Direct Testimony
Jennifer J. Cady

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 _____

RATE CASE OVERVIEW

November 2, 2026

TABLE OF CONTENTS

Page

I. INTRODUCTION AND CASE OVERVIEW 1
II. MINNESOTA POWER AND OUR CUSTOMERS 15
III. MINNESOTA POWER IS EXECUTING STATE ENERGY POLICY 19
A. Energy Affordability and Service Quality 21
B. Meeting State Climate Goals 28
C. Supporting Our Communities 35
IV. CHANGES SINCE THE COMPANY'S LAST RATE CASE 39
A. Acquisition of ALLETE 39
B. Pending Reorganization of ALLETE 44
C. Changes in Customer Concentration and Growth Opportunities 45
D. Ongoing Rising Inflation and Cost Pressures 48
V. INTRODUCTION TO THIS FILING 51
A. Revenue Requirements 51
B. Class Cost of Service and Rate Design 52
VI. INTRODUCTION OF WITNESSES 55
VII. CONCLUSION 58

I. INTRODUCTION AND CASE OVERVIEW

Q. Please state your name and business address.

A. My name is Jennifer J. Cady, 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"). I am currently the Vice President of Public Policy and External Affairs.

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

A. I have been employed by Minnesota Power for 15 years and have regulatory experience in the electric industry that includes customer program development, renewable project development, resource acquisition, integrated resource planning, integrated distribution planning, rate design, utility rate cases, and utility acquisitions.

In my current position as Vice President of Public Policy and External Affairs, I lead a number of teams, including those that are responsible for developing and executing both Minnesota Power's regulatory and legislative strategies; identifying, tracking, and developing energy policy issues and positions; developing and leading processes to engage diverse sets of interested stakeholders; and representing the Company before the Minnesota Public Utilities Commission ("Commission"), the Minnesota Legislature, in stakeholder groups, and at industry initiatives.

I graduated from the College of Saint Scholastica with a bachelor's degree in International Studies. I also hold a master's degree in International Relations and Conflict Resolution, with a minor in Comparative Security Issues from the American Military University. Focusing on my experience in public policy and community engagement, I completed a foreign policy internship at the Center for Strategic and International Studies in Washington, D.C., and have previously served on the Board of

Directors for organizations including the Center for Rural Policy and Development, the Duluth Chamber of Commerce, Jobs for Minnesotans, and the Duluth Workforce Development Board. For six years, I chaired the Proctor Public Utilities Commission, a municipal water and electric utility serving 3,000 residents outside Duluth, and I currently serve as a commissioner on Proctor's Economic Development Authority. I also served as an intelligence professional in the United States military for 20 years. I am originally from Hibbing, Minnesota, and have been a lifelong Minnesota resident.

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

A. I provide an overview of the Company's case and its rate increase request in this proceeding.

Q. At a high level, please explain the "regulatory compact" and why it is relevant to this proceeding.

A. The Commission describes the regulatory compact as: "This is a legal framework established by Minnesota law that creates a partnership between the state and utility providers. The utility's obligation is to provide safe and reliable service to all customers in their territory. In exchange, the [Commission] allows utilities the opportunity to recover the reasonable costs of their investments (like wind turbines, power lines, and staff) and earn a fair return on those investments. These approved costs and investments are what determine the rates you see on your bill."[1]

In order to recover the reasonable costs of new investments and earn a fair return on those investments, utilities must file a petition requesting an increase to electric rates, as Minnesota Power is filing with this petition.

[1] *What We Regulate*, MINNESOTA PUBLIC UTILITIES COMMISSION, available at: https://mn.gov/puc/about-us/what-we-regulate/.

Q. Does the regulatory compact change as a result of who an investor-owned utility's shareholders are?

A. No. The regulatory compact applies to Minnesota Power the same way it did when the Company was publicly traded as it does now that it is privately held. Both equity investors (shareholders) and debt investors (lenders) still provide the capital necessary for utility investments and are allowed an opportunity to earn a fair return on those investments. Customers can expect the same quality of safe and reliable electric service regardless of utility ownership.

Q. At a high level, please explain why Minnesota Power is submitting a request for a base rate increase at this time.

A. Minnesota Power is privileged to have both the opportunity and the responsibility to provide electric service to customers across northern Minnesota and has worked to do so in a manner that meets and exceeds the policy goals of the State of Minnesota. Prior to this rate case, the Company has completed only five rate cases in the last 30 years. However, the Company requires an increase in customer rates to ensure it has adequate revenue to continue investing in its electric system and providing excellent service to customers as its costs are increasing, its infrastructure is aging, risk from extreme weather is increasing, and the Company has experienced a considerable decrease in customer demand from two large power customers.

Minnesota Power is making necessary investments in its electric grid, renewable generation, systems, and customer programs to ensure the safety and reliability of its electric service while meeting Minnesota state policy goals. These investments create the need for more employees, which in turn means more Minnesota jobs, and for maintenance and upgrades to aging infrastructure. These investments are necessary at a time when Minnesota Power is experiencing the same cost pressures that most electric utilities and other businesses are facing, including cost increases associated with inflation, supply chain constraints, healthcare, labor, insurance, interest rates, and taxes.

At the same time, a decline in sales combined with decommissioning costs associated primarily with federal environmental regulations around retiring coal facilities – both outside the Company's control – together account for nearly half of the revenue deficiency in this proceeding. Unique to Minnesota Power is the fact that customer demand for electricity has decreased since the Company's last approved rate case, primarily due to the idling of production lines at two taconite mines: Minorca and Hibbing Taconite. The idling of these two mines equates to the reduction of approximately 1,000,000 megawatt-hours ("MWh") of electric sales per year from the approved test year of the Company's last rate case. Additionally, for the first time in 2026, significant costs associated with United States Environmental Protection Agency ("EPA") requirements for groundwater monitoring and potential corrective action at existing Coal Combustion Residual ("CCR") impoundments are being included in the decommissioning calculations for Minnesota Power's Boswell Energy Center.[2] The decline in sales and rising decommissioning costs together account for approximately 45 percent of the Company's total rate request.

Given these factors, Minnesota Power was already in need of a rate increase in 2026, but, as I explain in more detail below, the Company agreed not to file a rate case prior to November 1, 2026, as part of our settlement in the proceeding in which the Commission approved the acquisition of ALLETE by Canada Pension Plan Investment Board ("CPP Investments") and Global Infrastructure Partners ("GIP") ("Acquisition"). Minnesota Power is proud that its shareholders' agreement to this delay saved customers approximately $100 million in 2026; at the same time, a rate case that reflects three years of cost increases instead of two will result in a greater difference between current and proposed base rates.[3] This combination of factors over the past several years results in the need to reset base customer rates to ensure the Company can continue providing safe, reliable, and increasingly clean electricity to customers.

[2] *In the Matter of Minnesota Power's 2026 Remaining Life Depreciation Petition*, Docket No. E015/D-26-327, INITIAL FILING at Section VI (Sept. 1, 2026) (eDocket No. 20269-236018-01).
[3] The Company's 2023 Rate Case was filed November 1, 2023, in Docket No. E015/GR-23-155.

Q. What are the Company's overall requests in this proceeding?

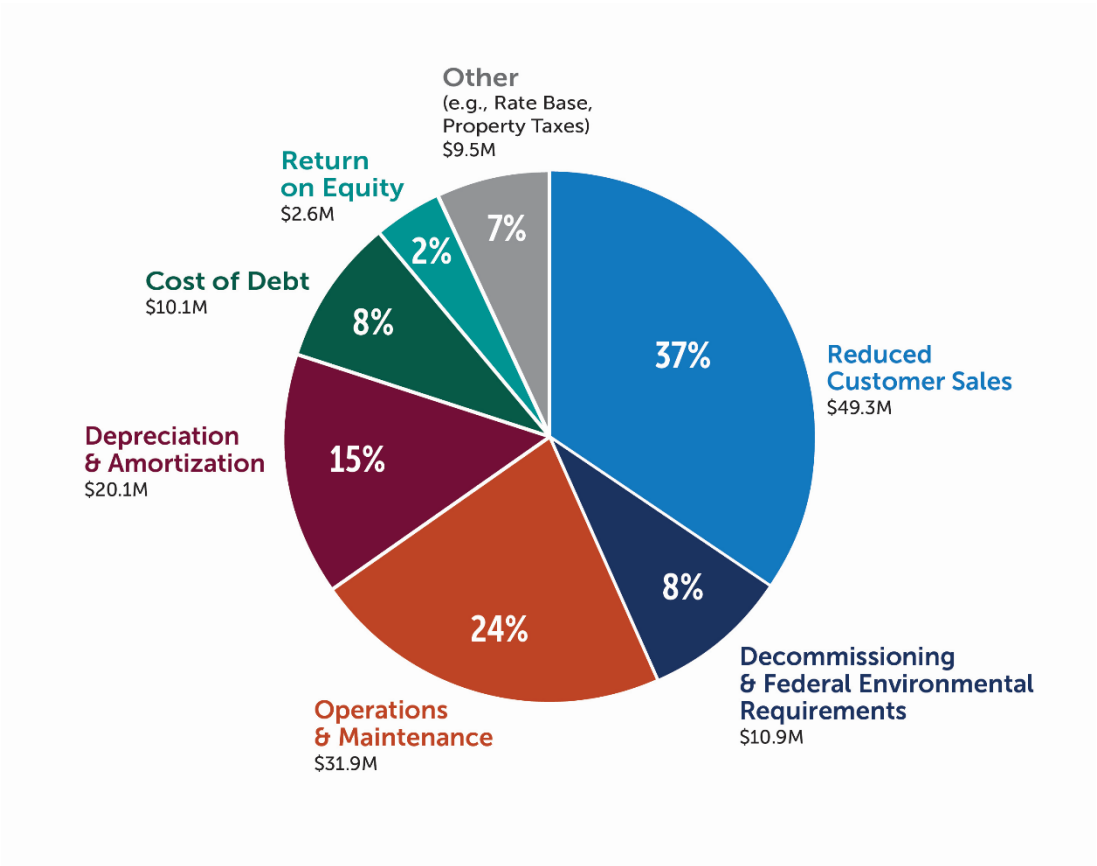
A. The Company is proposing an Interim Rate increase, net of riders moving to base rates, of $116.7 million (15.48 percent) MN Jurisdictional[4] and a General Rate increase, net of riders, of $134.4 million (17.83 percent) MN Jurisdictional. Including rider costs being transferred to base rates, the Company seeks an Interim Rate increase of $148.9 million (19.75 percent) MN Jurisdictional and a General Rate increase of $166.6 million (22.09 percent) MN Jurisdictional. Volume 1, Direct Schedule A-1 (IR) and Volume 3, Direct Schedule A-1 summarize Minnesota Power's proposed Interim Rate and General Rate revenue requirements, respectively. The support for these requests is set forth in my testimony, as well as the testimony of the other witnesses testifying on behalf of Minnesota Power. It is important to note that the entire rate increase amount is not solely attributable to an increase in Minnesota Power's costs; as noted above, nearly half is attributable to declining sales and the impacts of federal coal retirement regulations.

Q. Can you provide a further breakdown of the drivers of this overall request?

A. Yes. As illustrated by Figure 1 below, the primary drivers of this case are a decline in customer sales, increasing costs of federal CCR regulation, increasing operations and maintenance ("O&M") costs, increasing interest rates, and depreciation and amortization. What is also notable is what is not driving this rate case; specifically, the Settlement Stipulation and outcome of the Acquisition proceeding is creating substantial savings for customers, including capping the Company's return on equity ("ROE") at the rate approved in the Company's last rate case (9.78 percent compared to the current ROE of 9.65 percent), capping the Company's equity ratio, and excluding certain types of costs from recovery eligibility as discussed later in my Direct Testimony. Therefore, ROE is not a major driver of the revenue deficiency. Key drivers of this rate increase request are depicted in Figure 1 below.

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

Figure 1. Minnesota Power's 2026 Rate Case Financial Drivers



Q. How is Minnesota Power proposing to apportion revenue and set rates in this proceeding?

A. Consistent with the Order in the Company's last rate case, Minnesota Power is proposing a revenue apportionment that allocates costs closer to the cost of service. In this case, the Company proposes the following rate increases, net of rider changes, to the respective customer classes: 17.01 percent for Large Power, 17.50 percent for Large Light & Power, 19.26 percent for Residential, 19.80 percent for General Service, and 22.65 percent for Lighting.

Q. What is the customer impact of these proposals?

A. As further described in the Direct Testimony of Company witness Leah N. Peterson, the impact of the Company's proposal is depicted in Table 1 below.

Table 1. Proposed General Rate Increase Allocation to Customer Classes Adjusted for Cost Recovery Riders

Customer Class	Total Proposed General Rate Increase		Current Cost Recovery Riders (moving into base rates)		Total Proposed General Rate Increase (net of riders)
Residential	23.63%	-	4.37%	=	19.26%
General Service	23.63%	-	3.83%	=	19.80%
Large Light & Power	21.59%	-	4.09%	=	17.50%
Large Power	21.59%	-	4.58%	=	17.01%
Lighting	23.63%	-	0.98%	=	22.65%

Q. How has Minnesota Power's average residential bill compared to that of state and national averages for electric utilities?

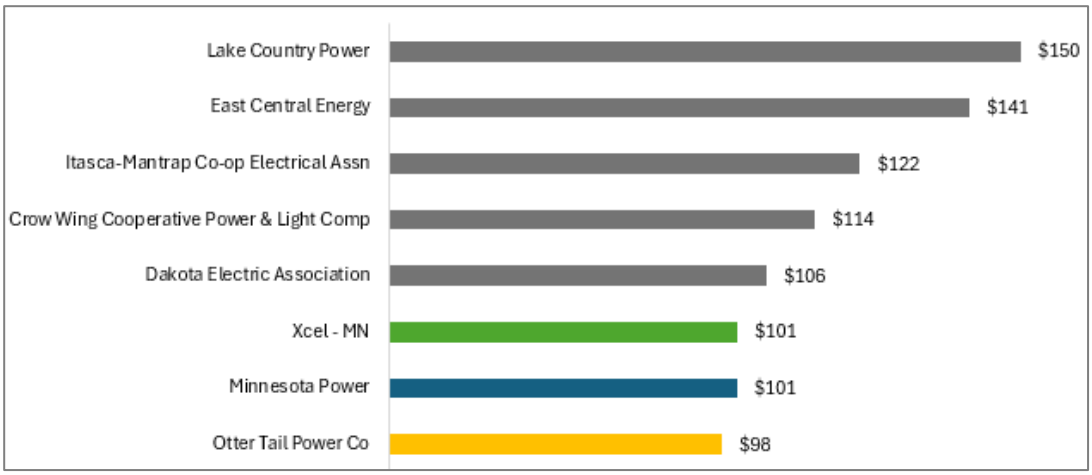
A. Figure 2, below, demonstrates that Minnesota Power's three-year average monthly residential bill of $101 is significantly lower than neighboring utilities and in line with other investor-owned utilities in Minnesota,[5] and is helping Minnesota's residential electric bills achieve being the eighth lowest in the nation,[6] with average monthly bills at $110.06. Additionally, according to a recent Department of Energy/Lawrence Berkley National Lab study, Minnesota's residential electric rates have declined relative to inflation.[7] In addition to Minnesota Power's residential customer bills being among the lowest in the nation, they also receive the benefit of a power supply portfolio that is between 50 and 60 percent renewable.

[5] The data used below were obtained from the 2023-2025 Energy Information Administration ("EIA") annual electric power industry reports, Form EIA-861 detailed data files. These EIA-reported rates are based on retail electric revenue divided by retail sales and therefore reflect charges included in revenues reported by the utility on Form EIA-861 during the applicable reporting period.

[6] *In the Matter of Commission Investigation into Rate-Regulated Electric and Natural Gas Utility* Service, Docket No. E,G999/CI-26-341, OVERVIEW OF UTILITY AFFORDABILITY IN MINNESOTA at 14 (Oct. 13, 2026), available at: https://mn.gov/puc-stat/documents/pdf_files/PUC%20CORRECTED.pdf.

[7] *In the Matter of Commission Investigation into Rate-Regulated Electric and Natural Gas Utility* Service, Docket No. E,G999/CI-26-341, OVERVIEW OF UTILITY AFFORDABILITY IN MINNESOTA at 13 (Oct. 13, 2026), available at: https://mn.gov/puc-stat/documents/pdf_files/PUC%20CORRECTED.pdf.

Figure 2. Monthly Residential Bill: 2023-2025 Average



Q. In addition to keeping base rates low, what steps has Minnesota Power taken to mitigate the impacts of a base rate increase for its customers, and particularly its most vulnerable customers?

A. As I describe later in my testimony in Section III.A, the Company specifically works to mitigate the impacts of rate increases for the most vulnerable customers and provides programs to support customers who struggle to pay their electric bills. Minnesota Power offers a best-in-class affordability program for eligible customers that includes a self-declare eligibility process to eliminate barriers to participation. Additionally, the Company offers flexible billing arrangements and in 2026 implemented an On Track arrears forgiveness program,[8] which provides a monthly discount on electric bills and a 100 percent match toward past due balances under a payment arrangement. The On Track Program was designed to support customers who were behind on their electric bills and was approved in the Acquisition. Finally, in 2021, the Company first voluntarily proposed the sale of lands associated with its hydroelectric operations in an effort to give those proceeds to customers as a form of rate mitigation. In October of 2026, the Commission approved both the crediting of over $72 million in land sales proceeds and the implementation of a shareholder-funded $10 million customer rate credit in 2027. The combination of these two rate credits will cover the cost of 70 percent of the interim rate impact on Minnesota customers in 2027.

[8] On Track Program, MINNESOTA POWER, available at: https://mnpower.com/ontrack.

Q. Is the Company taking any other steps to mitigate the impacts of cost increases on customers?

A. Yes. Section III.A of my testimony provides additional detail on the many ways the Company is striving to keep costs affordable for customers. Minnesota Power brings its rate cases forward only when it must and includes in its rate cases costs that are necessary to carry out its work on behalf of customers. Where the Company can contain or avoid costs, it does so. Overall, as explained in the Direct Testimony of Company witness Joshua G. Rostollan, Minnesota Power's 2027 unadjusted test year O&M represents an average annual increase of approximately 3.5 percent over 2017 actual O&M, including reagents, which is below the annualized inflation rate of 4.8 percent measured using the Producers Price Index ("PPI"). In short, the Company's O&M increase rate has been well below the rate of inflation, and needs to be reset in base to support current costs and work on behalf of customers.

A further example in this case, discussed in the Direct Testimony of Company witness Wing H. Chan, is Minnesota Power's evaluation of its test year budget and recognition that while it is critical to fill open employment positions to serve customers and support electric operations, the pace of hiring is currently slower than hoped. The Company has increased its hiring efforts but also removed from Interim Rates $5 million for the estimated compensation and benefits associated with as-yet unfilled positions. Minnesota Power expects to continue filling these positions during the test year and, as a result of this adjustment, may not fully recover the costs of new employees from the time they are hired. However, this adjustment is in keeping with Minnesota Power's philosophy that it only requests recovery of costs it expects to incur to provide quality electric service to customers.

Q. Is Minnesota Power in a position to simply further reduce costs at this time in response to currently declining sales?

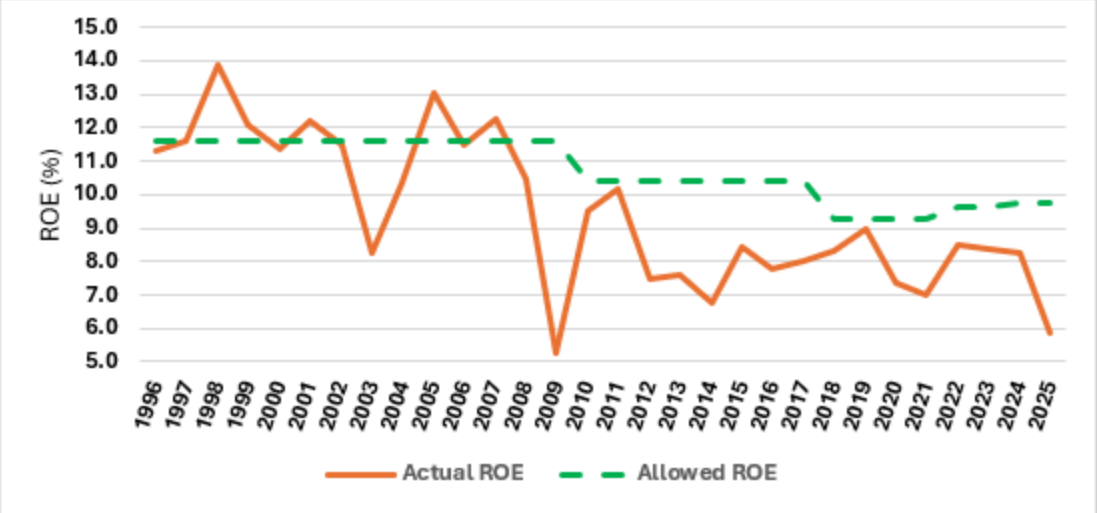
A. No. While the Company is always looking for ways to be efficient, deeper cost cutting and failing to obtain meaningful cost recovery through rates translate to fewer jobs,

greater system risk due to the impacts of extreme weather and aging infrastructure, a decreased ability to implement customer support programs, and difficulty continuing to meet and exceed state policy goals. Minnesota Power has been working to contain costs for years, keeping O&M well below rates of inflation during a period when costs are rising and the Company must also make uniquely substantial investments to decarbonize its system. Doing so requires sufficient people, capital, and revenue – all of which are supported by this rate request.

Q. Is there other evidence that Minnesota Power limits its rate cases and that its rates tend to underrun its costs?

A. Yes. In the last 30 years (1996-2025), Minnesota Power had a total of five completed rate cases, plus one case that it withdrew via settlement in an effort to reduce customer impacts during the COVID pandemic. Further, the Company has not earned its authorized rate of return since 2007, as illustrated by Figure 3 below:

Figure 3. Minnesota Power's Allowed ROE Versus Actual ROE



Q. Earlier you mentioned the loss of two commercial mines' load as a major driver of decreased sales. Is the Company making any proposals to ensure customers will benefit in the event of offsetting sales growth in or beyond the 2027 test year?

A. Yes. Minnesota Power is dedicated to supporting the communities it serves and supports responsible economic development in its service territory, which spreads fixed infrastructure costs over a broader base and supports communities' property tax base, jobs, and overall growth. The long-awaited opening of Mesabi Metallics, a wholesale customer, is already factored into our overall rate request, and Minnesota Power is proposing a Sales Adjustment Mechanism to help balance the increasing variability in the Company's retail industrial energy sales and to create an opportunity for customers to immediately see the benefits from potential load growth, if it occurs. These matters are further discussed in the Direct Testimony of Company witness Arik C. Forsman.

Q. To what extent does Minnesota Power also continue to face risk and opportunity related to large customers' sales?

A. For many years, Minnesota Power is and has long been unique among its peers in regard to its customer concentration and the nature of its largest customers' industries, which creates significant financial risk to the Company. This is detailed in the Direct Testimony of Company witness Joshua D. Taran on Capital Structure and Cost of Capital, which explains that both S&P and Moody's view Minnesota Power's concentration of large industrial customers as a distinguishing risk characteristic relative to other regulated utilities. Minnesota Power serves the natural-resources-based economy of northern Minnesota, and its industrial customers primarily operate in highly cyclical, globally competitive industries of taconite mining and paper manufacturing. These factors increase Minnesota Power's risk in multiple ways:

- Nearly 70 percent of Minnesota Power's retail sales are to industrial customers in three industries: taconite mining, paper/pulp, and pipeline industries.
- Approximately 56 percent of Minnesota Power's retail sales are generated by only two customers: U.S. Steel and Cleveland-Cliffs, Inc.
- Taconite mining customer sales have been highly variable and largely unpredictable.

- Paper and pulp customer power purchases from Minnesota Power have declined steadily in recent years.
- As noted in Table 7 of the Direct Testimony of Company witness Forsman, Minnesota Power has eight Large Power customer contracts that together guarantee only 23 percent of the full production revenue from these customers.
- When these Large Power customers idle or temporarily change production levels, Minnesota Power's revenue changes significantly and there are increasingly small opportunities to make up revenue from lost sales to these customers in the wholesale energy markets.
- Minnesota Power's load factor remains high at more than 70 percent due primarily to these industrial customers, which require highly dependable, dispatchable generation resources. This drives the composition of the Company's generation mix, and while the high load factor means customers benefit from the efficient use of the system, it also means that the Company can suffer intense sales downturns during difficult economic conditions.

Although Minnesota Power has mitigated rate impacts as much as possible for our customers while significantly decarbonizing our system, while also agreeing to a one-year rate case stay out as part of Acquisition, the Company's current financial circumstances necessitate aligning rates with current costs and revenues and to address continuing changes in customer energy needs. Further, Company witness Taran explains that while the Acquisition addressed the Company's ability to access stable and affordable equity capital in the public stock market, it did not change that Minnesota Power is an investor-owned public utility, who its customers are, the volatile global economy in which customers operate, or the Company's need to access debt markets at favorable rates in order to maintain its infrastructure and contain customer costs. All of these factors contribute to the need for this rate proceeding.

Q. Why should the costs and risks facing the Company matter to its customers?

A. A financially stable and healthy utility is critical to customers for several reasons. First, our customers rely on Minnesota Power to provide safe, reliable, affordable, and

increasingly clean electric service, as well as excellent customer programs and services. While we have shown that we can weather many challenges and that the Acquisition has provided more reliable equity access, Minnesota Power's overall risk profile has become more (not less) volatile in recent years due to customer load changes, creating increased risks to its ability to meet all of our customers' needs in a given year.

Second, as discussed by Company witness Taran, credit ratings and increased perception of the risks associated with the Company increase its cost of debt, which is still necessary to finance utility infrastructure and investments that are required to modernize aging infrastructure and for the transition to a clean energy future. While this case is not driven by capital in-service amounts themselves, we continue to invest in infrastructure projects currently before the Commission for approval or currently in construction. Although the Company no longer relies on public equity markets for funding, strong credit ratings remain important as Minnesota Power continues to access debt markets to finance utility investments.

Finally, a healthy utility has a greater ability to provide benefits to its customers and communities and create valuable opportunities to optimize its system. For example, a healthy utility can support customers in achieving their individual energy goals through a diverse portfolio of accessible programs, as well as offer greater assistance to energy-insecure and low-income customers. A healthy utility is more able to engage as a positive presence within the communities it serves by investing in local projects and operating as a strong partner for local governments and organizations. Furthermore, a healthy utility is better positioned to explore innovative and creative energy solutions and support renewable energy goals, electrification efforts, and energy conservation initiatives as the clean energy transition progresses. The Company's ability to manage the unique risks it faces can therefore directly impact the customers and communities that it serves.

Q. Please summarize the remainder of your Direct Testimony.

A. First, I provide an overview of ALLETE and the Minnesota Power electric utility. Specifically, I highlight how Minnesota Power serves one of the most unique customer mixes of any utility in the country, consisting mostly of large industrial users on Minnesota's Iron Range, and how the Company's economic environment affects this rate case.

Second, I outline how Minnesota Power is executing state energy policy by delivering value for customers, decarbonizing its system for the changing climate, and supporting its customers and communities during the clean energy transition. In this section, I also explain the efforts the Company has undertaken to mitigate rate increases for customers and, in particular, provide assistance to its most vulnerable customers.

Third, I provide an overview of changes that have occurred since the Company's last completed rate case, including a discussion of new obligations, increased inflation, rising interest rates, and other cost pressures affecting the Company's business; increased investments and workforce needs associated with the clean energy transition; the outlook for our taconite mining customers and potential new customers; and the Acquisition and our pending reorganization of ALLETE's corporate structure.

Next, I provide an overview of the specific requests in this filing, which focus on revenue requirement and rate design updates that reflect the Company's investments and costs of service, current and foreseeable load, and changes in customer operations. I also describe, at a high level, how the Company has reduced costs and continues to contain costs, but explain how these efforts do not eliminate the need to request an increase in rates. Finally, I discuss the rate impact of this filing, including the net impact to customers as costs move from current cost recovery riders into base rates. I also provide an overview of why the rate increase requested in this proceeding is just and reasonable, as further supported by the broader filing.

Last, I introduce other Minnesota Power witnesses who will present testimony in this proceeding and introduce the subject matter of their Direct Testimony.

Q. Are you sponsoring any exhibits in this proceeding?

A. No.

II. MINNESOTA POWER AND OUR CUSTOMERS

Q. Please describe ALLETE.

A. ALLETE is a reliable provider of competitively priced energy services and is comprised primarily of regulated energy businesses with some additional non-utility, energy-focused businesses. Relative to its size, ALLETE is among the largest investors in renewable energy in the country. Minnesota Power is currently an operating division of ALLETE and comprises the majority of ALLETE's activities. As a term of the Commission-approved Acquisition Settlement Stipulation, there is an ongoing proceeding related to the corporate restructuring of ALLETE (Docket No. E015/M-26-227) that would formally separate Minnesota Power from ALLETE; however, this reorganization will not change the extent to which Minnesota Power is by far the largest component of ALLETE. Minnesota Power accounted for approximately 80 percent of ALLETE's consolidated revenue in 2025. The remaining approximately 20 percent of ALLETE's consolidated revenue came primarily from the following wholly owned subsidiaries: ALLETE Clean Energy, Inc.; BNI Energy, Inc.; New Energy Equity, LLC; Superior Water, Light & Power Company ("Superior Water, Light & Power"); and an investment in the American Transmission Company. Company witness Taran identifies ALLETE's businesses and subsidiaries in more detail.

Q. Please describe the Minnesota Power public utility.

A. Minnesota Power is a public utility headquartered in Duluth, Minnesota. Minnesota Power has been serving the region for over a century and provides electricity to more than 150,000 residential and commercial customers, some of the nation's largest industrial customers, and 14 municipal systems across a 26,000 square mile service area covering central and northern Minnesota.

Q. How does Minnesota Power serve its customers?

A. Minnesota Power currently utilizes a diverse combination of wind, hydroelectric, solar, coal, biomass, and small amounts of natural gas generation, totaling nearly 2,400 megawatts ("MW") of capacity, to serve its customers. Since 2013, Minnesota Power has decreased its thermal generation through coal plant retirements or remissioning, including by closing or refueling seven out of nine coal facilities, while adding a substantial volume of renewable energy to its power supply. In fact, Minnesota Power has nearly doubled its renewable generation since 2014.

Minnesota Power's transmission system operates on voltages generally between 115 kilovolts ("kV") to 500 kV and serves local loads across the Company's service territory, which spans more than 26,000 square miles of central and northeastern Minnesota. As described in the Direct Testimony of Company witness Daniel W. Gunderson, Minnesota Power's transmission system is also critical in supporting the larger regional transmission system's overall reliability.

The Company's distribution system comprises 6,278 miles of distribution lines and 188 distribution substations, reaching from International Falls in the north to Royalton in the south, from Silver Bay in the east to Long Prairie and Park Rapids in the west. Much of this area consists of rural communities, which present unique issues when planning for investment in the distribution system.

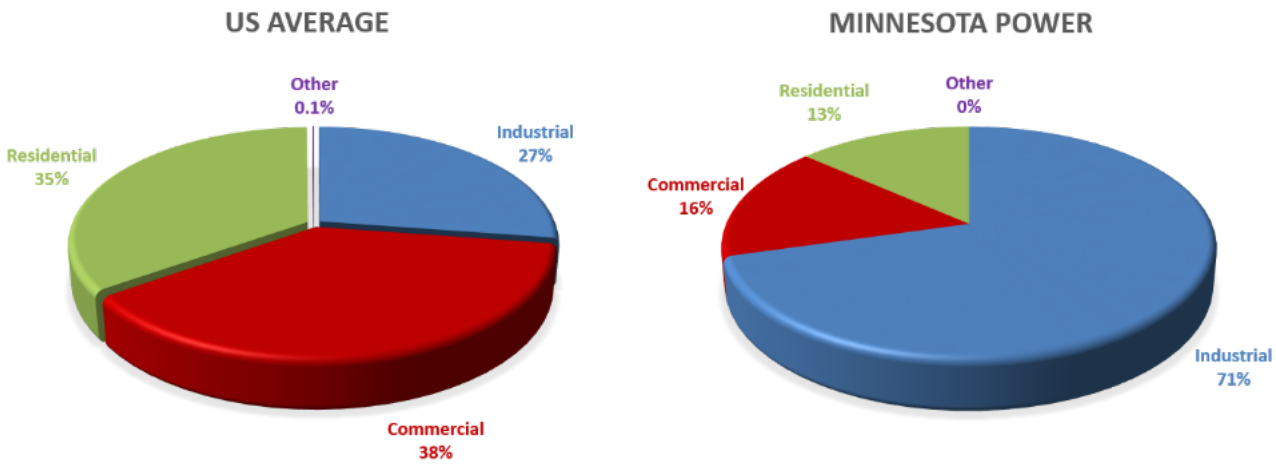
Through its generation, transmission, distribution, and customer experience assets, Minnesota Power strives to always remain customer-focused as it delivers safe, reliable, affordable, and increasingly clean electricity to customers and communities.

Q. Please provide additional information about Minnesota Power's customers.

A. In 2025, Minnesota Power's retail customer mix included approximately 126,500 residential, 25,200 commercial, 400 industrial, and 1,060 public authorities and lighting customers, with programs and services from each class. As noted previously, Minnesota

Power's system is dominated by industrial customers, with approximately 71 percent of retail kilowatt-hour ("kWh") energy sales delivered to this customer class alone in 2025, while only 13 percent of sales were delivered to the residential class and 15 percent of retail sales to commercial customers. For comparison, the average utility in the United States sells just 23 percent of its retail kWh energy sales to industrial customers and sells 41 percent and 35 percent of retail kWh energy sales to residential and commercial customers, respectively, as illustrated by Figure 4 below.

Figure 4. Minnesota Power's Unique Customer Concentration



Q. Please describe how this customer concentration creates unique circumstances for the Minnesota Power system.

A. Minnesota Power's large industrial customers are unique in both the high overall percentage of revenue and kWh energy use on the system, as well as the individual size of the customers relative to a typical utility. As depicted in Figure 5 below, Minnesota Power's large industrial customers primarily consist of taconite producers. The industries that Minnesota Power serves, like the Company itself, are significant components of the regional economy, as discussed in more detail by Company witness Forsman.

Additionally, Minnesota Power's industrial customer operations are unique, as they use large quantities of energy and typically operate around the clock every day of the year.

As a result, when the industrial customers are operating, the energy use pattern of the industrial customer class is relatively stable compared to the other customer classes. The stable usage contributes to more consumption of energy in off-peak hours than other classes, which is typically lower cost energy. As illustrated in Figure 5 below, the size and operations of these industrial customers result in Minnesota Power having one of the highest load factors of any utility in the country, over 70 percent, which allows the system to be used very efficiently, creating value for all Minnesota Power customers.

However, the energy usage from this globally competitive and price-sensitive industrial customer class can vary widely from year to year.

Figure 5. Minnesota Power's Retail Energy Sales by Customer Class (2025)



Q. Please describe how customer energy needs are changing.

A. Changing conditions in the paper and mining industries in northern Minnesota have led to significant changes in the energy needs of some of Minnesota Power's key retail large power customers. For example, a downward trend in paper production has led to a loss of both customers and load over the past decade. Additionally, Minnesota Power's

mining customers continue to operate in an uncertain landscape. Changes in operating levels and production plans have led to the indefinite idling of the Minorca mine and partial idling of the Hibbing Taconite mine on the Iron Range, resulting in a significant reduction of Minnesota Power's energy sales, which is a major contributing factor in the need for a rate adjustment mechanism as requested in this proceeding.

The Company does provide direct retail electric service to a small portion of the Mesabi Metallics facility as it progresses toward completion of construction; however, most of the Mesabi Metallics facility is in the service territory of Nashwauk Public Utilities, to which Minnesota Power provides wholesale electric service. The Company continues to maintain ongoing communication with Nashwauk Public Utilities and Mesabi Metallics regarding expected system needs and project developments.

Further details on the impacts of the trends and uncertainties in the paper and mining industries are discussed by Company witness Forsman.

III. MINNESOTA POWER IS EXECUTING STATE ENERGY POLICY

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

A. In this section of my testimony, I discuss how Minnesota Power's business activity supports the energy policy of the State of Minnesota, and why this policy alignment and recent operational changes are relevant considerations in this proceeding.

Q. What is Minnesota Power's understanding of Minnesota's overall energy policy goals directed by the state legislature?

A. The State of Minnesota has a number of energy policy objectives set forth in state statutes and implemented through Commission administrative rules. State policy guidance related to customers includes regulations to assure reliable electric service at just and reasonable rates,[9] a goal for retail electric rates to be at least five percent below the national average for each customer class,[10] and a specific directive to ensure

[9] Minn. § Stat. 216B.03 (2025).
[10] Minn § Stat. 216C.05, subd. 2(4) (2025).

competitive electric rates for energy-intensive trade-exposed customers.[11] Additional energy policy goals relating to the climate include greenhouse gas emissions reduction targets;[12] renewable energy standards, including a solar energy standard;[13] and energy conservation goals, including the Energy Savings and Optimization Policy Goal (established under the Energy Conservation and Optimization Act ("ECO")).[14] Most recently, the State of Minnesota enacted a Carbon Free Standard, requiring Minnesota electric public utilities to generate or procure sufficient electricity from carbon-free technologies so that 80 percent of total retail electric sales to retail customers in Minnesota are generated or procured from carbon-free technologies by 2030, increasing to 100 percent by 2040.[15]

Q. Does the State of Minnesota identify other goals for electric utilities and electric utility service?

A. Yes. Fundamentally, the Standard of Service statute in Minnesota requires every public utility to provide "safe, adequate, efficient, and reasonable service."[16] Likewise, the Department of Commerce – Division of Energy Resources ("Department") produces a State Energy Policy and Conservation Report, informally referred to as the Quadrennial Report, which documents major emerging trends and issues in Minnesota's energy supply, consumption, conservation, and costs.[17] The most recent Quadrennial Report, issued on July 1, 2024, states that "Commerce is dedicated to ensuring that Minnesota has a reliable energy system well into the future – an energy system that provides energy resources at affordable costs, meets the state's economic needs while transitioning to carbon-neutral energy, minimizes environmental impacts from production and consumption, and is prepared for and resilient to climate change."[18] In short, there are many interrelated policy goals for public utilities in the State of Minnesota.

[11] Minn. § Stat. 216B.1696 (2025).
[12] Minn. § Stat. 216H.02 (2025).
[13] Minn. § Stat. 216B.1691(2025).
[14] Minn. § Stat. 216B.2401 (2025).
[15] Minn. § Stat. 216B.1691, subd. 2g (2025).
[16] Minn. § Stat. § 216B.04 (2025); *see* Minn. R. Ch. 7826.
[17] Minn. § Stat. 216C.18 (2025).
[18] Minnesota Department of Commerce, *Energy Policy and Conservation Quadrennial Report*, *2024* (2024), available at: https://mn.gov/commerce-stat/energy/EnergyPolicyandConservationQuadrennialReport2024.pdf.

Q. To what extent has Minnesota Power aligned itself with these state policy goals?

A. The goals outlined above are also Minnesota Power's shared goals, and the Company has been pursuing and achieving them for many years. As discussed in more detail below, our Energy*Forward* strategy is focused on the holistic sustainability of our customers, the climate, our communities, and the Company itself. Below, I discuss how Minnesota Power is meeting state policy goals for the holistic benefit of our customers, the climate, and the communities we serve.

A. Energy Affordability and Service Quality

Q. To what extent is Minnesota Power meeting the policy goals of providing reliable and efficient electric service to customers?

A. Minnesota Power recognizes the high value its customers place on the essential electric service that powers their lives each day, and the expectation of that electric service to be safe, reliable, and affordable. As described in the Company's most recent Safety, Reliability and Service Quality ("SRSQ") report,[19] Minnesota Power customers experience a very high level of reliability with respect to their electric service. In 2025, the Company provided over 99.9 percent reliable power for its residential, commercial, and industrial customers. The Company also maintained strong meter reading performance, granted all Cold Weather Rule requests, and restored service to more than two-thirds of disconnected residential customers within 24 hours. In addition, 96 percent of customers experienced less than six outage hours in 2025. Minnesota Power has maintained this high level of reliability despite significant changes in the Company's regional baseload generation footprint, supply chain challenges, and increases in extreme weather events in recent years. Additional discussion on system reliability can be found in the Direct Testimonies of Company witnesses Joshua P. Goutermont and Gunderson.

[19] *In the Matter of Minnesota Power's 2025 Safety, Reliability and Service Quality Standards Report*, Docket No. E015/M-26-29, INITIAL FILING (Apr. 1, 2026) (eDocket No. 20264-229916-01).

Q. How is Minnesota Power working to enhance system reliability for its customers?

A. In 2025, the largest driver of system interruptions was weather, followed by impacts to the Company's overhead equipment. Company witness Goutermont explains that as the Company continues to see a trend of storms occurring outside of the normal storm season, it is working on grid modernization efforts such as strategic undergrounding particularly where overhead lines are inaccessible or for new customer line extensions, deployment of maintenance-free TripSavers to clear temporary faults resulting from tree contacts and lightning, Fault Location, Isolation, and Service Restoration ("FLISR") rollouts, vegetation management, inspections, and other preventative maintenance activities. The Company is also replacing or refurbishing aging equipment, including regulators and distribution transformers, to enable enhanced system performance and better insight into system performance at any given time. These efforts require investment in Company personnel and contractors, as well as their work around the clock to support the grid and Minnesota Power's customers, and contribute to O&M costs in this case.

Q. How are Minnesota Power's electric rates consistent with state policy?

A. Minnesota Power's rates are competitive among other utilities in the state and nationwide, especially considering the significant amount of decarbonization that has taken place in Minnesota Power's energy supply in the last two decades. While we are seeking a rate increase in this proceeding due in part to inflation- and interest rate-driven cost increases, new work necessary to serve customers, and changes in customer sales, our residential rates remain below the national average and Minnesota Power's average residential bills are similar to Minnesota's average residential bills, which are the eighth lowest in the nation.[20] Additionally, the Company has undertaken significant efforts to develop programs, outreach strategies, and assistance to support its most vulnerable low-income customers.

[20] *In the Matter of Commission Investigation into Rate-Regulated Electric and Natural Gas Utility* Service, Docket No. E,G999/CI-26-341, OVERVIEW OF UTILITY AFFORDABILITY IN MINNESOTA at 14 (Oct. 13, 2026), available at: https://mn.gov/puc-stat/documents/pdf_files/PUC%20CORRECTED.pdf.

Q. At a high level, how is Minnesota Power adding value for its customers?

A. The Company has maintained reasonable rates for all customer classes while also delivering high value to customers through rapid system decarbonization and the development of a plethora of new programs and services, including electric vehicle ("EV"), renewable, energy conservation, and affordability programs. In fact, Minnesota Power was the first utility in the state to surpass providing more than half its energy from renewable resources, more than double the national average of 24 percent renewable. At the same time, the Company works to contain and mitigate cost increases across its systems.

Q. How is the Company supporting residential customers who may require assistance with their electric bill?

A. Energy affordability is a shared priority between the Company, its customers, other stakeholders, and the State of Minnesota. Broad assistance like the Low-Income Home Energy Assistance Program ("LIHEAP") is critical, but also currently only reaches about one-third of eligible households. As such, Minnesota Power has made it a priority to increase outreach efforts to expand the LIHEAP pool and bring these much-needed assistance dollars to customers in its service territory. This includes a first-in-the-state option for customers to self-declare their income in order to qualify for, and participate in, the Company's income-qualified programs and an income-and-usage qualified rate discount, an important effort to remove barriers for customers to access needed assistance.

Since its last rate case in 2023, Minnesota Power has continued to expand its Customer Affordability of Residential Electricity ("CARE") program. As detailed in the Company's most recent CARE Annual Report,[21] Minnesota Power has continued implementing program enhancements designed to increase customer participation,

[21] *In the Matter of Minnesota Power's Petition for Approval of a Rider for Customer Affordability of Residential Electricity*, Docket No. E015/M-11-409, FOURTEENTH ANNUAL REPORT (Feb. 27, 2026) (eDocket No. 20262-228748-01).

expand access to CARE discounts, and reopen the affordability discount to new applicants. These efforts detail new tools aimed at building upon the Company's longstanding commitment to assist customers with the greatest affordability needs.

The Company has several additional programs to support customers who may require assistance with their electric bill. These include the ECO income-qualified programs that help customers reduce energy usage and lower their bills through energy efficiency and conservation and efficient fuel switching. I describe ECO in more detail later in my Direct Testimony. Additionally, the Company provides flexible payment options that allow customers to manage outstanding balances without service disruptions; the On Track Program mentioned earlier in my Direct Testimony; and the Income-Qualified Solar Grant Program that provides funding for projects enabling income-qualified customers to have easier access to solar power. On top of the income- and usage-qualified discount embedded in the residential customer rate, these programs illustrate that the Company is dedicated to working with and providing a wide array of programs to serve customers who may need assistance with their electric bills.

Q. Can you provide additional information regarding how Minnesota Power is empowering customers to conserve energy while also saving money on their overall electric bills?

A. Yes. Minnesota Power empowers customers by helping them understand their energy use and providing practical ways to reduce it. Through energy assessments and tools like MyAccount, customers can identify opportunities to save energy (either with the help of skilled auditors or independently), track their usage patterns, and make informed decisions about efficiency improvements. Education is a critical first step, but it is the combination of awareness, incentives, and accessible programs that helps customers take action and realize tangible savings on their energy bills. Minnesota Power offers rebates on a wide variety of energy efficient products (appliances; heating, ventilation, and air conditioning ("HVAC"); water heating; electrification), offers appliance recycling, and even offers specialized installs for income-qualified customers who

would otherwise likely be unable to move forward with improvements to increase the energy efficiency of their homes.

Additionally, another benefit customers will receive as a part of the Acquisition is the Long-Term Residential Energy Bill Mitigation Fund.[22] The fund will utilize $10 million provided by the Company's shareholders – CPP Investments and GIP – for meaningful, long-term bill mitigation for income-qualified customers through weatherization, energy efficiency, and electrification improvements, with particular attention to households using delivered fuels for space and water heating.

Q. Is there evidence that Minnesota Power's electrification and energy efficiency efforts are in fact supporting customers?

A. Yes. Minnesota Power evaluates the effectiveness of these efforts through program participation, customer engagement, and adoption of technologies that can help customers manage energy use and energy costs. Recent program results demonstrate continued customer interest in energy efficiency and beneficial electrification opportunities, including technologies such as air-source heat pumps. By focusing on measures with higher energy-saving potential, Minnesota Power seeks to maximize the value of its programs for participating customers while supporting broader energy efficiency objectives.

Q. Is the Company undertaking processes for cost containment?

A. Yes. The Direct Testimonies of Company witnesses Rostollan and Diana C. McFadden discuss cost containment efforts in detail, as do other Company witnesses addressing the Company's business areas. For example, as further described by Company witness Rostollan, Minnesota Power's history of prudent cost management over the past decade is demonstrated by the fact that the Company's 2027 unadjusted test year O&M expense represents an average annual increase of approximately 3.5 percent over 2017 actual

[22] *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, LONG-TERM RESIDENTIAL ENERGY BILL MITIGATION FUND PETITION (June 1, 2026) (eDocket No. 20266-232386-01).

O&M. Minnesota Power's average O&M costs are certainly increasing, but over the long term well below the rate of inflation.

Additionally, Minnesota Power's Purchasing Manual, attached to the Direct Testimony of Company witness McFadden, governs the procurement process for goods and services in a cost-effective manner. The Purchasing Manual contains detailed requirements related to ethics, supplier guidelines, purchasing approval levels, affiliated interest reporting requirements, and competitive pricing quotations. The Company requires purchase orders for all services, inventory materials and material purchases over $3,000, which helps ensure purchases are routed through appropriate procurement processes and that competitive pricing and contract compliance are maintained. As Company witness McFadden attests, Minnesota Power estimates that in 2025 alone, it saw potential savings of up to $27 million from the use of its competitive bidding processes. The Company's procurement processes are designed to contain costs, manage risk, support reliable service, and comply with applicable affiliated interest requirements.

Q. Is there a specific example of how Minnesota Power is changing operations to save money for customers?

A. Yes. As further outlined by Company witness Rostollan, Minnesota Power has an "Unmanned Aircraft System" or "UAS" pilot program intended to enhance the traditional means and methods of performing inspections, assessments, and surveys of various Company assets or construction projects. The UAS technology provides high-quality data that is gathered more safely and efficiently than traditional methods. The UAS pilot program has been used to gather data from a number of different Company assets to use for a variety of purposes, from evaluating storm damage to conducting maintenance checks on wind turbines and solar panels. The UAS pilot program has saved the Company approximately $2.5 million from 2022 through the third quarter of 2026 while also improving system reliability, and compliance with cyber and physical security requirements.

Q. Are there additional rate mitigation efforts the Company has undertaken that have not yet been mentioned?

A. Yes. Minnesota Power seeks to continue to maximize the benefits available under the Inflation Reduction Act, the Infrastructure Investment and Jobs Act ("IIJA"), and other state and federal energy programs. The Company actively evaluates and pursues opportunities available under those programs to reduce customer costs and support execution of its Energy*Forward* strategy. Minnesota Power monitors funding, financing and tax incentive opportunities, evaluates their applicability to resource and infrastructure investments, and incorporates those opportunities into planning and project development where they provide customer value. This includes pursuing grants, loans, tax credits, and other incentives associated with renewable generation, transmission modernization, energy storage, hydroelectric improvements, electric vehicle infrastructure, and distribution system investments. As an example of the success of this strategy, Minnesota Power was successful in attaining $75 million in state and federal grant funding to offset the cost of its HVDC Modernization Project, an important transmission project that improves reliability and resiliency for the system.

The Company also evaluates project-specific incentives such as Production Tax Credits, Investment Tax Credits, transferability provisions, and bonus credit opportunities as part of resource planning and investment decisions. Minnesota Power will continue to assess and incorporate applicable incentives in future resource acquisitions, integrated resource plans, integrated distribution plans, rider filings, and rate cases to help support reliability, affordability, and the transition to a carbon-free energy future. For additional information on Minnesota Power's tax situation, please see the Direct Testimony of Company witness Rena E. Verdoljak.

Q. Please explain the internal resources or costs needed to capture benefits from state and federal funding opportunities.

A. There are costs associated with pursuing state and federal funding opportunities related to staff time, the engagement of outside firms when specialized expertise is required, and ongoing compliance associated with grants or tax credits. Costs associated with

grant funding of a specific project are charged to that project, and any costs covered by the grant funding are credited back to the project. Shared compliance costs are allocated using the Company's normal cost allocation methods. The work of maintaining a reliable grid and high service quality, implementing and maintaining customer programs and customer support, complying with state and federal regulations, and capturing funding opportunities all require personnel and contribute to the overall costs of providing safe, reliable, and effective electric service.

B. Meeting State Climate Goals

Q. What is Minnesota Power's current power supply strategy?

A. Minnesota Power has been consistently advancing a transformation of its power supply to a cleaner energy future through its Energy*Forward* strategy for the past two decades. In 2005, Minnesota Power's energy supply had one of the highest carbon intensities in the nation, with a generation fleet that consisted of 95 percent coal-fired generation. Today, after retiring or refueling seven of its nine operating coal units, Minnesota Power is delivering between 50 and 60 percent renewable energy to customers and was the first Minnesota utility to achieve this milestone. The Company continues to take additional concrete steps towards complying with Minnesota's 2040 Carbon Free Standard.

Q. What changes to its generation fleet and infrastructure has Minnesota Power made in recent years?

A. Since the Company's last rate case, Minnesota Power has taken several strategic actions to update its generation fleet and grid infrastructure as needed to continue its clean energy transition while maintaining safe and reliable service for customers. The Company has obtained Commission approval for several transmission projects since the previous rate case that will each serve an identified independent need. One such project is the Duluth Loop Reliability Project, which will enhance power system stability and support that was previously provided by local coal-fired generators that are now retired.[23] Another example is the HVDC Modernization Project, which will facilitate

[23] *In the Matter of the Application of Minnesota Power for a Certificate of Need and a Route Permit for the Duluth Loop Reliability Project in St. Louis County, Minnesota*, Docket No. E015/CN-21-140 and E015/TL-21-141.

the continued delivery of high-efficiency resources directly to Minnesota Power customers and pave the way for additional transmission capacity while providing key reliability attributes to the grid through new high-voltage direct current technology.[24] The Commission also granted approval of two Midcontinent Independent System Operator ("MISO") Tranche 1 Long Range Transmission Planning ("LRTP") projects that the Company is a joint Applicant on, the Big Stone South – Alexandria – Big Oaks 345 kV Transmission Project[25] and the Northland Reliability Project,[26] which will support reliability needs in both Minnesota and regionally as the electricity system continues to transition to cleaner sources of generation. Minnesota Power is also a joint Applicant on three proposed MISO Tranche 2.1 LRTP projects, Bison to Alexandria Second Circuit 345 kV Transmission Project,[27] the Iron Range – St. Louis County – Arrowhead 345 kV Transmission Line Project,[28] and the Maple River – Cuyuna 345 kV Transmission Line Project,[29] that are currently undergoing regulatory proceedings before the Commission. To address voltage support and system strength concerns related to generation fleet transition, the Company is also moving forward with the development of the Riverton STATCOM Project, with a targeted in-service date in mid-2028.[30]

[24] *In the Matter of the Application of Minnesota Power for a Certificate of Need for a High Voltage Transmission Line for the HVDC Modernization Project in Hermantown, Saint Louis County*, Docket No. E015/CN-22-607.
[25] *In the Matter of the Application for a Certificate of Need for the Big Stone South – Alexandria – Big Oaks Transmission Project*, Docket No. E002, E017, ET2, E015, ET10/CN-22-538; *In the Matter of the Application for a Route Permit for the Alexandria – Big Oaks 345 kV Transmission Project in Central Minn.*, Docket No. E002, E017, ET2, E015, ET10/TL-23-159; *In the Matter of the Application for a Route Permit for the Big Stone South – Alexandria 345 kV Transmission Project*; Docket Nos. ET2, ET10, E015, E017, E002/TL-23-160.
[26] *In the Matter of the Application of Minnesota Power and Great River Energy for a Certificate of Need and Route Permit for the Northland Reliability Project 345 kV Transmission Line*, Docket Nos. E015, ET2/CN-22-416 and E015, ET2/TL-22-415.
[27] *In the Matter of the Application for a Certificate of Need for the Bison to Alexandria Second Circuit 345 kV Transmission Line Project*, Docket No. E002, ET2, E015, E017, ET6135/CN-25-116; *Route Permit Amendment for the Bison to Alexandria Second Circuit 345 kV Transmission Line Project*, Docket No. E002, ET2, E015, E017, ET6135/TL-09-1056.
[28] *In the Matter of the Application of Minn. Power and American Transmission Company, LLC for a Certificate of Need and Route Permit for the Iron Range – St. Louis County – Arrowhead 345 kV Transmission Line Project*, Docket Nos. E015/CN-25-111 and E015/TL-25-112.
[29] *In the Matter of the Application for a Certificate of Need for the Maple River – Cuyuna 345 kV Transmission Line Project*, Docket No. E015, ET2, E017/CN-25-109; *In the Matter of the Application of Minn. Power, Great River Energy, and Otter Tail Power Company for a Route Permit*, Docket No. E015, ET2, E017/TL-25-110.
[30] *In the Matter of the 2025 Minnesota Biennial Transmission Projects Report*, Docket No. E999/M-25-99, 2025 BIENNIAL TRANSMISSION PROJECTS REPORT (Oct. 31, 2025) (eDocket No. 202510-224474-02).

Minnesota Power has also received Commission approval for key renewable generation projects needed to support the Company's pathway to compliance with the Carbon Free Standard. For example, the Company has received Commission approval for the Boswell Solar Project and Regal Solar Project, which will result in a combined capacity of approximately 200 MW of regional solar in-service by the end of 2027.[31] The Commission has also approved Minnesota Power's Longspur Wind Project, which will utilize the Company's HVDC transmission line to provide 200 MW of high-quality wind generation to Minnesota customers.[32] Additionally, the Company recently filed its first Petition for approval of a 10 MW solar site as part of the Distributed Solar Energy Standard ("DSES"), which will advance localized, equitable, and small-scale utility solar projects across Minnesota Power's service territory.[33]

In addition to these projects already approved by the Commission or undergoing the regulatory approval process, Minnesota Power will continue to invest in additional generation resources and transmission capacity needed to support the Company's clean energy transition as identified in the 2021 and 2025 Integrated Resource Plan ("IRP") proceedings.

Q. What additional work will the Company be undertaking in the 2027 test year and the years ahead to further advance climate goals?

A. The Company is undertaking a variety of additional programs and investments to serve customers and meet state energy policy, including from the Company's 2021 and 2025

[31] *In the Matter of the Petition of Minnesota Power for Approval of Investments and Expenditures in the Boswell Solar Project for Recovery through Minnesota Power's Renewable Resources Rider under Minn. Stat. § 216B.1645*, Docket No. E015/M-24-344; *In the Matter of the Joint Application of Minnesota Power for a Site and Route Permit for the 85-megawatt Boswell Solar Project and Associated 2.45-mile 230 kilovolt Transmission Line in Itasca County, Minnesota*, Docket Nos. E015/GS-24-425 and E015/TL-24-426; *In the Matter of the Petition of Minnesota Power for Approval of Investments and Expenditures in the Regal Solar Project for Recovery through Minnesota Power's Renewable Resources Rider under Minn. Stat. § 216B.1645*, Docket No. E015/M-24-343; *In the Matter of the Application of Regal Solar, LLC for a Site Permit for a up to 100 MW Regal Solar Project in Benton County, Minnesota*, Docket No. IP-7003/GS-19-395.

[32] *In the Matter of the Petition of Minnesota Power for Approval of Investments and Expenditures in the Longspur Wind Project for Recovery Through Minnesota Power's Renewable Resources Rider Under Minn. Stat. §216B.1645*, Docket No. E015/M-25-309.

[33] *In the Matter of the Implementation of the New Distributed Solar Energy Standard Pursuant to 2023 Amendments to Minnesota Statutes, Section 216B.1691*, Docket No. E015/CI-23-403.

IRPs. For example, on October 21, 2026, the Commission approved Minnesota Power's 2025 IRP with modifications.[34] The Commission approved the addition of 600 MW of carbon-free resources by 2030, targeting 200 MW of battery storage and 400 MW of wind resources. In addition, the Commission also approved a suite of other mechanisms to increase energy efficiency, renewable energy, and sustainability efforts, including 100 to 150 MW of "new customer programs" and disbursement of the Clean Firm Technology Fund. This work to achieve current and future energy policy goals requires an investment of time and resources now, including personnel to administer programs, remissioning and maintaining generation and transmission facilities, undertaking ongoing resource planning, and procuring energy and capacity to advance the clean energy transition. Through these approved additions, Minnesota Power remains committed to achieving 80 percent renewable energy for Minnesota Power customers by 2030, and 90 percent renewable energy for customers by 2035, as we move toward compliance with the Carbon Free Standard in 2040. This transformation has made Minnesota Power a state and regional leader in decarbonization, while at the same time maintaining reliable and affordable electric service for customers.

Q. How is Minnesota Power performing with respect to its Conservation Improvement Program ("CIP") and ECO goals?

A. Minnesota Power has consistently met or exceeded its ECO, formerly known as Conservation Improvement Program ("CIP"), goals for the last 16 years, including in 2025. The Next Generation Energy Act of 2007 established a minimum annual energy savings goal for utilities equal to 1.5 percent of (CIP eligible or non-CIP exempt) gross annual retail sales. The ECO Act of 2021 established a new energy savings goal of 1.75 percent of Gross Annual Retail Energy Sales (net of ECO-exempt customers). The approved minimum energy savings goal is calculated based upon the most recent three-year weather normalized average sales, excluding sales to ECO-exempt customers. For Minnesota Power, the 2025 approved kWh savings goal equates to three percent of

[34] *In the Matter of Minnesota Power's Application for Approval of its 2025-2039 Integrated Resource Plan*, Docket No. E015/RP-25-127, ORDER APPROVING MODIFIED INTEGRATED RESOURCE PLAN ("2025 IRP ORDER") (Oct. 21, 2026) (eDocket No. 202610-237873-01).

eligible retail sales. Minnesota Power exceeded both the minimum savings requirement and approved savings goals for 2025 by achieving a 3.2 percent savings as a percentage of adjusted sales, which includes savings from the Company's new Efficient Fuel Switching ("EFS") program for the first time. This is an ongoing success story for both Minnesota Power and our customers, as we have exceeded our energy conservation goals every year since 2010, when the first energy savings goal went into effect, and continue to expand our energy savings. The Company's investment in achieving strong performance with energy conservation programs has helped keep customers' total bills lower and well below the national average in a rising rate and cost environment.

Q. Describe the steps Minnesota Power is taking to promote conservation, demand-side management, and beneficial electrification.

A. Minnesota Power understands the important role of customer-driven resources in reducing carbon on the system and is undergoing several strategic actions to promote conservation, demand-side management, and beneficial electrification. For example, Minnesota Power's ECO programs support conservation efforts by promoting a variety of energy-efficient products, technologies, and services to help customers achieve energy savings, with a special focus on accessible opportunities for income-qualified customers. The Company has also recently introduced a robust EFS program to its ECO portfolio to encourage customers to switch to cleaner fuel sources and promote electrification.

Minnesota Power's EFS opportunities offered through its ECO programs complement the Company's Dual Fuel program, which is an interruptible electric service rate designed primarily for electric heat, but is also utilized by customers for electric water heating, air-source heat pumps, and air conditioning. The program offers customers a discounted rate in exchange for the Company's ability to interrupt their electric load when necessary to support the electric system. The program serves as an important tool to support grid stability, reduce the cost of purchased energy during high market prices for all customers, promote beneficial electrification, and maintain electric heating as a competitive option relative to alternative fuels. In addition, Minnesota Power has

proposed Load Management rebates in its 2027-2029 ECO Triennial Plan for customers establishing and maintaining Dual Fuel service, helping to offset upfront equipment and installation costs, reduce barriers to participation, and encourage enrollment in the Company's interruptible service offerings.

Furthermore, Minnesota Power offers several programs designed to reduce barriers to EV adoption while optimizing system benefits, as described by Company witness Forsman. For example, program offerings include discounted rates designed to encourage EV charging during off-peak times, rebates that target reducing the upfront costs associated with EV ownership, and the Company's Make Ready pilot, which seeks to reduce barriers to the deployment of charging infrastructure. Additionally, upon Commission approval, the Company has installed direct-current fast-charging ("DCFC") stations throughout its service territory to expand public access to more efficient charging options. Overall, the Company has undertaken a broad array of resource management efforts, conservation promotion programs, pricing tools, advanced rate design initiatives, and education and outreach efforts consistent with the state's interest in conservation and carbon reduction.

Minnesota Power also offers its SolarSense program, which provides rebates to reduce customers' upfront costs of installing solar, which in turn helps make solar energy a more viable option for customers. SolarSense is available to customers installing a solar electric photovoltaic system, who have a household income of less than 150 percent of area median income. Additionally, Minnesota Power offers the Income-Qualified Solar Grant Program discussed earlier in my Direct Testimony.

Q. Is the Company taking other action to advance clean firm technology?

A. Yes. The December 10, 2025 Commission Order approving the Acquisition of ALLETE ("Acquisition Order") included approval of a Clean Firm Technology Fund for investment in carbon-free resources to advance the clean energy transition using $50 million provided by Alloy Parent in funds not recoverable from Minnesota Power

customers.[35] Under Paragraph 1.63(d) of the Acquisition Settlement Stipulation and Order Point 6 of the Acquisition Order, neither contributions to the Clean Firm Technology Fund nor the portions of investments or projects financed through the fund may be recovered from customers. This includes any return on capital or depreciation associated with the fund-financed portions of those investments.

In the 2025 IRP Order, the Commission ordered Minnesota Power to develop a plan to apply the entire Clean Firm Technology Fund to carbon-free generation investments approved in the 2025 and prior IRPs, such as wind and storage resources and new customer programs.[36] This impactful $50 million fund will help offset the cost of clean firm technology.

Q. How does this work factor into the Company's overall test year requests?

A. Meeting future goals requires current investment. As Minnesota Power continually enhances current and ongoing efforts to achieve IRP outcomes, build the transmission necessary to meet clean energy goals, address increased environmental and other regulatory requirements, protect against increasing threats like wildfires, enhance customer programs and support, and otherwise continue the clean energy transition while maintaining a safe and reliable grid, the Company must make current additional investments in people and resources. The Company's efforts in these regards, including how the Company is making these investments in a cost-effective manner, are discussed throughout the Company's rate case and in particular in the Direct Testimony of Company witnesses Gunderson, Forsman, Goutermont, and Todd Z. Simmons.

[35] *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 ¶ 1.63(d) (Dec. 10, 2024) (eDocket No. 202512-225721-01).

[36] *In the Matter of Minnesota Power's Application for Approval of its 2025-2039 Integrated Resource Plan*, Docket No. E015/RP-25-127, ORDER APPROVING MODIFIED INTEGRATED RESOURCE PLAN (Oct. 21, 2026) (eDocket No. 202610-237873-01).

C. Supporting Our Communities

Q. What recent efforts has Minnesota Power taken to support the communities it serves?

A. The Company's basic and most critical function is to provide safe, reliable, and increasingly clean energy to customers while keeping bills as low as possible. In doing so, we improve the safety, security, and quality of life for the communities we serve and our broader region. Minnesota Power greatly values the communities it serves and makes additional contributions to the overall health of the region through a number of efforts, including by providing jobs and community support, economic development efforts, and overall service to its communities. Because the Company considers these to be important and valuable contributions to northern and central Minnesota, I highlight these community and regional benefits to the State of Minnesota in this section of my testimony.

Q. How does the Company support the health of the regional economy?

A. Minnesota Power anticipates employing more than 1,292 people and providing an annual payroll of approximately $92 million (Total Company) in 2027. As Company witness Chan notes, the vast majority of these employees are in Minnesota. The Company is one of northeastern Minnesota's largest corporations with local headquarters. Therefore, Minnesota Power contributes to the regional economy as a large employer and reliable financial contributor, as well as by maintaining a strong philanthropic and community presence.

Furthermore, the Company supports the communities it serves through significant property tax contributions. In 2026, the Company paid approximately $42 million in Minnesota property taxes, including approximately $7 million of state general property tax and more than $35 million to 26 counties throughout Minnesota. These payments provide funding for local government operations and public services.

In addition to the Company's direct contribution to the regional economy, Minnesota Power has also provided economic development support to the communities it serves

for many decades, and this commitment was reaffirmed in the Acquisition. The Company actively engages with community partners on business expansion projects to encourage business startups, expansions and locations, and workforce attraction. Specifically, the Company has worked for many decades to diversify the natural-resources-based regional economy to buffer economic downturns from any single industry through its economic development efforts.

Q. How does Minnesota Power engage with the communities it serves?

A. Community engagement is one of the Company's longstanding core values and underscores Minnesota Power's commitment to helping the people, businesses, and communities of our region prosper. Minnesota Power maintains ongoing relationships with customers, community leaders, nonprofit organizations, Tribal Nation communities, local governments, and other interested parties throughout its service territory. Through Community Advisory Panels and other forums, the Company listens to a range of perspectives on local priorities, opportunities, and concerns. These relationships help Minnesota Power better understand the differing needs of the communities and customers across the region it serves.

The Company also engages through charitable investments made directly by Minnesota Power and through the Minnesota Power Foundation. These investments support nonprofit organizations and community initiatives that strengthen household economic well-being and opportunity, environmental stewardship, safety, preparedness, and community resilience. This work complements the Company's broader focus on affordability by supporting community needs and economic well-being without suggesting that philanthropy is a substitute for affordable electric service.

Minnesota Power employees are another important part of the Company's community presence. Employees live and work throughout the service territory and contribute their time, talent, and expertise through volunteer service, educational outreach, nonprofit board leadership, civic organizations, and appointments to public and quasi-public entities. Minnesota Power makes employee community engagement a priority by

encouraging employees to get involved and providing practical resources to help them do so, including volunteer time, tools to organize and find projects, and Company-funded employee-led Community Impact Grants for eligible nonprofit organizations. These resources help employees turn their knowledge of local needs and the causes they care about into meaningful action, strengthening the communities where they live and work.

Together, these efforts reflect Minnesota Power's commitment to communities. Through listening, partnership, philanthropy, volunteerism, and community leadership, Minnesota Power works to build trust and contribute to the long-term well-being and resilience of the communities it serves.

Additional information about Minnesota Power's community involvement can be found in the 2026 Corporate Sustainability Report.[37] This report highlights the wide array of volunteerism, philanthropy, community leadership, and partnerships Minnesota Power provides across its service area.

Q. What efforts has the Company undertaken to support supplier and workforce diversity and inclusion?

A. Minnesota Power recognizes the intrinsic value of diverse perspectives and experiences when it comes to driving innovation, creativity, and organizational success. The Company believes that a workforce comprising of diverse backgrounds and experiences, where there is a culture of inclusion, leads to stronger outcomes for all. Minnesota Power is working to find and eliminate unnecessary barriers to entry, ensure position requirements consider a wide variety of experience, and foster an inclusive environment where every individual is valued and empowered to contribute. Some recent actions to increase workforce diversity, as detailed further in the Company's annual utility diversity reporting filing in Docket No. E,G999/PR-25-97 include:

[37] 2026 Corporate Sustainability Report, ALLETE, available at: https://www.allete.com/Sustainability.

- Requiring all employees to complete annual training on harassment prevention and respectful workplace practices, along with hosting training events throughout the year,
- Participating in recruiting and outreach events focused on minority groups including women and veterans,
- Supporting internship programs that include job shadowing, mock interviews, resume reviews and site visits for students and interns.

Similarly, Minnesota Power has goals and programs to increase its procurement spending with diverse suppliers and small businesses. Since the inception of the Company's supplier diversity and small business program in 2021, Minnesota Power has certified 537 small and 203 diverse businesses within its supplier database and increased its spend with small and diverse businesses on average of 16 percent year over year. The Company continues to take concrete actions to continue this trend, including:

- Attending external outreach events and engaging with business development organizations, tribal contractors, minority-owned businesses, and small and disadvantaged businesses;
- Capturing business classification during supplier set up and verifying certification of suppliers throughout the year; and
- Providing internal trainings to employees to learn the basics and benefits of the supplier diversity and small business program.

Q. How does the overall discussion regarding Company customers, climate, and community support factor into the request for cost recovery and a reasonable rate of return in this proceeding?

A. Minnesota Power respectfully submits that when, as here, the utility has made significant investments to meet and exceed state policy goals; has ensured that its business is managed efficiently; is consistently working to enhance customer service quality and reliability; is a responsible and supportive regional citizen and employer; and is proposing rates that are affordable relative to comparable utilities, then the expenditures to achieve those results should be considered reasonable and prudent

investments and result in an reasonable authorized return for the shareholders' investments.

Further, while Minnesota Power has made massive strides in transforming its energy system, there is still more to do to transition to a carbon-free future, particularly following the enactment of Minnesota's 2040 Carbon Free Standard. A financially healthy utility is a critical component of the regulatory compact, and a fair outcome in this rate case will ensure Minnesota Power has the sound financial foundation from which continued energy system reliability and transformation, and customer satisfaction efforts, can occur. This requires a reasonable authorized rate of return, as well as the reasonable opportunity to recover costs in order to earn that rate of return.

IV. CHANGES SINCE THE COMPANY'S LAST RATE CASE

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

A. This portion of my testimony will introduce changes that have occurred since Minnesota Power's last rate case was filed in November 2023. These changes include the approval and closing of the Acquisition of ALLETE. The Acquisition Order created historic levels of customer benefit and numerous compliance requirements, including a directive to submit a petition to restructure ALLETE, which I will discuss further in this section. Additionally, since the fall of 2023, Minnesota Power's customers have experienced significant changes of their own as evidenced by the partial and full idling of the Hibbing Taconite and Minorca mines in 2025, changes at Mesabi Metallics, which continues to construct the first new taconite production facility on the Iron Range in 50 years, and the long-term potential for a Google Data Center in Hermantown. Finally, Minnesota Power is experiencing the same inflationary and other cost pressures affecting all businesses.

A. <u>Acquisition of ALLETE</u>

Q. At a high level, please describe the Acquisition of ALLETE.

A. In 2024, Minnesota Power requested Commission approval of the Acquisition of ALLETE by CPP Investments and GIP, which was ultimately approved with conditions

by the Commission through the Acquisition Order. Prior to the closing of the transaction, ALLETE was publicly traded on the New York Stock Exchange, and the Acquisition resulted in ALLETE becoming a privately held company. Minnesota Power remains a regulated public utility under Minnesota law.

The Acquisition of ALLETE was driven by a need for reliable access to capital to fund Minnesota Power's capital investment plan needed to make investments into its electric system and support new projects required to comply with the state's Carbon Free Standard.

Q. Is Minnesota Power materially different as a result of the Acquisition of ALLETE?

A. No. Minnesota Power's status as a regulated public utility, its obligation to provide safe and reliable electric service to customers, the service territory and customers it serves, its skilled and talented workforce, and its overall strategy and dedication to meeting Minnesota's Carbon Free Standard all remain unchanged as a result of the Acquisition of ALLETE. Additionally, the Acquisition Order implemented a wide variety of safeguards and requirements to ensure the continuing oversight of Minnesota Power by the Commission and the protection of (and benefits to) Minnesota Power's customers.

Q. Are benefits of the Acquisition being passed to customers as well?

A. Yes, very much so. As part of approving the Acquisition, the Commission ordered conditions that provide substantial benefits to customers, including more than $200 million in quantifiable savings, protections, and benefits.[38] As mentioned previously in my testimony, among other things, these include $50 million in bill credits; a $20 monthly discount and $3.5 million in arrearage forgiveness; a $10 million long-term residential energy bill mitigation fund; accelerated return of $72 million in land sales credits to customers, $50 million in shareholder-funded Clean Firm Energy investments on behalf of customers; caps on the Company's ROE and capital structure; and no or

[38] *Minnesota PUC approves ALLETE acquisition with unprecedented conditions protecting Minnesota Power ratepayers*, MINNESOTA PUBLIC UTILITIES COMMISSION (Oct. 3, 2025), available at: https://content.govdelivery.com/bulletins/gd/MNPUBUC-3f5952e?wgt_ref=MNPUBUC_WIDGET_2.

reduced costs to customers for typical utility costs obviated by the Acquisition, including investor relations costs, flotation costs, and certain Board of Directors costs. All of these are in addition to the Company's agreement to stay out of a rate case until November 1, 2026, which itself delayed rate increases despite a revenue deficiency in 2026 of roughly $100 million. These benefits are all shareholder-funded, or else represent some limited costs that are avoided altogether. And as I discuss elsewhere in my Direct Testimony, the benefits from these commitments, including land sales and bill credits alone, are offsetting more than 70 percent of the Company's 2027 Interim Rate request in this proceeding.

Q. Can you further expand upon the value of the rate case stay out?

A. Yes. If Minnesota Power had not agreed to a rate case stay out as a provision of the Acquisition of ALLETE, the Company would have filed a rate case in November 2025. Minnesota Power had a revenue deficiency of approximately $100 million in 2026 that it did not seek to collect, saving customers money during the stay out period. Due to the Commission-approved stay out provision, Minnesota Power customers did not see a rate case filed in 2025 and did not see any changes to their base rates.

Q. Has Minnesota Power experienced the anticipated benefits of the Acquisition since closing?

A. Yes. As discussed during the Acquisition, Minnesota Power now has more stable and reliable access to equity capital to fund investments needed to ensure safe and reliable electric service to customers and projects required to continue the clean energy transition. As discussed in more detail by Company witness Taran, Minnesota Power has received the equity infusions it requires, consistent with Acquisition commitments, which have been significant compared to the Company's past equity issuances in the public marketplace. Company witness Taran notes that the $298 million infusion funded to ALLETE on the Acquisition's closing date was greater than any secondary equity offering previously completed by ALLETE, and the shareholders' equity contributions in 2025 and 2026 already constitute the two largest annual amounts in the Company's history. Moreover, as discussed during the Acquisition proceeding, the Acquisition

allowed the Company to obtain this capital from owners who have supported Minnesota Power's personnel, home in Duluth, senior leadership, operations as a whole, and ongoing dedication to customers, communities, and the climate.

Q. Does this mean the Company is wholly immune to credit market volatility, credit rating agency credit metrics, and credit reporting, or investors' right to a reasonable return?

A. No. Minnesota Power, like other utilities, funds its investments through a mix of equity and debt. While the Company's current owners have provided and are providing equity as they committed to do, the Company continues to rely on the debt markets to finance the clean energy transition at reasonable costs. As discussed by Company witnesses Taran and Ann E. Bulkley, credit rating agencies and debt investors continue to focus on the financial health of Minnesota Power as a key component of ALLETE and a key driver of the Company's capital investment needs to fund utility infrastructure. Particularly in this time of volatile markets, Minnesota Power's regulatory outcomes continue to play a highly central role in the Company's ability to obtain cost-effective debt capital in addition to equity.

In addition, the Company's investors continue to have a right to a reasonable opportunity to earn a reasonable return on equity consistent with those of utilities of commensurate risk. The regulatory compact, discussed earlier in my testimony, does not distinguish between shareholders who trade in the public stock market and shareholders who do not publicly trade a company's shares on the open market. Both types of shareholders are entitled to a reasonable return on their investment.

Q. Have the terms of the Acquisition approval helped to limit the issues in this case?

A. Yes, in part. The Commission's approval of the Acquisition of ALLETE included requirements that are reflected in this case. For example, the Commission capped the Company's ROE at 9.78 percent, which was approved in the last rate case, so Minnesota Power is not requesting an ROE higher than that amount in this case. The Commission also required that Minnesota Power's equity ratio in its capital structure be capped at

53.0 percent until December 31, 2030 (the Company's current equity ratio), so the Company is not proposing changes to its equity ratio. Minnesota Power also agreed to not seek recovery of flotation costs for as long as CPP Investments and GIP owned ALLETE. The Acquisition Order clearly identifies that no Acquisition costs, transaction costs, or transition costs will be recovered from customers, and Minnesota Power has included no such costs in this case.

Additionally, the Commission ordered that Minnesota Power maintain employee staffing levels of no less than 10 percent below the Company's five-year historic average with ongoing reporting requirements. The Company also agreed that for as long as it is owned by CPP Investments and GIP, Minnesota Power will maintain historic levels of economic development and shall not reduce contributions to the Minnesota Power Foundation. This rate case filing complies with the applicable requirements of the Acquisition Order.

Q. Did the Commission's approval of the Acquisition of ALLETE establish any requirements relevant to this rate case?

A. Yes. In the Acquisition Order, the Commission adopted numerous conditions and commitments intended to protect the Company's customers and ensure continued regulatory oversight following the Acquisition. The Company has identified the requirements applicable to this rate case in its Volume 1 Completeness Checklist, which identifies where each requirement is addressed in the Company's filing – including the testimony and schedules of both my Direct Testimony and that of other Company witnesses. For example, I speak to the corporate "holding company" restructuring filing in the next section of my Direct Testimony. Minnesota Power continues to take all of its regulatory obligations, including those instituted as part of the Acquisition, incredibly seriously and works diligently every day to meet and exceed our stakeholders' expectations.

B. Pending Reorganization of ALLETE

Q. At a high level, provide a summary of the Company's pending corporate restructuring proceeding.

A. In its Acquisition Order the Commission directed the Company as follows: "Within six months after the close of the Acquisition, Minnesota Power will file a petition with the Commission in a new docket that proposes to separate non-regulated utility entities from the current ALLETE d/b/a Minnesota Power entity. As part of that separation, Superior Water Light & Power is expected to remain a subsidiary of Minnesota Power."[39]

In compliance with the Acquisition Order, on June 1, 2026, Minnesota Power filed an Application in Docket No. E015/M-26-227 proposing the corporate restructuring of ALLETE ("Reorganization Application"). In the Reorganization Application, the Company proposed a reorganization in which Minnesota Power will become the wholly owned subsidiary and regulated utility operating company, Minnesota Power, Inc., of the new ALLETE, Inc ("Reorganization"). The formation of a new subsidiary company, ALLETE Subsidiary Holdings, LLC, is proposed to be created to house all non-regulated ALLETE companies. Under the proposed reorganization and consistent with the aforementioned Order Point, Superior Water Light & Power will remain a subsidiary of Minnesota Power, Inc.

Q. How does the pending reorganization impact this request to increase rates?

A. The Reorganization is not expected to have any material effect on the ongoing costs of the Minnesota Power utility or rates. Those company personnel and assets that support services to Minnesota Power customers will continue to provide that support at the same cost, and the Company's allocation methodologies are specifically intended to ensure Minnesota Power customers pay only the costs incurred to support them. These considerations are described in greater detail in the Reorganization Application, and cost allocations are discussed in the Direct Testimony of Company witness Michelle A.

[39] *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 2, at Settlement Stipulation ¶ 1.27 (Dec. 10, 2024) (eDocket No. 202512-225721-01).

Bleicher. Rather, the focus of the Reorganization is greater structural separation and ring-fencing of utility activities from non-regulated activities, which protects customers from any perceived risk at the non-regulated utilities without impacting day-to-day service to customers.

Q. Is the Company seeking recovery of any of the costs of the Reorganization in this rate proceeding?

A. No. Consistent with Paragraph 1.42 of the Acquisition Settlement Stipulation approved by the Commission, restructuring costs are neither precluded nor guaranteed for recovery in rates as a result of the Acquisition and are being addressed initially in the Reorganization docket. Since the Reorganization Application and the Reorganization itself are pending as this case is being developed, in the Reorganization docket Minnesota Power requested the ability to defer such costs for review in a future cost recovery proceeding. As a result, no such costs are included in this rate request.

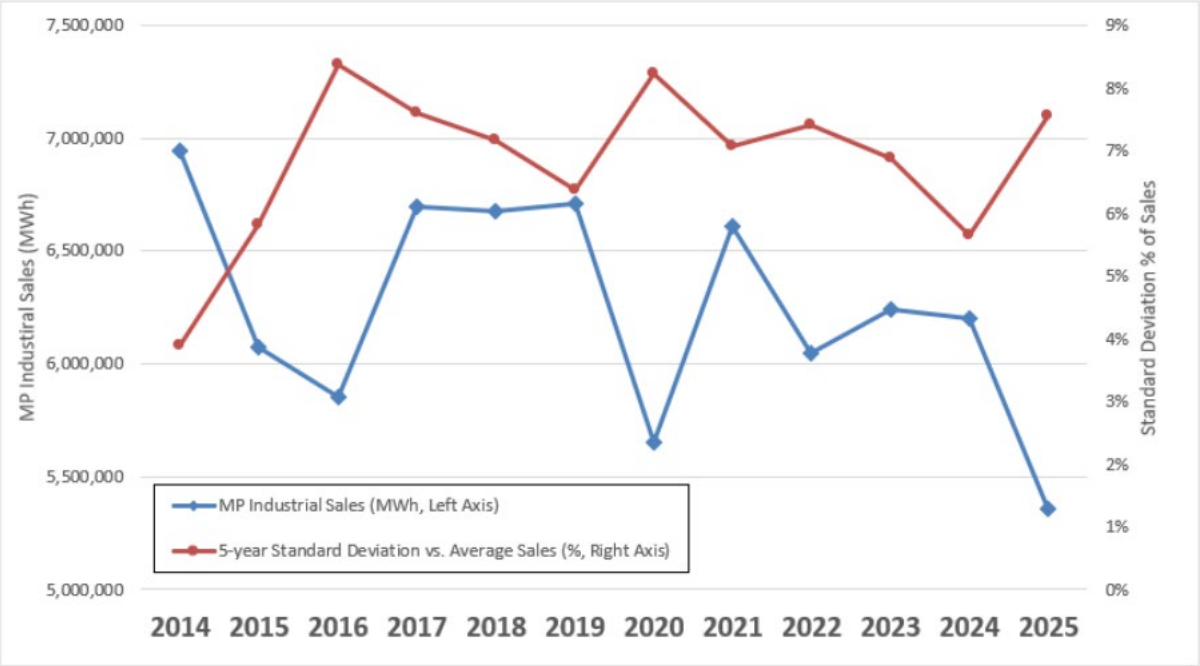
C. Changes in Customer Concentration and Growth Opportunities

Q. How have Minnesota Power's customer energy needs changed from the last approved sales forecast?

A. Minnesota Power's 2025 actual sales were lower than the 2024 test year sales forecast approved in Minnesota Power's 2023 Rate Case. This difference was largely driven by the idling of two taconite mining customers – Minorca and Hibbing Taconite. There was also a decline in residential and commercial energy sales from the last approved sales forecast.

As Figure 6 below depicts, average annual sales to large industrial sales have decreased while the year-to-year variation in sales has increased. Specifically, Minnesota Power sales to its industrial customers fell 12 percent from 2014 to 2025. In addition, the standard deviation as a percentage of average sales increased from six percent over the 2014-2018 three-year period to seven percent over the 2022-2025 period.

Figure 6. Minnesota Power Industrial Sales and Increased Volatility (2014-2025)



Q. How does the proposed 2027 sales forecast differ from the last approved sales forecast?

A. The primary difference in the 2027 sales forecast versus the last approved sales forecast from the 2023 Rate Case is the reduction in mining sales following the indefinite idling of Minorca and partial idling of Hibbing Taconite in 2025. The 2027 sales forecast aligns with the declining average level of sales to industrial customers following the idling at those facilities and is comparable to actual sales levels in 2025. In addition, residential and commercial customers sales are aligned with the levels seen in recent years and as projected in the Company's 2026 Annual Forecast Report ("AFR"), filed on July 1, 2026, in Docket No. E999/PR-26-11. The 2027 sales forecast is described in further detail by Company witness Forsman.

Q. How does the potential for load growth impact this case?

A. While the potential for load growth exists in Minnesota Power's service territory, there are no new large or very large retail power customers expected to become operational

in the 2027 test year. Google's proposed Hermantown Data Center project, which has a maximum contracted capacity of 500 MW, is still undergoing permitting review that is expected to continue throughout 2027. The Company does not expect the Google facility to begin taking electric service at the Hermantown site during the 2027 test year, as a typical construction timeline for a data center of this size is approximately 24 to 36 months, and the Hermantown Data Center is not anticipated to become operational until mid to late 2028 at the earliest.

While there are no new Minnesota Power retail customers expected to become operational in the 2027 test year, the Company recognizes that this historic opportunity for load growth presents potential downward pressure on customer rates as fixed infrastructure costs are spread across a high amount of energy sales. Because of the benefit load growth can bring to the system, the Company has proposed a Sales Adjustment Mechanism to help customers realize the benefits of load growth quickly. More detail on the Sales Adjustment Mechanism proposal can be found in the Direct Testimony of Company witness Forsman.

Q. Is Minnesota Power meeting the energy policy of the state as it relates to serving new large load customers?

A. Yes. In 2025, the Minnesota legislature passed historic legislation applicable to data centers choosing to locate in the state. Minn. Stat. § 216B.1622 requires that a customer class or subclass be created for very large customers and directs the Commission to approve a tariff or electric service agreement between the public utility and very large customer that ensures the new customer pays all costs attributable to it, that the electricity provided to the new customer be compliant with the Carbon Free Standard, and that other utility customers are not placed at risk for paying stranded costs associated with serving the very large customer.

On July 15, 2026, Minnesota Power filed a petition seeking approval of a new Very Large Power ("VLP") customer class and associated VLP Service Schedule in Docket No. E015/M-26-126. The Company is committed to serving new large load customers

in a way that is compliant with state statute and brings additional benefit to existing customers and the system.

Q. Can you explain further how the Sales Adjustment Mechanism protects customers and the Company from fluctuations in load that affect customer costs?

A. Yes. While more detail can be found in the Direct Testimony of Company witness Forsman, the proposed Sales Adjustment Mechanism would establish a rate adjustment to offset annual differences between base rate revenue authorized by the Commission and actual base rate revenue. Following the conclusion of the current rate case, Minnesota Power would track base rate revenues annually for the entire Large Power customer class and proposed VLP customer class compared to a baseline level established for the 2027 test year and add to this variance any margins the Company received from sales due to lost customer load. This information would be submitted to the Commission in annual compliance filings. Minnesota Power is also proposing a new tariff as described by Company witness Leah Peterson that would be a rider on all customer bills to credit or surcharge customers for the amount of the variance compared to the 2027 baseline.

D. Ongoing Rising Inflation and Cost Pressures

Q. How has the Company been impacted by inflation and rising costs?

A. Like many businesses, Minnesota Power has been and continues to be impacted by inflation, especially since the 2024 test year budget was developed for the 2023 Rate Case. While inflationary rates have not been as high in 2024 and 2025 as they were in 2021-2022, the costs of providing utility service – including ongoing inflation and rising interest rates – continue to rise. These pressures have created broader impacts on the Company's costs of providing electric service to customers. For example, inflation has in part caused increased prices for materials and supplies, commodity costs, and labor costs, each of which is increasing Minnesota Power's cost of providing electric service to customers. Company witness Rostollan addresses these inflationary pressures and cost drivers in more detail in his Direct Testimony. Company witness Taran explains

that rising interest rates are affecting the cost of all debt, especially at a time when the Company needs additional capital to invest in the clean energy transition.

Q. How has the Company been impacted by supply chain challenges?

A. Minnesota Power is not immune to the cost pressures affecting other businesses in today's economic climate, including those associated with inflation, rising demand for critical materials or components, and complications from federal policy changes. As Company witness McFadden discusses further in her Direct Testimony, inflationary pressures are affecting utility capital projects and overall costs as prices for key commodities, electrical equipment, labor, transportation, and contractor services continue to increase due to the growing demand that is outpacing supply. Additionally, equipment and materials with significant aluminum, steel, or copper content have seen substantially higher cost escalation. For example, breakers experienced a relatively modest 8.8 percent increase over approximately 18 months, while the aluminum conductor steel reinforced power conductor experienced a 141 percent increase in just six months, illustrating the significant impact that aluminum and steel market volatility has had on transmission material costs alone in 2026.

Q. How has the Company been impacted by increased workforce needs and rising workforce costs?

A. As our generation fleet, transmission system, distribution grid, and customer programs continue to evolve to meet state policy, regulatory, customer, and system needs, it is critical that the Company develop and maintain the workforce necessary to execute this work. This consideration has increased workforce needs while also providing additional quality jobs in our region. At the same time, competition for skilled labor and leadership has increased, making it increasingly important to maintain competitive compensation and benefits to attract and retain qualified employees. In addition, the extension of the collective bargaining agreement with IBEW Local 31 included negotiated wage increases that contribute to the Company's increased workforce costs. As a result, both the size of Minnesota Power's workforce and the costs associated with that workforce have increased since the last rate case.

Q. How has the Company been impacted by changing environmental regulations?

A. Minnesota Power incurs various environmental compliance costs related to the regulation of CCR, including costs for activities such as closure, groundwater monitoring, corrective action, and dewatering. These regulations and the associated costs of compliance have evolved and continue to evolve over time. The Company expects to incur additional costs to meet EPA rules, and while the total scope for all requirements is not currently known, emerging compliance costs related to these rules could be material. The Direct Testimonies of Company witnesses Simmons and Levi A. Peterson address Minnesota Power's CCR-related compliance obligations and costs in more detail in their Direct Testimonies.

Q. How do these factors affect this rate case?

A. Unavoidable increases in O&M costs that are similarly affecting other businesses are a key reason why this rate case is needed. Minnesota Power has made every effort to mitigate the impacts of these pressures on customers, as evidenced by controlling its costs as much as possible over many years, but ultimately must seek the support of the Commission to generate the rates necessary to cover the costs to operate the business in a safe, reliable, and sustainable manner.

Q. What do you conclude regarding the drivers of this case?

A. Minnesota Power takes very seriously its obligations to serve customers safely, reliably, and cost-effectively while meeting its federal and state requirements, and understands that rate cases are difficult. The Company is filing this request now due to reduced sales from some of its largest customers, increased costs due to federal environmental regulations, higher interest rates, and other factors largely beyond the Company's control. Where Minnesota Power can control costs, it takes action to do so proactively and on an ongoing basis. This is evidenced by the fact that Minnesota Power has completed only five rate cases in the last 30 years and has contained its O&M costs below the rate of inflation for the last decade. However, the Company now appreciates the opportunity to bring its operating revenues closer to its cost of service, enabling us

to continue to provide excellent customer service, maintain a reliable and resilient electric grid, and meet state policy goals in the years ahead.

V. INTRODUCTION TO THIS FILING

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

A. In this portion of my testimony, I provide a more detailed overview of the Company's requests in this case.

A. Revenue Requirements

Q. Please provide an overview of the Company's overall request for additional rate revenues.

A. Minnesota Power requests an overall increase in revenues net of riders of $134.4 million MN Jurisdictional, or 17.83 percent. The Company is proposing to transfer costs of $9.2 million and $23.0 million from the Transmission Cost Recovery Rider and the Rider for Renewable Resources, respectively, to base rates. The movement of costs between riders and base rates is largely revenue neutral to customers. When taking into account only the increases to base rates without the rider offset, the Company's gross revenue deficiency is $166.6 million MN Jurisdictional, or 22.09 percent. These amounts are based on the Company's projected O&M expense and capital budgets for the 2027 test year, and ROE of 9.78 percent and an overall rate of return of 7.63 percent. The Direct Testimony of Company witness Amanda L. Turner provides a detailed account of the Company's revenue deficiency.

Q. What are the primary drivers of the revenue deficiency?

A. As previously stated, the primary drivers of the revenue deficiency are a combination of changes to the customer load forecast, federal environmental regulations around retiring coal facilities, O&M increases, rising interest rates, and workforce needs to execute the clean energy transition and ongoing capital investment needs into the electric grid.

Q. What rate of return is Minnesota Power seeking in this rate proceeding?

A. As discussed by Company witness Bulkley, the Company's requested ROE is 9.78 percent, 13 basis points higher than its current authorized ROE and consistent with the cap set forth in the Acquisition. Company witness Bulkley explains that, but for the ROE cap, current high interest rate market dynamics and well-accepted ROE models would necessitate an authorized ROE significantly higher than 9.78 percent. Company witness Bulkley notes that based on normal modeling, she would be recommending an ROE for Minnesota Power at the high end of a range between 10.25 to 11.25 percent. With 10 basis points of ROE equating to roughly $2 million of revenue deficiency, an ROE in the recommended range would lead to a revenue deficiency increase between approximately $10 million and $29.5 million compared to the Company's requested ROE. However, at 9.78 percent the ROE is not a significant driver of this rate case.

Q. Does the revenue requirement in this case reflect the Company's efforts to mitigate rate increases for all customer classes?

A. Yes, it reflects both the reasonable costs of providing safe, reliable, affordable, and increasingly clean energy to our customers, as well as all of the efforts described above to contain and moderate those costs while also empowering customers to manage their energy use and overall bills. However, the revenue requirement does not reflect the offsetting rate credits from land sales or $10 million of rate credits previously mentioned. These benefits will be credited to customers outside of base rates.

B. Class Cost of Service and Rate Design

Q. Please describe Minnesota Power's approach to establishing a reasonable rate design.

A. Minnesota Power approaches rate design from an overall cost of service methodology, in which rates are designed so that individual classes of customers pay an appropriate and fair share of the costs associated with delivering safe and reliable electricity. Rate design is further influenced by other factors such as existing rate design, overall customer billing impacts, and rate design principles. More information on revenue apportionment and rate design, taking Company witness Turner's class cost of service

study ("CCOSS") results into account, can be found in the Direct Testimony of Company witness Leah Peterson.

Q. How does the significant transition of Minnesota Power's energy system influence rate design?

A. As the Company has made investments to significantly reduce carbon emissions from its electric supply, renewable energy supply has also advanced to exceed 50 percent of customer requirements in 2023. Since renewable energy is variable by nature, it is necessary for customer-focused rate designs to support and incentivize controllable customer load to better align with variable renewable generation. This alignment of load with generation helps balance energy supply with demand in the most economical manner for customers. Additionally, the low-carbon intensity of the Company's power supply, which will decline even further in the future, creates opportunities for meeting state policy goals for carbon reduction through beneficial electrification. Finally, the need to balance affordability and competitiveness with these advancements in sustainability is important to maintain customer satisfaction with the clean energy transition.

Minnesota Power's rate designs are intended to maintain reasonable rates, especially for low-income residential customers, as well as for industrial customers whose high load factor operations serve to increase the overall economic efficiency of the energy system. The Company also considers how to use rate design to empower customers with more control over their energy usage, as evidenced by its first-in-the-state transition to time varying rates for the full residential customer class. Through a phased and iterative process, the Company has transitioned all of its customers off the Inverted Block Rate(s) to a traditional flat rate. The Company is now in Phase Three of its transition from the traditional flat rate to a Time of Day Rate. Phase Three includes roughly 20,000 customers, nearly doubling the amount of users on its Time of Day Rate program. A petition was also filed in August of 2026 to amend the Company's tariff sheets to allow Community Solar Garden and Parallel Generation customers to participate in Time of

Day as well. Together, these factors foster education and influence efficient and effective rate design for Minnesota Power customers.

Q. Please explain Minnesota Power's revenue apportionment proposal in this case.

A. As described in the Direct Testimonies of Company witnesses Levi Peterson and Leah Peterson, Minnesota Power would ideally attempt to follow the CCOSS results to align rates with the cost to serve each customer as provided by the CCOSS. However, strict adherence to the CCOSS would require a 70.49 percent increase for the Residential customer class. The Company realizes an increase of this magnitude could have an adverse impact on the Residential customer class, and with that impact in mind, and in compliance with the Company's last rate case order, Minnesota Power is proposing the following revenue apportionment increases, net of rider changes, to the respective customer classes: 17.01 percent for Large Power, 17.50 percent for Large Light & Power, 19.26 percent for Residential, 19.80 percent for General Service, and 22.65 percent for Lighting. These increases reflect the net impact after accounting for a reduction of $32,168,026 to cost recovery riders for this same period.

Q. Is the Company proposing any increase to the fixed portions of the Residential customer bill?

A. Yes. As described in more detail by Company witness Leah Peterson, Minnesota Power proposes to increase the Residential Service Charge from $9.00 per month to $12.00 per month, which would move the Residential Service Charge closer to the cost-based level indicated by the Company's proposed 2027 Test Year CCOSS.[40] Residential customers create costs that are incurred regardless of the amount of electricity they consume, including system costs associated with metering, billing, service connections, and other costs necessary to provide electric service. However, the proposed increased Residential Service Charge would continue to recover only a portion of the first customer-related costs incurred to provide service and maintain each customer's connection to the grid.

[40] The cost-based Residential Service Charge was calculated based on the Residential Customer Revenue Requirements from the CCOSS shown in Volume 3, Direct Schedule E-3 divided by the number of annual customer bills as shown in Volume 3, Direct Schedules E-1 and E-2.

Q. Why is the Company's overall rate request reasonable?

A. As I previously discussed, Minnesota Power has actively sought to contain costs and make prudent investments in ways that maximize value for customers during the clean energy transition. As Minnesota Power has significantly decarbonized from a system that was 95 percent coal generation in 2005, it has minimized the number of rate cases to just five completed rate cases over the last 30 years and contained its O&M below the rate of inflation for the last decade.

The Company has not only met the policy goals of the State of Minnesota as they relate to clean energy, reliability, and affordability, but it has also implemented best-in-class programs and outreach methods for customers who struggle to pay their electric bills, including implementing a self-declare eligibility process for its CARE program, expanding outreach, and implementing a historic arrears forgiveness effort through its On Track program.

While the Company has done everything in its power to control costs, make prudent investments, and care for customers, there are external impacts to the utility that the Company cannot control, including inflation, supply chain challenges, and changes in customers' energy usage. An adjustment to the Company's base rates is needed to ensure Minnesota Power is financially healthy enough to continue delivering the valuable essential service that northern Minnesota relies upon.

VI. INTRODUCTION OF WITNESSES

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

A. In this section of my testimony, I identify and introduce the other witnesses presenting testimony on behalf of Minnesota Power in this proceeding.

Q. Please introduce Minnesota Power's other witnesses.

A. In addition to my Rate Case Overview Direct Testimony, the following individuals are providing testimony on behalf of Minnesota Power:

- Joshua D. Taran, Treasurer, will address the recommended capital structure and overall rate of return for Minnesota Power, as well as the Company's overall financial health, credit metrics, and risk position.
- Ann E. Bulkley, Principal at the Brattle Group, provides expert testimony on the Company's required ROE and an assessment of the Company's proposed capital structure.
- Arik C. Forsman, Director – Strategic Accounts, provides an overview of Minnesota Power's customer base, customer service programs, and sales, revenues, and the overall risks associated with the Company's customer base. Company witness Forsman also discusses the Company's proposed Sales Adjustment Mechanism.
- Joshua G. Rostollan, Manager – ALLETE Financial Reporting and Budgeting, presents an overview of the Company's budgeting process, including the reliability of the Company's budgets, an overview of the Company's cost containment efforts since our last rate case, and a discussion of certain depreciation and inflationary topics.
- Michelle A. Bleicher, Supervisor of General Accounting, discusses the Company's cost allocation process and the Company's employee expense review, including support for travel, dues/memberships, and related employee expenses.
- Diana C. McFadden, Director of Supply Chain, presents an overview of the Company's procurement process and how the Company incorporated new affiliated interest requirements arising out of the Acquisition. Company witness McFadden also discusses supply chain challenges the Company is experiencing.
- Todd Z. Simmons, Vice President – MP Generation Operations, describes how the Company continues to transform its generating fleet with increasing renewable resources while maintaining efficient, reliable, and cost-effective services for customers. Additionally, Company witness Simmons gives an overview of capital projects and O&M expenses for Generation Operations and provides information on environmental compliance costs and revenues.

- Daniel W. Gunderson, Vice President of Transmission System Planning and Operations, discusses the Company's transmission system, including related capital investments and O&M expenses. Company witness Gunderson also provides an overview of the investments the Company will be making going forward to ensure system safety and reliability, and the availability of renewable resources to Minnesota Power customers.
- Joshua P. Goutermont, Vice President of Minnesota Power Grid Operations, discusses the Company's distribution system, including related capital investments and O&M expenses.
- Wing H. Chan, Supervisor – Human Resources Systems and Payroll, describes the compensation and benefits provided to the employees of Minnesota Power, including overall increases in the number of both bargaining and non-bargaining jobs Minnesota Power is making available.
- Tara L. Anderson, Manager – Treasury and Investments, addresses Minnesota Power's proposals with respect to recovery of test year pension and other post-employment benefit expense and provides support for the Company's request to include Minnesota Power's cumulative contributions in excess of cumulative expense for the pension in rate base.
- Michael F. Farrell, Managing Director and North American Accounting Leader at Willis Towers Watson, addresses the accounting requirements for defined benefit pension plans under Accounting Standards Codification ("ASC") 715-30 and ASC 715-60; the accounting requirements promulgated by the Federal Energy Regulatory Commission related to pension plans of rate-regulated utilities; and the financial effect of a utility's pension plan and its interaction with the ratemaking process.
- Rena E. Verdoljak, Director – Tax, discusses the methodology and inputs to develop the property tax expense forecast for the 2027 test year (payable in 2028). Company witness Verdoljak also provides support for the Company's request for a symmetrical property tax true-up, explains the tax implications of the Acquisition, and addresses any rate case related tax implications of H.R. 1 (119th Congress).

- Levi A. Peterson, Cost Pricing Analyst II, presents Minnesota Power's 2027 test year CCOSS. Company witness Levi Peterson also discusses the process of jurisdictional separation of costs, the functional assignment, and classification of costs, and the allocation of costs to customer classes, including the development of allocation factors used in the CCOSS. Company witness Levi Peterson also addresses how rider costs are being transferred to base rates and the treatment of certain EPA rule compliance costs.
- Amanda L. Turner, Manager – Rates, discusses Minnesota Power's revenue requirements for the test year consisting of calendar year 2027. Company witness Turner also addresses the determination of rate base and operating income and the treatment of adjustments made in the Interim and Adjusted Test Year CCOSSs, and supports the determination of the Minnesota Jurisdictional revenue increase required by Minnesota Power to earn its requested rate of return in the Adjusted Test Year and the allowed rate of return in the Interim Test Year. Additionally, Company witness Turner supports the Company's base rate totals and several compliance items from other dockets.
- Leah N. Peterson, Director – Customer Analytics and Market Settlements, will provide testimony to support Minnesota Power's proposed rates and rate design for the 2027 test year, addressing the distribution of increased revenue requirements among the classes of service, the design of the Company's proposed rates for retail classes, and a comparison of present and proposed rates for these customer classes.

VII. CONCLUSION

Q. Please summarize your Direct Testimony for the Commission's consideration.

A. My Direct Testimony provided an overview of the Company's request to increase customer rates by an Interim Rate increase, net of riders moving to base rates, of $116.7 million (15.48 percent overall) and a General Rate increase, net of riders, of $134.4 million (17.83 percent overall). My testimony details how the Company has worked diligently to keep costs as low as possible for customers. However, forces outside the control of the Company, including federal regulations, inflation, interest rates, supply

chain challenges, and loss of customer load, require an increase in customer rates. While Minnesota Power works tirelessly to support economic development in our service territory and load growth has the potential to put downward pressure on rates, there are no new large customer projects expected in the 2027 test year. To account for the potential load growth opportunities on the horizon but outside of the test year, the Company has proposed a Sales Adjustment Mechanism as a way to ensure customers receive the benefits of that potential load growth as soon as it materializes.

My testimony provided an overview of the relevant policies of the State of Minnesota, how Minnesota Power is decarbonizing its system while keeping electric service reliable, and efforts the Company has taken to ensure assistance is available to customers who struggle to pay their monthly bills. Finally, my testimony provided a summary of changes that have occurred since its last rate case, including the approval of the Acquisition of ALLETE, which provided the Company stable access to capital and customers with historic amounts of benefits in the form of shareholder-funded rate credits, long-term residential energy bill mitigation fund, an arrears forgiveness program, and the Clean Firm Technology Fund. My testimony also discusses how the issues in this case are somewhat limited due to the Acquisition Order's requirements concerning a cap to ROE, capital structure, and limitations on recovering certain costs.

Minnesota Power is proud to serve the customers of northern Minnesota and only requests an increase in customer rates when it is needed to cover the cost of providing the essential service we all rely upon.

Q. Does this complete your Direct Testimony?

A. Yes.