Direct Testimony and Schedules
Leah N. Peterson

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 DESIGN

November 2, 2026

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I. INTRODUCTION AND QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Leah N. Peterson, and my business address is 30 West Superior Street, Duluth, Minnesota, 55802.

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

A. I am employed by ALLETE, Inc. ("ALLETE"), doing business as Minnesota Power ("Minnesota Power" or the "Company"). My position is Director – Customer Analytics and Market Settlements.

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

A. I have a Master of Business Administration and Master of Arts in Business Management from the College of Saint Scholastica. I also have a Bachelor of Science degree with a double major in Business Administration and Management Information Systems from the University of Wisconsin-River Falls. I have been employed by Minnesota Power since 2008. My previous positions at Minnesota Power include Energy Pricing Analyst, Marketing Analyst, Supervisor – Key Account Analysis, Supervisor Customer Business Analytics, and Manager Customer Analytics. I have led rate design for the Company since 2020 and previously provided direct testimony in Minnesota Power's 2021 rate case (Docket No. E015/GR-21-335) ("2021 Rate Case"), and the 2023 rate case (Docket No. E015/GR-23-155) ("2023 Rate Case"), before the Minnesota Public Utilities Commission ("Commission").

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

A. The purpose of my testimony is to support Minnesota Power's revenue apportionment, rate design and proposed rates based on the Proposed 2027 test year. The first section of my testimony describes the Company's rate design process including the allocation of increased revenue requirements among the customer classes. The second section of my testimony presents the Company's proposed rate design for Minnesota Power's

retail customer classes, Residential, General Service, Large Light and Power ("LL&P"), Lighting, and Large Power ("LP"), as well as a comparison of present and proposed rates for these customer classes. This section also discusses Minnesota Power's proposed changes to the Company's tariffs that are contained in Minnesota Power's Rate Book.

Q. Are you sponsoring any exhibits in this proceeding?

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

- MP Exhibit ___ (Leah Peterson), Direct Schedule 1 – Summary of Proposed Rate Increases by Customer Class; and
- MP Exhibit ___ (Leah Peterson), Direct Schedule 2 – AMI Opt-Out.

II. RATE DESIGN PROCESS

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

A. In this section of my testimony, I describe the process the Company followed to develop its proposed rate design for this rate case. This includes consideration of rate design objectives, the class cost of service study ("CCOSS") results, and revenue apportionment.

Q. What is rate design, and why is it important in this proceeding?

A. Rate design is the process of allocating a utility's revenue requirement across customer classes through specific rate structures. It is a key step in translating overall cost recovery into rates that are fair, equitable, and easy for customers to understand. Minn. Stat. § 216B.03 requires that utility rates be "just and reasonable" and further provides that rates may not be "unreasonably preferential, unreasonably prejudicial, or discriminatory." Accordingly, in evaluating a rate case, the Commission must first determine whether the proposed rates are just and reasonable and then as part of the rate design process the Commission must ensure that the rate design does not result in unreasonable preferences, prejudice, or discrimination among customer classes.

Q. How did Minnesota Power develop its proposed rate design in this rate case?

A. Minnesota Power's proposed rate design reflects a balanced approach that supports rate design objectives, meets customer needs, and encourages long-term system sustainability. This aligns with the Company's commitment to a sustainable future for the climate, its customers, and its communities while delivering safe, reliable, and affordable power.[1] In developing its proposal, the Company considered multiple, and at times competing, foundational rate design principles. The result is a proposed rate design that is practical, transparent, easy to understand and administer, and is derived from the cost of providing service to particular customer classes. It also promotes revenue stability, minimizes the potential for rate shock, and encourages energy conservation.

The rate design process began with the Company's customer class revenue requirements as determined by the CCOSS. These customer class revenue requirements were then further refined through revenue apportionment. The resulting rates were designed to incorporate rate design objectives and customer impacts to recover the revenues for each customer class.

A. Minnesota Power's Rate Design Objectives

1. Minnesota Power's Objectives

Q. How does the Company's rate design support system reliability and the transition to a more sustainable energy mix?

A. As Minnesota Power continues to modernize its electric system and transitions to a more diverse energy portfolio, maintaining reliability and grid resiliency remains a primary objective. In 2025, the Company provided over 99.9 percent reliable power for its residential, commercial, and industrial customers. However, increasing levels of renewable generation and evolving customer energy usage patterns require greater system flexibility and enhanced tools to manage peak demand and system variability.

[1] *In the Matter of Minn. Power's 2025 Safety, Reliability and Service Quality Standards Report*, Docket No. E015/M-26-29, SAFETY, RELIABILITY AND SERVICE QUALITY STANDARDS REPORT at 12-13 (April 1, 2026) (eDocket No. 20264-229916-01).

Demand response ("DR") programs are an increasingly important component of grid resiliency. By encouraging customers to reduce or shift usage during periods of high system demand, DR helps manage peak loads, improve system reliability, and reduce the need for additional capacity resources. To support these objectives, Minnesota Power continues to invest in grid modernization, advanced metering infrastructure, and customer programs that enhance operational flexibility and reliability.

Rate design is a critical tool that supports these investments and reliability objectives. Modern rate structures, including time-of-day ("TOD") rates and other price signals, encourage efficient energy use, support DR participation, and better align customer usage patterns with system needs. These investments and programs are necessary to maintain a reliable, resilient, and increasingly sustainable electric system and are reflected in the Company's revenue requirement. Accordingly, rate design serves both to promote customer behaviors that support grid operations and to provide the Company with an opportunity to recover the costs incurred to deliver safe, reliable, and resilient service.

Rate design must also recognize that a significant portion of the costs required to provide electric service are fixed and do not change based on customer energy consumption or changes in the resource mix. Costs associated with meters, service connections, and much of the distribution system are incurred to maintain access to safe and reliable service regardless of customer usage levels. As a result, sound rate design balances price signals that encourage efficient energy use and DR participation with rate structures that provide a reasonable opportunity to recover both fixed and variable costs. Together, these efforts enhance customer engagement and support the Company's long-term transition to a cleaner energy future.

Q. How does the Company's rate design empower customers and reflect their needs and preferences?

A. Minnesota Power's rate design promotes customer understanding and control of energy usage through price signals that reflect cost causation. The Company's rate design

encourages efficient energy consumption and supports demand-side management, energy efficiency, and customer-driven conservation behaviors.

The Company provides customers with a range of programs and options to manage their energy use and costs, including Energy Conservation and Optimization ("ECO") programs, DR offerings, interruptible and economy service options, and incentives for distributed solar and electric vehicles ("EVs"). These tools give customers greater flexibility and choice, enabling them to actively participate in managing their electric bills while supporting a more efficient and reliable electric system.

Q. How does the Company plan to manage the impacts of any rate increase on low-income customers?

A. Minnesota Power recognizes that the impacts of a rate increase may vary based on customer income levels, household circumstances, and energy usage patterns. Minnesota Power works diligently to identify and assist low-income customers and remains committed to ensuring that appropriate programs are available to help customers manage their electric bills.

The Company has several programs to assist low-income customers. Currently available programs include, but are not limited to:

- **Customer Affordability of Residential Electricity ("CARE"),** a monthly bill discount program for income-qualified residential customers. This program has been in place since 2011, and, beginning in 2022, Minnesota Power became the only electric utility in Minnesota to offer an affordability program with a self-declaration process for income eligibility.
- **ECO income-qualified programs,** which help customers reduce energy usage and lower their bills through energy efficiency and efficient fuel switching improvements.
- **Flexible payment options** that allow customers to manage outstanding balances and avoid service disruptions.
- **Income- and Usage-qualified discount** is a discount built into the residential rate.

- **Income-Qualified Solar Grant program**, which helps eligible customers benefit from renewable energy opportunities.
- **On Track Program,** which provides a monthly discount on electric bills and a 100 percent match toward past due balances under a payment arrangement. Designed as an arrears forgiveness program, it provides eligible customers with personalized payment agreements, energy-saving support, and pathways toward greater bill stability and affordability.

These programs are described in greater detail in the Direct Testimonies of Company witnesses Jennifer J. Cady and Arik C. Forsman. Together, these programs provide multiple avenues of support and often include cross-program referrals to help ensure customers are connected with the assistance that best meets their needs.

Q. Please provide information about how Minnesota Power's rates for its Residential and Industrial customer classes compare to those of other investor-owned utilities ("IOU").

A. Minnesota Power evaluated how its proposed rates compare to those of other IOUs operating within the Midcontinent Independent System Operator, Inc. ("MISO") region to ensure competitiveness and reasonableness. The data and figures used below were obtained from the U.S. Energy Information Administration ("EIA") 2023-2025 annual electric power industry reports, Form EIA-861[2] detailed data files.

Figure 1 shows that Minnesota Power's residential customers paid an average of 15.19¢ per kWh over the three-year period of 2023-2025, which is lower than Xcel Energy's three-year average of 16.79¢ per kWh, below the national average, and near the Minnesota average. It is somewhat higher than Otter Tail Power Company's three-year average rate of 11.19¢ per kWh. These EIA-reported rates are based on retail electric

[2] The EIA dataset for Form EIA 861, generally includes charges that are billed through the customer's electric bill and reported as electric operating revenue, which would include service charges, demand charges, base energy charges, interim rates, fuel and purchased energy, and cost recovery riders.

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.

Figure 1. IOUs in MISO: 2023 - 2025 Average Residential Rate

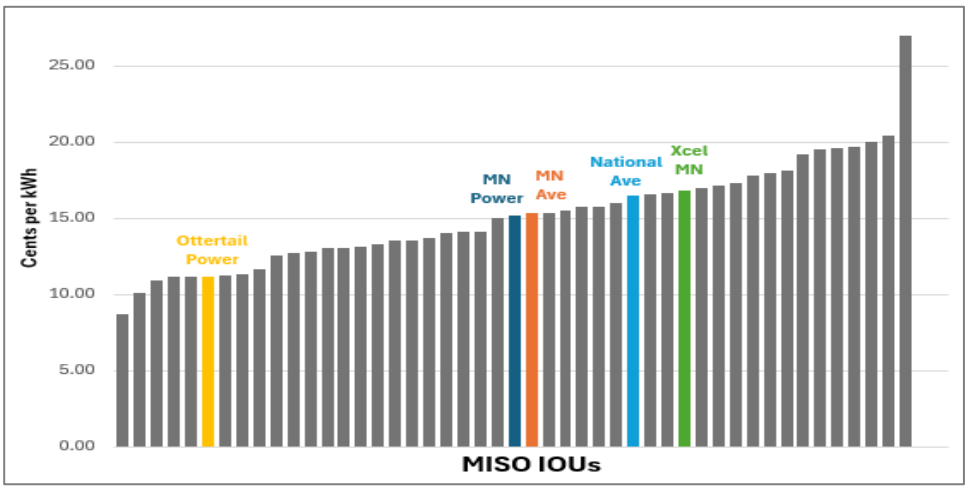
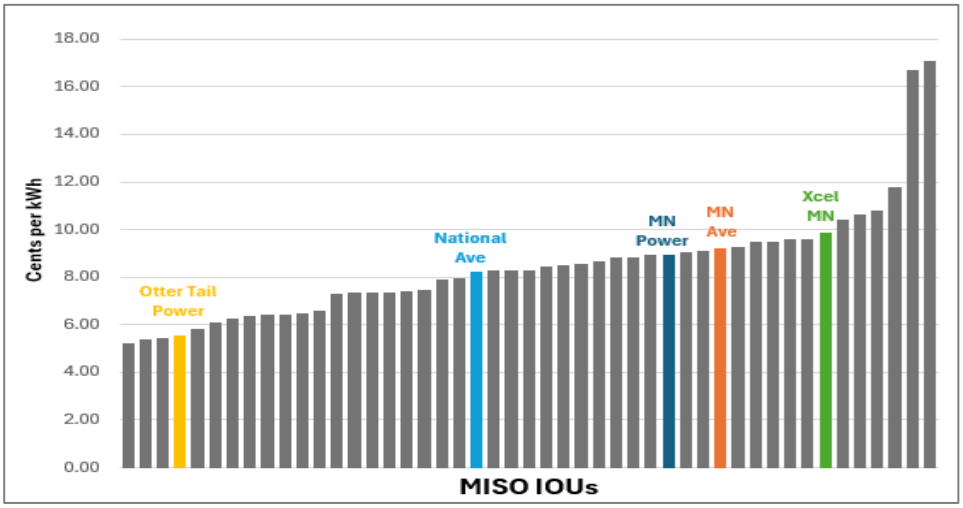


Figure 2 shows that Minnesota Power's three-year average is somewhat above the MISO median of industrial rates. It remains lower than Xcel Energy's rate but higher than Otter Tail Power Company's.

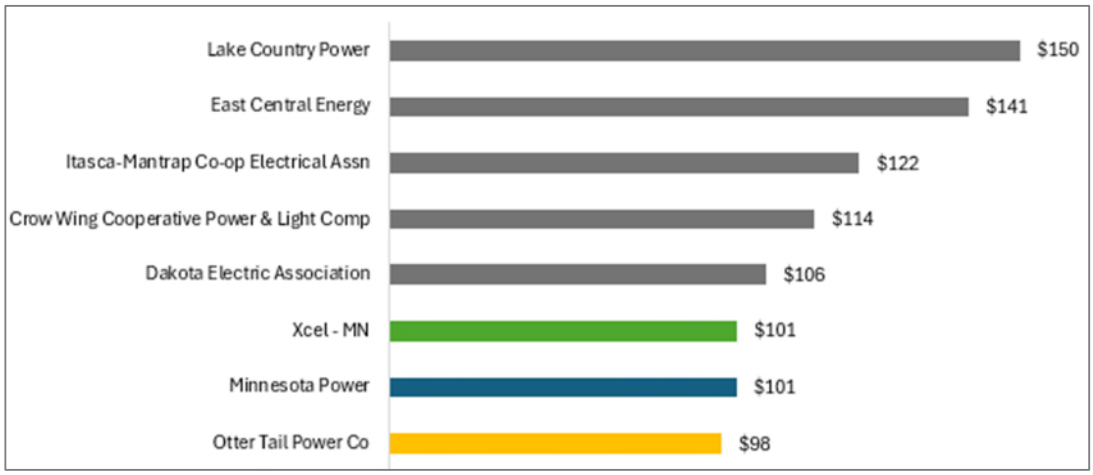
Figure 2. IOUs in MISO: 2023 - 2025 Average Industrial Rates



Q. Please provide information about how Minnesota Power's overall residential bills compare to those of neighboring electric utilities and IOUs.

A. The Company continues to strive to maintain affordable and reasonable bills for its residential customers. As shown in Figure 3, Minnesota Power's three-year average monthly residential bill is significantly lower than neighboring utilities and in line with other IOUs in Minnesota. The data used below were obtained from the 2023 - 2025 EIA annual electric power industry reports, Form EIA-861 detailed data files.

Figure 3. Monthly Residential Bill: 2023 - 2025 Average



Q. Does the Company's proposed Very Large Power ("VLP") customer class, including the potential for future data center customers to take service under that class, affect the rates proposed in this proceeding?

A. No. While the Company has proposed a VLP customer class that would be available to serve future very large customers, including potential large-scale data centers, there is no VLP customer load, revenue, or associated cost included in the test year in this rate case.

In addition, Minn. Stat. § 216B.1622, subds. 1-3, signed into law on June 14, 2025, established a regulatory framework designed to protect existing customers and ensure that serving new large-scale customers does not impede utilities' progress toward meeting Minnesota's Carbon-Free Standard. This law ensures that any addition of large

industrial demand, including data centers, will not increase rates for other customer classes. Rather, such an addition will help electricity rates be more affordable by spreading fixed costs from existing infrastructure over additional energy sales and improving the utilization of the grid.

2. Rate Design Principles

Q. What rate design principles did Minnesota Power consider in developing its proposed rate design?

A. Below are some of the influential rate design principles that Minnesota Power considered in designing its proposed rates for this rate case. These principles are consistent with traditional utility ratemaking guidance, including the principles articulated by James C. Bonbright[3] and subsequent regulatory literature.

- Rates must be just and reasonable.[4]
- Rates should promote efficient resource use and send appropriate price signals.
- Rate changes should be gradual to limit rate shock.
- Rates should be understandable and easy to administer.
- Rates should be designed to provide the Company a reasonable opportunity to recover its prudently incurred costs and earn its authorized return.

Q. Does the Company's proposed rate design result in just and reasonable rates?

A. Yes. The Company's proposed rates are consistent with the rate design principles discussed above. The proposed rates reflect the cost of providing safe and reliable electric service, promote efficient price signals, are designed to mitigate rate shock where practicable, and provide the Company a reasonable opportunity to recover its authorized revenue requirement. In addition, the proposed rates consider affordability impacts while maintaining fairness and consistency with cost causation principles.

[3] James C. Bonbright et al., *Principles of Public Utility Rates* (2d ed. 1988).
[4] *In the Matter of the Request of Interstate Power Company for Auth. to Change its Rates for Gas Serv. in Minn.,* 574 N.W.2d 408, 410 (Minn. 1998) (citing Minn. Stat. § 216B.16, subd. 6).

B. Class Cost of Service

Q. Please describe how the Company developed its test year projections for number of customers and billing units by customer class that is used in the Company's CCOSS.

A. Minnesota Power's test year projections for number of customers and billing units by customer class (*e.g.*, Residential, General Service, Large Power, etc.) are developed using three key sources: 1) the econometric forecasts from the 2026 Annual Forecast Report ("AFR")[5] in Volume 4, Workpaper OS-4; 2) projections of individual usage by customer for non-mining large industrial and municipal customers; and 3) an average operating rate for mining and metals customers. More details regarding these projections can be found in the Direct Testimony of Company witness Forsman. Minnesota Power's frequency distribution is then applied to the test year budget to determine the number of customers and billing units on particular rates within each revenue class, which, in turn, determines budget revenue by rate schedule and is then input into the CCOSS. The revenue by rate schedule is then totaled to provide revenue by customer class. Direct Schedules E-1 and E-2 in Volume 3 demonstrate this process. Direct Schedule E-2 contains detailed inputs and overview pages outlining the steps in the process of converting the test year budget numbers into budgeted revenue by customer class.

Q. Please explain how the CCOSS is used to develop general rates.

A. The results of the CCOSS are shown in Volume 3, Direct Schedule E-3. The development of the Company's fully allocated CCOSS and the results of that study are described in more detail in the Direct Testimonies of Company witnesses Levi A. Peterson and Amanda L. Turner. The revenue requirements from the CCOSS and the associated customer class billing units in Volume 3, Direct Schedule E-1 were used to determine unit costs for customer, energy, and demand components. These costs were used as a guide in developing the proposed general rate components, including service charges, energy charges, and demand charges, as applicable.

[5] *In the Matter of Minn. Power's 2026 Annual Elec. Util. Forecast Report,* Docket No. E999/PR-26-11, MINN. POWER'S 2026 ANNUAL ELEC. UTIL. FORECAST REPORT (July 1, 2026) (eDocket No. 20267-233724-01).

Q. What is Minnesota Power's 2027 test year revenue deficiency for final General Rates determined from the CCOSS?

A. Volume 3, Direct Schedule E-3 Parts 1 and 2 summarize Minnesota Power's proposed General Rate revenue deficiency for the test year. The Company's Proposed 2027 test year revenue deficiency is $166,614,646 (MN Jurisdictional) or an overall 22.09 percent increase.

Q. Is the revenue deficiency the result of only new cost drivers since the Company's last rate case?

A. No. The Company moved costs from the Transmission Cost Recovery ("TCR") Rider and the Renewable Resources Rider ("RRR") into base rates in the Proposed Test Year. Additional information regarding moving these rider costs to base rates is described by Company witness Levi Peterson.

Q. What would Minnesota Power's 2027 test year revenue deficiency for final General Rates be if only new cost drivers were included in the CCOSS?

A. If the costs remained in the current cost recovery riders and were not moved into base rates, the Company's 2027 test year revenue deficiency would be $134,446,618 (MN Jurisdictional) or an overall 17.83 percent increase.

Q. Please describe the CCOSS results by customer class.

A. The Proposed Test Year 2027 CCOSS results, shown in Table 1 below, indicate that the revenue increases required for each customer class to reach full cost of service vary significantly. These results reflect the revenue changes necessary for each class to recover its allocated cost of providing safe and reliable utility service. The results are presented in Volume 3, Direct Schedule E-3, Part 1. As I describe later in my Direct Testimony, this is not the revenue apportionment Minnesota Power is proposing in this proceeding.

Table 1. Class Cost of Service Study Results to be at Cost

Customer Class	(%) Requested Revenue Change to be at Cost
Residential	70.49%
General Service	26.81%
Large Light & Power	14.81%
Large Power	4.59%
Lighting	24.89%

Note: Dual Fuel revenues are not included.

C. Revenue Apportionment

Q. What is revenue apportionment, and what role does it play in Minnesota Power's rate design process?

A. Revenue apportionment is the process of determining how the overall retail revenue requirement is assigned among customer classes. An important input to this process is the CCOSS, which calculates the cost to serve each customer class. Once the overall revenue requirement has been established, the Company considers the CCOSS results, along with other relevant rate design objectives and principles, to determine each customer class's responsibility. The resulting apportionment by customer class revenue requirements serves as the revenue targets used to design the specific rates for each customer class. Because revenue apportionment occurs after the overall retail revenue requirement has been established, it does not change the total amount the Company seeks to recover; rather, it determines how that amount is distributed among customer classes.

Q. Describe Minnesota Power's revenue apportionment process.

A. The Company began with the total Minnesota jurisdiction revenue requirement of $920,723,315, as determined through the CCOSS and presented in MP Exhibit ___ (Leah Peterson), Direct Schedule 1. The Company then reviewed the CCOSS results by customer class, together with other relevant rate design and apportionment considerations. The Company set the LP and LL&P rates lower than the total proposed percent increase. The Company then determined the increase for Dual Fuel customers, and allocated the remaining revenue requirements between the Residential, General

Service and Lighting customer classes. The increase determined for each customer class was added to present rate revenues to determine the proposed rate revenue requirements for each class.

In other words, the apportioned revenue requirements from each customer class sum to the Total Sales of Electricity, including Dual Fuel.

Q. What does the 2023 Rate Case settlement agreement require Minnesota Power to propose in this case related to revenue apportionment?

A. As part of the 2023 Rate Case settlement agreement, the parties agreed that "Minnesota Power, as part of its next general rate case, shall propose a revenue apportionment that moves each customer class closer to its cost of service as shown on a CCOSS developed by Minnesota Power in that case. Minnesota Power's proposal of such a revenue apportionment is not binding on any party, and the proposal shall not carry any presumption of reasonableness. All parties reserve the right to respond to or oppose that proposal in any manner they choose based on the record and their analyses in that future proceeding."[6]

Q. How is the Company complying with the 2023 Rate Case settlement agreement provision that requires Minnesota Power to propose an apportionment which moves each customer class closer to its cost of service?

A. As shown in Table 2 below, the Company is using the results of the current CCOSS as a basis in determining its proposed class revenue apportionment. Rather than applying the same percentage increase to all classes as in the Company's last rate case, the Company proposes an increase for the LP and LL&P classes that is 0.5 percentage points lower than the overall final increase for all customer classes. This differential produces movement toward the cost-of-service relationships indicated by the CCOSS for each customer class, consistent with the settlement provision. I discuss the additional

[6] *In the Matter of the Application of Minn. Power for Authority to Increase Rates for Elec. Utility Serv. in Minn.*, Docket No. E015/GR-23-155, SETTLEMENT AGREEMENT at 13 (May 3, 2024) (eDocket No. 20245-206372-01).

reasons for the Company's revenue apportionment proposals later in my Direct Testimony.

Q. Please briefly describe in more detail how the Company's Dual Fuel program was a factor in revenue apportionment.

A. The Dual Fuel program is an interruptible electric service rate designed primarily for electric heat that provides customers with a discounted rate in exchange for Minnesota Power's ability to interrupt their dual fuel electric load when needed to support the electric system. The program provides an important tool for managing system energy costs and supporting beneficial electrification while maintaining electric heating as a competitive option relative to alternative fuels.

In developing its proposed revenue apportionment, the Company considered the unique characteristics and system benefits of Dual Fuel customers. These customers generally have electric heat and relatively high electricity usage, while also providing interruptible load that can be used more frequently to help manage system conditions and support grid stability. The Company also considered the role of Dual Fuel in supporting initiatives identified through its integrated resource planning and distribution planning efforts, as well as the need to maintain competitive electric heating rates relative to alternative fuel sources. Based on these considerations, the Company recommends limiting the revenue increase assigned to Dual Fuel customers.

Q. How does moving certain cost recovery rider costs into proposed final rates affect rate design and customer bills?

A. Moving costs from cost recovery riders to base rates does not affect customers' overall bills because those costs were already being recovered through the riders. As described by Company witness Levi Peterson and noted above, the Company proposes to recover certain costs currently recovered through the TCR Rider and RRR through base rates instead. While this proposal increases the revenue requirement reflected in the Company's requested base rates, the corresponding revenue requirements recovered through the TCR Rider and RRR are reduced by an equivalent amount. The revenue

requirements recovered through those riders are expected to decrease by approximately $32,168,028, reflecting the transfer of those costs to base rates.

As shown in Table 2, the Company's proposed general rate increase includes costs currently recovered through cost recovery riders that are proposed to be moved into base rates, representing between 0.98 to 4.58 percentage points of the proposed rate increases for each customer class. After excluding these transferred costs, the remaining rate increases are attributable solely to the new revenue requirement drivers supporting this rate request.

For example, the Residential class reflects a total proposed general rate increase of 23.63 percent, of which 4.37 percentage points are attributable to costs transferred from riders into base rates. Accordingly, the Residential class increase attributable to new revenue requirement drivers is 19.26 percent. The corresponding impacts for all customer classes are shown in Table 2.

Table 2. Proposed General Rate Increase Allocation to Customer Classes Adjusted for Cost Recovery Riders

Customer Class	General Rate CCOSS	Total Proposed General Rate Increase		Current Cost Recovery Riders (moving into base rates)		Total Proposed General Rate Increase (net of riders)
Residential	70.49%	23.63%	-	4.37%	=	19.26%
General Service	26.81%	23.63%	-	3.83%	=	19.80%
Large Light & Power	14.81%	21.59%	-	4.09%	=	17.50%
Large Power	4.59%	21.59%	-	4.58%	=	17.01%
Lighting	24.89%	23.63%	-	0.98%	=	22.65%

III. PROPOSED RATE DESIGN AND RETAIL RATES

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

A. The purpose of this section of my testimony is to outline the Company's proposed rate design and rates by customer class. Components of the proposed rates include service charges, energy charges, and demand charges, as applicable. This section also includes the Company's proposed tariff changes to rate schedules in Minnesota Power's Rate Book.

A. Residential

1. Standard Residential Rate Structure

Q. How are Minnesota Power's existing Residential rates structured?

A. Residential customers are either billed on a standard flat rate structure or a TOD rate. Customers that meet income-based and usage-based eligibility requirements qualify to receive a discount on their electric rates. Qualified low-income customers, defined as customers who are either eligible to participate in the State of Minnesota Low Income Home Energy Assistance Program ("LIHEAP") or have self-declared as low-income, are eligible for this discount if their average monthly electric usage is 1,000 kWh or less, based on the previous 12 months of usage history. This discount applies to the customer's first 600 kWh of energy usage.

As of October 1, 2026, Minnesota Power has roughly 43,700 residential customers on the TOD rate. During Q2 and Q3 of 2026, the Company began rolling out phase three of the TOD rate transition plan, during which approximately 21,000 residential customers were transitioned to the TOD rate. Details regarding the status of the Company's transition to TOD rates can be found in the Company's ongoing compliance filings in Docket No. E015/M-20-850.

Q. What is Minnesota Power's recommended rate increase for the Residential class?

A. The CCOSS indicates that a 70.49 percent increase to Residential rates would be warranted based solely on CCOSS results. However, as a matter of ratemaking policy, the Company concluded that implementing an increase of that magnitude would create

unacceptable rate shock and would not appropriately balance cost causation with customer rate stability. As a result, the Company is proposing a slight transition toward cost-based rates. This approach recognizes that rate design should consider both CCOSS results and the practical impacts of rate changes for customers. Accordingly, the Company proposes a final Residential rate increase of 23.63 percent.

These increases apply only to base rates. Reductions in the Company's cost recovery riders will partially offset this increase in base rates, resulting in an effective Residential rate increase of 15.38 percent during the interim period and 19.26 percent for final rates.

2. Standard Residential Service Rates

Q. Is the Company proposing any changes to the Residential Service Charge?

A. Yes. Minnesota Power proposes to increase the Residential Service Charge from $9.00 per month to $12.00 per month. This proposed change would increase the recovery of customer-related costs through the Service Charge and move it closer to the cost-based level indicated by the Company's Proposed 2027 Test Year CCOSS. Even with this increase, however, the Residential Service Charge would continue to recover only a portion of the fixed customer-related costs associated with providing service and maintaining a residential customer's connection to the electric grid.

Q. Why is the Company proposing to increase the Service Charge for the Residential Service schedule?

A. The Company is proposing to increase the Residential Service Charge to better align the recovery of customer-related costs that are directly caused by an individual customer connected to the electric system. 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. The proposed increase moves the Residential Service Charge closer to reflecting these customer-related costs while continuing to recover a substantial portion of costs through volumetric energy charges.

Q. How are the Company's proposed changes to the Service Charge for the Residential class just and reasonable?

A. The Company's proposed changes to the Residential Service Charge are just and reasonable because they are balanced in well-established ratemaking objectives and principles, including cost causation, gradualism, affordability, and revenue sufficiency.

In addition, the proposed Service Charge remains below the calculated cost-based Service Charge calculation. As a result, the proposal reflects a balanced approach that considers cost information alongside relevant rate design considerations.

Finally, the proposed change promotes equity and cost causation by ensuring that all residential customers contribute to the recovery of customer-related costs incurred to provide access to the electric grid and associated customer services. Because these costs are incurred regardless of how much electricity a customer uses, recovering a portion of them through the Service Charge helps align cost recovery with the nature of the costs being recovered.

As illustrated in Table 3, customers with significantly different levels of electricity consumption may nonetheless require similar customer-related infrastructure and services to remain connected to the electric system. If most fixed costs are recovered through energy charges, Customer B pays substantially more toward costs that may not actually vary with consumption. Increasing the service charge shifts more cost recovery to all customers equally. Incorporating a reasonable service charge helps ensure that all customers contribute to the recovery of these costs. In addition, the Company's proposal supports revenue sufficiency and revenue stability, which are important to maintaining safe and reliable electric service.

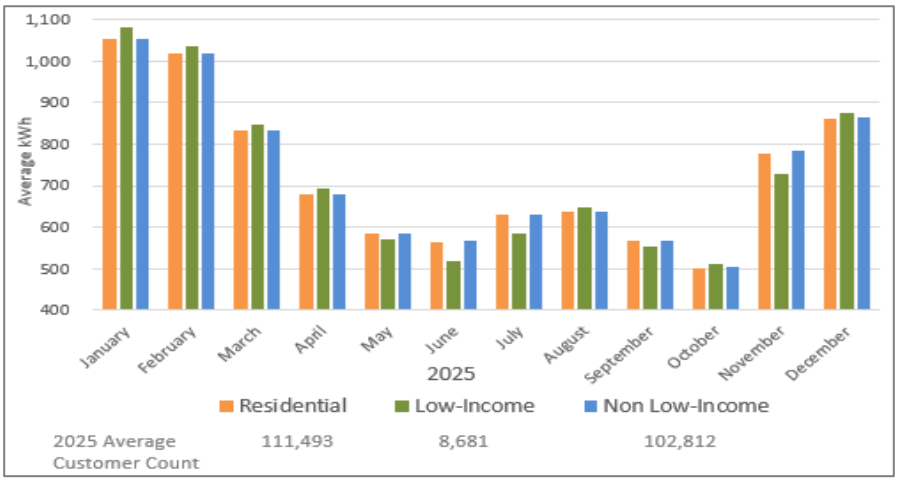
Table 3. Fixed System Cost Comparison

Customer	Monthly Usage	Fixed System Costs to Serve
A	200 kWh	Similar
B	1,200 kWh	Similar

Q. What is the impact of increasing the Residential Service Charge on low-income customers?

A. As shown in Figure 4 below, the average winter usage of Minnesota Power's low-income residential customers is greater than the average usage of the Minnesota Power Residential population overall and is greater than the average usage of the Minnesota Power non-low-income Residential customer population. This difference is likely due to higher reliance on electricity for heating purposes in the low-income customer population. This means that under current rates, low-income customers with usage that exceeds the class average pay more than their fair share of the fixed cost of service. In addition, low-income customers with annual average usage of 1,000 kWh or less also receive a 40 percent discount on their first 600 kWh each month. By increasing the service charge, the Company seeks to improve customer equity within the Residential rate class.

Figure 4. 2025 Monthly MP Residential Customer Usage



Q. What is the Company's proposed energy rate and discount for income- and usage-based eligible customers in this proceeding?

A. Minnesota Power proposes to increase the Residential Energy Charge from 10.772¢ per kWh to 14.003¢ per kWh. To preserve the intended level of bill assistance for income- and usage-based eligible customers, the Company proposes to maintain the discount at 40 percent of the Residential Energy Charge for the first 600 kWh consumed each month. As a result, the discount would increase from 4.311¢ per kWh to 5.601¢ per kWh, ensuring that eligible customers continue to receive the same proportional level of assistance under the proposed rates.

Q. Please explain how the proposed increase to the Residential energy rate impacts the Energy Charge Adjustments within the Rider for Residential TOD Service?

A. Customers taking service under the Rider for Residential TOD Service are billed at the Residential Energy Charge rate, plus the Energy Charge Adjustment for on-peak, off-peak, and super off-peak time periods. Because the Company is proposing an increase to the Residential Energy Charge, the corresponding Energy Charge Adjustments for the Rider for Residential TOD Service must also be revised. These adjustments have been updated for the Company's proposal in this case to preserve the Commission-approved time-of-use price differentials, including the two to one on-peak to super off-peak ratio.[7] Maintaining these relationships ensures that the Rider for Residential TOD Service continues to provide consistent price signals that encourage customers to shift energy usage to lower-cost periods.

Q. What Energy Charge Adjustments are being proposed for the Rider for Residential TOD Service?

A. Minnesota Power proposes to increase the On-Peak Energy Charge Adjustment from 4.800¢ per kWh to 6.500¢ per kWh; Off-Peak from -0.293¢ per kWh to -0.400¢ per kWh; and Super Off-Peak from -3.416¢ per kWh to -4.200¢ per kWh.

[7] *See In the Matter of the Petition for Approval of Changes to Minn. Power's Residential Rate Design*, Docket No. E015/M-20-850, ORDER APPROVING TRANSITION FROM INVERTED BLOCK RATE TO TIME-OF-DAY RATES at Order Point 1.f (Aug. 27, 2021) (eDocket No. 20218-177497-01).

Q. Why are the Company's proposed rate increases appropriate for the Residential class?

A. The proposed rate increase for the Residential class is appropriate because it reflects the increased costs of providing safe, reliable, and increasingly clean electric service. Although the CCOSS indicates that a significantly larger increase would be justified based on the calculated cost to serve, the Company has exercised ratemaking judgment to recommend a substantially lower increase that mitigates customer bill impacts and promotes rate stability. In addition, Minnesota Power continues to offer programs and rate options designed to help customers manage their energy costs, including energy efficiency programs, DR programs, low-income assistance programs, and a TOD rate structure that allows customers to reduce their bills by shifting usage to lower-cost periods.

3. Seasonal Residential

Q. Is Minnesota Power proposing any changes to the Service Charge for the Seasonal Residential Service?

A. Yes. Minnesota Power proposes to increase the Service Charge rate for Seasonal Residential customers from $15.00 to $24.00 per month.

Q. Why is Minnesota Power proposing to increase the Service Charge for the Seasonal Residential Service?

A. Consistent with the Residential Service Charge proposal, the Company is seeking to better align the recovery of customer-related costs that are directly caused by an individual customer being connected to the grid. Seasonal customers use the same fixed distribution infrastructure but contribute less revenue through volumetric energy charges because of their seasonal usage patterns. The proposed increase in the Service Charge moves these customers closer to their cost of service of $46.05.

Q. What Energy Charge is being proposed for the Seasonal Residential Service?

A. Minnesota Power proposes to increase the Energy Charge for Seasonal Residential customers from 11.261¢ per kWh to 14.633¢ per kWh.

4. Residential Dual Fuel

Q. Is the Company proposing any changes to the Service Charge for Residential Dual Fuel Interruptible Service?

A. Yes. The Company proposes the Service Charge for the Residential Dual Fuel Small Service to be set at $3.00 and Large Service to be set at $8.00 per month, lowered from $6.00 and $16.00 respectively.

Q. Why is the Company proposing the Service Charge to be lowered for Residential Dual Fuel Interruptible Service?

A. The Company proposes to reduce the Service Charge for Residential Dual Fuel Interruptible Service to support customer participation and improve retention in the program. Dual Fuel customers already pay a service charge through their standard residential electric service, which recovers a portion of the fixed costs associated with serving those customers. Although Dual Fuel service requires a separate meter and therefore incurs incremental metering and administrative costs, these costs are significantly lower than the full customer-related costs reflected in the standard Residential Service Charge.

Dual Fuel also provides value to the system because the Company can interrupt participating load for both energy and demand management purposes, which can reduce Fuel Adjustment Clause ("FAC") costs and provide benefits to all customers. Lowering the Service Charge improves the program's value proposition, particularly for customers with smaller Dual Fuel systems, or those that are currently using alternative fuel sources, and supports both retention of existing participants and future program growth. In addition, maintaining and growing participation in the Dual Fuel program preserves a valuable DR resource and incentivizes electrification.

Q. What Energy Charge is being proposed for Residential Dual Fuel Interruptible Service?

A. The Company proposes the Energy Charge for the standard Dual Fuel, for both Small and Large Service, to be set at 9.516¢ per kWh, up from 7.949¢ per kWh. For Dual Fuel

Plus, the Energy Charge is proposed to be set at 6.297¢ per kWh, up from 5.564¢ per kWh, for Small and Large Service customers.

Q. Is the Company proposing any other changes to the Residential Dual Fuel Interruptible Service?

A. Yes. Minnesota Power proposes a modification to the interruption provisions of the Residential Dual Fuel Interruptible Service tariff. Under the current tariff, Dual Fuel Plus load may be interrupted for up to 20 hours per calendar day, with a minimum two-hour period before a subsequent interruption. The Company proposes to revise this provision so that Dual Fuel Plus customer load may be interrupted for two separate 10-hour periods per calendar day, with a minimum four-hour period between interruption periods. This modification is intended to enhance customer comfort and system flexibility by providing additional recovery time between interruption periods while maintaining the Company's ability to manage costs during periods of high energy prices.

Q. Is Minnesota Power proposing any additional changes to the Company's Residential Dual Fuel Interruptible Service tariff?

A. Yes. Minnesota Power is proposing revisions to the Service Conditions and Type of Service sections of its Residential Dual Fuel tariff to improve clarity and align tariff language with current operational practices. These proposed revisions are outlined below.

1. Minnesota Power proposes to remove language requiring service to be supplied through a single meter. Specifically, the Company proposes to delete the phrase, "and is supplied through one meter at one point of delivery," from the Type of Service section. As revised, the provisions would simply state: "The small service rates are applicable where connected load is 75 kilowatts (kW) or less single phase and served at 120 volt, 120/240 volt or 120/208 network voltage" and "The connected load on these services is larger than 75 kW." This change is intended to eliminate potential confusion regarding metering and submetering

arrangements while preserving the existing applicability and eligibility requirements of the service.

2. Minnesota Power proposes to revise Service Condition 1 by replacing the existing requirement that "The backup heating source must be a non-electric, externally vented heating system, of sufficient size, capable of continuous operation" with "The backup energy source must be capable of continuous operation." This change simplifies the provision and broadens the eligibility of acceptable backup energy sources.

3. Minnesota Power proposes to revise the Service Conditions by removing the requirement that the interruptible load be "separately served and metered." Specifically, the Company proposes to replace Service Condition 2 language with "The interruptible load of the approved Dual Fuel installation must be separately metered and shall at no time be connected to facilities serving customer's firm load in a manner that would avoid or circumvent interruption." The proposed revision clarifies the requirement that interruptible load must remain distinct from facilities serving the customer's firm load.

4. Minnesota Power proposes to update the interruption criteria contained in Service Condition 3(a) of the tariff. The current tariff states: "Interruptions normally occur at such times: (a) when the Company is required to use oil-fired generation equipment or to purchase power that results in equivalent production cost." The Company proposes to replace this provision with the following language: "Interruptions normally occur at such times: (a) when the Company is required to purchase or generate power at a cost higher than customer's energy charge." This revision modernizes the interruption criteria by aligning tariff provisions with current market conditions and energy price signals rather than referencing specific generation resources or equivalent production costs.

5. Residential Fixed Off-Peak Service

Q. Is the Company proposing any changes to the Service Charge for Residential Fixed Off-Peak Service?

A. Yes. The Company proposes the Service Charge for the Residential Fixed Off-Peak Small Service to be set at $3.00 and Large Service to be set at $8.00 per month, lowered from $6.00 and $16.00 respectively.

Q. Why is the Company proposing the Service Charge to be lowered for Residential Fixed Off-Peak Service?

A. Consistent with its proposal in the Residential Dual Fuel Interruptible Service and Commercial Dual Fuel Interruptible Service, the Company proposes lowering the Residential Fixed Off-Peak Service Charge to encourage participation and retention. Since customers already pay a standard Residential Service Charge, the added costs for Fixed Off-Peak service are lower. The change supports program growth, demand management, lower FAC costs, and electrification.

Q. What Energy Charge is being proposed for the Residential Fixed Off-Peak rates?

A. Minnesota Power proposes that the Energy Charge for Residential Fixed Off-Peak Service, for both Small and Large Service, increases from 5.564¢ per kWh to 7.906¢ per kWh.

Q. Is Minnesota Power proposing any additional changes to the Company's Residential Fixed Off-Peak tariff?

A. Yes. Minnesota Power is proposing revisions to the Type of Service sections of its Residential Off-Peak Service to improve clarity and align tariff language with current operational practices. The change is shown in redlined and clean format in Volume 3, Direct Schedules J-3 and J-2, Minnesota Power Electric Rate Book, Section V, Page No. 7, Residential Fixed Off-Peak Service. This change is summarized as follows:

1. Minnesota Power proposes to remove language that could be interpreted as requiring service to be supplied through a single meter. Specifically, the

Company proposes to delete the phrase, "and is supplied through one meter at one point of delivery," from the Type of Service section. As revised, the provisions would simply state: "The small service rates are applicable where connected load is 75 kW or less single phase and served at 120 volt, 120/240 volt or 120/208 network voltage" and "The connected load on these services is larger than 75 kW." This change is intended to eliminate potential confusion regarding metering and submetering arrangements while preserving the existing applicability and eligibility requirements of the service.

6. Residential Electric Vehicle

Q. Is the Company proposing any changes to the pricing periods for Residential EV Service?

A. Yes, the Company is proposing to add a Super Off-Peak pricing period to the current On- and Off-Peak periods. This addition will align with the current Residential TOD schedule approved in Docket No. E015/M-20-850. Minnesota Power proposes a Super Off-Peak period energy rate of 4.201¢ per kWh.

Q. Please describe the proposed pricing periods for Residential EV Service in more detail.

A. The proposed Residential EV Service rate is structured around three pricing periods. Customers would be billed at the On-Peak rate for energy used between 3:00 p.m. and 8:00 p.m. CPT, Monday through Friday, excluding holidays. Energy used between 11:00 p.m. and 5:00 a.m. CPT would qualify for the Super Off-Peak rate. Energy used during all remaining hours would be billed under the Off-Peak rate. Holidays excluded from the On-Peak period include New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

Q. What rates are proposed by the Company for Residential EV Service?

A. The Company is proposing an increase in the Energy Charge for On-Peak hours from 11.431¢ per kWh to 28.006¢ per kWh, from 3.200¢ per kWh to 14.283¢ per kWh for the Off-Peak hours, and a new Super Off-Peak Energy Charge of 4.201¢ per kWh. The

On-Peak and Off-Peak Energy Charges were calculated to encourage customers to charge their vehicles during the lower cost Super Off-Peak hours. In addition, the Company proposes to decrease the Service Charge from $6.00 to $3.00 per month.

Q. Why is the Company proposing the Service Charge to be lowered for Residential EV Service?

A. Consistent with the proposed Residential Dual Fuel Interruptible Service modifications, the Company proposes reducing the Residential EV Service Charge to improve enrollment and retention. Because participating customers already pay the standard Residential Service Charge, the incremental customer-related costs of EV service are limited. The reduced charge supports program adoption, managed charging, load shifting, lower fuel and purchased-power costs recovered through the FAC, and transportation electrification.

Q. What other changes are proposed for Residential EV Service?

A. Minnesota Power is proposing the following revisions to the Residential EV Service Tariff.

1. The Company proposes to rename the tariff from "Residential Electric Vehicle Service" to "Residential Load Shifting Service." This change reflects the broader applicability of the rate and recognizes that eligible customers can benefit from the service even if they do not own an EV.

   For example, customers with programmable electric loads such as electric water heaters, hot tubs, saunas, thermal storage heating systems, or certain electric heating and cooling equipment may be able to shift their electricity use to lower-cost overnight hours and reduce their energy costs. This rate may also appeal to customers with storage heating equipment who prefer to manage their own charging schedules instead of participating in a utility-controlled program.

The rate offers a significant discount during overnight hours while still providing electric service throughout the day. This allows customers to decide when and how much electricity to use during higher-cost periods while taking advantage of lower-cost off-peak pricing whenever possible. Renaming the tariff more accurately describes its intent and increases customer awareness of opportunities for customers to shift load, manage energy use, and potentially reduce their energy costs in a manner that aligns with the tariff's design.

2. Minnesota Power proposes to remove language that could be interpreted as requiring service to be supplied through a single meter. Specifically, the Company proposes to delete the phrase, "supplied through one meter at one point of delivery," from the Type of Service section. As revised, the provisions would simply state: "Single, phase, 60 hertz, and voltages of 120 to 240 volts." This change is intended to eliminate potential confusion regarding metering and submetering arrangements while preserving the existing applicability and eligibility requirements of the service.

Q. Is Minnesota Power proposing any additional changes to the Company's Residential Fixed Off-Peak tariff?

A. Yes. Minnesota Power is proposing revisions to the Type of Service sections of its Residential Off-Peak Service to improve clarity and align tariff language with current operational practices. The change is shown in redlined and clean format in Volume 3, Direct Schedules J-3 and J-2, Minnesota Power Electric Rate Book, Section V, Page No. 7, Residential Fixed Off-Peak Service. This change is summarized as follows:

1. Minnesota Power proposes to remove language that could be interpreted as requiring service to be supplied through a single meter. Specifically, the Company proposes to delete the phrase, "and is supplied through one meter at one point of delivery," from the Type of Service section. As revised, the provisions would simply state: "The small service rates are applicable where connected load is 75 kW or less single phase and served at 120 volt, 120/240 volt or 120/208 network voltage" and "The

connected load on these services is larger than 75 kW." This change is intended to eliminate potential confusion regarding metering and submetering arrangements while preserving the existing applicability and eligibility requirements of the service.

7. Residential Tariff Changes

Q. Is Minnesota Power proposing any additional changes to any of the Company's Residential tariffs?

A. Yes. Minnesota Power is proposing clarifying language within the Residential Service tariff. Specifically, the Company proposes to revise and clarify the applicability of the Residential Service rate schedule as it pertains to farm service. These revisions are intended to preserve the intent of the Company's residential affordability program and ensure consistent classification of customer usage.

The proposed language provides clarity when a customer qualifies for service under the Residential Service rate schedule versus the General Service rate schedule. Small farms and hobby farms would remain eligible for the Residential Service rate schedule only where a residence is served from the same metered service point, monthly usage remains below 2,500 kWh for three consecutive months, and demand remains below 10 kW. Farm operations exceeding either the usage or the demand threshold would be served under the applicable General Service rate schedule, with or without demand, as appropriate. These clarifications reflect the commercial nature of those loads and promote equitable cost allocation among customer classes. Customers with larger farm operations would retain the option to separately meter their primary residence and receive the Residential Service rate for that usage. Separately metered facilities and equipment, such as grain bins, irrigation systems, and additional barns, would be billed under the applicable General Service rate schedule. Overall, this proposal provides greater clarity for customers, simplifies administration of the tariff, aligns rate treatment with actual usage characteristics, and helps prevent unintended extension of Residential Service rate treatment to large commercial farm operations. The change is shown in

redlined and clean format in Volume 3, Direct Schedules J-3 and J-2, Minnesota Power Electric Rate Book, Section V, Page No. 1, Residential Service.

B. General Service

1. General Service Rates

Q. Is the Company proposing any changes to the Service Charge for General Service?

A. Yes. Minnesota Power proposes to increase the Service Charge rate for General Service customers from $15.00 to $19.00 per month.

Q. Why is the Company proposing to increase the Service Charge for the General Service schedule?

A. The Company proposes increasing the General Service Charge to more closely align it with the fixed costs each customer imposes on the electric system, including metering, billing, and service connections. A substantial portion of costs would continue to be recovered through volumetric energy charges.

Q. What revisions does Minnesota Power propose for the General Service rates?

A. Minnesota Power proposes to change the Energy Charge from 9.848¢ per kWh to 14.211¢ per kWh for customers without demand meters and from 6.890¢ per kWh to 8.859¢ per kWh for customers with demand meters; the Demand Charge from $6.50 to $9.00 per kW per month; and Transmission Demand from $4.03 to $4.83 per kW per month. The Company is also proposing to increase the primary voltage discount from $2.45 to $3.61, the transmission voltage discount from 0.800¢ to 1.526¢, and the bulk delivery discount from 0.153¢ to 0.374¢.

Q. Is Minnesota Power proposing to change the minimum charge for General Service three-phase service?

A. Yes. The current minimum charge for General Service three-phase service is $25.00. Based on the results of the CCOSS, the Company is proposing to increase this minimum charge to $50.00. The minimum charge has not been updated since 2008, and the proposed increase represents a gradual step toward better aligning the charge with the

current cost of providing service to three-phase General Service customers. As reflected in the CCOSS, the updated minimum charge improves recovery of customer-related costs that are not fully captured under the existing charge while maintaining a measured and reasonable transition for customers.

Q. Why is the Company proposing to increase the minimum charge for General Service three-phase service?

A. The minimum charge for General Service three-phase service is intended to provide a reasonable level of cost recovery for the facilities and services necessary to make three-phase electric service available to the customer, regardless of the customer's energy usage in a particular month. Three-phase service may require greater metering, transformers, and distribution facilities, and those costs continue even during periods of low or minimal usage. The minimum charge, which is different from the service charge, therefore helps ensure that customers contribute toward the fixed costs associated with maintaining their service and reduces the potential for those costs to be shifted to other customers.

2. Commercial/Industrial Dual Fuel

Q. Is the Company proposing any changes to the Service Charge for Commercial/Industrial Dual Fuel Interruptible Service?

A. Yes. The Company proposes the Service Charge for the Commercial/Industrial Dual Fuel Small Service to be set at $3.00 and Large Service to be set at $8.00 per month, lowered from $6.00 and $16.00 respectively.

Q. Why is the Company proposing the Service Charge to be lowered for Commercial/Industrial Dual Fuel Interruptible Service?

A. Consistent with its proposal in the Residential Dual Fuel Interruptible Service, the Company proposes lowering the Commercial Dual Fuel Interruptible Service Charge to increase customer participation and retention. Because Dual Fuel customers already pay a standard commercial electric service charge, the incremental costs of providing Dual

Fuel service—primarily separate metering and administration—are lower than the full standard service charge.

Reducing the charge would improve the program's value proposition, particularly for customers with smaller systems or alternative fuel options. Maintaining and expanding participation preserves a DR resource that can be interrupted to manage energy use, reducing FAC costs for all customers while supporting electrification.

Q. What rates for Energy Charges are being proposed by the Company for Commercial/Industrial Dual Fuel Interruptible Service?

A. The Company proposes that the Energy Charge for the standard Dual Fuel Small Service and Large Service – Low Voltage customers be set at 9.234¢ per kWh, up from 7.915¢ per kWh; and Large Service – High Voltage be set at 9.078¢ per kWh, up from 7.781¢ per kWh. For Dual Fuel Plus, the Energy Charge is proposed to be set at 6.443¢ per kWh, up from 5.523¢ per kWh, for Small Service and Large Service – Low Voltage customers; and 6.301¢ per kWh, up from 5.401¢ per kWh, for Large Service – High Voltage customers.

Q. Are there other changes to the Commercial/Industrial Dual Fuel Interruptible Service that the Company is proposing?

A. Yes. Minnesota Power is proposing revisions to the Service Conditions and Type of Service sections of its Commercial/Industrial Dual Fuel Interruptible Electric Service tariff to improve clarity and align tariff language with current operational practices. The change is shown in redlined and clean format in Volume 3, Direct Schedules J-3 and J-2, Minnesota Power Electric Rate Book, Section V, Page No. 16, Commercial/Industrial Dual Fuel Interruptible Electric Service. These changes are summarized as follows:

1. Minnesota Power proposes to remove language that could be interpreted as requiring service to be supplied through a single meter. Specifically, the Company proposes to delete the phrase, "and is supplied through one meter at one point of delivery," from the Type of Service section. As revised, the

provisions would simply state: "The small service rates are applicable where connected load is 75 kilowatts (kW) or less single phase and served at 120 volt, 120/240 volt or 120/208 network voltage" and "The connected load on these services is larger than 75 kW." This change is intended to eliminate potential confusion regarding metering and submetering arrangements while preserving the existing applicability and eligibility requirements of the service.

2. Minnesota Power proposes to revise the Service Conditions in the tariff by removing the requirement that the interruptible load be "separately served and metered." Specifically, the Company proposes to replace Service Condition 2 language with "The interruptible load of the approved Dual Fuel installation must be separately metered and shall at no time be connected to facilities serving customer's firm load in a manner that would avoid or circumvent interruption." The proposed revision clarifies the requirement of interruptible load must remain distinct from facilities serving the customer's firm load.

3. Commercial/Industrial Fixed Off-Peak

Q. Is the Company proposing any changes to the Service Charge for Commercial/Industrial Fixed Off-Peak Service?

A. Yes. The Company proposes the Service Charge for the Commercial/Industrial Fixed Off-Peak Small Service to be set at $3.00 and Large Service to be set at $8.00 per month, lowered from $6.00 and $16.00 respectively.

Q. Why is the Company proposing the Service Charge to be lowered for Commercial/Industrial Fixed Off-Peak Service?

A. Consistent with its proposal in the Residential Dual Fuel Interruptible Service and Commercial Dual Fuel Interruptible Service, the Company proposes lowering the Commercial Fixed Off-Peak Service Charge to encourage participation and retention. Since customers already pay a standard commercial service charge, the added costs for Fixed Off-Peak service are lower. The change supports program growth, demand management, lower FAC costs, and electrification.

Q. What rates are being proposed by the Company for Commercial/Industrial Fixed Off-Peak Service rate?

A. Minnesota Power proposes that the Energy Charge for Small Service - Low Voltage and Large Service - Low Voltage be increased from 5.523¢ to 7.830¢ per kWh and for Large Service - High Voltage customers to be increased from 5.401¢ to 7.674¢ per kWh.

Q. Is Minnesota Power proposing any additional changes to the Company's Commercial/Industrial Fixed Off-Peak tariff?

A. Yes. Minnesota Power is proposing revisions to the Type of Service and Service Conditions sections of its Commercial/Industrial Off-Peak Service to improve clarity and align tariff language with current operational practices. The change is shown in redlined and clean format in Volume 3, Direct Schedules J-3 and J-2, Minnesota Power Electric Rate Book, Section V, Page No. 17, Commercial/Industrial Fixed Off-Peak Electric Service. These changes are summarized as follows:

1. Minnesota Power proposes to remove language that could be interpreted as requiring service to be supplied through a single meter. Specifically, the Company proposes to delete the phrase, "and is supplied through one meter at one point of delivery," from the Type of Service section. As revised, the provisions would simply state: "The small service rates are applicable where connected load is 75 kW or less single phase and served at 120 volt, 120/240 volt or 120/208 network voltage" and "The connected load on these services is larger than 75 kW." This change is intended to eliminate potential confusion regarding metering and submetering arrangements while preserving the existing applicability and eligibility requirements of the service.

2. Minnesota Power proposes to remove the Service Condition 2 that limits total connected controlled load to 200 kW. The Company determined that this restriction may unnecessarily limit participation by commercial and industrial customers that are capable of shifting load and could benefit from service under this tariff. Removing the 200 kW cap will allow additional customers with larger

controllable loads to participate while preserving the tariff's existing operating requirements and Off-Peak service characteristics.

4. Commercial EV Rates

Q. Is the Company proposing any changes to the Service Charge for Commercial EV Service?

A. Yes. Minnesota Power proposes to increase the Service Charge rate for Commercial EV Service customers from $15.00 to $19.00 per month.

Q. What rates does Minnesota Power propose for the Commercial EV rates?

A. Minnesota Power proposes to change the Energy Charge from 6.890¢ per kWh to 8.859¢ per kWh; the Demand Charge from $6.50 to $9.00 per kW per month; and Transmission Demand from $4.03 to $4.83 per kW per month. The Company is also proposing to increase the primary voltage discount from $2.45 to $3.61, the transmission voltage discount from 0.800¢ to 1.526¢, and the bulk delivery discount from 0.153¢ to 0.374¢.

5. General Service Tariff Changes

Q. Is Minnesota Power proposing any additional changes to the Company's General Service tariffs?

A. Yes. The Company proposes to revise the applicability language to clarify that service under the General Service tariff is available to both residential and commercial customers who satisfy the applicable General Service requirements. The change is shown in redlined and clean format in Volume 3, Direct Schedules J-3 and J-2, Minnesota Power Electric Rate Book, Section V, Page No. 10, General Service.

Q. Is Minnesota Power proposing any other changes to General Service or other commercial customer tariffs?

A. Yes. The Company is proposing to update the High Voltage Service section in multiple tariffs including General Service, Commercial/Industrial Dual Fuel Interruptible, Commercial/Industrial Fixed Off-Peak, EV Public Charging Service, Commercial EV

Fleet Charging Service, and Company-owned EV Service Equipment tariffs. These changes are intended to clarify eligibility for primary voltage and bulk delivery voltage discounts and to align tariff language with current system configurations and operating practices.

Specifically, the Company proposes the following updates where applicable:

- Revise the primary voltage threshold from 13,000 volts or higher to 12,000 volts three-phase or higher, or 7,000 volts single-phase, reflecting current field conditions and service configurations.
- Add a minimum demand threshold of 2 MW for customers receiving service at bulk delivery voltage.
- Add language to clarify that the customer must own the transformer serving their facility to qualify for the applicable high-voltage discounts.

These updates are intended to ensure that the high-voltage service discounts are applied as originally intended and that the costs associated with serving these customers are appropriately allocated, rather than being shifted to other customers. The proposed changes are shown in redlined and clean format in Volume 3, Direct Schedules J-3 and J-2, Minnesota Power Electric Rate Book, Section V, Page No. 10, General Service, Page No. 11, Commercial Electric Vehicle Public Charging Service, Page No. 12, Commercial Electric Vehicle Fleet Charging Service, and Page No. 13, Company-Owned Electric Vehicle Service Equipment.

C. Large Light and Power

1. LL&P Rates

Q. What rate changes is Minnesota Power proposing for LL&P Service?

A. Minnesota Power is proposing to change both the Demand Charges and Energy Charge for LL&P Service. The Demand Charge for the first 100 kW of billing demand is proposed to increase from $1,050 to $1,450 per month. The Demand Charge for all additional billing demand is proposed to increase from $9.25 per kW-month to $12.75 per kW-month, and the Transmission Demand to increase from $6.07 to $7.88 per kW-

month. The Energy Charge is proposed to increase from 5.132¢ per kWh to 6.654¢ per kWh. The Company is also proposing to increase the primary voltage discount from $2.45 to $3.61, the transmission voltage discount from 0.800¢ to 1.526¢, and the bulk delivery discount from 0.153¢ to 0.374¢.

2. LL&P Rider for Schools

Q. What rates is Minnesota Power proposing for LL&P Rider for Schools?

A. Minnesota Power is proposing to change both the Demand Charges and Energy Charge for LL&P Rider for Schools Service. The first 50 kW of Billing Demand is proposed to increase from $525 to $725 per month. The Billing Demand Charge between 51 kW and 100 kW will increase from $10.50 to $14.50 and all additional billing demand will increase from $9.25 per kW-month to $12.75 per kW-month.

3. LL&P TOU Rider

Q. Please describe the 2023 Rate Case settlement agreement related to the LL&P TOU.

A. As part of the 2023 Rate Case settlement agreement, the parties agreed that Minnesota Power will discuss and work to address any concerns of interested customers related to the Off-Peak demand charge in the LL&P TOU Rider.[8]

Q. How many customers currently take service on Minnesota Power's LL&P TOU Rider?

A. Minnesota Power currently has three customers taking service under the LL&P TOU Rider. Of these customers, one enrolled in 2024 and another enrolled in 2025, reflecting recent growth in participation.

Q. How did Minnesota Power work with interested customers?

A. Minnesota Power met individually with each customer taking service under the LL&P TOU Rider to discuss the existing rate structure and gather feedback on potential

[8] *In the Matter of the Application of Minn. Power for Authority to Increase Rates for Elec. Utility Serv. in Minn.*, Docket No. E015/GR-23-155, SETTLEMENT AGREEMENT at 15 (May 3, 2024) (eDocket No. 20245-206372-01).

changes. Each meeting began with a brief review of the current rate design, the intent of the Rider, and recent estimated bill impacts specific to the customer. The majority of each meeting was then devoted to an open-ended discussion of the customer's questions and concerns, how the customer currently responds to the TOU rate structure, any future operational plans that may be influenced by the rate, and how potential changes could affect customer satisfaction and response. The discussions also included specific questions regarding the Off-Peak demand charge and customers' perspectives on both the existing charge and potential modifications.

Q. Please summarize feedback the Company received regarding the LL&P TOU Off-Peak demand charge.

A. Each customer currently taking service under the LL&P TOU rate has unique operational characteristics and usage patterns. Two of the three customers taking service on the rate expressed overall satisfaction with and understanding of the existing rate design. Customers were specifically asked about their abilities to manage their load in accordance with the existing structure and how changes to the demand components, such as increasing the price differential between On-Peak to Off-Peak demand rates, might impact their operations. Two customers expressed preferences for the existing price differential, citing that increasing the ratio between these rates might make the rate less manageable and had concerns it could reduce their ability to save on the rate. One customer, however, opposed the inclusion of an Off-Peak demand charge and supported either eliminating it entirely and shifting recovery to the On-Peak demand charge or increasing the spread between the two demand rates.

Q. Is Minnesota Power proposing changes to the Off-Peak demand charge structure?

A. No. Based on customer feedback, and after further investigation regarding the cost-based drivers for the existing TOU demand structure and impact analysis related to increasing the On-Peak to Off-Peak demand charge differential, Minnesota Power determined that the existing Off-Peak demand charge design continues to be appropriate as is.

The LL&P TOU rate is designed to encourage customers to shift load from On-Peak hours where capacity costs are highest, to Off-Peak and Super Off-Peak periods. However, it remains reasonable to maintain an Off-Peak demand charge because providing capacity during Off-Peak hours continues to impose costs on the system. Customers with significant Off-Peak demand can require generation, substation, and distribution facilities to be sized to serve those loads, even when the system is not experiencing its annual peak demand. This consideration has become increasingly important as Minnesota Power's generation portfolio has evolved to include a greater share of variable renewable resources. Because some renewable resources may not be available during Off-Peak periods, dispatchable resources must remain available to reliably serve customer load.

The Off-Peak demand charge reflects these ongoing capacity-related costs while continuing to provide a strong incentive for customers to reduce demand during higher-cost On-Peak periods. By applying a significantly lower demand charge in the Off-Peak period and no demand charge during the Super Off-Peak period, the rate design preserves the incentive to shift load while recognizing that capacity is not cost-free outside of On-Peak hours.

Q. What changes does Minnesota Power propose for the LL&P TOU Rider rates?

A. Minnesota Power is proposing to change both the Energy Charge and Demand Charges for the LL&P TOU Rider. The Company is proposing to increase the On-Peak Energy Charge from 7.038¢ per kWh to 9.316¢ per kWh, the Off-Peak Energy Charge from 4.692¢ per kWh to 6.209¢ per kWh, and the Super Off-Peak Energy Charge from 3.519¢ per kWh to 4.656¢ per kWh. This results in a ratio of the On-Peak to Off-Peak rates of about 1.5:1, which is consistent with the existing On-Peak to Off-Peak energy. Similar to standard LL&P service, the monthly demand charge for the first 100 kW or less in the LL&P TOU Rider would increase from $1,050 to $1,450 per month. Minnesota Power proposes to change the On-Peak demand rate from $9.75 per kW to $13.39 per kW, the Off-Peak demand rate from $4.50 per kW to $6.17 per kW, and the

Transmission Demand Charge from $6.07 to $7.88 per kW. The proposed rate design would continue to include a Super Off-Peak Demand Charge; however, that charge would remain unchanged at $0.00 per kW. Retaining the $0.00 per kW Super Off-Peak Demand Charge is intended to encourage customers to shift electric load usage to the Super Off-Peak period.

4. LL&P Tariff Changes

Q. Is Minnesota Power proposing any additional changes to any of the Company's LL&P tariffs?

A. Yes. The Company is proposing to update the High Voltage Service section in the LL&P tariff. These changes are intended to clarify eligibility for primary voltage and bulk delivery voltage discounts and to align tariff language with current system configurations and operating practices.

Specifically, the Company proposes to:

- Revise the primary voltage threshold from 13,000 volts or higher to 12,000 volts three-phase or higher, or 7,000 volts single-phase, reflecting current field conditions and service configurations.
- Add a minimum demand threshold of 2 MW for customers receiving service at bulk delivery voltage.
- Add language to clarify that the customer must own the transformer serving their facility to qualify for the applicable high-voltage discounts.

These updates are intended to ensure that the high-voltage service discounts are applied as originally intended and that the costs associated with serving these customers are appropriately allocated, rather than being shifted to other customers. The changes are shown in redlined and clean format in Volume 3, Direct Schedules J-3 and J-2, Minnesota Power Electric Rate Book, Section V, Page No. 22, Large Light and Power Service.

D. Lighting

Q. What changes does Minnesota Power propose for its Lighting rates?

A. Minnesota Power's proposed changes to its Lighting rates are to reflect the cost of purchasing, installing, and maintaining lighting equipment along with the cost of providing electric service.

1. Outdoor and Area Lighting Service

Q. What are the proposed changes for Outdoor and Area Lighting Service?

A. The Company proposes to increase the Energy Charge for Option 4, where the customer owns and maintains the equipment, from 10.998¢ per kWh to 16.366¢ per kWh. In addition, Minnesota Power proposes to increase the fixed monthly Service Charge for Option 4 from $5.00 to $9.00 per month and pole charge from $13.00 to $16.00. The fixed monthly charges cover the cost of the meter, customer service, and pole maintenance. The Company also proposes to change the Light Emitting Diode rates as shown in Table 4.

Table 4. Outdoor and Area Lighting Rates

Lamp Type	Present Rate	General Rate
LED48W	$11.41	$13.92
LED71W	$11.93	$14.55
LED184W	$20.61	$25.14
LED320W	$31.26	$38.14

2. Street and Highway Lighting Service

Q. What are the proposed changes for Street and Highway Lighting Service?

A. The Company proposes a similar increase as Outdoor and Area Lighting Service. The Energy Charge for Option 4, where the customer owns and maintains the equipment, is proposed to change from 10.998¢ per kWh to 16.366¢ per kWh as well as the fixed monthly Service Charge for Option 4 from $5.00 to $9.00 per month. The Company

also proposes to increase Light Emitting Diode, Mercury Vapor and Sodium Vapor rates as shown in Table 5.

Table 5. Street and Highway Lighting Rates

Lamp Type	Present Rate	General Rate
LED54W	$15.86	$19.35
LED118W	$19.88	$24.26
LED219W	$26.56	$32.39
MV175W	$13.34	$17.32
MV250W	$16.95	$22.01
MV400W	$22.91	$29.76
MV1000W2	$27.46	$35.70
SV100W	$10.71	$13.90
SV150W	$15.08	$19.58
SV150W-P	$9.11	$11.82
SV200W	$16.47	$21.39
SV250W	$17.79	$23.09
SV400W	$21.42	$27.82

E. Large Power

1. LP Rates

Q. What changes does Minnesota Power propose for the standard LP Service Schedule Demand Charges and Energy Charge?

A. Minnesota Power proposes to increase the Demand Charge for the first 10,000 kW or less of Billing Demand from $244,334 to $310,825, the Demand Charge for all additional Firm Demand from $24.00 to $30.50 per kW-month, and the Transmission Demand Charge from $8.49 to $11.17 per kW-month. The LP Firm Energy Charge is

proposed to increase from 1.164¢ per kWh to 1.790¢ per kWh and the Service Voltage Adjustment is proposed to increase from its current level to $3.61 per kW.

Q. What changes does Minnesota Power propose for Non-Contract LP Service Demand and Energy charges?

A. The Non-Contract LP demand charges have historically been set 20 percent higher than standard LP demand charges as a strong incentive for these large customers to continue making long-term contractual commitments under the standard LP Service Schedule. Minnesota Power proposes setting the Non-Contract LP demand and Transmission Demand charges 20 percent higher than the standard demand charges, which is $372,990 for the first 10,000 kW, $36.60 per kW for all additional Billing Demand, and $13.40 per kW for Transmission Demand. The Non-Contract LP Firm Energy Charge is proposed to increase from 1.164¢ per kWh to 1.790¢ per kWh and the Service Voltage Adjustment is proposed to increase from its current level to $3.61 per kW.

Q. Is Minnesota Power proposing any other changes to any of the Company's LP tariffs?

A. Yes. The Company proposes to modernize the surcharge applicability language while maintaining important protections for Minnesota Power's other customers. Additional proposed revisions include aligning the adjustment provisions for Non-Contract Large Power Service with the Large Power tariff, adding an expedited billing requirement for Non-Contract Large Power Service, and making other minor wording updates to both tariffs. The changes are shown in redlined and clean format in Volume 3, Direct Schedules J-3 and J-2, Minnesota Power Electric Rate Book, Section V, Page No. 24, Large Power Service and Page No. 25 Non-Contract Large Power Service.

F. Very Large Power ("VLP")

Q. What is the status of the VLP service schedule and proposed rates?

A. At the time of Minnesota Power's initial rate case filing, there is no approved VLP service schedule or corresponding rates as proposed in Docket E015/M-26-126.[9] If a VLP service schedule is approved during the course of this proceeding, the Company will update the VLP rates, as appropriate, to reflect the revenue requirement and rate design outcomes established in this case. This approach provides flexibility to incorporate any Commission-approved VLP framework into the VLP service schedule base rates.

Q. Is the Company currently serving any VLP customers?

A. No. Minnesota Power is not currently serving any customers that meet the statutory definition and eligibility requirements for service under a VLP tariff. The Company has petitioned for approval of a VLP Service Schedule pursuant to Minn. Stat. § 216B.1622, which requires the development of a very large customer class for qualifying customers. As proposed, the VLP customer class would apply to customers with new electric demand of 100 MW or greater. While the Company has entered into and is seeking regulatory approval related to the Google Electric Service Agreement ("ESA"),[10] no customer is currently taking service under the proposed VLP tariff. Given that the proposed VLP Service Schedule and Google ESA remain subject to Commission approval and because Minnesota Power does not expect the Google facility to begin taking electric service during 2027, the Company's 2027 test year sales forecast does not include any customers, energy sales, or revenues in the VLP class.

Q. How would the Company address additional sales associated with a future VLP customer?

A. Minnesota Power proposes to address changes in sales associated with future VLP customers through the implementation of a Sales Adjustment Mechanism, as described

[9] *In the Matter of the Petition of Minn. Power for Approval of Modifications to its Large Power Tariff*, Docket No. E015/M-26-126, PETITION (Feb. 18, 2026) (eDocket No. 20262-228274-01).
[10] *See* Docket No. E015/M-26-159.

in the Proposed New Riders section of my Direct Testimony and in the Direct Testimony of Company witness Forsman. Under this approach, revenues associated with changes in sales levels, including those that could result from the addition of a VLP customer, would be reflected through the mechanism rather than through an adjustment to base rates. This would ensure that the benefits of increased sales are timely and appropriately recognized by customers.

G. Rider Proposals

1. Advanced Metering Infrastructure Rider

Q. Is Minnesota Power proposing any updates to the Rider for Advanced Metering Infrastructure ("AMI") Opt-out?

A. Yes. Minnesota Power is proposing to increase the Residential AMI opt-out Charge from $20.00 per month to $25.00 per month.

Q. Why is Minnesota Power proposing to increase the AMI opt-out?

A. The costs to manually read meters tied to the legacy Advanced Meter Reading system have increased 25 percent since the Rider for Advanced Metering Infrastructure ("AMI") Opt-out was approved in the 2021 Rate Case. A comparison of 2021 costs and current costs for AMI opt-out meter reads illustrating the impact of cost inflation is presented in MP Exhibit ___ (Leah Peterson), Direct Schedule 2. The change is shown in redlined and clean format in Volume 3, Direct Schedules J-3 and J-2, Minnesota Power Electric Rate Book, Section V, Page No. 107, Rider for Advanced Metering Infrastructure (AMI) Opt-out.

2. Rider for Standby Service

Q. What is standby service?

A. Standby service is electric service provided to customers that operate on-site generation but remain connected to the utility system. The service allows those customers to obtain electric supply from the utility whenever their generating facilities are unable to meet all or part of their load due to planned maintenance, forced outages, reduced output, or other operating conditions. Because the utility must maintain the capacity and

infrastructure necessary to serve those customers when needed, standby rates are designed to recover the costs associated with providing that readiness-to-serve capability.

Q. Does Minnesota Power currently have any customers taking service under the Standby Service Rider?

A. No. Minnesota Power does not currently have any customers taking service under the Rider for Standby Service. However, the Company has actively worked with a customer that has installed on-site generation.

Q. Is Minnesota Power proposing to update the Rider for Standby service?

A. Yes, Minnesota Power is proposing to update the Rider for Standby Service in order to better align the rate with the current and future reality of the electrical grid, ensure related costs, benefits and risks of having customers on the Rider for Standby Service are being appropriately distributed between customers taking the service, customers not taking the service, the Company, and simplify what is currently a very complicated rate design for the billing system.

Q. What changes is Minnesota Power proposing to the Rider for Standby Service?

A. The changes are shown in redlined and clean format in Volume 3, Direct Schedules J-3 and J-2, Minnesota Power Electric Rate Book, Section V, Page No. 61, Rider for Standby Service. The key changes include a shift to focus on generator production rather than customer usage to determine standby status, the removal of scheduled versus unscheduled outages, and replacing the standby reservation fee with a per generated kW based fee referred to as the "Standby Self-Generation Fee."

Q. Please describe the Standby Self-Generation Fee in more detail.

A. The Standby Self-Generation Fee is designed to recover a portion of the costs that continue to be incurred by the utility system to serve customers with self-generation resources. These costs include transmission and distribution facilities that must remain

available to provide service when a customer's self-generation is unavailable or insufficient to meet its load requirements.

The Standby Self-Generation Fee is applied to the customer's self-generated kW during the hour in which the customer's total load, consisting of both Minnesota Power-supplied load and customer self-generated load, reaches its monthly peak. This approach recognizes that self-generating customers continue to rely on utility infrastructure to meet their maximum demand requirements.

The first step in developing the Standby Self-Generation Fee for each standby customer class (General Service, LP, and LL&P) was to identify the applicable demand-related cost components from the CCOSS, including transmission, distribution bulk delivery, distribution primary, and distribution secondary costs, as shown in Volume 3, Direct Schedule E-3. The total of these demand-related costs for each standby customer class was then divided by the corresponding customer class kW reflected in Volume 3, Direct Schedules E-1 and E-2 to develop a cost-based demand rate. Finally, 70 percent of the resulting rate was applied to determine the proposed Standby Self-Generation Fee for each standby customer class. Applying 70 percent of the cost-based rate allows the Company to recover a substantial portion of the costs incurred to maintain that capability while acknowledging the customer's investment in self-generation and reduced reliance on utility service. This approach promotes equitable cost recovery and helps minimize cost shifting to other customers.

Q. Please describe the standby demand charge in more detail.

A. The standby demand charges are intended to reflect the costs incurred to serve standby customers when their on-site generation does not perform at the expected level, particularly during periods of maximum customer demand. This design helps ensure that customers who create the need for additional utility capacity bear the associated costs, rather than those costs being allocated to other customer classes.

The Company proposes separate on-peak and off-peak standby demand charges that apply in months when a customer's on-site generation output falls below its contracted self-generation amount during the measured 15-minute interval in which the customer's total load is highest. If the resulting standby demand occurs during designated on-peak hours, the on-peak standby demand charge will apply. If the standby demand occurs during designated off-peak hours, the off-peak standby demand charge will apply. This design more closely aligns standby charges with the costs incurred to serve standby load, which are generally higher during on-peak periods and lower during off-peak periods. By reflecting these cost differences, the charges provide an incentive for customers to schedule planned maintenance outages and other generation interruptions during lower-cost off-peak periods whenever feasible.

A base standby demand charge equal to 120 percent of the associated proposed demand rates (inclusive of transmission demand) was established for each class. The 20 percent premium recognizes that the Company must maintain sufficient transmission and distribution capacity to serve a customer's full demand when self-generation is unavailable or unable to meet the customer's load requirements. Because standby customers rely on the electric system as a backup source of service, the premium helps reflect the additional planning, capacity, and operational requirements associated with providing that capability and reduces the potential for those costs to be shifted to other customers.

The on-peak demand charge was determined by calculating the ratio of the LL&P TOU on-peak demand charge to the LL&P standard demand charge, and applying it to the base standby demand charge for each customer class. To calculate the off-peak demand charge, the difference between the standby on-peak demand charge and the LL&P standard demand charge was determined and the off-peak demand charge was set such that its difference from the LL&P standard demand charge equals one-half of the corresponding difference for the on-peak standby demand charge.

Q. Please explain the standby energy charge applicable to standby customers.

A. For all standby energy supplied by the Company, the customer is charged 120 percent of the Company's hourly incremental energy cost during the applicable hour. The standby energy charge is applied to kWh supplied from the Company to Customer when self-generation falls below the Customer's committed self-generation amount.

Incremental energy costs are determined after lower-cost energy resources have been allocated to serve firm retail customers, firm wholesale customers, inter-system sales made on a firm or participation basis, and interruptible sales to Large Power, LL&P, and General Service customers. The 120 percent factor is intended to reflect the additional costs and operational considerations associated with providing energy on a standby basis. Because standby service is provided when a customer's self-generation is unavailable or insufficient to meet its load requirements, the Company must maintain access to energy resources capable of serving that demand when needed. The standby energy charge helps ensure that customers receiving standby service appropriately contribute to the costs of providing that service and that those costs are not shifted to other customers.

3. Miscellaneous Rider Proposals

Q. Is Minnesota Power proposing to make any other changes to its existing riders?

A. Yes. Minnesota Power is proposing several tariff changes to existing riders:

- Delete the rider for Multiple Meter Service from its tariff. The Company proposes to delete this rider as the Company is no longer utilizing the request for General Service multiple meter service process as outlined within the rider. The change is shown in redlined format in Volume 3, Direct Schedule J-3, Minnesota Power Electric Rate Book, Section V, Page No. 53, Rider for Multiple Meter Service. In conjunction, references to the rider for Multiple Meter Service will also be deleted from the General Service tariff. The change is shown in redlined format in Volume 3, Direct Schedule J-3, Minnesota Power Electric Rate Book, Section V, Page No. 10, General Service tariff.

- Revise references within the Rider for Expedited Billing Procedures to allow applicability to non-taconite producing customers by adding an "or as defined in an ESA" provision. The change is shown in redlined format in Volume 3, Direct Schedule J-3, Minnesota Power Electric Rate Book, Section V, Page No. 54, Rider for Expedited Billing Procedures.
- Combine current individual Franchise Fee riders into one single Franchise Fee Rider to simplify rate implementation. The combined rider for Franchise Fees is shown in redlined format in Volume 3, Direct Schedule J-3, Minnesota Power Electric Rate Book, Section V, Page No. 59, Rider for Franchise Fees. Separate Franchise Fee rider deletions are shown in redlined format in Volume 3, Direct Schedule J-3, Minnesota Power Electric Rate Book:
    - Section V, Page No. 59, Rider for City of Duluth Franchise Fee;
    - Section V, Page No. 77, Rider for City of Long Prairie Franchise Fee;
    - Section V, Page No. 78, Rider for City of Little Falls Franchise Fee;
    - Section V, Page No. 79, Rider for City of Hermantown Franchise Fee;
    - Section V, Page No. 80, Rider for City of Park Rapids Franchise Fee;
    - Section V, Page No. 81, Rider for City of Aurora Franchise Fee;
    - Section V, Page No. 88, Rider for City of Nashwauk Franchise Fee;
    - Section V, Page No. 94, Rider for City of Silver Bay Franchise Fee;
    - Section V, Page No. 95, Rider for City of Hoyt Lakes Franchise Fee;
    - Section V, Page No. 101, Rider for City of Upsala Franchise Fee;
    - Section V, Page No. 105, Rider for City of Pequot Lakes Franchise Fee;
    - Section V, Page No. 110, Rider for City of Sandstone Franchise Fee; and
    - Section V, Page No. 113, Rider for City of Grand Rapids Franchise Fee.
- Remove the Rider for Fond du Lac Business Fee from the Company's rate book. The Rider for Fond du Lac Business fee reflects a franchise-fee-type structure that is no longer in effect. In 1996, the fee changed from a calculated charge to a fixed annual amount and is no longer directly applied to customer bills.
- Update the Conservation Cost Recovery Charge ("CCRC") rate from 0.458916¢ per kWh to 0.65373¢ per kWh. The change is shown in redlined and clean format

in Volume 3, Direct Schedules J-3 and J-2, Minnesota Power Electric Rate Book, Section V, Page No. 66, Rider for Conservation Program Adjustment.

- Remove Holiday Lighting from the Rider for Non-Metered Service. The Company proposes deleting this rider as the Company finds the holiday bulb count self-reporting requirement of cities to be burdensome and inaccurate. Furthermore, implementing holiday lighting charges is administratively prohibitive compared to negligible revenue. The change is shown in redlined and clean format in Volume 3, Direct Schedules J-3 and J-2, Minnesota Power Electric Rate Book, Section V, Page No. 67, Rider for Non-Metered Service.

Q. Is Minnesota Power proposing any further wording modifications within the Company's rate book?

A. Yes. Minnesota Power is proposing several minor wording modifications to multiple tariffs in the Company's rate book:

- Rider for General Service/Large Light and Power Interruptible Service. Minnesota Power is proposing clarification under the section: Rate Modification to show 100 kW minimum threshold and credit also applies to Fuel and Purchased Energy and Capacity Revenue and Expense Adjustments before any other applicable adjustments. The added language is shown in redlined and clean format in Volume 3, Direct Schedules J-3 and J-2, respectively, Minnesota Power Electric Rate Book, Section V, Page No. 68, Rider for General Service/Large Light and Power Interruptible Service.
- Rider for Distributed Generation Service and Rider for Back-up Generation Service. The Company is proposing deletion of Municipal Pumping Service rate schedules under Application section. The deletion of expired references are shown in redlined and clean format in Volume 3, Direct Schedules J-3 and J-2, respectively, Minnesota Power Electric Rate Book, Section V, Page No. 82, Rider for Distributed Generation Service and Section V, Page No. 99, Rider for Back-up Generation Service.
- Electric Service Regulations of Minnesota Power. Minnesota Power is proposing clarifications in the following sections: Supplying and Taking of

Service and Company's Installation, along with other minor wording updates. The revised language is shown in redlined and clean format in Volume 3, Direct Schedules J-3 and J-2, respectively, Minnesota Power Electric Rate Book, Section VI, Page No. 3, Electric Service Regulations of Minnesota Power.

- Extension Rules. In addition to Extension Cost and Extension Cost Calculation, as described further in the Direct Testimony of Company witness Joshua P. Goutermont, Minnesota Power is proposing changes to the Extension Rules tariff sections: Contributions, Basis for Making Extensions for Permanent Service where Extension Costs are $30,000 or Less, Reapportionment and Refunds, as well as minor wording changes throughout. The revised language is shown in redlined and clean format in Volume 3, Direct Schedules J-3 and J-2, respectively, Minnesota Power Electric Rate Book, Section VI, Page No. 4, Extension Rules.

4. Proposed New Riders

Q. Is Minnesota Power proposing any new Riders?

A. Yes. As discussed in more detail by Company witness Forsman, the Company is proposing to implement a new Sales Adjustment Mechanism. The Company is therefore proposing to add a new tariff to the rate book for the proposed Sales Adjustment Mechanism. The changes are shown in redlined and clean format in Volume 3, Direct Schedules J-3 and J-2, respectively, Minnesota Power Electric Rate Book, Section V, Page No. NEW-1, Sales Adjustment Mechanism.

H. Summary of Present and Proposed General Rates

Q. Please provide a summary of Minnesota Power's present rates and proposed general rates by rate class.

A. A summary of proposed rate revisions for all rate classes are provided in Volume 3, Direct Schedule E-2. All proposed tariff revisions, in both redlined and clean versions, are provided in Volume 3, Direct Schedules J-3 and J-2.

IV. CONCLUSION

Q. Does this complete your Direct Testimony?

A. Yes.

Minnesota Power - 2027 Test Year General Rates
Proposed Class Revenue Apportionment and Percent Increase

Line	Customer Class	Present Rate Revenue [A]	Proposed Percent Increase [B]	Proposed Dollar Increase [C]	Proposed Final Rate Revenue [D]	Final Rate Revenue (E-Schedule) [E]	Final E-Schedule Increase [F]
1	Residential	$ 145,652,321	23.63%	$ 34,421,066	$ 180,073,387	$ 180,073,437	23.63%
2	General Service	$ 97,659,789	23.63%	$ 23,079,303	$ 120,739,092	$ 120,739,312	23.63%
3	Large Light & Power	$ 136,251,876	21.59%	$ 29,422,569	$ 165,674,445	$ 165,674,207	21.59%
4	Large Power	$ 359,096,163	21.59%	$ 77,544,119	$ 436,640,282	$ 436,640,207	21.59%
5	Lighting	$ 4,421,372	23.63%	$ 1,044,875	$ 5,466,247	$ 5,466,351	23.63%
6	Subtotal by Customer Class	$ 743,081,521		$ 165,511,932	$ 908,593,453	$ 908,593,515	22.27%
7	Dual Fuel -- Residential	$ 9,262,599	10.00%	$ 926,260	$ 10,188,859	$ 10,188,455	10.00%
8	Dual Fuel -- Comm/Ind	$ 1,764,549	10.00%	$ 176,455	$ 1,941,004	$ 1,940,923	10.00%
9	Subtotal Dual Fuel	$ 11,027,148	10.00%	$ 1,102,715	$ 12,129,862	$ 12,129,378	10.00%
10	Total by Customer Class (Sales of Electricity including Dual Fuel)	$ 754,108,669	22.09%	$ 166,614,646	$ 920,723,315	$ 920,722,893	22.09%

Sources/Notes:
[C] Column [B] multiplied by column [A].
[D] Column [A] plus column [C].
[E] Direct Schedule E-1, page 2.
[F] Final proposed increase built into Direct Schedule E-1.

AMI Opt-out Rate Adjustment

AMI Opt-out Meter Read Calculation Comparison	2021	2026
Average travel time to meter related orders(minutes)	14.7	14.7
Average time to complete Meter Read (minutes)	3.9	3.9
Average time to travel and complete meter read (minutes)	18.6	18.6
Labor Rate for Meter Reader Collectors per hour	$ 35.07	$ 41.55
Labor Overhead %	49%	48%
Overheaded labor for Meter Reader Collector per hour	$ 52.19	$ 61.44
Average labor cost for a meter read	$ 16.18	$ 19.05
Fleet rate by hour for Class 1-4 vehicles per hour	$ 10.00	$ 8.50
Average fleet cost for a meter read	$ 3.10	$ 2.64
vxField Support costs for all ALLETE	$40,995.14	$56,487.00
Number of orders completed through vxField in 2025	62,803	30,129
System (vxField) cost per order	$ 0.65	$ 1.87
Total cost of an average meter read	$ 19.93	$ 23.55
Proposed fee	$ 20.00	$ 25.00