Direct Testimony and Schedule
Diana C. McFadden

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 _____

PROCUREMENT AND AFFILIATED INTEREST

November 2, 2026

TABLE OF CONTENTS

Page

I. INTRODUCTION AND QUALIFICATIONS 1
II. THE COMPANY'S PROCUREMENT PROCESSES 2
III. AFFILIATED INTEREST 6
A. Affiliated Interest Background 6
B. Compliance With New Affiliated Interest Requirements 7
IV. SUPPLY CHAIN CHALLENGES 13
V. SUPPLIER PROGRAMS 18
VI. CONCLUSION 19

I. INTRODUCTION AND QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Diana C. McFadden, and my business address is 30 W 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") as the Director of Supply Chain.

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

A. I graduated with a Bachelor of Science degree in Accounting from the University of Wisconsin-Superior. I then obtained a Master of Business Administration degree from the University of Minnesota Duluth and I was an active Certified Public Accountant for nearly 20 years. I began my career with Minnesota Power in 2004 and have held various positions in Marketing, Risk, Operations and Support Services. I have led the Supply Chain and Procurement area for 16 years.

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

A. I present an overview of the Company's procurement process followed by a discussion of how the Company has incorporated new affiliated interest requirements arising out of the proceeding in which the Minnesota Public Utilities Commission ("Commission") approved the acquisition of all outstanding ALLETE shares by Canada Pension Plan Investment Board ("CPP Investments") and Global Infrastructure Partners ("GIP") (together, the "Shareholders"). This transaction (the "Acquisition") was approved in an order issued by the Commission on December 10, 2025 (the "Acquisition Order").[1]

[1] *In the Matter of the Petition of Minn. Power for Acquisition of ALLETE by Canada Pension Plan Investment Board and Global Infrastructure Partners*, Docket No. E015/PA-24-198, ORDER APPROVING PETITION FOR ACQUISITION WITH CONDITIONS AND ESTABLISHING OTHER REQUIREMENTS (Dec. 10, 2025) (eDocket No. 202512-225721-01). The Acquisition Order, as used in my Direct Testimony, includes the Settlement Stipulation, which was also adopted by the Commission and incorporated into its Acquisition Order.

I will also discuss supply chain challenges the Company is experiencing and supplier programs the Company has implemented.

Q. Are you sponsoring any exhibits in this proceeding?

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

- MP Exhibit ___ (McFadden), Direct Schedule 1 – ALLETE Purchasing Manual

II. THE COMPANY'S PROCUREMENT PROCESSES

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

A. In this section of my testimony, I describe key aspects of the Company's procurement processes.

Q. What do you mean by procurement processes?

A. That term refers to the Company's systems and processes for acquiring goods and services. These systems and processes cover everything from simple purchases such as buying office supplies to complex processes for the construction of large new generation and transmission facilities. This term does not refer to the purchase of power to serve our customers. The purchase of power, including related proposal processes, is covered by a different department within the Company.

Q. What are the primary objectives of the Company's procurement processes?

A. The Company's procurement processes are designed to contain costs, manage risk, support reliable service, and comply with applicable affiliated interest requirements. To achieve these goals, it is important that purchases are made through structured procurement channels and are supported by documented approvals, appropriate contract terms, and supplier due diligence.

Q. Does Minnesota Power have policies in place relating to procurement of goods and services?

A. Yes. The Company's Purchasing Manual, attached to my Direct Testimony as MP Exhibit _____ (McFadden), Direct Schedule 1, governs its processes for procurement

of goods and services. The Purchasing Manual contains detailed requirements relating to the responsibilities of the purchasing department, ethics, supplier guidelines, purchasing approval levels, affiliated interest purchasing practice and reporting requirements, obtaining competitive pricing quotations, use of purchasing requisitions, special requirements for purchases of computer software and hardware, use of certain types of purchase agreements, and other aspects of procurement.

Q. Does the Company have any other codes or manuals relating to the procurement process?

A. Yes. The Company adheres to its Supplier Code of Conduct and its Code of Business Conduct.

Q. Please describe the Company's Supplier Code of Conduct.

A. The Supplier Code of Conduct outlines the Company's core values: Integrity, Safety, People, and Planet. As part of the Company's supplier onboarding process, suppliers are given a copy of the Supplier Code of Conduct. The Company expects all contractors, vendors, and suppliers of goods and services (and their employees, agents, and subcontractors) to comply with the Supplier Code of Conduct and to act ethically and with integrity. Failure to comply with the Supplier Code of Conduct may jeopardize a supplier's relationship with ALLETE. Use of the Supplier Code of Conduct helps create a more ethical, compliant, and sustainable supply chain. This benefits both the Company and its suppliers, and ensures that the Company is working with the right vendors in an effort to provide the best value to our customers.

Q. What is the focus of the Company's Code of Business Conduct?

A. The Code of Business Conduct focuses on Integrity, which is one of the Company's core values. Each employee must take annual required training relating to ethics, integrity, and the Code of Business Conduct. The Code of Business Conduct has a large section devoted to "Our Business Practices" and covers things like compliance, financial integrity, fair competition, fair dealing, conflicts of interest, business gifts, and environmental stewardship.

Minnesota Power's Purchasing Manual was developed with the Code of Business Conduct as its foundation. Our suppliers are given a copy of our Code of Business Conduct when they are onboarded and many contracts with our suppliers either refer to or require compliance with the Code of Business Conduct.

Q. Are there other key elements of the Company's procurement processes that help contain costs, manage risk, and support reliable service?

A. Yes, there are many. First, the Company requires purchase orders for all services, inventory materials, and material purchases over $3,000. This requirement helps ensure that purchases are routed through appropriate procurement processes, supports competitive pricing and contract compliance, and promotes more efficient invoice handling. Purchase orders also create a documented approval trail, which improves accountability and helps confirm that purchases are aligned with Company requirements.

In addition, the Company's policies require competitive bidding for purchases greater than $50,000 (subject to certain exceptions, which must be documented). Competitive bidding helps ensure that the Company obtains the best value for customers by comparing available supplier options, pricing, scope, timing, and other relevant commercial terms. The Company has estimated that in 2025 alone, it saw potential savings of up to $27 million for Minnesota Power customers from the use of its competitive bidding processes. In circumstances where competitive bidding is not feasible due to limited supplier availability or market constraints, the Company performs additional due diligence to ensure pricing and terms remain reasonable. This may include benchmarking against historical contracts, engaging in direct negotiations, evaluating cost drivers with suppliers, and leveraging industry knowledge from partners and advisors.

When they are applicable, Request for Proposal ("RFP") processes further protect customers by helping ensure multiple possible options are considered, including

suppliers and transaction partners. These processes also give the Company additional insight into market pricing. I oversee the RFP processes for materials, equipment, and contractors. Large project RFPs, such as those for new generation resources, are handled by a different department within the Company.

Q. How has the Company's use of competitive bidding resulted in potential savings?

A. One example involved the procurement of circuit breakers for projects with 2027 delivery requirements. The Company solicited competitive bids from three suppliers in early 2025. Although one supplier was unable to bid because of capacity constraints, two competitive bids were received and evaluated. The Company awarded the approximately $5.4 million order to the lowest-cost qualified supplier. The competitive process demonstrated approximately $1.5 million in savings compared with the other available bid.

Q. Please describe additional aspects of the Company's procurement processes.

A. The Company uses contract agreement structures such as alliance agreements, blanket purchase agreements, contract purchase agreements, and master agreements to support cost containment. These agreements are built around negotiated pricing and terms, which help reduce one-off buying, improve consistency in vendor management, and provide a more standardized approach to purchasing goods and services.

In addition, the Company has controls in place relating to purchase order revisions, field work authorizations, and change orders. These controls require documentation and approvals when contract price, scope, dates, or engineering and design changes occur, helping ensure that changes are reviewed before they are implemented. These controls help prevent scope creep and unapproved cost increases.

Q. How does the Company evaluate whether a procurement decision is prudent?

A. The Company evaluates procurement decisions by balancing cost, reliability, and timing considerations. With current dynamic market conditions, least-cost outcomes must be evaluated alongside the risk of project delays, equipment unavailability, or reliability

impacts. Accordingly, procurement decisions are made to achieve the best value for our customers over the near and long term, rather than focusing solely on the lowest initial price.

Q. Please summarize the Company's approach to procurement.

A. The Company has strong policies in place like our Purchasing Manual, Supplier Code of Conduct, and Code of Business Conduct, as well as a team dedicated to communicating these policies, enforcing them, and executing all purchase orders consistent with the above-described protocols. The Company works with integrity every day and continue to choose all vendors based on the value they create for its customers.

III. AFFILIATED INTEREST

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

A. The purpose of this section is to explain the Company's approach to affiliated interest transactions, and how the Company has implemented the affiliated interest requirements established in the Acquisition Order.

A. Affiliated Interest Background

Q. Please provide an overview of Minnesota's affiliated interest requirements applicable to public utilities.

A. Minnesota law requires public utilities to obtain approval from the Commission for contracts exceeding $50,000 between the utility and an affiliated interest.[2] Minnesota law contains a detailed definition of "affiliated interests."[3] In compliance with Minnesota's requirements, for many years Minnesota Power has filed various affiliated interest agreements, as well as an Affiliated Interest Annual Report with the Commission.

[2] Minn. Stat. § 216B.48, subd. 4.
[3] Minn. Stat. § 216B.48, subd. 1.

Q. Please describe Minnesota Power's Affiliated Interest Annual Report.

A. In the years prior to the Acquisition, Minnesota Power's Affiliated Interest Annual Report listed all shareholders that owned greater than five percent of the outstanding shares of ALLETE's stock. It also included the cost allocation methodology for, the total allocated and direct costs associated to, and copies of all billings greater than $50,000 with each of ALLETE's subsidiaries.

Q. What is the purpose of these filings?

A. As I understand it, the essential purpose of Minnesota's affiliated interest law and the Company's affiliated interest filings made with the Commission is to allow the Commission to identify and prevent potential self-dealing that could harm customers.

B. Compliance With New Affiliated Interest Requirements

Q. Did the Commission's Acquisition Order contain conditions related to procurement and affiliated interests?

A. Yes. Paragraph 1.29 of the Settlement Stipulation created new compliance requirements for the Company relating to procurement and affiliated interest transactions:

> a. Minnesota Power will require all suppliers, and any industrial customers with contracted rates, to identify annually whether they are more than 5 percent owned by CPP Investments, GIP, or BlackRock, Inc. Minnesota Power will list those entities in the annual affiliated interest report.
>
> b. Minnesota Power will identify any contracts over $500,000 with an entity identified pursuant to the immediately preceding commitment and notify the Commission within 30 days of the execution of each contract not already disclosed to the Commission, with a certification that the contract was negotiated and executed at arm's length.[4]

In addition, Paragraph 1.30 of the Settlement Stipulation created new requirements relating to procurement and affiliated interest transactions:

[4] *In the Matter of the Petition of Minn. Power for Acquisition of ALLETE by Canada Pension Plan Investment Board and Global Infrastructure Partners*, Docket No. E015/PA-24-198, ORDER APPROVING PETITION FOR ACQUISITION WITH CONDITIONS AND ESTABLISHING OTHER REQUIREMENTS at Settlement Stipulation ¶ 1.29 (Dec. 10, 2025) (eDocket No. 202512-225721-01).

> Minnesota Power's annual affiliate interest report to the Commission will be subject to an annual Agreed Upon Procedures audit by the company's independent third-party auditors; the costs of such additional audit procedures are not recoverable from ratepayers. Transactions with affiliated interest must be done at arm's length. ALLETE shall update its purchasing policies, procedures, manuals, codes of conduct, etc., to ensure compliance with conditions related to affiliated interest. ALLETE's compliance with affiliated interest standards and transactions will be subject to regular audits by independent third-party auditors; costs of such audits will not be recoverable from ratepayers. Consistent with the foregoing, annual lists of affiliated interest and documentation on affiliated transactions will be retained as set forth in a retention schedule.[5]

One of the purposes of my Direct Testimony is to describe how the Company has implemented these requirements.

Q. How did the Company begin to implement the requirements in Settlement Stipulation Paragraph 1.29?

A. Starting in December 2025, Minnesota Power undertook a structured, multi-phase initiative to meet these regulatory obligations by surveying its active suppliers, conducting targeted outreach, and performing independent ownership research. The Company began with a survey sent to hundreds of suppliers. The Company received fewer responses than anticipated, and it was apparent that many of the contact persons at our suppliers did not have sufficient visibility into their organizations' ownership structures. As a result, the Company undertook its own research. The Company started with larger suppliers, which were defined as having greater than $40,000 spend in 2025. Eventually, each of Minnesota Power's over 2,500 suppliers was researched. The Company followed up with a second survey in January 2026. The result of this comprehensive process was that over 250 relationships that met the definitions in Settlement Stipulation Paragraph 1.29 were identified. The Company plans to review

[5] *In the Matter of the Petition of Minn. Power for Acquisition of ALLETE by Canada Pension Plan Investment Board and Global Infrastructure Partners*, Docket No. E015/PA-24-198, ORDER APPROVING PETITION FOR ACQUISITION WITH CONDITIONS AND ESTABLISHING OTHER REQUIREMENTS at Settlement Stipulation ¶ 1.30 (Dec. 10, 2025) (eDocket No. 202512-225721-01).

these suppliers again periodically for any changes in their organization's ownership structure.

Q. Please describe additional ways in which the Company is complying with these requirements identified in the Acquisition Order.

A. The Company has implemented a number of measures to ensure compliance with these affiliated interest requirements, including enhanced reporting, procurement reviews, competitive bidding expectations, contract notification procedures, and policy and recordkeeping updates. One new measure is that affiliated interest contracts between $50,000 and $500,000 must now go through an additional approval process which involves both Director and Vice President level approval.

Per Paragraph 1.29(b) of the Settlement Stipulation, contracts over $500,000 with suppliers defined in Paragraph 1.29(a) must be reported to the Commission and negotiations are required to be conducted at arm's length. The Company interprets this requirement to mean that a competitive bid process should be used whenever possible. If these contracts are single sourced or sole sourced, a written justification is required. In addition, buyers in the Company's Supply Chain group may request more detailed justifications for affiliated interest transactions to confirm that the arm's length requirement has been satisfied.

Q. Have the new requirements of Settlement Stipulation Paragraph 1.29 been incorporated into the Company's procurement processes?

A. Yes. Minnesota Power has updated its procurement processes to ensure compliance with the Acquisition Order, including the requirement that contracts exceeding $500,000 between Minnesota Power and an affiliated interest be filed with the Commission. Minnesota Power evaluates whether a vendor or contracting party may qualify as an affiliated interest under the statute before entering into or amending agreements that meet the applicable filing threshold. In addition, as noted above, immediately after the Acquisition, the Company reviewed its procurement relationships to identify any vendors that might trigger requirements under Settlement Stipulation Paragraph 1.29 as

a result of the new ownership structure. For example, that process revealed that Siemens Gamesa Renewable Energy was a potential affiliated interest. Accordingly, Minnesota Power now reviews all procurement activity involving Siemens Gamesa Renewable Energy to determine whether Commission filing requirements are triggered. This approach is being taken with all of the vendors who are identified as potential affiliated interest under the Acquisition Order.

Q. Since the Acquisition Order, how many filings has Minnesota Power submitted to comply with the reporting requirements?

A. Since the reporting requirement first became effective, the Company has submitted over twenty filings in Docket No. E,G999/PR-26-17 notifying the Commission of new contracts over $500,000 with an entity that is more than five percent owned by BlackRock, Inc. ("BlackRock") or the Shareholders. These filings demonstrate the Company's ongoing compliance with the Commission's requirements.

Q. Did the Acquisition Order impose any additional requirements relating to the Company's procurement process?

A. Yes. As I mentioned above, Paragraph 1.30 of the Settlement Stipulation required Minnesota Power to "update its purchasing policies, procedures, manuals, codes of conduct, etc. to ensure compliance with conditions related to affiliated interest."

Q. Has the Company updated its purchasing policies, procedures, manuals, codes of conduct, etc. to ensure compliance with conditions related to affiliated interest?

A. Yes. The Company has updated its policies and procedures to reflect these affiliated interest requirements. Purchase order terms and conditions include supplier disclosure requirements, suppliers identified as affiliated interest are reviewed periodically, and records related to affiliated interest filings are retained by Regulatory Compliance in accordance with standard reporting requirements. For example, a new Supplier "Set Up" form was implemented in January 2026 that required suppliers to indicate whether BlackRock or the Shareholders held an ownership interest greater than five percent in their organization. Also in January, the Company announced on its intranet the changes

that were being made relating to procurement and affiliated interests, including the new responsibilities for both users and buyers. The Company updated its Supplier Code of Conduct and Purchasing Manual in 2026. In addition, the Company conducted in-person affiliated interest training sessions to educate employees on the new requirements.

Q. Did the Acquisition Order impose further requirements relating to the Company's affiliated interest reports and procedures?

A. Yes. Paragraph 1.30 of the Settlement Stipulation requires the Company's annual affiliated interest report filed with the Commission to be subject to an annual Agreed Upon Procedures audit by the Company's independent third-party auditors. The Company is currently working with our independent third-party audit firm to design the procedures that will be included in this audit.

Also, the Acquisition Order required that ALLETE's compliance with affiliated interest standards and transactions will be subject to regular audits by independent third-party auditors, and that documentation on affiliated interest transactions be retained as set forth in a retention schedule. The Company has been maintaining information about compliance with the affiliated interest standards and transactions, to ensure that the information is available for audit. The Company established a retention period for these documents consistent with its document retention policy.

Q. As part of the compliance requirements established in the Acquisition proceeding, did the Commission require the Company to file a new tax-sharing agreement?

A. Yes. Paragraph 1.31 of the Settlement Stipulation in the Acquisition Order required ALLETE and Alloy Parent entities (as appropriate) to "establish a new tax-sharing agreement that will be subject to Commission approval."[6] As described in the Direct Testimony of Company witness Rena E. Verdoljak, the new tax-sharing agreement was filed with the Commission nearly a year ago.

[6] *In the Matter of the Petition of Minn. Power for Acquisition of ALLETE by Canada Pension Plan Investment Board and Global Infrastructure Partners*, Docket No. E015/PA-24-198, ORDER APPROVING PETITION FOR ACQUISITION WITH CONDITIONS AND ESTABLISHING OTHER REQUIREMENTS at Settlement Stipulation ¶ 1.31 (Dec. 10, 2025) (eDocket No. 202512-225721-01).

Q. Are there any other conditions from the Acquisition that might touch on the procurement and affiliated interest issues you have been discussing?

A. Yes. One of the conditions of the Commission's approval of the Acquisition was that within six months, the Company had to file a petition with the Commission proposing a corporate reorganization in which entities within the Company that are not regulated utilities would be separated from Minnesota Power. That petition (the "Reorganization Application") was filed on June 1, 2026, and is pending before the Commission.[7] In the Reorganization Application, the Company proposed that Minnesota Power will become a wholly-owned subsidiary, called Minnesota Power, Inc., of a new ALLETE holding company, called ALLETE, Inc. (the "Reorganization"). Due to the Reorganization, the Company may need to update certain affiliated interest agreements to reflect the new organizational structure. Therefore, in the Reorganization Application, the Company requested that if the Commission approves the Reorganization Application it should also approve any necessary transfers of associated affiliated interest agreements and transactions pursuant to Minn. Stat. § 216B.48, subd. 3 and Minn. R. 7825.2200.[8] Minnesota Power further clarified this request in reply comments filed on October 2, 2026.[9]

Q. What do you conclude about the Company's compliance with affiliated interest requirements following the Acquisition?

A. The Company has worked hard since last December to implement and comply with the unique affiliated interest and procurement-related requirements established in the Acquisition Order. The Company is confident that its compliance with these

[7] *In the Matter of the Application of ALLETE, Inc., d/b/a Minn. Power, for Approval of an Internal Corporate Reorganization and Associated Affiliated Int. Agreements*, Docket No. E015/M-26-227, PETITION FOR APPROVAL (June 1, 2026) (eDocket No. 20266-232407-03).

[8] *In the Matter of the Application of ALLETE, Inc., d/b/a Minn. Power, for Approval of an Internal Corporate Reorganization and Associated Affiliated Int. Agreements*, Docket No. E015/M-26-227, PETITION FOR APPROVAL at 4 (June 1, 2026) (eDocket No. 20266-232407-03).

[9] *In the Matter of the Application of ALLETE, Inc., d/b/a Minn. Power, for Approval of an Internal Corporate Reorganization and Associated Affiliated Int. Agreements*, Docket No. E015/M-26-227, REPLY COMMENTS at 19-20 (Oct. 2, 2026) (eDocket No. 202610-237090-01).

requirements will only strengthen the already strong procedures relating to affiliated interests and procurement.

IV. SUPPLY CHAIN CHALLENGES

Q. How have supply chain challenges impacted Minnesota Power?

A. Over the last few years, electricity demand across the U.S. has been growing rapidly. This growth has greatly impacted supply chains for equipment used by electric utilities. Historically, utilities planned around relatively slow growth and modest replacement cycles. That changed quickly because of electric vehicles, electrification of buildings and industry, artificial intelligence and hyperscale data centers, semiconductor manufacturing expansion, domestic industrial reshoring, the replacement of aging electric infrastructure, and investments needed to support the clean energy transition. Now, demand is outpacing supply, which has led to materially longer lead times and cost pressures for critical grid equipment such as transformers, breakers, and other electrical components. This has impacts on both the affordability of the equipment and materials purchased and the timing of when the equipment and materials can be received and used by the Company.

In some cases, lead times have extended significantly beyond historical norms, and utilities are experiencing reduced supplier availability, fewer competitive bidders, and increased pricing volatility. These conditions are further impacted by raw material cost increases, labor constraints, and global manufacturing dependencies. Other complications come from Federal policy changes like domestic content requirements, tax incentives, domestic purchasing provisions, and tariffs.

These supply chain constraints directly affect project costs included in this rate proceeding, as delayed procurement or inability to secure equipment can lead to higher construction costs, schedule impacts, and increased risk to system reliability. As a result, procurement decisions must consider not only current pricing but also the potential for future cost escalation and availability risk.

Q. What impact has inflation had on Minnesota Power?

A. Inflationary pressures are affecting utility capital projects and overall costs. Rising costs for key commodities, electrical equipment, labor, transportation, and contractor services continue to increase overall project budgets and reduce purchasing power. While some equipment categories have experienced moderate increases, materials with significant aluminum, steel, or copper content have seen substantially higher cost escalation, creating ongoing budget, forecasting, and project affordability challenges across the industry. For example, breakers experienced a relatively modest 8.8 percent increase over approximately 18 months, while the aluminum conductor steel reinforced power conductor experienced a 141 percent increase in just six months, illustrating the significant impact that aluminum and steel market volatility has had on transmission material costs in 2026.

Q. What impact have tariffs had on Minnesota Power?

A. Tariff exposure remains difficult to forecast with precision because tariffs are assessed when equipment, materials, and components physically cross the U.S. border, often months or years after contracts are executed. The ultimate cost depends on the tariff rates, country of origin, product classifications, exemptions, and trade policies in effect at the time of importation, creating ongoing uncertainty around both the timing and amount of tariff expense. Based on current estimates, approximately $650 million of project spend is subject to tariffs, resulting in an estimated $111 million tariff exposure. The largest country-specific exposures are Germany and Brazil, which together represent nearly half of the total tariff-exposed spend.

Q. What actions has Minnesota Power taken in response to these challenges?

A. To mitigate supply chain risks, Minnesota Power conducted an internal review of its procurement processes to evaluate factors such as project criticality, probability of regulatory approval, supplier risk, and the potential for cost escalation. Improvements to the procurement process included executing the procurement phase of projects earlier than in prior planning cycles, expanding the Company's approach to strategic inventory

management, leveraging industry information, and considering the lifecycle cost of equipment and materials.

Q. Can you explain how earlier procurement can help mitigate supply chain risks?

A. Early procurement means ordering materials and equipment earlier in the project planning cycle to allow for longer lead times and potential delays in delivery which is becoming more common. Early procurement is becoming necessary to reduce overall cost exposure, mitigate schedule risk, or protect system reliability. While early procurement may introduce some risk if project scopes change or approvals are modified, the Company manages this risk through governance controls, staged commitments, and ongoing evaluation of project conditions. These actions are intended to minimize potential stranded costs while positioning the Company to secure critical materials in constrained markets.

For example, lead times on large power transformers are up to four years depending on size. Given these long lead times and Minnesota Power's need to deliver certain projects on particular timelines, this means that some equipment needs to be obtained while also seeking Commission approvals for site and route permits. In order to meet project in-service dates, the large power transformers for the Boswell and Regal Solar Projects, which have a 2027 in-service date, were ordered in 2023. Original delivery dates were mid-2026 and have recently been pushed into early 2027.

Q. How does maintaining a strategic inventory of materials and equipment mitigate supply chain risks?

A. The Company has expanded its approach to strategic inventory management for critical components. Maintaining appropriate inventory levels helps mitigate the risk of supply disruptions and avoids the need for emergency procurement at significantly higher costs. Inventory decisions are evaluated by balancing carrying costs against the operational and financial risks associated with equipment shortages, particularly for long lead-time items. An example of this is the effort undertaken by the Substation Asset Management Engineering team to evaluate critical spare equipment like circuit breakers

and potential transformers using a risk-based approach that considered the probability of failure, failure consequences, procurement lead times, and the time and effort required to mitigate or restore service. As a result, suggested reorder points and max quantities were established and implemented by the inventory team.

In addition, the Company is actively pursuing strategies to increase supply flexibility and resilience, including evaluating alternative materials and equipment configurations where appropriate, identifying new and qualified suppliers, and strengthening collaboration with existing vendors. Minnesota Power works closely with suppliers to understand market constraints, production capacity, and delivery risks, which supports more proactive and informed procurement decisions.

Minnesota Power has actively pursued additional sources for key materials and equipment, including transformers, structural steel, and high-voltage electrical equipment. The Company has qualified new suppliers, evaluated alternative products that meet technical requirements, and expanded competitive sourcing opportunities where feasible. For example, Minnesota Power has historically relied on two structural steel suppliers. In response to extended lead times and quality concerns, the Company identified and qualified three additional suppliers, expanding competition and increasing procurement flexibility. Although supply options remain limited for some specialized equipment and lead times continue to be a challenge, these efforts strengthen supply chain resilience and support more reliable project execution.

Q. Does the Company utilize industry information to navigate supply chain challenges and risks?

A. Yes. The Company continues to leverage external expertise and industry partnerships to navigate evolving supply chain conditions. This includes working with advisors to interpret Federal policy requirements, including domestic content provisions, tax credit eligibility, and Foreign Entity of Concern considerations, as well as leveraging insights from industry partners to anticipate and respond to emerging risks.

Q. How does the Company navigate supply chain risks for highly specialized or constrained equipment?

A. In certain circumstances, particularly for highly specialized or constrained equipment, the Company may be required to procure materials from a limited number of suppliers or a sole available source. In these instances, Minnesota Power performs additional due diligence to ensure pricing and terms remain reasonable. This includes benchmarking against historical pricing, reviewing cost drivers with suppliers, and leveraging market intelligence and peer utility experience where available.

Q. What else does the Company consider in its procurement decisions?

A. Procurement decisions also consider total lifecycle cost, including maintenance requirements, expected service life, and reliability performance, rather than focusing solely on initial purchase price. This approach supports the long-term value of investments and helps ensure that infrastructure additions perform as intended over time.

Q. How is the Company adapting its procurement strategy to evolving market conditions?

A. The Company continues to evolve its procurement practices in response to changing supply chain conditions. These efforts include expanding supplier relationships, exploring alternative materials and equipment solutions, enhancing collaboration with key vendors, and leveraging industry partnerships to gain insight into market trends. The Company is also evaluating opportunities for longer-term contracting strategies, standardization of equipment where appropriate, and increased use of data and analytics to improve procurement decision-making.

These actions are intended to improve supply resiliency, enhance cost management, and support the Company's ability to deliver required infrastructure in a timely and efficient manner.

V. SUPPLIER PROGRAMS

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

A. In this section I discuss how the Company's community engagement supports regional economic activity and helps the businesses and people that the Company serves.

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

A. Community engagement is one of the Company's core values and it underscores Minnesota Power's commitment to help the businesses and people of the region the Company serves to prosper. For the part of the Company that I lead, the Company's community engagement efforts focus on supplier diversity and economic opportunity.

Q. What has Minnesota Power done to enhance supplier diversity?

A. Minnesota Power continues to work with multiple utilities, prime contractors, and the Edison Electric Institute ("EEI") to learn and build best practices into supplier programs including: incorporating supplier diversity language into all new contracts; including a supplier diversity questionnaire in bids over $250,000; building an internal dashboard to track spending with diverse and small businesses; providing internal training with guidance for employees to include diverse businesses when bidding projects; and asking Minnesota Power's vendors to provide information on their own supplier diversity programs. Since 2022, the Company has gathered suppliers' certifications during setup and created a self-certification form as well. Through these internal efforts, the Company now has 537 small and 203 diverse businesses within its database.

In addition, Minnesota Power has attended and sponsored over a dozen in-person and virtual networking events held by:

- Women's Business Development Center;
- North Central Minority Supplier Development Council;
- EEI;
- Minnesota Tribal Contractor Council;
- Small and Disadvantaged Business Opportunities Council;
- Quorum;

- Disability: IN (Minnesota and Wisconsin);
- National Veteran-Owned Business Association; and
- National Veteran Business Development Council.

Finally, the Company has been focusing on supplier diversity among its Tier 2 suppliers. Tier 2 suppliers are subcontractors engaged by prime contractors to perform work associated with Company projects. While Minnesota Power contracts directly with the prime contractor, the subcontractor's work is performed under its agreement with the prime contractor. Minnesota Power is managing a Tier 2 spend reporting process with over thirty prime contractors to gather information on their subcontractors and suppliers. Minnesota Power added Tier 2 supplier diversity language into all new contracts starting in 2022. In addition, Minnesota Power seeks Tier 2 information from prime suppliers on bids exceeding $250,000, gathers diverse supplier spend data quarterly from the Company's credit card provider, and is publishing an external supplier website for all prospective and current suppliers to utilize in working with the Company (www.allete.com/supplier).

Q. What do you conclude about the Company's supplier programs?

A. The Company's supplier programs are robust and are an important part of the Company's continuing efforts to strengthen its region.

VI. CONCLUSION

Q. Does this complete your Direct Testimony?

A. Yes.



Purchasing Manual

REVISED JULY, 2026

ALLETE INC.

TABLE OF CONTENTS

.....0
CHAPTER 1 – PURCHASING & CONTRACTS INTRODUCTION.....2
CHAPTER 2 – DEFINITIONS.....4
CHAPTER 3 – PURCHASING LAW & AUTHORITY TO SIGN/CHANGE CONTRACTS.....9
CHAPTER 4 – ETHICS.....11
CHAPTER 5 – AFFILIATED INTERESTS.....13
CHAPTER 6 – SUPPLIER GUIDELINES.....14
CHAPTER 7 – APPROVAL LEVELS.....16
CHAPTER 8 – QUOTING POLICY.....18
CHAPTER 9 – ALLIANCE AGREEMENTS.....20
CHAPTER 10 – PURCHASE REQUISTIONS (PR).....22
CHAPTER 11 – CTS REQUESTS.....24
CHAPTER 12 – MATERIAL REQUESTS.....25
CHAPTER 13 – SERVICE REQUESTS.....27
CHAPTER 14 – CONTRACT & BLANKET PURCHASE AGREEMENTS.....29
CHAPTER 15 – REVISIONS TO PURCHASE ORDERS/CHANGE ORDERS/FIELD WORK AUTHORIZATIONS.....31
CHAPTER 16 – FREIGHT/SHIPPING POLICY.....35
CHAPTER 17 – CREDIT CARDS.....37
CHAPTER 18 – NON-PO INVOICE POLICY.....39
CHAPTER 19 – LEASE POLICY.....41
CHAPTER 20 – SMALL BUSINESS AND DIVERSE SPEND.....42
CHAPTER 21 – FEDERAL GRANTS.....44
CHAPTER 22 – CONTRACT BONDS.....45
CHAPTER 23 – SCRAP SALES PROCEDURES.....46

CHAPTER 1 – PURCHASING & CONTRACTS INTRODUCTION

Purpose

For the Company to maintain its position of leadership, it is imperative that we continually strive to lower costs while obtaining the best value in every area of our business operations. Purchased materials and services account for a large percentage of the Company's costs and provide us with an excellent opportunity for cost control, reduction, and community investment.

Purchasing is an important activity where the responsibility for procurement of materials and services is assigned to a group of employees (buyers) trained in negotiating, cost reduction, strategic sourcing, electronic commerce, and other purchasing techniques.

The primary responsibility of the Supply Chain department is to purchase materials, supplies, and services with the objective of delivery at the proper time, in the proper place, in a quantity, quality and price consistent with the needs of the Company. This balancing of several factors is critical.

To achieve this overall objective, the responsibilities, authorities, and controls set forth in this policy and referenced policies must be adhered to by all employees.

Responsibilities

Supply Chain has the responsibility for the procurement of all goods and services and the processing and sale of surplus and obsolete materials.

Only those persons delegated by the Company CEO/President are authorized to act as agents and commit the Company for materials, equipment, supplies, and services.

Supply Chain has the responsibility for obligating the Company and for making the determination of source of supply, quantities purchased, delivery schedule and price negotiations, except where others are so specifically authorized by the CEO/President. These decisions will be made in conjunction with Operations, Accounting, Engineering, and other departments, as appropriate.

Supply Chain has the responsibility to initiate and maintain effective and professional relationships with current and prospective suppliers, as well as all Company personnel, who are the department's clients. All employees involved in purchasing activities will work to maintain and enhance the Company's image by their personal conduct, methods of doing business, and practicing good public relations, giving all visitors, callers, and Company personnel professional, courteous treatment.

Supply Chain serves as the primary channel through which requests regarding prices for products and services are handled. Buyers will conduct appropriate communication with suppliers regarding prices or quotations. In cases where technical details are necessary, the user department may communicate directly with supplier.

All negotiations are to include the appropriate buyers within their delegated authority.

Buyer Responsibilities:

- Obtain and purchase all materials and services at the best economic value, considering the guidelines of prices, service, quality, and delivery. This duty will be performed in conjunction with the user.
- Ensure all the appropriate approvals have been attained for ordered materials and services. See approval levels.
- Inform user departments whenever the quantity or specifications of materials or services ordered are inconsistent with sound purchasing practices or market conditions and coordinate with the users in meeting their needs.
- Ensure that suppliers of services provide required insurance documentation and attend/receive safety orientation.
- Ensure that risk is mitigated through review of agreements prior to execution. Coordinate with internal Legal Department if necessary.
- Ensure punctual delivery of specified goods and services in correct quantities and on schedule based on user information.
- Negotiate the return of rejected material or supplies to suppliers upon notification from requestor.
- Negotiate resolution to any unacceptable services in accordance with the contract upon notification from requestor.

Buyers and all users will treat Supply Chain data in a confidential manner. This includes pricing information, contract details, proprietary technical specifications, bid awards and supplier information.

The Director of Supply Chain will advise management of economic conditions and changes significant to the Company's long and short-term interests.

CHAPTER 2 – DEFINITIONS

Alliance Agreement	A strategic agreement with a supplier that we do a lot of business with such as Border States Electric and Lakehead Constructors. These agreements have signed terms and conditions, negotiated prices, and had a term of at least 3 years.
Affiliated Interest	Any supplier, contractor, or service provider that is 5% or greater owned by CPP Investments, Global Infrastructure Partners (GIP), or BlackRock Inc. and contracted by the Company.
Approval Authorization	Authorized to approve an expense, not to make the purchase.
Approval Levels	Refer to chapter 7 of this manual.
Blanket Purchase Agreement	A type of a purchase agreement referred to as a BPA. A BPA can only be used when items are established in the system with inventory item numbers or non-inventory item numbers and prices are negotiated for each item.
Buyer	Supply Chain employee who has been given authority to commit the Company to purchases of material and services. Authorized to commit to purchases within their approval limit.
Change Order (CO)	Shall be used when changing the contract price, when the sum of FWA's exceed $50,000, for engineering/ design changes, when changing the scope of work or changes made to contractual dates.
Company	ALLETE: or ALLETE affiliated entity as defined on the Purchase Order.
Contract Administrator	See Buyer. (*Specializes in contract negotiations.*)
Contract Purchase Agreement	A type of a purchase agreement referred to as a CPA. CPAs should be used on contracts for material and/or services when multiple project and work order numbers will be used, multiple business units will have the

	need to use the same contract or if frequent low dollar transactions are processed with the supplier.
Diverse Business	Businesses are at least 51% owned and controlled by an individual or group that is part of a traditionally underrepresented or underserved group.
E-Commerce	Electronic connection to vendors/contractors' websites.
Executed Agreement	An executed agreement is a document signed by parties in a contract.
Field Work Authorization (FWA)	Shall be used to authorize minor field changes and deviations which unexpectedly arise during a project, not to exceed $50,000.00.
Insurance Certificate	Proof of insurance from a supplier that is kept on file with Supply Chain or in ISNetworld. *Also known as Certificate of Insurance (COI).*
iExpenses	Oracle responsibility where expense reports, credit card reconciliations and check requests are entered.
iProcurement	Oracle responsibility where purchase requisitions can be entered and where users can view their purchase orders, invoices, receipts, payments, and advance ship notices. Online catalogs can also be accessed through iProcurement.
iSupplier	Internal view where users can view their purchase orders, invoices, receipts, payments, and advance ship notices. External view where suppliers can view their POs, enter change requests, and submit invoices.
Logistics	Refers to the overall process of managing how resources are acquired, stored, and transported to their final destination.
Master Agreement	Type of agreement kept on file with Supply Chain. A master agreement usually originates from a large supplier such as Oracle, Microsoft and CDW, etc. The master agreement will state a main set of terms and conditions of the overall business agreement between the Company and supplier. Each additional request for service or material may have another set of terms and conditions (supplement, addendum, schedule, etc.) but will also reference the terms and conditions of the master agreement.

Non-PO Invoice	An invoice which is sent to an employee or the company that is not tied to an established Purchase Order or Agreement (BPA or CPA).
Officer	Officers of the Company can change based on titles and positions but they generally include: President, CEO, senior vice president, vice president, treasurer, controller.
Priority	Supply Chain will handle the order within two to three business days.
Procurement	The act of obtaining equipment, materials, or supplies.
Proprietary Information	Information that is not public knowledge (such as certain financial data, test results or trade secrets) and that is viewed as the property of the holder.
Purchase Acknowledgement	Mirrors the purchase order, with the addition of a location for the supplier's signature to signify acceptance of the purchase order. The supplier should return this document to Supply Chain.
Purchase Order (PO)	Legally binding document that contains information pertaining to the contract terms and conditions, ship-to address, delivery date, invoice requirements, supplier information and payment terms.
Purchase Requisition (PR)	Electronic request entered into Oracle by users and inventory personnel to notify Supply Chain of items and/or services that need to be purchased.
Request for Information (RFI)	A standard business process whose purpose is to collect written information about the capabilities of various suppliers.
Request for Proposal (RFP)	A solicitation, often made through a bidding process, by an agency or Company interested in procurement of a commodity, service, or valuable asset, to potential suppliers to submit business proposals.

Request for Quote (RFQ)	A standard business process whose purpose is to invite suppliers into a bidding process to bid on specific products or services. RFQ generally means the same thing as IFB (Invitation for Bid).
Return Material Authorization (RMA)	A numbered authorization provided by a supplier to permit the return of a good/part.
Small Business	A business that meets the definition of a small business as designated by the Small Business Administration.
Scope of Work	SOW or Statement of Work – Exact description of work that is to be performed. May include responsible party for inspection and approval of completed work; party responsible to supply labor, material, tools equipment, permits, etc.; result to be accomplished by the work; start and completion dates; submittals, such as drawings, manuals, final reports; contact and authorized persons for the Company and supplier; and procedure to handle additional work that is not included in original scope.
Scrap Seller	User in business unit who has identified material that needs to be scrapped.
Single Source	There are multiple suppliers that can provide these goods or services, but we are choosing to do business with a single specific vendor.
Sole Source	There is only one source and there are no other competitors.
Standard Purchase Order	Type of purchase order that is used when amount of purchase can be reasonably estimated and accounting on all invoices will not change.
Supplier	Business entity that supplies materials or services to the Company.
Supply Chain Analyst	See Buyer
Terms & Conditions	Attached to the purchase order - Language that has been reviewed and approved by a Buyer or the Company's Legal Department. This is language that governs the purchase of materials and services. Included are clauses regarding insurance, warranty, data security, indemnity,

	condition of delivered goods, governing law, federal compliance laws and regulations, etc.
Urgent	Supply Chain will handle the PR/PO within one business day.
User	Employee requesting the purchase of material or services.

CHAPTER 3 – PURCHASING LAW & AUTHORITY TO SIGN/CHANGE CONTRACTS

Purchasing Law

- Buyers have sufficient knowledge of the law to enable them to understand the legal relationship between themselves and the Company, and the legal consequences of the acts performed in the Company's name.
- Buyers' knowledge of legal fundamentals makes them equipped to recognize when situations require legal guidance.

Employees Authorized to Contractually Obligate the Company

- Officers
- Buyers, director of Supply Chain
- No other persons are authorized to sign contracts, agreements, proposals, letters of intent, etc.
- All others who commit the Company to the purchase of materials or services are not protected by the Company and may be held personally liable.

Authority Granted/Review by Legal

- The Board of Directors has given contract authority to sign contracts to Company officers which include , President, CEO, Senior Vice President, Vice President, Treasurer and Controller
- No other titles are included under "officers."
- Other authorized agents of the Company are those in Supply Chain.
- Buyers and director of Supply Chain are authorized to sign contracts, agreements and proposals that are associated with purchase orders.
- The purchase order is the contract with or without additional attached documents.
- Contracts and agreements submitted by suppliers must be reviewed and approved by the Supply Chain and/or Legal Department prior to purchase.

Agreements Outside of Supply Chain's Procurement Authority

- Contracts, proposals, or agreements that
    - (a) have no dollar value (such as non-disclosure agreements) AND
    - (b) are outside of the scope of Supply Chain's procurement authority (for example, an agreement that is not associated with a Purchase or a Purchase Order) need to be signed by an officer (Vice President, Senior Vice President, President, CEO, Treasurer, Controller)
- These types of agreements should also be reviewed by the Company's Legal department before signing.

Personal Liability

- As agents of the Company, buyers are protected and not likely to become personally liable for purchases on behalf of the Company.

- Personal liability may occur if the scope of business authority is exceeded.
- Buyers should not make false statements regarding their authority, make false statements with the intent to deceive or take any action without authority that could result in damages to others.
- Other employees may be held personally liable if making purchases outside company policies.

CHAPTER 4 – ETHICS

Conflict of Interest

User and Buyer Responsibility

- Employees may not have either direct or indirect financial interest of consequence in any business that competes with or supplies materials or services to the Company or its subsidiaries.
- Under very unusual circumstances, exceptions may be granted with prior approval from the President.
- Similar directives are pertinent to employees performing work or being paid by the Company for work outside their normal duties (see Ethics Manual)

Related Party Transactions

User and Buyer Responsibility

- Regardless of dollar value, contracts awarded to related parties, (i.e., relatives of employees, affiliated interest entities, etc.) must:
  - Be quoted.
  - Have management approval.
  - Meet all purchase order requirements (contract, insurance, 1099R)
- Employees are not to disclose any company proprietary information to unauthorized persons.
- Employees are not to take personal advantage of their position with the Company.
- If an employee finds themselves in a financial conflicting position, they are to state the facts in a letter to the president/CEO, who will make a decision in respects to the situation.

Gifts/Gratuities/Entertainment

User and Buyer Responsibility

- Employees are not to accept gifts, gratuities, or entertainment (dinners, recreational outings, sporting events, etc.) which are beyond a nominal amount and would place the employee in a position to feel obligated to a current or prospective supplier.
  - Drawings or raffles in which all attendees at an event, conference, or gathering have an equal opportunity of winning shall not be considered unethical.
- Under no conditions are loans, cash, or cash equivalents, to be accepted from individuals or organizations that currently or prospectively may have a business relation with the Company.
  - The exception is if the individual or organization is in the business of making loans to individuals.
- Associations with suppliers at luncheons, dinners or organizational meetings help establish business relationships and should not be considered unethical provided employees do not place themselves in the position of being obligated to the supplier.
  - To ensure this, company personnel are expected to act as hosts for suppliers on occasion.

Confidentiality

User and Buyer Responsibility

- Transactions related to Supply Chain are confidential.
- It is considered unethical and possibly damaging to the Company's competitive position to reveal pricing or proprietary information regarding one supplier's quotation to a competitive supplier.
- Employees should be aware of indirect methods of communicating confidential information such as documents on a desk or computer screen that may be viewed by a supplier; phone conversations that may be overheard by a supplier, or simply conversations between employees that may be overheard by a supplier.
- All files within Supply Chain are to be maintained in a confidential manner.
- Access to Supply Chain files is restricted to company personnel with need to know.
- Any information such as pricing that is shared with a user should also be kept confidential and not shared with suppliers.

CHAPTER 5 – AFFILIATED INTERESTS

Purpose

For purchases and contracts with entities in which BlackRock, Inc, Global Infrastructure Partners (GIP), or CPP Investments owns at least 5%, special care must be given. These are known as affiliated interests.

The Company may purchase from affiliated interest provided transactions are kept at "arm's length." An "arm's length" transaction typically means that standard purchasing practices outlined in this manual are used. Competitive bidding should be used when working with affiliates. Single source contracts should be avoided when possible.

Accurate record keeping of affiliated interests is required. Buyers will be alerted to a transaction with an affiliated interest via an attachment note at the time of selecting the supplier. Buyers will also receive an alert after the transaction as follow-up. A database of known affiliated interests will be maintained and available to Buyer. Periodic review will be conducted to ensure accuracy of known affiliated interests.

The database of known affiliated interests can be found here:

AFFILIATES-POs and Agreements - Power BI Report Server

Users Responsibilities

- Must include a request for disclosure of ownership for all suppliers.
- Must strive to use standard purchasing procedures outlined in this manual when purchasing from Affiliated Interests.
- Single and sole source contracts should be used in very rare instances and be well documented as prescribed in Chapter 8 – Quoting Policy when purchasing from affiliated interests.

Buyers Responsibilities

- All terms and conditions must include language stating supplier must disclose whether they meet the Company's definition of Affiliated Interest.
- Must maintain a list of Affiliated Interests and share that list with users.
- Ensure standard purchasing procedures are met and that transactions with affiliated interests are kept at "arm's length."

Approvals

Special reporting is required for spend with affiliated interests. As such, special approval is required. Approval limits for affiliated interests are outline in Chapter 7 – Approval Levels. All transactions above $500,000 must be reported to Regulatory Compliance immediately upon execution and reported to the MPUC within 30 days.

CHAPTER 6 – SUPPLIER GUIDELINES

Obligation of Company to Suppliers

- Suppliers are to be treated with professional courtesy.
- All approved suppliers are to have equal opportunity to provide pricing.
- Avoid putting suppliers through unnecessary expense or inconvenience.
- Decline to take advantage of supplier's errors.
- Explain clearly the reasons for rejection of bids/proposal without divulging price or other proprietary details.
- Provide information to suppliers regarding company safety and security requirements.
- Share no competitor's pricing or proprietary information.

Obligations of Supplier to Company

- Shall comply with the Company's Supplier Code of Conduct
- Communicate directly with buyers regarding negotiations and purchases.
- Suppliers of services must submit a Certificate of Insurance naming the Company as an additional insured per the limits required in each company's terms and conditions. (Minnesota Power, Superior Water, Light and Power Company, and ALLETE Clean Energy dollar limits differ)
- Suppliers must comply with all required training prior to coming on-site at an ALLETE facility or performing work on behalf of ALLETE at a customer site.
- No materials or services are to be supplied to the Company without receiving written notice or authorization from buyers.
- Negotiations are to be conducted ethically without attempt to influence through offering personal gifts or entertainment.
- All changes to current agreements must be directed to and approved by buyers.
- The Company may request a visit to the supplier's location of business.
- Suppliers are not to share Company proprietary information with Company competitors.
- As part of ALLETE's Contractor Risk Management Program, contractor's performing high risk work are required to be subscribed to and have a passing grade in ISNetworld (ISN)
- Contractors subscribed to ISN are required to utilize ISN's Site Tracker to submit monthly work hours and workforce details by job classification. ALLETE is collecting this data to meet new compliance reporting requirements from the Minnesota Public Utilities Commission (MPUC), which now requires Minnesota Power to report contractor work hours related to specific job classifications on a quarterly basis.

Supplier Samples

User and Buyer Responsibility:

- Samples of products offered for evaluation should only be accepted if:
  - The product is currently being used or could potentially be used.
  - The quantity/size are small and of low value.
- No chemicals are to be accepted unless accompanied by an approved safety data sheet.

- There should be a prompt evaluation of the product.
- If the product sampled is more than nominal value and an extended period will be necessary for evaluation, the sample shall be purchased.

CHAPTER 7 – APPROVAL LEVELS

Requisition Approval

Purchase Requisition Approval:

Approval by the business unit for the expense.

Supply Chain Approval:

Approval by Supply Chain leadership that the Supply Chain processes were followed.

User Responsibility:

- Obtain approvals on requisitions over $3,000 per the general guidelines below:
- Purchase requisitions will require approvals defined below:

CEO	Unlimited
President (ALLETE & ACE)	Unlimited
President (MP & SWLP)	Up to $1,000,000
Vice President	Up to $1,000,000
Director/General Manager	Up to $ 500,000
Manager	Up to $ 250,000
Supervisor	Up to $ 50,000

- No one can approve their own purchase requisitions regardless of the dollar amount.
- Approval levels for supplements to existing purchase orders are based on the dollar value of the total purchase order amount.
- Approvals are obtained electronically through the Oracle system.

Supply Chain Approval

Buyer Responsibility:

- Obtain the following approvals and authorizations before the purchase order is awarded:

CEO	Unlimited
President (ALLETE)	Unlimited
President (MP, ACE, & SWLP)	Up to $1,000,000
Vice President	Up to $1,000,000
Director, Supply Chain	Up to $500,000
Manager Supply Chain	Up to $250,000
Supervisor, Supply Chain	Up to $100,000

Supply Chain Lead	Up to $ 100,000
Contract Administrator	Up to $50,000
Supply Chain Analyst Senior	Up to $50,000
Supply Chain Analyst II	Up to $50,000
Supply Chain Analyst I	Up to $25,000
Supply Chain Associate	Up to $5,000

- Affiliate Interest Approvals
  - Affiliate Interests require special approval and reporting. This may require manually modifying Oracle approval strings.

Standard Approval Process	Up to $50,000
Director, Supply Chain	$50,000 and above
Vice-President	$50,000 and above

- Approvals are obtained electronically through the Oracle system.

CHAPTER 8 – QUOTING POLICY

As a best business practice and in accordance with applicable regulatory and governance requirements, ALLETE and its subsidiaries are to obtain competitive quotations for purchases of materials and services exceeding $50,000 or provide documented justification when a competitive process is not conducted.

Limit for Quoting Above $50,000

Buyer Responsibility

- All requests over $50,000 need competitive quotes. The exception is POs generated from a BPA, as BPAs have their own competitive bidding process.
- This $50,000 is exclusive of tax and shipping costs.
- There needs to be a minimum of two to three quotes depending on the availability of suppliers and value of request.
- The user may send budgetary quotes they have obtained with an approved requisition, but Supply Chain may need to re-quote formally to obtain all information necessary to complete a purchase order.
- Supply Chain reserves the right to quote vendors and award purchase orders to vendors that represent the best economic value to the Company.
    - Many times, suppliers do not include freight options, lead time, etc.
    - Supply Chain will include the appropriate terms and conditions with formal quotes, which may also change the supplier's quote response.
    - Supply Chain will utilize existing contracts and alliances with vendors where applicable.

Technical Questions Arising During Bidding Process

User Responsibility:

- If technical questions arise during bidding process, all answers supplied by the user should be routed to Supply Chain who will share with all bidders.
- Supply Chain is to notify all suppliers of added information.
    - This will place all suppliers on equal ground and make sure responses are uniform.

Award Requirements

Buyer Responsibility:

- Award is to be to the lowest bidder.
    - Unless a better economic value can be obtained and documented.
- Factors that may be considered other than pricing include:
    - Ability to meet specification requirements.
    - Ability to meet timeline.
    - Availability of equipment necessary to complete service.
    - Previous record of performance.
    - Financial stability.
    - Cyber security requirements.

User Responsibility:

- If selecting a supplier that is not lowest bidder, documentation needs to include a listing of qualitative factors considered, the persons that completed the evaluation (team members) and description of the evaluation process.
- Documentation also needs to have signature approval of appropriate dollar level and submitted for Supply Chain to attach in Oracle to the purchase order.

Single or Sole Source Documentation (see definitions in Chapter 2)

User Responsibility:

- If a material or service is a single or sole source, there needs to be written documentation attached to the purchase requisition and approved by appropriate authority (same authority as requisition)
- Single and sole source contracts with Affiliate Interests must be avoided whenever possible. If a single source contract is necessary, negotiations must be carried out in good faith and at "arm's length".

Quote Analysis

Buyer Responsibility:

- An analysis is performed by buyers, usually through Oracle sourcing, to evaluate the commercial components of supplier quotes.
- The analysis should include pricing, lead time, freight, etc.
- The analysis should be attached to the PO and will be reviewed as part of the Oracle Supply Chain approval process.
- Approval levels can be found in the section titled "CHAPTER 7 – APPROVAL LEVELS"

User Responsibility:

- Coordinate with Buyer to provide analysis of quotes including any discrepancies/exceptions from RFQ requirements, specifications, and other selection criteria.

Sharing of Award Results

User and Buyer Responsibility:

- No dollar amounts or proprietary information are to be shared with any supplier competitors.

Buyer Responsibility

- Unsuccessful bidders are to be notified by telephone, in person, electronically or by letter.
- Documentation of notification should be attached in Oracle to purchase order.
- Formal quotes received by Supply Chain will be shared with the user if the quotes need user evaluation or if the user requests to evaluate.
- If quotes are for standard items that meet part number specification or equivalent given by user and no user evaluation is necessary, the buyer will place the order based on pricing.
- If delivery is critical, it should be noted on the requisition.
    - Delivery requirements may change the award of the purchase order.

Document Retention

Buyer Responsibility:

- All Quotes, quote evaluations/analysis, single/sole source, sourcing justifications, approval documentation, award recommendations will be maintained with the final purchase order file copy in the Oracle System.

CHAPTER 9 – ALLIANCE AGREEMENTS

Purpose

An alliance agreement is a collaborative framework where all parties work together to achieve common goals. Alliances are commonly used for delivering large-scale, complex, emergency, or unplanned projects. Instead of traditional transactional contracts, alliance contracting brings together contracting parties into a single unified team working toward shared goals.

Alliance agreements offer many advantages including lower costs, shared risk and reward, lower operating costs, efficiency for high turn/high volume spend, strategic relationships, and better outcomes. Alliance agreements can offer a strategic advantage when there is a large degree of uncertainty.

Advantages of Using Alliance Contractors

- Enhanced Collaboration: Encourages teamwork and reduces adversarial relationships.
- Shared Risk & Reward: Aligns incentives for all parties to achieve project success.
- Improved Communication: Open information flow minimizes misunderstandings.
- Innovation & Problem-Solving: Diverse expertise fosters creative solutions.
- Better Outcomes for Complex Projects: Ideal for projects with high uncertainty or evolving scope.
- Develop Strategic Relationships: Builds trust with suppliers, increasing their willingness to provide labor in a timely manner when challenges arise such as storm responses or floods or to provide material when there are material shortages or longer lead times.

Disadvantages of Using Alliance Contractors

- High Initial Setup Effort: Building trust and alignment takes time.
- Potential Cost Overruns: If collaboration fails, costs can escalate.
- Not Suitable for All Projects: Works best for large, complex, or high-risk projects, or to create efficiencies for high turn, high volume spend materials. Can be effective for emergency or unplanned work.
- Limited Cost Validation**:** Demonstrating cost competitiveness is challenging without a formal bidding process.

When to Use Alliance Contracting

Alliance contracting is most effective when:

- Scope is unclear or likely to change.
- Project involves significant complexity or unpredictable risks.
- Tight timelines require accelerated delivery.
- Stakeholders need to work closely to manage challenges.
- Projects which demand flexibility and collaboration.
- To create efficiencies for high turn, high volume material purchases.

Tips for Successful Alliance Engagement

- Select the Right Projects: Use alliances for high-risk, high-complexity projects.
- Build Trust Early: Invest in relationship-building during initial phases.
- Establish Clear Governance: Communicate expectations, roles, responsibilities, and decision-making protocols.
- Maintain Transparency: Establish regular performance reviews.
- Focus on Shared Goals: Reinforce “best-for-project” thinking in all decisions.
- Monitor Cultural Alignment: Understanding that we need to shift from adversarial to collaborative mindset.

Users Responsibility:

- Identify projects or processes that make sense to utilize an alliance agreement.
- Create a business case when appropriate for using alliance agreements.
- Once identified, work with buyers to create a strong scope of work, contingencies, and broad alliance goals.
- Identify possible suppliers/contractors that could meet the needs of the project.

Buyers Responsibility:

- Work with users to create a strong scope of work and defined goals to ensure clear and strong relationships with alliance suppliers/contractors.
- Evaluate whether a project or process would be a good fit for an alliance agreement.
- Continued collaboration throughout a project’s life span with users, suppliers, and other stakeholders. This should include regular performance reviews.
- Develop metrics the alliance should meet depending on the scope of the project.
- Track alliance cost savings that are achieved through volume discounts, rebates, etc.

CHAPTER 10 – PURCHASE REQUISITIONS (PR)

Requisitions are required for the following, regardless of the dollar amount:

User Responsibility:

- All inventory items.
- All materials or services that may have environmental impact (chemical delivery, chemical spill, damage to the environment, etc.)
- All materials or services that would need to be tracked for legal purposes.
- All materials over $3,000
- All services
- All inventory material and services not covered by an existing alliance or master agreement.
- For items not under an existing contract, or for continuous purchases of same item or group of items.
- *Review the Purchasing Decision Tree to determine if a PR should be entered for your purchase, and this site for how to enter a PR.*

Materials and Services that require forms other than requisitions or prior contact with a specific Department.

User Responsibility:

- All requests for ITS material or services (ALLETE HUB)
- All requests for transportation equipment (licensed and non-licensed)
    - Contact the Fleet Department for prior approval to enter requisition and specification that may be necessary on the requisition

Urgent Orders

User Responsibility

- Include a text attachment on purchase requisition that states essential information (vendor contact, date needed on site, reasoning, etc.) to signify requisitions that are **urgent.**
- Identify shipping requirements (next day air, three days, etc.)
- PR must include required documentation (i.e., quote, single or sole source letter, etc.)
- Receiving requirements (dock hours, offloading equipment, etc.)
- Mark the requisition as **urgent** in Oracle**.**
- Call or email the buyer to let them know the urgent or priority requisition is approved through Oracle.

Buyer Responsibility

- Order will be processed within one business day provided all required documentation is attached.
- Urgent orders have the highest importance.
- Upon request from user, order may be tracked from placement of order until delivery.
- Email PO to vendor and obtain acknowledgment.

PRs/POs numbers are assigned based on the organization they are associated with in the Company.

Organization	Abbr.	PR Header	PO Header
ALLETE Clean Energy	ACE	94XXXXXXXX	93XXXXXXXX
ALLETE Enterprises	ALEE	64XXXXXXXX	63XXXXXXXX
ALLETE Power Systems	APS	44XXXXXXXX	43XXXXXXXX
Minnesota Power	MP	54XXXXXXXX	53XXXXXXXX
South Shore Energy	SSE	84XXXXXXXX	83XXXXXXXX
Superior Water, Light & Power	SWLP	74XXXXXXXX	73XXXXXXXX

Emergency Orders (Storm, Emergency Outage, After Hours, Weekend, etc.)

It is highly recommended that users utilize active CPAs for emergency purchases for materials or services. If there is a scenario where a CPA will not cover services/materials needed, a PR can be processed after the work or purchase is initiated with the supplier under the following conditions:

- Storm response
- Emergency outages
- Afterhours or weekend emergency work

If the user is responding to an emergency under any of the conditions above, they **must follow** the process below. If this process is not followed, it will be considered a deviation from the Supply Chain Policy.

User Responsibility:

- Must notify Supply Chain (supplychain@allete.com) via email within 1 business day and include justification of why the work or material was considered emergency.
    - *If an emergency occurs during business hours, contact Supply Chain immediately.*
- Must create a PR within one business day attaching the email to Supply Chain.

Buyer Responsibility:

- Supply Chain will work with user to process order.

See CHAPTER 17 – NON-PO INVOICE POLICY for a full list of what should or should not have a PR/PO associated with it.

CHAPTER 11 – CTS REQUESTS

Request for Technology (**ALLETE HUB**)

User Responsibility:

- Requests for CTS software and hardware should be submitted on CTS Request for Technology (ALLETE HUB)
    - The procedures for entering and approving the CTS Request for Technology can be found in the Cyber Systems Evaluation and Review Process

Buyer *Responsibility:*

- Quoting and approval policies will be followed for CTS Requests

CTS Consulting and Service Agreements/Contracts

User Responsibility:

- Follow the Cyber Systems Evaluation and Review Process, if applicable
- Requests for CTS consulting and services must have a requisition prior to selection and award of agreement to a supplier.
- If an agreement has already been signed and submitted to a supplier without Supply Chain involvement, there will be no purchase order created.
- Any CTS consulting and/or service agreements/contracts that are forwarded to Supply Chain with a requisition should state the Company CTS and Legal contact persons that have been involved if a pre-review has taken place before the requisition.
- Agreements and contracts should not be sent directly to the supplier from the user (even with officer approval)
    - Should be routed through Supply Chain with the requisition.

Buyer Responsibility:

- Consulting and service requests will follow the CHAPTER 7 – APPROVAL LEVELS and CHAPTER 8 – QUOTING POLICY
- Award decisions for CTS consulting and services should have CTS involvement.
- CTS will review network capabilities and require specifications.
- Verify all quoting and approval policies are followed.

CHAPTER 12 – MATERIAL REQUESTS

$3,000 and Under

User Responsibility:

- The dollar limit is exclusive of shipping and taxes.
- Use credit card (see Corporate Credit Card Policy on the STREAM for further information) or see Chapter 17 – Non-PO Invoice Policy for other options.

Exceptions

User Responsibility:

- Inventory items must have a purchase requisition regardless of dollar amount. Enter a purchase requisition in Oracle.
- Item being purchased is part of a larger order or from an existing contract (i.e., safety, or item that will be bought repeatedly)
- CTS hardware or software- Use ALLETE HUB (see Form 6087 - Request for Technology for items included)
- Office supplies – Use Innovative Office Solutions electronic catalog available on the Oracle iProcurement site.
- Transportation – Contact the Fleet department if item needs to be licensed (i.e., vehicles, trailers, loaders, dozers etc.)
- Chemicals – Enter a purchase requisition and reference Safety Data Sheet number if the chemical is already registered with Company.
    - If this is a new chemical, note that there is no Safety Data Sheet on file.
- *Review the Purchasing Decision Tree to determine if a PR should be entered for your purchase.*

Over $3,000

User Responsibility:

- Enter all purchase requisitions into Oracle (procedure, policy, and training documents are available on the STREAM Supply Chain)

Requirements

User Responsibility:

- Enter all required information on requisition that would pertain to type of material request.
- Inventory – item number, storeroom, quantity, supplier part number, equivalent accepted or not, required delivery date, etc.
- Non-Inventory – full description, supplier part number, quantity, work order, expense type, required delivery date, etc.

- Attach quote to purchase requisition if necessary. See CHAPTER 8 – QUOTING POLICY for more specific details.
- If the material is over $50,000 in total, or over $50,000 per item for inventory and not being quoted, there will need to be a Single Source/ Sole Source justification letter with appropriate approval attached to the requisition.
- The Single Source/ Sole Source justification letter requires the same approval as the requisition.
    - See Sourcing Justifications
- Include any other information the buyers may need to complete the order, such as employee contact for technical questions, special shipping instructions, etc.
- Transportation – Contact the Fleet department if item needs to be licensed (i.e., vehicles, trailers, loaders, dozers etc.)
- Chemicals – Enter a purchase requisition and reference Safety Data Sheet number if the chemical is already registered with Company.
- If this is a new chemical, note that there is no Safety Data Sheet on file.

Expediting Purchase Orders

Buyer Responsibility:

- Delivery tracking for all other requests will rely on the computer-generated expediting list which is supplied to each buyer weekly.
- Expedite orders in order of importance.
- Order of importance relies on the designation stated on the requisition.
- Over-due or back-ordered purchase orders should be tracked from placement to delivery.
- Contact user to verify the material has not been received.
- Contact the supplier for delivery status update.
- If the Company has been invoiced but no material has been received, request proof of shipping or delivery from the supplier and track the actual shipment.

CHAPTER 13 – SERVICE REQUESTS

If a supplier is performing services on site, a purchase requisition needs to be entered through Oracle prior to work being done. A purchase order, processed by Supply Chain, needs to be issued to the supplier before work can commence.

Exceptions:

User Responsibility:

- CTS Services
  - Use ALLETE HUB (see CTS Policy for items included)

Purchase Requisition Requirements

User Responsibility:

- Enter all required and relevant information on requisition that would pertain to type of Service Request
  - Suggested supplier.
  - Full description of service or statement of work
  - Estimated start and end date.
  - Hourly rate sheet (if obtained)
- Include any other information the Buyer may need to complete the order.
  - Employee contact for technical questions
  - Special technical/professional requirements needed by supplier, etc.
  - Oracle will automatically route the requisition for proper electronic approvals.
- Users are to identify on the PR if the contractor requires a subscription to ISN. The ISN Risk Decision Tree can be used to determine if the scope of work is considered high risk which will require a subscription.
  - If a subscription is required, users are to log in to ISN to determine if the contractor is subscribed and has a passing grade (A or B). If the contractor is not subscribed, user should work with them to determine if they are willing to subscribe. Buyer will onboard the contractor if they are agreeable. If the contractor is failing, contact contractormanagement@mnpower.com or the Buyer. Buyer will not issue a PO until the contractor has a passing grade.

Insurance Requirements:

User Responsibility:

- Include a text attachment “to buyer” on the requisition stating if the services and supplier will be on site.
- Contact Supply Chain to verify current certificate of insurance is on file.

Buyer Responsibility:

- Certificate of Insurance (COI) is needed if the supplier is performing services on site.
  - Must name the correct ALLETE entity as an additional insured.

- The legal entities under ALLETE Clean Energy need to be named independently as an additional insured.

Quotes

User Responsibility:

- See CHAPTER 8 – QUOTING POLICY

Single/Sole Source

User Responsibility:

- If the services are not quoted, there will need to be a written explanation attached to the purchase requisition and approved as part of the requisition approval process.

Revision to Current Purchase Order

User Responsibility:

- See CHAPTER 15 – REVISIONS TO PURCHASE ORDERS
- Simple additions, returns, modifications will need an authorized letter or supplemental requisition.
  - Signed by appropriate approval level.

CHAPTER 14 – CONTRACT & BLANKET PURCHASE AGREEMENTS

Requesting a Contract Purchase Agreement (CPA)

User Responsibility:

- Complete a Contract Purchase Agreement Request/Renewal form.
- Submit Purchase Requisition with the CPA Request Form attached (with additional documents as applicable) for the anticipated contract spend.

Buyer Responsibility:

- Review CPA Request Form and take screen shots of Requisition Approval
- Competitively bid per Supply Chain policy, unless approved single source is attached.
- Create Contract Purchase Agreement; include backup documentation such as:
    - Duration of CPA (one year, etc.)
    - Quotes
    - Insurance certificates
    - CPA Request Form
    - Requisition Approval Screen Shot
- Submit CPA and route for approval.
- Enter as non-receiving orders.
- Instruct suppliers to reference the CPA number and requester on all invoices so Accounts Payable can direct the invoice for approval.
- CPAs should be used for materials and/or services when multiple project and work order numbers will be used, multiple business units will have the need to use the same contract or if frequent low dollar transactions are processed with supplier.
- Add appropriate control reminders to the CPA.

Processing CPA Releases

User Responsibility:

- Should not be used for any “individual” material or service purchase valued at more than $50,000 per release.
- Ensure the PR is within the scope of the contract.
- Requisition is required for all orders/releases against a CPA.
- For material purchases:
    - A release shall be completed to initiate shipment of materials.
    - If material has been received before the PR release is created, the user will receive an invoice hold entitled ***ALT XXFIN ServicePO***, including the invoice for the material.
    - A requisition release will then be required with and wording “CPA release to pay invoice #XXXXXX” should be stated in the line description area of the requisition.
    - Information should include:
        - Description of the material(s) purchased.
        - Requester name and delivery location.

        - Quantity, unit price, not to exceed amount, or other agreed upon amount.
        - Project, Task, Expense Type, Intended use.

- For services:
    - To the extent possible, the release shall be completed prior to the commencement of work.
    - If service is completed before the PR release is created, the user will receive an invoice hold entitled ***ALT XXFIN ServicePO***, including the invoice for the service.
    - A requisition release will then be required with and wording "CPA release to pay invoice #XXXXXX" should be stated in the line description area of the requisition.
    - Information should include:
        - Detailed scope of work for the service(s) requested.
        - Requester name and location.
        - Lump sum amount, not to exceed amount, or other agreed upon amount.
        - Project, Task, Expense Type, Intended use.
- For further instructions, see the CPA invoice process on the Supply Chain department Stream site.

General Blanket Purchase Agreement (BPA)

User Responsibility:

- Should not be used for any "individual" material valued at more than $50,000.
- Requisition is required for all orders/releases against a BPA.
- Information on the PR should include:
    - Internal stock item number or non-stock description as set up on the BPA.
    - Requester name and delivery location.
    - Internal inventory storeroom or project and task.
- BPAs are set up by the buyer for high usage items--and can also be requested via email from the user.

Buyer Responsibility:

- May be set up for one or more years but normally should not exceed three years.
- Used for frequently ordered stock items and in some instances, a BPA can be created for non-stock items, contracts with dedicated inventory management programs on and off-site.
- BPAs should include the following documentation:
    - Quotes (market basket)
    - Approvals as required for estimated spend.
    - Revisions
    - Insurance Certificates
- Should be assigned to buyer based on purchasing category.
- Instruct suppliers to reference the PO number on all invoices so Accounts Payable can apply invoices to correct PO.

CHAPTER 15 – REVISIONS TO PURCHASE ORDERS/CHANGE ORDERS/FIELD WORK AUTHORIZATIONS

Revisions to Purchase Orders

Revisions are issued to update existing purchase orders. The most common changes are as follows:

- Change pricing or service rates.
- Add new line items.
- Delete or cancel a PO line.
- Change quantity or total amount.
- Change description.
- Change accounting.
- Return of an item for credit or restocking fee
- Change the start or end date of a service.
- Add Change Orders

User Responsibility:

- Users are to use Oracle iProcurement when requesting revisions to Purchase Orders. For any changes to inventory, use Oracle Inventory module or contact the buyer to make the changes on the PO
- The chart below shows the steps required for certain types of revisions to Purchase Orders.
- The Field Work Authorization and Change Order processes are further described below.

PO Revision Due To:	Process
• Change in Scope of Work, date of services, adding funds to a project, etc. ○ Ex. Construction, Equipment purchase	Oracle – Enter new PR for new Total Amount (aggregate) 1. Attach forms (Ex. FWA, CO, supporting documents, etc.) 2. Line description on new PR: "Change Order #__in the amount of $ to PO #xxxxxxxxxx". 3. Line amount should be the full, revised PO amount with the text referenced in #2. 4. Buyers will add the CO as a new line on the PO unless the requester gives instruction otherwise.
• Only need to add funds. ○ Ex. Standing POs • NOT to be used for changes in Inventory.	Oracle – Go through Change Request button on original PR. Add a description why the additional funds are needed. 1. Add an explanation why the PO is being Revised with additional funds. 2. The explanation for the revision does NOT get printed on the PO so it may not be clear to the supplier what has changed. 3. For project related changes, best practice is to enter a new PR for the CO.
For Inventory, Accounting changes, Cancelling PO's:	Contact the PO's buyer via email.

Field Work Authorizations & Change Orders

General definitions and Criteria

Field Work Authorizations (FWA): (**Form No. 6484**)

- Shall be used to authorize minor field changes and deviations which unexpectedly arise during a project subject.
- Pricing estimates are acceptable for use with the FWA - the final revised contract price shall be captured in accordance with the Change Order process.
- A Change Order must be issued when the total sum of the FWA's exceed $50,000.

Change Orders (CO): (**Form No. 6483**)

- To be used when changing the Contract Price; or
- To be used when the sum of the FWA's exceed $50,000; or
    - To be used for engineering or design changes; or
    - To be used when changing the scope of work; or
    - To be used when changing contractual dates
    - Supply Chain reserves the right to increase the combined FWA amount beyond $50,000 for special projects with VP approval.

Field Work Authorization Process

FWA Process and Approval & Signature Authority:

Field Representative or Project Engineer Responsibilities:

- Complete and sign all FWA's in accordance with:
    - The "General Definitions and Criteria" specified above; and
    - Table 1: "FWA Approval & Signature Authority" listed below.
- Submit signed copies of the FWA with all supporting documentation to the appropriate Project Manager.

Project Manager Responsibilities:

- Track all signed FWA's and supporting documentation submitted by the Field Representative or Project Engineer.
- FWA's must be followed with a Change Order per the Change Order process.

Supply Chain Responsibilities:

- None

FWA Approval & Signature Authority:

Individual FWA Amount	Minimum Approval Required
Up to $10,000	Field Representative
$10,001 - $50,000	Project Manager or Project Engineer

Table 1: Notes

- Specific Projects or Responsibility Centers may have unique approvals as part of their own process. Any increase to the approval limits above must have Vice Presidential approval.

- Approvals can be received via signature or email. If email is received, another individual from the list above may sign the FWA.

Change Order Process

CO Process and Approval:

Project Manager Responsibilities:

- Contractor provided CO forms shall not be accepted.
- Complete and route all CO's for approval when:
    1. Used along with an FWA form
        a. the combined FWA amounts exceed $50,000; or
        b. upon project completion if FWA amounts do not exceed $50,000
    2. Not used with an FWA form
        a. in accordance with the *"General Definitions and Criteria"* specified above and
        b. in accordance with the *Table 2: "CO Approval & Signature Authority"* listed below
- Submit completed and signed CO with all supporting documentation (to include FWA's as applicable). *See the chart above for how to process your Change Order.*

NOTES:

1. ***DO NOT send dually signed Change Orders to contractors prior to the approval of a revised PO.***
2. ***Change Orders should be routed to the contractor first for signature. Project Managers should then attach a dually signed Change Order to the PR when requesting an increase.***
3. ***Contractors will receive a notification when the revised PO is approved, and they can retrieve the executed copy from Oracle.***

Supply Chain Responsibilities:

- Attach all signed CO's and supporting documentation (to include FWA's) to the PO at the header level, including all associated approvals.
- Add a text attachment To Supplier at the PO header level to include the following: (see example below)
    - Revision number and date
    - Previous PO amount and new PO amount
    - Description of revision including the CO number
- Revise PO amount and submit for approval.

CO Approval

The CO approval shall be equivalent to the revised PO amount.

Revised PO Amount	Approval Needed
Up to $50,000	Supervisor
$50,001 - $250,000	Manager
$250,001 - $500,000	Director/General Manager
$500,001 - $1,000,000	Vice President
$1,000,001 - $4,999,999	President
$5,000,000 and over	CEO

Table 2: Notes

1. Specific Projects or Responsibility Centers may have unique approvals as part of their own process. Any increase to the approval limits above must have Vice Presidential approval
2. Approvals can be received via signature or email. If email is received, another individual from the list above may sign the CO, however, the final approvers name shall be noted and dated on the signature line.

Contracting Resource:

https://stream.allete.com/content/79406/helpful-documents-for-contracting

CHAPTER 16 – FREIGHT/SHIPPING POLICY

ALLETE and its subsidiaries have negotiated contracts with GlobalTranz (GTZ), and United Parcel Service (UPS). These logistics partners are to be utilized for inbound and outbound shipments whenever possible. These logistics solutions enable ALLETE to leverage freight discounts through consolidated spend, increase transparency to Company freight expenditures, and ensure the necessary government declarations are completed accurately and efficiently for import and export shipments.

ALLETE and its subsidiaries are protected with a Property/Boiler & Machinery insurance policy which includes a Domestic Transportation policy. Please contact the Risk Management for the most current policy coverages, and/or if you intend to ship goods outside the U.S. and Canada.

For customs and brokerage services contact the buyer associated with your purchasing category.

When freight is greater than 150 pounds (includes motor carrier, rail, and ocean cargo):

Buyer Responsibility:

Freight associated with Purchase Orders

- Buyer shall be responsible for determining and specifying the appropriate freight terms for each purchase order. Whenever possible GTZ shall be utilized for all truckload, partial truck load (LTL), flatbed, expedited and over dimensional shipments.
- The GTZ contract does extend FOB: Destination freight terms to ALLETE; however, FOB: Origin shall be specified on the purchase order since the purchase order is between the supplier and ALLETE.
- For the most up-to-date PO language please reference the Supply Chain project folder.
- For the most up to date GTZ contact information please reference the Supply Chain project folder.

User and Buyer Responsibility:

Non-PO Freight

- If you have a GTZship account: please login using Login | GTZship.
- If you do not have a GTZship account, please contact the Supply Chain department.
- Prior to accessing GTZship or calling LPS directly for a quote please ensure you have the following information available: type of material, dimensions, weight, NMFC Code, shipping origin and destination, and any special shipping instructions required (i.e.: lift gate, open bed truck, enclosed truck, expedited delivery, special rigging and/or loading requirements, etc.).
- After a carrier has been selected: the requestor shall be responsible for coordinating the physical pickup or delivery of goods directly with the carrier selected.
- If you have additional questions, please contact a member of the Supply Chain team.

When freight is less than 150 pounds or for parcel sized packages:

Buyer Responsibility:

Freight associated with Purchase Orders

- Buyer shall be responsible for determining and specifying the appropriate freight terms for each purchase order. Whenever possible, UPS shall be utilized for all parcel package freight weighing less than 150 pounds.
- For the most up-to-date PO language please reference the Supply Chain project folder.
- For the most up-to-date UPS collect account numbers by location please reference the Supply Chain project folder.

User and Buyer Responsibility:

Non-PO Freight

- For all parcel package shipments that are not affiliated with a purchase order please coordinate with your location inventory or warehousing personnel. If you are located at ALLETE HQ, please coordinate with Office Services.

CHAPTER 17 – CREDIT CARDS

Purpose

The Company's Corporate Credit Card program is available to employees who are authorized to make minor purchases for company business. Employees are strongly encouraged to use the corporate credit card where appropriate and whenever possible. There are numerous benefits to using credit cards including: improved cost control and monitoring, elimination of processing small dollar invoices, and receiving rebates/credits from our credit card vendor.

User Responsibilities

- Corporate Credit Card Purchases must only be used for business purposes.
- Safeguard the card, its number and no one except the cardholder uses the card. Inadvertent personal transactions must be reimbursed to the Company within 30 days of the transaction. Users may be held responsible for any unauthorized transactions.
- Reconcile all transactions within 30 days.
- Users are expected to use their corporate credit card for appropriate transactions. Use of personal funds and requests for reimbursement should be avoided whenever possible.

Supervisors Responsibilities

- Immediate supervisor authorizes the issuance of and limit adjustments to corporate credit cards.
- Will review all users' transactions at each reconciliation.
    - Ensure all transactions comply with the corporate credit card policies.
    - Ensure all transactions include a detailed valid business justification.
    - Ensure all transactions include a receipt.

Program Coordinator Responsibilities

- Act as liaison with card provider, Company and cardholders.
- Creates and maintains corporate credit card manual, administration manual and administrator user guide.
- Administers the day-to-day operation of the procurement card function.
- Performs daily maintenance of cards and database applications.
- Creates new accounts; maintains documentation files of all cardholder agreements, approvals and correspondence.
- Maintains monthly and single transaction limit adjustments to accounts.
- Responds to program inquiries; provides guidance on policies and procedures.
- Assists in account problem resolution.
- Handles security issues, such as fraud, compromised accounts and lost/stolen cards by working with the cardholder and card provider.
- Electronically monitors card activity by cardholders and business units; monitors and evaluates reports designed to maintain the integrity of the program.
- Conducts random compliance checks of card transactions to ensure cardholder compliance with program policies and procedures.

- Coordinates with internal auditors on program reviews.
- Identifies and drives future program applications/enhancements.

Limits

Title	Single Purchase Limit	Monthly Purchase Limit
All employees under Vice President title	Up to $3,000	$5,000
Vice President – Senior Vice President	Up to $3,000	$15,000
CEO, President, Chairman	$10,000	$15,000
Supply Chain Representatives	$10,000	$15,000.

Card holders may request temporary limit increases for specific purchases or up to 3 months depending on need. Supervisor approval is required for any temporary increase. For increase over $10,000 or monthly increase over $15,000 VP approval is required. A request should be sent to corporatecreditcard@allete.com to increase the monthly or single transaction limit along with the appropriate justification and approval

Restricted Transactions

- Cash advances or cash equivalents (Gift Cards, Gift Certificates, etc.)
- Any contract or professional services
- Inventory or stock items
- IT hardware of software, including peripherals like phones, monitors, scanners, etc.
- Political contributions
- CPA items available through our punchout catalogs in Oracle, iProcurement.

https://stream.allete.com/content/1303447/credit-card-programs

CHAPTER 18 – NON-PO INVOICE POLICY

For ALLETE to remain an industry leader, it is imperative we continually strive to lower costs while obtaining the best value in every area of our business operations. Following corporate purchasing policy is an easy and efficient way to ensure that we receive the best payment terms and pricing available.

Purchasing off contract often leads to higher costs. Additionally, the non-PO invoice process is more costly internally as it requires more time to process these types of invoices. Although we realize there are business reasons to occasionally use the non-PO invoice process, it is in the company's best interest to reduce the use of non-PO invoices. Additionally, a reduction in non-PO invoices creates benefits for our sales tax department, as it allows us to utilize the Oracle system capabilities to streamline our sales tax classifications and ensure proper sales tax treatment on invoices. The following policy was developed with these concepts in mind.

The following purchases require a PO:

- Any service (regardless of dollar amount). This ensures we have proper insurance in place.
- Material purchases for inventory items. In order to process an item as inventory it must be tied to a PO.
- Material purchases over $3,000. Purchases over this amount need to be coordinated through the Supply Chain department to ensure competitive pricing and compliance with contracts.

Note: Supply Chain will not create new purchase orders for materials and/or services which have already been ordered, received, or completed. Any purchases that fall into this category are a direct violation of the Supply Chain Non-PO invoice policy. The requester will need a Deviation form (provided by Accounts Payable or Supply Chain) approved by the ALLETE Treasurer or VP-ALLETE Controller & Chief Accounting Officer in order to pay the invoice through the non-PO process.

Supply Chain can help users with the creation of internal POs. These are POs that are not sent to the vendor but created internally to allow for more efficient processing of invoices. Work with Supply Chain to determine the best type of PO to use for these types of expenses.

Examples of what could be on an internal PO are as follows:

- Insurance
- Landowner Payments
- Payroll
- Taxes
- Utility Bills

In addition to using POs, we can gain invoice payment efficiencies by using corporate credit cards. Even if the vendor charges a fee for paying by card, the overall benefit to the company from time savings and credit card rebates is often greater. You can work with your supervisor and Supply Chain to increase your credit card limits if needed for these types of payments.

Examples of several types of credit card purchases include:

- Catering Services off-site
- Conference Fees
- Professional Licenses
- Reservation of off-site meeting rental spaces
- Subscriptions
- Travel Expenses

Any invoices that do not follow the above policy will be sent back to the requester.

- If appropriate, they will be asked to put the charge on their corporate credit card.
- If an invoice is considered a deviation from the policy, Accounts Payable or Purchasing will send the Deviation form to the employee, which then needs to be approved by everyone listed on the form, ending with the ALLETE Treasurer.

Please refer to the Purchasing Decision Tree to determine the correct purchasing option for each type of purchase.

**Request for Payment forms are only to be used for payments when you are not able to obtain an invoice and the vendor does not accept credit card payments.*

CHAPTER 19 – LEASE POLICY

Requests for material to be leased will be in accordance with the Lease Approval Policy effective 1/1/2012. See the Lease Approval Policy on the Supply Chain website.

General

User's Responsibility:

- Complete the Lease Approval Form which includes obtaining all approval signatures. This form should be attached to a PR and routed through Oracle for processing.
- Attach leasing schedule and fully executed agreement to the PR in Oracle

Buyer Responsibility:

Prior to executing a purchase order, Supply Chain will confirm that final sign offs have been obtained on the Lease Approval Form. The Lease Approval Form will be used to document each department's lease review and recommendation.

Exemptions from Individual Lease Review:

- Please reference the Lease Approval Policy for information on obtaining an exemption from the individual lease approval process.

CHAPTER 20 – SMALL BUSINESS AND DIVERSE SPEND

Purpose

The Company recognizes the importance of creating economic opportunities for all members of the communities we serve. A diverse supply chain that includes small businesses and historically excluded groups offers many benefits to the Company including opportunity for innovation, lower costs, shorter lead times, and adaptability.

Supporting small businesses and diverse suppliers, such as minority-owned, women-owned, or veteran-owned enterprises, promotes economic equity and strengthens local communities. Tracking, monitoring, reporting, and encouraging spend with small and diverse businesses is also a requirement of federal and many state regulators. It also aligns with corporate social responsibility goals and improving the Company's reputation.

ALLETE's Supplier Diversity and Small Business Program recognizes the following categories of diverse businesses:

- Disability-Owned business
- LGBT-Owned business
- Minority-Owned business
- Service-Disabled Veteran Owned business
- Veteran-Owned business
- Women-Owned business
- Small Disadvantaged business
- Small business
- Historically Underutilized Business Zone (HUBZone)

Users

- Be mindful when requesting services and/or material and include small and diverse businesses when requesting quotes, bids, RFIs, RFQ, etc.
- Avoid requesting Sole and Single Source purchases.
- Encourage the use of local, small, and diverse subcontractors or suppliers through our contractors.
- If using a company credit card, purchase items from local, small, and diverse businesses.

Buyers

- Review prospective supplier list regularly for opportunities to include small and diverse businesses in bidding processes.
- Identify whether new or prospective suppliers meet the definitions of Small or Diverse Businesses.
- Assist in outreach to collect certification information if needed.

Supplier Program Administrator

- Maintain supplier information records are accurate and up to date.
- Maintain a list of small and diverse suppliers for users and buyers.
- Reach out to current and prospective suppliers to collect certification information.
- Provide training on small and diverse spend initiatives, their importance, and how employees at the Company can contribute.

CHAPTER 21 – FEDERAL GRANTS

For purchases over $25,000 that involve federal grant money, ALLETE must ensure compliance with federal regulations, including verifying vendor eligibility, maintaining proper documentation, and adhering to competitive procurement practices.

User Responsibility:

- Purchase requisitions must include a completed Federal Procurement Checklist. This ensures purchases are meeting federal compliance requirements.
- Open Bidding and Avoiding Single/Sole Source:
    - Users/Buyers must ensure that open bidding is conducted whenever possible to promote competition and avoid single or sole source procurement unless justified. If a single or sole source is necessary, proper documentation and approval must be obtained as outlined in Chapter 2.
    - In addition to the company's internal single/sole source process, users and buyers must also ensure the process complies with the noncompetitive procurement process outlined in CFR § 200.320.

Buyer Responsibility:

- In selecting contractors/vendors, the buyer will work with Supply Chain's Supplier Program Administrator to search the System for Award Management (SAM) website at https://www.sam.gov to ensure the contractor has not been suspended or debarred from receiving federal contracts.
- If a vendor has been suspended or debarred, that vendor cannot be utilized for an order involving federal grant money.
- Results of the SAM search, along with any specific requirements of the grant, must be documented and saved with the purchase order (PO) or contract documents in the event of an audit.

Compliance Requirements:

- All purchases involving federal grant money must comply with the Uniform Guidance (2 CFR § 200.317-200.327) and any additional grant-specific requirements.
- Proper documentation of vendor eligibility and grant requirements must be maintained to ensure compliance during audits.
- Federal money flowing through a state agency typically must comply with federal purchasing requirements including and state or grant specific requirements.

Federal Procurement Compliance Checklist:

https://stream.allete.com/content/19006/documents#folder=2500128

CHAPTER 22 – CONTRACT BONDS

Bonds transfer the risk of a contractor's nonpayment or failure to perform to a third-party surety. Bonds are a way to manage the risk of a contractor's failure to (1) complete a project or (2) pay its subcontractors and suppliers. Bonds differ from insurance as bonds are intended to prevent a loss from happening while insurance responds after the loss occurs.

User Responsibility:

The user shall notify the Buyer, prior to the RFQ being issued, if the project will meet one of the following criteria: (1) is valued at more than $5 Million; (2) involves five or more subcontractors; or (3) will take more than 12 months to complete. The user should work with the Buyer to determine if a bond is appropriate for the contractor to obtain.

Buyer Responsibility:

When ALLETE, or any of its subsidiary companies, intends to enter into a construction or major equipment contract, the buyer will require the project manager to determine whether the contractor should bond the project when the project: (1) is valued at more than $5 Million; (2) involved 5 or more subcontractors; or (3) will take more than 12 months to complete.

Bond Summary Guide:

Please reference the Bond Summary Guide, found on the Supply Chain department Stream page under "Purchasing tools for employees" for additional information on Contract Bonds.

CHAPTER 23 – SCRAP SALES PROCEDURES

For scrap materials that have an estimated value greater than $50,000 this section shall apply.

User Responsibility:

1. Material is identified that needs to be scrapped out by the appropriate department.
2. Department who has identified the material and wishes to scrap it (Scrap Seller) will compile all applicable documentation for the material to be scrapped including project and task information and estimated scrap value.
    a. Examples of this documentation would be:
        i. PCB reports (for transformers),
        ii. Pictures of material,
        iii. Material specifications,
        iv. Estimated pounds or percentages of metals/oils/etc.,
        v. Location of materials,
        vi. Scrap Seller contact information and
        vii. Dates material will be available for viewing.
3. Contact Supply Chain and Environmental (if applicable) departments with the documentation listed above. The Environmental department will advise on the materials identified and what environmental concerns and or steps need to be taken. This could include environmental testing or approved scrap vendor recommendations.
4. Review all proposals submitted from scrap vendors for accuracy and work with the appropriate Buyer to award scrap sale.
    a. Scrap sales are tied to the Supply Chain department commodity codes so please work with the appropriate Supply Chain department contact. The list of purchasing “Category Codes by Buyer” is found on the Supply Chain Stream page under “Purchasing tools for employee.”
5. If scrap is being sold on a per pound basis, then all scale tickets must be submitted by the selected scrap vendor to the Scrap Seller.
6. Ensure that a signed Form 3426 Bill of Sale, tax exempt certificate (if required) and payment has been received prior to material being removed from the site unless other arrangements have been made by Scrap Seller.
    a. Payment may be waived until after the material has been processed by the selected scrap vendor in situations where the Scrap Seller is unable to determine the weight of the material being scrapped until it has been processed.
7. Forward payments, signed Form 3426 Bill of Sale, tax exempt certificate (if required) to Supply Chain.
8. Coordinate with selected scrap vendor for removal of material from site.

Buyer Responsibility:

1. Once the Supply Chain department has received all necessary documentation/information, from both the Scrap Seller and the Environmental department, the Buyer will create a request for proposal utilizing the Scrap Request for Proposal Template to be sent out to the scrap vendors.
2. Proposals will be sent to the Scrap Seller for review to ensure that Scrap Seller is receiving the best overall value for the scrap sale.
3. Supply Chain will notify the selected scrap vendor, send them Form 3426 Bill of Sale, and instruct them to provide the Scrap Seller with all the required documentations (see documents listed under steps 5 and 6).
4. Supply Chain will fill out Form 144 Cash Received Memo* (after receiving the accounting information from the user) and will send the completed Form 144 Cash Received Memo and the check to Cash Management.
    - * Search for 144 on Stream and select the form with the business unit the check is made out to.