Annual rates of increase

- Consumer Price Index
  - 2025 2.67%
  - 2026 3.00%
  - 2027+ 2.50%
- Compensation
  - Representative rates*

Attained Service	Percentage Increase
0	4.90%
1	4.50%
6	4.00%
11	3.70%
16	3.40%
21	3.40%
26	3.20%
31	3.00%
36+	2.75%

*4.25% in 2025 for all participants

As required by the U.S. GAAP accounting standard, the discount rate based on high quality corporate bonds (AA and AAA) is used to determine the obligations and service cost, and thus the net periodic benefit cost for the plan. Because these assumptions are required by the U.S. GAAP accounting standard, and reflect current market conditions (specifically, the market conditions as of the measurement date) they may from time to time be inconsistent with other economic assumptions used in the valuation, which may reflect both current economic conditions and assumed future conditions.

The return on assets shown above is net of investment expenses. Administrative expenses are accounted for as an addition to Service Cost, as described below.

Demographic Assumptions

Mortality:

- Healthy mortality rates

Base Mortality Table [Male Table used for males; Female Table used for Females]

1. Base table: Pri-2012
2. Base mortality table year: 2012
3. Table type: Non-Union: No Collar, Union: Blue Collar
4. Healthy or Disabled: Healthy
5. Table weighting: Benefit
6. Blending of annuitants and non-annuitants: Separate rates for annuitants and non-annuitants (based on Employees table)
7. Blending of retirees and contingent annuitants: Separate rates for retirees/contingent annuitants and contingent survivors

Mortality Improvement Scale

1. Base scale: MP-2021
2. Projection Type: Generational

Termination

Rates at which participants are assumed to terminate by age are shown below.

Percentage assumed to leave during the year (Representative Rates)	
Attained Age	Percentage
20	10.40%
25	7.20%
30	3.05%
35	6.50%
40	5.80%
45	5.10%
50	4.50%
55+	3.90%

Retirement

Rates at which participants are assumed to retire by age are shown below.

Percentage assumed to retire during the year	
Age	Percentage
50-54	4.0%
55-56	8.0%
57	9.0%
58-59	14.0%
60	25.0%
61	40.0%
62	65.0%
63	55.0%
64	40.0%
65	85.0%
66-67	50.0%
68+	100.00

Additional Assumptions

Administrative expenses — $600,000 added to current year normal cost

Cash flow

- Timing of benefit payments — Benefit payments are assumed to be made uniformly throughout the year and, on average, at mid-year.
- Amount and timing of contributions — Contributions are generally assumed to be made on the last day required to meet quarterly and minimum funding requirements. For FY2026, a contribution of $12.9M was made on January 15, 2026.

Funding policy — ALLETE's current funding policy is to contribute the minimum required contribution, or the amount required to avoid benefit restrictions, if greater.

Inclusion date — The valuation date coincident with or next following the date on which the employee becomes a participant.

New or rehired employees — It is assumed there will be no additional new or rehired employees.

Benefit commencement dates

- Preretirement death benefit — The later of the death of the active participant or the date the participant would have attained age 65
- Deferred vested benefit — Age 62
- Retirement benefit — Upon termination of employment

Form of payment

Form of Payment	Lump Sum	Single Life	50% J&S
Active Retirements	0%	15%	85%
Future Vested Deferred	0%	15%	85%
Future Deaths	0%	100%	0%
Current Vested Deferred	0%	15%	85%

Percent married

85% of males; 65% of females. These assumptions are used to value pre-retirement surviving spouse benefits and in determining the optional form expected to be elected at commencement.

Spouse age

Male participants: Spouse 2 years younger

Female participants: Spouse 3 years older

Covered pay

Covered pay is defined as straight time pay including results sharing and excluding overtime and bonuses.

Decrement timing

The assumptions used are collectively called rounded middle of year (rounded MOY) decrement timing. Most events are assumed to occur at the middle of year during which the eligibility condition will be met or the start/end date will occur. For death and disability decrements, the rate applied is based on the participant's rounded age (nearest integer age) at the beginning of the year, to align with the methodology generally used to create those rate tables. For retirement and withdrawal decrements: the age is generally the participant's rounded age at the middle of the year.

Methods – Pension Cost and Funded Position

Census date

January 1, 2025

Measurement date

December 31, 2025

The benefit obligations are based on census data collected as of January 1, 2025. We have projected the benefit obligations forward to December 31, 2025, adjusting for benefit payments, expected growth in the benefit obligations, changes in key assumptions and plan provisions, and any significant changes in the plan population.

Service cost and projected benefit obligation

The Projected Unit Credit Cost Method is used to determine the PBO and the related current service cost. Under this method, a "projected accrued benefit" is calculated based upon service as of the measurement date and projected future compensation and social security levels at the age at which the employee is assumed to leave active service. The PBO is the present value of this benefit and the service cost is the present value of the increase in the benefit due to service in the upcoming year. In normal circumstances the "projected accrued benefit" is based on the plan's accrual formula. However, if service in later years leads to a materially higher level of benefit than in earlier years, the "projected accrued benefit" is calculated by

attributing projected benefits on a straight-line basis over the relevant period.

The benefits described above are used to determine both ABO and PBO except that final average pay is assumed to remain constant in the future when calculating ABO.

PBO is measured by determining a portfolio of bonds, using the December 31, 2025 Willis Towers Watson BOND:Link model, that will provide the cash flows necessary to satisfy the projected benefit payments underlying the PBO determined using the methodology described above, and determining the market value of that portfolio. A single discount rate that will equate the present value of those benefit payments to the market value of the bond portfolio is determined. Service cost is determined by discounting the projected benefit payments underlying service cost, determined using the methodology described above, by the same discount rate determined above for the PBO. Interest cost is measured by applying the discount rate to the PBO.

Market-related value of assets

For the market-related value of assets, a smoothed actuarial value of assets is used, equal to a moving average market values in which investment income is recognized over a five-year period. Investment income qual to the expected return on plan assets as calculated for the prior year's expense is recognized immediately. Any difference between the actual investment income (on a market value basis) and the expected return is recognized over a five-year period (20% in the first year, 40% in the second year, and so on, until the full 100% is recognized in the fifth year). In addition, the market-related value of assets must be no greater than 120% and no less than 80% of the market value of assets.

Amortization of unamortized amounts:

- **Recognition of past service cost/(credit)**

  Amortization of net prior service cost/(credit) resulting from a plan change is included as a component of Net Periodic Benefit Cost/(Income) in the year first recognized and every year thereafter until it is fully amortized. The annual amortization payment is determined in the first year as the increase in PBO due to the plan change divided by the average remaining service period of active participants expected to receive benefits under the plan.

  However, when a plan change reduces the PBO, existing positive prior service costs are reduced or eliminated starting with the earliest established before a new prior service credit base is established.

- **Recognition of gains or losses**

  Amortization of the net gain or loss resulting from experience different from that assumed and from changes in assumptions (excluding asset gains and losses not yet reflected in market-related value) is included as a component of Net Periodic Benefit Cost/(Income) for a year.

  If, as of the beginning of the year, that net gain or loss exceeds 10% of the greater of the PBO and the market-related value of plan assets,

the amortization is that excess divided by the average remaining service period of active plan participants.

Under this methodology, the gain/loss amounts recognized in AOCI are not expected to be fully recognized in benefit cost until the plan is terminated (or an earlier event, like a settlement, triggers recognition) because the average expected remaining service of active participants expected to benefit under the plan over which the amounts are amortized is redetermined each year and amounts that fall within the corridor described above are not amortized.

Benefits not valued None

Sources of Data and Other Information

The plan sponsor furnished participant data as of 1/1/2025. Information on assets, contributions and plan provisions was supplied by the plan sponsor. Data and other information were reviewed for reasonableness and consistency, but no audit was performed. Based on discussions with the plan sponsor, assumptions or estimates were made when data were not available, and the data was adjusted to reflect any significant events that occurred between the date the data was collected and the measurement date.

Accumulated other comprehensive (income)/loss amounts shown in the report are shown prior to adjustment for deferred taxes. Any deferred tax effects in AOCI should be determined in consultation with ALLETE's tax advisors and auditors. Willis Towers Watson used information supplied by ALLETE regarding the postretirement benefit asset, postretirement benefit liability, and amounts recognized in accumulated other comprehensive income as of the end of the 2025 fiscal year.

We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations.

Assumptions Rationale - Significant Economic Assumptions

Please see the letter delivered January 2026 for additional details.

Assumptions Rationale - Significant Demographic Assumptions

Please see the letter delivered January 2026 for additional details.

Source of Prescribed Methods (Required for ASOP compliance, otherwise optional)

Accounting methods The methods used for accounting purposes as described in Appendix A, including the method of determining the market-related value of plan assets, are "prescribed methods set by another party", as defined in the actuarial standards of practice (ASOPs). As required by U.S. GAAP, these methods were selected by the plan sponsor.

Changes in Assumptions, Methods and Estimation Techniques

Change in assumptions since prior valuation

- The discount rate was changed from 5.79% to 5.84%.
- The consumer price index assumption was changed to 2.67% in 2025, 3,00% in 2026, and 2.50% in 2027 and thereafter.

Change in methods since prior valuation

None.

Change in estimation techniques since prior valuation

None.

Model Descriptions and Disclosures in accordance with ASOP No. 56

Quantify

Quantify is the Willis Towers Watson centrally developed, tested and maintained Global actuarial valuation system. It is used to perform valuations of clients' benefit plans.

Quantify provides the ability to process data, calculate benefits and value benefit liabilities, develop results using applicable standards, and generate client reports.

Quantify parameters provide significant flexibility to model populations and plan designs. Various demographic, economic and benefit related assumptions exist for users to model multiple demographic and economic situations.

Plan liabilities are calculated based on standard actuarial techniques, developing actuarially reasonable results using the population and parameters entered. The calculation and presentation of liabilities in Quantify relies on the assumptions used and the reasonability of the assumptions selected.

Quantify incorporates standard liability methodologies that are intended to reasonably reflect a variety of economic or demographic conditions. The model itself does not evaluate any assumptions entered for reasonableness, consistency or probability of occurrence.

Quantify is designed specifically for these purposes, and we know of no material limitations that would prevent the system from being suitable for these intended purposes. The actuaries signing this report have relied on the actuaries who develop, test and maintain this system, and have also performed a limited review of results to ensure that system parameters have been set appropriately and plan provisions coded correctly.

Quantify FR

Quantify Financial Reporting (FR) is intended to calculate funding results, accounting results and produce the associated client reports under selected accounting standards. The calculations and reports are based on various user specified inputs including liability results and asset values.

Quantify FR develops valuation results for various accounting and funding purposes using standard actuarial techniques.

Calculation of disclosure liabilities and results are based on roll forward liabilities.

Liability roll-forwards are used in accounting scenarios where the date as of which liabilities are valued does not coincide with the fiscal year measurement date. The roll-forwards consist of adjusting liabilities for the passage of time.

The estimate of the following year's expense is calculated based on the obligations and assets used for disclosure and incorporates service cost that may be based on a projection in the associated Quantify liability run, depending on the relationship of the liability valuation date to the fiscal year.

The Roll Forward accounting calculations assume that applicable rules will not change during the roll-forward period. Actuaries make adjustments to the data, plan provisions and assumptions reflected in the calculation of the liabilities that are rolled forward so that the results reflect conditions at the measurement date, and/or make similar adjustments to the results of the roll forward, including reflecting any changes in applicable accounting standards.

RATE: Link

RATE: Link is a methodology to develop spot rates to be used for liability and cost measurements related to employee benefit plans. The same core methodology is used to develop all RATE: Link curves. The RATE: Link process develops term structures of interest rates from corporate bond data for each covered geography (e.g., the U.S. for this valuation).

The construction of RATE: Link yield curves relies on bond data collected as of the measurement date.

Information regarding quoted bond prices, yields and other bond related data is from Bloomberg Finance L.P.

BOND:Link

U.S. BOND:Link is a methodology to assist with the selection of discount rates used in liability and cost measurements related to employee benefit plans. Discount rates are derived by identifying a theoretical settlement portfolio of high-quality corporate bonds sufficient to provide for a plan's projected benefit payments. The single interest rate is then determined that results in a discounted value of the plan's benefit payments that equals the market value of the selected bond portfolio.

Updated BOND:Link models are developed monthly as of the last day of the month. The construction of a BOND:Link model relies on bond

data collected as of the measurement date. Parameters provide the user the ability to control aspects of the model. The model output allows the user to see the effects of those parameters.

Information regarding quoted bond prices, yields and other bond related data is from Bloomberg Finance L.P.

Expected Return Estimator

The Expected Return Estimator is used to help inform the choice of an expected return assumption (e.g., as one data point to consider) for returns on the assets of the trust.

The tool depends on the capital market assumptions chosen at the starting date of the simulation. These assumptions reflect currently prevailing capital market conditions, assumed future conditions ("normative conditions"), and the transition from the current conditions to the normative ones.

The assumed normative conditions incorporate a blend of historical capital market data and future expectations. The sources consulted in the determination of normative levels include practitioners in our global actuarial and investment consulting practices, plan sponsors, investment managers, economists, and academics.

SWIFT

Swift is intended to develop projections of plan (pension and OPRB plans) and/or asset values based on various user specified inputs. These amounts are then used to develop contribution and cost results under selected accounting standards and funding regulations. The time horizon for the analysis is 10 full future years.

The parameters provide a great deal of flexibility to model populations and plan designs. Various demographic and economic assumptions exist for users to model multiple demographic and economic scenarios. The Swift model for liabilities is a simplified alternative to using a full valuation system to develop projections of plan liabilities. The assumptions used to control the projected asset values are intended to be flexible enough to model a variety of scenarios reflecting the investment mix of the plan modeled.

Plan liabilities are initially projected based on standard actuarial techniques for a roll-forward based on the population/design parameters entered. The liabilities are then adjusted with inputs providing their sensitivity to various economic experience and valuation assumptions.

Assets are projected on a monthly basis reflecting the data, calculated cash flows, and input assumptions.

The model itself does not evaluate any assumptions entered for reasonableness, consistency or probability of occurrence.

Funding and accounting calculations assume that applicable rules will not change during the forecast horizon.

Certain details are not reflected in the model. For example, special events (curtailments, settlements, termination benefits) are not

included in the standard accounting calculations. Additionally, the model does not support interim re-measurements of benefit cost. Actuaries make adjustments to the data, plan provisions and assumptions reflected in the calculation of the liabilities that are projected forward so that the results reflect conditions at the measurement date, and/or make similar adjustments to the results of the projection, including reflecting any changes in applicable accounting standards.

RPEC Model Implementation Tools

The MIM-2021 Model Implementation Tools are used to construct a mortality improvement scale is intended to produce future mortality improvement rates by age, year and gender based on historical mortality experience data, certain model inputs and a graduation algorithm to create a smooth transition from historical rates to projected rates. The Retirement Plans Experience Committee of the Society of Actuaries (RPEC) collects the data, defines the input parameters, develops and maintains the model. The RPEC annually publishes an update to this model for use by actuaries, and we have relied on the 2021 version of this model.

The input parameters that can be used as published or modified by the user include: long-term improvement rate, horizontal (by age) convergence period, diagonal (by year of birth) convergence period, convergence blending percentages and initial slope constraint.

Appendix B : Summary of principal plan provisions

Plan Provisions

The most recent amendment reflected in the following plan provisions was adopted on February 1, 2022.

Covered employees	All union employees hired before February 1, 2011 and all union SWL&P employees. Effective February 1, 2022, no employee hired or rehired on or after February 1, 2022 shall be eligible to accrue benefits in the plan
Participation date	Age 18 and over than have 1,000 or more hours of service in a plan year

Definitions

Continuous service	The period of continuous employment as a regular employee of the company including service as an employee of any predecessor company. Periods on disability where LTD benefits are being received are included.
Pensionable earnings	Pensionable earnings is defined as straight time pay including results sharing excluding overtime and bonuses.
Final average earnings	Highest average compensation received for 48 consecutive months during the 15 years of service immediately preceding retirement or termination. Compensation is limited as required under Internal Revenue Code Section 401(a)(17).
Eligible spouse	The person who was married to an employee for at least one year immediately prior to the employee's retirement date.
Transferred employees	For employees who transfer between Plan C (formerly Plan A) and Plan B, the accrued benefit to the date of transfer remains payable from the former plan. The former accrued benefit is adjusted for pay at the date of termination versus pay at the date of transfer. The adjustment is payable from the new plan.

Eligibility for Benefits

Normal retirement	Age 65 with five years of service
Early retirement	Age 50 with ten years of service
Postponed retirement	Retirement after NRD
Deferred vested termination	Five years of service
Disability	Five years of service
Preretirement death benefit	Five years of service

Benefits Paid Upon the Following Events

Normal retirement	Greater of: 1.6% of final average earnings for each year of service (for participants of the plan effective February 1, 2001); or 5% of final average earnings plus 1.35% of final average earnings for each year of service (for participants of the plan prior to February 1, 2001).
Early retirement – Minnesota Power	Normal retirement benefit reduced by 4.00% for each month between the early retirement date and age 62 (prorated for partial ages). Benefits are unreduced at age 58 with 40 or more years of service.
Early retirement – SWL&P	Normal retirement benefit reduced by 2.00% for each of the first 3 years, 2.75% for the next 2 years, and 4.00% for the remaining years between the early retirement date and 62 (prorated for partial ages). Benefits are unreduced at age 58 and 40 or more years of service.
Postponed retirement	Active participants: The plan provides benefit suspension notices to participants who work beyond normal retirement; therefore, late retirement actuarial increases only apply to participants who defer retirement beyond age 70½.
Deferred vested termination	The proportionate part (based on service to termination divided by expected service at age 65) of the benefit expected at age 65, available as a deferred annuity.

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	Participants with at least 10 years of vesting service upon termination are eligible for early retirement described above. Participants with at least 5 years of vesting service but less than 10 years of vesting service upon termination cannot receive until age 65.
Disability Retirement	Same as normal retirement, assuming compensation continues prior to commencement at the rate in effect immediately before the participant became totally disabled. Service continues to accrue during the participant's period of disability.
Preretirement death	Upon the death of an active participant, a monthly benefit equal to the larger of (a), (b), or (c) is payable for life: (a) 25% of current compensation. (b) 50% of compensation less Social Security benefits. (c) A monthly benefit equal to 50% of the benefit the employee could have received if he had terminated on the date of death and began receiving payments on his earliest retirement date. Benefits (a) and (b) are not subject to the cost-of-living adjustment and are subject to certain flat dollar maximums. Benefit (c) is subject to the cost-of-living adjustment.

Other Plan Provisions

Forms of payment	Automatic form for unmarried participants: the normal form is a life annuity. Automatic form for married participants: for an employee with an eligible spouse (who elected out of the 1970 contributory life insurance program), the normal form is a 50% joint and survivor annuity. Optional forms: life annuity; 50%, 75% and 100% contingent beneficiary annuities; 50% joint and survivor annuity; 10-year certain and life annuity; and social security level income annuity.
Cost -of-Living Adjustment	50% of the benefit at retirement is subject to adjustment on each May 1 and November 1. The adjustment is equal to the percentage change in the Consumer Price Index. Maximum increase equals 3% times the number of adjustment dates since retirement. Benefit cannot decrease below initially determined amount.

Maximum limits on benefits and pay	Compensation for any 12-month period used to determine accrued benefits may not exceed the limits in IRC Section 401(a)(17) for the calendar year in which the 12-month period begins. This limit is indexed annually. Annual benefits may not exceed the limits in IRC Section 415. This limit is indexed annually.

Future Plan Changes

None.

Changes in Benefits Valued Since Prior Year

None.

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Appendix A : Statement of actuarial assumptions, methods and data sources

Plan Sponsor

ALLETE, Inc.

Statement of Assumptions

The assumptions disclosed in this Appendix are for the fiscal year ending December 31, 2025 financial reporting and the fiscal year 2026 benefit cost.

Assumptions and methods for pension cost purposes

Actuarial Assumptions and Methods — Pension Cost

Economic Assumptions

Pre-tax rate of return on assets	6.50%
Discount rate – Used for disclosure as of 12/31/2025	5.52%
Annual rates of increase	
• Consumer Price Index	
– 2025	2.67%
– 2026	3.00%
– 2027	2.50%

As required by the U.S. GAAP accounting standard, the discount rate based on high quality corporate bonds (AA and AAA) is used to determine the obligations and service cost, and thus the net periodic benefit cost for the plan. Because these assumptions are required by the U.S. GAAP accounting standard, and reflect current market conditions (specifically, the market conditions as of the measurement date) they may from time to time be inconsistent with other economic assumptions used in the valuation, which may reflect both current economic conditions and assumed future conditions.

The return on assets shown above is net of investment expenses. Administrative expenses are accounted for as an addition to Service Cost, as described below.

Demographic Assumptions

Mortality:

- Healthy mortality rates

Base Mortality Table [Male Table used for males; Female Table used for Females]

1. Base table: Pri-2012
2. Base mortality table year: 2012
3. Table type: Non-Union: No Collar, Union: Blue Collar
4. Healthy or Disabled: Healthy
5. Table weighting: Benefit
6. Blending of annuitants and non-annuitants: Separate rates for annuitants and non-annuitants (based on Employees table)
7. Blending of retirees and contingent annuitants: Separate rates for retirees/contingent annuitants and contingent survivors

Mortality Improvement Scale

1. Base scale: MP-2021
2. Projection Type: Generational

Termination (not due to disability or retirement) rates

The rates at which participants are assumed to terminate employment by age are shown below:

Percentage assumed to leave during the year (Representative Rates)	
Attained Age	Percentage
20	10.40%
25	7.20%
30	4.88%
35	2.18%
40	1.73%
45	1.53%
50	1.40%
55+	3.90%

Retirement

Rates at which participants are assumed to retire by age are shown below.

Percentage assumed to retire during the year	
Age	Percentage
50-54	3.0%
55-56	10.0%
57-59	20.0%
60-61	33.0%
62	50.0%
63-64	40.0%
65	65.0%
66-67	35.0%
68+	100.0%

Additional Assumptions

Administrative expenses

$1,600,000 added to current year normal cost.

Cash flow

- Timing of benefit payments

  Benefit payments are assumed to be made uniformly throughout the year and, on average, at mid-year.

- Amount and timing of contributions

  Contributions are generally assumed to be made on the last day required to meet quarterly and minimum funding requirements. For FY2026, a contribution of $11.5M was made on January 15, 2026.

Funding policy

ALLETE's current funding policy is to contribute the minimum required contribution, or the amount required to avoid benefit restrictions, if greater.

Inclusion date

The valuation date coincident with or next following the date on which the employee becomes a participant.

New or rehired employees

It was assumed there will be no new or rehired employees.

Benefit commencement dates

- Preretirement death benefit — The later of the death of the active participant or the date the participant would have attained age 65
- Deferred vested benefit — Age 61
- Retirement benefit — Upon termination of employment

Form of payment - Male

Form of payment	Lump sum	Single life	60% J&S	50% J&S
Active retirements	0%	15%	85%	0%
Future vested deferred	0%	15%	85%	0%
Future deaths	0%	100%	0%	0%
Current vested deferred (former Plan A)	0%	15%	85%	0%
Current vested deferred (former Plan B)	0%	15%	0%	85%

Form of payment - Female

Form of payment	Lump sum	Single life	60% J&S	50% J&S
Active retirements	0%	35%	65%	0%
Future vested deferred	0%	35%	65%	0%
Future deaths	0%	100%	0%	0%
Current vested deferred (former Plan A)	0%	35%	65%	0%
Current vested deferred (former Plan B)	0%	35%	0%	65%

Percent married

85% of males; 65% of females. These assumptions are used to value pre-retirement surviving spouse benefits and in determining the coverage level expected to be elected at commencement.

Spouse age

Male participants: Spouse 2 years younger

Female participants: Spouse 3 years older

Decrement timing

The assumptions used are collectively called rounded middle of year (rounded MOY) decrement timing. Most events are assumed to occur at the middle of year during which the eligibility condition will be met or the start/end date will occur. For death and disability decrements, the rate applied is based on the participant's rounded age (nearest integer age) at the beginning of the year, to align with the methodology generally used to create those rate tables. For retirement and withdrawal decrements: the age is generally the participant's rounded age at the middle of the year.

Methods – Pension Cost and Funded Position

Census date	January 1, 2025
Measurement date	December 31, 2025 The benefit obligations are based on census data collected as of January 1, 2025. We have projected the benefit obligations forward to December 31, 2025, adjusting for benefit payments, expected growth in the benefit obligations, changes in key assumptions, and plan provisions, and any significant changes in the plan population.
Service cost and projected benefit obligation	The Projected Unit Credit Cost Method is used to determine the PBO and the related current service cost. Under this method, a “projected accrued benefit” is calculated based upon service as of the measurement date and projected future compensation and social security levels at the age at which the employee is assumed to leave active service. The PBO is the present value of this benefit and the service cost is the present value of the increase in the benefit due to service in the upcoming year. In normal circumstances the "projected accrued benefit" is based on the plan's accrual formula. However, if service in later years leads to a materially higher level of benefit than in earlier years, the "projected accrued benefit" is calculated by attributing projected benefits on a straight-line basis over the relevant period. The benefits described above are used to determine both ABO and PBO. PBO is measured by determining a portfolio of bonds, using the December 31, 2025 Willis Towers Watson BOND:Link model, that will provide the cash flows necessary to satisfy the projected benefit payments underlying the PBO determined using the methodology described above, and determining the market value of that portfolio. A single discount rate that will equate the present value of those benefit payments to the market value of the bond portfolio is determined. Interest cost is measured by applying the discount rate to the PBO.
Market-related value of assets	For the market-related value of assets, a smoothed actuarial value of assets is used, equal to a moving average market values in which investment income is recognized over a five-year period. Investment income qual to the expected return on plan assets as calculated for the prior year’s expense is recognized immediately. Any difference between the actual investment income (on a market value basis) and the expected return is recognized over a five-year period (20% in the first year, 40% in the second year, and so on, until the full 100% is recognized in the fifth year). in addition, the market-related value of assets must be no greater than 120% and no less than 80% of the market value of assets.

Amortization of unamortized amounts:

- **Recognition of past service cost/(credit)**

  Amortization of net prior service cost/(credit) resulting from a plan change is included as a component of Net Periodic Benefit Cost/(Income) in the year first recognized and every year thereafter until it is fully amortized. The annual amortization payment is determined in the first year as the increase in PBO due to the plan change divided by the average remaining service period of active participants expected to receive benefits under the plan.

  However, when a plan change reduces the PBO, existing positive prior service costs are reduced or eliminated starting with the earliest established before a new prior service credit base is established.

- **Recognition of gains or losses**

  Amortization of the net gain or loss resulting from experience different from that assumed and from changes in assumptions (excluding asset gains and losses not yet reflected in market-related value) is included as a component of Net Periodic Benefit Cost/(Income) for a year.

  If, as of the beginning of the year, that net gain or loss exceeds 10% of the greater of the PBO and the market-related value of plan assets, the amortization is that excess divided by the average remaining lifetime of plan participants.

  Under this methodology, the gain/loss amounts recognized in AOCI are not expected to be fully recognized in benefit cost until the plan is terminated (or an earlier event, like a settlement, triggers recognition) because the average expected remaining lifetime of participants expected to benefit under the plan over which the amounts are amortized is redetermined each year and amounts that fall within the corridor described above are not amortized.

Benefits not valued None.

Sources of Data and Other Information

The plan sponsor furnished participant data as of 1/1/2025. Information on assets, contributions and plan provisions was supplied by the plan sponsor. Data and other information were reviewed for reasonableness and consistency, but no audit was performed. Based on discussions with the plan sponsor, assumptions or estimates were made when data were not available, and the data was adjusted to reflect any significant events that occurred between the date the data was collected and the measurement date.

Accumulated other comprehensive (income)/loss amounts shown in the report are shown prior to adjustment for deferred taxes. Any deferred tax effects in AOCI should be determined in consultation with ALLETE's tax advisors and auditors. Willis Towers Watson used information supplied by ALLETE regarding the postretirement benefit asset, postretirement benefit liability, and amounts recognized in accumulated other comprehensive income as of the end of the 2025 fiscal year.

We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations.

Assumptions Rationale - Significant Economic Assumptions

Please see the letter delivered January 2026 for additional details.

Assumptions Rationale - Significant Demographic Assumptions

Please see the letter delivered January 2026 for additional details.

Source of Prescribed Methods (Required for ASOP compliance, otherwise optional)

Accounting methods	The methods used for accounting purposes as described in Appendix A, including the method of determining the market-related value of plan assets, are “prescribed methods set by another party”, as defined in the actuarial standards of practice (ASOPs). As required by U.S. GAAP, these methods were selected by the plan sponsor.

Changes in Assumptions, Methods and Estimation Techniques

Change in assumptions since prior valuation	• The discount rate was changed from 5.78% to 5.52%. • The consumer price index assumption was changed to 2.67% in 2025, 3.00% in 2026, and 2.50% in 2027 and thereafter
Change in methods since prior valuation	None.
Change in estimation techniques since prior valuation	None.

Model Descriptions and Disclosures in accordance with ASOP No. 56

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Quantify is designed specifically for these purposes, and we know of no material limitations that would prevent the system from being suitable for these intended purposes. The actuaries signing this report have relied on the actuaries who develop, test and maintain this system, and have also performed a limited review of results to ensure that system parameters have been set appropriately and plan provisions coded correctly.

Quantify FR

Quantify Financial Reporting (FR) is intended to calculate funding results, accounting results and produce the associated client reports under selected accounting standards. The calculations and reports are based on various user specified inputs including liability results and asset values.

Quantify FR develops valuation results for various accounting and funding purposes using standard actuarial techniques.

Calculation of disclosure liabilities and results are based on roll forward liabilities.

Liability roll-forwards are used in accounting scenarios where the date as of which liabilities are valued does not coincide with the fiscal year measurement date. The roll-forwards consist of adjusting liabilities for the passage of time.

The estimate of the following year’s expense is calculated based on the obligations and assets used for disclosure and

incorporates service cost that may be based on a projection in the associated Quantify liability run, depending on the relationship of the liability valuation date to the fiscal year.

The Roll Forward accounting calculations assume that applicable rules will not change during the roll-forward period. Actuaries make adjustments to the data, plan provisions and assumptions reflected in the calculation of the liabilities that are rolled forward so that the results reflect conditions at the measurement date, and/or make similar adjustments to the results of the roll forward, including reflecting any changes in applicable accounting standards.

RATE: Link

RATE: Link is a methodology to develop spot rates to be used for liability and cost measurements related to employee benefit plans. The same core methodology is used to develop all RATE: curves. The RATE: Link process develops term structures of interest rates from corporate bond data for each covered geography (e.g., the U.S. for this valuation).

The construction of RATE: Link yield curves relies on bond data collected as of the measurement date.

Information regarding quoted bond prices, yields and other bond related data is from Bloomberg Finance L.P.

BOND:Link

U.S. BOND:Link is a methodology to assist with the selection of discount rates used in liability and cost measurements related to employee benefit plans. Discount rates are derived by identifying a theoretical settlement portfolio of high-quality corporate bonds sufficient to provide for a plan's projected benefit payments. The single interest rate is then determined that results in a discounted value of the plan's benefit payments that equals the market value of the selected bond portfolio.

Updated BOND:Link models are developed monthly as of the last day of the month. The construction of a BOND:Link model relies on bond data collected as of the measurement date. Parameters provide the user the ability to control aspects of the model. The model output allows the user to see the effects of those parameters.

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The Expected Return Estimator is used to help inform the choice of an expected return assumption (e.g., as one data point to consider) for returns on the assets of the trust.

The tool depends on the capital market assumptions chosen at the starting date of the simulation. These assumptions reflect currently prevailing capital market conditions, assumed future

conditions (“normative conditions”), and the transition from the current conditions to the normative ones.

The assumed normative conditions incorporate a blend of historical capital market data and future expectations. The sources consulted in the determination of normative levels include practitioners in our global actuarial and investment consulting practices, plan sponsors, investment managers, economists, and academics.

SWIFT

Swift is intended to develop projections of plan (pension and OPRB plans) and/or asset values based on various user specified inputs. These amounts are then used to develop contribution and cost results under selected accounting standards and funding regulations. The time horizon for the analysis is 10 full future years.

The parameters provide a great deal of flexibility to model populations and plan designs. Various demographic and economic assumptions exist for users to model multiple demographic and economic scenarios. The Swift model for liabilities is a simplified alternative to using a full valuation system to develop projections of plan liabilities. The assumptions used to control the projected asset values are intended to be flexible enough to model a variety of scenarios reflecting the investment mix of the plan modeled.

Plan liabilities are initially projected based on standard actuarial techniques for a roll-forward based on the population/design parameters entered. The liabilities are then adjusted with inputs providing their sensitivity to various economic experience and valuation assumptions.

Assets are projected on a monthly basis reflecting the data, calculated cash flows, and input assumptions.

The model itself does not evaluate any assumptions entered for reasonableness, consistency or probability of occurrence.

Funding and accounting calculations assume that applicable rules will not change during the forecast horizon.

Certain details are not reflected in the model. For example, special events (curtailments, settlements, termination benefits) are not included in the standard accounting calculations. Additionally, the model does not support interim re-measurements of benefit cost. Actuaries make adjustments to the data, plan provisions and assumptions reflected in the calculation of the liabilities that are projected forward so that the results reflect conditions at the measurement date, and/or make similar adjustments to the results of the projection, including reflecting any changes in applicable accounting standards.

RPEC Model Implementation Tools

The MIM-2021 Model Implementation Tools are used to construct a mortality improvement scale is intended to produce future mortality improvement rates by age, year and gender based on historical mortality experience data, certain model inputs and a graduation algorithm to create a smooth transition from historical rates to projected rates. The Retirement Plans Experience Committee of the Society of Actuaries (RPEC) collects the data, defines the input parameters, develops and maintains the model. The RPEC annually publishes an update to this model for use by actuaries, and we have relied on the 2021 version of this model.

The input parameters that can be used as published or modified by the user include: long-term improvement rate, horizontal (by age) convergence period, diagonal (by year of birth) convergence period, convergence blending percentages and initial slope constraint.

Appendix B : Summary of principal plan provisions

The most recent amendment reflected in the following plan provisions was adopted on September 10, 2019, effective December 31, 2018.

The plan consists of former Plan A participants, and former Plan B participants that had terminated employment with ALLETE on or before December 31, 2015 which were spun off into Plan C on January 1, 2016. The plan has no service accruals and new employees are not eligible to participate in the plan.

Plan Provisions for Plan A Participants

Plan Provisions

The most recent amendment reflected in the following plan provisions was adopted on September 10, 2019, effective December 31, 2018.

Covered employees	All nonunion employees age 18 or older that were hired before October 1, 2006 The plan consists of former Plan A participants, and former Plan B participants that had terminated employment with ALLETE on or before December 31, 2015 that were spun off into Plan C on January 1, 2016. The plan has no service accruals and new employees are not eligible to participate in the plan.
Participation date	Date of becoming a covered employee

Definitions

Credited service	Service was frozen for all participants as of October 1, 2006.
Continuous service	The period of continuous employment as a regular employee of the company including service as an employee of any predecessor company. Periods on disability where LTD benefits are being received are included.
Pensionable earnings	Basic compensation is defined as straight time pay including results sharing and excluding overtime and bonuses.

Final average earnings	Highest average compensation received for 48 consecutive months during the 15 years of service immediately preceding retirement or termination. Compensation is limited as required under Internal Revenue Code Section 401(a)(17). Final average earnings are frozen for all participants effective November 30, 2018.
Eligible spouse	The person who was married to an employee for at least one year immediately prior to the employee's retirement date.
Transferred employees	For employees who transfer between Plan A and Plan B, the accrued benefit to the date of transfer remains payable from the former plan. The former accrued benefit is adjusted for pay at the date of termination versus pay at the date of transfer. The adjustment is payable from the new plan. The new plan also provides a benefit for service from the date of transfer.

Eligibility for Benefits

Normal retirement	Age 65 with five years of service
Early retirement	Age 50 with ten years of service
Postponed retirement	Retirement after NRD
Deferred vested termination	Five years of service
Disability	Five years of service
Preretirement death benefit	Five years of service

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Benefits Paid Upon the Following Events

Normal retirement	For service before July 1, 1980: 10% plus 1% of final average earnings for each year of service (maximum 50%) For service after July 1, 1980: 0.8% of final average earnings for each year of service Minimum benefit: Each participant as of December 31, 1991 is entitled to a minimum benefit equal to their accrued benefit on that date multiplied by the final average pay at retirement divided by their final average pay on December 31, 1991. Credited service was frozen for all participants as of October 1, 2006. Final average earnings are frozen for all participants as of November 30, 2019.
Early retirement	Normal retirement reduced by 1/3 of 1% for each month between early retirement date and age 62. Benefits are unreduced at age 58 with 40 or more years of service.
Deferred vested termination	The proportionate part (based on service to termination divided by expected service at age 65) of the benefit expected at age 65, available as a deferred annuity. Participants with at least 10 years of vesting service upon termination are eligible for early retirement described above. Participants with at least 5 years of vesting service but less than 10 years of vesting service upon termination cannot receive until age 65.
Disablement	Same as normal retirement, assuming compensation continues prior to commencement at the rate in effect immediately before the participant became totally disabled. Service continues to accrue during the participant's period of disability.
Preretirement death	Upon the death of an active participant, a monthly benefit equal to 60% of the benefit the employee could have received if he had terminated on the date of death and began receiving payments on his earlier retirement date.

Other Plan Provisions

Forms of payment	Automatic form for unpaired participants: the normal form is a life annuity. Automatic form for married participants: for an employee with an eligible spouse (who elected out of the 1970 contributory life insurance program), the normal form is a 60% joint and survivor annuity. Optional forms: life annuity; 60%, 75% and 100% contingent beneficiary annuities; 50% joint and survivor annuity; 10-year certain and life annuity; and social security level income annuity. Optional forms conversation factors: 10-year certain and life annuity: 0.92 + 0.005 x (65 – participant age) 75% contingent beneficiary annuity: 0.97 – 0.002 x (participant age – spouse age), not greater than 100% 100% contingent beneficiary annuity: 0.92 – 0.003 x (participant age – spouse age), not greater than 100% 50% joint and survivor annuity: 0.94 – 0.007 x (participant age – spouse age), not greater than 100% All age differences are calculated as full years.
Cost -of-Living Adjustment	50% of the benefit at retirement is subject to adjustment on each May 1 and November 1. The adjustment is equal to the percentage change in the Consumer Price Index. Maximum increase equals 3% times the number of adjustment dates since retirement. Benefit cannot decrease below initially determined amount.
Maximum limits on benefits and pay	Compensation for any 12-month period used to determine accrued benefits may not exceed the limits in IRC Section 401(a)(17) for the calendar year in which the 12-month period begins. This limit is indexed annually. Annual benefits may not exceed the limits in IRC Section 415. This limit is indexed annually.

Future Plan Changes

None.

Changes in Benefits Valued Since Prior Year

None.

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Plan Provisions for Plan B Participants

Plan Provisions	
Covered employees	All union employees hired before February 1, 2011 and all union SWL&P employees.
Participation date	Age 18 and over that have 1,000 or more hours of service in a plan year.

Definitions	
Continuous service	The period of continuous employment as a regular employee of the company including service as an employee of any predecessor company. Periods on disability where LTD benefits are being received are included.
Pensionable earnings	Pensionable earnings is defined as straight time pay including results sharing excluding overtime and bonuses.
Final average earnings	Highest average compensation received for 48 consecutive months during the 15 years of service immediately preceding retirement or termination. Compensation is limited as required under Internal Revenue Code Section 401(a)(17).
Eligible spouse	The person who was married to an employee for at least one year immediately prior to the employee's retirement date.
Transferred employees	For employees who transfer between Plan A and Plan B, the accrued benefit to the date of transfer remains payable from the former plan. The former accrued benefit is adjusted for pay at the date of termination versus pay at the date of transfer. The adjustment is payable from the new plan. Final average earnings is frozen as of November 30, 2018 for participants that have transferred from Plan B into Plan A.

Eligibility for Benefits	
Normal retirement	Age 65 with five years of service
Early retirement	Age 50 with ten years of service
Postponed retirement	Retirement after NRD

Deferred vested termination	Any age with five years of service
Disability	Any age with five years of service
Preretirement death benefit	Five years of service

Benefits Paid Upon the Following Events

Normal retirement	Greater of: 1.6% of final average earnings for each year of service (for participants of the plan effective February 1, 2001); OR 5% of final average earnings plus 1.35% of final average earnings for each year of service (for participants of the plan prior to February 1, 2001).
Early retirement	Same as normal retirement benefit reduced by 1/3 of 1% for each month between the early retirement date and age 62. Benefits are unreduced at age 58 with 40 or more years of service.
Postponed retirement	Active participants: The plan provides benefit suspension notices to participants who work beyond normal retirement; therefore, late retirement actuarial increases only apply to participants who defer retirement beyond age 70½.
Deferred vested termination	The proportionate part (based on service to termination divided by expected service at age 65) of the benefit expected at age 65, available as a deferred annuity. Participants with at least 10 years of vesting service upon termination are eligible for early retirement described above. Participants with at least 5 years of vesting service but less than 10 years of vesting service upon termination cannot receive until age 65.
Disablement	Same as normal retirement, assuming compensation continues prior to commencement at the rate in effect immediate before the participant became totally disabled. Service continues to accrue during the participant's period of disability.

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Preretirement death	Upon the death of an active participant, a monthly benefit equal to the larger of (a), (b), or (c) is payable for life: (a) 25% of current compensation. (b) 50% of compensation less Social Security benefits. (c) A monthly benefit equal to 50% of the benefit the employee could have received if he had terminated on the date of death and began receiving payments on his earliest retirement date. Benefits (a) and (b) are not subject to the cost-of-living adjustment and are subject to certain flat dollar maximums. Benefit (c) is subject to the cost-of-living adjustment.

Other Plan Provisions

Forms of payment	Automatic form for unmarried participants: the normal form is a life annuity. Automatic form for married participants: for an employee with an eligible spouse (who elected out of the 1970 contributory life insurance program), the normal form is a 50% joint and survivor annuity. Optional forms: life annuity; 50%, 75% and 100% contingent beneficiary annuities; 50% joint and survivor annuity; 10-year certain and life annuity; and social security level income annuity. Optional forms conversation factors: 10-year certain and life annuity: 0.92 + 0.005 x (65 – participant age) 75% contingent beneficiary annuity: 0.97 – 0.002 x (participant age – spouse age), not greater than 100% 100% contingent beneficiary annuity: 0.92 – 0.003 x (participant age – spouse age), not greater than 100% 50% joint and survivor annuity: 0.94 – 0.007 x (participant age – spouse age), not greater than 100% All age differences are calculated as full years.
Cost-of-Living Adjustment	50% of the benefit at retirement is subject to adjustment on each May 1 and November 1. The adjustment is equal to the percentage change in the Consumer Price Index. Maximum increase equals 3% times the number of adjustment dates since retirement. Benefit cannot decrease below initially determined amount.

Maximum limits on benefits and pay	Compensation for any 12-month period used to determine accrued benefits may not exceed the limits in IRC Section 401(a)(17) for the calendar year in which the 12-month period begins. This limit is indexed annually. Annual benefits may not exceed the limits in IRC Section 415. This limit is indexed annually.

Future Plan Changes

None.

Changes in Benefits Valued Since Prior Year

None.

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TRADE SECRET DATA EXCISED IN ITS ENTIRETY

MP Exhibit ___ (Anderson), Direct Schedule 8 – EEI Pension and OPEB Survey 2025-2026 and Select Results

ALLETE, Inc.

Postretirement Welfare Plans **Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP**	Total USD	Non-Union Total USD	Union Total USD
Disclosed Benefit Cost	31-Dec-25	31-Dec-25	31-Dec-25
A Disclosed Benefit Cost			902,345
1 Employer service cost	1,726,445	824,100	
2 Interest cost	3,948,289	1,996,151	1,952,138
3 Expected return on plan assets	(10,725,525)	(4,577,132)	(6,148,393)
4 Subtotal	(5,050,791)	(1,756,881)	(3,293,910)
5 Net prior service cost/(credit) amortization	(5,801,548)	(3,070,846)	(2,730,702)
6 Net loss/(gain) amortization	(2,414,683)	(1,551,362)	(863,321)
7 Subtotal	(8,216,231)	(4,622,208)	(3,594,023)
8 Net periodic postretirement benefit cost/(income)	(13,267,022)	(6,379,089)	(6,887,933)
9 Curtailment (gain)/loss	0	0	0
10 Settlement (gain)/loss	0	0	0
11 Special/contractual termination benefits	0	0	0
12 Disclosed net benefit cost	(13,267,022)	(6,379,089)	(6,887,933)
B Presentation of Benefit Cost Pursuant to ASC 715-20			
1 Employer service cost	1,726,445	824,100	902,345
2 Other components of net periodic benefit cost	(14,993,467)	(7,203,189)	(7,790,278)
3 Other adjustments to net benefit cost	0	0	0
4 Disclosed net benefit cost	(13,267,022)	(6,379,089)	(6,887,933)
C Assumptions Used to Determine Benefit Cost			
1 Discount rate	5.790%	5.790%	5.790%
2 Expected long-term rate of return on plan assets	6.300%	5.600%	7.000%
3 Current health care cost trend rate	6.000%	6.000%	6.000%
4 Ultimate health care cost trend rate	5.000%	5.000%	5.000%
5 Year of ultimate trend rate	2038	2038	2038
Balance Sheet Asset/(Liability)			
A Development of Balance Sheet Asset/(Liability)			
1 Accumulated postretirement benefit obligation (APBO)	(76,930,050)	(38,744,370)	(38,185,680)
2 Fair value of plan assets, excluding receivable contributions	175,763,874	82,029,999	93,733,875
3 Net balance sheet asset/(liability)	98,833,824	43,285,629	55,548,195
B Current and Noncurrent Classification			
1 Noncurrent asset	103,285,373	47,737,178	55,548,195
2 Current liability	0	0	0
3 Noncurrent liability	(4,451,549)	(4,451,549)	0
4 Net balance sheet asset/(liability)	98,833,824	43,285,629	55,548,195
C Reconciliation of Net Balance Sheet Asset/(Liability)			
1 Net balance sheet asset/(liability) at end of prior fiscal year	103,097,721	47,971,407	55,126,314
2 Employer service cost	(1,726,445)	(824,100)	(902,345)
3 Interest cost	(3,948,289)	(1,996,151)	(1,952,138)
4 Expected return on plan assets	10,725,525	4,577,132	6,148,393
5 Plan amendments	(4,098,399)	(2,243,918)	(1,854,481)
6 Actuarial gain/(loss)	8,600,377	2,506,758	6,093,619
7 Employer contributions	(14,222,334)	(7,111,167)	(7,111,167)
8 Benefits paid directly by the Company, net of retiree contributions	405,668	405,668	0
9 Medicare Part D subsidy on benefits paid during the year	0	0	0
10 Acquisitions/divestitures	0	0	0
11 Curtailments	0	0	0
12 Settlements (if settled using corporate cash)	0	0	0
13 Special/contractual termination benefits	0	0	0
14 Net balance sheet asset /(liability) at end of current fiscal year	98,833,824	43,285,629	55,548,195

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ALLETE, Inc.

Postretirement Welfare Plans **Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP**	Total USD	Non-Union Total USD	Union Total USD
D Assumptions and Dates Used for Disclosure			
1 Discount rate	5.600%	5.600%	5.600%
2 Current health care cost trend rate	6.000%	6.000%	6.000%
3 Ultimate health care cost trend rate	5.000%	5.000%	5.000%
4 Year of ultimate trend rate	2038	2038	2038
5 Census date	1-Jan-25	1-Jan-25	1-Jan-25
Accumulated Other Comprehensive (Income)/Loss			
A Accumulated Other Comprehensive (Income)/Loss			
1 Net prior service cost/(credit)	(12,254,357)	(7,117,750)	(5,136,607)
2 Net loss/(gain)	(31,946,153)	(14,856,914)	(17,089,239)
3 Accumulated other comprehensive (income)/loss [Before adjustment for tax effects]	(44,200,510)	(21,974,664)	(22,225,846)
B Development of Accumulated Other Comprehensive (Income)/Loss (AOCI)			
1 AOCI at prior fiscal year end	(47,914,763)	(26,334,032)	(21,580,731)
2 Amounts amortized during the year			
a. Net prior service (cost)/credit	5,801,548	3,070,846	2,730,702
b. Net (loss)/gain	2,414,683	1,551,362	863,321
3 Occurring during the year			
a. Net prior service cost/(credit)	4,098,399	2,243,918	1,854,481
b. Net loss/(gain)	(8,600,377)	(2,506,758)	(6,093,619)
4 Amounts recognized due to curtailment/settlement			
a. Net prior service (cost)/credit	0	0	0
b. Net (loss)/gain	0	0	0
5 AOCI at current fiscal year end	(44,200,510)	(21,974,664)	(22,225,846)
Additional Disclosure Information			
A Accumulated Postretirement Benefit Obligation (APBO)			
1 Fully eligible actives	13,191,664	6,213,969	6,977,695
2 Other actives	12,053,674	5,257,700	6,795,974
3 Retirees, dependents and surviving spouses	51,684,712	27,272,701	24,412,011
4 Accumulated postretirement benefit obligation	76,930,050	38,744,370	38,185,680
B Expected Future Benefit Payments, Net of Retiree Contributions, and Medicare Part D Subsidies			
Benefit payments			
1 During fiscal year ending December 31, 2026	6,023,245	3,129,678	2,893,567
2 During fiscal year ending December 31, 2027	6,175,588	3,233,424	2,942,164
3 During fiscal year ending December 31, 2028	6,357,861	3,322,773	3,035,088
4 During fiscal year ending December 31, 2029	6,473,411	3,316,590	3,156,821
5 During fiscal year ending December 31, 2030	6,543,713	3,257,563	3,286,150
6 During fiscal years ending December 31, 2031 through December 31, 2035	32,729,179	16,346,229	16,382,950
C Expected Contributions during Fiscal Year ending December 31, 2026			
1 Employer	(14,500,000)	(7,250,000)	(7,250,000)
2 Plan participants	0	0	0
D Actuarial Gain/(Loss)			
1 Gain/(loss) due to demographic experience	834,331	N/A	N/A
2 Gain/(loss) due to financial assumption changes	(1,264,667)	N/A	N/A
3 Gain/(loss) due to demographic assumption changes	(1,151,232)	N/A	N/A
4 Gain/(loss) due to investment return different from that assumed	10,181,945	3,219,611	6,962,334
5 Total	8,600,377	2,506,758	6,093,619

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ALLETE, Inc. **Postretirement Welfare Plans** **Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP**	Total USD	Non-Union Total USD	Union Total USD
Changes in Disclosed Plan Obligations and Assets			
A Change in Accumulated Postretirement Benefit Obligation (APBO)			
1 APBO at prior fiscal year end	71,141,310	36,014,856	35,126,454
2 Employer service cost	1,726,445	824,100	902,345
3 Interest cost	3,948,289	1,996,151	1,952,138
4 Actuarial loss/(gain)	1,581,568	712,853	868,715
5 Plan participants' contributions	1,329,419	588,438	740,981
6 Benefits paid from plan assets	(6,489,712)	(3,230,278)	(3,259,434)
7 Benefits paid from Company assets	(405,668)	(405,668)	0
8 Medicare Part D subsidy	0	0	0
9 Administrative expenses paid	0	0	0
10 Plan amendments	4,098,399	2,243,918	1,854,481
11 Acquisitions/(divestitures)	0	0	0
12 Curtailments	0	0	0
13 Settlements	0	0	0
14 Special/contractual termination benefits	0	0	0
15 APBO at current fiscal year end	76,930,050	38,744,370	38,185,680
B Change in Plan Assets			
1 Fair value of plan assets at prior fiscal year end	174,239,031	83,986,263	90,252,768
2 Actual return on plan assets	20,907,470	7,796,743	13,110,727
3 Employer contributions	(13,816,666)	(6,705,499)	(7,111,167)
4 Plan participants' contributions	1,329,419	588,438	740,981
5 Benefits paid	(6,895,380)	(3,635,946)	(3,259,434)
6 Administrative expenses paid	0	0	0
7 Acquisitions/(divestitures)	0	0	0
8 Settlements	0	0	0
9 Fair value of plan assets at current fiscal year end	175,763,874	82,029,999	93,733,875
Reconciliation of Net Balances			
A Reconciliation of Prior Service Cost/(Credit) Bases			
1 Net amount at prior fiscal year end	(22,154,304)	(12,432,514)	(9,721,790)
2 Amortization amount	5,801,548	3,070,846	2,730,702
3 Plan amendments	4,098,399	2,243,918	1,854,481
4 Effect of curtailments	0	0	0
5 Other events	0	0	0
6 Net amount at current fiscal year end	(12,254,357)	(7,117,750)	(5,136,607)
B Reconciliation of Net Loss/(Gain)			
1 Net amount at prior fiscal year end	(25,760,459)	(13,901,518)	(11,858,941)
2 Amount recognized	2,414,683	1,551,362	863,321
3 Experience loss/(gain)	(8,600,377)	(2,506,758)	(6,093,619)
4 Effect of curtailments	0	0	0
5 Effect of settlements	0	0	0
6 Other events	0	0	0
7 Net amount at current fiscal year end	(31,946,153)	(14,856,914)	(17,089,239)

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ALLETE, Inc.

Postretirement Welfare Plans **Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP**	Total USD	Non-Union Total USD	Union Total USD
Development of Plan Assets for Benefit Cost			
A Reconciliation of Fair Value of Plan Assets			
1 Fair value of plan assets at 31-Dec-24	174,239,031	83,986,263	90,252,768
2 Actual return on plan assets	20,907,470	7,796,743	13,110,727
3 Employer contributions	(13,816,666)	(6,705,499)	(7,111,167)
4 Plan participants' contributions	1,329,419	588,438	740,981
5 Benefits paid, net of retiree contributions	(6,895,380)	(3,635,946)	(3,259,434)
6 Administrative expenses paid	0	0	0
7 Acquisitions/(divestitures)	0	0	0
8 Settlements	0	0	0
9 Fair value of plan assets at 31-Dec-25	175,763,874	82,029,999	93,733,875
B Reconciliation of Market-Related Value of Plan Assets			
1 Market-related value of plan assets at 31-Dec-24	179,746,563	86,885,893	92,860,670
2 Actual return on plan assets	9,087,674	3,510,383	5,577,291
3 Employer contributions	(13,816,666)	(6,705,499)	(7,111,167)
4 Plan participants' contributions	1,329,419	588,438	740,981
5 Benefits paid, net of retiree contributions	(6,895,380)	(3,635,946)	(3,259,434)
6 Administrative expenses paid	0	0	0
7 Acquisitions/(divestitures)	0	0	0
8 Settlements	0	0	0
9 Market-related value of plan assets at 31-Dec-25	169,451,610	80,643,269	88,808,341
C Rate of Return on Invested Assets			
1 Weighted invested assets	164,547,717	79,109,759	85,437,958
2 Rate of return	13.712%	12.033%	15.390%
D Investment Loss/(Gain)			
1 Actual return	20,907,470	7,796,743	13,110,727
2 Expected return	10,410,803	4,430,146	5,980,657
3 Loss/(gain)	(10,496,667)	(3,366,597)	(7,130,070)

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ALLETE, Inc. **Postretirement Welfare Plans** **Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP**	Total USD	Non-Union Total USD	Union Total USD
E Market-Related Value of Assets			
1 Fair value of plan assets at 31-Dec-25	175,763,874	82,029,999	93,733,875
2 Deferred investment (gains) and losses for the last 5 years			
a. Deferred amount from measurement year ending 31-Dec-25			
i. (Gain) / Loss	(10,496,667)	(3,366,597)	(7,130,070)
ii. Percent recognized	N/A	20.000%	20.000%
iii. Percent deferred	N/A	80.000%	80.000%
iv. Deferred amount	(8,397,334)	(2,693,278)	(5,704,056)
b. Deferred amount from measurement year ending 31-Dec-24			
i. (Gain) / Loss	(4,287,681)	(1,890,232)	(2,397,449)
ii. Percent recognized	N/A	40.000%	40.000%
iii. Percent deferred	N/A	60.000%	60.000%
iv. Deferred amount	(2,572,609)	(1,134,139)	(1,438,470)
c. Deferred amount from measurement year ending 31-Dec-23			
i. (Gain) / Loss	(10,235,243)	(4,530,014)	(5,705,229)
ii. Percent recognized	N/A	60.000%	60.000%
iii. Percent deferred	N/A	40.000%	40.000%
iv. Deferred amount	(4,094,098)	(1,812,006)	(2,282,092)
d. Deferred amount from measurement year ending 31-Dec-22			
i. (Gain) / Loss	43,758,880	21,263,460	22,495,420
ii. Percent recognized	N/A	80.000%	80.000%
iii. Percent deferred	N/A	20.000%	20.000%
iv. Deferred amount	8,751,777	4,252,693	4,499,084
e. Deferred amount from measurement year ending 31-Dec-21			
i. (Gain) / Loss	(12,123,657)	(6,877,802)	(5,245,855)
ii. Percent recognized	N/A	100.000%	100.000%
iii. Percent deferred	N/A	0.000%	0.000%
iv. Deferred amount	0	0	0
f. Total deferred amount	(6,312,264)	(1,386,730)	(4,925,534)
3 Market-related value of assets	169,451,610	80,643,269	88,808,341

Summary of Benefit Cost and Cash Flows	**31-Dec-26**	**31-Dec-26**	**31-Dec-26**
A Total Benefit Cost			
1 Employer service cost	2,072,660	1,028,401	1,044,259
2 Interest cost	4,139,431	2,082,053	2,057,378
3 Expected return on plan assets	(10,086,951)	(4,225,392)	(5,861,559)
4 Subtotal	(3,874,860)	(1,114,938)	(2,759,922)
5 Net prior service cost/(credit) amortization	(4,907,514)	(2,555,515)	(2,351,999)
6 Net loss/(gain) amortization	(1,732,593)	(1,118,301)	(614,292)
7 Subtotal	(6,640,107)	(3,673,816)	(2,966,291)
8 Net periodic postretirement benefit cost/(income)	(10,514,967)	(4,788,754)	(5,726,213)
9 Curtailment (gain)/loss	0	0	0
10 Settlement (gain)/loss	0	0	0
11 Special/contractual termination benefits	0	0	0
12 Total benefit cost	(10,514,967)	(4,788,754)	(5,726,213)

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ALLETE, Inc. **Postretirement Welfare Plans** **Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP**	Total USD	Non-Union Total USD	Union Total USD
B Assumptions			
1 Discount rate	5.600%	5.600%	5.600%
2 Expected long-term rate of return on plan assets	6.300%	5.600%	7.000%
3 Current health care cost trend rate	7.000%	7.000%	7.000%
4 Ultimate health care cost trend rate	5.000%	5.000%	5.000%
5 Year of ultimate trend rate	2038	2038	2038
6 Census date	01-Jan-25	01-Jan-25	01-Jan-25
C Plan Assets at Beginning of Year			
1 Fair value	175,763,874	82,029,999	93,733,875
2 Market-related value	169,451,610	80,643,269	88,808,341
D Expected Cash Flows Net of Medicare Part D Subsidy			
1 Employer contributions	(14,500,000)	(7,250,000)	(7,250,000)
2 Plan participants' contributions	0	0	0
3 Benefits paid from Company assets	0	0	0
4 Benefits paid from plan assets	6,023,245	3,129,678	2,893,567
E Amortization Period			
1 For gain/loss amortization, if applicable	N/A	8.52859	6.64659
2 For new prior service cost bases, if any	N/A	7.93342	5.56337
Participant Information - Census Date	**N/A**	**01-Jan-25**	**01-Jan-25**
A Participating Employees			
1 Number	710	215	495
2 Average age	46.55	51.44	44.42
3 Average credited service	15.98	22.90	12.97
B Retirees, Dependents and Surviving Spouses			
1 Retirees	1,217	688	529
2 Average age	73.57	74.54	72.30
3 Surviving spouses and surviving dependents	224	132	92
4 Average age	81.08	82.18	79.51
5 Total retirees, surviving spouses and surviving dependents	1,441	820	621
6 Average age	74.72	75.77	73.37
C Other Participants			
1 Number	0	0	0
2 Average age	N/A	N/A	N/A

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ALLETE, Inc.

Postretirement Welfare Plans **Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP**	Total USD	Non-Union Total USD	Union Total USD
Reconciliation of Prior Service Cost/(Credit) Bases			
Amortization Details of Plan Amendment #1			
3 Net amount at 31-Dec-24	(122,697)	(122,697)	0
4 Amortization amount during 2025	122,697	122,697	0
5 Effect of curtailments	0	0	0
6 Other events	0	0	0
7 Net amount at 31-Dec-25	0	0	0
8 Remaining amortization period	N/A	0.00000	0.00000
Amortization Details of Plan Amendment #2			
1 Measurement date established	30-Sep-23	30-Sep-23	30-Sep-23
2 Original amount	(29,130,170)	(15,995,003)	(13,135,167)
3 Net amount at 31-Dec-24	(22,031,607)	(12,309,817)	(9,721,790)
4 Amortization amount during 2025	5,678,851	2,948,149	2,730,702
5 Effect of curtailments	0	0	0
6 Other events	0	0	0
7 Net amount at 31-Dec-25	(16,352,756)	(9,361,668)	(6,991,088)
8 Remaining amortization period	N/A	3.92266	3.30740
Amortization Details of Plan Amendment #3			
1 Measurement date established	31-Dec-25	31-Dec-25	31-Dec-25
2 Original amount	4,098,399	2,243,918	1,854,481
3 Net amount at 31-Dec-24	0	0	0
4 Amortization amount during 2025	0	0	0
5 Effect of curtailments	0	0	0
6 Other events	4,098,399	2,243,918	1,854,481
7 Net amount at 31-Dec-25	4,098,399	2,243,918	1,854,481
8 Remaining amortization period	N/A	5.71504	4.89693
Accumulated Contributions in Excess of Net Periodic Benefit Cost			
A Reconciliation of Amounts Recognized in Statement of Financial Position			
1 Accumulated postretirement benefit obligation	(76,930,050)	(38,744,370)	(38,185,680)
2 Fair value of plan assets, excluding receivable contributions	175,763,874	82,029,999	93,733,875
3 Net balance sheet asset/(liability)	98,833,824	43,285,629	55,548,195
4 Net prior service cost/(credit)	(12,254,357)	(7,117,750)	(5,136,607)
5 Net loss/(gain)	(31,946,153)	(14,856,914)	(17,089,239)
6 Accumulated Employer contributions in excess of net periodic benefit cost	54,633,314	21,310,965	33,322,349
B Accumulated Contributions in Excess of Net Periodic Benefit Cost			
1 Amount as of beginning of year	55,182,958	21,637,375	33,545,583
2 Net periodic postretirement benefit (cost)/income	13,267,022	6,379,089	6,887,933
3 Employer contributions	(14,222,334)	(7,111,167)	(7,111,167)
4 Benefits paid from plan assets	0	0	0
5 Benefits paid from Company assets	405,668	405,668	0
6 Other recognized loss/(gain)	0	0	0
7 Other adjustments	0	0	0
8 Amount as of end of year	54,633,314	21,310,965	33,322,349

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ALLETE, Inc.

Postretirement Welfare Plans - Medical **Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP**	Medical Total USD	Non-Union Medical USD	Union Medical USD
Disclosed Benefit Cost	31-Dec-25	31-Dec-25	31-Dec-25
A Disclosed Benefit Cost			763,951
1 Employer service cost	733,503	733,503	
2 Interest cost	2,297,807	1,122,266	1,175,541
3 Expected return on plan assets	(8,679,826)	(3,789,894)	(4,889,932)
4 Subtotal	(4,884,565)	(1,934,125)	(2,950,440)
5 Net prior service cost/(credit) amortization	(5,801,548)	(3,070,846)	(2,730,702)
6 Net loss/(gain) amortization	(1,829,222)	(1,174,348)	(654,874)
7 Subtotal	(7,630,770)	(4,245,194)	(3,385,576)
8 Net periodic postretirement benefit cost/(income)	(12,515,335)	(6,179,319)	(6,336,016)
9 Curtailment (gain)/loss	0	0	0
10 Settlement (gain)/loss	0	0	0
11 Special/contractual termination benefits	0	0	0
12 Disclosed net benefit cost	(12,515,335)	(6,179,319)	(6,336,016)
B Presentation of Benefit Cost Pursuant to ASC 715-20			
1 Employer service cost	1,497,454	733,503	763,951
2 Other components of net periodic benefit cost	(14,012,789)	(6,912,822)	(7,099,967)
3 Other adjustments to net benefit cost	0	0	0
4 Disclosed net benefit cost	(12,515,335)	(6,179,319)	(6,336,016)
C Assumptions Used to Determine Benefit Cost			
1 Discount rate		5.790%	5.790%
2 Expected long-term rate of return on plan assets		5.600%	7.000%
3 Current health care cost trend rate		7.000%	7.000%
4 Ultimate health care cost trend rate		5.000%	5.000%
5 Year of ultimate trend rate		2038	2038
Balance Sheet Asset/(Liability)			
A Development of Balance Sheet Asset/(Liability)			
1 Accumulated postretirement benefit obligation (APBO)	(47,103,453)	(23,128,255)	(23,975,198)
2 Fair value of plan assets, excluding receivable contributions	140,482,128	66,727,529	73,754,599
3 Net balance sheet asset/(liability)	93,378,675	43,599,274	49,779,401
B Current and Noncurrent Classification			
1 Noncurrent asset	93,378,675	43,599,274	49,779,401
2 Current liability	0	0	0
3 Noncurrent liability	0	0	0
4 Net balance sheet asset/(liability)	93,378,675	43,599,274	49,779,401

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ALLETE, Inc.

Postretirement Welfare Plans - Medical Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP	Medical Total USD	Non-Union Medical USD	Union Medical USD
C Reconciliation of Net Balance Sheet Asset/(Liability)			
1 Net balance sheet asset/(liability) at end of prior fiscal year	100,288,577	49,266,504	51,022,073
2 Employer service cost	(1,497,454)	(733,503)	(763,951)
3 Interest cost	(2,297,807)	(1,122,266)	(1,175,541)
4 Expected return on plan assets	8,679,826	3,789,894	4,889,932
5 Plan amendments	(4,098,399)	(2,243,918)	(1,854,481)
6 Actuarial gain/(loss)	6,167,335	1,394,799	4,772,536
7 Employer contributions	(14,222,334)	(7,111,167)	(7,111,167)
8 Benefits paid directly by the Company, net of retiree contributions	358,931	358,931	0
9 Medicare Part D subsidy on benefits paid during the year	0	0	0
10 Acquisitions/divestitures	0	0	0
11 Curtailments	0	0	0
12 Settlements (if settled using corporate cash)	0	0	0
13 Special/contractual termination benefits	0	0	0
14 Net balance sheet asset /(liability) at end of current fiscal year	93,378,675	43,599,274	49,779,401
D Assumptions and Dates Used for Disclosure			
1 Discount rate		5.600%	5.600%
2 Current health care cost trend rate		7.000%	7.000%
3 Ultimate health care cost trend rate		5.000%	5.000%
4 Year of ultimate trend rate		2038	2038
5 Census date		1-Jan-25	1-Jan-25

Accumulated Other Comprehensive (Income)/Loss

A Accumulated Other Comprehensive (Income)/Loss			
1 Net prior service cost/(credit)	(12,254,357)	(7,117,750)	(5,136,607)
2 Net loss/(gain)	(26,147,758)	(12,451,498)	(13,696,260)
3 Accumulated other comprehensive (income)/loss [Before adjustment for tax effects]	(38,402,115)	(19,569,248)	(18,832,867)
B Development of Accumulated Other Comprehensive (Income)/Loss (AOCI)			
1 AOCI at prior fiscal year end	(43,963,949)	(24,663,561)	(19,300,388)
2 Amounts amortized during the year			
a. Net prior service (cost)/credit	5,801,548	3,070,846	2,730,702
b. Net (loss)/gain	1,829,222	1,174,348	654,874
3 Occurring during the year			
a. Net prior service cost/(credit)	4,098,399	2,243,918	1,854,481
b. Net loss/(gain)	(6,167,335)	(1,394,799)	(4,772,536)
4 Amounts recognized due to curtailment/settlement			
a. Net prior service (cost)/credit	0	0	0
b. Net (loss)/gain	0	0	0
5 AOCI at current fiscal year end	(38,402,115)	(19,569,248)	(18,832,867)

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ALLETE, Inc.

Postretirement Welfare Plans - Medical Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP	Medical Total USD	Non-Union Medical USD	Union Medical USD
Additional Disclosure Information			
A Accumulated Postretirement Benefit Obligation (APBO)			
1 Fully eligible actives	11,237,315	5,418,355	5,818,960
2 Other actives	10,599,848	4,748,531	5,851,317
3 Retirees, dependents and surviving spouses	25,266,290	12,961,369	12,304,921
4 Accumulated postretirement benefit obligation	47,103,453	23,128,255	23,975,198
B Expected Future Benefit Payments, Net of Retiree Contributions, and Medicare Part D Subsidies			
Benefit payments			
1 During fiscal year ending December 31, 2026	4,223,962	2,121,859	2,102,103
2 During fiscal year ending December 31, 2027	4,313,163	2,197,584	2,115,579
3 During fiscal year ending December 31, 2028	4,434,705	2,260,331	2,174,374
4 During fiscal year ending December 31, 2029	4,492,134	2,228,930	2,263,204
5 During fiscal year ending December 31, 2030	4,507,122	2,145,720	2,361,402
6 During fiscal years ending December 31, 2031 through December 31, 2035	21,832,367	10,482,915	11,349,452
C Expected Contributions during Fiscal Year ending December 31, 2026			
1 Employer	(14,500,000)	(7,250,000)	(7,250,000)
2 Plan participants	0	0	0
D Actuarial Gain/(Loss)			
1 Gain/(loss) due to demographic experience	N/A	N/A	N/A
2 Gain/(loss) due to financial assumption changes	N/A	N/A	N/A
3 Gain/(loss) due to demographic assumption changes	N/A	N/A	N/A
4 Gain/(loss) due to investment return different from that assumed	7,682,343	2,173,027	5,509,316
5 Total	6,167,335	1,394,799	4,772,536
Changes in Disclosed Plan Obligations and Assets			
A Change in Accumulated Postretirement Benefit Obligation (APBO)			
1 APBO at prior fiscal year end	41,740,551	20,413,164	21,327,387
2 Employer service cost	1,497,454	733,503	763,951
3 Interest cost	2,297,807	1,122,266	1,175,541
4 Actuarial loss/(gain)	1,515,008	778,228	736,780
5 Plan participants' contributions	777,957	295,652	482,305
6 Benefits paid from plan assets	(4,464,792)	(2,099,545)	(2,365,247)
7 Benefits paid from Company assets	(358,931)	(358,931)	0
8 Medicare Part D subsidy	0	0	0
9 Administrative expenses paid	0	0	0
10 Plan amendments	4,098,399	2,243,918	1,854,481
11 Acquisitions/(divestitures)	0	0	0
12 Curtailments	0	0	0
13 Settlements	0	0	0
14 Special/contractual termination benefits	0	0	0
15 APBO at current fiscal year end	47,103,453	23,128,255	23,975,198
B Change in Plan Assets			
1 Fair value of plan assets at prior fiscal year end	142,029,128	69,679,668	72,349,460
2 Actual return on plan assets	16,362,169	5,962,921	10,399,248
3 Employer contributions	(13,863,403)	(6,752,236)	(7,111,167)
4 Plan participants' contributions	777,957	295,652	482,305
5 Benefits paid	(4,823,723)	(2,458,476)	(2,365,247)
6 Administrative expenses paid	0	0	0
7 Acquisitions/(divestitures)	0	0	0
8 Settlements	0	0	0
9 Fair value of plan assets at current fiscal year end	140,482,128	66,727,529	73,754,599

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Postretirement Welfare Plans - Medical Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP	Medical Total USD	Non-Union Medical USD	Union Medical USD
Reconciliation of Net Balances			
A Reconciliation of Prior Service Cost/(Credit) Bases			
1 Net amount at prior fiscal year end	(22,154,304)	(12,432,514)	(9,721,790)
2 Amortization amount	5,801,548	3,070,846	2,730,702
3 Plan amendments	4,098,399	2,243,918	1,854,481
4 Effect of curtailments	0	0	0
5 Other events	0	0	0
6 Net amount at current fiscal year end	(12,254,357)	(7,117,750)	(5,136,607)
B Reconciliation of Net Loss/(Gain)			
1 Net amount at prior fiscal year end	(21,809,645)	(12,231,047)	(9,578,598)
2 Amount recognized	1,829,222	1,174,348	654,874
3 Experience loss/(gain)	(6,167,335)	(1,394,799)	(4,772,536)
4 Effect of curtailments	0	0	0
5 Effect of settlements	0	0	0
6 Other events	0	0	0
7 Net amount at current fiscal year end	(26,147,758)	(12,451,498)	(13,696,260)
Development of Plan Assets for Benefit Cost			
A Reconciliation of Fair Value of Plan Assets			
1 Fair value of plan assets at 31-Dec-24	142,029,128	69,679,668	72,349,460
2 Actual return on plan assets	16,362,169	5,962,921	10,399,248
3 Employer contributions	(13,863,403)	(6,752,236)	(7,111,167)
4 Plan participants' contributions	777,957	295,652	482,305
5 Benefits paid, net of retiree contributions	(4,823,723)	(2,458,476)	(2,365,247)
6 Administrative expenses paid	0	0	0
7 Acquisitions/(divestitures)	0	0	0
8 Settlements	0	0	0
9 Fair value of plan assets at 31-Dec-25	140,482,128	66,727,529	73,754,599
B Reconciliation of Market-Related Value of Plan Assets			
1 Market-related value of plan assets at 31-Dec-24	146,837,625	72,332,022	74,505,603
2 Actual return on plan assets	7,113,444	2,722,788	4,390,656
3 Employer contributions	(13,863,403)	(6,752,236)	(7,111,167)
4 Plan participants' contributions	777,957	295,652	482,305
5 Benefits paid, net of retiree contributions	(4,823,723)	(2,458,476)	(2,365,247)
6 Administrative expenses paid	0	0	0
7 Acquisitions/(divestitures)	0	0	0
8 Settlements	0	0	0
9 Market-related value of plan assets at 31-Dec-25	136,041,900	66,139,750	69,902,150
C Rate of Return on Invested Assets			
1 Weighted invested assets	133,074,544	65,222,138	67,852,406
2 Rate of return	12.234%	9.142%	15.326%
D Investment Loss/(Gain)			
1 Actual return	16,362,169	5,962,921	10,399,248
2 Expected return	8,402,108	3,652,440	4,749,668
3 Loss/(gain)	(7,960,061)	(2,310,481)	(5,649,580)

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ALLETE, Inc.

Postretirement Welfare Plans - Medical **Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP**	Medical Total USD	Non-Union Medical USD	Union Medical USD
E Market-Related Value of Assets			
1 Fair value of plan assets at 31-Dec-25	140,482,128	66,727,529	73,754,599
2 Deferred investment (gains) and losses for the last 5 years			
a. Deferred amount from measurement year ending 31-Dec-25			
i. (Gain) / Loss	(7,960,061)	(2,310,481)	(5,649,580)
ii. Percent recognized	20.000%	20.000%	20.000%
iii. Percent deferred	80.000%	80.000%	80.000%
iv. Deferred amount	(6,368,049)	(1,848,385)	(4,519,664)
b. Deferred amount from measurement year ending 31-Dec-24			
i. (Gain) / Loss	(3,307,197)	(1,382,257)	(1,924,940)
ii. Percent recognized	40.000%	40.000%	40.000%
iii. Percent deferred	60.000%	60.000%	60.000%
iv. Deferred amount	(1,984,318)	(829,354)	(1,154,964)
c. Deferred amount from measurement year ending 31-Dec-23			
i. (Gain) / Loss	(8,385,942)	(3,738,369)	(4,647,573)
ii. Percent recognized	60.000%	60.000%	60.000%
iii. Percent deferred	40.000%	40.000%	40.000%
iv. Deferred amount	(3,354,377)	(1,495,348)	(1,859,029)
d. Deferred amount from measurement year ending 31-Dec-22			
i. (Gain) / Loss	36,332,577	17,926,538	18,406,039
ii. Percent recognized	80.000%	80.000%	80.000%
iii. Percent deferred	20.000%	20.000%	20.000%
iv. Deferred amount	7,266,516	3,585,308	3,681,208
e. Deferred amount from measurement year ending 31-Dec-21			
i. (Gain) / Loss	(10,236,056)	(5,847,172)	(4,388,884)
ii. Percent recognized	100.000%	100.000%	100.000%
iii. Percent deferred	0.000%	0.000%	0.000%
iv. Deferred amount	0	0	0
f. Total deferred amount	(4,440,228)	(587,779)	(3,852,449)
3 Market-related value of assets	136,041,900	66,139,750	69,902,150

Summary of Benefit Cost and Cash Flows	**31-Dec-26**	**31-Dec-26**	**31-Dec-26**
A Total Benefit Cost			
1 Employer service cost	1,829,634	928,307	901,327
2 Interest cost	2,519,522	1,235,770	1,283,752
3 Expected return on plan assets	(8,007,241)	(3,441,414)	(4,565,827)
4 Subtotal	(3,658,085)	(1,277,337)	(2,380,748)
5 Net prior service cost/(credit) amortization	(4,907,514)	(2,555,515)	(2,351,999)
6 Net loss/(gain) amortization	(1,232,028)	(794,478)	(437,550)
7 Subtotal	(6,139,542)	(3,349,993)	(2,789,549)
8 Net periodic postretirement benefit cost/(income)	(9,797,627)	(4,627,330)	(5,170,297)
9 Curtailment (gain)/loss	0	0	0
10 Settlement (gain)/loss	0	0	0
11 Special/contractual termination benefits	0	0	0
12 Total benefit cost	(9,797,627)	(4,627,330)	(5,170,297)

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ALLETE, Inc.

Postretirement Welfare Plans - Medical **Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP**	Medical Total USD	Non-Union Medical USD	Union Medical USD
B Assumptions			
1 Discount rate	5.600%	5.600%	5.600%
2 Expected long-term rate of return on plan assets	5.600%, 7.000%	5.600%	7.000%
3 Current health care cost trend rate	7.000%	7.000%	7.000%
4 Ultimate health care cost trend rate	5.000%	5.000%	5.000%
5 Year of ultimate trend rate	2038	2038	2038
6 Census date	01-Jan-25	01-Jan-25	01-Jan-25
C Plan Assets at Beginning of Year			
1 Fair value	140,482,128	66,727,529	73,754,599
2 Market-related value	136,041,900	66,139,750	69,902,150
D Expected Cash Flows Net of Medicare Part D Subsidy			
1 Employer contributions	(14,500,000)	(7,250,000)	(7,250,000)
2 Plan participants' contributions	0	0	0
3 Benefits paid from Company assets	0	0	0
4 Benefits paid from plan assets	4,223,962	2,121,859	2,102,103
E Amortization Period			
1 For gain/loss amortization, if applicable	N/A	6.60779	6.52176
2 For new prior service cost bases, if any	N/A	5.71504	4.89693
Participant Information - Census Date	**01-Jan-25**	**01-Jan-25**	**01-Jan-25**
A Participating Employees			
1 Number			
2 Average age			
3 Average credited service			
B Retirees, Dependents and Surviving Spouses			
1 Retirees			
2 Average age			
3 Surviving spouses and surviving dependents			
4 Average age			
5 Total retirees, surviving spouses and surviving dependents			
6 Average age			
C Other Participants			
1 Number			
2 Average age			

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ALLETE, Inc.

Postretirement Welfare Plans - Medical **Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP**	Medical Total USD	Non-Union Medical USD	Union Medical USD
Reconciliation of Prior Service Cost/(Credit) Bases			
Amortization Details of Plan Amendment #1			
1 Measurement date established		31-Dec-19	00-Jan-00
2 Original amount	(18,713,452)	(18,713,452)	0
3 Net amount at 31-Dec-24	(122,697)	(122,697)	0
4 Amortization amount during 2025	122,697	122,697	0
5 Effect of curtailments	0	0	0
6 Other events	0	0	0
7 Net amount at 31-Dec-25	0	0	0
8 Remaining amortization period		0.00000	0.00000
Amortization Details of Plan Amendment #2			
1 Measurement date established		30-Sep-23	30-Sep-23
2 Original amount	(29,130,170)	(15,995,003)	(13,135,167)
3 Net amount at 31-Dec-24	(22,031,607)	(12,309,817)	(9,721,790)
4 Amortization amount during 2025	5,678,851	2,948,149	2,730,702
5 Effect of curtailments	0	0	0
6 Other events	0	0	0
7 Net amount at 31-Dec-25	(16,352,756)	(9,361,668)	(6,991,088)
8 Remaining amortization period		3.92266	3.30740
Amortization Details of Plan Amendment #3			
1 Measurement date established		31-Dec-25	31-Dec-25
2 Original amount	4,098,399	2,243,918	1,854,481
3 Net amount at 31-Dec-24	0	0	0
4 Amortization amount during 2025	0	0	0
5 Effect of curtailments	0	0	0
6 Other events	4,098,399	2,243,918	1,854,481
7 Net amount at 31-Dec-25	4,098,399	2,243,918	1,854,481
8 Remaining amortization period		5.71504	4.89693
Accumulated Contributions in Excess of Net Periodic Benefit Cost			
A Reconciliation of Amounts Recognized in Statement of Financial Position			
1 Accumulated postretirement benefit obligation	(47,103,453)	(23,128,255)	(23,975,198)
2 Fair value of plan assets, excluding receivable contributions	140,482,128	66,727,529	73,754,599
3 Net balance sheet asset/(liability)	93,378,675	43,599,274	49,779,401
4 Net prior service cost/(credit)	(12,254,357)	(7,117,750)	(5,136,607)
5 Net loss/(gain)	(26,147,758)	(12,451,498)	(13,696,260)
6 Accumulated Employer contributions in excess of net periodic benefit cost	54,976,560	24,030,026	30,946,534
B Accumulated Contributions in Excess of Net Periodic Benefit Cost			
1 Amount as of beginning of year	56,324,628	24,602,943	31,721,685
2 Net periodic postretirement benefit (cost)/income	12,515,335	6,179,319	6,336,016
3 Employer contributions	(14,222,334)	(7,111,167)	(7,111,167)
4 Benefits paid from plan assets			
5 Benefits paid from Company assets	358,931	358,931	0
6 Other recognized loss/(gain)	0	0	0
7 Other adjustments	0	0	0
8 Amount as of end of year	54,976,560	24,030,026	30,946,534

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ALLETE, Inc.

Postretirement Welfare Plans - Dental **Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP**	Dental Total USD	Non-Union Dental USD	Union Dental Total USD
Disclosed Benefit Cost	31-Dec-25	31-Dec-25	31-Dec-25
A Disclosed Benefit Cost			94,030
1 Employer service cost	90,597	90,597	
2 Interest cost	631,507	334,105	297,402
3 Expected return on plan assets	(1,161,361)	(504,933)	(656,428)
4 Subtotal	(345,227)	(80,231)	(264,996)
5 Net prior service cost/(credit) amortization	0	0	0
6 Net loss/(gain) amortization	(661,346)	(452,899)	(208,447)
7 Subtotal	(661,346)	(452,899)	(208,447)
8 Net periodic postretirement benefit cost/(income)	(1,006,573)	(533,130)	(473,443)
9 Curtailment (gain)/loss	0	0	0
10 Settlement (gain)/loss	0	0	0
11 Special/contractual termination benefits	0	0	0
12 Disclosed net benefit cost	(1,006,573)	(533,130)	(473,443)
B Presentation of Benefit Cost Pursuant to ASC 715-20			
1 Employer service cost	184,627	90,597	94,030
2 Other components of net periodic benefit cost	(1,191,200)	(623,727)	(567,473)
3 Other adjustments to net benefit cost	0	0	0
4 Disclosed net benefit cost	(1,006,573)	(533,130)	(473,443)
C Assumptions Used to Determine Benefit Cost			
1 Discount rate		5.790%	5.790%
2 Expected long-term rate of return on plan assets		5.600%	7.000%
3 Current health care cost trend rate		6.000%	6.000%
4 Ultimate health care cost trend rate		5.000%	5.000%
5 Year of ultimate trend rate		2038	2038
Balance Sheet Asset/(Liability)			
A Development of Balance Sheet Asset/(Liability)			
1 Accumulated postretirement benefit obligation (APBO)	(11,139,662)	(5,828,943)	(5,310,719)
2 Fair value of plan assets, excluding receivable contributions	20,326,159	9,966,847	10,359,312
3 Net balance sheet asset/(liability)	9,186,497	4,137,904	5,048,593
B Current and Noncurrent Classification			
1 Noncurrent asset	9,186,497	4,137,904	5,048,593
2 Current liability	0	0	0
3 Noncurrent liability	0	0	0
4 Net balance sheet asset/(liability)	9,186,497	4,137,904	5,048,593

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ALLETE, Inc.

Postretirement Welfare Plans - Dental Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP	Dental Total USD	Non-Union Dental USD	Union Dental Total USD
C Reconciliation of Net Balance Sheet Asset/(Liability)			
1 Net balance sheet asset/(liability) at end of prior fiscal year	7,116,120	3,180,536	3,935,584
2 Employer service cost	(184,627)	(90,597)	(94,030)
3 Interest cost	(631,507)	(334,105)	(297,402)
4 Expected return on plan assets	1,161,361	504,933	656,428
5 Plan amendments	0	0	0
6 Actuarial gain/(loss)	1,678,413	830,400	848,013
7 Employer contributions	0	0	0
8 Benefits paid directly by the Company, net of retiree contributions	46,737	46,737	0
9 Medicare Part D subsidy on benefits paid during the year	0	0	0
10 Acquisitions/divestitures	0	0	0
11 Curtailments	0	0	0
12 Settlements (if settled using corporate cash)	0	0	0
13 Special/contractual termination benefits	0	0	0
14 Net balance sheet asset /(liability) at end of current fiscal year	9,186,497	4,137,904	5,048,593
D Assumptions and Dates Used for Disclosure			
1 Discount rate		5.600%	5.600%
2 Current health care cost trend rate		6.000%	6.000%
3 Ultimate health care cost trend rate		5.000%	5.000%
4 Year of ultimate trend rate		2038	2038
5 Census date		1-Jan-25	1-Jan-25
Accumulated Other Comprehensive (Income)/Loss			
A Accumulated Other Comprehensive (Income)/Loss			
1 Net prior service cost/(credit)	0	0	0
2 Net loss/(gain)	(6,830,607)	(4,181,237)	(2,649,370)
3 Accumulated other comprehensive (income)/loss [Before adjustment for tax effects]	(6,830,607)	(4,181,237)	(2,649,370)
B Development of Accumulated Other Comprehensive (Income)/Loss (AOCI)			
1 AOCI at prior fiscal year end	(5,813,540)	(3,803,736)	(2,009,804)
2 Amounts amortized during the year	0		
a. Net prior service (cost)/credit	0	0	0
b. Net (loss)/gain	661,346	452,899	208,447
3 Occurring during the year	0		
a. Net prior service cost/(credit)	0	0	0
b. Net loss/(gain)	(1,678,413)	(830,400)	(848,013)
4 Amounts recognized due to curtailment/settlement	0		
a. Net prior service (cost)/credit	0	0	0
b. Net (loss)/gain	0	0	0
5 AOCI at current fiscal year end	(6,830,607)	(4,181,237)	(2,649,370)
Additional Disclosure Information			
A Accumulated Postretirement Benefit Obligation (APBO)			
1 Fully eligible actives	1,504,687	795,614	709,073
2 Other actives	1,124,497	509,169	615,328
3 Retirees, dependents and surviving spouses	8,510,478	4,524,160	3,986,318
4 Accumulated postretirement benefit obligation	11,139,662	5,828,943	5,310,719

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ALLETE, Inc.

Postretirement Welfare Plans - Dental **Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP**	Dental Total USD	Non-Union Dental USD	Union Dental Total USD
B Expected Future Benefit Payments, Net of Retiree Contributions, and Medicare Part D Subsidies			
Benefit payments			
1 During fiscal year ending December 31, 2026	616,949	337,772	279,177
2 During fiscal year ending December 31, 2027	646,490	353,094	293,396
3 During fiscal year ending December 31, 2028	674,591	367,092	307,499
4 During fiscal year ending December 31, 2029	700,906	379,756	321,150
5 During fiscal year ending December 31, 2030	725,409	391,444	333,965
6 During fiscal years ending December 31, 2031 through December 31, 2035	3,935,236	2,098,450	1,836,786
C Expected Contributions during Fiscal Year ending December 31, 2026			
1 Employer	0	0	0
2 Plan participants	0	0	0
D Actuarial Gain/(Loss)			
1 Gain/(loss) due to demographic experience	N/A	N/A	N/A
2 Gain/(loss) due to financial assumption changes	N/A	N/A	N/A
3 Gain/(loss) due to demographic assumption changes	N/A	N/A	N/A
4 Gain/(loss) due to investment return different from that assumed	1,360,272	623,085	737,187
5 Total	1,678,413	830,400	848,013
Changes in Disclosed Plan Obligations and Assets			
A Change in Accumulated Postretirement Benefit Obligation (APBO)			
1 APBO at prior fiscal year end	11,241,712	5,957,367	5,284,345
2 Employer service cost	184,627	90,597	94,030
3 Interest cost	631,507	334,105	297,402
4 Actuarial loss/(gain)	(318,141)	(207,315)	(110,826)
5 Plan participants' contributions	464,492	245,248	219,244
6 Benefits paid from plan assets	(1,017,798)	(544,322)	(473,476)
7 Benefits paid from Company assets	(46,737)	(46,737)	0
8 Medicare Part D subsidy	0	0	0
9 Administrative expenses paid	0	0	0
10 Plan amendments	0	0	0
11 Acquisitions/(divestitures)	0	0	0
12 Curtailments	0	0	0
13 Settlements	0	0	0
14 Special/contractual termination benefits	0	0	0
15 APBO at current fiscal year end	11,139,662	5,828,943	5,310,719
B Change in Plan Assets			
1 Fair value of plan assets at prior fiscal year end	18,357,832	9,137,903	9,219,929
2 Actual return on plan assets	2,521,633	1,128,018	1,393,615
3 Employer contributions	46,737	46,737	0
4 Plan participants' contributions	464,492	245,248	219,244
5 Benefits paid	(1,064,535)	(591,059)	(473,476)
6 Administrative expenses paid	0	0	0
7 Acquisitions/(divestitures)	0	0	0
8 Settlements	0	0	0
9 Fair value of plan assets at current fiscal year end	20,326,159	9,966,847	10,359,312

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ALLETE, Inc.

Postretirement Welfare Plans - Dental Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP	Dental Total USD	Non-Union Dental USD	Union Dental Total USD
Reconciliation of Net Balances			
A Reconciliation of Prior Service Cost/(Credit) Bases			
1 Net amount at prior fiscal year end	0	0	0
2 Amortization amount	0	0	0
3 Plan amendments	0	0	0
4 Effect of curtailments	0	0	0
5 Other events	0	0	0
6 Net amount at current fiscal year end	0	0	0
B Reconciliation of Net Loss/(Gain)			
1 Net amount at prior fiscal year end	(5,813,540)	(3,803,736)	(2,009,804)
2 Amount recognized	661,346	452,899	208,447
3 Experience loss/(gain)	(1,678,413)	(830,400)	(848,013)
4 Effect of curtailments	0	0	0
5 Effect of settlements	0	0	0
6 Other events	0	0	0
7 Net amount at current fiscal year end	(6,830,607)	(4,181,237)	(2,649,370)
Development of Plan Assets for Benefit Cost			
A Reconciliation of Fair Value of Plan Assets			
1 Fair value of plan assets at 31-Dec-24	18,357,832	9,137,903	9,219,929
2 Actual return on plan assets	2,521,633	1,128,018	1,393,615
3 Employer contributions	46,737	46,737	0
4 Plan participants' contributions	464,492	245,248	219,244
5 Benefits paid, net of retiree contributions	(1,064,535)	(591,059)	(473,476)
6 Administrative expenses paid	0	0	0
7 Acquisitions/(divestitures)	0	0	0
8 Settlements	0	0	0
9 Fair value of plan assets at 31-Dec-25	20,326,159	9,966,847	10,359,312
B Reconciliation of Market-Related Value of Plan Assets			
1 Market-related value of plan assets at 31-Dec-24	18,707,130	9,190,998	9,516,132
2 Actual return on plan assets	1,134,912	549,465	585,447
3 Employer contributions	46,737	46,737	0
4 Plan participants' contributions	464,492	245,248	219,244
5 Benefits paid, net of retiree contributions	(1,064,535)	(591,059)	(473,476)
6 Administrative expenses paid	0	0	0
7 Acquisitions/(divestitures)	0	0	0
8 Settlements	0	0	0
9 Market-related value of plan assets at 31-Dec-25	19,288,736	9,441,389	9,847,347
C Rate of Return on Invested Assets			
1 Weighted invested assets	18,081,179	8,988,366	9,092,813
2 Rate of return	13.939%	12.550%	15.327%
D Investment Loss/(Gain)			
1 Actual return	2,521,633	1,128,018	1,393,615
2 Expected return	1,139,845	503,348	636,497
3 Loss/(gain)	(1,381,788)	(624,670)	(757,118)

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ALLETE, Inc. **Postretirement Welfare Plans - Dental** **Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP**	Dental Total USD	Non-Union Dental USD	Union Dental Total USD
E Market-Related Value of Assets			
1 Fair value of plan assets at 31-Dec-25	20,326,159	9,966,847	10,359,312
2 Deferred investment (gains) and losses for the last 5 years			
a. Deferred amount from measurement year ending 31-Dec-25			
i. (Gain) / Loss	(1,381,788)	(624,670)	(757,118)
ii. Percent recognized	20.000%	20.000%	20.000%
iii. Percent deferred	80.000%	80.000%	80.000%
iv. Deferred amount	(1,105,430)	(499,736)	(605,694)
b. Deferred amount from measurement year ending 31-Dec-24			
i. (Gain) / Loss	(528,063)	(317,932)	(210,131)
ii. Percent recognized	40.000%	40.000%	40.000%
iii. Percent deferred	60.000%	60.000%	60.000%
iv. Deferred amount	(316,838)	(190,759)	(126,079)
c. Deferred amount from measurement year ending 31-Dec-23			
i. (Gain) / Loss	(1,100,160)	(564,593)	(535,567)
ii. Percent recognized	60.000%	60.000%	60.000%
iii. Percent deferred	40.000%	40.000%	40.000%
iv. Deferred amount	(440,064)	(225,837)	(214,227)
d. Deferred amount from measurement year ending 31-Dec-22			
i. (Gain) / Loss	4,124,543	1,954,369	2,170,174
ii. Percent recognized	80.000%	80.000%	80.000%
iii. Percent deferred	20.000%	20.000%	20.000%
iv. Deferred amount	824,909	390,874	434,035
e. Deferred amount from measurement year ending 31-Dec-21			
i. (Gain) / Loss	(1,089,864)	(677,755)	(412,109)
ii. Percent recognized	100.000%	100.000%	100.000%
iii. Percent deferred	0.000%	0.000%	0.000%
iv. Deferred amount	0	0	0
f. Total deferred amount	(1,037,423)	(525,458)	(511,965)
3 Market-related value of assets	19,288,736	9,441,389	9,847,347

Summary of Benefit Cost and Cash Flows	**31-Dec-26**	**31-Dec-26**	**31-Dec-26**
A Total Benefit Cost			
1 Employer service cost	195,203	100,094	95,109
2 Interest cost	606,546	316,963	289,583
3 Expected return on plan assets	(1,198,803)	(519,260)	(679,543)
4 Subtotal	(397,054)	(102,203)	(294,851)
5 Net prior service cost/(credit) amortization	0	0	0
6 Net loss/(gain) amortization	(587,112)	(410,370)	(176,742)
7 Subtotal	(587,112)	(410,370)	(176,742)
8 Net periodic postretirement benefit cost/(income)	(984,166)	(512,573)	(471,593)
9 Curtailment (gain)/loss	0	0	0
10 Settlement (gain)/loss	0	0	0
11 Special/contractual termination benefits	0	0	0
12 Total benefit cost	(984,166)	(512,573)	(471,593)

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ALLETE, Inc. **Postretirement Welfare Plans - Dental** **Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP**	Dental Total USD	Non-Union Dental USD	Union Dental Total USD
B Assumptions			
1 Discount rate	5.600%	5.600%	5.600%
2 Expected long-term rate of return on plan assets	5.600%, 7.000%	5.600%	7.000%
3 Current health care cost trend rate	6.000%	6.000%	6.000%
4 Ultimate health care cost trend rate	5.000%	5.000%	5.000%
5 Year of ultimate trend rate	2038	2038	2038
6 Census date	01-Jan-25	01-Jan-25	01-Jan-25
C Plan Assets at Beginning of Year			
1 Fair value	20,326,159	9,966,847	10,359,312
2 Market-related value	19,288,736	9,441,389	9,847,347
D Expected Cash Flows Net of Medicare Part D Subsidy			
1 Employer contributions	0	0	0
2 Plan participants' contributions	0	0	0
3 Benefits paid from Company assets	0	0	0
4 Benefits paid from plan assets	616,949	337,772	279,177
E Amortization Period			
1 For gain/loss amortization, if applicable	N/A	6.60779	6.52176
2 For new prior service cost bases, if any	N/A	5.71504	4.89693
Participant Information - Census Date	**01-Jan-25**	**01-Jan-25**	**01-Jan-25**
A Participating Employees			
1 Number			
2 Average age			
3 Average credited service			
B Retirees, Dependents and Surviving Spouses			
1 Retirees			
2 Average age			
3 Surviving spouses and surviving dependents			
4 Average age			
5 Total retirees, surviving spouses and surviving dependents			
6 Average age			
C Other Participants			
1 Number			
2 Average age			

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ALLETE, Inc.

Postretirement Welfare Plans - Dental **Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP**	Dental Total USD	Non-Union Dental USD	Union Dental Total USD
Reconciliation of Prior Service Cost/(Credit) Bases			
Amortization Details of Plan Amendment #1			
1 Measurement date established	0-Jan-00	00-Jan-00	00-Jan-00
2 Original amount	0	0	0
3 Net amount at 31-Dec-24	0	0	0
4 Amortization amount during 2025	0	0	0
5 Effect of curtailments	0	0	0
6 Other events	0	0	0
7 Net amount at 31-Dec-25	0	0	0
8 Remaining amortization period		0.00000	0.00000
Amortization Details of Plan Amendment #2			
1 Measurement date established	0-Jan-00	00-Jan-00	00-Jan-00
2 Original amount	0	0	0
3 Net amount at 31-Dec-24	0	0	0
4 Amortization amount during 2025	0	0	0
5 Effect of curtailments	0	0	0
6 Other events	0	0	0
7 Net amount at 31-Dec-25	0	0	0
8 Remaining amortization period		0.00000	0.00000
Amortization Details of Plan Amendment #3			
1 Measurement date established	0-Jan-00	00-Jan-00	00-Jan-00
2 Original amount	0	0	0
3 Net amount at 31-Dec-24	0	0	0
4 Amortization amount during 2025	0	0	0
5 Effect of curtailments	0	0	0
6 Other events	0	0	0
7 Net amount at 31-Dec-25	0	0	0
8 Remaining amortization period		0.00000	0.00000
Accumulated Contributions in Excess of Net Periodic Benefit Cost			
A Reconciliation of Amounts Recognized in Statement of Financial Position			
1 Accumulated postretirement benefit obligation	(11,139,662)	(5,828,943)	(5,310,719)
2 Fair value of plan assets, excluding receivable contributions	20,326,159	9,966,847	10,359,312
3 Net balance sheet asset/(liability)	9,186,497	4,137,904	5,048,593
4 Net prior service cost/(credit)	0	0	0
5 Net loss/(gain)	(6,830,607)	(4,181,237)	(2,649,370)
6 Accumulated Employer contributions in excess of net periodic benefit cost	2,355,890	(43,333)	2,399,223
B Accumulated Contributions in Excess of Net Periodic Benefit Cost			
1 Amount as of beginning of year	1,302,580	(623,200)	1,925,780
2 Net periodic postretirement benefit (cost)/income	1,006,573	533,130	473,443
3 Employer contributions	0	0	0
4 Benefits paid from plan assets			
5 Benefits paid from Company assets	46,737	46,737	0
6 Other recognized loss/(gain)	0	0	0
7 Other adjustments	0	0	0
8 Amount as of end of year	2,355,890	(43,333)	2,399,223

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ALLETE, Inc.

Postretirement Welfare Plans - Life **Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP**	Life Total USD	Non-Union Life USD	Union Life USD
Disclosed Benefit Cost	31-Dec-25	31-Dec-25	31-Dec-25
A Disclosed Benefit Cost			44,364
1 Employer service cost	0	0	
2 Interest cost	1,018,975	539,780	479,195
3 Expected return on plan assets	(884,338)	(282,305)	(602,033)
4 Subtotal	179,001	257,475	(78,474)
5 Net prior service cost/(credit) amortization	0	0	0
6 Net loss/(gain) amortization	75,885	75,885	0
7 Subtotal	75,885	75,885	0
8 Net periodic postretirement benefit cost/(income)	254,886	333,360	(78,474)
9 Curtailment (gain)/loss	0	0	0
10 Settlement (gain)/loss	0	0	0
11 Special/contractual termination benefits	0	0	0
12 Disclosed net benefit cost	254,886	333,360	(78,474)
B Presentation of Benefit Cost Pursuant to ASC 715-20			
1 Employer service cost	44,364	0	44,364
2 Other components of net periodic benefit cost	210,522	333,360	(122,838)
3 Other adjustments to net benefit cost	0	0	0
4 Disclosed net benefit cost	254,886	333,360	(78,474)
C Assumptions Used to Determine Benefit Cost			
1 Discount rate		5.790%	5.790%
2 Expected long-term rate of return on plan assets		5.600%	7.000%
3 Current health care cost trend rate		N/A	N/A
4 Ultimate health care cost trend rate		N/A	N/A
5 Year of ultimate trend rate		N/A	N/A
Balance Sheet Asset/(Liability)			
A Development of Balance Sheet Asset/(Liability)			
1 Accumulated postretirement benefit obligation (APBO)	(18,686,935)	(9,787,172)	(8,899,763)
2 Fair value of plan assets, excluding receivable contributions	14,955,587	5,335,623	9,619,964
3 Net balance sheet asset/(liability)	(3,731,348)	(4,451,549)	720,201
B Current and Noncurrent Classification			
1 Noncurrent asset	720,201	0	720,201
2 Current liability	0	0	0
3 Noncurrent liability	(4,451,549)	(4,451,549)	0
4 Net balance sheet asset/(liability)	(3,731,348)	(4,451,549)	720,201

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ALLETE, Inc.

Postretirement Welfare Plans - Life Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP	Life Total USD	Non-Union Life USD	Union Life USD
C Reconciliation of Net Balance Sheet Asset/(Liability)			
1 Net balance sheet asset/(liability) at end of prior fiscal year	(4,306,976)	(4,475,633)	168,657
2 Employer service cost	(44,364)	0	(44,364)
3 Interest cost	(1,018,975)	(539,780)	(479,195)
4 Expected return on plan assets	884,338	282,305	602,033
5 Plan amendments	0	0	0
6 Actuarial gain/(loss)	754,629	281,559	473,070
7 Employer contributions	0	0	0
8 Benefits paid directly by the Company, net of retiree contributions	0	0	0
9 Medicare Part D subsidy on benefits paid during the year	0	0	0
10 Acquisitions/divestitures	0	0	0
11 Curtailments	0	0	0
12 Settlements (if settled using corporate cash)	0	0	0
13 Special/contractual termination benefits	0	0	0
14 Net balance sheet asset /(liability) at end of current fiscal year	(3,731,348)	(4,451,549)	720,201
D Assumptions and Dates Used for Disclosure			
1 Discount rate		5.600%	5.600%
2 Current health care cost trend rate		NA	NA
3 Ultimate health care cost trend rate		NA	NA
4 Year of ultimate trend rate		2038	2038
5 Census date		1-Jan-25	1-Jan-25
Accumulated Other Comprehensive (Income)/Loss			
A Accumulated Other Comprehensive (Income)/Loss			
1 Net prior service cost/(credit)	0	0	0
2 Net loss/(gain)	1,032,212	1,775,821	(743,609)
3 Accumulated other comprehensive (income)/loss [Before adjustment for tax effects]	1,032,212	1,775,821	(743,609)
B Development of Accumulated Other Comprehensive (Income)/Loss (AOCI)			
1 AOCI at prior fiscal year end	1,862,726	2,133,265	(270,539)
2 Amounts amortized during the year			
a. Net prior service (cost)/credit	0	0	0
b. Net (loss)/gain	(75,885)	(75,885)	0
3 Occurring during the year			
a. Net prior service cost/(credit)	0	0	0
b. Net loss/(gain)	(754,629)	(281,559)	(473,070)
4 Amounts recognized due to curtailment/settlement	0		
a. Net prior service (cost)/credit	0	0	0
b. Net (loss)/gain	0	0	0
5 AOCI at current fiscal year end	1,032,212	1,775,821	(743,609)
Additional Disclosure Information			
A Accumulated Postretirement Benefit Obligation (APBO)			
1 Fully eligible actives	449,662	0	449,662
2 Other actives	329,329	0	329,329
3 Retirees, dependents and surviving spouses	17,907,944	9,787,172	8,120,772
4 Accumulated postretirement benefit obligation	18,686,935	9,787,172	8,899,763

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ALLETE, Inc.

Postretirement Welfare Plans - Life **Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP**	Life Total USD	Non-Union Life USD	Union Life USD
B Expected Future Benefit Payments, Net of Retiree Contributions, and Medicare Part D Subsidies			
Benefit payments			
1 During fiscal year ending December 31, 2026	1,182,334	670,047	512,287
2 During fiscal year ending December 31, 2027	1,215,935	682,746	533,189
3 During fiscal year ending December 31, 2028	1,248,565	695,350	553,215
4 During fiscal year ending December 31, 2029	1,280,371	707,904	572,467
5 During fiscal year ending December 31, 2030	1,311,182	720,399	590,783
6 During fiscal years ending December 31, 2031 through December 31, 2035	6,961,576	3,764,864	3,196,712
C Expected Contributions during Fiscal Year ending December 31, 2026			
1 Employer	0	0	0
2 Plan participants	0	0	0
D Actuarial Gain/(Loss)			
1 Gain/(loss) due to demographic experience	N/A	N/A	N/A
2 Gain/(loss) due to financial assumption changes	N/A	N/A	N/A
3 Gain/(loss) due to demographic assumption changes	N/A	N/A	N/A
4 Gain/(loss) due to investment return different from that assumed	1,139,330	423,499	715,831
5 Total	754,629	281,559	473,070

Changes in Disclosed Plan Obligations and Assets

A Change in Accumulated Postretirement Benefit Obligation (APBO)			
1 APBO at prior fiscal year end	18,159,047	9,644,325	8,514,722
2 Employer service cost	44,364	0	44,364
3 Interest cost	1,018,975	539,780	479,195
4 Actuarial loss/(gain)	384,701	141,940	242,761
5 Plan participants' contributions	86,970	47,538	39,432
6 Benefits paid from plan assets	(1,007,122)	(586,411)	(420,711)
7 Benefits paid from Company assets	0	0	0
8 Medicare Part D subsidy	0	0	0
9 Administrative expenses paid	0	0	0
10 Plan amendments	0	0	0
11 Acquisitions/(divestitures)	0	0	0
12 Curtailments	0	0	0
13 Settlements	0	0	0
14 Special/contractual termination benefits	0	0	0
15 APBO at current fiscal year end	18,686,935	9,787,172	8,899,763
B Change in Plan Assets			
1 Fair value of plan assets at prior fiscal year end	13,852,071	5,168,692	8,683,379
2 Actual return on plan assets	2,023,668	705,804	1,317,864
3 Employer contributions	0	0	0
4 Plan participants' contributions	86,970	47,538	39,432
5 Benefits paid	(1,007,122)	(586,411)	(420,711)
6 Administrative expenses paid	0	0	0
7 Acquisitions/(divestitures)	0	0	0
8 Settlements	0	0	0
9 Fair value of plan assets at current fiscal year end	14,955,587	5,335,623	9,619,964

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ALLETE, Inc.

Postretirement Welfare Plans - Life **Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP**	Life Total USD	Non-Union Life USD	Union Life USD
Reconciliation of Net Balances			
A Reconciliation of Prior Service Cost/(Credit) Bases			
1 Net amount at prior fiscal year end	0	0	0
2 Amortization amount	0	0	0
3 Plan amendments	0	0	0
4 Effect of curtailments	0	0	0
5 Other events	0	0	0
6 Net amount at current fiscal year end	0	0	0
B Reconciliation of Net Loss/(Gain)			
1 Net amount at prior fiscal year end	1,862,726	2,133,265	(270,539)
2 Amount recognized	(75,885)	(75,885)	0
3 Experience loss/(gain)	(754,629)	(281,559)	(473,070)
4 Effect of curtailments	0	0	0
5 Effect of settlements	0	0	0
6 Other events	0	0	0
7 Net amount at current fiscal year end	1,032,212	1,775,821	(743,609)
Development of Plan Assets for Benefit Cost			
A Reconciliation of Fair Value of Plan Assets			
1 Fair value of plan assets at 31-Dec-24	13,852,071	5,168,692	8,683,379
2 Actual return on plan assets	2,023,668	705,804	1,317,864
3 Employer contributions	0	0	0
4 Plan participants' contributions	86,970	47,538	39,432
5 Benefits paid, net of retiree contributions	(1,007,122)	(586,411)	(420,711)
6 Administrative expenses paid	0	0	0
7 Acquisitions/(divestitures)	0	0	0
8 Settlements	0	0	0
9 Fair value of plan assets at 31-Dec-25	14,955,587	5,335,623	9,619,964
B Reconciliation of Market-Related Value of Plan Assets			
1 Market-related value of plan assets at 31-Dec-24	14,201,808	5,362,873	8,838,935
2 Actual return on plan assets	839,318	238,130	601,188
3 Employer contributions	0	0	0
4 Plan participants' contributions	86,970	47,538	39,432
5 Benefits paid, net of retiree contributions	(1,007,122)	(586,411)	(420,711)
6 Administrative expenses paid	0	0	0
7 Acquisitions/(divestitures)	0	0	0
8 Settlements	0	0	0
9 Market-related value of plan assets at 31-Dec-25	14,120,974	5,062,130	9,058,844
C Rate of Return on Invested Assets			
1 Weighted invested assets	13,391,994	4,899,255	8,492,739
2 Rate of return	14.962%	14.406%	15.518%
D Investment Loss/(Gain)			
1 Actual return	2,023,668	705,804	1,317,864
2 Expected return	868,850	274,358	594,492
3 Loss/(gain)	(1,154,818)	(431,446)	(723,372)

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ALLETE, Inc. **Postretirement Welfare Plans - Life** **Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP**	Life Total USD	Non-Union Life USD	Union Life USD
E Market-Related Value of Assets			
1 Fair value of plan assets at 31-Dec-25	14,955,587	5,335,623	9,619,964
2 Deferred investment (gains) and losses for the last 5 years			
a. Deferred amount from measurement year ending 31-Dec-25			
i. (Gain) / Loss	(1,154,818)	(431,446)	(723,372)
ii. Percent recognized	20.000%	20.000%	20.000%
iii. Percent deferred	80.000%	80.000%	80.000%
iv. Deferred amount	(923,855)	(345,157)	(578,698)
b. Deferred amount from measurement year ending 31-Dec-24			
i. (Gain) / Loss	(452,421)	(190,043)	(262,378)
ii. Percent recognized	40.000%	40.000%	40.000%
iii. Percent deferred	60.000%	60.000%	60.000%
iv. Deferred amount	(271,453)	(114,026)	(157,427)
c. Deferred amount from measurement year ending 31-Dec-23			
i. (Gain) / Loss	(749,141)	(227,052)	(522,089)
ii. Percent recognized	60.000%	60.000%	60.000%
iii. Percent deferred	40.000%	40.000%	40.000%
iv. Deferred amount	(299,657)	(90,821)	(208,836)
d. Deferred amount from measurement year ending 31-Dec-22			
i. (Gain) / Loss	3,301,760	1,382,553	1,919,207
ii. Percent recognized	80.000%	80.000%	80.000%
iii. Percent deferred	20.000%	20.000%	20.000%
iv. Deferred amount	660,352	276,511	383,841
e. Deferred amount from measurement year ending 31-Dec-21			
i. (Gain) / Loss	(797,737)	(352,875)	(444,862)
ii. Percent recognized	100.000%	100.000%	100.000%
iii. Percent deferred	0.000%	0.000%	0.000%
iv. Deferred amount	0	0	0
f. Total deferred amount	(834,613)	(273,493)	(561,120)
3 Market-related value of assets	14,120,974	5,062,130	9,058,844

Summary of Benefit Cost and Cash Flows	**31-Dec-26**	**31-Dec-26**	**31-Dec-26**
A Total Benefit Cost			
1 Employer service cost	47,823	0	47,823
2 Interest cost	1,013,363	529,320	484,043
3 Expected return on plan assets	(880,907)	(264,718)	(616,189)
4 Subtotal	180,279	264,602	(84,323)
5 Net prior service cost/(credit) amortization	0	0	0
6 Net loss/(gain) amortization	86,547	86,547	0
7 Subtotal	86,547	86,547	0
8 Net periodic postretirement benefit cost/(income)	266,826	351,149	(84,323)
9 Curtailment (gain)/loss	0	0	0
10 Settlement (gain)/loss	0	0	0
11 Special/contractual termination benefits	0	0	0
12 Total benefit cost	266,826	351,149	(84,323)

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ALLETE, Inc.

Postretirement Welfare Plans - Life **Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP**	Life Total USD	Non-Union Life USD	Union Life USD
B Assumptions			
1 Discount rate	5.600%	5.600%	5.600%
2 Expected long-term rate of return on plan assets	5.600%, 7.000%	5.600%	7.000%
3 Current health care cost trend rate	6.000%	N/A	N/A
4 Ultimate health care cost trend rate	5.000%	N/A	N/A
5 Year of ultimate trend rate	2038	N/A	N/A
6 Census date	01-Jan-25	01-Jan-25	01-Jan-25
C Plan Assets at Beginning of Year			
1 Fair value	14,955,587	5,335,623	9,619,964
2 Market-related value	14,120,974	5,062,130	9,058,844
D Expected Cash Flows Net of Medicare Part D Subsidy			
1 Employer contributions	0	0	0
2 Plan participants' contributions	0	0	0
3 Benefits paid from Company assets	0	0	0
4 Benefits paid from plan assets	1,182,334	670,047	512,287
E Amortization Period			
1 For gain/loss amortization, if applicable	N/A	12.37019	6.89624
2 For new prior service cost bases, if any	N/A	12.37019	6.89624
Participant Information - Census Date	**01-Jan-25**	**01-Jan-25**	**01-Jan-25**
A Participating Employees			
1 Number			
2 Average age			
3 Average credited service			
B Retirees, Dependents and Surviving Spouses			
1 Retirees			
2 Average age			
3 Surviving spouses and surviving dependents			
4 Average age			
5 Total retirees, surviving spouses and surviving dependents			
6 Average age			
C Other Participants			
1 Number			
2 Average age			

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ALLETE, Inc.

Postretirement Welfare Plans - Life **Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP**	Life Total USD	Non-Union Life USD	Union Life USD
Reconciliation of Prior Service Cost/(Credit) Bases			
Amortization Details of Plan Amendment #1			
1 Measurement date established	0-Jan-00	00-Jan-00	00-Jan-00
2 Original amount	0	0	0
3 Net amount at 31-Dec-24	0	0	0
4 Amortization amount during 2025	0	0	0
5 Effect of curtailments	0	0	0
6 Other events	0	0	0
7 Net amount at 31-Dec-25	0	0	0
8 Remaining amortization period		0.00000	0.00000
Amortization Details of Plan Amendment #2			
1 Measurement date established	0-Jan-00	00-Jan-00	00-Jan-00
2 Original amount	0	0	0
3 Net amount at 31-Dec-24	0	0	0
4 Amortization amount during 2025	0	0	0
5 Effect of curtailments	0	0	0
6 Other events	0	0	0
7 Net amount at 31-Dec-25	0	0	0
8 Remaining amortization period		0.00000	0.00000
Amortization Details of Plan Amendment #3			
1 Measurement date established	0-Jan-00	00-Jan-00	00-Jan-00
2 Original amount	0	0	0
3 Net amount at 31-Dec-24	0	0	0
4 Amortization amount during 2025	0	0	0
5 Effect of curtailments	0	0	0
6 Other events	0	0	0
7 Net amount at 31-Dec-25	0	0	0
8 Remaining amortization period	N/A	0.00000	0.00000
Accumulated Contributions in Excess of Net Periodic Benefit Cost			
A Reconciliation of Amounts Recognized in Statement of Financial Position			
1 Accumulated postretirement benefit obligation	(18,686,935)	(9,787,172)	(8,899,763)
2 Fair value of plan assets, excluding receivable contributions	14,955,587	5,335,623	9,619,964
3 Net balance sheet asset/(liability)	(3,731,348)	(4,451,549)	720,201
4 Net prior service cost/(credit)	0	0	0
5 Net loss/(gain)	1,032,212	1,775,821	(743,609)
6 Accumulated Employer contributions in excess of net periodic benefit cost	(2,699,136)	(2,675,728)	(23,408)
B Accumulated Contributions in Excess of Net Periodic Benefit Cost			
1 Amount as of beginning of year	(2,444,250)	(2,342,368)	(101,882)
2 Net periodic postretirement benefit (cost)/income	(254,886)	(333,360)	78,474
3 Employer contributions	0	0	0
4 Benefits paid from plan assets			
5 Benefits paid from Company assets	0	0	0
6 Other recognized loss/(gain)	0	0	0
7 Other adjustments	0	0	0
8 Amount as of end of year	(2,699,136)	(2,675,728)	(23,408)

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ALLETE, Inc.

Postretirement Welfare Plans - BNI **Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP**	BNI Coal, LTD Total USD	BNI Coal, LTD Non-Union USD	BNI Coal, LTD Union USD
Disclosed Benefit Cost	31-Dec-25	31-Dec-25	31-Dec-25
A Disclosed Benefit Cost			9,512
1 Employer service cost	15,882	6,370	
2 Interest cost	68,009	30,667	37,342
3 Expected return on plan assets	0	0	0
4 Subtotal	83,891	37,037	46,854
5 Net prior service cost/(credit) amortization	0	0	0
6 Net loss/(gain) amortization	(220,310)	(88,208)	(132,102)
7 Subtotal	(220,310)	(88,208)	(132,102)
8 Net periodic postretirement benefit cost/(income)	(136,419)	(51,171)	(85,248)
9 Curtailment (gain)/loss	0	0	0
10 Settlement (gain)/loss	0	0	0
11 Special/contractual termination benefits	0	0	0
12 Disclosed net benefit cost	(136,419)	(51,171)	(85,248)
B Presentation of Benefit Cost Pursuant to ASC 715-20			
1 Employer service cost	15,882	6,370	9,512
2 Other components of net periodic benefit cost	(152,301)	(57,541)	(94,760)
3 Other adjustments to net benefit cost	0	0	0
4 Disclosed net benefit cost	(136,419)	(51,171)	(85,248)
C Assumptions Used to Determine Benefit Cost			
1 Discount rate	5.790%	5.790%	5.790%
2 Expected long-term rate of return on plan assets	N/A	N/A	N/A
3 Current health care cost trend rate	7.000%	7.000%	7.000%
4 Ultimate health care cost trend rate	5.000%	5.000%	5.000%
5 Year of ultimate trend rate	2038	2038	2038
Balance Sheet Asset/(Liability)			
A Development of Balance Sheet Asset/(Liability)			
1 Accumulated postretirement benefit obligation (APBO)	(1,119,523)	(532,795)	(586,728)
2 Fair value of plan assets, excluding receivable contributions	0	0	0
3 Net balance sheet asset/(liability)	(1,119,523)	(532,795)	(586,728)
B Current and Noncurrent Classification			
1 Noncurrent asset	0	0	0
2 Current liability	(105,530)	(65,718)	(39,812)
3 Noncurrent liability	(1,013,993)	(467,077)	(546,916)
4 Net balance sheet asset/(liability)	(1,119,523)	(532,795)	(586,728)
C Reconciliation of Net Balance Sheet Asset/(Liability)			
1 Net balance sheet asset/(liability) at end of prior fiscal year	(1,258,125)	(566,798)	(691,327)
2 Employer service cost	(15,882)	(6,370)	(9,512)
3 Interest cost	(68,009)	(30,667)	(37,342)
4 Expected return on plan assets	0	0	0
5 Plan amendments	0	0	0
6 Actuarial gain/(loss)	99,780	16,468	83,312
7 Employer contributions	122,713	54,572	68,141
8 Benefits paid directly by the Company, net of retiree contributions	0	0	0
9 Medicare Part D subsidy on benefits paid during the year	0	0	0
10 Acquisitions/divestitures	0	0	0
11 Curtailments	0	0	0
12 Settlements (if settled using corporate cash)	0	0	0
13 Special/contractual termination benefits	0	0	0
14 Net balance sheet asset /(liability) at end of current fiscal year	(1,119,523)	(532,795)	(586,728)

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The information contained in this exhibit is incomplete without the supporting letter.

ALLETE, Inc. **Postretirement Welfare Plans - BNI** **Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP**	BNI Coal, LTD Total USD	BNI Coal, LTD Non-Union USD	BNI Coal, LTD Union USD
D Assumptions and Dates Used for Disclosure			
1 Discount rate	5.600%	5.600%	5.600%
2 Current health care cost trend rate	7.000%	7.000%	7.000%
3 Ultimate health care cost trend rate	5.000%	5.000%	5.000%
4 Year of ultimate trend rate	2038	2038	2038
5 Census date	N/A	01-Jan-25	01-Jan-25

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ALLETE, Inc.

Postretirement Welfare Plans - BNI
Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP

	BNI Coal, LTD Total USD	BNI Coal, LTD Non-Union USD	BNI Coal, LTD Union USD
Accumulated Other Comprehensive (Income)/Loss			
A Accumulated Other Comprehensive (Income)/Loss			
1 Net prior service cost/(credit)	0	0	0
2 Net loss/(gain)	(1,222,369)	(474,765)	(747,604)
3 Accumulated other comprehensive (income)/loss [Before adjustment for tax effects]	(1,222,369)	(474,765)	(747,604)
B Development of Accumulated Other Comprehensive (Income)/Loss (AOCI)			
1 AOCI at prior fiscal year end	(1,342,899)	(546,505)	(796,394)
2 Amounts amortized during the year			
a. Net prior service (cost)/credit	0	0	0
b. Net (loss)/gain	220,310	88,208	132,102
3 Occurring during the year			
a. Net prior service cost/(credit)	0	0	0
b. Net loss/(gain)	(99,780)	(16,468)	(83,312)
4 Amounts recognized due to curtailment/settlement			
a. Net prior service (cost)/credit	0	0	0
b. Net (loss)/gain	0	0	0
5 AOCI at current fiscal year end	(1,222,369)	(474,765)	(747,604)
Additional Disclosure Information			
A Accumulated Postretirement Benefit Obligation (APBO)			
1 Fully eligible actives	699,262	380,120	319,142
2 Other actives	244,168	64,814	179,354
3 Retirees, dependents and surviving spouses	176,093	87,861	88,232
4 Accumulated postretirement benefit obligation	1,119,523	532,795	586,728
B Expected Future Benefit Payments, Net of Retiree Contributions, and Medicare Part D Subsidies			
Benefit payments			
1 During fiscal year ending December 31, 2026	108,445	67,533	40,912
2 During fiscal year ending December 31, 2027	111,313	61,121	50,192
3 During fiscal year ending December 31, 2028	108,038	52,686	55,352
4 During fiscal year ending December 31, 2029	134,528	55,943	78,585
5 During fiscal year ending December 31, 2030	159,813	72,798	87,015
6 During fiscal years ending December 31, 2031 through December 31, 2035	791,258	339,932	451,326
Medicare Part D Subsidies			
1 During fiscal year ending December 31, 2026	N/A	N/A	N/A
2 During fiscal year ending December 31, 2027	N/A	N/A	N/A
3 During fiscal year ending December 31, 2028	N/A	N/A	N/A
4 During fiscal year ending December 31, 2029	N/A	N/A	N/A
5 During fiscal year ending December 31, 2030	N/A	N/A	N/A
6 During fiscal years ending December 31, 2031 through December 31, 2035	N/A	N/A	N/A
C Expected Contributions during Fiscal Year ending December 31, 2026			
1 Employer	0	0	0
2 Plan participants	0	0	0
D Actuarial Gain/(Loss)			
1 Gain/(loss) due to demographic experience	241,234	N/A	N/A
2 Gain/(loss) due to financial assumption changes	(25,300)	N/A	N/A
3 Gain/(loss) due to demographic assumption changes	(116,154)	N/A	N/A
4 Gain/(loss) due to investment return different from that assumed	0	0	0
5 Total	99,780	16,468	83,312

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ALLETE, Inc. **Postretirement Welfare Plans - BNI** **Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP**	BNI Coal, LTD Total USD	BNI Coal, LTD Non-Union USD	BNI Coal, LTD Union USD
Changes in Disclosed Plan Obligations and Assets			
A Change in Accumulated Postretirement Benefit Obligation (APBO)			
1 APBO at prior fiscal year end	1,258,125	566,798	691,327
2 Employer service cost	15,882	6,370	9,512
3 Interest cost	68,009	30,667	37,342
4 Actuarial loss/(gain)	(99,780)	(16,468)	(83,312)
5 Plan participants' contributions	27,120	12,061	15,059
6 Benefits paid from plan assets	0	0	0
7 Benefits paid from Company assets	(77,165)	(34,316)	(42,849)
8 Medicare Part D subsidy	0	0	0
9 Administrative expenses paid	(72,668)	(32,317)	(40,351)
10 Plan amendments	0	0	0
11 Acquisitions/(divestitures)	0	0	0
12 Curtailments	0	0	0
13 Settlements	0	0	0
14 Special/contractual termination benefits	0	0	0
15 APBO at current fiscal year end	1,119,523	532,795	586,728
B Change in Plan Assets			
1 Fair value of plan assets at prior fiscal year end	0	0	0
2 Actual return on plan assets	0	0	0
3 Employer contributions	122,713	54,572	68,141
4 Plan participants' contributions	27,120	12,061	15,059
5 Benefits paid	(77,165)	(34,316)	(42,849)
6 Administrative expenses paid	(72,668)	(32,317)	(40,351)
7 Acquisitions/(divestitures)	0	0	0
8 Settlements	0	0	0
9 Fair value of plan assets at current fiscal year end	0	0	0
Reconciliation of Net Balances			
A Reconciliation of Prior Service Cost/(Credit) Bases			
1 Net amount at prior fiscal year end	0	0	0
2 Amortization amount	0	0	0
3 Plan amendments	0	0	0
4 Effect of curtailments	0	0	0
5 Other events	0	0	0
6 Net amount at current fiscal year end	0	0	0
B Reconciliation of Net Loss/(Gain)			
1 Net amount at prior fiscal year end	(1,342,899)	(546,505)	(796,394)
2 Amount recognized	220,310	88,208	132,102
3 Experience loss/(gain)	(99,780)	(16,468)	(83,312)
4 Effect of curtailments	0	0	0
5 Effect of settlements	0	0	0
6 Other events	0	0	0
7 Net amount at current fiscal year end	(1,222,369)	(474,765)	(747,604)

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ALLETE, Inc.

Postretirement Welfare Plans - BNI Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP	BNI Coal, LTD Total USD	BNI Coal, LTD Non-Union USD	BNI Coal, LTD Union USD
Development of Plan Assets for Benefit Cost			
A Reconciliation of Fair Value of Plan Assets			
1 Fair value of plan assets at 31-Dec-24	0	0	0
2 Actual return on plan assets	0	0	0
3 Employer contributions	122,713	54,572	68,141
4 Plan participants' contributions	27,120	12,061	15,059
5 Benefits paid, net of retiree contributions	(77,165)	(34,316)	(42,849)
6 Administrative expenses paid	(72,668)	(32,317)	(40,351)
7 Acquisitions/(divestitures)	0	0	0
8 Settlements	0	0	0
9 Fair value of plan assets at 31-Dec-25	0	0	0
B Reconciliation of Market-Related Value of Plan Assets			
1 Market-related value of plan assets at 31-Dec-24	0	0	0
2 Actual return on plan assets	0	0	0
3 Employer contributions	122,713	54,572	68,141
4 Plan participants' contributions	27,120	12,061	15,059
5 Benefits paid, net of retiree contributions	(77,165)	(34,316)	(42,849)
6 Administrative expenses paid	(72,668)	(32,317)	(40,351)
7 Acquisitions/(divestitures)	0	0	0
8 Settlements	0	0	0
9 Market-related value of plan assets at 31-Dec-25	0	0	0
C Rate of Return on Invested Assets			
1 Weighted invested assets	0	0	0
2 Rate of return	0.000%	0.000%	0.000%
D Investment Loss/(Gain)			
1 Actual return	0	0	0
2 Expected return	0	0	0
3 Loss/(gain)	0	0	0

Summary of Benefit Cost and Cash Flows	31-Dec-26	31-Dec-26	31-Dec-26
A Total Benefit Cost			
1 Employer service cost	15,919	4,393	11,526
2 Interest cost	59,657	27,946	31,711
3 Expected return on plan assets	0	0	0
4 Subtotal	75,576	32,339	43,237
5 Net prior service cost/(credit) amortization	0	0	0
6 Net loss/(gain) amortization	(240,703)	(100,280)	(140,423)
7 Subtotal	(240,703)	(100,280)	(140,423)
8 Net periodic postretirement benefit cost/(income)	(165,127)	(67,941)	(97,186)
9 Curtailment (gain)/loss	0	0	0
10 Settlement (gain)/loss	0	0	0
11 Special/contractual termination benefits	0	0	0
12 Total benefit cost	(165,127)	(67,941)	(97,186)
B Assumptions			
1 Discount rate	5.600%	5.600%	5.600%
2 Expected long-term rate of return on plan assets	N/A	N/A	N/A
3 Current health care cost trend rate	7.000%	7.000%	7.000%
4 Ultimate health care cost trend rate	5.000%	5.000%	5.000%
5 Year of ultimate trend rate	2038	2038	2038
6 Census date	N/A	01-Jan-25	01-Jan-25

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ALLETE, Inc. **Postretirement Welfare Plans - BNI** **Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP**	BNI Coal, LTD Total USD	BNI Coal, LTD Non-Union USD	BNI Coal, LTD Union USD
C Fair Value of Assets at Beginning of Year	0	0	0
D Expected Cash Flows Net of Medicare Part D Subsidy			
1 Employer contributions	0	0	0
2 Plan participants' contributions	0	0	0
3 Benefits paid from Company assets	108,445	67,533	40,912
4 Benefits paid from plan assets	0	0	0
E Amortization Period			
1 For gain/loss amortization, if applicable	N/A	4.20309	4.90610
2 For new prior service cost bases, if any	N/A	4.51546	3.74742

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ALLETE, Inc. **Postretirement Welfare Plans - BNI** **Disclosure for Fiscal Year Ending 31-Dec-25 under US GAAP**	BNI Coal, LTD Total USD	BNI Coal, LTD Non-Union USD	BNI Coal, LTD Union USD
Participant Information - Census Date	**N/A**	**01-Jan-25**	**01-Jan-25**
A Participating Employees			
1 Number	14	6	8
3 Average age	59.29	59.67	59.00
4 Average credited service	23.86	27.07	21.46
B Retirees, Dependents and Surviving Spouses			
1 Retirees	18	7	11
2 Average age	68.67	70.00	67.82
3 Surviving spouses and surviving dependents	7	4	3
4 Average age	67.86	68.25	67.33
5 Total retirees, surviving spouses and surviving dependents	25	11	14
6 Average age	0.00	69.36	67.71
C Other Participants			
1 Number	0	0	0
2 Average age	N/A	N/A	N/A
Accumulated Contributions in Excess of Net Periodic Benefit Cost			
A Reconciliation of Amounts Recognized in Statement of Financial Position			
1 Projected Benefit Obligation (PBO)	(1,119,523)	(532,795)	(586,728)
2 Fair value of plan assets, excluding receivable contributions	0	0	0
3 Net balance sheet asset/(liability)	(1,119,523)	(532,795)	(586,728)
4 Net prior service cost/(credit)	0	1	2
5 Net loss/(gain)	(1,222,369)	(474,765)	(747,604)
6 Accumulated Employer contributions in excess of net periodic benefit cost	(2,341,892)	(1,007,560)	(1,334,332)
B Accumulated Contributions in Excess of Net Periodic Benefit Cost			
1 Amount as of beginning of year	(2,601,024)	(1,113,303)	(1,487,721)
2 Net periodic postretirement benefit (cost)/income	136,419	51,171	85,248
3 Employer contributions	0	0	0
4 Benefits paid from plan assets	0	0	0
5 Benefits paid from Company assets	122,713	54,572	68,141
6 Other recognized loss/(gain)	0	0	0
7 Other adjustments	0	0	0
8 Amount as of end of year	(2,341,892)	(1,007,560)	(1,334,332)

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Appendix A : Statement of actuarial assumptions, methods and data sources

Plan Sponsor

ALLETE, Inc., and Affiliated Companies

Statement of Assumptions

The assumptions disclosed in this Appendix are for fiscal year ending December 31, 2025 financial reporting and the fiscal year 2026 benefit cost.

Assumptions and methods for other postretirement benefit cost purposes

Economic Assumptions

Rate of return on assets for	
• Non-Union	5.60% (Post-tax)
• Union	7.00% (Tax-free)
Discount rate	5.60%

As required by the U.S. GAAP accounting standard, the discount rate based on high quality corporate bonds (AA and AAA) is used to determine the obligations and service cost, and thus the net periodic benefit cost for the plan. Because these assumptions are required by the U.S. GAAP accounting standard, and reflect current market conditions (specifically, the market conditions as of the measurement date) they may from time to time be inconsistent with other economic assumptions used in the valuation, which may reflect both current economic conditions and assumed future conditions.

The return on assets shown above is gross of investment expenses and administrative expenses assumed to be paid from the trust.

Participation Assumptions for Plan

	Current Retirees	Future Retirees
Participation	100% of retirees are assumed to maintain coverage the following year. 100% of retirees electing coverage who have spouses are assumed to elect spousal coverage.	90% of future eligible retirees are assumed to elect coverage at retirement date. 100% of retirees electing coverage who have spouses are assumed to elect spousal coverage. Future pre-65 retirees will elect to participate in the following plans: • 30% -- Copay plan • 50% -- HSA Blue Plan • 20% -- HSA Green Plan
Percentage married	Based on valuation census data	85% of males; 65% of females
Spouse age	Based on valuation census data	Male participants: Spouse 2 years younger Female participants: Spouse 3 years older

Demographic Assumptions

Mortality:

- Healthy mortality rates

Base Mortality Table [Male Table used for males; Female Table used for Females]

1. Base table: Pri-2012
2. Base mortality table year: 2012
3. Table type: Non-Union: No Collar, Union: Blue Collar
4. Healthy or Disabled: Healthy
5. Table weighting: Headcount
6. Blending of annuitants and non-annuitants: Separate rates for annuitants and non-annuitants (based on Employees table)
7. Blending of retirees and contingent annuitants: Separate rates for retirees/contingent annuitants and contingent survivors

Mortality Improvement Scale

1. Base scale: MP-2021
2. Projection Type: Generational

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Termination

The rates at which participants are assumed to terminate employment by age are shown below:

Percentage assumed to leave during the year		
Attained Age	Non-Union	Union
20	10.40%	10.40%
25	7.20%	7.20%
30	4.88%	3.05%
35	2.18%	2.18%
40	1.73%	1.73%
45	1.53%	1.53%
50	1.40%	1.40%
54	1.15%	1.15%
55+	0.00%	0.00%

Retirement

Rates at which participants are assumed to retire by age are shown below:

Percentage assumed to retire during the year		
Age	Non-Union	Union
Under 55	3.0%	4.0%
55	10.0%	8.0%
56	10.0%	8.0%
57	20.0%	9.0%
58	20.0%	14.0%
59	20.0%	14.0%
60	33.0%	25.0%
61	33.0%	40.0%
62	50.0%	65.0%
63	40.0%	55.0%
64	40.0%	40.0%
65	65.0%	85.0%
66	35.0%	50.0%
67	35.0%	50.0%
68+	100.0%	100.0%

Trend Rates

Health care cost trend rate:

The trend rates of incurred claims represent the rate of increase in employer claim payments:

Percentage increase in following year's claim cost		
Year	Medical	Dental
2025	7.000%	6.000%
2026	7.000%	6.000%
2027	6.750%	6.000%
2028	6.500%	5.910%
2029	6.350%	5.820%
2030	6.200%	5.730%
2031	6.050%	5.640%
2032	5.900%	5.550%
2033	5.750%	5.450%
2034	5.600%	5.360%
2035	5.450%	5.270%
2036	5.300%	5.180%
2037	5.150%	5.090%
2038+	5.000%	5.000%

Per Capita Claims Costs

Basis for per capita claim cost assumptions

Annual claims costs at age 65 including administrative costs are as follows:

Average Per Capita Claims Cost	
Category	FY2026
Pre-Medicare Copay	$13,803
Pre-Medicare HSA Blue	$13,628
Pre-Medicare HSA Green	$13,003
Post-Medicare HRA (2025)	$1,000
Post-Medicare HRA (2026-2027)	$1,100
Post-Medicare HRA (2028-2029+)	$1,200
Dental	$552

Retiree Contributions

Plan	FY2026 Contribution (Individual / Family)
Pre-Medicare Copay	$257 / $610
Pre-Medicare HSA Blue	$263 / $617
Pre-Medicare HSA Green	$247 / $577
Dental	$21 / $39

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Morbidity

After application of the morbidity aging assumption based on Willis Towers Watson's AgeDist model, the projected 2026 average annual per capita claims costs including administrative expenses at each age band are shown below.

Age	Copay	HSA Blue	HSA Green
40-44	6,817	6,731	6,422
45-49	7,867	7,767	7,410
50-54	9,658	9,536	9,098
55-59	11,598	11,451	10,925
60-64	14,352	14,169	13,519

Additional Assumptions

Administrative expenses

Administrative expenses and stop loss premiums are included in the pre-65 medical claims costs, and administrative expenses are included in the dental claims cost. Administrative expenses are assumed to be included in the post-65 medical insured premium rate.

Cash flow

- Timing of benefit payments: Benefit payments are assumed to be made uniformly throughout the year and, on average, at mid-year.
- Amount and timing of contributions: Contributions are assumed to be made uniformly throughout the year and, on average, at mid-year.
- Asset Transfer: In FY2026, $7,250,000 and $7,250,000 is assumed to be transferred from the Non-Union medical and Union medical plans, respectively. These transfers are assumed to happen on July 1, 2026.

Funding policy

The postretirement medical plans' benefits are advance funded through separate VEBAs for union and non-union participants. Contributions to the accounts are made to the extent they are needed and are tax deductible.

Inclusion date

The valuation date coincident with or next following the date on which the employee becomes a participant.

New or rehired employees

It was assumed there will be no new or rehired employees.

Benefit commencement dates

- Retirement benefit — Upon termination of employment

Decrement timing

The assumptions used are collectively called rounded middle of year (rounded MOY) decrement timing. Most events are assumed to occur at the middle of year during which the eligibility condition will be met, or the start/end date will occur. For death and disability decrements, the rate applied is based on the participant's rounded age (nearest integer age) at the beginning of the year, to align with the methodology generally used to create those rate tables. For retirement and withdrawal decrements: the age is generally the participant's rounded age at the middle of the year. Retiree medical claims costs are based on the nearest age at the beginning of the year, to align with how claims costs tables are typically developed.

Methods – Other Postretirement Benefit Cost and Funded Position

Census date

January 1, 2025

Measurement date

December 31, 2025

The benefit obligations are based on census data collected as of January 1, 2025. We have projected the benefit obligations forward to December 31, 2025, adjusting for benefit payments, expected growth in the benefit obligations, changes in key assumptions, and plan provisions, and any significant changes in the plan population. The projected benefit payments were developed based on January 1, 2025 census data and reflect the key assumptions and plan provisions at December 31, 2025, benefit payments during 2025, expected 2025 accruals, and any significant changes in plan demographics that occurred during the year.

Service cost and accumulated postretirement benefit obligation

Costs are determined using the Projected Unit Credit Cost Method. The annual service cost is equal to the present value of the portion of the projected benefit attributable to service during the upcoming year, and the Accumulated Postretirement Benefit Obligation (APBO) is equal to the present value of the portion of the projected benefit attributable to service before the measurement date. Service from the later of hire date, and age 40 (if eligible at age 50) or age 45 (if eligible at age 55), through the expected full eligibility date (age 50 or 55 and 10 years of service) is counted in allocating costs. Costs are allocated: pro rata over the service period described above.

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APBO is measured by determining a portfolio of bonds, using the December 31, 2025. Willis Towers Watson BOND: Link model, that will provide the cash flows necessary to satisfy the projected benefit payments underlying the APBO determined using the methodology described above, and determining the market value of that portfolio. A single discount rate that equates the present value of those benefit payments to the market value of the bond portfolio is determined. Service cost is determined by discounting the projected benefit payments underlying service cost, determined using the methodology described above, by the same discount rate determined above for the APBO. Interest cost is measured by applying the discount rate to the APBO.

Market-related value of assets

For the market-related value of assets, a smoothed actuarial value of assets is used, equal to a moving average market values in which investment income is recognized over a five-year period. Investment income equal to the expected return on plan assets as calculated for the prior year's expense is recognized immediately. Any difference between the actual investment income (on a market value basis) and the expected return is recognized over a five-year period (20% in the first year, 40% in the second year, and so on, until the full 100% is recognized in the fifth year). In addition, the market-related value of assets must be no greater than 120% and no less than 80% of the market value of assets.

Amortization of unamortized amounts:

- Recognition of past service cost/(credit)

Amortization of net prior service cost/(credit) resulting from a plan change is included as a component of Net Periodic Benefit Cost/(Income) in the year first recognized and every year thereafter until it is fully amortized. The annual amortization payment is determined in the first year as the increase in PBO due to the plan change divided by the average remaining service period of active participants expected to receive benefits under the plan.

However, when a plan change reduces the PBO, existing positive prior service costs are reduced or eliminated starting with the earliest established before a new prior service credit base is established.

• Recognition of gains or losses	Amortization of the net gain or loss resulting from experience different from that assumed and from changes in assumptions is included as a component of Net Periodic Postretirement Benefit Cost/(Income) for a year. If, as of the beginning of the year, that net gain or loss exceeds 10% of the greater of the APBO and the market-related value of plan assets, the amortization is that excess divided by the average remaining service period of active plan participants (except the non-union life insurance plan which amortizes over the average expected future lifetime of inactive employees.) Amortization periods are determined separately for medical, dental, and life insurance benefits. Under this methodology, the gain/loss amounts recognized in AOCI are not expected to be fully recognized in benefit cost until the plan is terminated (or an earlier event, like a settlement, triggers recognition) because the periods over which the amounts are amortized is redetermined each year and amounts that fall within the corridor described above are not amortized.
Benefits not valued	The Surest Plan is available beginning January 1, 2023. At the direction of the plan sponsor, this plan was not included in the valuation due to low enrollment.

Sources of Data and Other Information

The plan sponsor, furnished participant data and claims data as of 1/1/2025. Information on assets, contributions and plan provisions was supplied by the plan sponsor. Data and other information were reviewed for reasonableness and consistency, but no audit was performed. Based on discussions with the plan sponsor, the data was adjusted to reflect any significant events that occurred between the date the data was collected and the measurement date.

Accumulated other comprehensive (income)/loss amounts shown in the report are shown prior to adjustment for deferred taxes. Any deferred tax effects in AOCI should be determined in consultation with ALLETE's tax advisors and auditors. Willis Towers Watson used information supplied by ALLETE regarding the postretirement benefit asset, postretirement benefit liability, and amounts recognized in accumulated other comprehensive income as of the end of the 2025 fiscal year.

We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations.

Assumptions Rationale - Significant Economic Assumptions

Please see the letter delivered January 2026 for additional details.

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Assumptions Rationale - Significant Demographic Assumptions

Please see the letter delivered January 2026 for additional details.

Source of Prescribed Methods

Accounting methods	The methods used for accounting purposes as described in Appendix A, including the method of determining the market-related value of plan assets, are “prescribed methods set by another party”, as defined in the actuarial standards of practice (ASOPs). As required by U.S. GAAP, these methods were selected by the plan sponsor.

Changes in Assumptions, Methods and Estimation Techniques

Change in assumptions since prior valuation	• The discount rate changed from 5.79% to 5.60%. • Assumed per capita claims costs were updated to reflect recent plan experience for pre-65 retirees. • Retiree contribution rates were updated to reflect actual rates for 2026. • The Pre-65 Medical Election assumption between the Copay Plan, HSA Blue Plan, and HSA Green Plan was updated. “
Change in methods since prior valuation	None.
Change in estimation techniques since prior valuation	None.

Model Descriptions and Disclosures in accordance with ASOP No. 56

Quantify

Quantify is the Willis Towers Watson centrally developed, tested and maintained Global actuarial valuation system. It is used to perform valuations of clients' benefit plans.

Quantify provides the ability to process data, calculate benefits and value benefit liabilities, develop results using applicable standards, and generate client reports.

Quantify parameters provide significant flexibility to model populations and plan designs. Various demographic, economic and benefit related assumptions exist for users to model multiple demographic and economic situations.

Plan liabilities are calculated based on standard actuarial techniques, developing actuarially reasonable results using the population and parameters entered. The calculation and presentation of liabilities in Quantify relies on the assumptions used and the reasonability of the assumptions selected.

Quantify incorporates standard liability methodologies that are intended to reasonably reflect a variety of economic or demographic conditions. The model itself does not evaluate any assumptions entered for reasonableness, consistency or probability of occurrence.

Quantify is designed specifically for these purposes, and we know of no material limitations that would prevent the system from being suitable for these intended purposes. The actuaries signing this report have relied on the actuaries who develop, test and maintain this system, and have also performed a limited review of results to ensure that system parameters have been set appropriately and plan provisions coded correctly.

Quantify FR

Quantify Financial Reporting (FR) is intended to calculate funding results, accounting results and produce the associated client reports under selected accounting standards. The calculations and reports are based on various user specified inputs including liability results and asset values.

Quantify FR develops valuation results for various accounting and funding purposes using standard actuarial techniques.

Calculation of disclosure liabilities and results are based on roll forward liabilities.

Liability roll-forwards are used in accounting scenarios where the date as of which liabilities are valued does not coincide with the fiscal year measurement date. The roll-forwards consist of adjusting liabilities for the passage of time.

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The estimate of the following year's expense is calculated based on the obligations and assets used for disclosure and incorporates service cost that may be based on a projection in the associated Quantify liability run, depending on the relationship of the liability valuation date to the fiscal year.

The Roll Forward accounting calculations assume that applicable rules will not change during the roll-forward period. Actuaries make adjustments to the data, plan provisions and assumptions reflected in the calculation of the liabilities that are rolled forward so that the results reflect conditions at the measurement date, and/or make similar adjustments to the results of the roll forward, including reflecting any changes in applicable accounting standards.

RATE: Link

RATE: Link is a methodology to develop spot rates to be used for liability and cost measurements related to employee benefit plans. The same core methodology is used to develop all RATE: Link curves. The RATE: Link process develops term structures of interest rates from corporate bond data for each covered geography (e.g., the [U.S.] for this valuation).

The construction of RATE: Link yield curves relies on bond data collected as of the measurement date.

Information regarding quoted bond prices, yields and other bond related data is from Bloomberg Finance L.P.

BOND: Link

U.S. BOND: Link is a methodology to assist with the selection of discount rates used in liability and cost measurements related to employee benefit plans. Discount rates are derived by identifying a theoretical settlement portfolio of high-quality corporate bonds sufficient to provide for a plan's projected benefit payments. The single interest rate is then determined that results in a discounted value of the plan's benefit payments that equals the market value of the selected bond portfolio.

Updated BOND: Link models are developed monthly as of the last day of the month. The construction of a BOND: Link model relies on bond data collected as of the measurement date. Parameters provide the user the ability to control aspects of the model. The model output allows the user to see the effects of those parameters.

Information regarding quoted bond prices, yields and other bond related data is from Bloomberg Finance L.P.

Expected Return Estimator

The Expected Return Estimator is used to help inform the choice of an expected return assumption (e.g., as one data point to consider) for returns on the assets of the trust.

The tool depends on the capital market assumptions chosen at the starting date of the simulation. These assumptions reflect currently prevailing capital market conditions, assumed future conditions ("normative conditions"), and the transition from the current conditions to the normative ones.

The assumed normative conditions incorporate a blend of historical capital market data and future expectations. The sources consulted in the determination of normative levels include practitioners in our global actuarial and investment consulting practices, plan sponsors, investment managers, economists, and academics.

SWIFT

Swift is intended to develop projections of plan (pension and OPRB plans) and/or asset values based on various user specified inputs. These amounts are then used to develop contribution and cost results under selected accounting standards and funding regulations. The time horizon for the analysis is 10 full future years.

The parameters provide a great deal of flexibility to model populations and plan designs. Various demographic and economic assumptions exist for users to model multiple demographic and economic scenarios. The Swift model for liabilities is a simplified alternative to using a full valuation system to develop projections of plan liabilities. The assumptions used to control the projected asset values are intended to be flexible enough to model a variety of scenarios reflecting the investment mix of the plan modeled.

Plan liabilities are initially projected based on standard actuarial techniques for a roll-forward based on the population/design parameters entered. The liabilities are then adjusted with inputs providing their sensitivity to various economic experience and valuation assumptions.

Assets are projected on a monthly basis reflecting the data, calculated cash flows, and input assumptions.

The model itself does not evaluate any assumptions entered for reasonableness, consistency or probability of occurrence.

Funding and accounting calculations assume that applicable rules will not change during the forecast horizon.

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Certain details are not reflected in the model. For example, special events (curtailments, settlements, termination benefits) are not included in the standard accounting calculations. Additionally, the model does not support interim re-measurements of benefit cost. Actuaries make adjustments to the data, plan provisions and assumptions reflected in the calculation of the liabilities that are projected forward so that the results reflect conditions at the measurement date, and/or make similar adjustments to the results of the projection, including reflecting any changes in applicable accounting standards.

RPEC Model Implementation Tools

The MIM-2021 Model Implementation Tools are used to construct a mortality improvement scale is intended to produce future mortality improvement rates by age, year and gender based on historical mortality experience data, certain model inputs and a graduation algorithm to create a smooth transition from historical rates to projected rates. The Retirement Plans Experience Committee of the Society of Actuaries (RPEC) collects the data, defines the input parameters, develops and maintains the model. The RPEC annually publishes an update to this model for use by actuaries, and we have relied on the 2021 version of this model.

The input parameters that can be used as published or modified by the user include long-term improvement rate, horizontal (by age) convergence period, diagonal (by year of birth) convergence period, convergence blending percentages and initial slope constraint.

AgeDist

AgeDist is a spreadsheet tool that applies relative cost factors by age to average per capita costs (pre and post 65) and census weights to produce age-graded plan costs for pre- and post-65 populations. The average per capita costs and census weights are provided as inputs to the tool which is then combined with a morbidity curve to produce a set of weighted average age-related costs that equal the average. The age-graded costs are used in the actuarial valuation.

The morbidity curve was developed from a broad set of claims data aggregated by age and blended and may not reflect your specific morbidity. The model does not evaluate the average per capita costs or census weights for reasonableness or consistency.

HealthMAPS	HealthMAPS includes rating manuals and software for medical, dental, prescription drugs, state mandated benefits, specific stop loss and aggregate stop loss. The rating manuals and software enable the user to produce premium rates by type of coverage for specific benefit configurations. HealthMAPS is most commonly used as a tool for estimating the cost of medical and dental benefits or for estimating the effect of a change in plan provisions for use in other models and projections, most notably the Pricing and Underwriting Tool (PUT). HealthMAPS relies on underlying claims continuance tables developed from historic IBM Marketscan database data. This data includes national claims averages rather than client-specific information.
PUT	The Pricing and Underwriting Tool (PUT) develops projected premium equivalent rates, employee contributions, and COBRA rates for self-insured employer health plans (medical, prescription drugs, dental, and vision). The tool develops rates by plan or in aggregate leveraging historic claims, enrollment, and plan design and administrative fee data for an employer. The model allows flexibility to incorporate plan design changes, seasonality, and multiple methods of estimating incurred claims amounts from paid claims data.

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Appendix B : Summary of principal plan provisions

Substantive Plan Provisions

The most recent change reflected in the following substantive plan provisions was adopted August 2025, and effective December 31, 2025

Eligibility for Participation	Attainment of age 40 for participants reaching age 50 with 10 years of service by December 31, 2011 and attainment of age 45 for participants that do not reach age 50 with 10 years of service by December 31, 2011 Employees hired after January 31, 2011 are not eligible to participate in the postretirement medical or dental plans but remain eligible for postretirement life insurance benefits.
Eligibility for Benefits	Age 50 with ten or more years of service, or age 65 with five or more years of service for participants reaching age 50 with 10 years of service by December 31, 2011. Age 55 with ten or more years of service, or age 65 with five or more years of service for participants reaching age 55 with 10 years of service after December 31, 2011. Must make required contributions. Non-union employees retiring after December 31, 2015 will not receive life insurance benefits.

Medical Benefits

Retiree contributions	Set annually to cover 25% of plan costs for pre-65 retirees. Effective January 1, 2024, post-65 retiree contributions are not required.

Under age 65 benefits

	Copay Plan		Blue Plan		Green Plan	
	Network	Out-of-Network	Network	Out-of-Network	Network	Out-of-Network
Deductible	$2,000 Individual, $4,000 Family	$4,000 Individual, $8,000 Family	$3,300 Individual, $6,600 Family	$4,200 Individual, $8,200 Family	$4,500 Individual, $9,000 Family	$5,500 Individual, $11,000 Family
Prescription Deductible	Prescriptions subject to plan deductibles above		Prescriptions subject to plan deductibles above		Prescriptions subject to plan deductibles above	
Out-of-Pocket Limit	$5,000 Individual, $10,000 Family	$10,000 Individual, $20,000 Family	$4,000 Individual, $8,000 Family	$5,000 Individual, $10,000 Family	$6,000 Individual, $12,000 Family	$7,000 Individual, $14,000 Family
Annual HSA Funding	N/A		$600 Individual, $1,200 Family		$600 Individual, $1,200 Family	
Plan Coinsurance	80%	70%	80%	70%	80%	70%
Physician Services	80% after deductible	70% after deductible	80% after deductible	70% after deductible	80% after deductible	70% after deductible
Virtual Visits	$25 copay per visit	Not covered	80% after deductible	Not covered	80% after deductible	Not covered
Preventative Care	100%	Not covered	100%	100%	100%	100%
Urgent Care	$75 copay per visit	70% after deductible	80% after deductible	70% after deductible	80% after deductible	70% after deductible
Emergency Room and Ambulance	80% after deductible	80% after in-network deductible	80% after deductible	80% after in-network deductible	80% after deductible	80% after in-network deductible
Pharmacy – Generic	$10 copay		$10 copay after deductible		$10 copay after deductible	
Pharmacy – Brand Name	$40 copay		20% after deductible, max of $35		20% after deductible, max of $35	
Pharmacy – Non-Preferred	$80 copay		20% after deductible, max of $60		20% after deductible, max of $60	
Pharmacy – Specialty	$120 copay		20% after deductible, max of $120		20% after deductible, max of $120	
Home Delivery – Generic	$25 copay	N/A	$25 copay after deductible	N/A	$25 copay after deductible	N/A
Home Delivery – Brand Name	$100 copay	N/A	20% after deductible, max of $87.50	N/A	20% after deductible, max of $87.50	N/A
Home Delivery – Non-Preferred	$120 copay	N/A	20% after deductible, max of $150	N/A	20% after deductible, max of $150	N/A

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Age 65 and older benefits	Contributions are made per person per year as follows: • 2025: $1,000 • 2026: $1,100 • 2027: $1,100 • 2028+: $1,200 All future retirees and spouses turning age 65 are assumed to get a contribution, according to the table above.

Dental Benefits

Retiree contributions	Set annually to cover 40% of plan costs.
Benefits	Plan Coinsurance: 100% for diagnostic and preventive services, 80% for basic services and 50% for major services. Orthodontia not covered. Annual Deductible: $25 per individual; $75 per family; waived for diagnostic and preventive services. Annual Benefit Maximum: $1,000

Life Insurance Benefits

Postretirement contributions	None.
Benefits	Retirements after December 31, 2018: Life Insurance Benefits for Union (1) Flat $15,000 benefit for retirements after 12/31/2018 for SWLP employees (2) Flat $20,000 benefit for retirements after 12/31/2019 for MP (i.e. non-SWLP) employees

Future Plan Changes

None

Changes in Benefits Valued Since Prior Year

Age 65 and older HRA contribution amounts were increased, beginning in 2026.