

What is a rate review?

Minnesota Power, as a regulated energy company, charges its customers rates to recover the cost of its core mission of producing and delivering safe and reliable power to the homes and businesses in its service territory. When we want to change those rates, we submit a plan to state regulators, who review the costs of producing and delivering energy to customers and authorize any changes in rates. This independent rate review is a normal part of our business process, and one we expect will happen at regular intervals in the future.

When was the last rate review?

Minnesota Power last filed a rate review request in 2016. Prior to that, it was 2009.

What is the company requesting?

Minnesota Power has filed a rate review request with the MPUC to increase its electric rates by \$65.9 million or about 10.59 percent overall. While the MPUC reviews our request, state law allows Minnesota Power to collect higher rates on an interim basis. While the MPUC reviews our request, state law allows Minnesota Power to collect higher rates on an interim basis. The MPUC set the interim rate increase at 5.8 percent for all customer classes, or about \$4.50 per month for the average residential customer. The interim rates will go into effect Jan. 1, 2020, and remain in effect until a decision is made on final rates.

Why has the cost of producing and delivering energy increased in recent years?

Our rate filing reflects changes in customer demand, increasing operating expenses and recovery of costs associated with regulatory obligations since our last proposal in 2016. Our core mission remains: We will provide safe and reliable energy while transforming how energy is produced, delivered and used each day. Our proposal calls for annual operating revenue of \$688 million to deliver on our main goals:

- Creating a stronger electric grid that is safe and reliable.
- Bringing more renewable energy sources onto our system.
- Offering more opportunities for customers to control their energy use and their monthly bills.
- How does the company's EnergyForward plan benefit customers?

Each year, EnergyForward continues to meet customer needs by:

- Shifting our energy resources to achieve our goal of receiving nearly half of our energy from renewable sources by 2021, with the addition of cleaner natural gas by 2025 to ensure reliability and stable prices and enable the addition of more renewables.

- Investing in a stronger and more secure electric grid.
- Reducing carbon emissions by 50 percent by 2021 compared with 2005.
- Exceeding state conservation goals for the ninth consecutive year.

During this transformation of our electric system, we have strived to keep customer costs down. In fact, we have the lowest average residential rates in Minnesota while also achieving the highest percentage of renewable energy among Minnesota utilities.

How do Minnesota Power rates compare with other companies?

We have the lowest average residential rates in Minnesota while also achieving the highest percentage of renewable energy among Minnesota utilities. We strive to keep customer costs down. After this proposed increase, Minnesota Power residential customers would still pay below state and national averages for the highest levels of renewable energy in the state.

Will all customers see the same final rate increase?

No, because we are asking regulators to align our rates to the actual costs of providing service to different types of customers. Numerous studies have shown that our business customers pay more than the actual cost of delivering their energy, while residential customers pay less than their actual costs. Minnesota Power's goal is to provide every customer with a fair price for the energy they use, and we continue to work with state regulators on how to best achieve this goal.

Will residential customers see a larger increase after this rate review?

If the MPUC agrees with our initial proposal that is based on the cost of service study, the average residential customer will see a total increase of \$11.66 per month by mid-2021.

What does Minnesota Power do to hold down business costs?

We work hard to hold down costs, making energy a greater value for our customers. For example, we have reduced our operations and maintenance expenses by nearly 20 percent since 2014.

What can I do to reduce my bill?

We offer conservation programs that provide helpful tools to reduce energy use, including experts to analyze energy use in your home or business. We also offer rebates for energy efficiency investments. You can find more information at www.mnpower.com/EnergyConservation. Our online MyAccount portal, also available on our mobile app, allows customers to track their energy use and find more ways to save money on their bills.

How is the company keeping rates affordable for its low-income customers?

Energy affordability is a shared priority between the company, its customers and other stakeholders. The rate proposal includes a phased approach to flat rates for residential customers, including a discount to directly support low-income customers with usage too low to see natural benefits from shifting to a flat rate. In addition, the company is aware that it has low-income customers that have high usage. A transition to a flat rate structure will naturally benefit these customers through a reduction in the rate they pay for their higher energy usage. Minnesota Power also offers conservation resources specifically for low-income customers to help decrease overall energy consumption and lower electric bills. Additionally, Minnesota Power recently received approval for significant enhancements and to nearly double the amount of support offered through its Customer Affordability of Residential Electricity (CARE) program. Minnesota Power also is a partner in an effort to deliver Minnesota's first Low-Income Solar Pilot Program.

If I am on a fixed income, can I get help to pay my bill?

Minnesota Power recently obtained MPUC approval to increase assistance for customers who find it difficult to pay their monthly energy bills each month. We partner with community programs to provide that energy assistance. Information about these energy assistance programs can be found at www.mnpower.com/CustomerService/AssistancePrograms.

Where can I get more information about the rate review?

We have established a special web page—www.mnpower.com/RateReview—where customers can get more information.

To ask questions about the rate request, customers can email the company at AskUs@mnpower.com.

Can I give feedback to the Minnesota Public Utilities Commission during the rate review?

The MPUC will accept written input from the public, state agencies and other community stakeholders before setting final rates. Details are online at the MPUC website. At least one public hearing will be held locally during the process.

How will the rate change affect monthly bills?

The proposed rate increase will affect individual monthly bills differently, depending on electric use and customer type. Minnesota Power is also proposing to phase out block rates with discounts for low income customers. The table below is an illustration of a current average bill and proposed monthly increase.

Customer Classification	Avg. monthly kWh usage	Previous monthly cost	Interim monthly increase	Proposed final monthly increase
Residential	713	\$78.16	\$4.48	\$11.66
Residential Dual Fuel	1,063	\$88.90	\$5.17	-\$20.36
General Service	2,711	\$290.94	\$16.80	\$30.05
Commercial & Industrial Dual Fuel	4,255	\$339.18	\$19.70	-\$73.86
Large Light & Power	266,281	\$21,120.22	\$1,241.67	\$2,216.02
Large Power	56,823,222	\$3,353,436.00	\$193,921.87	\$311,935.26
Street & Area Lighting	337	\$57.94	\$3.36	\$8.69