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-19-442

Exhibit ______

BUDGETING, COST ALLOCATIONS, AND EXPENSES

November 1, 2019
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Docket No. E015/GR-19-442
Rostollan Direct and Schedules
I. INTRODUCTION AND QUALIFICATIONS

Q. Please state your name and business address.
A. My name is Joshua G. Rostollan and my business address is 30 West Superior Street, Duluth, Minnesota 55802.

Q. By whom are you employed and in what position?
A. I am employed by ALLETE, Inc., doing business as Minnesota Power (“Minnesota Power” or “Company”). My current position is Supervisor – Accounting, Financial Reporting and Budgeting for ALLETE.

Q. Please summarize your qualifications and experience.
A. I graduated from the University of North Dakota in 2009 with a Bachelor of Accounting degree and am a Certified Public Accountant, licensed in Minnesota. I joined ALLETE in 2010 as an Accounting Analyst and became an Accounting Analyst Senior in 2014. I assumed my current position as Supervisor – Accounting, Financial Reporting and Budgeting in 2017. In this position, I am responsible for budgeting and financial reporting-related matters for ALLETE.

Q. What is the purpose of your testimony?
A. I present an overview of the Company’s budgeting process, including the reliability of our budgets, an overview of the Company’s cost containment efforts since our last rate case, and a discussion of certain depreciation topics. This is followed by a description of our cost allocation processes. I then explain our employee expense review and provide support for travel, entertainment, and related employee expenses.

Q. Are you sponsoring any exhibits in this proceeding?
A. Yes. I am sponsoring the following exhibits:
   • MP Exhibit ___ (Rostollan), Direct Schedule 1 – Budget Variance History
   • MP Exhibit ___ (Rostollan), Direct Schedule 2 – FERC Operation and Maintenance
   • MP Exhibit ___ (Rostollan), Direct Schedule 3 – Investor Relations Costs
II. BUDGETING PROCESS

A. Overview of Budget Process

Q. Please provide an overview of Minnesota Power’s annual budget process.
A. The annual budget process results in both an operating budget and a capital budget for Minnesota Power. This is a “zero-based” budgeting philosophy initiated at the work area. Minnesota Power currently has approximately 90 different work areas across the Company. Work area budgets are first developed by the corresponding manager, then reviewed by the appropriate management. As part of this process, work areas consider costs at the Federal Energy Regulatory Commission (“FERC”) account level within the Company’s general ledger. The broader capital and operating budgets compiled from the individual work area budgets are periodically reviewed as the budget progresses, and eventually finalized in October.

Q. Please describe the nature of Minnesota Power’s capital budget.
A. The annual capital budget is a detailed annual increment of the Company’s long-term capital plan. The long-term plan is based on the Company’s projected capital needs to meet regulatory, environmental, and renewable resource commitments, as well as to
preserve existing assets, over a multi-year period. The capital budget consists of
detailed project budgets developed by project engineers or project coordinators, with
detailed non-budget-year capital expenditures included for multi-year projects.

Q. **How is the capital budget developed?**

A. As described above, the annual capital budget process is initiated at the work area level.
For the annual capital budget, detailed project budgets are developed by project
engineers or project coordinators from each work area. These detailed budgets
anticipate capital purchases or work that needs to be done during the budget year, with
detailed non-budget-year capital expenditures included for multi-year projects. These
project budgets are reviewed and approved by management or, in some cases, sent back
to the responsible individuals within the work areas for additional information to support
the request before being approved by management. The annual capital budget compiled
from the project budgets is reviewed as the budget progresses and is eventually finalized
in October.

Q. **Please describe Minnesota Power’s operating budget.**

A. The following components comprise Minnesota Power’s annual operating budget:

- *Revenue and Megawatt-Hour (“MWh”) sales* – Minnesota Power’s electric
service revenues are budgeted by applying the appropriate tariff rates to
forecasted MWh sales by customer class. The forecasted sales for all classes are
based on data-intensive modeling completed for the annual Advance Forecast
Report (“AFR”). The Company’s AFR is filed annually with the Department of
Commerce (“Department”). For larger industrial and municipal customers, the
AFR results are modified, as necessary, to reflect more recent planned usage
information obtained directly from the customers. Company witness Mr.
Benjamin S. Levine discusses the forecasting process in more detail in his Direct
Testimony. Other revenue not generated from MWh sales is budgeted based on
the Company’s expectations for the budget year.

- *Fuel and Purchased Power* – Expected budget period production from our
generating plants and existing purchase power agreements are used to project
our fuel cost and additional purchase power requirements. A detailed power supply model projects hour-by-hour and seasonal power costs based on historic trends and current generating unit outage schedules. Generation costs are developed based on historic cost models, coal and rail contracts, and anticipated dispatch from the power supply model.

- **Transmission Services Expenses** – These costs are forecasted using Midcontinent Independent System Operator, Inc. (“MISO”) rates available at the time the budget is prepared, as well as projections for Minnesota Power’s transmission rates for the budgeted year.

- **Operating and Maintenance (“O&M”) Expenses - Labor and Benefits** – Labor costs are developed using current staffing levels as a starting point. Each work area then adjusts for proposed changes to staffing levels due to promotions, retirements, staffing needs, and other factors. Inflationary wage increases over the prior year are incorporated into the calculation when applicable. Benefit amounts are determined per the various plan provisions, based on factors such as percentage of pay, or are actuarially determined under the Accounting Standards Codification (“ASC”) 712 Compensation – Nonretirement Postemployment Benefits and ASC 718 Compensation – Retirement Benefits.

- **O&M Expenses - Excluding Labor and Benefits** – Minnesota Power employs a zero-based budgeting philosophy for O&M expenses that are not labor related. This approach requires building the budget from a baseline, while reviewing historical amounts and activities as well as expected operational changes in the business to inform the budgeting process. In the operational areas of the Company, long-term maintenance and outage schedules are used to determine annual outage expenses.

- **Property Taxes** – Property taxes are projected based on detailed calculations combining historic and budgeted capital expenditures, and taking into consideration the valuation approaches used by the Minnesota Department of Revenue in assessing the majority of Minnesota Power’s property tax expense.

- **Depreciation and Amortization Expense** – Depreciation and amortization expenses are projected based on detailed calculations combining historic and
budgeted capital additions. Depreciation expense is reviewed and approved by
the Minnesota Public Utilities Commission (“Commission”) in our annual
Remaining Life Depreciation Petition (Docket No. E015/D-18-544), our annual
compliance filing updating our transmission and distribution plant account
depreciation rates (Docket No. E015/D-18-226), our Five-Year Transmission
and Distribution Plant Depreciation Petition (Docket No. E015/D-18-226), and
our five-year General Plant Depreciation Petition (Docket No. E015/D-17-114).
Minnesota Power filed its 2019 Remaining Life Depreciation Petition, Docket

- **Interest Expense** – Interest expense for Minnesota Power is determined by
  multiplying the debt component of average rate base by ALLETE’s actual cost
  of debt outstanding. Allowance for Funds Used During Construction
  (“AFUDC”) Debt is treated as a reduction of interest expense.

- **Income Taxes** – Income tax expense for Minnesota Power is developed for both
current and deferred income taxes based on long-standing regulatory precedents
requiring accounting for income taxes on a “stand-alone” basis. The stand-alone
method calculates income taxes as if Minnesota Power was the only entity
included in ALLETE’s consolidated federal and unitary state income tax returns.
Company witness Mr. Patrick L. Cutshall discusses income tax considerations
in more detail in his Direct Testimony. Current Income Taxes are computed
using budgeted pretax income adjusted for required federal and state permanent
and temporary differences. Deferred Income Taxes are calculated using actual
and budgeted temporary differences.

- **ALLETE non-regulated activities and costs incurred on behalf of subsidiaries
  or other entities** – These items are segregated and not part of Minnesota Power’s
regulatory and ratemaking budget.

Q. Has Minnesota Power enhanced its budgeting process at all since its last rate case?
A. Yes. In the Company’s last rate case (Docket No. E015/GR-16-664) (“2016 Rate
Case”), there was some confusion over FERC accounts and how Minnesota Power
budgeted and tracked actual expense in what we called “Responsibility Centers,” or
work areas. As part of our overall efforts to improve our rate case filing and data, the Company has taken a critical look at where dollars are assigned in our budgeting process to help ensure the amounts budgeted in our FERC accounts reflect the amounts we anticipate spending on capital and O&M.

Q. Did the Company follow its typical processes, described above, to establish the 2020 budget for this rate case?
A. Yes.

Q. Does Minnesota Power modify these budgets at all for establishing the revenue requirement in a rate case?
A. Yes. Our 2020 budget has been modified to incorporate various regulatory considerations, such as adjustments required for ratemaking by past Commission decisions; adjustments to amortization periods; removal of items for which cost recovery is not sought; and other miscellaneous adjustments. Company witness Ms. Marcia A. Podratz discusses these modifications in more detail in her Direct Testimony.

B. Budgeting Results

Q. Please discuss the accuracy of Minnesota Power’s budgeting process.
A. Overall, Minnesota Power’s budgeting process has been very accurate. Over the period of 2010 through 2018, excluding certain outlier years, Minnesota Power’s actual results for key financial metrics have an average deviation of approximately one percent to four percent from budget. Both our revenues and expenses, including the accuracy of our financial estimates, however, can be significantly impacted by unforeseeable changes, such as the outcome of rate proceedings or a downturn in market conditions for our Large Power customers. In 2015, financial metrics were significantly impacted by downturns in market conditions for our Large Power customers. In 2017, Minnesota Power began making strategic reductions in its O&M expenses based on the outcome it was anticipating in the 2016 Rate Case, which impacted its financial metrics for 2017.
A comparison between Minnesota Power’s budgets and actual results for the period covering 2010 through 2018 is attached as MP Exhibit ___ (Rostollan), Direct Schedule 1 to my Direct Testimony.

Q. Why did the anticipated outcome of the 2016 Rate Case impact the accuracy of your actual to budget results for 2017 even though the final order in that rate case was not received until 2018?

A. As the 2016 Rate Case progressed during 2017, the Company observed that various parties proposed considerable cuts to its 2017 test year and extremely low returns on equity. In response, the Company began managing the risk posed by these proposed cuts and low returns on equity by making strategic reductions in its O&M expenses, which were not anticipated in the budget used to develop the 2017 test year, resulting in larger than typical variances from budget by the end of 2017. Although the Company’s O&M expense was under budget in 2017, the actual 2017 O&M expense was still higher than the Commission-authorized O&M expense in the 2016 Rate Case. For 2018, the Company was able to reflect these reductions in its budget, which is why our variances to budget are lower in that year.

Q. Has the Company made changes to its budgeting in prior years because of other unforeseen changes?

A. Yes. The Company previously had to make notable budget reductions in 2015 to respond to market changes. Forecasting deviations from our historical averages arose in 2015 due to efforts by the Company to reduce O&M expenses to help offset the lower MWh sales received from our Large Power Customers.

Q. What other changes does the Company make to its O&M expenses on a real-time basis as a year progresses?

A. The Company’s overall ability to perform its activities is directly impacted by changes to the retail service needs of our customers. Therefore, it is critically important that the Company retain the ability to respond in dynamic and timely ways to changes in customer needs and demands. The Company proactively monitors and responds to these
types of changes, including through increasing or decreasing O&M expense to levels that are appropriate based upon the revised customer expectations.

Q. How do market and rate case outcome changes, such as those experienced in 2015 and 2017, impact Minnesota Power’s budget accuracy?

A. In response to these changes, and to better match our costs to the resources available to Minnesota Power, the Company deployed countermeasures, which I describe in more detail below, to reduce the impact of these rate outcomes or economic downturns. Most often, such measures help Minnesota Power weather difficult times, but are not sustainable over the long term, although the Company makes all efforts to minimize O&M expense proactively to respond to various market indicators.

Q. Please provide more detail about the impact of economic downturns or rate outcomes on Minnesota Power’s actual to budget results.

A. When the two years I discuss in detail above are removed from the averages, Minnesota Power’s budgeting for O&M expense from 2010 through 2018 had an average deviation of 2.6 percent. When 2015 and 2017 are included in the total, the average deviation increases to 3.9 percent. In 2015 and 2017, O&M expense actuals were lower than budget by over eight percent. These deviations to budget for O&M expense are often offset by lower margins.

For example, the forecasting deviations in 2015 and 2017 from the Company’s historical averages arose due to proactive measures employed by management to reduce O&M expenses in an effort to offset the changes occurring to the Company’s overall financial metrics, including lower margins. These efforts included compensation-related savings from reductions in staffing levels through attrition and layoffs, temporary freezes on external hiring, the delay of contract and professional services expenditures, and stringent employee-related expense containment (such as on education and vehicle use).

In addition to the specific additional measures implemented to respond to specific events, the Company has undertaken, and continues to evaluate, ongoing cost control...
measures. Routine reviews of costs are inherent in the budgeting process, as described above, and we also seek out opportunities to save money and increase efficiencies throughout any given year.

Q. What do you conclude regarding Minnesota Power’s budgeting process and results?
A. Minnesota Power employs a robust budgeting process built from the input of front line employees and managers, with reviews at each stage of the budgeting process. This culture of cost containment results in budgets that are tailored to providing cost-effective service and to recognizing the limitations of the resources available to us. While Minnesota Power has experienced unexpected, significant drop offs in revenue at times, Minnesota Power responds appropriately and as proactively as practicable to those situations and maintains reasonable cost levels that are necessary to the level of service we need to provide to our customers.

C. 2016 Rate Case to 2020 Test Year
Q. Please explain how the Company has managed costs since the 2016 Rate Case.
A. The Company’s O&M costs remain significantly lower than they were prior to filing the 2016 Rate Case due to ongoing cost containment efforts. Reductions began in earnest in the second half of 2017 based on expectations for the outcome in the 2016 Rate Case. This has continued beyond 2017, as evidenced by the significant reductions to O&M expense Minnesota Power made in its 2018 budget and continues to make in 2019. In fact, 2018 O&M expense for Minnesota Power was lower than 2010, and the 2020 O&M expense used to develop the 2020 test year is expected to be even lower.

Q. Can you provide more detail on the extent of these O&M reductions?
A. Yes. Due to the large rescaling at Minnesota Power in 2017 and 2018, O&M expense in Minnesota Power’s 2019 projected year is approximately $45 million Total Company lower than its budget used to develop the 2017 test year in the 2016 Rate Case. The lower O&M expense has been primarily driven by lower employee compensation and benefit expenses, and lower contract, professional service, and materials expenses.
Additionally, the Company continues to make strategic decisions on O&M, which will carry forward to the 2020 test year, as I describe later in my testimony.

Q. What is the anticipated financial impact of these efforts to salaries and wages for the 2019 projected year?
A. Employee compensation in the 2019 projected year is lower by approximately $21 million Total Company than in Minnesota Power’s budget used to develop the 2017 test year for the 2016 Rate Case. This decrease has primarily been driven by reduced staffing levels resulting from layoffs and attrition. Through workforce planning, employee staffing levels have been reduced through a thoughtful, systematic approach as discussed in Company witness Ms. Laura E. Krollman’s Direct Testimony.

Q. Please explain how some of the other O&M expenses have been reduced?
A. Employee and retiree benefits expenses in the 2019 projected year are lower by approximately $9 million Total Company than they were in Minnesota Power’s budget used to develop the 2017 test year for the 2016 Rate Case. This reduction has primarily been due to reduced staffing levels as well as changes to our benefits programs, including defined benefit plan and other postretirement plans, including the freezing of retiree life insurance eligibility as discussed by Ms. Krollman in her Direct Testimony.

Contract, professional service, and materials expenses in the 2019 projected year are lower by approximately $15 million Total Company than they were in Minnesota Power’s budget used to develop the 2017 test year for the 2016 Rate Case. This decrease has resulted primarily from our continuous efforts to manage these costs, our sustainable performance initiative discussed in Company witness Mr. Daniel W. Gunderson’s Direct Testimony, the continued optimization of equipment to allow for lower reagent use at Boswell Energy Center, the evolution of our generation maintenance practices, and the delay of certain expenditures.
Q. Are the trends resulting from these cost-saving or other mitigating measures sustainable over the long term?

A. No. Many of these measures are not sustainable in perpetuity. These measures include the delay of contract and professional services expenditures, hiring freezes, and below-market compensation increases for employees, to name a few. Workforce plans have been aligned with current business needs and additional employees are included in the 2020 test year compared to the 2019 projected year as needed. As discussed by Company witness Ms. Krollman, the Company will need to increase employee compensation and benefits to remain market-competitive and to attract and retain talent.

Q. How does O&M expense used to develop the 2020 test year O&M compare to previous years?

A. The O&M expense used to develop the 2020 test year is expected to be 1.9 percent lower than 2018, the most recently-completed year, and less than 2010. The decrease in O&M from 2010 to the 2020 unadjusted test year is 0.7 percent, as shown in MP Exhibit ___ (Rostollan), Direct Schedule 2 of my Direct Testimony. This compares to an average annual U.S. inflation rate of 1.8 percent since 2010 according to Consumer Price Index data from the Federal Reserve Bank of Minneapolis. In fact, the Company has managed our employee levels and compensation costs such that salaries and wage expenses used to develop the 2020 test year are lower than those Minnesota Power incurred in 2010, during the tail end of the Great Recession.

As Company witness Mr. Frank L. Frederickson describes in his Direct Testimony, the Company has managed to maintain low O&M levels despite the need for significant capital investments, the transformation of our system through the EnergyForward initiative, rising market costs of employee compensation and benefits, and overall marketplace inflation. In addition, and despite aggressive and unsustainable cost reductions through this time period, Minnesota Power has made great strides in meeting and aligning with the Commission’s long-term goals. The Company simply cannot sustain these O&M levels in perpetuity.
Q. Does the 2020 O&M budget described above represent the level of O&M included in the Company’s rate request?
A. No. As described by Company witness Ms. Podratz, even with this low O&M budget, the Company proposes a number of adjustments to our regulated O&M budget that further reduce our 2020 test year request. Our overall cost controls and robust budgeting process continue to keep 2020 test year costs at reasonable and prudent levels.

Q. Do you recommend the use of a multi-year average for developing the level of O&M to include in rate requirements?
A. No. The 2020 test year O&M is the best reflection of the anticipated O&M expenses for 2020 based on our current expectations for operations and costs. The 2020 test year carefully considers system and Company nuances and known impacts that a multi-year average would ignore. Incorporating a multi-year average would disconnect the amount of O&M allowed to be collected through rates from the operational realities and costs that Minnesota Power is expected to experience.

Further, there are always going to be years from time to time where unusual market conditions have anomalous effects on Minnesota Power’s finances, including its actual employee expenses. It is more reasonable for parties to identify specific items included or excluded from the test year and discuss whether specific adjustments should be made for those particular items. Doing so is more predictable and more closely reflects the circumstances Minnesota Power is experiencing when it files a rate case. Use of a historical average means that in every rate case, there will be argument about whether specific years ought to be included in the historical average.

D. Cost Containment Efforts

Q. Please describe the Company’s cost control efforts, generally.
A. As a matter of good management, the Company is always looking for opportunities to control cost increases, reduce costs, or increase efficiencies while still providing quality electric service to customers. Some of the results of these efforts can sometimes be quantified, while others are difficult or impossible to quantify individually. For
example, the staffing level reductions I discussed earlier result in specific cost reductions, whereas some cost control efforts – such as extending contracts with reduced costs during the remaining term of the existing contract – help contain what would otherwise be higher expense increases in the future. Because the potential future cost is not actually known in the latter case, it may not be possible to definitively calculate the difference between the actual costs and how much higher costs would have been if not for containment efforts. In other circumstances, the cost control effort is only one of many moving parts in the overall management of our resources, such that it is not possible to isolate the specific savings associated with the effort to control costs. For example, efficiency improvements are difficult to quantify because, in many instances, they enable an employee to take on work that otherwise would be deferred or not completed. All of these efforts, however, are built into our budgets as Minnesota Power determines the resources it needs to complete its work.

Q. Is there a single total of all cost savings achieved?
A. No. Some cost savings are permanent, some are ongoing but limited in time, and some are one-time savings. Further, the amount of cost savings experienced by the Company with respect to individual cost controls at any given time can fluctuate, and the savings efforts are implemented at various jurisdictional levels.

Q. How are the savings associated with the Company’s cost containment efforts incorporated into the 2020 test year?
A. To the extent Minnesota Power expects to achieve savings from cost containment efforts, they are factored into the work area budgets used as the basis for the 2020 test year. If not for these efforts, our overall costs and budgets would be higher.

E. Depreciation and Amortization
Q. Is the Company seeking to change the remaining lives or depreciation methodologies for any generating facilities in this rate case?
A. No, the Company is not seeking to change the remaining lives for any generating facilities in this rate case from those included in its 2019 Remaining Life Depreciation

III. COST ALLOCATIONS

A. Company Structure

Q. Please briefly describe how Minnesota Power fits into ALLETE.

A. Minnesota Power is a division, not a subsidiary, of ALLETE and comprises the vast majority of ALLETE’s activities. Net income from Minnesota Power regulated operations was approximately 72 percent of total consolidated ALLETE net income in 2018 (excluding the sale of a wind energy facility by subsidiary ALLETE Clean Energy and the operations of a subsidiary sold in 2019), and is projected to be 75 percent of budgeted total consolidated ALLETE net income in 2019. The remaining 25 percent of ALLETE’s budgeted consolidated net income in 2019 comes primarily from wholly-owned subsidiaries ALLETE Clean Energy, BNI Energy, and Superior Water, Light and Power Company, and an investment in the American Transmission Company.

Q. How does the Company ensure accurate cost assignment between regulated and non-regulated activities?

A. The Company complies with the guidance developed by the Commission in Docket No. G,E-999/CI-90-1008. In that Docket, the Commission identified four principles for ensuring cost separation between regulated and non-regulated activities:

- Tariffed rates shall be used to value tariffed services provided to the non-regulated activity.
- Costs shall be directly assigned to either regulated or non-regulated activities whenever possible.
- Costs that cannot be directly assigned are common costs which shall be grouped into homogeneous cost categories. Each cost category shall be allocated based on direct analysis of the origin of the costs whenever possible. If direct analysis is not possible, common costs shall be allocated based upon an indirect cost-causative linkage to another cost category or group of cost categories for which direct assignment or allocation is available.
• When neither direct nor indirect measures of cost causation can be found, the cost category shall be allocated based upon a general allocator computed by using the ratio of all expenses directly assigned or attributed to regulated and non-regulated activities, excluding the cost of fuel, gas, purchased power, and the purchased cost of goods sold.

The Company directly assigns costs whenever possible. Approximately 89 percent of Minnesota Power's 2018 regulated and non-regulated operating and maintenance expenses were directly assigned.

Q. Please describe the process for charging costs that are directly assignable.

A. Company employees submit time biweekly in the Oracle Time and Labor software application; as they do so, they indicate the time spent performing work for Minnesota Power, non-regulated activities, or subsidiaries. The employee’s time entry is electronically submitted to his or her supervisor for review and approval. Time spent directly working on specific Minnesota Power, non-regulated, or subsidiary business is directly assigned. Time that benefits more than one activity or entity is allocated using the allocation methods discussed below.

Costs incurred to purchase goods or services relating to Minnesota Power, non-regulated activities, or subsidiaries are directly charged or billed to the applicable entity.

B. Allocation Process

Q. Please describe the process for allocating costs that are not directly assignable.

A. Approximately 11 percent of the Company’s 2018 O&M expenses cannot be directly assigned. These expenses relate mostly to general and administrative support activities that benefit all entities in the ALLETE consolidated group. Such activities may include Board of Directors, legal, accounting, human resources, and information technology (“IT”) expenditures.
To allocate such costs, a cost pool is created for each similar type of administrative and general activity. Expenses within each cost pool are then allocated utilizing an allocation method specifically designed for that activity.

There are 28 different Allocation Methods currently being utilized by the Company.\(^1\) The allocators are specific in nature and include factors such as number of employees, fixed asset balances, corporate equity, number of plan participants, and number of desktop and laptop computers.

As an example, payroll services are performed at the ALLETE level for Minnesota Power, as well as for certain non-regulated activities and subsidiaries. Because the cost of payroll services cannot be directly assigned, that cost is allocated. The Allocation Method is based on the number of employees in each entity. This Allocation Method is logical because the cost of providing payroll services correlates closely with the number of employees in each entity.

The objective of this process is to allocate general and administrative costs in a reasonable, prudent, and fair manner that correlates the benefit each activity provides to the Company's regulated versus non-regulated and subsidiary activities. Thus there are no general or default allocations, nor default assumptions as to whether costs should be allocated to regulated, non-regulated, or subsidiary activities.

**Q. Have Minnesota Power’s cost allocation methods changed materially since its previous rate case?**

**A.** No. The cost allocation methods have not changed materially since the last rate case, but there have been changes. These changes have adjusted allocation percentages between regulated, non-regulated, and subsidiary activities as the amount of ALLETE’s

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regulated and non-regulated activity has ebbed and flowed. These changes have been
provided in annual Compliance Filings in Docket No. E015/M-01-1416, most recently
in April 2019, but are developed to ensure cost is allocated based on applicable
proportions. The allocation methods are designed to, as closely as is reasonably
possible, match the costs being allocated with the corresponding benefit received from
the activity.

Q. Does your cost allocation testimony also address the requirement that the
Company demonstrate that ratepayers are not subsidizing the activities of
Minnesota Power’s affiliated companies?
addressing Administrative Services Agreements between ALLETE, Inc. and various
subsidiaries, the Commission ordered that “the Company must demonstrate in future
rate cases that the First Amendment to Services Agreement has not resulted in cross-
subsidization by Minnesota Power’s ratepayers of the activities of its affiliated
companies.”2 Minnesota Power has implemented cost allocation procedures to ensure
accurate cost assignment between regulated and non-regulated activities. The processes
described above demonstrate and ensure that the Company’s ratepayers are not
subsidizing the activities of Minnesota Power’s affiliate companies.

C. Allocation of Investor Relations’ and Board of Directors’ Expenses
Q. Has the Commission identified any specific requirements regarding Minnesota
Power’s cost allocations for this rate case filing?
A. No. The Commission did, however, direct in our 2009 rate case (Docket No. E015/GR-
09-1151), that Minnesota Power provide background information about Investor
Relations and Board of Director costs, including how costs of these activities are

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2 See In the Matter of Minnesota Power’s Petition for Approval of an Administrative Services Agreement Between
ALLETE, Inc. and its Subsidiary, ALLETE Properties, LLC (f/k/a/ MP Real Estate Holdings, Inc.), Docket No.
E015/AI-08-339, ORDER at 1 (Jan. 13, 2009); In the Matter of Minnesota Power’s Petition for Approval of an
Administrative Services Agreement Between ALLETE, Inc. and its Subsidiary, Superior Water, Light and Power
Co. (SWL&P), Docket No. E015/AI-08-340, ORDER at 1 (Jan. 13, 2009); In the Matter of Minnesota Power’s
Petition for Approval of an Administrative Services Agreement Between ALLETE, Inc. and its Subsidiary,
allocated between shareholders and ratepayers and why the allocation is reasonable. Minnesota Power did provide that information as required without issue in our 2016 Rate Case, and I am providing updated information in my testimony, although not required, for informational purposes.

Q. Please explain the nature of the Company’s Investor Relations expenses, including categories of Investor Relations costs.

A. The Investor Relations and Shareholder Services team (“Investor Relations”) is responsible for all aspects of Minnesota Power’s investor relations policies, objectives, and initiatives. The team maintains and improves relations between ALLETE and its shareholders and/or the broader financial community, which is necessary to attract and retain the capital needed to operate the Company.

Investor Relations conducts various kinds of work, including directing and overseeing shareholder communications; coordinating dividends and other shareholder payments; account administration and maintenance; cost basis reporting; administering dividend reinvestment and share purchase programs; coordinating company mailings and proxy results; and generally performing all other supportive functions that affect the registered stock and/or shareholders of ALLETE.

Certain memberships or travel to conferences that would typically show up as an “employee expense” are also considered Investor Relations where they support these activities.

Q. Please describe the Company’s Investor Relations communications functions in more detail.

A. Investor Relations communications with shareholders integrate finance, Company news, marketing, and securities law compliance to enable the most effective two-way communication between the Company, the financial community, and other financial stakeholders. Communications are delivered through a variety of platforms including
formal presentations and on-site meetings generally in the major financial centers, along with electronic communications via phone, website, and other means.

Q. **How does Minnesota Power ensure that it is budgeting a reasonable level of Investor Relations expenses?**

A. As discussed earlier in my testimony, the annual budget is initiated at the work area level and is subject to a series of reviews and approvals. This includes the Investor Relations work area budget.

Q. **How are Investor Relations costs allocated between Minnesota regulated activities and non-regulated activities?**

A. For the 2020 test year, Investor Relations costs are allocated approximately 64 percent to Minnesota Power regulated activities using the Company’s corporate equity allocator as described later in my testimony. The remaining 36 percent of costs are allocated to subsidiaries. The allocation is based on each entity’s forecasted equity balance at the close of 2020.

Q. **What is Minnesota Power’s proposal for rates?**

A. Minnesota Power proposes to exclude 50 percent of Investor Relations costs allocable to Minnesota Power from rates.

Q. **Do these Investor Relations expenses benefit Minnesota Power ratepayers?**

A. Yes. The Company needs to be transparent in discussions with investors (debt and equity) and the rating agencies in regards to its business and financing decisions. As current or potential investors better understand the company and desire to own the company’s debt or equity, the resulting financing costs for customers decreases. This desire, like any marketing, is driven by effective communications and correspondence with investors, which helps create value with the Company’s debtholders and shareholders when it is in the market to issue long-term debt or equity as needed. It is necessary for the Company to be well positioned to issue equity and debt at favorable prices and interest rates to support ongoing capital expenditures and rating agency
expectations, which in turn support access to and a reasonable cost of capital for
Minnesota Power customers.

Q. Why does Minnesota Power propose to recover only a portion of Investor Relations
expenses?

A. The Company recognizes that the Commission has, in recent rate cases, concluded that
Investor Relations expenses are to be divided between shareholders and customers,
because shareholders and customers both benefit from investor relations efforts.
Shareholders benefit from Investor Relations activities that support and encourage their
investments in the Company; this causes customers to also derive benefits from Investor
Relations, because shareholder investment reduces the Company’s costs of capital.

Minnesota Power’s regulated electric business is very capital intensive in nature.
External funding that is required to construct and maintain a cost effective and reliable
electric system typically comes from either debt or equity financing. Investor Relations
activities provide a clear line of communication between the Company, the financial
community, and other stakeholders, ultimately resulting in the Company’s stock being
appropriately priced in the equity markets. The financial community stays connected
with the Company’s strategy and results through Investor Relations activities. These
ongoing Investor Relations activities ensure a stable demand for the Company’s stock
and contribute to a readily accessible and liquid marketplace to raise equity-sourced
funds. Investor Relations impacts the Company's stock price and plays an important
role in keeping the cost of equity borne by our ratepayers at reasonable levels.

Although Minnesota Power believes that its full allocable share of Investor Relations
costs are necessary to keep customer utility costs at reasonable levels and should be
recoverable in rates, the Company also recognizes that Commission precedent is to
allow 50 percent of investor relations costs. Consistent with this precedent, the 2020
test year excludes 50 percent of Company-incurred Investor Relations costs from its rate
recovery request.
MP Exhibit ___ (Rostollan), Direct Schedule 3 provides the various categories of Investor Relations costs for the 2020 test year and shows an adjustment of $295,445 Total Company ($264,274 MN Jurisdictional),\(^3\) to reduce the Company’s rate request. The base amount for this adjustment includes employee expenses that would otherwise be reportable under Minn. Stat. § 216B.16, subdivision 17 as travel and lodging, dues, or food and beverage.

Q. Please explain the nature of the Company’s Board of Directors expenses, including any categories of Board of Directors costs.

A. Board of Directors costs primarily include compensation for services provided by members of the Board of Directors and, to a lesser extent, reimbursement for or payment on behalf of expenditures (“expense reimbursements”) incurred by members of the Board of Directors for Company business, such as travel expenses to attend board meetings. Any expense reimbursements are reviewed and approved prior to payment.

Q. How does Minnesota Power ensure that it is budgeting a reasonable level of Board expenses?

A. As discussed earlier in my testimony, the annual budget is initiated at the work area level and is subject to a series of reviews and approvals, including the Board of Directors expense budget.

Q. How are Board of Directors costs allocated between Minnesota regulated activities and non-regulated activities?

A. For the 2020 test year, Board of Directors costs are allocated approximately 64 percent to Minnesota Power regulated activities using the Company’s corporate equity allocator as described below. The remaining 36 percent of costs are allocated to subsidiaries. The allocation is based on each entity’s forecasted equity balance at the close of 2020.

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\(^3\) A summary of allocation factors used across the Company for purposes of calculating the Minnesota Jurisdictional totals is provided with the Direct Testimony of Company witness Mr. Stewart J. Shimmin at MP Exhibit ___ (Shimmin), Direct Schedule 1—Guide to Minnesota Power’s CCOSS, at Table 4.
Q. Does Minnesota Power propose to include a portion of Board costs in rates?
A. Yes, in part. The portion of Board costs allocable to Minnesota Power are proposed to be included in rates, with further proposed adjustment.

To strike a balance between customers and shareholders, Minnesota Power proposes to include the portion of Board of Directors compensation, travel costs, lodging, and other incidental costs allocable to Minnesota Power in rates, with the exception of meal expenses related to the board. The Board of Directors serves as the key oversight for the Company, and a utility cannot function without a board of directors or other management body, regardless of whether it is publicly held or a private company. As such, these Board of Directors costs should be included in rates.

Volume 3, Schedule H – 4 provides the Board of Directors compensation and expense reimbursements for the 2020 test year. Volume 3, Schedule H – 1 and MP Exhibit ___ (Rostollan), Direct Schedule 4 show an adjustment of $49,920 Total Company ($44,642 MN Jurisdictional), to exclude Board of Directors reimbursements for meal expenses and reduce the Company’s rate request.

D. Corporate Equity Allocator

Q. What is the purpose of this section of your testimony?
A. The purpose of this section of my testimony is to discuss Minnesota Power’s “corporate equity” allocator, including explaining why the Company uses this allocation methodology.

Q. Does Minnesota Power allocate any costs to the Minnesota utility using its “corporate equity” allocator?
A. Yes, in part. Within the annual compliance filings for Docket No. E015/M-01-1416, Asset Separation and Accounting Methodology, the Company describes each allocation method currently in use and the basis on which costs are allocated. As the current 2019 Compliance Filing shows, there are several areas of costs that are allocated solely on the corporate equity allocator method: Board of Directors costs, and Investor Relations.
costs, as discussed above, as well as Audit Services costs. The current filing also shows that there are areas of costs that are allocated based on combinations of corporate equity and fixed asset balances. These areas are: Strategic Planning, Financial Planning, Tax Services, Financial Reporting, Finance Services, External Communications, Legal Services, and General Accounting Services. Costs within these areas are directly assigned when possible. However, not all charges, particularly those related to general and administrative support functions, can be directly assigned, because such costs are incurred routinely for the benefit of all or multiple areas of ALLETE. Below I discuss why these allocation methods are appropriate.

Q. Please describe why each of the costs using the corporate equity allocator cannot be directly assigned.

A. Generally, it is not possible to readily identify which entity benefits from activities and expenses such as those of the Board of Directors and Investor Relations. The same is true, at times, for Audit Services. For example, an audit or review of the Company’s financial statements is a review of the financial activities of ALLETE, Inc. as a whole, with no single entity as the focus or receiving the benefit. Hence, it is not possible or practical to directly assign the costs in such an audit.

Q. Please explain why each of the costs for which the corporate equity allocator is used cannot be allocated using an indirect cost causative allocator.

A. Allocating certain types of costs using an indirect cost causative allocator is not always practical or capable of being done in a consistent manner. For example, Board of Directors, Investor Relations, and Audit Services costs bear no rational relationship to headcount, number of computers, fixed asset balances, and the like. Rather, these costs are incurred based on the overall needs of ALLETE.

Q. Why does the Company use a corporate equity allocator instead of the Commission’s general allocator of “Expenses less purchased goods sold”?

A. The corporate equity allocator more directly aligns expenditures for the Board of Directors, Investor Relations, and Audit Services with the associated value of each
entity. Minnesota Power has long used the corporate equity allocator; it has done so ever since Docket No. E015/M-01-1416, titled in *In the Matter of the Petition of Minnesota Power for Approval of Asset Separation and Accounting Methodology*. This methodology was also addressed in Docket No. E015/AI-15-712, and explained as follows:

Corporate Equity is calculated utilizing the amount of equity investment in various entities – ALLETE/MP, MP Lines of Business, and ALLETE Subsidiaries. It is not the intent to claim equity as a cost causative factor of increased activity. However, it is an available “number” that often can be equated with the value of an entity and, as such, it is often interpreted that the activity support for an entity increases with its value. Minimal use of the method is desired.

**Q.** Do you believe that the corporate equity allocator is superior to the expenses less purchased goods sold allocator and does not harm ratepayers?

**A.** Yes. In addition to the corporate equity allocator providing a better allocation of costs in alignment with the actual value of each entity, the use of the expenses less purchased goods sold allocator could result in higher allocations to Minnesota Power and its customers over time as a result of fluctuations in expenditures at Minnesota Power.

In Docket No. E015/AI-15-712 and Docket No. E015/GR-16-664, the Company demonstrated that use of the corporate equity allocator produced results that were consistent with the Commission’s expenses less purchased goods sold method.

**Q.** Has a comparison of these two methods been performed for this rate case?

**A.** Yes. Comparisons using 2018 data show that the corporate equity allocator method produces comparable, if not more favorable, results for ratepayers than the expenses

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4 This component, “MP Lines of Business,” is no longer in use.

less purchased goods sold method. MP Exhibit ___ (Rostollan), Direct Schedule 5 illustrates the allocation percentages using the corporate equity allocator versus the expenses less purchased goods sold allocator. In 2018, the most recently completed fiscal year, the corporate equity allocator method utilized by Minnesota Power resulted in an allocation to ratepayers of approximately 67.8 percent, consistent with a modified expenses less purchased goods sold method which would also result in approximately 67.8 percent of corporate costs being allocated to Minnesota Power regulated operations. However, the Company has calculated the expenses less purchased goods sold allocation percentage to the benefit of regulated customers by excluding depreciation, amortization, and property and other taxes from expenses. Adding these items back into the calculation would result in a higher allocation to ratepayers of 71.2 percent under the expenses less purchased goods sold method.

Q. Please summarize why the corporate equity allocator is reasonable for Minnesota Power’s customers.
A. The corporate equity allocator is the better method, because it more directly aligns Board of Directors, Investor Relations, and Audit Services expenses with the value of each entity, and not on the level of expenditures at each entity which is neither dependent on nor the driving force of Board of Directors, Investor Relations, or Audit Services efforts. The corporate equity allocator is not subject to annual swings in expenditure levels and customers benefit when the Company makes a new or additional investment in an entity. A comparison of the allocation methods shows that customers are helped, not harmed, by the Company’s use of the corporate equity allocator.

IV. TRAVEL, ENTERTAINMENT AND RELATED EMPLOYEE EXPENSES

Q. What is the purpose of this section of your testimony?
A. In this section of my testimony, I provide support for the travel, entertainment, and related employee expenses information that the Company is providing in compliance with Minn. Stat. § 216B.16, subd. 17 (“Employee Expense Statute”). The employee expense schedules setting forth this information are provided in Volume 3, Schedule H to the Company’s initial filing. I have also provided the Company’s written policies
governing employee expenses and our compliance plan to comply with order point 16
in the November 2, 2010 Order in Docket No. E015/GR-09-1151. The employee
expense policies are provided in MP Exhibit ___ (Rostollan), Direct Schedule 6 and MP
Exhibit ___ (Rostollan), Direct Schedule 7.

A. **Employee Expense Policies**

Q. How does Minnesota Power incur “employee expenses”?

A. Employee expenses are those expenditures incurred by employees in the course of their
employment and in support of the Company’s business, such as travel, meals, lodging,
and similar expenses. These expenses are tracked in our employee expense reporting
system. These expenses are consistent with the categories set forth in the Employee
Expense Statute. Employee expenses include expenditures for airfare, hotel stays, car
rentals, parking, meals for business purposes, or recognition for the work performed by
Company employees to provide safe and reliable service to customers. These expenses
may be expenses that, in the furtherance of their work for the Company, an employee
pays for using their own financial resources and then is reimbursed for, or they may be
expenses that are paid for using a Company credit card or invoiced directly to, and paid
by, the Company.

Q. Are the Company’s employee expenses needed for the provision of utility services?

A. Yes. Company business regularly requires that our employees work at locations other
than their offices or primary work locations. Employees often incur expenses when they
work in the field to ensure the reliability of the Company’s facilities and equipment,
manage workers across our service territory, meet with our customers and other
stakeholders, or travel to attend conferences or trainings to maintain their knowledge
base. Additionally, some employees work at remote locations and must attend meetings
or training at the main offices in Duluth, Minnesota, causing them to incur travel
expenses. Employees also attend training from time to time to ensure they are
performing their jobs in their highest capacity or completing continuing education to
maintain their professional licenses. The Company encourages employees to take
advantage of web-based training to the greatest extent possible, but not all training
sessions are available through this technology and certain professional licenses limit the use of web-based or on-demand training to comply with licensing requirements. Expense guidance is provided in the Company’s Employee Handbook.

Q. Has Minnesota Power implemented and adhered to an employee expense compliance plan to ensure the implemented policies are followed?

A. Yes. The Company developed a written policy after the 2009 rate case (Docket No. E015/GR-09-1151). That policy is documented in the Employee’s Handbook and provides guidelines for all employees in regards to business-related expenses.

In addition, the Employee’s Handbook addresses ratepayer impacts of employee expenses, as shown below:

A significant portion of ALLETE consists of regulated utility operations. As such, both Minnesota Power and Superior Water Light & Power are subject to regulatory review to ensure that the utility rates they charge their customers are reasonable and deemed necessary for the provision of utility service. Thus the impacts on Minnesota and Wisconsin ratepayers should always be considered when incurring and charging an expense.

Expenses incurred while working on regulated operations (such as Minnesota Power, Superior Water Light & Power) should be charged to a regulated work order. Expenses incurred while working on non-regulated operations (such as BNI Energy, ALLETE Clean Energy, and non-regulated business development) should be charged to a non-regulated work order. The Company has also determined that entertainment expenses will not be charged to ratepayers (as specified in Entertainment Events and Meals below); therefore, the correct cost type and a non-regulated work order must be used for all costs.
associated with entertainment expenses. Contact Accounting with questions on the proper use of accounts.

Additional procedures and required expense documentation for employees are explained in the Corporate Credit Card and Employee Expense Reporting Policy & Procedure Manual. Training on the policies and expense documentation procedures is provided for new supervisors through our Foundations for Leadership program. Any employee wishing to receive a corporate credit card must receive supervisor approval, sign a corporate credit card agreement, and complete Expense Training, which is administered electronically through the Oracle Learner Self-Service application. Copies of the training handouts and presentations provided to supervisors are included in MP Exhibit ___ (Rostollan), Direct Schedule 8 and MP Exhibit ___ (Rostollan), Direct Schedule 9, respectively.

B. Employee Expense Review

Q. Has the Commission identified any specific requirements regarding Minnesota Power’s filing of employee expense data for this rate case filing?

A. No, the Commission has not identified any specific requirements for this rate case filing beyond the requirements of the Employee Expenses Statute. As noted above, the information provided in compliance with the Employee Expense Statute is provided in Volume 3, Schedule H to the Company’s initial filing.

Q. Please explain the information contained in Volume 3, Schedule H.

A. Volume 3, Schedule H of Minnesota Power’s initial filing contains detailed information about employee expenses for 2018, the most recently completed fiscal year, in accordance with the Employee Expense Statute. Minnesota Power has provided schedules to correspond with the costs requested for recovery pursuant to Minn. Stat. Section 216B.16, subds. 17(a)(1)-(7) as follows:

- Schedule H – 1 Summary of Employee Expenses
- Schedule H – 1A Travel and Lodging Expenses for Employees
• Schedule H – 1B  Travel and Lodging Expenses for Vice President / Ten Highest Paid
• Schedule H – 2A  Food and Beverage Expenses for Employees
• Schedule H – 2B  Food and Beverage Expenses for Vice President / Ten Highest Paid
• Schedule H – 3  Recreational and Entertainment Expenses
• Schedule H – 4  Board of Director Expenses and Compensation
• Schedule H – 5A  Ten Highest Paid Officers and Employees’ Compensation
• Schedule H – 5B  Additional Expenses for Vice President / Ten Highest Paid
• Schedule H – 6  Dues and Expenses for Membership in Organizations or Clubs
• Schedule H – 7  Gift Expenses
• Schedule H – 8  Dues and Memberships with Lobbying
• Schedule H – 9  Miscellaneous Employee Expenses
• Schedule H – 10 Aircraft Expenses
• Schedule H – 11 Lobbying Expenses

In Volume 3, Schedule H – 8, I have included a schedule showing the lobbying-related portion of certain dues. This schedule is to be used in conjunction with Volume 3, Schedule H – 6. Volume 3, Schedule H – 9 contains the detail of employee expenditures for parking, registrations, fees, and other miscellaneous expenditures. This schedule provides additional transaction detail for travel and also includes other employee-type expenditures not specifically required under the Employee Expense Statute. Finally, MP Exhibit ___ (Rostollan), Direct Schedule 10, provides a one-page summary of the total amounts for each expense category. This one-page summary is also included in Volume 3, Schedule H – 1 to this filing. The Company is not requesting recovery of

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6 Volume 3, Schedule H - 5A identifies the ten highest paid employees, as well as those with the title of Vice President or above. In the case of Minnesota Power’s 2018 employees (and as explained in more detail below), the list of ten highest paid employees or officers includes all employees at the level of Vice President or above except one. Volume 3, Schedules H – 1B, 2B, and 5B contain expense detail for the highest paid and Vice President or above employees, who are identified by title in Volume 3, Schedule H – 5A.
Minnesota Power’s allocated share of corporate aircraft expense; therefore, as indicated in Volume 3, Schedule H – 10, information regarding such expenses is not included. As indicated in Volume 3, Schedule H – 3, a detailed schedule is not included for Recreation or Entertainment expenses, as these are accounted for in non-regulated expenditures. Similarly, as Volume 3, Schedule H – 11 indicates, Lobbying expenses are excluded expenses for which we are not seeking recovery, as discussed below; therefore, transaction data is not included.

Q. Does Minnesota Power request that any of the information in Volume 3, Schedule H be classified as non-public data?

A. Yes. Volume 3, Schedule H – 5A includes compensation information for the ten highest paid employees of the Company. The Employee Expense Statute allows for the salary of one or more of the ten highest paid officers and employees of Minnesota Power, other than the five highest paid, to be treated as private data on individuals. Minnesota Power requests that the salaries of the highest paid employees other than the five highest paid be kept non-public for competitive reasons.

Q. Please provide additional information explaining how Minnesota Power tracks and accounts for employee expenses.

A. The Company uses software called Oracle Payables to process all invoices, employee expense reimbursements, and company credit card reconciliations. In addition to payment for business meals and travel expenses, employees are encouraged to use a corporate-issued credit card for registrations, books, dues and subscriptions, safety work clothing, and miscellaneous small dollar ($3,000 or less) material purchases necessary to conduct company business.

All transactional detail is maintained in Oracle Payables and is also stored in a data warehouse. The data warehouse provides a single source for storing all financial transactions, allowing users to access information in one location rather than needing access to multiple financial sub-ledgers.
Q. How did Minnesota Power extract the data provided with this rate case?
A. As previously noted, the Employee Expense Statute requires that we provide employee expense data from our last completed fiscal year, in this case 2018. Our original extraction of data was limited to costs assigned to the Minnesota electric jurisdiction, either directly or through allocation. Cost types were developed as part of the Company’s chart of accounts to capture expenses into categories based on the Employee Expense Statute. This is consistent with how data was extracted in our last rate case.

Q. How was the data warehouse queried to develop the employee expense schedules?
A. Using the data warehouse, queries were made on each cost type, exported to Microsoft Excel, and then separated into spreadsheets based on the filing requirements of the Employee Expense Statute. These expenses were either paid via direct company invoicing from the vendor, employee expense report reimbursement, or by corporate credit cards issued to employees. We also searched for employee expenses charged via expense report or credit card to cost types that were not responsive to the categories under the statute, such as in the cost types used for contractor services, safety clothing and equipment for plant, construction, or maintenance personnel, or office supplies. In these cost types, we identified items that may not be considered appropriate for recovery, such as life or social event expenditures, and included those amounts in an adjustment discussed below (the “Test Year Adjustment”).

Q. How was the queried data formatted for executive employees and Board of Directors?
A. The Employee Expense Statute requires the Company to include schedules of expenses for the ten highest paid employees, board members, and all employees at the level of vice president or above. We obtained a list of the ten highest paid employees for 2018. There was one non-vice president or higher level employee on this list of the ten highest paid. For simplicity, we chose to include this employee with the vice president-level

7 Minn. Stat. § 216B.16, subd. 17(a)(5).
8 Minn. Stat. § 216B.16, subd. 17(a)(4).
9 Minn. Stat. § 216B.16, subd. 17(b).
and higher group and use a single group of individuals for both the top ten and vice
president level and higher reporting requirements. Volume 3, Schedules H – 4, 5A and
5B include the compensation and expenses of the board members and ten highest paid,
respectively. For other incidental expenses, we chose to use the executive-specific cost
types to pull the data. These cost types were designed to be used by all executives for
their expenses as a way to comply with the Employee Expense Statute for both the top
ten and vice president level and higher reporting requirements. We then made the
determination that Minnesota Power would not request recovery of employee expenses
for ALLETE Chairman and CEO, Alan R. Hodnik, or for the travel, lodging, and meals
of ALLETE President, Bethany M. Owen, and ALLETE Chief Financial Officer, Robert
J. Adams (positions and titles currently held by these individuals).

Finally, we have also excluded from these schedules reimbursements for meal expenses
for members of ALLETE’s Board of Directors.

Q. How were these reports reviewed?
A. Our remaining source data was separated into each required reporting category. We
first reviewed each category by investigating transactions using our keyword search,
which we explain in further detail below. We then began looking for employee
recognition transactions, foreign travel, lobbying-related transactions, Board of
Directors’ costs, investor relations transactions, and life or social events and excluded
items from the Company’s rate request as necessary. This process was largely manual
and included line-by-line reviews of all employee expenses. The determination of the
validity of transactions requires careful consideration and the application of judgment.
For example, when an employee’s business description of the expense did not provide
enough information to determine validity, we looked at other information in the
accounting data, such as the description of the charging work order, or our own
knowledge of the type of work that employee is engaged in on a daily basis, to gain
additional insight. Ultimately, supervisors are responsible for determining the validity
of their employees’ expenses before approving them. The supervisors are in the best
position to understand the scope of work being performed by an employee and any
necessary employee expenses related to that work. Minnesota Power has made a good-
faith effort to exclude any items not necessary for the provision of utility services.

Q. How were the word searches performed?
A. We used keyword searches as an aid to identify transactions for review. We started with
the keyword listing from our last rate case, as well as words we determined should be
searched for based on our most recent company activity. The keyword list is attached
as MP Exhibit ___ (Rostollan), Direct Schedule 11 to my testimony. Transactions
where keywords were found were further reviewed to determine the appropriateness of
the business purpose. The Company also made a good-faith effort to identify and
exclude any expenses containing a misspelled search term. The keyword search was
one of many ways in which we analyzed the large amount of data, but it should not be
assumed that all transactions where these words were found have been excluded.

Q. Please describe the line-by-line evaluation performed after word-search-based
exclusions were complete.
A. We reviewed all schedules for transactions related to employee recognition, foreign
travel, lobbying, investor relations, economic development, and life and social events,
based on the following criteria:

- Individual employee recognition was excluded, with the exception of
  recognition related to safety achievements.
- Foreign travel was excluded, except to the extent it was specifically related to
  utility operations, such as our agreements with Manitoba Hydro.
- Lobbying-related transactions were excluded. In addition, dues to organizations
  were evaluated to determine any portion of those dues that was used for or
  related to lobbying and an adjustment was made for the lobbying portion.
- Investor Relations employee expense-related transactions were identified and
  will be subject to the fifty percent exclusion for all 2020 test year expenditures.
  The non-labor related charges were removed from the employee expense
  schedules and are not included in either the 2020 test year employee expenses
or the adjustment to the employee expenses for the 2020 test year. All costs related to investor relations are addressed previously in my testimony.

- Economic Development employee expense-related transactions were identified and will be subject to the fifty percent exclusion for all 2020 test year expenditures. The non-labor related charges were removed from the employee expense schedules and are not included in either the 2020 test year employee expenses or the adjustment to the employee expenses for the 2020 test year. Costs related to economic development activities are addressed in Ms. Podratz’ Direct Testimony.

- Life and social event transactions were excluded except for non-discretionary length of service and retirement awards issued by ALLETE’s Human Resources Department.

Q. Does Minnesota Power believe that employee expenses have been appropriately excluded from the test year?

A. Yes. Our review of employee expenses was thorough and complete. We believe we have made a good-faith effort to exclude any items not necessary for the provision of utility services and attempted to err on the side of exclusion rather than inclusion of costs.

Q. What are the results of Minnesota Power’s employee expense review?

A. As a result of the employee expense review, we have identified a test year adjustment in the amount of approximately $437,005 Total Company ($390,806 MN Jurisdictional). This amount has been excluded from the test year cost of service. A summary schedule of the Test Year Adjustment, by type of expense, is included as MP Exhibit ___ (Rostollan), Direct Schedule 10.
C. **Memberships and Dues**

Q. Has the Company included costs associated with memberships and dues in its employee expenses?

A. Yes. Minnesota Power has included these costs in the 2020 test year and rate recovery request. Please refer to Ms. Podratz’ Direct Testimony for more information on how memberships and dues were included in the test year and rate recovery request.

Q. Please explain how Company memberships in various trade and specialty organizations provide value to Minnesota Power’s customers.

A. The membership and dues amounts that Minnesota Power has included in its rate request each provide value to Minnesota Power’s customers. These organizations provide key insights into and education on various aspects of our industry and allow Minnesota Power and its employees to efficiently provide service to our customers. For example, there are important tax and rate education sessions that the Edison Electric Institute offers only to its members that, if Minnesota Power had to create and deploy similar programs, would be very costly on a Company basis. Additionally, many of our employees maintain licenses that are necessary to perform Company functions related to the planning, design, and maintenance of our generation and power delivery systems. These licenses require ongoing continuing education, including awareness of new technologies, requirements, codes, and standards, which many of these organizations provide access to for members. Minnesota Power thoughtfully evaluated the memberships and dues that resulted in the amounts included in the 2020 test year, and only those that provide value to the Company’s customers and were, therefore, reasonable and necessary, were included.

D. **Specific Issues with Employee Expenses**

Q. Are there sometimes situations where employees are reimbursed for expenses they incurred, but there is no vendor name associated with the expense as set forth in the Schedules the Company is filing?

A. Yes. When an employee purchases an item with his or her own financial resources, the employee is considered the “vendor” that the Company is paying. This is logical, and
is standard practice in any expense tracking system, as the system needs to know who to pay. Minnesota Power reimburses the employee directly, so the employee is the “vendor” for purposes of employee expenses. This is no different than where Minnesota Power pays a contractor’s invoice and records only that contractor’s name in the ledger, even though there may be third-party expenses detailed on the contractor’s invoice, such as fuel or equipment rentals.

Further, the identity of the third party that the employee paid can be determined from the employee’s expense report—the actual receipt is attached to the expense report. Minnesota Power maintains this supporting documentation for future inquiry.

Q. In the event an employee uses their own financial resources to make a purchase or purchases for which they seek reimbursement, how are those expenses reviewed?

A. In these instances, an employee must submit an expense reimbursement request and provide sufficient documentation to support the purchases that were made. Additionally, before that expense reimbursement request is submitted for processing, that employee’s supervisor must review the report and confirm that the expenses for which the employee seeks reimbursement are consistent with Company policies and appropriately documented. After this review and approval, the expense reimbursement is then submitted for processing. The Company maintains records of these reimbursement requests should future questions arise related to these employee expenses.

Q. Has the Company faced additional scrutiny for these types of employee expenses in prior rate cases?

A. Yes. In the 2016 Rate Case, the Office of the Attorney General – Residential Utilities and Antitrust Division (“OAG-RUD”) objected to expenses that identified an employee as the “vendor” in our general ledger accounting system as a broad matter.
Q. How did the Commission decide this issue in the Company’s last rate case?
A. The Commission determined the Company provided sufficient process, and evidence of that process, to reject the OAG-RUD’s objections on this issue.

Q. Has the Company addressed this issue in this rate case?
A. Yes, although it was not required. In response to the concerns that the OAG-RUD raised in the 2016 Rate Case, the Company implemented a change to the employee expense tracking system in which employees include information identifying a third-party payee. This system change was implemented in early 2018. For transactions where the employee was the vendor and occurring prior to this change, the Company manually added the third-party payee information to a small number of transactions in the employee expense review schedules. Since this is a customization to a standard reporting system, the Company may not be able to maintain this feature in future system upgrades or new implementations.

Additionally, Board of Directors’ expense reimbursements are not processed within the employee expense reporting system, but rather are accounted and paid as any other external vendor. The nature and detail of the expense items are simply not maintained within the expense reporting system. For the purpose of this rate filing, the Company manually added the expense detail, with exception for personal mileage and internally generated accounting entries for Board of Directors’ compensation expenses, to the Board of Directors schedule included in Volume 3, Schedule H – 4.

Q. Under what conditions is it appropriate for an employee to make a purchase for the Company using his or her personal financial resources?
A. While employees are trained to use their Company-issued credit card for all company-related purchases, this is not always possible. Various situations arise where an employee is not able to use the Company-issued credit card including where a magnetic stripe or chip on the card has suddenly become unusable; a Company-issued credit card is not able to be processed at the point of sale due to a reader or card malfunction; the point of sale does not accept credit cards, as happens in certain locations where our
employees need to travel for Company business, including our linemen or right-of-way
agents; or a Company card has been identified as lost and a replacement Company card
has not yet arrived for that employee.

Q. **What is the expense submission and review process in these instances?**
A. Where an employee pays for an expense using their own funds, the employee prepares
an expense report and submits it to their supervisor for review and approval. The
employee must provide documentation or detail necessary to support the costs for which
they are seeking reimbursement. The supervisor must then review the expense
reimbursement request, the supporting detail, and business purpose for the expense, and
determine whether the expenses are appropriate before approving the reimbursement
request.

E. **Additional Exclusions**
Q. Is the Company requesting recovery for Minnesota Power’s allocated share of
corporate aircraft expenses?
A. No. The Company has excluded all corporate aircraft expenses as part of its review of
employee expenses.

Q. Has the Commission identified any requirements regarding Minnesota Power’s
accounting for lobbying expenses for this rate case filing?
A. Yes. In Minnesota Power’s 2010 rate case (Docket No. E015/GR-09-1151), the
Commission ordered (Order Point 17) the Company to adopt accounting procedures to
readily identify lobbying expenses and “to record these expenses to FERC Account
426.4, Civic and Political Expenses.”

Q. Has Minnesota Power adopted procedures to identify lobbying expenses and
record these expenses to FERC Account 426.4?
A. Yes, as explained above, Minnesota Power has adopted procedures to identify lobbying
expenses. It records these expenses to FERC Account 426.4, Expenditures for certain
civic, political, and related activities. Consistent with my testimony above, the expenses
recorded in this FERC Account are not included in our rate request. Employees also make a good faith effort to record expenses to the appropriate accounts. As part of our review of employee expenses, we also looked for any indirectly-related lobbying expenses and excluded these items. The total amount of lobbying expenses excluded was $48,284 Total Company ($43,186 MN Jurisdictional) as shown in MP Exhibit ___ (Rostollan), Direct Schedule 10 of my Direct Testimony.

An adjustment to exclude these expenditures from rate recovery is included in the total test year adjustment, as discussed above. Accordingly, we believe the 2020 test year appropriately excludes lobbying expenses from our cost of service.

V. CONCLUSION

Q. Does this complete your testimony?
A. Yes. I appreciate the opportunity to provide this testimony.
# Minnesota Power

## Actual Variance From Budget

### Historical Summary

#### Total Company

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Gross Margins</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>$800,268</td>
<td>$770,987</td>
<td>$815,725</td>
<td>$771,187</td>
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<td>Expense</td>
<td></td>
<td></td>
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<tr>
<td>Fuel</td>
<td>127,672</td>
<td>124,147</td>
<td>144,166</td>
<td>147,526</td>
<td>147,526</td>
<td>147,526</td>
</tr>
<tr>
<td>Square Butte</td>
<td>55,230</td>
<td>56,727</td>
<td>61,198</td>
<td>67,495</td>
<td>67,495</td>
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<tr>
<td>Other Purchased Power</td>
<td>142,243</td>
<td>108,501</td>
<td>101,213</td>
<td>74,069</td>
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<tr>
<td>Margins</td>
<td>$475,123</td>
<td>$481,612</td>
<td>$(6,489)</td>
<td>$509,148</td>
<td>$482,097</td>
<td>$27,051</td>
</tr>
<tr>
<td></td>
<td>-1.35%</td>
<td>5.61%</td>
<td></td>
<td>5.61%</td>
<td>5.61%</td>
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</tr>
<tr>
<td>Total Operating Expenses</td>
<td>$339,365</td>
<td>$341,171</td>
<td>$(1,806)</td>
<td>$356,513</td>
<td>$349,897</td>
<td>$6,616</td>
</tr>
<tr>
<td></td>
<td>-0.53%</td>
<td>1.89%</td>
<td></td>
<td>1.89%</td>
<td>1.89%</td>
<td></td>
</tr>
<tr>
<td>Operating and Maintenance Expenses</td>
<td>$219,634</td>
<td>$224,620</td>
<td>$(4,986)</td>
<td>$226,779</td>
<td>$224,460</td>
<td>$2,319</td>
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<tr>
<td></td>
<td>-2.22%</td>
<td>1.03%</td>
<td></td>
<td>1.03%</td>
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</tr>
<tr>
<td>Total MWh Sales</td>
<td>13,162,216</td>
<td>12,041,960</td>
<td>1,120,256</td>
<td>13,192,752</td>
<td>12,683,595</td>
<td>509,157</td>
</tr>
<tr>
<td></td>
<td>9.30%</td>
<td>4.01%</td>
<td></td>
<td>4.01%</td>
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</tr>
<tr>
<td>Retail and Municipal MWh Sales</td>
<td>10,417,422</td>
<td>9,230,510</td>
<td>1,186,912</td>
<td>10,988,199</td>
<td>10,473,090</td>
<td>515,109</td>
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<tr>
<td></td>
<td>12.86%</td>
<td>4.92%</td>
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</tbody>
</table>
Minnesota Power

Actual Variance From Budget

Historical Summary

<table>
<thead>
<tr>
<th>Total Company</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Margins</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>$838,618</td>
<td>$883,294</td>
<td>$956,416</td>
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<tr>
<td>Expense</td>
<td>$135,020</td>
<td>$150,942</td>
<td>$143,069</td>
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<tr>
<td>Fuel</td>
<td>$67,090</td>
<td>$71,073</td>
<td>$70,082</td>
</tr>
<tr>
<td>Square Butte</td>
<td>$106,585</td>
<td>$108,590</td>
<td>$142,970</td>
</tr>
<tr>
<td>Other Purchased Power</td>
<td>$91,215</td>
<td>$85,365</td>
<td>$107,736</td>
</tr>
<tr>
<td>Margins</td>
<td>$529,923</td>
<td>$548,532</td>
<td>$600,295</td>
</tr>
<tr>
<td>Variance</td>
<td>$2,353</td>
<td>$(19,005)</td>
<td>$(7,568)</td>
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<tr>
<td></td>
<td>0.45%</td>
<td>-3.35%  a.</td>
<td>-1.25%</td>
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<tr>
<td>Total Operating Expenses</td>
<td>$374,866</td>
<td>$399,193</td>
<td>$425,515</td>
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<td>Variance</td>
<td>$1,803</td>
<td>$(14,805)</td>
<td>$(8,969)</td>
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<tr>
<td></td>
<td>0.48%</td>
<td>-3.58%  a.</td>
<td>-2.06%</td>
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<td>Operating and Maintenance Expenses</td>
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<td>$231,688</td>
<td>$234,302</td>
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<tr>
<td>Variance</td>
<td>$(2,176)</td>
<td>$(17,409)</td>
<td>$(7,772)</td>
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<tr>
<td></td>
<td>-0.95%</td>
<td>-6.99%  a.</td>
<td>-3.21%</td>
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<tr>
<td>Total MWh Sales</td>
<td>13,106,314</td>
<td>13,264,062</td>
<td>13,942,499</td>
</tr>
<tr>
<td>Variance</td>
<td>194,337</td>
<td>116,509</td>
<td>250,364</td>
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<tr>
<td></td>
<td>1.51%</td>
<td>0.89%</td>
<td>1.83%</td>
</tr>
<tr>
<td>Retail and Municipal MWh Sales</td>
<td>11,107,357</td>
<td>10,985,809</td>
<td>11,038,979</td>
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<tr>
<td>Variance</td>
<td>110,01970</td>
<td>$(250,789)</td>
<td>10,998,343</td>
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<td>0.96%</td>
<td>-2.23%</td>
<td>0.37%</td>
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*The 2013 budget was developed under the assumption that the Rapids Energy Center would receive Commission approval to be moved to regulated operations, which was not received resulting in lower margins and O&M.*
### Historical Summary

#### Total Company

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual</th>
<th>Budget</th>
<th>Variance</th>
<th>Year</th>
<th>Actual</th>
<th>Budget</th>
<th>Variance</th>
<th>Year</th>
<th>Actual</th>
<th>Budget</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$954,977</td>
<td>$1,003,798</td>
<td>$(22,821)</td>
<td>2016</td>
<td>$965,424</td>
<td>$1,010,294</td>
<td>$(44,870)</td>
<td>2017</td>
<td>$1,026,492</td>
<td>$1,055,652</td>
<td>$(29,160)</td>
</tr>
<tr>
<td>2016</td>
<td>$127,118</td>
<td>$131,690</td>
<td>$(4,572)</td>
<td>2017</td>
<td>$127,165</td>
<td>$131,690</td>
<td>$(4,525)</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>$77,784</td>
<td>$77,907</td>
<td>$(123)</td>
<td></td>
<td>$84,220</td>
<td>$75,729</td>
<td>$8,491</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>$123,234</td>
<td>$144,585</td>
<td>$(21,351)</td>
<td></td>
<td>$149,899</td>
<td>$159,792</td>
<td>$(9,893)</td>
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<tr>
<td>2019</td>
<td>$626,841</td>
<td>$649,616</td>
<td>$22,775</td>
<td>2020</td>
<td>$632,494</td>
<td>$664,003</td>
<td>$(31,509)</td>
<td>2021</td>
<td>$638,207</td>
<td>$694,368</td>
<td>$(56,161)</td>
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<tr>
<td>2020</td>
<td>$443,246</td>
<td>$469,602</td>
<td>$(26,356)</td>
<td>2021</td>
<td>$457,218</td>
<td>$504,037</td>
<td>$(46,820)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>$223,232</td>
<td>$243,245</td>
<td>$(20,013)</td>
<td>2022</td>
<td>$216,315</td>
<td>$235,564</td>
<td>$(19,249)</td>
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<td></td>
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<tr>
<td>2023</td>
<td>$10,059,466</td>
<td>$11,093,840</td>
<td>$(1,034,374)</td>
<td>2024</td>
<td>$9,830,787</td>
<td>$10,464,475</td>
<td>$(633,688)</td>
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<tr>
<td>2024</td>
<td>$10,654,217</td>
<td>$10,449,547</td>
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<td>2025</td>
<td>$10,654,217</td>
<td>$10,449,547</td>
<td>$204,670</td>
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#### Gross Margins

<table>
<thead>
<tr>
<th>Expense Description</th>
<th>2015 Actual</th>
<th>2015 Budget</th>
<th>Variance</th>
<th>2016 Actual</th>
<th>2016 Budget</th>
<th>Variance</th>
<th>2017 Actual</th>
<th>2017 Budget</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$954,977</td>
<td>$1,003,798</td>
<td>$(48,821)</td>
<td>$965,424</td>
<td>$1,010,294</td>
<td>$(44,870)</td>
<td>$1,026,492</td>
<td>$1,055,652</td>
<td>$(29,160)</td>
</tr>
<tr>
<td>Fuel</td>
<td>$127,118</td>
<td>$131,690</td>
<td>$(4,572)</td>
<td>$127,165</td>
<td>$131,690</td>
<td>$(4,525)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Square Butte</td>
<td>$77,784</td>
<td>$77,907</td>
<td>$(123)</td>
<td>$84,220</td>
<td>$75,729</td>
<td>$8,491</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Purchased Power</td>
<td>$123,234</td>
<td>$144,585</td>
<td>$(21,351)</td>
<td>$149,899</td>
<td>$159,792</td>
<td>$(9,893)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Total Operating Expenses

<table>
<thead>
<tr>
<th>Year</th>
<th>2015 Actual</th>
<th>2015 Budget</th>
<th>Variance</th>
<th>2016 Actual</th>
<th>2016 Budget</th>
<th>Variance</th>
<th>2017 Actual</th>
<th>2017 Budget</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$443,246</td>
<td>$469,602</td>
<td>$(26,356)</td>
<td>$467,186</td>
<td>$481,696</td>
<td>$(14,510)</td>
<td>$457,218</td>
<td>$504,037</td>
<td>$(46,820)</td>
</tr>
<tr>
<td>2016</td>
<td>$223,232</td>
<td>$243,245</td>
<td>$(20,013)</td>
<td>$213,166</td>
<td>$216,846</td>
<td>$(3,680)</td>
<td>$216,315</td>
<td>$235,564</td>
<td>$(19,249)</td>
</tr>
<tr>
<td>2017</td>
<td>$14,369,559</td>
<td>$14,389,285</td>
<td>$(19,726)</td>
<td>$14,147,335</td>
<td>$13,780,410</td>
<td>$366,925</td>
<td>$14,692,658</td>
<td>$13,935,337</td>
<td>$757,321</td>
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</table>

#### Operating and Maintenance Expenses

<table>
<thead>
<tr>
<th>Year</th>
<th>2015 Actual</th>
<th>2015 Budget</th>
<th>Variance</th>
<th>2016 Actual</th>
<th>2016 Budget</th>
<th>Variance</th>
<th>2017 Actual</th>
<th>2017 Budget</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$10,059,466</td>
<td>$11,093,840</td>
<td>$(1,034,374)</td>
<td>$9,830,787</td>
<td>$10,464,475</td>
<td>$(633,688)</td>
<td>$10,654,217</td>
<td>$10,449,547</td>
<td>$204,670</td>
</tr>
</tbody>
</table>

#### Total MWh Sales

<table>
<thead>
<tr>
<th>Year</th>
<th>2015 Actual</th>
<th>2015 Budget</th>
<th>Variance</th>
<th>2016 Actual</th>
<th>2016 Budget</th>
<th>Variance</th>
<th>2017 Actual</th>
<th>2017 Budget</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$10,059,466</td>
<td>$11,093,840</td>
<td>$(1,034,374)</td>
<td>$9,830,787</td>
<td>$10,464,475</td>
<td>$(633,688)</td>
<td>$10,654,217</td>
<td>$10,449,547</td>
<td>$204,670</td>
</tr>
</tbody>
</table>

**b.** Taconite shut-downs due to steel imports and low taconite prices. Significant cost reduction efforts initiated to mitigate earnings impact.

**c.** Continued to be impacted by taconite shut-downs due to steel imports and low taconite prices.

**d.** Impacted by anticipated rate case outcome resulting in lower revenue and reductions in O&M to offset the impact. Depreciation expense also lower due to life extension on Boswell.
## Minnesota Power
### Actual Variance From Budget
#### Historical Summary

#### Total Company

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th></th>
<th>2018</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>Budget</td>
<td>Actual</td>
<td>Budget</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td>$1,021,400</td>
<td>$1,003,663</td>
<td>$8,262,614</td>
<td>$8,263,917</td>
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<tr>
<td><strong>Expense</strong></td>
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<td></td>
</tr>
<tr>
<td><strong>Fuel</strong></td>
<td>141,493</td>
<td>137,090</td>
<td>1,261,003</td>
<td>1,252,102</td>
</tr>
<tr>
<td><strong>Square Butte</strong></td>
<td>78,047</td>
<td>84,959</td>
<td>629,536</td>
<td>670,265</td>
</tr>
<tr>
<td><strong>Other Purchased Power</strong></td>
<td>178,006</td>
<td>164,529</td>
<td>1,187,658</td>
<td>1,049,799</td>
</tr>
<tr>
<td><strong>Margins</strong></td>
<td>$623,854</td>
<td>$617,085</td>
<td>$6,769</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1.10%</td>
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</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>$473,627</td>
<td>$472,896</td>
<td>$731</td>
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</tr>
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<td></td>
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<td>0.15%</td>
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</tr>
<tr>
<td><strong>Operating and Maintenance Expenses</strong></td>
<td>$207,637</td>
<td>$214,871</td>
<td>$(7,234)</td>
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</tr>
<tr>
<td></td>
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<td></td>
<td>-3.37%</td>
<td>-3.85%</td>
</tr>
<tr>
<td><strong>Total MWh Sales</strong></td>
<td>14,591,253</td>
<td>14,104,467</td>
<td>486,786</td>
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</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3.45%</td>
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</tr>
<tr>
<td><strong>Retail and Municipal MWh Sales</strong></td>
<td>10,638,690</td>
<td>10,866,652</td>
<td>(227,962)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>-2.10%</td>
<td></td>
</tr>
</tbody>
</table>

|                      |        |        |        |        |
|                      | Actual     | Budget | Actual     | Budget |
| **Total All Years**  | $5,184,417 | $5,291,751 | $(107,334) |        |
|                      |            |        | -2.03%    |        |
| **Operating and Maintenance Expenses** | $3,736,729 | $3,840,844 | $(104,115) |        |
|                      |            |        | -2.71%    |        |
| **Total MWh Sales**  | 124,468,648 | 120,686,719 | 3,781,929 |        |
|                      |            |        | 3.13%     |        |
| **Retail and Municipal MWh Sales** | 95,720,926 | 95,815,025 | (94,099)  |        |
|                      |            |        | -0.10%    |        |

*Continued impact of rate case outcome resulting in further reductions in O&M to earn Minnesota Power's allowed return on equity.*
Minnesota Power
Actual Variance From Budget
Historical Summary
Total Company

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Budget</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross Margins</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>$6,281,145</td>
<td>$6,204,467</td>
<td></td>
</tr>
<tr>
<td>Expense</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fuel</td>
<td>981,121</td>
<td>993,247</td>
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</tr>
<tr>
<td>Square Butte</td>
<td>476,023</td>
<td>508,138</td>
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</tr>
<tr>
<td>Other Purchased Power</td>
<td>904,632</td>
<td>755,315</td>
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</tr>
<tr>
<td>Margins</td>
<td>$3,919,369</td>
<td>$3,947,767</td>
<td>$(28,398)</td>
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<td></td>
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<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>$2,836,265</td>
<td>$2,867,205</td>
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<td>-1.08%</td>
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<tr>
<td><strong>Operating and Maintenance Expenses</strong></td>
<td>$1,560,957</td>
<td>$1,601,895</td>
<td>$(40,938)</td>
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<td></td>
<td></td>
<td>-2.56%</td>
</tr>
<tr>
<td><strong>Total MWh Sales</strong></td>
<td>95,406,431</td>
<td>92,362,097</td>
<td>3,044,334</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3.30%</td>
</tr>
<tr>
<td><strong>Retail and Municipal MWh Sales</strong></td>
<td>75,007,243</td>
<td>74,271,638</td>
<td>735,605</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0.99%</td>
</tr>
</tbody>
</table>
Minnesota Power
Docket No. E015/GR-19-442

MP Exhibit __ (Rostollan)
Rostollan Direct Schedule 2
Page 1 of 2

Minnesota Power - Total Company
ELECTRIC OPERATION AND MAINTENANCE EXPENSES (FERC Form 1 pages 320-323)
2020
Unadjusted
Test Year

2019
Projected
Year

2018
Actual

2017
Actual

2017
Unadjusted
Test Year

2016
Actual

2015
Actual

2014
Actual

2013
Actual

2012
Actual

2011
Actual

2010
Actual

$125,282,750

$127,355,685

$168,929,225

$163,856,633

$163,369,374

$178,244,988

$160,053,157

$176,441,326

$197,423,884

$179,553,493

$184,211,509

$172,144,630

20,509,678

18,093,453

20,569,774

24,921,079

29,291,545

25,021,256

30,439,334

33,395,984

32,530,008

38,430,704

41,190,935

41,278,716

145,792,428

145,449,138

189,498,999

188,777,712

192,660,919

203,266,244

190,492,491

209,837,310

229,953,892

217,984,197

225,402,444

213,423,346

Hydraulic Operation

1,651,581

1,860,283

1,724,229

2,187,378

3,856,356

1,995,042

2,709,109

2,511,396

3,017,454

3,274,783

2,540,450

2,438,275

Hydraulic Maintenance

3,833,745

3,054,812

4,023,825

3,995,493

3,945,625

4,379,541

3,007,633

4,280,289

4,035,643

4,539,612

4,492,936

4,029,265

Total Hydro Power Production

5,485,326

4,915,095

5,748,054

6,182,871

7,801,981

6,374,583

5,716,742

6,791,685

7,053,097

7,814,395

7,033,386

6,467,540

1. POWER PRODUCTION EXPENSES
A. Steam Power Generation
Steam Operation
Steam Maintenance
Total Steam Power Production Expenses
B. Nuclear Power Generation (n/a)
C. Hydraulic Power Generation

D. Other Power Generation (wind)
Other (wind) Operation

5,295,438

5,241,816

5,168,305

4,736,316

6,975,307

5,555,064

5,869,893

4,327,004

4,150,837

2,763,244

2,253,132

140,536

Other (wind) Maintenance

11,885,217

10,562,049

11,457,237

9,639,375

9,710,312

9,104,610

7,028,495

4,559,974

4,722,053

1,687,365

1,092,020

401,811

Total Other Power Production (wind)

17,180,655

15,803,865

16,625,542

14,375,691

16,685,619

14,659,674

12,898,388

8,886,978

8,872,890

4,450,609

3,345,152

542,347

262,159,615

259,758,002

256,053,067

235,520,741

234,118,672

198,327,975

201,017,666

213,051,914

179,663,630

173,674,778

162,411,463

197,472,682

612,572

444,512

427,408

351,120

761,740

262,568

513,928

549,689

935,668

452,634

1,126,701

1,376,178

1,436,770

1,287,356

1,220,715

1,264,715

1,391,264

971,832

1,582,386

1,571,964

1,854,488

1,807,140

1,765,460

1,639,671

Total Other Power Supply

264,208,957

261,489,870

257,701,190

237,136,576

236,271,676

199,562,375

203,113,980

215,173,567

182,453,786

175,934,552

165,303,624

200,488,531

Total Power Production Expenses

432,667,366

427,657,968

469,573,785

446,472,850

453,420,195

423,862,876

412,221,601

440,689,540

428,333,665

406,183,753

401,084,606

420,921,764

90,136,634

81,711,279

82,219,648

83,204,752

85,439,649

76,041,216

65,559,642

55,394,452

42,183,452

40,722,317

31,916,655

36,031,547

8,757,751

9,450,979

7,696,958

9,075,862

9,432,768

8,231,785

7,974,442

9,423,895

10,002,039

8,734,665

7,798,635

8,186,693

98,894,385

91,162,258

89,916,606

92,280,614

94,872,417

84,273,001

73,534,084

64,818,347

52,185,491

49,456,982

39,715,290

44,218,240

E. Other Power Supply Expenses
Purchased Power
System Control and Dispatch
Other Expenses

2. TRANSMISSION EXPENSES
Transmission Operation
Transmission Maintenance
Total Transmission Expenses
3. REGIONAL MARKET EXPENSES
Regional Market Operation

-

-

-

-

-

-

-

-

6,465

(16,479)

30,001

41,931

Total Regional Trans and Market Exp

-

-

-

-

-

-

-

-

6,465

(16,479)

30,001

41,931

4. DISTRIBUTION EXPENSES
Distribution Operation

9,337,711

8,623,631

7,538,446

9,693,907

10,947,480

9,610,134

10,325,212

12,177,777

10,218,973

13,317,985

5,106,139

5,071,197

Distribution Maintenance

14,440,213

11,985,764

12,676,351

15,898,957

14,395,029

17,812,442

13,861,683

12,433,955

11,961,532

11,469,856

18,630,565

17,456,987

Total Distribution Expenses

23,777,924

20,609,395

20,214,797

25,592,864

25,342,509

27,422,576

24,186,895

24,611,732

22,180,505

24,787,841

23,736,704

22,528,184


Minnesota Power - Total Company

ELECTRIC OPERATION AND MAINTENANCE EXPENSES (FERC Form 1 pages 320-323)

<table>
<thead>
<tr>
<th></th>
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<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>5. CUSTOMER ACCOUNTS EXPENSES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Accounts Operation</td>
<td>6,724,267</td>
<td>5,591,274</td>
<td>6,036,059</td>
<td>6,571,798</td>
<td>6,460,387</td>
<td>5,801,696</td>
<td>5,473,122</td>
<td>5,600,178</td>
<td>5,824,276</td>
<td>5,721,965</td>
<td>7,023,443</td>
<td>6,515,989</td>
</tr>
<tr>
<td>Total Customer Accounts Expenses</td>
<td>6,724,267</td>
<td>5,591,274</td>
<td>6,036,059</td>
<td>6,571,798</td>
<td>6,460,387</td>
<td>5,801,696</td>
<td>5,473,122</td>
<td>5,600,178</td>
<td>5,824,276</td>
<td>5,721,965</td>
<td>7,023,443</td>
<td>6,515,989</td>
</tr>
</tbody>
</table>

| 6. CUSTOMER SERVICE AND INFORMATIONAL EXPENSES |                          |                     |             |             |                           |             |             |             |             |             |             |             |
| Customer Service and Informational Operation | 9,100,951 | 13,469,155 | 15,168,444 | 11,667,403 | 12,136,988 | 4,018,174 | 8,401,534 | 11,771,048 | 13,458,836 | 10,721,901 | 12,943,804 | 11,080,709 |
| Total Customer Service and Info Exp | 9,100,951 | 13,469,155 | 15,168,444 | 11,667,403 | 12,136,988 | 4,018,174 | 8,401,534 | 11,771,048 | 13,458,836 | 10,721,901 | 12,943,804 | 11,080,709 |

| 7. SALES EXPENSE |                          |                     |             |             |                           |             |             |             |             |             |             |             |
| Sales Operation | 137,324 | 23,622 | 138,860 | 219,475 | 254,808 | 162,664 | 126,714 | 143,241 | 217,021 | 195,024 | 86,530 | 351,595 |
| Total Sales Expense | 137,324 | 23,622 | 138,860 | 219,475 | 254,808 | 162,664 | 126,714 | 143,241 | 217,021 | 195,024 | 86,530 | 351,595 |

| 8. ADMINISTRATIVE AND GENERAL EXPENSES |                          |                     |             |             |                           |             |             |             |             |             |             |             |
| Administrative and General Operation | 56,481,193 | 49,236,054 | 54,954,627 | 76,163,894 | 65,641,122 | 55,549,396 | 68,824,172 | 75,706,310 | 64,750,985 | 60,218,329 | 55,006,756 |
| Administrative and General Maintenance | 13,595,775 | 13,796,748 | 13,617,616 | 11,068,137 | 4,757,908 | 4,683,657 | 4,591,691 | 5,114,420 | 4,540,767 | 3,991,269 | 5,698,751 | 5,982,082 |
| Total Administrative and General Expenses | 70,076,968 | 63,032,802 | 68,572,243 | 87,232,031 | 70,399,030 | 60,228,053 | 73,415,863 | 80,820,730 | 69,291,752 | 62,883,310 | 65,918,838 | 60,986,838 |

| Total Electric Operation and Maintenance Expenses | 641,379,185 | 621,546,474 | 669,620,794 | 670,037,035 | 662,886,334 | 605,769,040 | 597,359,813 | 628,454,816 | 591,498,011 | 559,934,297 | 550,538,461 | 566,647,250 |

Adjustments

Remove:

- Fuel (a) 102,825,751 104,885,694 141,562,287 134,067,041 129,009,860 142,647,463 121,425,533 136,298,586 155,616,202 140,029,632 141,040,979 127,495,918
- Purchased Power (b) 262,159,614 259,758,002 256,053,067 235,520,741 234,118,672 198,327,975 201,017,666 213,051,914 179,663,630 173,674,778 162,411,463 197,472,682
- Transmission of Electricity by Others (c) 77,524,767 72,808,426 69,934,305 71,229,804 71,863,404 65,165,447 52,114,348 44,371,396 31,634,267 29,728,250 23,244,064 27,940,526
- Deferred Fuel Adjustment Clause (d) - - (69,000) 8,479,000 (18,697,000) (8,045,000) (8,045,000) (517,000) (5,010,000) 3,125,000 176,074
- Add: Payroll Taxes (e) 4,892,255 5,018,564 5,496,935 5,792,360 5,824,248 5,492,487 6,121,808 6,340,079 6,587,022 6,239,624 6,061,612 6,072,103


-0.7% Average annual decrease 2010 to 2020

-1.8% Average annual decrease 2015 to 2020

(a) Fuel charges included in FERC accounts 501 and 503 are excluded when analyzing operation and maintenance expenses for budgeting purposes.
(b) Purchased Power included in FERC account 555 is excluded when analyzing operation and maintenance expenses for budgeting purposes.
(c) Transmission of Electricity by Others included in FERC accounts 561.4 and 565 are excluded when analyzing operation and maintenance expenses for budgeting purposes.
(d) Deferred Fuel Adjustment Clause entries included in FERC account 930.2 are excluded when analyzing operation and maintenance expenses for budgeting purposes. (See FERC Form 1, Page 335)
(e) Payroll taxes included in FERC account 408.1 are included when analyzing operation and maintenance expenses for budgeting purposes.
## Investor Relations Costs in Regulated Expense

<table>
<thead>
<tr>
<th>Item</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Test Year</strong></td>
<td></td>
</tr>
<tr>
<td>Labor and Overheads</td>
<td>$361,374</td>
</tr>
<tr>
<td>Meals</td>
<td>11,784</td>
</tr>
<tr>
<td>Registration / Fees</td>
<td>4,619</td>
</tr>
<tr>
<td>Lodging</td>
<td>10,446</td>
</tr>
<tr>
<td>Travel</td>
<td>15,479</td>
</tr>
<tr>
<td>Dues and Subscriptions</td>
<td>2,262</td>
</tr>
<tr>
<td>Professional Services</td>
<td>144,476</td>
</tr>
<tr>
<td>Materials</td>
<td>19,747</td>
</tr>
<tr>
<td>Rental Expense</td>
<td>7,517</td>
</tr>
<tr>
<td>Office Supplies / Postage</td>
<td>11,943</td>
</tr>
<tr>
<td>Cell Phone</td>
<td>319</td>
</tr>
<tr>
<td>Other</td>
<td>923</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>590,889</td>
</tr>
<tr>
<td>Percentage Requested in Rate Recovery</td>
<td>50%</td>
</tr>
<tr>
<td><strong>2020 Adjustment - Total Company</strong></td>
<td><strong>$295,445</strong></td>
</tr>
</tbody>
</table>
### Minnesota Power
**Board of Directors Costs in Regulated Expense**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors Compensation</td>
<td>$1,238,646</td>
</tr>
<tr>
<td>Board of Directors Expense Reimbursements</td>
<td>79,912</td>
</tr>
<tr>
<td>Total Board of Directors Expenses Allocated to Minnesota Power</td>
<td>1,318,558</td>
</tr>
<tr>
<td>Less: Adjustment for Board of Directors Meal Expenses</td>
<td>(49,920)</td>
</tr>
<tr>
<td>Portion of Board of Directors Costs requested in Rate Recovery - Total Company</td>
<td>$1,268,638</td>
</tr>
</tbody>
</table>
**Minnesota Power**  
**Expenses Less Purchased Goods Allocator Calculation**

Comparison of 2018 Allocator Methods

<table>
<thead>
<tr>
<th>Minnesota Power</th>
<th>Regulated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total O&amp;M per FERC Form 1</td>
<td>$669,621</td>
</tr>
<tr>
<td>Less: Purchased Fuel Costs</td>
<td>(141,493)</td>
</tr>
<tr>
<td>Less: Purchased Power</td>
<td>(256,053)</td>
</tr>
<tr>
<td>Addback: Allocated Expenses</td>
<td>6,197</td>
</tr>
<tr>
<td>Total Minnesota Power Expenses</td>
<td>$278,272</td>
</tr>
<tr>
<td>ALLETE, Inc. Consolidated Expenses</td>
<td>$410,501</td>
</tr>
<tr>
<td>Percentage attributed to Minnesota Power Regulated</td>
<td>67.8%</td>
</tr>
</tbody>
</table>

Total O&M (Including Transmission Services) $669,621

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Less: Purchased Fuel Costs</td>
<td>(141,493)</td>
</tr>
<tr>
<td>Less: Purchased Power</td>
<td>(256,053)</td>
</tr>
<tr>
<td>Add: Depreciation and Amortization</td>
<td>152,352</td>
</tr>
<tr>
<td>Add: Property and Other Taxes</td>
<td>49,201</td>
</tr>
<tr>
<td></td>
<td>473,628</td>
</tr>
</tbody>
</table>

Add back: Allocated Expenses 6,197
Add back: Allocated Taxes 175
Total Minnesota Power Expenses $480,000
ALLETE, Inc. Consolidated $673,990
Percentage attributed to Minnesota Power Regulated 71.2%
Corporate Equity Allocator in Use 67.8%
CORPORATE CREDIT CARD POLICY
& EMPLOYEE EXPENSE REPORTING POLICY

REVISED JANUARY 23, 2018
ALLETE INC.
# TABLE OF CONTENTS

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Program Contacts .............................................................................................................. 2
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**PROGRAM POLICY**

All employees who travel on Company business and/or are authorized to make minor purchases for Company business may be issued a corporate credit card. Employees must, however:

- Have supervisory approval,
- Complete the Request for New Account Form (Form 4969),
- Sign the Corporate Credit Card Agreement (Form 6218) and
- Complete the required expense training in Oracle Learner Self-Service.

Accepting the corporate credit card and signing the agreement requires compliance with the guidelines and procedures contained in this policy and procedure manual. Failure to comply with the published guidelines and procedures may result in disciplinary action, up to and including termination of employment.

**PROGRAM OBJECTIVES**

Employees are strongly encouraged to use the corporate credit card whenever possible and appropriately. Key benefits to the Company of employees using the corporate credit card include improved cost control and monitoring, elimination of costly processing for small dollar invoices and the receipt of Company rebates/credits from the credit card vendor. If used properly, the key benefits to employees using the corporate credit card include convenience, security and flexibility.

**PROGRAM CONTACTS**

Program Coordinator/Card Program Administrator – Brenda Jahr – Ext. 3487 – Primary contact for cardholders; provides customer service and account maintenance.

Card Program Administrator (Back-up) – Jordan Simpson – Ext. 3152

Program Manager – Diana McFadden – Ext. 3065

Wells Fargo Customer Service – 1-800-932-0036 – Cardholder customer service 24/7 – report disputed items

Corporate Credit Card Internal Inquiries E-mail: corporatecreditcard@allele.com

**HOW TO OBTAIN A CORPORATE CREDIT CARD**

1. An employee’s immediate supervisor completes and signs the Corporate Credit Card Request for New Account (Form 4969);
2. The supervisor and the employee complete and sign the Minnesota Power Corporate Credit Card Agreement (Form 6218).
   a. Both forms are available on the Purchasing department’s page.
3. Forward both forms to the program coordinator in Purchasing.
4. The employee completes the required Expense Training in Oracle Learner Self-Service.

When the new card is received, the employee follows the activation instructions on the card to activate the new account.
TARGETED AND RESTRICTED TRANSACTIONS

Employees should use their corporate credit card for the following items:

- Business travel expenses
  - Commercial air travel (purchased through CTS)
  - Transportation (taxi, shuttle, etc.)
  - Enterprise rental vehicles
  - Parking fees
  - Lodging and associated expenses
- Business meals
- Conference, seminar, or class registration
- Books
- Dues and subscriptions
- Work clothing (safety boots, flame-retardant clothing)
- Miscellaneous small dollar material purchases

Employees should NOT use their corporate credit card for the following items:

- Personal charges
- Cash advances
- Gift cards (purchase through MPECU using Form 6151)
- Gift certificates (purchase through MPECU using Form 6151)
- Contract or professional services
- Inventory items (Stores)
- Small dollar materials with negotiated pricing (such as Office Supplies. A full list of CPA’s and preferred suppliers can be found on the Purchasing home page under Suppliers & Contractors.)
- IT hardware and software (including cell phones, monitors, scanners, video conferencing equipment, digital cameras – use Form 6087-Request for Technology)
- Purchases over $3,000 (Purchases >$3,000 require a purchase requisition)
  - Vice President approval is required when requesting a temporary single transaction limit increase greater than $3,000 for a purchase that would normally require the competitive bidding process.
  - Vice President approval is not required for training/conference registrations.
    - A request should be sent to the program administrator to increase the single transaction limit for travel-related or training/conference registrations.
- Single item purchases greater than single transaction limit. Cardholders may not split purchases to avoid their single transaction limit.
- Medical expenses
- Political contributions

NOTE: These lists may not be all-inclusive. Questions on appropriate uses should be directed to Purchasing.

NOTE: Misuse of the Corporate credit card for unauthorized charges may result in disciplinary action up to and including termination of employment.
ACCOUNT MAINTENANCE
For account maintenance, such as a name change or replacing a card for a broken or damaged card, contact the program coordinator or card program administrator.

REPORTING LOST OR STOLEN CARDS
- Contact Wells Fargo Customer Service IMMEDIATELY – 1-800-932-0036 to report a lost or stolen card. Wells Fargo will record the circumstances of the loss or theft, the cardholder’s name and account number. They will issue a replacement card to cardholder.
- Contact program coordinator or card program administrator to report the lost or stolen card.

REPORTING FRAUDULENT CHARGES
- The cardholder is held accountable for all charges on his/her Corporate credit card, and must promptly report all fraudulent charges.
- Contact Wells Fargo Customer Service IMMEDIATELY – 1-800-642-4720 to report possible fraudulent charges. Cardholder may be required to review all charges considered fraudulent. Wells Fargo will issue a new card for a new account if it is determined that the existing account should be cancelled at this time.
- Contact the program coordinator or card program administrator to document the report of fraud.

HANDLING A DISPUTED CHARGE
Contact the merchant to attempt to resolve the disputed charge as soon as possible. If you cannot resolve the disputed charge with the merchant, contact Wells Fargo Customer Service – 1-800-642-4720 to report the disputed charge on the account. Wells Fargo will record the circumstances of the disputed charge and advise you on resolution.

STATEMENT CUT-OFF DATE/MONTHLY LIMIT REFRESHED
Statement cut-off date is the 25th of the month. Full monthly limit is refreshed on the 26th of the month.
RESPONSIBILITIES

CARDHOLDER

1. The corporate credit card is the property of the Company and is to be used for Company business purposes only. Any inadvertent personal charges must be reimbursed within 30 days. A personal check must be attached to the reconciliation to cover all personal charges. This is something that is closely monitored and should not happen unless you are paying for safety boots, flame-retardant clothing, personal phone calls or personal expenses related to business travel.

2. The corporate credit card is issued in the name of the cardholder and no one except that cardholder may use the card.

3. Cardholder safeguards the corporate credit card and its account number against loss or theft.

4. Cardholder agrees to follow Company policy related to use of the corporate credit card and co-signs the Corporate Credit Card Agreement with immediate supervisor to confirm agreement.

5. Cardholder verifies the accuracy of each transaction.

6. Cardholder identifies and resolves disputed and unauthorized charges, including immediate reporting of fraudulent charges to Wells Fargo.

7. Cardholder completes transaction reconciliation within 30 days, documenting a valid business justification to include explanation of expenditures, dates, places / locations and names of the individuals if purchase applied to someone other than cardholder.

8. Cardholder attaches all original receipts containing an itemized list of all items purchased and the total cost for all of the items purchased to the printable page. (Substitute Receipt Form 6320 must be completed, approved by supervisor and attached to the printed page for all missing receipts.)

9. Cardholder submits completed reconciliation with all original receipts for all transactions attached to the printable page to supervisor for review and approval.

10. Approved expense reports identified without all receipts attached will be communicated to the immediate supervisor up through the respective Vice President. If a second expense report is identified without all receipts attached, proper notification will again take place and disciplinary action will occur up to and including termination of employment.
11. Reconciliations are due within 30 days of transaction download into Oracle iExpenses.
   a. Accounts with delinquent transaction reconciliations of more than 60 days will be placed in suspension until all transactions have been reconciled and approved.
   b. If the account is suspended a second time, Vice President approval is required for account reinstatement.
   c. If the account is suspended a third time, the account will be closed and any company-related expenses will be processed through the expense reimbursement process.
   d. If an employee wishes to have their card reinstated, the employee must obtain approval from both their VP and the CFO of ALLETE. The approval will be heavily dependent on a comprehensive “action plan” developed by the employee which outlines agreed upon steps to insure adherence to company policy going forward. If the ALLETE CFO approves, he/she will send an e-mail to the Credit Card Coordinator who will then reinstate the card. This reinstatement process is required for all subsequent occurrences.

12. Cardholder returns the corporate credit card to immediate supervisor before leaving service.

   NOTE: Violation of this policy may result in disciplinary action, up to and including termination of employment.

SUPERVISOR

As of January 1, 2011, Accounts Payable will no longer be responsible for ensuring that all receipts are attached to credit card and expense report reconciliations. It is the supervisor’s responsibility to ensure every reconciliation is complete and accurate before it is sent to Accounts Payable. Please carefully review each of your employees’ reconciliations before you approve it.

1. Immediate supervisor authorizes the issuance of corporate credit cards.

2. Immediate supervisor requests adjustments to monthly and/or single transaction limits by contacting the program coordinator or card program administrator.

3. Immediate supervisor ensures that cardholder does not use the corporate credit card for personal use and that any inadvertent personal charges are reimbursed to Company within 30 days. (Exception: Personal charges for safety boots or flame-retardant clothing are allowed.)

4. Immediate supervisor ensures that all corporate credit card policies are adhered to concerning appropriate use of the corporate credit card and co-signs the Corporate Credit Card Agreement with cardholder.

5. Immediate supervisor ensures that cardholder has listed a detailed valid business justification for all transactions listed on the reconciliation form.

6. Immediate supervisor ensures that cardholder has attached all original receipts containing an itemized list of all items purchased and the total cost for all of the items
7. Immediate supervisor reviews, approves and submits reconciliation and all original receipts to Accounts Payable for final approval.

8. Immediate supervisor notifies program coordinator or card program administrator upon cardholder’s termination of employment with the Company.

**PURCHASING AS PROGRAM COORDINATOR**

1. Act as liaison with card provider, Company and cardholders.

2. Creates and maintains corporate credit card manual, administration manual and administrator user guide.

3. Administers the day-to-day operation of the purchasing card function.

4. Performs daily maintenance of cards and database applications.

5. Creates new accounts; maintains documentation files of all cardholder agreements, approvals and correspondence.

6. Maintains monthly and single transaction limit adjustments to accounts.

7. Responds to program inquiries; provides guidance on policies and procedures.

8. Assists in account problem resolution.

9. Handles security issues, such as fraud, compromised accounts and lost/stolen cards by working with the cardholder and card provider.

10. Electronically monitors card activity by cardholders and business units; monitors and evaluates reports designed to maintain the integrity of the program.

11. Conducts random compliance checks of card transactions to ensure cardholder compliance with program policies and procedures.

12. Coordinates with internal auditors on program reviews.

13. Identifies and drives future program applications/enhancements.

**ACCOUNTS PAYABLE**

1. Receives monthly summary invoice for corporate credit card charges from Wells Fargo. Uploads individual transactions into iExpense for each cardholder’s account.

2. Processes payment to Wells Fargo so that it is received by the due date.

3. Receives corporate credit card receipt packets; processes final approval for payment of the expense report.
HOW TO ENTER A MASTERCARD/EXPENSE REPORT

PROGRAM POLICY

Employees are encouraged to use the corporate credit card program as much as possible; however, for those times when an employee has to use personal funds for authorized and appropriate business-related out-of-pocket expenditures, reimbursement should be requested using an expense report.

Instructions for entering a MasterCard reconciliation and/or an expense report are detailed in the Oracle 101 – iExpenses guide on the Purchasing department page.
This Employee Handbook will help you become more familiar with our Company by providing basic information about policies, procedures and benefits.

If you have any questions, please call ALLETE Human Resources at 218-723-3921.
WELCOME TO ALLETE

Starting a new job is a great opportunity and sometimes a challenge. There will be lots to learn and you may have many questions. This Employee Handbook will help you become more familiar with our Company by providing basic information about policies, procedures and benefits.

Chances are you’ll have questions about the Company that don’t occur to you until after you’ve worked here for a while. If referring to this handbook doesn’t answer them, feel free to ask your supervisor or someone from Human Resources.

Welcome to ALLETE. Good luck in your new job.

ALLETE is well-positioned as a reliable provider of competitively-priced energy in the upper Midwest and has a strategic investment in the American Transmission Company. Our businesses include: Minnesota Power, Superior Water Light & Power, BNI Coal, ALLETE Properties and ALLETE Clean Energy.

Minnesota Power serves electricity to 144,000 residents across a 26,000 square mile service territory in northern Minnesota, 16 municipal systems, and some of the nation's largest industrial customers.

SWL&P has approximately 15,000 electric customers, 12,000 natural gas customers and 10,000 water customers. It is one of several other utilities, including municipalities and rural electric cooperatives that purchase electricity at wholesale from Minnesota Power.

BNI Coal operates a lignite mine in Center, N.D., producing about four million tons annually. Two electric generating cooperatives, Minnkota Power and Square Butte, consume virtually all of BNI Coal’s lignite production under agreements extending through 2026. The mining process disturbs and reclaims approximately 200 acres per year.

ALLETE Properties owns real estate in several Florida locations. Most of the land now held by ALLETE Properties is located in three mixed-use projects in Flagler and Volusia Counties in northeast Florida: Town Center, Palm Coast Park and Ormond Crossings.

ALLETE Clean Energy leverages industry knowledge and innovation to bring clean energy to customers across North America. Operating independently of Minnesota Power, ALLETE Clean Energy’s customers will include electric utilities, cooperatives, municipalities, independent power marketers and large end users. Projects in the range of $50 million to $150 million will be developed utilizing wind energy, hydropower, biomass and other new technologies, as well as low-emission fuels such as natural gas and liquefied fossil fuels.
INVESTOR-OWNED

Shareholders provide capital that enables us to serve customers

As an diversified company (NYSE: ALE), ALLETE’s management is overseen by a board of directors elected by approximately 70,000 ALLETE common and preferred shareholders, who have provided capital needed to build facilities that enable Minnesota Power to serve customers. The holders of ALLETE common stock, who have invested their money with the expectation of receiving dividends from our business and growth in their investments, are the Company’s true owners. Thus, we are a public corporation whose income is subject to taxation, in contrast to an electric cooperative, whose members share its untaxed profits, or a utility owned and operated by a unit of government, such as a municipality or public power district.

Minnesota Power and Superior Water, Light & Power are regulated by local, state and national governmental agencies. Virtually every aspect of the Company’s operation is subject to public review – from rates and service, to siting and environmental control of facilities, to issuance of stocks and bonds.
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I. INTRODUCTION

This Employee’s Handbook is a collection of general information, guidelines, and practices that apply to employees in the business units known as ALLETE, Minnesota Power, Superior Water Light & Power, and ALLETE Clean Energy. For purposes of this guide, the above business units will be referred to as “the Company.”

This handbook is intended for use in making decisions that affect employees. Supervisors and employees are expected to use both common sense and good judgment in applying this information to individual circumstances. Suggestions and questions on the contents of this handbook are encouraged and should be referred to the Vice President – Human Resources.

These guidelines are not intended to be all-inclusive. All versions of the Employee’s Handbook dated prior to the most current version are expressly revoked and will have no further application.

The Company reserves the right to unilaterally modify this handbook and all other Company policies, regardless of whether they are contained in this handbook. The Company reserves the right to take any disciplinary action it deems appropriate regardless of the procedures set forth in this handbook. This Employee’s Handbook does not create any contractual rights, and employees are “at will.” Any individual’s employment may be terminated at any time for any reason or for no reason at all.

If any portion of this handbook is in conflict with the provisions of an existing labor agreement or any statute, which applies to your position or special situations, the provisions of the labor agreement or statute will apply.
II. COMPANY PRACTICES

EQUAL EMPLOYMENT OPPORTUNITY/AFFIRMATIVE ACTION

It is the policy of ALLETE, Minnesota Power, Superior Water Light & Power, and ALLETE Clean Energy to recruit, hire, train, and promote persons in all job titles without regard to race, color, creed, national origin, religion, sex, gender identity, marital status, familial status, sexual orientation, status with regard to public assistance, membership or activity in a local commission, disability, or age. The Company will not discriminate against qualified employees or applicants because of physical or mental handicap or because they are disabled veterans or veterans of the Vietnam Era. If you would like to review the Affirmative Action Plan, contact the Human Resources Department.

Affirmative action will be provided to insure equal employment opportunity under Executive Order 11246 (as amended), Section 503 of the Rehabilitation Act of 1973, and Section 402 of the Vietnam Era Veterans Readjustment Act of 1974.

Employment decisions and personnel actions will be based on furthering the principle of equal employment opportunity. Such decisions and actions include hiring, promotion, transfer, layoff, return from layoff, job evaluation, compensation, benefits, Company-sponsored training, education, tuition assistance, and Company-sponsored employee social and recreation activities.

The Company is committed to equal employment opportunity for all individuals.

The Director Employee/Labor Relations & Talent Acquisition is assigned overall responsibility for implementing the program and reporting progress. The Chief Executive Officer of ALLETE will receive and review reports on the progress of the program.

Every employee is expected to comply with the letter, spirit and intent of this policy. Anyone who feels he or she is being discriminated against should contact the Director – Employee/Labor Relations & Talent Acquisition, who will investigate the matter.

Appropriate disciplinary action will be taken against any employee who engages in discriminatory behavior in violation of this policy or for any other violation of our Equal Employment Opportunity/Affirmative Action Plan ("EEO/AA").

Employees and applicants are protected from coercion, intimidation, interference, or discrimination for filing a complaint or assisting in an investigation under applicable federal and state laws, including, the Minnesota Human Rights Act, the Rehabilitation Act, Vietnam Era Veterans Readjustment Assistance Act, the Americans with Disabilities Act, the Age Discrimination in Employment Act, and the Family & Medical Leave Act. Supervisor Responsibility
It is the responsibility of each supervisor to:

- Support the Company’s EEO/AA objectives and coordinate efforts with Human Resources to meet the Affirmative Action goals and timetables.
- Become familiar with and implement all EEO/AA policies as they pertain to supervisory duties.
- Be alert and sensitive toward identifying, counseling, and implementing action for members of protected groups who have potential for advancement.
- Assure that employee performance is evaluated on a uniform basis, whether or not an employee is a member of a protected group.

RESPECTING DIVERSITY

The Company is committed to providing a workplace that is respectful to the diversity represented within the organization. It is not appropriate to display any material in the workplace that may be offensive or derogatory to others regarding race, color, creed, religion, sex, national origin, marital status, sexual orientation, status with regard to public assistance, membership or activity in a local commission, disability, age, etc.

All employees are expected to be responsive to requests by supervisors or coworkers to limit the communication of personal beliefs, either verbally or non-verbally, (clothing, literature, items posted on walls, bulletin boards, computer screens, etc.), particularly when such expression is causing disruption to the workgroup.

Supervisors must be sensitive and aware of any potentially offensive or derogatory behavior or material in their work area. It is the supervisor’s responsibility to ensure that it is immediately addressed and discontinued.

Employees who feel material in the workplace is offensive or derogatory should immediately bring the concern to the supervisor or Human Resources.

WORKPLACE HARASSMENT

Consistent with long-standing practice, it is the Company’s policy that all employees have a right to work in an environment free of discrimination, which encompasses freedom from harassment. The Company prohibits harassment of its employees in any form, whether committed by supervisors, non-supervisory employees, or non-employees where the Company has some control over their conduct. Such conduct by employees will result in appropriate Corrective Action, up to and including termination.

“Harassment” is verbal or physical conduct, which a reasonable person would find to show hostility or aversion toward an individual on the basis of his/her race, color, religion, sex, national origin, familial status, age, disability, protected veteran status, or sexual orientation, or that of his/her relatives, friends or associates and that:

- Has the purpose or effect of creating an intimidating, hostile or offensive work environment;
• Has the purpose or effect of unreasonably interfering with an individual’s work performance; or
• Adversely affects an individual’s employment opportunities.

Harassing conduct includes, but is not limited to:
• Continual or repeated verbal abuse, including negative verbal slurs, stereotyping, threats, intimidation, and graphic verbal commentaries about an individual’s body.
• Written or graphic materials or objects placed on or circulated within Company premises (walls, bulletin boards, computer terminals, vehicles, etc.) that show hostility or aversion toward an individual or group or are sexually suggestive.
• Repeated offensive sexual flirtations, advances or propositions; unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature.

Conduct by employees, which are intimidating or disrespectful, either verbally or physically, toward another individual is prohibited, and will result in Corrective Action, up to and including termination.

Supervisor Responsibility

Supervisors are expected to take proactive measures to ensure an environment free of harassment. This policy covers harassment in employment situations wherever they occur including, but not limited to, the normal work site, other locations on Company time, and attendance at Company-related events such as seminars and retirement parties.

Supervisors shall not threaten or insinuate, either explicitly or implicitly, that an employee’s refusal to submit to sexual advances or other harassing behavior will adversely affect the employee’s employment, evaluation, wages, advancement, duties, shifts, or any other condition of employment or career development. Submission to such conduct cannot be made a condition of employment.

Procedure for Reporting Incidents

All employees are responsible for prompt notification of any situation that involves harassment, intimidation, or disrespectful treatment of individuals. Such situations should be reported to a supervisory employee or to Human Resources. As an alternative, employees may call or write the Vice President – Human Resources.

Company Response to Reported Incidents

Every reported incident of employee harassment, intimidation, or potential violence will be promptly and thoroughly and investigated with respect for the confidences and sensitivities of the situation.
Retaliation

The Company also prohibits and will take appropriate Corrective Action, up to and including termination, with any employee who engages in reprisal or retaliation against another employee who reports alleged harassment, intimidation, or potential workplace violence.

WORKPLACE VIOLENCE PROHIBITED

The safety and security of everyone associated with the Company, including employees, customers, and visitors, is very important to the Company. Any act or threat of physical violence is prohibited on Company premises, at Company functions, or while performing Company duties. This prohibition encompasses any behavior that creates a climate of violence, hostility, disorder, disruption or intimidation.

Any person who makes threats, exhibits threatening behavior, or engages in violent acts on Company property will be removed from the premises as quickly as safety permits and may be required to remain off Company premises pending the outcome of an investigation.

The Company takes seriously any threatening statement, “joke” or action related to guns, bombs, or other weapons, or other threats of violence. The Company will investigate such incidents.

Weapons Banned from the Workplace

Employees are prohibited from carrying or possessing weapons while on Company property or while acting in the course and scope of employment. Unauthorized items or objects that create or could create a substantial risk of harm to the employee or another person are prohibited, including, but not limited to:

- firearms;
- explosives;
- knives; and
- other objects, materials or substances capable of causing death or serious injury.

This weapons prohibition extends to personal, Company, and rental vehicles used for Company business. Possession of a license to carry a concealed handgun does not exempt an employee from this policy.

Firearms are not allowed in Company facilities or on Company property, except in parking facilities or parking areas if the firearm is properly and securely stored in a locked vehicle. Notwithstanding the foregoing, the Company may allow authorized employees or contractors to use a shotgun on power plant property for the purpose of de-slagging boilers. Any shotgun used for this purpose must be stored in a locked cabinet on Company property when not in use for the limited purpose allowed.
An employee who carries pepper spray for personal protection while coming to and going from work may carry the spray while on Company property or while acting in the course and scope of employment only if it is properly and securely stored (in a locked location to the extent possible) at all times other than when the employee is coming to and going from work.

Employees' work areas, furniture, files, electronic files, lockers and personal belongings on Company premises are subject to search by the Company when there is a reasonable suspicion of concealed weapons, alcohol or illicit or unauthorized drugs on Company property.

**Duty to Report Violence in the Workplace**

Employees are required to report any behavior of which they are aware that may violate this policy, including, but not limited to, threats that they have witnessed, received, or threats they are aware that another employee has witnessed or received. Reporting is required without regard to the relationship between the person who engaged in the prohibited behavior and the person against whom it was directed. You should immediately report the information to your supervisor, to the Employee Relations Manager, to Security (extension 3852) or to the Ethics and Integrity Hotline at 866-776-6951.

You are encouraged to inform their supervisor or other Company leader if you are involved in a situation outside of work (including a domestic matter) that may pose a risk to the workplace. If you have listed a Company worksite in a restraining, stalking or other protective order, you must immediately notify your supervisor, Human Resources, or Security of that fact and the surrounding circumstances.

Retaliation against any employee who makes a report in good faith is prohibited.

**Preventing Workplace Violence**

The Company will make every effort to provide a workplace free of violence. Prior to most incidents of violence (domestic and workplace) there are warning signs of trouble. Either the signs are not recognized or the escalation and urgency of the situation is not understood. All employees must take the potential for violence seriously.

Supervisors should take the following actions to reduce the potential for workplace violence:

- Develop and maintain a relationship with each employee supervised.
- Learn the signs and symptoms of a “troubled” individual.
- Recognize the warning signs of building aggression and react immediately. Do not wait until a “convenient” time.
- Address any threat, no matter how casually it is expressed, as unacceptable behavior that will not be tolerated at work.
• Encourage employees to provide feedback and communicate about problems that need leadership’s attention.
• Never diminish or ignore employee concerns or complaints. Evaluate each circumstance and seek consultation.
• Encourage employees to utilize Company resources such as employee relations and employee assistance programs.
• When a supervisor learns that an employee may be involved in a violent domestic situation, or has been threatened in any way, consult with Human Resources and Security and consider developing a safety plan.
• Recognize “mob” behavior when it starts in an employee group and stop it immediately.
• Consult with Human Resources regarding options whenever there are concerns about an individual’s anger level (employee, customer, vendor, etc.).

Any employee who is concerned about aggressive or violent comments or behavior in the workplace should promptly discuss the matter with his or her supervisor, Human Resources or Security Manager.

**Consequences for Policy Violation**

Any employee who violates this policy is subject to discipline, which may include, but is not limited to, reassignment of job duties, suspension or termination of employment. The Company may refer any matter to law enforcement authorities for potential criminal charges and prosecution.

**EMPLOYEE RELATIONS**

Employee Relations services are provided to promote open communication, participation and understanding of differences among all employees, while respecting individual dignity and value.

An Employee Relations Representative is available to assist in developing innovative and creative approaches to resolve sensitive issues and recommend actions that are consistent with law, regulations, and Company practices.

Examples of assistance available are:
- Facilitating conflict resolution (individuals or groups).
- Assistance in developing growth and development plans.
- Assistance in developing feedback processes for behavior change.
- Providing assessment tools i.e., individual performance measures, communication styles, 360-degree feedback for leadership and assessments for hiring.

Formal training and resource materials on a wide range of employee relations issues are available from Human Resources.
DRUG AND ALCOHOL ABUSE

The Company is committed to the health and safety of its employees. It is a Company priority to maintain a work environment that is free from the effects of alcohol and drug abuse.

Whether employees are on the job (including rest and meal periods), on Company property, or operating Company vehicles, machinery, or equipment, the following are prohibited:

- Use, possession, sale, or transfer of illicit drugs or medically unauthorized prescription drugs.
- Possession, sale, transfer, or consumption of alcoholic beverages (unless specifically authorized by the Company).
- Being under the influence of alcohol, illicit drugs, or medically unauthorized prescription drugs.

Employees taking medically authorized prescription drugs which impair judgment or abilities must advise their supervisor before operating Company vehicles or machinery.

Actions taken by employees off the job may also result in Corrective Action, up to and including termination, if job performance is impaired or if public confidence in or perception of, the Company is damaged.

Self-referral

Employees experiencing problems with alcohol or other drugs are urged to voluntarily seek assistance. Early recognition and treatment are in the employee’s and Company’s best interest. Employees who believe they may have a problem with alcohol or illegal drugs, or supervisors who believe that an employee may have such a problem are encouraged to take advantage of free, confidential consultations under the Employee Resource Program. This benefit is free and totally confidential. No one within the Company will know an employee has contacted a counselor, unless the employee tells others at work. All data privacy laws apply to this benefit; no counselor or health care provider can release any information about an employee without his/her signed release.

Early Response to Suspected Abuse

If there is reason to suspect that alcohol or drug abuse is causing job performance problems, supervisors are encouraged to contact Employee Relations to develop next steps.

Indicators of alcohol or drug abuse may include:

- absenteeism
- lateness or leaving early
- lower quality of work
- lack of initiative
- irritability or anger with coworkers
- moodiness or mood swings
- inappropriate behavior
- unusual or inappropriate dress
- poor hygiene
- avoidable accidents either at or away from the workplace

Supervisors should never diagnose an employee’s personal problems. Work performance and behavior problems are not always caused by substance abuse. They can also result from health, financial, and/or family problems. Therefore, it is important that an employee displaying these types of problems be referred to the Employee Resource Program to receive a thorough professional evaluation and assistance. Supervisors should consult with an Employee Relations Representative before initiating intervention when personal problems or lifestyle are suspected to be a contributing factor to an employee’s declining work performance.

**Determining Presence of Alcohol or Drugs**

The Company may take reasonable measures to determine whether alcohol, illegal drugs, or medically unauthorized prescription drugs are located or being used on Company property.

Searches will not be made without reasonable cause, but will be made in the following areas when the Company believes a search is justified and necessary:
- Company property, facilities, or equipment.
- Personal property located on Company premises when there is a reasonable suspicion of possession or use of illegal drugs or alcohol.
- An individual, such as clothing the person is wearing, by law enforcement officials if there is reasonable suspicion of possession or use of alcohol or illicit drugs.

Searches involving a person or personal property should be approved by Legal Services. In situations where the supervisor has a reasonable suspicion that an employee or their property should be searched, the supervisor should observe the individual until further guidance is obtained from Legal Services or Human Resources.

If a search of a person or personal property is deemed necessary, the purpose of the search and the potential implications of refusing to be searched must be explained to the employee(s). Refusal to submit to a reasonable search will result in immediate removal from the job assignment and may result in Corrective Action, up to and including termination.

Any illicit drugs found will be immediately turned over to the appropriate law enforcement agency.

**Reasonable Suspicion – Drug and Alcohol Testing**
The Company may require an employee to submit to a drug/alcohol test when the Company reasonably suspects that an employee:

- Has violated the Company’s policy prohibiting drug and alcohol use.
- Has sustained or caused another employee to sustain personal injury.
- Has caused a work-related accident or was operating or helping to operate machinery, equipment, or vehicles involved in a work-related accident.

Indicators that an employee is presently under the influence of drugs or alcohol may include:

- odor of alcohol on the breath
- unusual smoke smell on the hair or clothing
- flushed face
- red, teary eyes
- hand tremors
- unstable gait
- slurred speech
- increased nervousness
- sleeping on the job
- errors in judgment or neglect of details
- mood changes, especially after breaks
- defensiveness or suspiciousness
- avoiding contact with coworkers or supervision

If a number of the above indicators are present, there is cause for a reasonable suspicion drug and alcohol test. A supervisor with a reasonable suspicion should immediately:

1. Remove the employee from their workstation to a safe and private setting.
2. Ask another supervisor or appropriate third person to join them as a witness.
3. Contact the next level of supervision or Human Resources for consultation and assistance.
4. Inquire and observe the employee.
5. Ask the employee to explain the behavior or events leading to the reasonable suspicion.
6. Ask the employee to submit to a drug and alcohol test.
   - If the employee agrees to be tested, immediately transport him/her to the nearest identified clinical test site and then transport the employee home. (Call Human Resources to identify the nearest testing site.)
   - If the employee declines to submit to testing, transport the employee home and instruct him/her not to return to work until Human Resources contacts them.

Never allow employees to drive themselves home when there is serious concern about their fitness for duty.

If an employee refuses to submit to a reasonable suspicion drug and alcohol test, it will be considered the same as a positive test, and a violation of this policy. Any evidence
that an employee has diluted the test sample or used an adulterant to mask the presence of drugs or alcohol will also be considered the same as a positive test.

Supervisors should consult their Supervisor’s Guide or Human Resources for current drug and alcohol testing sites and more detailed procedures.

**Commercial Motor Vehicle Drivers**

Employees who drive commercial motor vehicles are subject to the requirements of the Department of Transportation concerning drugs and alcohol. Any Commercial Motor Vehicle Driver who fails to comply with the Department of Transportation Federal Commercial Motor Carrier Safety Regulations, including testing, evaluation, and any prescribed assistance may be subject to corrective action up to and including termination.

**Gas Pipeline Workers**

Gas Pipeline Workers are also subject to the requirements of the Department of Transportation concerning drugs and alcohol. Any Gas Pipeline employee who fails to comply with the Department of Transportation Pipeline and Hazardous Material Safety Administration (PHMSA) requirements, including testing, evaluation, and any prescribed assistance may be subject to corrective action up to and including termination.

**Corrective Action Procedures for Policy Violations**

Violation of the Company Drug and Alcohol Policy will result in Corrective Action, up to and including termination. However, employees should not be disciplined for drug or alcohol dependency. The Company believes it is a positive step when an employee chooses to seek chemical dependency treatment and recovery from an addiction. If appropriate, Corrective Action may be adjusted when the employee agrees to a chemical dependency evaluation and cooperates with all recommended treatment, including future abstinence from drugs or alcohol.

Any employee who has violated the Company Drug and Alcohol Abuse Policy, if substantial evidence is documented, should be immediately relieved of job responsibilities and will be subject to Corrective Action, up to and including termination. Depending on the severity of the conduct and resulting risks faced by the Company, termination may result from a first offense. However, if appropriate, the following corrective guidelines will generally apply:

- If there is substantial evidence of a violation of the Company’s Drug and Alcohol Abuse Policy, a Corrective Interview will be held using the procedures outlined in the Guide to Corrective Action. If the evidence of violation is sufficient, the supervisor can request that the employee undergo a chemical dependency evaluation and cooperate with any resulting recommendations. If the employee refuses to undergo evaluation, a period of one to two weeks off without pay may be given with the expectation that the employee develop a written plan for behavior change.
• In the event of a second violation of the Company’s Drug and Alcohol Abuse Policy, the supervisor should consider all relevant factors. Examples include the severity of the conduct, length of time since the most recent Corrective Interview, the employee’s record with the Company, the resulting risk to the Company, and all other factors as appropriate. The supervisor, in consultation with Human Resources, will determine the appropriate corrective measures, up to and including termination. Two weeks off without pay will be the minimum Corrective Action for a substantiated second violation of this Drug and Alcohol Policy.
• A third substantiated violation of the Company’s Drug and Alcohol Abuse Policy will result in the employee’s termination.

DRIVER’S LICENSE POLICY

This policy establishes defined employment standards for ALLETE, Minnesota Power, Superior Water Light & Power, and ALLETE Clean Energy, (collectively, “Company”) employees who are required to maintain a valid driver’s license and, for some, a Commercial Driver’s License (CDL), as part of their job requirements.

Covered Employees

Except as otherwise stated in this policy, employees covered by this Driver’s License Policy (“Covered Employees”) are those in positions for which a driver’s license is required in the job description or for which driving is an essential function of the job.

Determination of whether driving is an essential function of a position will be based on the following considerations:
• Are employees in the position actually required to perform the function of driving?
• Would removing the function of driving fundamentally change the job?

Covered Employees fall into three categories: (1) employees who participate in the Runzheimer program, (2) employees who have (or are on track to have) 9,000 miles of annual mileage reimbursement, and (3) employees with less than 9,000 miles of annual mileage reimbursement, employees who utilize Enterprise rental vehicles, and employees who drive Company vehicles.

Failure To Report Citation

All employees in any of the above categories must report to their supervisor or the Transportation Department, within one business day, any conviction that results in the suspension, restriction, cancellation, disqualification, or revocation of the employee’s driving privilege and/or any citation for being under the influence of alcohol or a controlled substance or refusal to take an alcohol test. Failure to notify the Company will be grounds for immediate termination.

Driving Record Checks
Driving records of CDL holders will be reviewed monthly. An annual driving records check will be conducted by the Transportation Department for Covered Employees in categories 1 and 2. Employees in category 3 may be selected randomly for a driving record check not more than once annually. Employees who are subject to regular annual driving records checks or who are randomly selected consistent with this policy must provide ALLETE with the appropriate signed authorization.

**Operating A Vehicle On Behalf Of The Company Without Valid And Appropriate License**

Knowingly operating a vehicle on behalf of the Company without a valid driver’s license appropriate for the vehicle being driven will be grounds for immediate termination.

**Citations Issued While Driving On Behalf Of The Company**

A loss of driving privileges resulting from a citation for the misuse of alcohol or drugs or for recklessness, issued while any employee is driving on Company time (or while driving at a time when the mileage would qualify for reimbursement by the Company) will result in immediate termination.

Loss of driving privileges while driving on behalf of the Company due to other circumstances may result in other forms of discipline up to and including termination.

**First Time Loss Of License While Driving On Personal Time**

In cases where a Covered Employee loses all driving privileges, or loses his or her CDL while retaining Class D driving privileges, the Company may make arrangements for the employee to perform alternative productive work during the period of suspension, provided such work is available and the employee is qualified to perform it. Such arrangements will be on a case-by-case basis and for no more than one year from the effective date of loss of driving privilege. Notwithstanding the preceding sentence, if all requirements for reinstatement are met within the required timeframes, and the Covered Employee has done everything required to gain reinstatement, time beyond one year may be allowed for the State’s administrative process to be completed. Loss of driving privileges by a Covered Employee for more than one year will be grounds for termination of employment.

Arrangements for first time loss of license will be handled on a case-by-case basis by a special committee consisting of the manager of the Covered Employee’s department and the Vice President – Human Resources or his/her designee. The Union’s Business Manager (or designated representative), and the Union’s President will participate in any discussion of arrangements involving a represented Covered Employee. This committee is authorized to look for productive alternative work that the Covered Employee may perform, but is not authorized to create positions. Covered Employees assigned to alternative productive work will be solely responsible for their own transportation to and from work.
Any alternative work arrangement will be documented in writing and may, but need not, involve the following:

- Assignment, in the Covered Employee’s same classification, to an alternate work location within the Company’s service area. The temporarily assigned work location will be considered the Covered Employee’s reporting headquarters for the duration of the assignment and no expenses or premiums associated with working away from normal reporting headquarters will be paid to the Covered Employee for reporting to the temporarily assigned location.
- Reclassification into another position at the rate for that position. Non-union employees assigned to a position with a higher Market Rate will remain at their existing rate of pay. Union employees will not be eligible for upgrading to Lead, Senior, or Subforeman (Paragraph 70) positions for the duration of the temporary assignment.
- Suspension without pay until driving privileges are reinstated but not to exceed one year.

Seniority for Union employees in the classification held at the time of license loss will cease to accrue after 173.3 hours of assignment to alternative work, if such assignment is not in the same classification. Seniority in the classification assigned to will accrue under the normal rules of seniority. At such time as the Covered Employee is returned to the classification held prior to loss of license, his or her classification and/or department date will be adjusted to reflect the time assigned to alternative work outside their classification. The adjustment will reflect the total time assigned, less 173.3 hours.

Second Loss Of Driving Privilege

Second time loss of any or all driving privileges of a Covered Employee, no matter the duration, will be grounds for termination of employment.

Responsibility

The Vice President – Human Resources shall be responsible for administering this policy.

BACKGROUND CHECK POLICY

This policy establishes defined employment standards for ALLETE, Minnesota Power, Superior Water Light & Power, and ALLETE Clean Energy (collectively, “Company”) employees whose job responsibilities necessitate ongoing background checks.

Covered Employees

Except as otherwise stated in this policy, employees covered by this Background Check Policy (“Covered Employees”) are those employees in positions for which an identity verification and/or criminal background check is required to comply with the Maritime Transportation Security Act (MTSA) and/or the North American Electric Reliability Corporation (NERC) Critical Infrastructure Protection Standards. An employee is a
Covered Employee only to the extent his or her job requirement subjects him or her to the applicable law or standard.

**Maritime Transportation Security Act**

Covered Employees under the Maritime Transportation Security Act include those who need unescorted access to secure areas of ports, facilities, or vessels regulated by the Maritime Transportation Security Act (MTSA). Covered Employees must obtain a Transportation Worker Identification Credential (TWIC). A TWIC card – a tamper-resistant card containing the worker’s biometric (fingerprint template) – is obtained through the Department of Homeland Security (Department). The Covered Employee is also responsible for keeping his or her TWIC active which requires re-application with the Department every five years.

If a Covered Employee is unable to obtain, or loses his or her TWIC, the Covered Employee will be immediately relieved of job responsibilities and may be subject to employment action, up to and including termination. A Covered Employee, who is unable to obtain, or maintain his or her TWIC and dispute the Transportation Security Administration’s findings, should submit a written appeal with the Transportation Security Administration. The Vice President of Human Resources will review each situation on a case-by-case basis.

**North American Electric Reliability Corporation (NERC) Critical Infrastructure Protection Standards**

Covered Employees under the North American Electric Reliability Corporation (NERC) Critical Infrastructure Protection Standards include those who have authorized cyber access or authorized unescorted physical access to Critical Cyber Assets. These employees must undergo a personnel risk assessment and complete security awareness training. In accordance with these standards, a personnel assessment includes, at a minimum, identity verification and a 7-year criminal background check.

Based on the personnel risk assessment information, the Covered Employee may be immediately relieved of job responsibilities and may be subject to employment action, up to and including termination. This review will be on a case-by-case basis. The background check results will be reviewed by the Vice President of Human Resources taking into account the severity and timing of the transgression, to determine the level of risk to the Company. Acceptance of risk will require a written statement from the Vice President of Human Resources to be kept on file. The Company may make arrangements for the employee to perform alternative productive work (that does not require authorized cyber access or unescorted physical access to Critical Cyber Assets) during a period of suspension, provided such work is available and the employee is qualified to perform it. Such arrangements will be determined on a case-by-case basis by the Vice President of Human Resources.

**PRIVACY OF EMPLOYMENT RECORDS**
The Company acknowledges the concern of individual employees that their privacy be safeguarded. The following is designed to protect employees and prevent unauthorized disclosure of written information to coworkers, other parties, organizations, and businesses.

**Basic Principles**

Individual employees are entitled to know what historical records pertaining to them are collected, maintained, used, or disseminated.

The Company will, to the fullest extent practicable, collect, maintain, use, and disseminate information in such a way that it is used only for necessary and legal purposes; accurate for its intended use; safeguarded from misuse; and retained in accord with approved retention schedules.

Individual employees will be permitted to inspect historical information pertaining to them, have a copy of all or part of the information, and if necessary, propose a correction or amendment to the records. Such proposal for correction or amendment will be reviewed and, if found appropriate, used to modify the information on file.

The Company will collect information, to the greatest extent practicable, directly from the individual employee.

**Employment Verification or References Policy**

Human Resources is the only authorized source for providing reference information on employees. When inquiries are received from outside the Company regarding current or former employees, calls or letters must be referred to Human Resources.

Human Resources will only respond to a written reference inquiry. Along with the written request, an authorization to release information (signed by the employee) will be required for any employment verification or reference request.

When the written request and authorization to release are received, Human Resources will only provide information that is documented in the personnel file to verify:

- Name of the employee
- Dates of employment
- Positions held during employment
- Salary verification
- Reason for leaving
- Documented illegal acts in accordance with applicable laws

Only the Vice President – Human Resources may authorize providing additional information.
Exception: Human Resources or Legal Services may provide additional information to representatives of government agencies if it can be determined that the request is legitimate. However, proper identification and proof of the legal authority is required.

Employee Records

It is necessary and appropriate to establish, maintain and retain current work-related information for employees. This includes all official documents, such as employment application, job history, and performance appraisals, as well as reports, correspondence, and memoranda pertaining to the employee.

Files are confidential. Employees may review their own files in Human Resources. Files for non-vested employees (i.e., employees who leave service having less than five years of continuous service) are maintained for five years after an employee leaves the Company. Files for vested employees are not destroyed.

Changes in Personal Data

It is the employee’s responsibility to report any changes in name, address, telephone number, marital status, family dependents, and emergency contacts. When a name change occurs, the employee should also contact the Social Security Administration office and fill out the proper form.

Access to Information

Supervisory personnel who have a business-related “need to know” may review relevant job-related information. Authorized personnel can secure duplications of documents, data, or information filed in Human Resources. Information pertaining to disciplinary corrective interviews is only available to the Vice President – Human Resources or designee. The Vice President – Human Resources or designee will determine whether the corrective interview contained in a file is relevant information that the current or new supervisor should be made aware of.

Wage Disclosure

Whether an employee discloses his or her personal wage information to others is a personal choice. An employee may disclosure his or her personal wage information, so long as the employee does not disclose company proprietary or trade secret information or information that is otherwise protected under law or subject to a legal privilege.

The Company will not take any adverse action against an employee for disclosing his or her own wages or for discussing another employee’s wages which have been voluntarily disclosed to the employee. Minnesota employees have certain rights in connection with wage disclosure (ref: Minnesota Statutes Section 181.172), including the potential right to bring a civil action against the Company. The Company will not retaliate against an employee who asserts his or her rights under this policy or in connection with wage disclosures permitted under law.
SMOKING

It is the policy of the Company to respect the interests of its employees and to provide a safe, productive and healthy work environment. The smoke-free policy is to protect employees from health hazards in the workplace due to second-hand smoke. Employees are also encouraged to stop smoking for their personal health and that of their families. In all situations, rights of non-smokers will be given preference to smokers’ privileges. ALLETE has a "No Indoor Smoking" policy.

Prohibited Areas

Smoking, including e-cigarettes, is not permitted in Company-owned or occupied buildings where an occupational safety or health hazard might exist; records or supplies would be exposed to hazard from fires, ashes or smoke; and equipment might be damaged, such as computer rooms.

This includes the following areas:
All office areas (private and open offices)
Cafeteria and lunchrooms
Control rooms
Construction trailers
Conference and meeting rooms
Company vehicles and equipment
Company vehicles individually assigned to one or more persons
Lobbies or reception areas
Locker rooms
Restrooms
Elevators
Hallways and stairways
General Office Building skywalk
General Office Building parking ramp (near building entrances)
Warehouses
Power Plants

Other Areas

Smoking is discouraged but will be allowed in designated outside locations, away from all facility entrances, and in parking lots.

WORK HOUR REQUIREMENTS

A normal workday consists of eight hours. Workweek and compensation schedules normally consist of 5 workdays or 40 hours per week beginning on Saturday and ending on the following Friday.
Different hours of work during the day or on different days of the week may be established in certain areas to meet the business needs and the Company’s customers. Exceptions to the above are covered in the Compensation Section and the Labor Agreements.

**Shift Work**

Shift employees may request permission to change working hours from the department’s shift schedule. The supervisor and employees affected must mutually agree to such a change. Human Resources should be notified in advance of any changes to avoid violation of state and federal law.

Exchanging shifts or days off within the same workweek by mutual agreement between employees in the same job classification is allowed when:

- Payment of overtime is not required.
- There is no change in the rate of pay.
- Sufficient notice is received (at the supervisor’s discretion).
- The exchange will not hinder the work or unduly inconvenience other employees.
- The supervisor must approve the exchange.

Such an exchange will not be approved if it results in a situation which violates the Labor Agreements, state and federal law or any other Company personnel practice.

**Meals and Rest Periods**

Union employees receive meal and rest periods under the conditions and provisions of their Labor Agreement.

Nonunion employees normally receive a meal period of 30 minutes (unpaid time). Depending on the nature of the work, paid rest periods should be provided whenever possible, as determined by the supervisor. Scheduling rest periods should be arranged to ensure that customer service is not compromised.

Supervisors directing employees who have worked substantial overtime should see that reasonable rest time has been given before regular duties are continued. Both physical hardship and safety should be taken into consideration.

**Adjustable Work Schedules**

Adjustable work schedules may be implemented to help employees balance work and other commitments such as families, educational opportunities, routine doctor appointments and civic involvement, provided customer service is not compromised.

The schedule developed must be in accordance with the Fair Labor Standards Act (FLSA) workweek provisions. (Refer to Compensation – Pay Practices for overtime provisions.)
Adjusted work schedules must be approved in advance by the supervisor. Any changes should be communicated to customers and employees who are affected.

WORKING CONDITIONS

Employee working conditions will be controlled and improved, to the extent possible, so that employees are not subject to undue or unreasonable conditions such as cold, heat, dust, vibration and noise.

Safe Working Conditions

The Company values the safety of its employees. A comprehensive safety program is administered to address safety in a wide variety of working conditions, both indoors and outdoors. Please refer to the Safety Rules Manual, provided to all employees, for specific information.

Working Outdoors In Inclement Weather

Supervisors are expected to apply the “rule of reason” during inclement weather. Work should continue only when no substantial hardship will result to the employee, when such work is necessary during an emergency, or when service to the public must be maintained.

Nursing Mother Accommodation

In order to accommodate nursing mothers, the Company has designated private rooms at each facility for mothers to use during their breaks.

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<thead>
<tr>
<th>Work Location</th>
<th>Designated Room</th>
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<tbody>
<tr>
<td>Armenia Mountain</td>
<td>Mezzanine Office</td>
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<tr>
<td>ACE: Condon OR</td>
<td>Site Manager’s Office</td>
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<tr>
<td>ACE: Lake Benton MN</td>
<td>LB Training Room</td>
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<tr>
<td>ACE: Storm Lake Iowa</td>
<td>GM's Office</td>
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<tr>
<td>Bison/ARRI</td>
<td>Business Office - Room #2</td>
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<td>O&amp;M Building - Room 106A Office #2</td>
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<tr>
<td>BNI Coal</td>
<td>BNI Coal Center Mine - Women’s Locker Room</td>
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<td></td>
<td>BNI Coal Bismarck Office - vacant office</td>
</tr>
<tr>
<td>Boswell</td>
<td>Primary: Adm Conf Room 3</td>
</tr>
<tr>
<td></td>
<td>Secondary: Women's Shower Room</td>
</tr>
<tr>
<td>CIS Tech Center</td>
<td>See General Office Building designated rooms</td>
</tr>
<tr>
<td>Cloquet</td>
<td>Room #7</td>
</tr>
<tr>
<td>Coleraine</td>
<td>Coleraine Conference Room</td>
</tr>
<tr>
<td>Crosby</td>
<td>Room #31</td>
</tr>
<tr>
<td>Environmental Lab (15 Av W)</td>
<td>Room #10 - lower level</td>
</tr>
<tr>
<td>Location</td>
<td>Details</td>
</tr>
<tr>
<td>---------------------------</td>
<td>----------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Eveleth</td>
<td>Conference Room #64&lt;br&gt;<strong>Primary:</strong> Room #163d (To obtain access, return form #6096 to Security Admin to update your checkpoint card)&lt;br&gt;<strong>Secondary:</strong> Room # 366 (Log in to the Wellness Facility Website (username: guest, password: nursingroom) to reserve the GOB Lactation Rooms.</td>
</tr>
<tr>
<td>General Office Building</td>
<td>Room #108&lt;br&gt;<strong>Primary:</strong> Women's Lounge&lt;br&gt;<strong>Secondary:</strong> Conf Room #44</td>
</tr>
<tr>
<td>Hanger-Duluth</td>
<td>2nd Floor &quot;closed&quot; office</td>
</tr>
<tr>
<td>Herbert Service Center</td>
<td>Women's Lounge&lt;br&gt;<strong>Secondary:</strong> Conf Room #44</td>
</tr>
<tr>
<td>Hibbard</td>
<td>Room &quot;K&quot; (Administrative Office Area)</td>
</tr>
<tr>
<td>International Falls</td>
<td>Room #109 (door #10)</td>
</tr>
<tr>
<td>Island Lake</td>
<td>Site Office</td>
</tr>
<tr>
<td>Lake Sup Place (Call Ctr)</td>
<td>See General Office Building designated rooms</td>
</tr>
<tr>
<td>Laskin</td>
<td>Managing Superintendent's Office</td>
</tr>
<tr>
<td>Little Falls</td>
<td>Room #11</td>
</tr>
<tr>
<td>Little Falls Hydro</td>
<td>Room #1</td>
</tr>
<tr>
<td>Long Prairie</td>
<td>Room #16 (downstairs)</td>
</tr>
<tr>
<td>Minneapolis</td>
<td>Conference Room</td>
</tr>
<tr>
<td>Palm Coast</td>
<td>Employee Lounge Room #120</td>
</tr>
<tr>
<td>Park Rapids</td>
<td>Conference Room #3</td>
</tr>
<tr>
<td>Pine River</td>
<td>Storage Room #4 or #25 (same room with 2 doors)</td>
</tr>
<tr>
<td>Rapids Energy Center</td>
<td>REC Small Conference Room</td>
</tr>
<tr>
<td>Rowe Energy Control Center</td>
<td><strong>Primary:</strong> Room 211&lt;br&gt;<strong>Secondary:</strong> Conf Rm 134</td>
</tr>
<tr>
<td>Sandstone</td>
<td>Mechanical Room</td>
</tr>
<tr>
<td>SWLP: Office &amp; Water Plant</td>
<td>Woman's Locker Room</td>
</tr>
<tr>
<td>Taconite Harbor</td>
<td>Third Floor Conference Room</td>
</tr>
<tr>
<td>Taconite Ridge</td>
<td>Locker Room</td>
</tr>
<tr>
<td>Thompson Hydro</td>
<td>Locker Room</td>
</tr>
<tr>
<td>Washington DC</td>
<td>Suite 840</td>
</tr>
<tr>
<td>Winton Hydro</td>
<td>Control Room</td>
</tr>
</tbody>
</table>

**MODIFIED DUTY**

Modified duty is any modification of an employee’s job duties due to a medical inability to perform any current job responsibilities, i.e., a change of tasks, assignments, hours, schedule, work location, physical conditions, clothing requirements, etc.

**When an Employee Requests Modified Duty**
When an employee notifies a supervisor that he/she has a medical inability to perform any of the duties or tasks of his/her current job responsibilities, it should be considered a request for modified duty. The following guidelines should be applied:

- **Less than two weeks in duration:** The supervisor may request medical documentation or choose to waive medical documentation.
- **Longer than two weeks:** The supervisor will request the employee provide medical documentation to Employee Relations, detailing the medical need for modified duty.
- **After 30 days:** The supervisor will provide the employee a release to sign allowing Employee Relations to obtain periodic medical updates from the employee’s physician or other qualified person. This release is a requirement for continued accommodation of the employee’s request for modified duty. The physician or other qualified individual will be asked:
  - What is the diagnosed medical condition that requires modified duty?
  - What specific task(s) is the employee medically unable to perform?
  - What is the prescribed treatment plan?
  - What is the expected duration of this limitation?

The Company may require an examination by a physician or another qualified individual selected by the Company.

All medical documentation will be treated as confidential.

**Chronic Condition**

In the event a physician states that an employee requires a modification of job duties for 6 months or longer, the supervisor must advise Human Resources. When appropriate, an attempt will be made to find another position for the employee within the department or elsewhere in the Company, however, the Company cannot guarantee that another position will be found. Union employees will be governed by their respective labor agreements, Paragraph 65 (MP) and Paragraph 5.13 (SWL&P).

Supervisors should immediately forward all medical documentation they receive to Human Resources. All medical information regarding an employee’s physical restrictions will be kept in a secure confidential medical file within Human Resources. Only individuals authorized by the Vice President – Human Resources will have access to such medical information.

As a general matter, a Human Resources Representative or the Workers’ Compensation Administrator will request and review all medical documentation regarding requests for modified duty. That individual will then convey information regarding the employee’s restrictions to the appropriate supervisor(s). Example: John Doe cannot lift over 20 pounds and cannot climb a ladder until 8/15/2002.

Eligibility for modified duty or pay continuation is dependent upon the employee providing adequate documentation of medical necessity. Failure to provide adequate medical documentation will result in the employee having to perform all duties of their
job assignment or face Corrective Action, up to and including termination. The employee may use available vacation or personal (floating) holiday time or experience a loss of pay until proper medical documentation is received or the employee resumes the duties of their job assignment.

COMPANY REQUIRED PHYSICAL EXAMINATION

The Company may require a physical examination and evaluation of an employee when it appears justifiable by behavior, performance, frequent absence, or suspected serious illness. The provision is designed to protect the employee by encouraging early diagnosis of disease or disability and by discontinuance of work under conditions that might prove dangerous or harmful.

A physical examination may also be required to determine if the employee is physically qualified for an impending job change. If required by the Company, the examination and/or evaluation will be arranged and paid for by the Company and done on Company time.

If any health care record or medical information adversely affects any employment decision, the Company will notify the employee within ten days of the final decision.

EMPLOYEE CONDUCT

The Company strives to have integrity characterize its business activities. Every employee of the Company shares the responsibility for building and maintaining good relations with the public and the Company’s customers. The Company’s reputation and character are affected by the reputation and character of its employees and the services they render. No one will be permitted to achieve results through violation of laws or regulations or unscrupulous dealings.

Conduct by employees in all parts of the Company must consistently conform to standards of ethics and honesty as described in the Ethics Handbook.

Conduct with Customers and Other Employees

Company customers and coworkers have the right to expect proper conduct and courtesy from each employee. It is the daily responsibility of each employee and supervisor to ensure that this happens.

Customers, external and internal, should receive thorough and prompt attention to inquiries, requests, and needs. They should be advised of approximately when they can expect action and be notified of any unexpected delay and the reason for it.

Employees are expected to conduct themselves in a respectful, appropriate manner with all other Company employees. Supervisors should refer to the Workplace Harassment Policy for guidance in identifying and addressing any sign of inappropriate, disrespectful behavior.
Gifts and Gratuities

Following ethical business practices, employees of the Company should:

• Not expect or encourage the receipt of gifts or gratuities from any organization or individual that has, or seeks to have, a business relationship with the Company.
• Not accept gifts or other gratuities, which go beyond a nominal value, and are given under circumstances that place the employee or the Company under an obligation that may tend to influence business relations.
• Not accept gifts in the form of business cash.

Entertainment (such as recreational outings, theaters, dinners, sporting events, etc.) should be considered an acceptable business courtesy only on special occasions, providing the frequency and cost to the donor is within reason.

Certain business courtesies, such as a modest lunch or dinner offered by a vendor or salesperson in connection with a business meeting, should not be discouraged unless they are offered on a continuing and repetitive basis.

Employees may not accept unusual or extended hospitality from any organization or individual that has, or seeks to have, a business relationship with the Company, without prior approval from the Chief Financial Officer. In all cases, good ethical and moral judgment shall be exercised.

Employee Attire (revised 4/18/2018)

Employee attire must be suited for the job being performed. All clothing should be neat and clean, and not revealing or distracting. Office attire is typically business casual (such as khaki pants, dark wash/professional looking denim, sweaters, blazers); however, circumstances may warrant business professional attire (such as suits, ties). Discretion and sound judgment should always be exercised when dressing more casually.

When determining what attire is appropriate and acceptable, supervisors and employees should take the following into consideration: the nature of the employee’s work, safety considerations, and the nature of any meetings that day with customers or other members of the public.

The final decision on what is appropriate attire is the responsibility of each supervisor or manager. Employees who are not dressed appropriately should be sent home to change to more appropriate attire and instructed not to dress in that manner again for work. Repeated violations of the standards for appropriate attire may result in the need for Corrective Action, up to and including termination.

All employees must follow Company guidelines for appropriate safety apparel, including personal protective equipment.
Off-the-job Conduct

As a condition of employment, employees are expected to conduct themselves so their actions do not adversely reflect on either the Company or their coworkers, and their actions do not affect their attendance at work or ability to assume full job responsibility. Off-the-job activities must not conflict with an employee’s ability to perform their job.

Volunteer Community Activities

Company employees are encouraged to be active in community life. It is the policy of the Company to provide time, talent and financial support to activities that strengthen communities in the service area. Volunteer service to government, youth groups, charitable and health associations, education and community development benefits employees’ families, neighbors and the Company.

When it is appropriate to contribute time during working hours, employees should first discuss the circumstances with their supervisor. Employees must complete the Volunteer Time Off Request Form located on the Community Connections Intranet page. Each supervisor has the responsibility to weigh the granting of time off for community service against priority needs of Company operations and service to customers. Supervisors should refer to the Community Connections Volunteer Time Off Guidelines also provided on the intranet for guidance in determining whether or not the involvement should be considered Time Off With Pay, or the employee’s work schedule should be adjusted to facilitate the ability for the employee to work required hours at a later time.

Other Employment

Employees shall not accept employment with another employer while working for the Company if the additional employment interferes in any way with the employee’s ability to perform their full job responsibilities.

The Company recognizes there are many situations that require interpretation under this policy. Because of variations in working conditions (hours worked, type of work, etc.) involved in supplemental employment, it is the responsibility of the supervisor to determine when another work situation interferes with an employee’s ability to fully perform his or her job.

Remuneration for Other Work

Employees are expected to devote their maximum abilities and individual efforts to the Company. Employees may not perform work or services for remuneration for any organization or individual that may cause a conflict of interest without prior approval from the Chief Financial Officer.
Employees who consult with, advise, or render professional services to outside firms, educational institutions or individuals who have, or seek to have, a business relationship with the Company must first receive approval from the Chief Financial Officer.

In both cases above, employees who are corporate officers should seek approval from the Board of Directors.

**Telephone Usage**

The telephone system is installed and maintained for Company business. It is not unreasonable to expect that some local personal calls will be made by employees; however, personal calls should be minimized and kept as short as possible.

Long-distance calls made on the Company’s telephones are billed for actual time in use. Long-distance calls are restricted to Company business, both during and after normal working hours. Personal long-distance calls must be charged to the employee’s home telephone number or a long-distance calling card.

**Cellular Devices**

For employees whose job duties require a cellular phone on a regular basis, use of a company-provided device is encouraged. Some employees may request to use their personal cell phone in lieu of a company-provided cell phone and will receive a set reimbursement through Payroll. For seasonal or long-term projects, purchase of a Tracphone type cellular device is highly encouraged. General guidelines for issuance of cellular/smartphone devices or cell phone reimbursement are as follows: (Department management may apply their own criteria in addition to, or instead of, those listed. Complete Company guidelines are available on the ITS Telecom web page.)

- The job duties require frequent mobility in the field or away from their assigned desk area OR the employee/department is frequently called upon outside of normal working hours AND
- The nature of the work assigned is critical to ALLETE AND
- An immediate response is necessary to support the critical operation
- Only personal cell phones or the phone option of a personal data device are eligible for reimbursement. If a data device (smartphone) is needed for performance of job duties, a company-owned data device (smartphone) must be used.
- Employees must agree to have their personal cellular phone number listed in the on-line company directory.

If an employee is to receive a smartphone device the added criteria should apply:
- Immediate email responses, operational changes or approvals are needed and/or operational information is available on the device to enable prompt resolution of critical operational issues.
An employee will be required to pay an early termination fee if a company-owned cellular phone is still under contract and an employee wishes to switch to an employee-owned phone.

Vice Presidential approval is required for all cellular and smartphone devices or bi-weekly reimbursement for company use of a personal cell phone.

An ITS Request for Technology form 6087 must be approved by the department’s vice president before equipment is purchased and activated. The form should include explanation of how the request meets the criteria stated above.

Non-business use of the company-owned cellular device is permitted as long as use is minimal in duration and doesn’t result in any violation to any other ALLETE policy or additional cost to ALLETE. No personal payment by the employee for other options is allowed.

Employees who occasionally use their personal cell phone for business use (i.e. for occasional business trips) can request reimbursement via expense report for any overage charges due to the business use. Supervisor approval is required.

Personal Use of Equipment by Employees

To ensure appropriate use of company equipment, employees are not permitted to use company-owned trailers, motorized equipment or motorized power tools for personal use off company property. Employees are allowed personal use of company equipment on company property with pre-approval of his or her supervisor provided it is used outside of business hours or while not on company time. Employees are allowed use of company equipment for community and civic services with pre-approval of a Vice President.

Employees are not permitted to use any company equipment for personal use during business hours or while on company time (except for computers and telephones, the use of which is addressed in the ALLETE Employee’s Handbook and The Power of Integrity – Code of Business Conduct for ALLETE Employees).

Unless they are contractors acting within the scope of a valid contract with the company, individuals who are not current employees are not permitted to: (1) use company equipment, or (2) be on company property after hours in areas where equipment is being used.

Non-motorized, non-powered equipment and tools may still be checked out by employees for personal use by following the “Checking Out of Equipment by Employees” procedure.

Supporting Documents and Standards
The Company may sponsor organizations and events for active and retired employees. Examples include bowling, softball, hockey, golf, curling, etc.

**Organizational Responsibility**

Each employee organization must elect from among its members a secretary who is responsible for:
- Submitting Form 6155 Employees’ Activity Form (description of all planned activities and expenses, list of employee participants) to Human Resources.
- Keeping a list of Company equipment and those who have it
- Publicizing activities of the organization to all employees
- Publicizing steps necessary for employees to join

**Human Resources Responsibility**

Human Resources will verify each proposal, make appropriate revisions and include the activities as part of the Human Resources operating budget. No funds will be issued for any activity unless approved by Human Resources.

**POLITICAL PARTICIPATION**

The Company encourages its employees to be active corporate citizens, including employee involvement in local, state and national political affairs. Political activities such as voting, attending caucuses and conventions, contributing funds to political parties and fundraising, working on political campaigns, and seeking and holding public office are encouraged.

At the federal level, eligible employees are encouraged to join the Minnesota Power Active Citizens Team (MPACT). MPACT is a federal political action committee. Financial contributions from MPACT members are targeted to support the campaigns of federal political candidates who will best represent the mutual interests of employees and shareholders.

At the state level, eligible employees are encouraged to join MN Power PAC. This enables employees to contribute to a state PAC which makes contributions to those
holding or seeking office such as the Governor, the Minnesota Senate or Minnesota House of Representatives.

The Action Network (ACTNET) provides opportunities for employees, retirees, and shareholders to work together to influence government policies that affect Minnesota Power and Superior Water, Light & Power.

ACTNET members receive ongoing information about issues affecting their interests. As issues develop, members are alerted when the time is right to contact government officials to ask them to approve, change, or reject proposed policies.

The Committee on Political Education (COPE) is a voluntary contribution for IBEW Local 31 members. The money raised is used for political purposes, including but not limited to, contributions to candidates for federal, state and local offices and addressing political issues of public importance and their related expenses.

Employees Seeking Political Office

While most political activities do not require time off from work, the Company recognizes that seeking and holding public office could interfere with an employee’s duties. The Company’s policy is to neither accommodate an employee’s political activities, including candidacy for public office, to the extent feasible and practicable nor to reward or punish employees for their political activities.

Employees desiring to seek an elective political office should keep in mind the following:

- Employees will be granted an unpaid leave of absence to campaign, attend legislative sessions, committee meetings or political conventions, and tend to duties required of public office or any other reasonable activity.
- During a leave of absence, the employee has the right to continue insurance coverage (medical, dental, and life) and any flexible benefits elected.
- An employee must not directly or indirectly suggest that the Company supports the employee’s candidacy. As a corporate entity, law prohibits the Company from supporting candidates for elected office. (As mentioned above, Company support for candidates or elected officials is done through the two employee PACs.)

Employees Support of Elected and Appointed Officials

Employees may support candidates for elected or appointed office on their own time using their own personal resources. However, employees are specifically prohibited from using Company resources for political activities in support of, or in opposition to, a particular candidate. Employees may not use Company time or assets (i.e., stationery, phones, automobiles, facsimile machines, copy machines, etc.) for the conduct of a campaign for public office or other political activity.
Employees acting on behalf of the Company should consult with Public Affairs before engaging in any meetings or lobbying of elected or appointed officials unless it is a routine part of their job. Employees unsure of who may qualify, as an elected or appointed official, should contact Public Affairs.

**SOLICITATION OF EMPLOYEES**

With few exceptions, the Company does not permit the distribution of material, the solicitation of funds from its employees or the promotion of private businesses in its offices or on its properties. The use of Company resources to obtain employee or customer information for personal use is strictly prohibited.

All employee gifts, donations or purchases are entirely voluntary. Unauthorized individuals promoting merchandise or soliciting funds on Company premises should be reported to Security or Human Resources.

**Employee-Initiated Solicitation**

Employee-initiated collections of modest funds or pledges for such things as flowers, employees leaving the Company or charitable organizations are generally acceptable. These requests should be restricted to an individual work group or department, unless authorized by Community Relations for more broad distribution. No employee should ever be placed in a position of feeling pressured to contribute or participate in such collections.

The Company recognizes that employees may have a personal or family business in addition to their employment. It is the individual employee’s responsibility to ensure that personal business is not conducted during work hours, and does not involve the use of company resources or equipment. Although the availability of an employee’s personal business products or services may be known at work, active solicitation or undue influence of others at work is prohibited.

Any questions regarding the appropriateness of an employee-initiated collection or solicitation should be directed to the immediate supervisor or Human Resources.

**CHARITABLE FUNDRAISING**

ALLETE encourages employees to give back to the communities in which we live and work. The Company supports United Way through various means including, facilitating employee contributions through authorized payroll deductions, fundraising, loaned executives and the like.

At the time of hire, each employee will be given the opportunity to sign an authorization to make regular contributions to United Way through payroll deductions. Employee may commence or change those elections at any time by contacting Payroll.
The Company permits United Way fundraising events to be held on company property during business hours. Prior approval from the Vice President over the employee’s department is required before conducting a fundraising event on Company property for other charities.

Charitable fundraising events may include a variety of activities, including games of skill, sales, auctions and parties. Examples of permissible charitable fundraisers include:

- Guessing games (e.g., items in a jar)
- Scavenger hunts
- Skill based activities (e.g., tossing games)
- Contests based on skill (e.g., creative, artistic, athletic ability, etc.)
- Silent/live auctions
- Hosted events/parties with ticket price to attend

Raffles or other gaming, in which participants to pay something of value to participate and winners are determined based on the element of chance, are not allowed.

**Corporate Contributions**

On occasion, the Company will make corporate donations to charitable causes. Requests of less than $1,000 should be made to the appropriate regional representative or, in the case of the Boswell Energy Center, to the Boswell Contributions Group. Requests of $1,000 or more should be made to the Corporate Contributions Committee.

The Environmental Contributions Committee accepts requests for environmental grants.

**COMMUNICATION AND DISCLOSURE OF INFORMATION**

Employees should use caution when publicly communicating on behalf of the Company. When disclosure is authorized, the information given must be accurate, current, and in the best interests of the Company.

**Significant Events**

When something significant develops (such as an accident, major power plant mishap, oil spill, regulatory decision, etc.), employees should avoid speculating on details or repeating rumors in conversation with other employees and persons outside the Company.

**News Media Queries**
All requests from the news media should be directed to Public Affairs. Public Affairs will coordinate an appropriate response. For after hours requests contact Service Dispatch for assistance in locating the Public Affairs’ staff.

Outages: Office supervisors/coordinators may disseminate public information regarding electric service outages in the outlying areas or request Public Affairs’ staff assistance.

Non-Media Queries

All non-media requests from outside entities for Company information must be carefully considered. Release of specific information (operational information, cost or use data, statistics, participation in surveys, etc.) could have negative unintended consequences for the Company. Any employee who is unclear about the appropriateness of releasing information to outside entities should refer the request to his or her department supervisor or manager.

Outside Group Requests

All requests for Company membership and/or participation in any outside public interest group should first be directed to the appropriate department supervisor or manager. As a general rule, Minnesota Power limits its response to outside information or participation requests regarding public policy initiatives to those in which Minnesota Power is actively participating and has sufficient ownership in the outcome to warrant our involvement. This policy is needed not only to manage the resources required to respond to these requests but to manage the use of Company-supplied information and ensure consistency with Company businesses.

Proprietary Information

Employees are not permitted to make disclosures of proprietary information (including procurement requirements, trade secrets, and share of the business) which could adversely affect the Company’s interest without full knowledge and consent in the form of specific advance written approval from the Chief Financial Officer. This includes such disclosures during and after periods of employment.

Candor with Management

The Chief Executive Officer should be immediately advised when employees have information which might be considered sensitive in preserving the Company’s reputation. Concealment may be considered a signal that Company policies and practices can be ignored. Such conduct will not be tolerated and may result in Corrective Action, up to and including termination.

Similarly, there should be full communication with the Chief Executive Officer even if it appears that less candor is desirable to protect the Company or certain individuals.
Independent Auditors

Full cooperation will be provided to auditors. There shall be no concealment of information from auditors which might be considered sensitive in preserving the Company’s reputation, even if it appears that less candor is desirable to protect the Company or certain individuals.

Violations of Company Policies

Employees who discover actions which are questionable, fraudulent, illegal, or in violation of Company policy should immediately report them to the Vice President – Human Resources or the Chief Executive Officer or the General Counsel.

INVENTIONS, DISCOVERIES AND DEVELOPMENTS

The Company encourages employees to pursue inventions, discoveries or developments that may benefit operations. All employees should submit their inventions, discoveries or developments to the responsible supervisor and Legal Services for review and intellectual property protection, if appropriate.

Definitions

Inventions, discoveries or developments – means ideas, discoveries, inventions, trade secrets, know-how, manufacturing processes, articles, books and other written materials, computer programs, business methods, information of a technical and business nature, and other like things that have potential value and relate to the business of the Company or to its actual or anticipated areas of research and development.

Letters Patent – means a document issued by the government granting a patent to an inventor.

Copyright – means a property right in an original work of authorship that is fixed in tangible form giving the copyright holder the sole exclusive right to control the reproduction, adaptation, public distribution, public performance and public display of the work. Copyright protection begins the moment a work is created or fixed in a tangible form.

Exclusive Company Rights

All inventions, discoveries or developments that an employee makes during the course of his or her employment are the exclusive property of the Company. Employees should promptly disclose inventions, discoveries and developments to the Company and diligently assist the Company in protecting its right in them.
The Company will own and retain the rights in all inventions, discoveries and developments, including all associated documentation and other related information, considered to be or to contain the Company’s proprietary information and trade secrets.

If requested to do so, an employee will sign an agreement with the Company, the terms of which will adequately safeguard the Company’s rights. Such an agreement may be required as a term of continued employment. If an employee fails to sign an agreement, the Company still retains the rights to the invention, discovery or development, as described above.

**Employee Efforts**

Employee efforts relating to inventions, discoveries or developments shall not be permitted if those efforts adversely affect normal job performance. Special consideration may be given by the responsible Vice President to reconcile the performance of job requirements with the pursuit of inventions, discoveries or developments.

**Applications for Patent, Copyright, Trademark or Other Registrations**

If the Company determines that it is in its best interest to make an application for a patent, trademark or copyright registration, or other application to protect an invention, discovery or development, the Company will:

If applicable, enter into a letter of agreement with the employee covering the respective rights and obligations of the employee and the Company regarding the discovery or development. The Company will enter no further “letter of agreement” relating to the invention, discovery or development. The Company retains its exclusive rights in all such inventions and discoveries.

- Prepare and file the necessary application with the appropriate entity. Applications for Letters Patent in the United States Patent Office will be filed in the name of the employee and the employee will cooperate with process and sign the application as requested by the Company.
- Pay all reasonable costs and expenses including attorney’s fees, as incurred.

At any time upon the request of the Company, the employee will sign a written assignment without payment of any rent, royalty, license fee or other charge transferring to the Company all rights of the employee in an invention, discovery or development.

**Non-Company Research and Development**

The above policy giving the Company exclusive ownership rights in inventions, discoveries or developments will not apply if: (1) no Company equipment, supplies, facilities or trade secrets were used; (2) the invention, discovery or development was created entirely on the employee’s private, non-work time; (3) the invention, discovery or development does not relate directly to the business of the Company nor to the Company’s actual or anticipated research; and (4) the invention or development did not result from any work performed for the Company.
EXECUTION OF CONTRACTS

No contract or other legal instrument should be executed on behalf of the Company unless the terms and conditions have been reviewed by Purchasing or Legal Services. Furthermore, only an officer of the Company or officially authorized purchasing agent of the Company (employee of the Purchasing Department) may execute a contract on behalf of the Company. Refer to the Company Purchasing Manual for more information on purchasing procedures. Contact Legal Services directly for review of any contract that does not involve the purchase of goods or services.

PUBLICATIONS AND RESOURCES

The Company promotes team effort, cooperation and understanding by encouraging employees to share information, recognize excellence and become better acquainted with each other. Company publications promote communication and help to recognize achievements of the Company and its employees. Several publications and a resource center are available for employees. Listed below are some of the resources available and where further information may be obtained.

Powergram (Public Affairs)

Powergram is a newsletter containing current news about the Company and its employees. It is available on the Company homepage, via FAX at work locations and is mailed to retirees. Contact Public Affairs if you have news items or announcements that may be of interest to other employees.

Comments & Questions (CQ) (Public Affairs)

The Comments & Questions program gives employees an opportunity to express opinions and concerns anonymously. Questions are addressed confidentially with replies mailed to the employee’s home. Subjects of general interest may be published, without names, in Powergram. The forms are available on special CQ displays throughout the Company, or from Public Affairs.

Public Affairs

The Resource Center, located in the General Office Building, has a variety of audiovisual equipment that may be borrowed for meetings such as data projectors, video and Polaroid cameras, audiotape machines, TV/VCRs. The Resource Center also has a variety of periodicals and general reference documents such as encyclopedias, almanacs and atlases.

Newspaper clippings that highlight relevant industry and business news, issues affecting operations and information about the financial community’s perspective on our business are available on the Company homepage.
The history of Minnesota Power is illustrated in two books one titled "Northern Lights" spanning 1906-1985 a second Electrifying a Century covering 1985-2006.

**Speaker Service (Community Relations)**

A group of employees, expert in specific areas, has been trained to represent the Company as speakers and is available for clubs, organizations and schools. Contact Community Relations for more detailed information.

**Booklets and Brochures**

Many Company locations as well as Public Affairs have brochures about the Company.

**Company Policies, Procedures & Manuals**

Many departments distribute manuals containing information that is unique to their functions, but pertains to all supervisors and/or employees. These manuals can be accessed through the intranet page under Policies, Procedures & Manuals. Manuals include:

- Accounting Manuals (Accounting)
- Purchasing Manual (Purchasing)
- Safety Manual (Safety)
- Supervisor’s Guide (Human Resources)
- Employee’s Handbook (Human Resources)
- Corporate Credit Card Policy & Procedure Manual (Purchasing)
- Records Management Manual (Records Services)
- Information Assets Security Policy (Information Technology Security)

**Video Presentations**

Public Affairs and Human Resources both have videotapes employees may borrow. Subject matter includes Company history, goals and philosophy, professional development, business practices and industry-related topics.

Safety videos are available from Safety for employees or departments to check out.

**COMPANY RECORDS**

Supervisors should ensure that those responsible for Company records apply the guidelines and procedures found in the Records Management Manual for records classification, file systems, maintenance, vital protection, retention, transfer/inactive storage and destruction. Record assistance and services are available from Records Services and the Record Services site on the Company homepage.

*Record:* any information, regardless of its physical form, characteristics, or medium it is recorded on, such as: paper, microforms, diskettes, optical/CD/DVD discs, tapes
(magnetic, video, audio), maps/drawings (cloth, vellum, Mylar), electronic and other mediums.

**Record Media**

The appropriate record medium will be selected to best match the information’s use, access and retention requirements.

**Records Classification and File Systems**

Record media will be classified and maintained in logical sequence and arrangement in file systems that allow access to the records by sequence number, date, category and main subject headings or other classifications dependent on whether they are transaction or subject record types. Regardless of what method is used, an index listing must be maintained.

**Maintenance**

Records should be maintained in an environment and storage equipment that protects the physical medium/recorded documentation from deterioration and allows access but protects the confidentiality of records according to their sensitivity and importance.

**Vital Records**

Records essential to the resumption and/or continuation of operations and financial status of the Company, and protect the interests of its customers, stockholders or employees must be identified and protected.

**Retention**

Each individual has the responsibility to maintain Company records according to established record retention periods. Contact Records Services to request information or establish retention. Retention is reviewed and authorized based upon regulatory, legal, tax, audit and business requirements.

**Records Center Transfer and Storage**

Low activity or inactive hardcopy records in department areas with authorized/established retention should be transferred to the GOB Records Center. The Records Center provides secure low-cost storage of inactive Company records in accordance with Records Management policy and regulatory requirements. Contact Records Services through the Company homepage for transfer and storage information.

**Destruction**

When information has outlived its retention period and is no longer needed for business, regulatory, tax or legal requirements, records are destroyed. Record destruction is
recorded on Records Recommended for Destruction (Form 774) and goes through an authorization and destruction process with Records Services. Shredding is the mode of destruction for all nonpublic, confidential and sensitive material. Records Services offers this service for those records, which require confidential destruction.

**Forms**

All forms created to record Company transactions and collect Company information must be sent to Office Systems to be assigned a form number and formatted to standards before being used within the Company. This includes future revisions, additions, and deletions of the form.
III. EMPLOYMENT

It is Company practice to place employees in positions where they can make the most effective contribution, with consideration given to the opportunity to achieve personal growth, satisfaction, and development on an equal opportunity basis.

To provide an equal opportunity for interested and qualified employees to seek transfer or promotion, a program of job notice and selection is utilized. When filling positions, the Company’s intent is to hire the most qualified individual, whether the applicant is internal or external.

JOB POSTING

Most nonunion jobs will be posted. Management positions may or may not be posted. Union positions (full-time, part-time and temporary positions of more than 60 days) will be posted, except for normal progressions.

All positions must have an approved job description that has been evaluated and assigned a market range.

If any of the following conditions apply, the position may be exempt from posting:
• An employee is returning from a leave of absence or layoff to the previous or a comparable position.
• A restructured position is being filled with the qualified incumbent.
• An employee is placed in a new position because the current job is being eliminated.
• An employee cannot perform his/her current job due to an illness or injury and is placed in a position, i.e. paragraph 65, modified duty, etc.
• Vacancies filled as a result of an organizational restructuring or reduction in the workforce.
• Normal progression in union jobs.

Outside candidates may be considered simultaneously with internal candidates. Special requirements for any position (such as license, certification, and residency) will be shown on the posting.

Posting Period

Positions are posted on Company website. Positions are generally posted for 10 consecutive calendar days.

Re-posting

If the posted position remains unfilled 90 or more days after the removal date shown on the job posting, the position will usually be re-posted before it is filled.
Recruitment

Human Resources is responsible for recruiting applicants. All job opportunities will be posted either to the Company Intranet or the ALLETE website. If the position is posted external, the job will go to the Minnesota Workforce Center. Interested candidates both internal and external must apply online by completing a profile and online job application. The online profile and job application can be found on the Company homepage under Careers or www.allete.com. Qualified candidates will be referred to the hiring supervisor.

Employees Applying for Posted Positions

Any employee may apply for a posted position. Employees who wish to be considered for the position should respond by completing an online profile and job application within the 10-day posting period. The employee is responsible for notifying their current supervisor of the position(s) for which they have applied.

In most cases, employees who do not respond to the posting within the prescribed time will not be considered unless the position is posted again. Exceptions may be made at the hiring supervisor’s discretion.

Time and Travel for Interview

Selection interviews are generally held at the location of the posted position. The hiring supervisor should work with an internal applicant and the applicant’s supervisor to establish an interview time that will meet the needs of all concerned. In cases where the distance might be too great for the applicant to travel, the hiring supervisor may use the telephone or video conference for the initial interview. In cases where there are several applicants at one location, the hiring supervisor should consider going to that location to conduct the interview.

An applicant’s supervisor should make reasonable allowance in the work schedule for the applicant to attend the interview.

SELECTION PROCESS

The following guidelines are offered to assist the hiring supervisor in selecting candidates.

Relatives

Relatives of present employees will be considered along with other applicants. If an employee’s relative is among the final candidates being considered, the hiring supervisor should consult with the Vice President – Human Resources. Human Resources is responsible for assuring that the hiring of relatives is handled in a manner consistent with the law and the Company’s interest in maintaining good employee and community relations.
For policy purposes, a relative is defined as current spouse, parent, grandparent, child, grandchild, sister, brother, uncle, aunt, niece, nephew, first cousin, mother-in-law, father-in-law, daughter-in-law, son-in-law, brother-in-law, or sister-in-law.

**Re-employment of Veterans**

Employees who are absent from work because of their involvement with the Armed Forces may have re-employment rights, under certain conditions, after the term of military service is completed. Questions regarding re-employment rights should be referred to the Director – Employee/Labor Relations & Talent Acquisition.

Re-employment rights an employee might have would vest only after he or she has completed the term of service and meets certain conditions. Supervisors should not make any promises or interpretations of legal rights to present or returning employees. Once it has been determined that a former employee has a right to re-employment under the law, he or she may be restored to the former position or to a position of like status and pay, provided the employee is qualified to perform the duties of the like position.

If the former employee has re-employment rights, there is no loss of years of service, and he or she is entitled to participate in insurance and other Company benefits in effect at the time the person entered the Armed Forces.

**Former Employees**

It is important to conduct reference and background checks on every applicant, including former employees. Human Resources, the Vice President of the previous department and the previous supervisor should be consulted before deciding to hire a former employee.

Company service prior to a voluntary quit will not be credited to an employee who is rehired unless the period between employment is less than the first period of Company service. No service credit will be given for purposes of calculating vacation accrual.

**Selection Assessments**

A variety of positions within the Company are subject to hiring assessments before selection of the final applicant for a specific position. The assessment may be used to measure the applicant’s skills as required for the position or help determine “job fit” by measuring the applicant’s aptitude, interests and personal style as related to a specific position. Human Resources will administer all selection assessments and report the results to the hiring supervisor. Information obtained from selection assessments will be used in conjunction with the reference and background checks for final selection of the applicant. For additional information regarding selection assessments, contact Human Resources.
Pre-employment Work Screens

When a job offer is made and accepted by the chosen candidate, a work screen may be required. Human Resources will designate a medical professional to perform the work screen, make all the arrangements, and evaluate the recommendation from the work screen. The written job offer is subject to a finding that the candidate meets the physical and mental requirements of the job based on the work screen. If any work screen results adversely affect any hiring decision, the Company will notify the applicant of that information within ten days of the final decision. Results of the work screen will be filed in Human Resources.

Pre-employment Drug Testing

When a job offer is made and accepted by the chosen candidate, a test for the presence of drugs or their metabolites will be given by a physician and/or laboratory chosen by the Company. The written job offer is subject to satisfactory completion of the drug test.

Test results will be treated as confidential in accordance with the Drug and Alcohol Testing Policy.

RELOCATION

The Company may provide relocation assistance to current and newly hired non-union employees in the event that current IRS guidelines are met and relocation benefits are deemed necessary to recruit the best candidate for the position. Relocation benefits will be approved through the selection justification process and documented in the candidate’s offer letter. ALLETE contracts with a third party to provide relocation assistance and tools to eligible non-union employees.

Relocation for union employees will follow the language set forth in the Collective Bargaining Agreement.

EMPLOYMENT STATUS

Jobs are authorized as full-time, part-time, temporary or intern. The following defines employee statuses for these job categories:

Full-Time

Full-time jobs are authorized for a normal work schedule of 40 hours per week in an ongoing job. Some full-time shift positions may work more than 40 hours one week and less hours the next, dependent upon the shift schedule.
Probationary Status

Each new employee spends a period of time (depending upon union or nonunion position) in this status. During the probationary status, employees are not yet eligible for certain benefits defined for employees who reach regular status (see Benefits Section).

The fact that an employee is employed beyond the probationary period does not create any right to continued employment.

Probationary status should be clearly made known to each new employee. The employee should also be told that the Company reserves the right during the employee’s probationary status to terminate employment for any reason not contrary to public law.

For information on the probationary period and seniority for union members, refer to the Labor Agreement.

Regular Status

After six months of satisfactory performance, nonunion employees shall be considered regular employees. The Company reserves the right during the employee’s regular status to terminate employment for any reason not contrary to public law.

Part-Time

Part-time jobs are established on an ongoing basis for a specific number of budgeted hours per year.

Part-time status affects eligibility and level of certain benefits and paid time off (see the Benefits and Time Off Sections of this handbook).

Temporary

Temporary jobs are established for brief but specific periods of time or for the duration of a special project with an anticipated ending date.

Intern

Intern jobs are established for college and high school students for a specific time period.
SEPARATION FROM EMPLOYMENT

This section highlights Personnel Records that must be updated as an employee leaves service for any reason. The employee’s supervisor is responsible for coordinating these steps.

Employee Notice

An employee resigning from a position is expected to give as much advanced notice as possible. Two weeks is considered a customary and appropriate notice for many positions. Employees in professional positions should provide additional notice, where possible.

Employees planning to retire are asked to give a notice of 90 days or more to their supervisor and Human Resources, whenever possible.

Discharge or Layoff

The Company reserves the right to terminate employment for any reason not contrary to public law. Each situation should be evaluated following standards found in the Guide to Corrective Action and the Labor Agreements.

When layoff is necessary, the affected employee should be advised as far in advance as possible and the reason for the layoff should be explained. Refer to the Benefits Section of this handbook for information regarding the Company’s Severance Plan.

Reference Letters or Calls

All letters of reference must be reviewed and approved by Human Resources Leadership for current, separating, or former employees.

Supervisors who are called directly to provide information about a current or former employee should refer the call to Human Resources.

Human Resources Responsibility

Vacation and Floating Holidays

Any vacation balance will be paid on the employee’s last paycheck. Employees may not be on vacation after their last actual day of work. Employees who leave service with a negative vacation balance will have that amount deducted from their final paycheck.

Unused floating holidays will not be paid upon termination of employment.
Exit Interview

The purpose of this interview is to obtain confidential, honest feedback from a departing employee. Distribution of this information will be in accordance with established guidelines. In the General Office Building, the interviewer will usually be a Human Resources staff member. At other locations, a neutral person who will impartially record the employee’s comments may perform the exit interview. Participation is voluntary.

Severance

For information regarding severance refer to the Employee Benefit Guide located on the Company Intranet homepage under Policies/Procedures & Manuals/Employee Resources.

DEATH OF EMPLOYEE OR RETIREE

Employee Death

In the event of an employee death, Human Resources will work with the supervisor to ensure timely and accurate coordination of all necessary procedures. The supervisor should follow these steps:

- Notify Employee Benefits immediately.
- Submit the employee’s time report (if applicable) to Payroll.

Benefits

Applicable benefits are payable to the designated beneficiary(s) at the time of death. Human Resources will assist in processing the necessary paperwork and answer any questions regarding options.

Retiree Death

A supervisor who is advised of a retiree’s death should immediately notify Employee Benefits to ensure the processing of paperwork and notification of Company employees.
IV. COMPENSATION AND BENEFITS

PAY PRACTICES

All employees are paid on a biweekly schedule – every other Friday. If a payday falls on a holiday, payment is made on the preceding normal working day. Payment is made by check and/or direct deposit.

Employees are encouraged to sign up for direct deposit. Paychecks for employees in work locations outside Duluth are sent via US Mail. The Company has no control over US Mail and cannot guarantee arrival time.

EXEMPT EMPLOYEES

Exempt employees are defined as those employees classified as exempt from the overtime provisions of the Federal Fair Labor Standards Act and any applicable State Laws. Such employees include employees who qualify as exempt executive, administrative, and professional employees, or those hired as outside salespersons.

Exempt employees are paid on a salary basis and, generally must be paid their full salary for any week in which they perform work. Pay may be reduced only in the following circumstances:

- Employees who are absent from work for at least a full day for personal reasons other than sickness or disability and who do not have vacation or floating holiday time will not be paid for that day. If an employee is absent for less than a full day for personal reasons, other than sickness or disability, his or her pay will not be reduced.

- Employees who are absent for at least a full day because of sickness or disability will not be paid for that day if they are required to provide and fail to submit qualifying medical documentation. Their pay will not be reduced if they are absent for less than a full day because of sickness or disability.

- Employees who take leave under the Family and Medical Leave Act will be paid for that time only if it qualifies for pay under sick time benefits. They have the option of using vacation or personal (floating) holiday, etc. Their pay may be reduced by the hours missed even if it is less than a full day.

- Employees who are absent from work for temporary military leave or attendance as a witness at a trial will not have their pay reduced by the number of hours or days they are absent from work unless they perform no work in a given week. Their pay from the company will be offset by the pay received for serving as a witness or for military service.

- If an employee violates a safety rule of major significance, his or her pay may be reduced in an amount to be determined by the company as a penalty for that violation.

- Employees may be suspended without pay for other types of workplace misconduct, but only in full-day increments. Their pay will be reduced in an amount that is proportionate to the number of days suspended.
• Employees who work less than 40 hours during their first or last week of employment will be paid for actual hours worked.

The company will reimburse any exempt employee whose pay is reduced in violation of this policy. If an exempt employee feels that his or her pay has been improperly reduced, they should notify their supervisor and Human Resources. An investigation will be conducted and if there were improper deductions, the employee will be reimbursed on the first payroll check that follows the completion of the investigation.

**Special Time Off With Pay**

The Company supports granting reasonable amounts of paid special time off in recognition of the extra effort of diligent and dedicated exempt employees who have worked unusual amounts.

The amount and scheduling of special time off with pay is determined by the supervisor, based on considerations of departmental workflow, merit, and continuation of customer service. Employees who are granted special time off should charge their time to Other Time Off With Pay.

This privilege is not entitlement nor is it the intention that unpaid overtime hours worked be accumulated or special time off be granted on an hour by hour basis.

**NONEXEMPT EMPLOYEES**

Non-exempt employees are defined as those employees who are covered by the overtime provisions of the Federal Fair Labor Standards Act or any applicable State Laws. Non-exempt employees are entitled to an overtime premium in accordance with State and Federal Law. Such employees include, but are not limited to, clerical, secretarial, accounting personnel, technicians, technician helpers and operators.

*All overtime must be pre-approved by the supervisor.* Time should be recorded in one-tenth (six-minute) increments.

**Sunday Work**

Non-Union, non-exempt, non-shift employees who are not regularly scheduled and are called in to work on Sundays will be paid double time for all hours worked.

**Holiday Work**

Refer to Time Off Section – Holidays, for policy on payments for holiday work.
Time Reporting

All nonexempt are required to accurately record and report actual hours worked, including all hours in excess of the standard workweek, vacation, holidays, time off, etc. For information and instructions about time reporting, contact Human Resource’s Payroll department.

UNION EMPLOYEES

Overtime is paid to union employees under the conditions and provisions described in the Labor Agreement.

PAY RECORDS

The forms and records listed below are required for proper approval and processing of pay. Questions regarding their completion should be referred to Human Resources.

Employee Pay Data Sheet

The computer-generated Employee Pay Data sheet is the official pay record for all employees and should be used to process any pay record changes. Changes would include: salary, progressions, department, job title, employment category, separations from employment and workweek. The supervisor, in coordination with Human Resources, should process this form each time an employee’s job and/or personal information is changed. After departmental approval, Human Resources enters changes into the Human Resources information system and a revised form is generally prepared and sent back to the supervisor. Human Resources retains the original copy in the employee’s personnel file.

When employees separate from service, the Separation Checklist (Form No. 4820) should be filled out and sent to Human Resources.

Direct Deposit Agreement (Form No. 3745)

To ensure employees receive their paycheck without delay, direct deposit is available and recommended. Direct deposit allows the employees the flexibility to elect up to three different financial institutions and accounts. In order to enroll, the employee should fill out the Direct Deposit Agreement (Form No. 3745).

This form must be forwarded to Payroll along with a deposit slip (checking or savings) or a voided check from the account(s) where the wages are to be deposited. The employee will receive a payroll check the first pay period following enrollment for bank verification.

If the employee changes banking facilities, a deposit slip for the new bank must be furnished to Payroll along with a newly completed Direct Deposit Agreement.
On payday, the employee will receive an earnings statement, via mail or electronically, showing gross salary, deductions and net pay deposited to the account.

**Income Tax Withholding**

*Form W-2* – A wage and tax statement mailed to each employee on or before January 31 of each year.

*Form W-4* – “Employee’s Withholding Allowance Certificate.” This form must be completed by every employee to ensure that the Company withholds the correct amount of federal and state income taxes. If the form is not filled out, the Company will withhold at the single status with zero exemptions on both the federal and state level.

For those employees who wish to claim a different number of exemptions at the state and federal level, please see additional forms for your use below. (The state of North Dakota does not provide a specialized form for state income tax withholding purposes. Should residents of North Dakota wish to claim a different number of exemptions at the state and federal level, please complete two copies of Form W-4 and make note at the top of the form whether “State Withholding” or “Federal Withholding” applies.)

*Form W-4MN* – “Minnesota Employee Withholding Allowance/Exemption Certificate.” This form is to be used by employees who:
- Claim fewer Minnesota withholding allowances than federal allowances (your Minnesota allowances cannot exceed the number of your federal allowances)
- Claim more than 10 Minnesota withholding allowances
- Want additional Minnesota withholding deducted from their wages each pay period
- Claim to be exempt from federal withholding or claim to be exempt from Minnesota withholding.

If you are claiming the same number of Minnesota allowances as federal and the number claimed is 10 or less, do not complete this form.

*Form WT-4* – “Employee’s Wisconsin Withholding Exemption Certificate/New Hire Reporting.” Completion of this form ensures that the correct amount of Wisconsin state income tax is withheld from the wages of the following employees:
- Wisconsin residents working in Wisconsin must complete Form WT-4 in the event that they wish to claim a different number of exemptions at the state and federal level. (In the event that the number of exemptions claimed at the state and federal level is the same, the employee need complete only Form W-4.)
- All Minnesota residents working in Wisconsin must complete a Form WT-4 to ensure that the correct amount of Wisconsin state income tax is withheld from their wages.
- Wisconsin residents working in Minnesota may voluntarily elect to have Wisconsin state income tax withheld from their wages in addition to the mandatory Minnesota state income tax. (Minnesota state income tax will automatically be withheld.)

*Form MW-R* – “Minnesota Department of Revenue, Reciprocity Exemption/Affidavit of Residency for Tax Year 2010.” Employees residing in North Dakota working in Minnesota
must file Form MW-R to relieve the Company from withholding Minnesota state income taxes. The form must be completed and sent to the Payroll Department. If the form is not completed, Minnesota state income taxes will be withheld.

*Form NDW-R* – “North Dakota Office of State Tax Commissioner, Reciprocity Exemption from Withholding for Qualifying Minnesota and Montana Residents Working in North Dakota.” Employees residing in Minnesota or Montana and working in North Dakota must file Form NDW-R to relieve the Company from withholding North Dakota state income taxes. The form must be completed and sent to the Payroll Department annually. If the form is not completed, North Dakota state income taxes will be withheld.

Copies of all withholding forms are available in the Human Resources Department and Online at: [http://intranet.mnpower.com/fpnet/Human_Resources/Company_Forms.html](http://intranet.mnpower.com/fpnet/Human_Resources/Company_Forms.html).

**Payroll Deductions**

The payroll check or direct deposit earnings statement lists the amount of total compensation and the deductions made.

**SALARY ADMINISTRATION**

**General Philosophy**

Our compensation program is an essential component of ALLETE>advantage, the competitive package we offer to attract, retain, and recognize high quality talent. Our union compensation is negotiated with International Brotherhood of Electrical Workers, Local 31 and paid in accordance with the union contract. Our nonunion compensation philosophy is based on:

- Paying salaries that are competitive with what other companies are paying for similar positions (market-based), and
- Paying employees fairly compared to others in the Company for the work being performed (internal equity)

**Compensation Lifecycle**

The system in which nonunion employees are compensated in the Company can be referred to as the *Compensation Lifecycle*. First, a job is created based on a business need. A job description is written by the supervisor and the job content, and accountabilities, not titles, are used by Human Resources as the basis to establish a *market rate*, which is the rate of pay the Company targets for fully proficient employees in a given job. The market rate is based on comparable objective, third-party salary survey data. Once a job is established and a market rate is assigned, the job is assigned to a Pay Range. Human Resources works with supervisors to determine how each employee’s skills and competencies compare with the expectations of a fully proficient employee in the job – also known as *employee pay positioning to market.*
Employees below market may receive salary increases known as \textit{equity adjustments} to bring them up to market as they gain skills and demonstrate competencies in the position. Employees may also receive salary increases through a process called the \textit{market adjustment}, which is an annual process in which Human Resources updates the market rates for all nonunion jobs. The market adjustment will not necessarily correlate and should not be confused with a cost-of-living adjustment published by federal and state agencies.

Every change in an employee’s job status (promotions, laterals, demotions, etc.) will reset the compensation lifecycle and Human Resources and supervisors again will work together to determine how the employee’s skills \& competencies compare with the expectations of a fully proficient employee in the new role.

\textit{Compensation Lifecycle Graphic}

The Company strives to match as many non-union jobs as possible with salary survey data, but some jobs are too unique to be able to accurately match. Jobs in which no market comparison is available are slotted into a Pay Range based on internal equity and compensated fairly compared to jobs of similar worth to the organization.

Supervisors and Human Resources share the responsibility to apply the policies consistently and impartially in accordance with the Company’s policy to provide equal
employment opportunity to each employee or employment candidate regardless of race, sex, creed, color, national origin, sexual orientation, religion, disability, veteran status or age; and to provide affirmative action to assure fair treatment.

The Company complies with state and federal discrimination law, Fair Labor Standards Act (FLSA) requirements, worker protection laws and labor laws. Legal requirements are inherent in the design of the administrative system supporting the Salary Administration Program and encourage consistent application of policies and procedures within all departments.

**Recognition Gifts, Bonuses and Awards**

It is important for supervisors to recognize the efforts of their employees. Recognition should be appropriate and reasonable for the work performed and meaningful to the employee. Information on recognition gifts, bonuses, and awards is located in the Employee Expense/Recognition Policy section of this Employee Handbook.

**BENEFITS**

ALLETE gives employees flexibility, choices, and opportunities in the areas that matter most – your health, your money, your time, and your career; which we refer to ALLETE>advantage. With this flexibility, choices, and opportunities comes a shared responsibility between employees and the Company.

To maintain a competitive package, our compensation and benefits are benchmarked comparing relevant industries and both regional and national practices. We review developments and refine our plans and policies to meet evolving economic conditions and ensure alignment with corporate strategy and the needs of a multi generation workforce.

Our environment is ever changing and we strive to adapt our support systems from time to time to reflect the needs of all. General benefit information can be found in annual Benefit Summary booklets. More detailed information is contained in the Employee’s Benefit Guide located on the Company Intranet homepage under Policies/Procedures & Manuals/Employee Resources. Complete details are in the legal plan documents that govern the operation of the applicable Plans.

If there should ever be any difference between the information in this summary and the provisions of the legal plan documents, the legal plan documents would be the final authority. If you would like to review the documents, you can make arrangements through Employee Benefits during regular work hours.
V. TIME OFF

HOLIDAYS

The Company provides paid holidays per calendar year to eligible employees; in the form of designated holidays and personal (floating) holidays.

Eligibility

Full-time Employees – Non-union and union employees are eligible for holidays on date of hire. Eligibility for personal (floating) holidays is based upon date of hire.

Part-time Employees – Employees who are regularly scheduled to work .5 FTE or greater and have completed one year of continuous service will receive 6 hours pay for holidays.

Designated Holidays

The Company provides the following paid holidays per calendar year

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<th>ALLETE, Minnesota Power, and ALLETE Clean Energy</th>
<th>Superior Water, Light and Power</th>
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<tr>
<td><strong>Full-Time Employees</strong></td>
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<td>New Year’s Day</td>
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<tr>
<td><strong>Part-Time Employees</strong></td>
<td>Six hours of pay for the holiday</td>
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</table>

A designated holiday that falls during an employee’s vacation is considered a holiday and not a vacation day.

If a holiday falls on a Saturday, the preceding Friday will be granted as the holiday. If a holiday falls on a Sunday, the following Monday will be granted. Employees who are normally scheduled to work holidays (12-hour rotating shift workers) will observe the holiday on the actual day.

When the Christmas and New Year’s holidays fall on Saturday and/or Sunday, one of the days for each holiday will be designated as “flexible”. For example:

Example 1: Christmas Eve falls on a Friday and Christmas Day falls on a Saturday, Christmas Day will be designated as “flexible”.

Example 2: Christmas Eve falls on a Saturday and Christmas Day falls on a Sunday, both holidays will be “flexible”.

Example 3: Christmas Eve falls on a Sunday, Christmas Day will be designated as “flexible”.
Example 2: Christmas Eve falls on a Saturday and Christmas Day falls on a Sunday, the Monday following Christmas Day will be designated as a holiday and Christmas Eve will be designated as “flexible”.

Example 3: Christmas Eve falls on a Sunday and Christmas Day falls on a Monday, Christmas Eve will be designated as “flexible”.

Flexible holidays are pre-identified holidays that can be scheduled at any time in the calendar year. Human Resources will provide a schedule in advance that identifies which holidays will be “flexible” in the calendar year.

All designated holidays must be recorded as holiday time on the day observed even if the employee is off work for other reasons such as vacation or illness. No designated holiday time off will be granted at a later date, unless explicitly covered by the union contract.

When an employee is on a Workers’ Compensation leave, the entire time off including the designated holiday will be recorded as occupational injury. No designated holiday time off will be granted at a later date.

**Pay for Holidays Worked**

*Non-union, exempt employees*

Exempt employees who are required to work will be paid their normal scheduled hours and will be granted another day off, when the schedule allows.

*Non-union, nonexempt employees*

- Full-time non-shift employees who are required to work their normal scheduled hours or are called in to work on a designated holiday, will be paid at their regular rate for the holiday and double time for any hours worked. They have the option of being paid their Regular rate plus overtime at straight rate and taking the holiday at a later date (banked holiday). When the banked holiday is taken, it should be charged to Holiday taking Banked.
- Full-time shift employees whose regularly scheduled workday falls on a holiday will receive straight time pay for the holiday and time and one-half for hours worked. They have the option of being paid their Regular rate and taking the holiday at a later date (banked holiday). When the banked holiday is taken, it should be charged to Holiday taking Banked.
- Eligible part-time employees required to work on a designated holiday will be paid their regular rate for allocated holiday hours and double time for hours worked.
- Non-eligible part-time, temporary and intern employees who are required to work on a designated holiday will receive time and one-half for the hours worked.
Union Employees

Overtime is paid under the conditions and provisions of the Labor Agreement.

Personal (Floating) Holidays

In addition to designated holidays, the Company also grants personal (floating) holidays which employees can use each calendar year for personal business, doctor’s appointments, or to recognize a holiday not designated by the Company. Personal time is to be used at the employee’s discretion, subject to supervisory approval. Because personal time does not accrue from year to year, it must be taken prior to the beginning of the next year. Personal time will not be paid out upon termination.

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<td>40 hours</td>
</tr>
<tr>
<td>Part-time Employees</td>
<td>24 hours</td>
<td>30 hours</td>
</tr>
</tbody>
</table>

In the year of hire or transfer to full-time status, floating holidays will be allocated as follows:

<table>
<thead>
<tr>
<th></th>
<th>ALLETE, Minnesota Power, and ALLETE Clean Energy</th>
<th>Superior Water, Light and Power</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Full-time</td>
<td>Part-time</td>
</tr>
<tr>
<td>January–March</td>
<td>32 hours</td>
<td>24 hours</td>
</tr>
<tr>
<td>April–June</td>
<td>24 hours</td>
<td>18 hours</td>
</tr>
<tr>
<td>July–September</td>
<td>16 hours</td>
<td>12 hours</td>
</tr>
<tr>
<td>October–December</td>
<td>8 hours</td>
<td>6 hours</td>
</tr>
</tbody>
</table>

VACATIONS

Eligibility – Full-time Employees

Full-time and eligible part-time employees earn vacation based on hours worked (up to a maximum of 80 hours per pay period). Employees are eligible to take any earned vacation after completing 90 days of continuous service. Employees’ vacation balance will print on their biweekly paycheck/direct deposit statement after they have completed the 90 days of service. The accrued vacation balance cannot exceed the sum of the annual accrual rate plus 120 hours. This amount will appear on the paycheck/direct deposit statement as the Maximum Vacation Hours Balance Allowed. If employees reach the maximum vacation accrual cap, they will not accrue any further vacation until they drop below the cap. To ensure a fair and consistent vacation usage, employees...
must have a positive vacation balance before vacation can be used. Managers may approve a temporary negative vacation balance. Employees with a negative balance should be positive before taking further vacation time off. Employees who choose to borrow vacation and then terminate employment for any reason prior to accruing sufficient time to "pay back" the borrowed vacation, authorize the Company to deduct any remaining balance from wages or other payments due to the employee from the Company.

All union and the non-union employees who were hired prior to 1/1/2001 and chose Schedule One earn vacation based on the following schedule:

<table>
<thead>
<tr>
<th>Years of Service</th>
<th>Vacation hours accrued per Year</th>
<th>Vacation hours accrued per Hour of work</th>
<th>Vacation hours accrued per Pay Period if 80 hours worked</th>
<th>Accrual Cap (Max hours in bank starting 1/1/2003)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1–5 years</td>
<td>80 hours</td>
<td>.038462</td>
<td>3.07696</td>
<td>200 hours</td>
</tr>
<tr>
<td>6–11 years</td>
<td>120 hours</td>
<td>.057693</td>
<td>4.61544</td>
<td>240 hours</td>
</tr>
<tr>
<td>12–13 years</td>
<td>128 hours</td>
<td>.061539</td>
<td>4.92312</td>
<td>248 hours</td>
</tr>
<tr>
<td>14–15 years</td>
<td>136 hours</td>
<td>.065385</td>
<td>5.23080</td>
<td>256 hours</td>
</tr>
<tr>
<td>16 years</td>
<td>144 hours</td>
<td>.069231</td>
<td>5.53848</td>
<td>264 hours</td>
</tr>
<tr>
<td>17 years</td>
<td>152 hours</td>
<td>.073077</td>
<td>5.84616</td>
<td>272 hours</td>
</tr>
<tr>
<td>18 years</td>
<td>160 hours</td>
<td>.076924</td>
<td>6.15392</td>
<td>280 hours</td>
</tr>
<tr>
<td>19 years</td>
<td>168 hours</td>
<td>.080770</td>
<td>6.46160</td>
<td>288 hours</td>
</tr>
<tr>
<td>20 years</td>
<td>176 hours</td>
<td>.084616</td>
<td>6.76928</td>
<td>296 hours</td>
</tr>
<tr>
<td>21 years</td>
<td>184 hours</td>
<td>.088462</td>
<td>7.07696</td>
<td>304 hours</td>
</tr>
<tr>
<td>22 years</td>
<td>192 hours</td>
<td>.092308</td>
<td>7.38464</td>
<td>312 hours</td>
</tr>
<tr>
<td>23 years</td>
<td>200 hours</td>
<td>.096154</td>
<td>7.69232</td>
<td>320 hours</td>
</tr>
<tr>
<td>24 years</td>
<td>208 hours</td>
<td>.100000</td>
<td>8.00000</td>
<td>328 hours</td>
</tr>
<tr>
<td>25 years</td>
<td>216 hours</td>
<td>.103847</td>
<td>8.30776</td>
<td>336 hours</td>
</tr>
<tr>
<td>26 years</td>
<td>224 hours</td>
<td>.107693</td>
<td>8.61544</td>
<td>344 hours</td>
</tr>
<tr>
<td>27 years</td>
<td>232 hours</td>
<td>.111539</td>
<td>8.92312</td>
<td>352 hours</td>
</tr>
<tr>
<td>28 years</td>
<td>240 hours</td>
<td>.115385</td>
<td>9.23080</td>
<td>360 hours</td>
</tr>
<tr>
<td>29 years</td>
<td>248 hours</td>
<td>.119231</td>
<td>9.53848</td>
<td>368 hours</td>
</tr>
<tr>
<td>30 &amp; over</td>
<td>256 hours</td>
<td>.123077</td>
<td>9.84616</td>
<td>376 hours</td>
</tr>
</tbody>
</table>

All non-union employees hired on or after 1/1/2001 earn vacation based on the following schedule:

<table>
<thead>
<tr>
<th>Years of Service</th>
<th>Vacation hours accrued per Year</th>
<th>Vacation hours accrued per Hour of work</th>
<th>Vacation hours accrued per Pay Period if 80 hours worked</th>
<th>Accrual Cap (Max hours in bank starting 1/1/2003)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0–1 year</td>
<td>80 hours</td>
<td>.038462</td>
<td>3.07696</td>
<td>200 hours</td>
</tr>
<tr>
<td>2–9 years</td>
<td>120 hours</td>
<td>.057693</td>
<td>4.61544</td>
<td>240 hours</td>
</tr>
</tbody>
</table>
**EFFECTS OF ABSENCE**

**Leave of Absence**

Vacation is not accrued during unpaid leave of absence in excess of 30 calendar days (173.3 hours) per year.

**Military Service**

An employee who enters full-time military service will be placed on a Leave of Absence and will be paid for vacation benefits earned through the first 30 calendar days of the leave. If an employee returns to work within 90 days of discharge from military service, the basis for calculating future vacation days will include continuous service with the Company prior to entering military service and all military time served.

**Layoff**

A full-time employee who is laid off retains previous years of service credit if rehired within 4 years or less. If the layoff exceeds 4 years, all previous service credit is lost.

**Illness or Disability**

If illness or disability occurs prior to the beginning of scheduled vacation, the vacation may be rescheduled at a time satisfactory to the Company and the employee.

If illness or disability occurs after the vacation has begun, the vacation will continue as scheduled.

**Scheduling Vacation**

Vacation may be scheduled and taken at any time during the calendar year, with supervisory approval. Vacation must be scheduled to meet the needs of both the employee and the Company.

Supervisors should maintain records of employee’s vacation days earned and taken. Department Lost Time Reports are available from the time entry system to assist supervisors.

**Termination**

Upon termination of employment (voluntary, involuntary, retirement or death) the Maximum Vacation Hours Balance Allowed will be paid on the employee’s final pay statement.

<table>
<thead>
<tr>
<th>Age Range</th>
<th>Hours</th>
<th>Rate</th>
<th>Factor</th>
<th>Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>10–19 years</td>
<td>160</td>
<td>.076924</td>
<td>6.1539</td>
<td>280</td>
</tr>
<tr>
<td>20+ years</td>
<td>200</td>
<td>.096154</td>
<td>7.6923</td>
<td>320</td>
</tr>
</tbody>
</table>
Long Term Disability

Accrued vacation time will be forfeited upon commencement of Long Term Disability Benefits and will not accrue during this time.

SICK TIME BENEFITS

Regular, consistent attendance is an expectation for all of our positions in order that we can fully serve our customers. Unscheduled absences carry significant cost to our business, potential disruption for customers and additional burden for co-workers. Business costs involve paying the absent employee’s wages and, for some positions, another employee to replace the absent employee, frequently at overtime rates. Absence due to illness or injury is to occur only when absolutely necessary and is expected to be within reasonable limits. Employees should stay home when the illness creates a risk to the health or safety of others. To help measure appropriateness, employees are encouraged to ask (and honestly answer), “Would I stay home from work if I were not being paid?” Pay continuation for employee, sick dependent child, care of relatives and spouse serious medical condition must comply with requirements that are further explained in “Having Pay Continued With Sick Time Benefit” section.

Employee

If an employee is absent from work due to their illness or injury, the employee may have his or her pay continued during the absence if the absence meets qualified medical criteria.

Sick Dependent Child

Employees may be granted time off for reasonable periods, as necessary to care for a sick or injured dependent child if the absence meets qualified medical criteria until other arrangements can be made. Time off to care for a sick dependent child is granted on the same terms as the employee is granted sick time benefits for an employee’s own illness or injury. Employees are expected to notify their supervisor as soon as possible when requesting time off to care for a sick dependent child and to share those responsibilities with other caregivers.

For purposes of the foregoing, “child” means an employee’s child after birth, adoption or foster care placement, or an individual for whom the employee is providing primary custodial care; “dependent child” means a child under age 18, or under age 20 if still attending secondary school.

Time Off for Care of Relatives (Minnesota Power, ALLETE, and ALLETE Clean Energy)

Beginning August 1, 2014, employees of ALLETE, Minnesota Power, and ALLETE Clean Energy may be granted time off for reasonable periods of time as the employee's
attendance may be necessary due to the illness or injury of an adult child, spouse, sibling, parent, stepparent, parent-in-law, grandparent or grandchild (including stepgrandchild, adopted grandchild or foster grandchild), on the same terms upon which employees are able to use sick leave benefits for their own illness or injury. Absences (for this Sick Relative Care and Safety Leave, which is described below) will be limited to 160 hours in any 12-month period. Employees are expected to notify their supervisor as soon as possible when requesting time off to care for eligible relatives and to share those responsibilities with other caregivers. Approved time should be recorded as “Sick Relative Care” in the time entry system. Contact Human Resources employee and labor relations at (218) 723-3921, Option 5 to obtain and complete the required documentation for such absence.

Time Off for Spouse’s Serious Medical Condition

Employees of Superior Water Light and Power will be eligible to have their pay continued under sick time benefits in connection with their spouses’ serious medical condition as follows:

• For a day or the portion of a day when the spouse requires immediate professional medical attention of a serious nature. A second day of pay under the sick time benefit may be granted if the spouse's serious condition requires the employee's presence and involvement when the employee is scheduled to work.

• On the day of a spouse's scheduled surgery when the employee's presence is required.

• In extenuating circumstances, when an employee's presence is required for the care of a seriously ill spouse over a longer term, the Vice President – Human Resources will work with the employee's vice president to determine a combination of flexible work hours (for non-union employees), schedule changes, shift swapping, sick time benefit, vacation, personal holidays, banked holidays and unpaid leave days on a consecutive or intermittent basis. This time may fall under the Family Medical Leave Act.

If pay continuation under the sick time benefit for care of a spouse is granted, medical documentation will be required indicating the need for the employee's presence to care for the spouse.

Pay continuation for an absence due to a spouse’s serious medical condition is subject to Company approval at all times. Approved time should be recorded as “Spouse Serious Ill” in the time entry system. In addition to using Spouse Serious Ill on time sheets, employees should also record Time Off to care for a Spouse Serious Ill under “FMLA on their time sheets, to ensure that the time is also properly recorded as time off under the Family Medical Leave Act.

Employees absent from work to care for family members, other than a sick dependent child or a spouse with serious medical condition, do not qualify to have their pay continued with sick time benefits. If making up the time during the same workweek is not possible, employees should record their time off as vacation, personal (floating) holiday, etc.
Supervisors should assist non-union employees in identifying options to flex their schedule if it is possible in their job. Lifeworks, the Company’s Employee Resource Program (ERP) is also available to help employees find resources to deal with difficult family situations.

Time Off for “Safety Leave” (Minnesota Power, ALLETE, and ALLETE Clean Energy)

Beginning August 1, 2014, employees of ALLETE, Minnesota Power, and ALLETE Clean Energy may be granted time off, on the same terms upon which employees are able to use sick leave benefits for their own illness or injury, for reasonable periods of time as the employee’s attendance may be necessary to provide or receive assistance because of sexual assault, domestic abuse or stalking. Employees may use this “safety leave” in connection with their own safety or the safety of the employee’s child, adult child, spouse, sibling, parent, stepparent, parent-in-law, grandparent or grandchild (including stepgrandchild, adopted grandchild or foster grandchild). Absences (Sick Relative Care and Safety Leave) will be limited to 160 hours in any 12-month period. Employees are expected to notify their supervisor as soon as possible when requesting safety-leave time off. Approved time should be recorded as in the time entry system “Sick Time” or “Sick Relative Care”, depending on circumstances. Contact Human Resources employee and labor relations at (218) 723-3921, Option 5 to obtain and complete the required documentation for such absence.

Eligibility

Eligibility for paid sick time is as follows:
- Non-union, full-time employees are eligible at date of hire.
- MP and SWL&P Union, full-time employees filling a regular authorized position are eligible upon completing six months of continuous service.

Part-time employees do not receive sick time benefits. Part-time employees who are regularly scheduled to work .5 FTE are eligible to purchase short-term disability coverage after one year of service. See the Benefit’s Section or contact Human Resources for specific details regarding this optional coverage.

Having Pay Continued With Sick Time Benefit

Employees may be required to provide qualifying medical documentation in order to be paid while absent from work due to either their own illness or that of a dependent child if frequency, pattern or explanation for the employee’s absence requires additional information.

Employees will be required to provide qualifying medical documentation in order to be paid while absent from work due to either the illness or injury of a qualifying relative, or a spouse’s serious medical condition.
The documentation must be provided to Human Resources each time that they are requesting pay from sick time benefits. Medical documentation must be submitted prior to the end of the pay period in which the employee is requesting pay from sick time benefits for their own illness or injury.

Qualifying medical documentation must explain the employee’s specific physical restrictions or those of their dependent child, qualifying relative or spouse as they relate to their inability to work in any capacity (part-time, light or sedentary duty). This documentation must be provided on Form No. 6110 or in another appropriate written manner that answers the Company’s specific questions to determine if it is appropriate to continue pay. The health care provider may fax Form No. 6110 directly to Human Resources.

Continued medical documentation will be required each pay period in which the employee is requesting sick time benefits. In unique employee situations, the supervisor must consult HR to determine if medical documentation will be temporarily waived or accepted at a later date. In certain long term absences, the Company may decide medical documentation is only required every 30 days to continue pay, depending on the specifics of the employee’s medical condition and length of anticipated absence. Supervisors must contact HR to determine if documentation may be required less often for a particular employee’s condition.

Employees are required to submit a Request for Time Off (Form 4987) prior to any absence which is known in advance, such as scheduled surgeries, urgent specialist appointments, etc., if they are requesting sick time benefits.

Pay continuation for an absence due to employee illness, sick dependent child, injury or illness of qualified relative, a spouse’s serious medical condition, or time off for safety leave is subject to Company approval at all times. Approved time should be recorded to Sick Time, Sick Dependent Child, Sick Relative Care or Spouse Serious Ill, as appropriate.

Medical/Dental Appointments

Employees are expected to arrange for routine and non-routine medical and dental appointments outside of working hours. This applies to medical appointments for either the employee or a dependent child.

Routine appointments are defined as regular dental exams and cleanings, annual physicals and related tests, appointments and tests for non-serious medical issues, other preventative care or screenings, physical therapy, prenatal exams, eye exams, allergy shots, checkups for ongoing medical condition, follow-up appointments or any other appointments that occur on a regular, prescheduled basis.
The Company recognizes the difficulty employees may face in arranging certain appointments. Supervisors should assist employees by identifying the best days and times of the day for the employee to be excused and allow the employee to adjust the hours they work within the workweek to accommodate the appointment, whenever possible. Employees who choose to schedule routine medical and dental appointments during work hours for themselves, dependent children, spouses, or other family members and do not make up the time, will record their lost time as vacation, personal (floating) holiday, or banked holiday.

Non-routine and emergency medical or dental appointments, or surgical procedures for an employee, their dependent child, or a spouse’s serious medical condition, which have been approved, should be recorded as Sick Time, Sick Dependent Child, Spouse Serious Ill. Non-routine appointments are defined as emergency appointments for the employee, their sick dependent child, or spouse for a health condition requiring immediate tests or treatment, a broken or abscessed tooth, chemotherapy, radiation treatment, surgery, etc. Employees must notify supervisor in advance of non-routine appointments during work hours in order to qualify for sick pay benefits.

Pay Continuation for Pregnancy

A pregnant employee is expected to continue working as long as she is medically able. Pregnant employees are encouraged to request different duty assignments if their regular duties are too physically difficult to perform during the pregnancy. Supervisors are expected to work with HR in an effort to assign different duties in instances where a physician says the pregnant employee cannot perform the full duties of her present job. Pay continuation from sick time benefits for childbirth will not exceed six weeks in total and should be recorded as Sick Time. An employee may choose to take up to one week prior to delivery as part of the total six weeks. If an employee is medically unable to continue work prior to one week before birth or return to work at the end of six weeks, qualifying medical documentation is required before approval of continued pay from sick time benefits. The Company reserves the right to require an employee, during pregnancy or after delivery, to submit to a Company-required physical (see below).

An employee who wishes to take additional time off may use vacation time, personal (floating) holidays or request an unpaid leave of absence.

Company Required Physical

The Company reserves the right to require an employee to be examined at reasonable intervals by a Company-designated physician. The Company will pay for all expenses of this required physical examination and may base sick time benefits on the recommendations of that examination.

Employee Relations or Health Plans will coordinate Company required physical examinations and receive medical information from health care providers regarding employee illness or injury.
Notification to Supervisor

Employees who are unable to work due to illness or injury must notify their supervisor before the scheduled workday to allow coverage for the absence. Except in extreme situations, employees are expected to speak directly with their supervisor to discuss the reason for the absence and the projected length of the absence. If the supervisor is not available when the employee calls in to report an absence, the supervisor should call the employee back as soon as possible to obtain the above information.

Occupational Injury or Illness

Occupational Injury or Illness is defined as any injury or illness incurred out of or in the course of employment when the activities of an employee’s job are a significant contributing factor to the employee’s illness or injury. An incident is an injury/illness experienced on employer’s premises or during the course of a work-related activity. This includes repetitive, cumulative, or other non-acute symptoms. Supervisors must ensure the employee receives prompt medical attention, rest, or transportation home, based on the circumstances. Whether or not medical attention is required at the time, the supervisor must immediately fill out the Occupational Injury/Illness Report (Form 4592). If medical attention is later required, the form will be on file to verify the incident.

Professional Medical Attention Required

If medical attention of any type is required (emergency room, physician, dentist, chiropractor, etc.) the supervisor must:

- Complete the Occupational Injury/Illness Report (Form 4592).
- Complete the First Report of Injury (Form MNFR01).

Send the originals to Human Resource’s Workers’ Compensation area.

Lost Time Reporting

The supervisor must report any lost time resulting from an occupational illness or injury to the Workers’ Compensation Department immediately. All lost time must be recorded as Occupational Injury on the employee’s time report until he or she returns to work. The supervisor must notify the Workers’ Compensation Department when the employee returns to work.

Occupational Health and Safety Act (OSHA)

All OSHA recordable injuries will be recorded on an OSHA Log and on a Summary of Occupational Injuries and Illnesses forms (OSHA Form 300 and 300A) by the Workers’ Compensation Department. Copies of the forms will be sent to departments where an injury occurred during the previous month. The logs must be readily available to any OSHA investigator who requests to inspect them.
Recreational Activity Injury

State workers’ compensation laws do not cover injuries incurred while an employee participates in a voluntary recreational activity, even one sponsored by the Company, such as a health promotion program, athletic event, picnic, party or outing. Such injuries will not be covered under Workers’ Compensation benefits. All bills for medical care should be processed through the individual’s health insurance and related time off should be recorded as Sick Time.

FAMILY MEDICAL LEAVE (FMLA)

Understanding the Law

The Family Medical Leave Act of 1993 (FMLA) requires the Company to provide up to 12 weeks of job-protected leave to eligible employees for certain family and personal “serious health conditions.” The act does not require this to be a paid leave.

Eligible employees are full-time and part-time employees who have worked for the Company for one year and worked at least 1,250 hours during the previous year. Eligible employees may request up to 12 weeks of family medical leave in a 12-month period.

In accordance with the law, FMLA is available to care for an employee’s child after birth, adoption, foster care placement; to care for an employee’s seriously ill spouse, child or parent; or for a “serious health condition” that makes an employee unable to perform the employee’s job.

Under FMLA, a child is defined as “an individual under age 18 or an individual under age 20 who is still attending secondary school.” A parent is defined as the “biological parent of an employee or individual who stands or stood in loco parentis” (provides custodial care) “to an employee when the employee was a child.” A spouse is defined as a “husband or wife as defined or recognized under State law for purposes of marriage in the State where the employee resides, including common law marriage in States where it is recognized.”

Under FMLA, a “serious health condition” is defined as an illness, injury, impairment, or physical or mental condition that involves any one of the following:

- any period of incapacity or treatment connected with inpatient care (i.e., an overnight stay) in a hospital, hospice, or residential medical care facility;
- a period of incapacity requiring absence of more than three calendar days from work, school or other regular daily activities that also involves continuing treatment by (or under the supervision of) a health care provider;
- any period of incapacity due to pregnancy, or for prenatal care;
- any period of incapacity (or treatment therefore) due to a chronic serious health condition (e.g., asthma, diabetes, epilepsy, etc.);
• a period of incapacity that is permanent or long-term due to a condition for which treatment may not be effective (e.g., Alzheimer’s, stroke, terminal diseases, etc.);
• any absence to receive multiple treatments (including any period of recovery there from) by, or on referral by, a health care provider for a condition that likely would result in incapacity of more than three consecutive days if left untreated (e.g., chemotherapy, physical therapy, dialysis, etc.).

Employees will be required to furnish medical certification of a serious health condition, periodic reports (every 30 days) of their status and intent to return to work, and a fitness for duty certificate prior to being restored to employment. This certification should be forwarded to Human Resources to be filed in the employee’s confidential medical file.

Leave may be taken intermittently or on a reduced work schedule when medically necessary or as approved by the supervisor. The Company may temporarily transfer the employee to an available alternative position with equivalent pay and benefits to accommodate the employee’s need for intermittent or reduced work schedule. Upon return from FMLA leave, an employee will be restored to his or her original job, or to an equivalent job with equivalent pay, benefits, and other employment terms and conditions.

FMLA – Exigency Leave

Eligible employees may take FMLA leave for qualifying exigencies when the employee’s spouse, son, daughter or parent is on covered active duty or has been notified of an impending call to covered active duty.

FMLA – Injured Service member Family Leave

Eligible employees who are the spouse, son, daughter, parent or next of kin of a covered service member may take FMLA leave to care for the service member.

Pay Options for Employees on FMLA

Employees on FMLA qualifying leave have the following options to continue to be paid:
• Full-time employee’s personal serious health condition – refer to Sick Time Benefits in this section
• Part-time employee’s personal serious health condition – refer to Benefits Guide if disability insurance was purchased
• Full-time employee’s dependent child’s serious health condition – refer to Sick Time Benefits in this section
• Employee’s parent or spouse’s serious health condition – employee may use floaters, vacation or unpaid time.
Definition of Leave Year

The Company’s leave year is defined as the 12-month period measured forward from the date the employee’s first FMLA leave begins. For example, an employee would be entitled to 12 weeks of unpaid leave during the year beginning on the first date FMLA leave is taken; the next 12-month period would begin the first time FMLA leave is taken after completion of any previous 12-month period.

Example: FMLA granted on April 1st and employee uses all 12 weeks, employee becomes eligible for another 12 weeks on April 1st of the following year.

Request for FMLA

Employees should notify their supervisor as soon as possible of the need for family medical leave, if the need for the leave is foreseeable. To request FMLA, employees should complete Request for Time Off (Form No. 4987), as far in advance as possible, discuss the absence with their supervisor, and obtain the supervisor’s signature. In the event of an unforeseeable need for an FMLA leave, the supervisor must immediately notify Human Resources.

Health Benefits Continuation during FMLA

During the leave, the Company will continue its contribution to the ALLETE and Affiliated Companies Employees’ Medical and Dental Plans. Health Plans will bill the employee for the employee’s portion of the Medical and Dental Plan premiums. The employee portion may be deducted from the employee’s paycheck if appropriate. If an employee does not return to work following an FMLA leave, the Company may seek reimbursement for its contributions to the Medical and Dental Plans. If an employee chooses not to continue Medical or Dental Plan coverage during the leave, the employee may elect to be reinstated on the same terms as prior to taking the leave.

Vacation use Requirement during FMLA

The Company reserves the right to require the employee to use one-half of their accrued vacation, personal (floating) and banked holidays as part of any unpaid 12-week FMLA leave.

Reporting Time Off

In Labor Reporting, the Family Medical Leave pay code only tracks FMLA hours for administrative purposes. The FMLA work order does not generate pay for employees. Time must be coded to the appropriate time off Hour Type and to FMLA. FMLA time off pay codes are: Vacation, Floating Holidays, Banked Holidays, Sick Time, Occupational Illness, Sick Dependent Child and Other Time Off Without Pay.
The FMLA work order must only be used after an employee has been notified of certification of a “serious health condition” for Family Medical Leave status by Human Resources.

Example:

<table>
<thead>
<tr>
<th>Project</th>
<th>Task (Work Order)</th>
<th>Hour Type</th>
<th>Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>See table below</td>
<td>See table below</td>
<td>Sick Time</td>
<td>8</td>
</tr>
<tr>
<td>Differs by company</td>
<td>Differs by company</td>
<td>FMLA</td>
<td>8</td>
</tr>
<tr>
<td>OR</td>
<td>Vacation or Floating Holiday or</td>
<td></td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Other Time off w/pay</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>FMLA</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PROJECT</th>
<th>TASK (W/O)</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>MP</td>
<td>NPTMP</td>
<td>Lost Time</td>
</tr>
<tr>
<td></td>
<td>OINJMP</td>
<td>Occupational Injury</td>
</tr>
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**OTHER TIME OFF**

The Company recognizes that an employee may occasionally need time off from work due to personal circumstances other than their own or their dependent child’s illness. Each supervisor is expected to determine the acceptability of absences and whether the absence qualified for paid time off. Each case will be evaluated individually; however, the following general criteria will apply.

**Funeral Leave**

A regular (full-time) employee may be excused from work to attend the funeral of a family member and to address family matters. The employee must notify the immediate supervisor of the requested absence as soon as possible.

Time off with pay will be granted as follows:
- Five (5) working days in the event of the death of an employee’s spouse or child.
- Three (3) working days in the event of the death of an employee’s parent, sibling, grandchild, mother/father-in-law or son/daughter-in-law.
- One (1) working day in the event of the death of an employee’s grandparent, brother/sister-in-law, uncle, aunt, niece, or nephew.
- Four (4) hours will be allowed to be a pallbearer at the funeral of a friend.
Under special circumstances, the supervisor may grant additional time off based on what is reasonable for the Company to allow. This additional time requested should be recorded in Labor Reporting as vacation, personal (floating) holiday, or unpaid leave of absence.

The supervisor may release an employee from work with pay to attend the funeral services of a coworker, dependent on maintaining the operating requirements of the department.

Approved funeral time off should be charged to *Funeral Leave*.

**Inclement Weather**

Since ALLETE provides an essential public service 365 days a year, around the clock, it is the Company’s intention to be open and operating during all normal business hours regardless of weather conditions.

During inclement weather situations, employees are responsible for notifying supervisors if they will be absent or late for work. Any employee who needs to discuss their travel situation or report an inability to get to work should notify their supervisor as soon as possible.

As everyone’s situation will be unique, please use personal judgment regarding safety, and do not take unnecessary risks. If you decide to stay home, please notify your supervisor to discuss whether flexible work arrangements are available. If flexible work arrangements are not be available or if you choose to not work that day, your time will be recorded as vacation/floater.

**Voting Time**

By law, election polls are open for state and national general elections from 7 a.m. to 8 p.m. This should normally give each employee sufficient time to vote outside of working hours. In a circumstance when an employee cannot make arrangements to vote outside of normal working hours, paid time off to vote will be granted with prior supervisory approval.

**Jury Duty**

Full-time and part-time employees absent from work because of jury or other court duty will receive their regular pay, recorded as *Jury Duty*. Employees engaged in jury duty are expected to give advance notice of an absence and report to work while temporarily excused from attendance at court. Employees are not required to reimburse the Company for the stipend they receive for short-term jury duty.
Political Activities

No paid time off will be granted to attend political conventions, campaign meetings, or any function that supports a political candidate or issue.

School Conferences and Activities (Preschool through 12th Grade)

Employees will be granted up to 16 hours per year of paid time off to attend their dependent children’s school conferences, educational activities, graduation exercises, or programs *which cannot be scheduled outside of work hours*. Time off will also be granted to attend a conference or activity of childcare services, preschool, regular or special education program, or to observe and monitor the services of such a program. Any time off as described above, with supervisory approval, should be charged to *Other Time Off With Pay*.

Employees have the option of using vacation, personal holidays, time off without pay, or adjustable work scheduling for extracurricular school activities such as class trips or other events beyond the normal school day.

The employee must notify the supervisor as soon as possible so that provision can be made for the absence and an attempt should be made to schedule the absence so that there is no disruption to the department’s operation.

Other Time Off Without Pay

Other Time Off Without Pay will not be granted until an employee has exhausted all time in their vacation bank (zero balance) and used all personal and banked holidays. In the event that an employee is on an unpaid FMLA leave, they will only be required to use half of their vacation bank.

Non-Medical Leave of Absence

A leave of absence is permission to remain away from the job without pay for a specified period of time. It may be requested and granted for reasons and lengths of time which are acceptable to the Company based on the department’s work situation and need to maintain continuity of service and operations. The employee’s supervisor must approve a leave of absence. A leave of absence that extends beyond 120 days requires vice presidential approval. A leave of absence for a union employee will be granted in accordance with the terms of the Labor Agreements.

To request a leave of absence, employees must complete Request for Time Off (*Form No. 4987*), as far in advance as possible. After obtaining supervisory approval, the form should be forwarded to Human Resources.
When an employee returns from a leave of absence, the supervisor must notify Human Resources immediately.

If an employee engages in employment with others while on a leave of absence from this Company, employment with this Company will terminate. All employment rights will be canceled except for any benefit payments due.

**Extended Parental Leave of Absence (Maternal, Paternal, Adoptive Parent)**

Unpaid leave, beyond FMLA, may be extended with vice presidential approval where department operation is not jeopardized and the leave would not adversely affect efficiency or unfairly impact other employees.

In addition, a full-time employee may request permission to return to his or her assigned position on a part-time basis for a period of time. The employee’s benefit base will be affected by the change to part-time status.

**Military Encampment Duty**

Employees have a right to a leave of absence for the annual military encampment duty, usually 10 working days.

Full-time employees with one or more years of continuous service who are required to attend military encampment are entitled to a military encampment allowance if their compensation from the government is less than the amount they would normally have been paid by the Company.

The following procedures should be used:

- Employee completes the Request for Leave of Absence (Form No. 4987) and forwards to Human Resources.
- Supervisor ensures employee’s time report reflects Other Time Off Without Pay for the encampment period.
- Upon return to work, the employee must promptly send the military pay voucher to Payroll.
- The allowance amount to be paid is the difference between the employee’s straight time rate and the military pay on a daily basis. This military encampment allowance is limited to no more than 10 working days in a calendar year.

For any period of encampment exceeding 10 working days in any calendar year, the employee has the option of taking an unpaid leave of absence or using accrued vacation.

Military Activation Leave – if an employee is called to active duty, supervisor must contact Human Resources as soon as possible.
**Leave of Absence’s Effect on Company Service**

The following applies in determining an employee’s period of service or seniority for purposes of vacation, group insurance, pertinent salary progression schedules, etc.:

- Prior to completion of 12 months of continuous service, all time off on leave of absence will be deducted.

- Upon completion of 12 months of continuous service, all time off on leave of absence in excess of 30 days (173.33 hours) will be deducted. For an extended leave which begins in one calendar year and ends in the next, all time off in excess of 30 days for that leave will be deducted.
VI. EMPLOYEE DEVELOPMENT

PERFORMANCE APPRAISAL/MANAGEMENT

Performance management is the process that links employee performance to the Company’s business strategy. It provides specific opportunities for two-way communication between the supervisor who assigns the work and the employee who performs it, by identifying work priorities and setting measurable goals.

The performance management process can:
- Improve productivity by providing constructive feedback and coaching.
- Clearly communicate what is expected of an employee.
- Promote mutual understanding and commitment regarding expectations.
- Ensure the organization’s strategic goals are carried through.
- Link strategic plans and customer expectations to employee goals.
- Identify employees with advancement potential.
- Identify training, growth and development needs for employees.
- Provide an ongoing record of an employee’s performance within the Company.

The Company has a formal written process for reviewing performance and establishing future development goals for all non-union employees. Although there is no formal written process for union employees, supervisors of union employees are encouraged to utilize performance management techniques.

A supervisor should never allow unsatisfactory performance to continue without addressing it at the time it is first noticed. If a supervisor is conscientious in giving timely feedback and coaching, performance problems can be resolved before they become more complex employment issues. In addition, the employee will not be surprised by a negative appraisal at the time of formal performance review or by the initiation of Corrective Action, if the performance has not improved.

It is every supervisor’s responsibility to ensure those employees under their leadership:
- Understand the Company’s strategic plan and current business goals.
- Are aware of their department’s strategic plan and annual goals.
- Have current job descriptions and individual performance standards.
- Understand the measures that will be used to assess their performance.
- Have individual personal/professional development plans.
- Are given training opportunities to further their skills and development.
- Are provided frequent opportunities to share their ideas or concerns and receive performance feedback.

TRAINING, SEMINARS, CONFERENCES

Training courses required for a job assignment are fully paid by the Company. Individual departments may choose to send individuals to conferences or seminars at Company expense. The Company will pay employees for training related travel in
accordance with the Fair Labor Standards Act. Supervisors are responsible to ensure that training is appropriate for the individual and related to business needs.

**Professional Certification Programs**

Costs associated with obtaining a recognized professional certificate may be paid at the Company’s discretion. The certificate must be pertinent to the career development of an employee and in the best interest of the Company. Supervisors must pre-approve any certification-related expenses. If expenses are paid by the Company and the certification is not obtained, further attempts at obtaining certification will be at the employee’s expense.

**Company-Sponsored Training and Development**

The Company sponsors workshops and courses for the development of employees. Supervisors are expected to remain current on opportunities available and utilize this resource in career planning with their employees.

Supervisors of shift workers are responsible to make information on workshops and training courses readily accessible and provide alternatives that allow employees to attend training opportunities scheduled during their work shift.

**Apprenticeship Program**

Certain jobs covered by the Labor Agreement with IBEW Local 31 have approved apprenticeships. Apprenticeship standards have been formulated by the Minnesota Power Joint Apprenticeship Committee representing the Company and IBEW Local 31. The apprenticeship program was established to give employees an opportunity to learn a bona fide trade while developing a high degree of responsibility, skill and observance of safe work practices.

Supervisors may obtain a copy of the Apprenticeship Standards online or by contacting Human Resources. This pamphlet includes an appendix describing the qualifying work experience and requirements for each job classification covered.

**EMPLOYEE TUITION PROGRAM**

ALLETE values self-development and life-long learning. Our Tuition Program is a benefit designed to support employees in furthering their careers at the Company. Employees may use this benefit to achieve a certificate, diploma or degree at any appropriately accredited technical school, college or university.
Tuition Program Benefit

- Eligible employees may receive up to $5,250 per calendar year for tuition and course-related fees (lab, materials, technology, etc.) to pursue a certificate, diploma or degree.
- This benefit does not pay for non-course related fees or course-related books, special clothing, tools, equipment or other supplies that may be required by the educational program.

Eligibility

- Full-time, regular employees are eligible after 6 months of continuous employment. Part-time employees who work at least .5FTE hours per year are eligible after 1 year of continuous employment.
- The employee must be meeting or exceeding performance standards and behavioral expectations in their current position.
- Leadership of the employee’s department or business unit must be confident that the employee will be able to maintain performance expectations while taking on the additional responsibilities of a post-secondary credential or degree program.

Application and Approval Processes

- The employee must have a current Professional Development Plan (PDP), completed in partnership with and signed by their department leadership.
- The PDP needs to detail how achievement of a particular certificate, diploma or degree will either enhance the employee’s performance in their current position or is a requirement for another position the employee wishes to achieve within the Company.
- The employee must be seeking a certificate, diploma or degree that is an educational requirement under a current company job description.
- Only courses taken in progress toward completion of a certificate, diploma or degree are eligible under this Tuition Program.
- The employee must provide a Degree Completion Plan (DCP), developed with guidance professionals at the educational institution he/she plans to attend. The DCP should outline all courses required for the desired certificate, diploma or degree, as well as the sequence and timing of planned courses with an anticipated program completion date.
- The Degree Completion Plan should be updated at least annually and more often if the original plan changes significantly.
- If the employee is seeking financial support for a technical certificate, A.A., A.A.S., B.A. or B.S. degree, he/she should provide a PDP and DCP, plus a completed Tuition Request form (Form 3269), to his/her business unit manager for approval.
- Employees wishing to pursue an additional bachelor’s degree or a master’s degree must have a specific recommendation from their manager detailing why the additional degree sought is of value to both the employee and the Company. All
second bachelor’s degrees and/or master’s degrees must be approved by the area vice president.

- The completed and signed PDP (Form 6271), DCP and Tuition Request forms should all be submitted to Human Resources at least 2 weeks prior to the employee’s enrollment in courses.
- After all plans and approvals have been received by Human Resources, the employee should register for current classes and immediately submit the registration receipt to Human Resources. Human Resources will make arrangements to pay tuition and course-related fees directly to the educational institution prior to the final due date. The employee is responsible to pay non-course related fees and any amount over the maximum benefit of $5,250 per calendar year.
- If the employee wishes to pay their own tuition at the time of registration, he/she may receive reimbursement, up to the annual amount allowed, by providing a copy of the registration receipt, fee statement, grades (as described below) and completed PDP, DCP and Tuition Request forms to Human Resources.
- Reimbursement for tuition and course-related fees shall not exceed the total benefit amount of $5,250 per year per employee.

Program Guidelines

- Class attendance and coursework should be completed outside of the employee’s working hours. Leadership may approve attendance of classes offered during work hours, if feasible. In such a situation, the employee will be required to either use earned vacation or flexible holiday time, or to work alternative hours during the same workweek with supervisory approval.
- The number of courses in progress at one time is at leadership’s discretion, ensuring that the employee is able to balance the requirements of their job.
- The employee must first use available funding from other sources (scholarships or veteran benefits, etc.) before utilizing this tuition benefit.
- An employee who leaves service for any reason, other than medical disability, will be required to pay back all tuition paid by the company during the previous 2 calendar years. Human Resources will make arrangements with the individual for full reimbursement to the Company within 12 months of leaving service.
- Approved institutions include any appropriately accredited college, university or vocational school. Private consultants and motivation organizations are not covered.
- Fees for CLEP tests or any other conversion of previous knowledge to academic credit are not covered by this program.
- Successful completion (a letter grade of “C” or better, a “pass” in a pass/fail grading system, or a certificate of completion based on a competency exam) is required.
- The employee must submit to Human Resources a grade or satisfactory completion report within 45 days following completion of a course or no later than 6 months from the date of tuition payment.
- If documentation of successful completion is not provided within the above time frame, the employee will be expected to repay the tuition to the Company within 18 months of the related tuition payment. Human Resources will immediately make arrangements with the employee for full reimbursement to the Company.
Taxability of Reimbursed Amount

Current federal law provides that job-related, company-paid undergraduate and graduate education expenses up to $5,250 per calendar year are nontaxable to the employee. The course taken is considered job-related if it maintains or enhances the skills needed for an employee’s current position, without furnishing the requisite qualifications for entering a new trade or business. Human Resources in consultation with the Tax Department will determine the taxability of all tuition payments.

This federal legislation is currently under review and could change at any time. Human Resources will notify employees of any legislation changes.

MEMBERSHIPS AND SUBSCRIPTIONS

Memberships

An employee may seek Company support for membership in an organization whose function is basically job-related. Supervisors are responsible for determining those employees eligible for joining qualifying organizations. Support will be considered for professional societies, trade organizations and local civic groups.

Employees who are members of qualifying organizations are expected to actively participate in the activities of the organization. Supervisors are responsible to periodically review the appropriateness and significance of involvement in the organization.

The Company will pay dues and meal expenses associated with meetings of qualifying organizations. Travel expenses for out-of-town meetings and other expenses may be allowed at the discretion of the supervisor.

Subscriptions

The Company may pay for subscriptions to periodicals, journals, magazines and similar publications which are job-related, and where their availability will result in a direct benefit to the Company. Supervisors are responsible for periodically reviewing the appropriateness and significance of subscriptions in their area.

EMPLOYEE COMPUTER PURCHASE PLAN

The Company recognizes the need to assist in the education and training of its employees in today’s changing and increasingly automated work environment. The Employee Computer Purchase Plan is designed to assist employees with the purchase of a personal computer. By owning a personal computer, employees will have the opportunity to:

• Acquire and improve computer literacy skills by means of “hands on” training.
• Be exposed to a full range of software capabilities (i.e., spreadsheets, data base managers, word processing and graphics).
• Become familiar and comfortable with computers and current computer technology.

Eligibility

• Full-time employees are eligible upon completion of their probationary period.
• Part-time employees are eligible after twelve months of continuous service and at least .5FTE worked hours per year.
• Each employee is eligible to finance one personal computer system per three-year loan term.

Description and Administration of the Plan

The Company will loan the employee an amount equal to the purchase price of the equipment and software up to a maximum of $3,000.00. Loans to employees will be for a term not to exceed 36 months and no interest will be charged. The Plan is administered and coordinated by Information Technology Solutions. Employees will repay the loans through the Customer Information System, unless payment arrangements are amended by the Company. Monthly bills will be distributed via intra-company mail or participant may elect to use the “Electricheck” system, which is an automatic bill paying system.

Upon termination of employment from the Company for any reason, the remaining amount to be paid to the Company under this Agreement shall immediately become due and payable. At the time the loan is obtained, the employee must authorize the Company to deduct any remaining loan balance from wages or other payments due to the employee if the employment terminates.

The Company intends to offer this Plan to its employees on an ongoing basis; however it may be discontinued at any time. The Plan’s continued availability will be dependent upon its effectiveness and benefits derived. Contact Information Technology Solutions with any questions concerning the Plan, equipment or software. A complete copy of the Plan may be found on the ITS homepage, accessed through the MP Intranet, or by calling the ITS department.

Actions Required to Participate in the Plan

Any employee wishing to participate in this Plan should:
• Carefully review the Plan.
• Obtain an invoice or price quote from a vendor showing the hardware/software intended to purchase.
• Fill out the Employee Computer Purchase Plan application.
• Fill out the top of the “Employee Computer Purchase Plan Participation and Loan Agreement” form and sign at the bottom.
• Return a copy of the invoice, application form, loan agreement and supplement (if applicable) to ITS.
• Once approved, a check will be issued payable jointly to the employee and the vendor.

Equipment and Software Included in Plan

Any bona fide computer system and associated software may be purchased under the Plan. All systems must be determined to be true computers and not game or entertainment machines. Purchasing a printer along with the system is strongly encouraged.

Upgrades, Enhancements and Additional Software

Qualifying upgrades and software will be financed in accordance with the Plan (game or entertainment software will not be covered). Total upgrade and software costs will be divided by the number of payments remaining from the time of an employee’s initial entry into the Plan. The resulting amount will be added to the existing loan payment. All equipment and software must be paid in full in 36 months after initial entry into the Plan.

Participation and Loan Agreement

A written agreement between the Company and the employee is required. The agreement will outline the responsibilities of the employee, terms of the agreement, payment arrangements and other conditions of the Plan.

Restrictions on Transfer or Assignment of Equipment

Each employee in the Plan agrees that usage of the equipment and software being made available and financed under this plan will be restricted to the employee’s own use and that of his/her immediate family. Any reassignment or transfer of the equipment will be a violation of these provisions and will require the employee to immediately pay the Company the remaining amount due on the loan.
VII. EMPLOYEE SAFETY

The Company is committed to a strong safety program, administered with fairness and consistency, to promote the well-being of employees. All employees are responsible for complying with safety rules, practices and procedures, including maintaining property and equipment and promoting good housekeeping habits.

Investigation will be made of all injuries, incidents and close calls to determine cause and recommend corrective action. Statistical data on injuries and incidents will be compiled.

The comprehensive safety program depends on cooperation to prevent injuries and incidents and to work with other agencies to make local communities safety conscious. All employees are encouraged to suggest incident prevention ideas. New protective devices and practices will be investigated, and those applicable to Company conditions will be adopted.

SAFETY PROGRAM

Supervisor Responsibility

All supervisors are responsible for specific safety policies and practices in their work area. These include the following:

• Training employees in safety and health aspects of their jobs.
• Informing employees of the nature and hazards of the materials and equipment they work with.
• Assuring that periodic safety inspections are conducted in their respective areas.
• Assuring that safety violations in their areas are corrected.
• Assuring that safety and health instructions and training are documented.
• Enforcing safety rules and regulations.
• Investigating injuries, incidents and close calls and properly reporting them.
• Personal Injury – see Time Off, Occupational Illness or Injury
• Motor Vehicle Accidents – see Travel/Vehicle Use, Motor Vehicle Accidents

Employee Responsibility

Each employee receives a Safety Rules Manual when they start work. The manual contains simple and basic rules for accident prevention and specific operating procedures for various departments or operating units.

Employees are responsible for following safety rules and reporting potential safety hazards to their supervisors so that corrective action can be taken.
Safety Representatives

Each department selects employees to serve as safety representatives to help administer the safety program. The safety representative’s basic responsibilities are to assist the supervisor in promoting safety, caution employees about any unsafe practices, inspect safety equipment, and submit reports to Safety and Industrial Hygiene. Safety and Industrial Hygiene gives each representative a list of specific duties.

SAFETY COMMITTEES

General Safety Committee

This committee is composed of the ALLETE President and Vice Presidents. The committee is responsible for:

- Approving safety policies and participating in the planning of strategic safety objectives for the organization.
- Changing any portion of the safety rules of the Company investigation of all reported injuries and incidents.

The chairperson may call special meetings, or members may be polled at any time for consideration of special matters.

Incident Investigation Team

Safety and Industrial Hygiene will establish an ad hoc team for each major incident which requires investigation. A preliminary report will be prepared within 24 hours of the incident, providing as many facts as can be accurately determined within this time. A final report will be completed within 96 hours, providing detailed information and procedures to prevent future similar accidents.

Joint Safety Committee

This Committee is composed of union and non-union members with equal voting representation. The Committee evaluates and makes recommendations to the General Safety Committee for changes, modification, or adoption of safety rules and to participate in the planning of strategic objectives for the organization. While the total number of members may fluctuate, equal union and non-union representation will be maintained.

Incident Review Committee

This committee is composed of union and non-union members with equal voting representation. The Committee reviews all OSHA reportable medical attentions and National Safety Council reportable motor vehicle collisions to evaluate incident investigation overall quality and the actions to prevent recurrence.
Regional Safety Committees

Membership consists of safety representatives and designated supervisory employees in three regions: Customer Service and Delivery, Generation and Support/GOB and Marketing. Safety and Industrial Hygiene staff are ex-officio members. Meetings are held annually unless otherwise directed by Safety and Industrial Hygiene.

Regional Safety Committees are responsible for:
- Reviewing safety representative reports.
- Discussing injuries and accidents.
- Making recommendations for incident prevention.
- Submitting reports to the General Safety Committee.

Departmental Safety Meetings

Operating departments are responsible for conducting monthly safety meetings for all employees to:
- Discuss incidents, injuries and work practices
- Review safety rules
- Discuss pertinent safety topics
- Recommend safety procedures

All other departments should conduct safety meetings, as necessary, but at least four meetings should be held each year. Safety and Industrial Hygiene is available to provide assistance and resources for departmental safety meetings.

SAFETY EQUIPMENT AND TRAINING

The Company will supply personal safety equipment, safety glasses and clothing when necessary to perform the job. The equipment must be properly used when and where appropriate so that all work is done in accordance with the safety rules.

The Company will also provide safety training that conforms to the standards established by Safety and Industrial Hygiene.

First Aid Kits

The Company provides first aid kits and equipment for temporary assistance in cases of personal injury. All employees should be familiar with the location and contents of the first aid kits so they can offer prompt assistance when necessary.

The kits should be located in every regularly occupied Company building and on every vehicle used by operating employees. Safety representatives are responsible for inspecting and maintaining first aid kits in their departments, unless other arrangements are made.
Safety Footwear

Employees are encouraged to use safety footwear where risk and conditions warrant. The Company will provide partial purchase price reimbursement to support safety footwear usage. Safety footwear reimbursement is available only to employees with occupational foot injury risk. Employees whose primary responsibilities and tasks are accomplished in an office setting are not eligible for the reimbursement program. Supervisors are responsible for reviewing each position to determine eligibility.

Safety footwear reimbursement will be 50% of the purchase price up to a maximum reimbursement of $100. The supervisor authorizes safety footwear reimbursement using Form No. 4655.

Safety Training

The Company provides safety training for certain operating department employees who are required to be certified in areas listed below. Other employees may also be trained in some of these areas upon recommendation by their supervisor.

- First Aid training
- CPR training
- Blood borne pathogen training
- Four-hour CPR refresher course
- Pole top/bucket rescue
- Respiratory protection and screening
- Employee Right to Know
- Forklift training
- Back injury prevention
- Confined space entry
- AWAIR Training
- Noise Training
- Fire Extinguisher Training
- Hazardous Waste Operations
- Asbestos Awareness Training
- Personal Protective Equipment
- Equal Potential Protection
- Lockout/Tagout
- Process Safety Chlorine
- Electrical Safety Training

Safety Eyewear

The Company provides safety eyewear for employees who work in or pass through active operating, construction, or maintenance areas.
Safety eyewear is available only to employees with occupational eye injury risk. Supervisors are responsible for reviewing each position to determine eligibility. Safety eyewear is authorized using Form No. 4751.

**FLAME-RESISTANT APPAREL REIMBURSEMENT PROGRAM**

Employees must wear flame-resistant apparel where risk and conditions warrant. The Company will provide designated initial apparel with partial purchase reimbursement to support flame-resistant apparel replacement.

**Eligibility**

Flame-resistant apparel reimbursement is available only to employees who are exposed to hazards of electric arcs. Employees whose primary responsibilities and tasks are accomplished in an office setting are not eligible for the reimbursement program. Supervisors are responsible for reviewing each position to determine eligibility.

**Reimbursement Allowance**

Flame-resistant apparel replacement or repair reimbursement will be 75% of the purchase price up to a maximum reimbursement of $525 annually. The supervisor authorizes flame-resistant apparel reimbursement. A catalog of apparel, order forms and the Supervisor Approval Form can be found on the Safety homepage (under Written Programs), accessed through the MP Intranet, or from the Safety Department.

**Restrictions**

Flame-resistant apparel must meet ASTM F1506-97 Test Method 5903. Designated Initial Apparel:
- **Indoor Workers**
  - 3 shirts and 3 pants, or 3 uninsulated coveralls
- **Outdoor workers**
  - 3 shirts and 3 pants, or 3 uninsulated coveralls
  - 1 lightweight jacket
  - 1 insulated parka or jacket
  - 1 insulated bib or 1 insulated coverall

Employees accepting a position requiring flame-resistant apparel shall receive designated initial apparel.
VIII. EMPLOYEE EXPENSES/RECOGNITION/VEHICLE USE

SUMMARY

This Employee Expense Policy is to ensure that expenses are prudent, reasonable and for the safe and efficient conduct of business. Reasonable expenses are business-related and based on sound business judgment. Employees must provide a detailed business purpose, submit original itemized receipts for all expenses and receive supervisory approval.

EMPLOYEE EXPENSE OVERVIEW

Employees may incur reasonable business-related expenses that are chargeable to the Company or reimbursed upon appropriate supervisory approval. Employees are expected to use sound business judgment and plan travel and other business-related expenses to minimize costs. Most of these costs should be charged on the employee's corporate credit card. Other small out-of-pocket expenditures may be reimbursed through the use of expense reports. Infrequently, expenditures may be paid for via vendor invoices. Invoices must contain the appropriate work order, cost type, and business purpose prior to appropriate supervisory approval.

The policies included below and the procedures included in the Corporate Credit Card and Employee Expense Policies & Procedures Manual must be followed carefully to ensure compliance with Generally Accepted Accounting Principles (GAAP), Internal Revenue Service (IRS), other government regulations and regulatory requirements, as well as, to maintain good controls to safeguard Company assets (cash and credit cards) against loss from unauthorized use. This manual can be found on the intranet site under Policies, Procedures & Manuals.

RATEPAYER IMPACT

A significant portion of ALLETE consists of regulated utility operations. As such, both Minnesota Power and Superior Water Light & Power are subject to regulatory review to ensure that the utility rates they charge their customers are reasonable and deemed necessary for the provision of utility service. Thus the impacts on Minnesota and Wisconsin ratepayers should always be considered when incurring and charging an expense.

Expenses incurred while working on regulated operations (such as Minnesota Power, Superior Water Light & Power) should be charged to a regulated work order. Expenses incurred while working on non-regulated operations (such as BNI Coal, ALLETE Properties, non-regulated business development) should be charged to a non-regulated work order. The Company has also determined that entertainment expenses will not be charged to ratepayers (as specified in Entertainment Events and Meals below); therefore, the correct cost type and a non-regulated work order must be used for all costs associated with entertainment expenses. Contact Accounting with questions on the proper use of accounts.
CORPORATE CREDIT CARD

All ALLETE employees who travel on Company business and/or are authorized to make minor purchases for Company business may be issued a corporate credit card. They must, however, have supervisory approval, complete the Request for New Account Form (Form 4969) or ALLETE Clean Energy (Form 4969a), sign the Minnesota Power Corporate Credit Card Agreement (Form 6218) or ALLETE Clean Energy Corporate Credit Card Agreement (Form 6518a), and complete the required training. Accepting the card and signing the agreement requires compliance with the guidelines and procedures set up for the Corporate Card Program contained in the Corporate Credit Card and Employee Expense Manual and included herein. Failure to comply with the published guidelines and procedures may result in disciplinary action, up to and including termination of employment.

Employees are strongly encouraged to use the corporate credit card whenever possible and appropriate. Key benefits to ALLETE of employees using the corporate cards include improved cost control and monitoring, elimination of costly processing for small dollar invoices and the receipt of company rebates/credits from the credit card vendor. If used properly, the key benefits to employees of using the corporate card include convenience, security and flexibility. Once provided with a corporate credit card, employees are requested to submit manual employee expense report only when necessary. Contract workers and interns are not allowed to have corporate credit cards; they may seek reimbursement for expenses through an expense report.

All credit cards are issued at the request of the potential cardholder’s supervisor/department head. The next level of management (above the cardholder) establishes a single transaction dollar limit and a monthly limit for the card; however, limits must be within corporate guidelines. The single transaction dollar limits are generally set up to match the employee’s needs with a maximum $3,000 with supervisory approval – which includes sales tax and shipping/handling charges (exception: the limit does not apply to travel expenses). Splitting transactions that are greater than the assigned limit is not allowed. If an employee is required to make a purchase that is greater than the assigned limit, he or she must notify the Purchasing Department for a one-time authorization. All purchases exceeding $3,000 require competitive bidding through Purchasing. Employees are prohibited from using the card to avoid the established competitive bidding process. Employees should review the quoting policy in the Purchasing Manual found on the intranet site under Policies, Procedures & Manuals prior to incurring an expense greater than $3,000.

A Corporate Card must be used for Company business expenses only. The credit card is issued in the name of the cardholder and no one except that cardholder may use the card. The cardholder is held accountable for all charges on his/her credit card and must promptly report all fraudulent charges. It is imperative that cardholders follow written procedures for lost, stolen or damaged credit cards. Credit card use may be audited and/or rescinded at any time.
If it is unavoidable or prudent to incur minimal personal charges on a Corporate Card, employees must reimburse the Company immediately upon receipt and reconciliation of their monthly corporate credit card statement for any personal charges they incur.

For further information on the corporate credit card policy, see the Corporate Card and Employee Expense Policy & Procedure Manual located on the intranet page under Policies, Procedures & Manuals.

**EXPENSE REPORTS**

Employees are encouraged to utilize the Corporate Credit Card Program as much as possible; however, for those times when an employee has to use personal funds for authorized and appropriate business-related out-of-pocket expenditures, reimbursement should be requested using an expense report. Each employee is to include only his or her expenses on an expense reimbursement statement. Supervisors may include on their expense statements, minor expenses for their employees who do not ordinarily submit an expense report.

**EXPENSE ADVANCES**

Cash advances for travel expenses or reimbursement of travel expense prior to the filing of an expense reimbursement statement are not allowed unless approved by the appropriate vice president.

**CREDIT CARD RECONCILIATIONS/EXPENSE REPORT SUBMITTAL AND APPROVAL**

Credit Card Reconciliation and Expense Report Submittal

All credit card reconciliations and expense reports must have all original valid receipts attached for all expenses when submitted to the supervisor for approval. Original valid receipts must contain an itemized list of all items purchased and the total cost for all of the items.

Credit card reconciliations are due within 30 days of statement download into Oracle iExpense. Accounts with delinquent reconciliations of >60 days will be suspended until all reconciliations, including current month, have been approved by Accounts Payable. After two suspensions, vice president approval is required for card reinstatement.

Expense reports should be processed and submitted as soon as possible after the expenses are incurred, but no later than 60 days from the date of the expense. Prompt processing ensures accurate cost reporting and efficient payment of expenses to employees.

Sufficient documentation of allowable expenditures incurred while conducting Company business must include the business purpose, dates, places/locations and persons...
involved. The documentation of the business purpose allows the Company to meet IRS regulations, internal control needs, and regulatory requirements for proper recording of expenditures. Mileage reimbursement must also disclose the point of departure, the destination and the total miles for each trip.

Employees must ensure that expenses are charged to the correct cost type and work order. Employees should contact their accounting representative for further information.

Lost Receipts

If a receipt is lost or not available, the employee must complete and submit Form 6320 to supervisor for approval, verifying the legitimate travel and/or business expense. This documentation then serves in place of an original receipt.

Credit Card Reconciliation and Expense Report Approval

The employee’s supervisor must approve reconciliations and reimbursement for employee expenses to ensure:

- Transactions are appropriate and all company policies and procedures have been complied with.
- Employee has a detailed valid business purpose for all transactions on the form.
- The correct work orders have been assigned.
- Employee has attached all original itemized receipts for all items purchased.

After the review and approval is complete, supervisors then submit reconciliations, expense reports and all original receipts to Accounts Payable.

TRAVEL ARRANGEMENTS

Employees may need to travel for business, either occasionally or frequently. The following guidelines for Company travel advise employees of their responsibilities and the Company’s expectations of them. The Company will reimburse the employee for reasonable and appropriate business expenses. Personal expenses are not recoverable.

Before booking any travel arrangements, employees must determine the business need for the trip, considering less costly alternatives such as teleconferencing or other conferencing options. Supervisory approval is required for travel and related business expenses prior to the event.

Employees should use contracted travel providers when available. Contracted travel providers are available for airlines, hotels and rental car companies and can be accessed through the travel management company Corporate Travel Solutions. All travel arrangements and reservations should be made through the travel management company to ensure use of negotiated financial benefits.
COMMERCIAL AIR TRAVEL

Corporate Travel Solutions (CTS) is contracted by ALLETE to handle all airline travel for all employees. Employees must use the company’s online booking tool or travel agency services when making air travel arrangements to take advantage of negotiated financial savings and the tracking of unused or cancelled airline tickets. Declined fares and exceptions to the lowest fare are captured automatically and will be reported to the Purchasing Manager. Travel arrangement decisions should not be based on availability of upgrades, frequent flyer awards, bonus points, etc.; they should be based on lowest available fare within a reasonable timeframe and route. The travel management company is not authorized to book first-class or business-class air travel, and related expenses are not reimbursable.

Employees are responsible for making their own travel arrangements through CTS either by contacting a service agent or using their online booking tool called Cliqbook. Employees can link to CTS through the Intranet page, under Employee Center, Online Travel Services. All employees traveling will be required to complete a Traveler Profile which will include personal travel preferences and other critical information required for making reservations.

Last-minute arrangements, changes and/or cancellations should be avoided whenever possible as they substantially increase travel costs and frequently result in penalties.

Cancellation of reservations is the responsibility of the employee either directly with the airlines or by notifying CTS. Full fare airline tickets are refundable. Cancelling non-refundable airline tickets results in a credit with the airline for the traveler. CTS tracks all credits and will apply the individual credits to the employee’s next trip upon request. These credits are not transferable to other employees and must generally be used within one year for business travel only.

Employees should call the following numbers to arrange travel and for questions:
- Corporate Travel Solutions/American Express
  - Phone: 218-722-9072 or 800-444-9072
  - After hours emergency service – 800-358-1639 (24 hours a day/7 days a week)
  - Office hours of operation 8 am–5 pm CST Monday–Friday

Frequent Flyer Miles

Frequent flyer miles accrued when traveling on company business may be used for upgrades, business or personal travel. However, choosing a particular supplier to maximize personal frequent flyer miles is not permitted. Expenses related to frequent flyer programs are not reimbursable by the Company.

Combined Business & Pleasure Travel

When combining personal and company travel, the business trip portion must be booked through the travel management company (i.e., CTS). The personal travel
portion also may be booked with the travel management company; however, all personal travel costs must be paid for separately by the employee.

Automobile Rental with Commercial Air Travel

Enterprise Rental is the Company’s selected automobile rental agency for local travel. National Car Rental or Enterprise should be used in all cases involving air travel, unless they are not available in a certain area. See “Rental Vehicles” for information on rental options for local travel. A driver’s license and a credit card are required. Corporate credit cards should be used whenever possible for business travel. Links to National and Enterprise websites are located on the Company Intranet homepage.

NOTE: Employees are responsible for rental fees and their own insurance coverage on any personal days of the trip.

Employees should rent cars only when other means of transportation are more costly or impractical. Mass transit is available in many cities and may be a less expensive and more efficient mode of transportation than a rental car. Likewise, taxis or hotel shuttles may eliminate the need for rental cars if additional ground travel is not expected during the trip. In some cases, a limousine service may be more economical or feasible, depending on the employee’s final destination. The employee should make all efforts to be flexible, to select the lowest cost-option that is reasonably convenient and which does not compromise personal safety.

Business Travel Accompanied by a Spouse

When a companion accompanies the employee on a business trip, the companion’s expenses are generally paid by the employee. All expense reports requesting the company pay for spousal travel must include appropriate documentation. This should be approved in advance by the Chief Financial Officer and include a brief explanation as to why the spouse’s attendance is required. All approved charges should be recorded to Spouse/Dependent and Personal Charges cost type #3400 (for non-executives) or #3409 (for executives) and will be reflected in the employee’s taxable income.

Limiting Air Travel Risk

A major catastrophe involving a number of Company employees could be detrimental to the continued successful operation of the Company. The following guidelines for joint travel (either on commercial airlines or Company aircraft) should be followed:

• No more than three of the following positions will travel jointly:
  – CEO
  – Senior Vice President of ALLETE or Minnesota Power
  – Chief Operating Officer of Minnesota Power
  – Controller

• No more than three officers and/or directors from within the same area will travel jointly.
NON-REIMBURSABLE TRAVEL EXPENSES

Non-reimbursable expenses include:

- Incremental expenses incurred as a result of personal stopovers, weekend side trips or other personal travel scheduled within or around the business itinerary.
- Excess baggage charges for personal items (excluding bag fees required by the airline such as for the first checked bag), personal grooming, health-related expense (except for emergencies not covered by the employee’s medical insurance program), late payment fees associated with reimbursement for use of personal credit cards, personal travel insurance, loss of cash advance money or personal funds, dependent care expenses, and household expenses incurred during an employee’s travel.
- Purchase of luggage, clothing or other personal items is not reimbursable. If items are lost in transit, employees should replace items, attempt reimbursement through airlines (or other vendors), then via homeowners insurance.
- Traffic/parking fines, towing, court costs, airline club memberships, class upgrade charges for airline (excluding premium seat upgrades), personal entertainment expenses, personal gifts, personal reading materials, airline headset rental, etc.

COMPANY AIRCRAFT USE

The Company uses its own aircraft for some transportation. Use of the Company’s aircraft must be approved by a vice president prior to travel. Employee should contact the Aircraft Coordinator and complete Form No. 3597 for travel arrangements.

MEALS AND ENTERTAINMENT

The Company reimburses employees for reasonable meal expenses, which include food, non-alcoholic beverages, alcoholic beverages and associated taxes and tips. Employees should consider the following:

- Tips and gratuities should be reasonable in relation to the locale visited and commensurate with the service performed.
- Employees are to fully consider the appropriateness of alcohol and the company’s liability when serving and/or consuming alcohol. Employees must comply with the company’s fitness of duty provisions, which are outlined in Section II. Company Practices. Employees who drive commercial motor vehicles are subject to the requirements of the Department of Transportation concerning drugs and alcohol.
- Employees must ensure that expenses are charged to the correct cost type and work order. Employees should contact their accounting representative for further information.

Travel Meals

While traveling, up to three meals a day may be reimbursed. Travel Meal documentation must include the purpose for the travel. Travel Meals related to approved professional organizations, industry or trade associations are reimbursable.
Business Meals

Business Meals with employees and non-employees that are not associated with travel and principally benefit the company may be reimbursed if the business cannot be reasonably conducted during regular business hours and has a valid business purpose. Meals to discuss casual business matters will not be reimbursed.

If meals are for a large group, documentation should specifically describe the group in attendance (such that the names/relationships could be determined). Meals will not be reimbursed without proper documentation. An employee may include on his or her expense report expenses for larger team meetings where supervisors are in attendance with other staff members and charged to a subordinate’s corporate credit card. Otherwise, when two or more employees are in attendance for a meal meeting for company business, the highest-ranking employee must submit the costs for reimbursement.

Business Meals related to approved professional organizations, industry or trade associations are reimbursable.

Business Meal documentation must include the business purpose, name of those in attendance, and affiliation/company of non-employees.

Every effort should be made to use contracted corporate agreements for food and beverages purchased for business meetings.

Entertainment Events and Meals

Entertainment Events and Meals include tickets for sporting events, other ticketed entertainment, recreational events (e.g., golfing, fishing, resort activities, etc.) and associated expenses. Any expenses associated with entertaining employees or non-employees are reimbursable only when the principal purpose of the activity benefits the company.

Entertainment Events and Meals documentation must include the business purpose, name of those in attendance, including affiliation/company of non-employees.

The Company has determined that entertainment expenses will not be charged to ratepayers; therefore, a non-regulated work order and the correct cost type must be used for all costs associated with entertainment including tickets, food, and beverages, etc.

BUSINESS MEETINGS/EVENTS

Whenever possible, business meetings should be held on Company property and limited to business requirements.
Every effort should be made to use existing contracted corporate agreements or contracted hotels for off-site business meetings and events.

**LODGING**

Employees are encouraged to book hotels with their airlines tickets when using Corporate Travel Services. This is part of the fees paid for airline tickets. These hotels should be used whenever possible for overnight accommodations on business trips when the contracted property is close to the employee's final destination. Where negotiated discount rates are not available, the travel management company (i.e., CTS) will recommend good quality, moderately-priced hotels.

When making room reservations, corporate rates or the lowest available rate at check in should always be requested. Often hotels will reduce rates unexpectedly based on low occupancy.

Employees may be able to secure lower rates by supplying individual travel club information. Employees should include this information on their travel profile to ensure that the travel management company (i.e., CTS) can access those rates at the time of booking.

Cancellations must be made to avoid billing for unused rooms. Employees should contact the travel management company (i.e., CTS) to make cancellations. Employees who must cancel a reservation on their own should note the cancellation number and hotel contact person. The Company will not reimburse “no-show” charges. Employees should keep cancellation and reservation numbers for billing purposes. All charges for rooms should be paid using the corporate credit card whenever possible.

Employees who are attending an off-site meeting and reside in the same local area should commute to and from the meeting rather than stay in a local hotel, unless the length of the meeting or commute time represents an undue burden. Generally, if the meeting location is less than 50 miles from an employee’s home, a hotel expense will not be approved. If an employee feels this is an undue burden, he or she should discuss this with his or her supervisor who may approve other arrangements.

For conference and hotel arrangements, employees should consider whether the hotel is reasonably priced and location allows for the safe and efficient conduct of business.

**NOTE:** Employees are responsible for hotel accommodations for personal days of the trip.

**GROUND TRANSPORTATION AND PARKING**

Employees may select ground transportation, using their personal vehicle, over commercial air travel, provided the expenses are less than the lowest available round trip airfare that would have been scheduled for the employee by the company travel
agency. Employees should consider whether the transportation costs are reasonable and allows for the safe and efficient conduct of business.

- When evaluating costs, you must include expenses associated with the trip to and from the airport and any costs associated with car rental or ground transportation at the business destination.
- When using a personal vehicle, the standard approved mileage rate for the most direct route to and from the business destination, plus meals and lodging expenses for the travel time, should be included for comparison purposes.

Approval for selecting ground transportation over air travel must be obtained in advance from your supervisor. All expenses must be supported with appropriate original receipts and documentation, and reimbursement will be for the employee share only.

Documentation of the lowest available round-trip airfare provided by the company travel agency must be included with the request for reimbursement.

**MOTOR VEHICLE USE**

For motor vehicle use, the company provides two options for employees: rental vehicles or use of personal vehicle.

When using rental vehicles, refer to the Intranet page, under Employee Center, Online Travel Services and reference the Rental Vehicle section found below.

When employees use personal vehicles for Company business, they must have a valid driver’s license and vehicle insurance according to the rules and laws of the state. They will be reimbursed as explained under the section **Personal Vehicle Use** found in this document.

- Employees must abide by all traffic regulations, federal, state, and local laws, ordinances and Company safety regulations while operating any vehicle on Company business.
- All occupants of any vehicle being operated on Company business are to wear their safety belts.
- Headsets (connected to radios, tape players, etc.) are not to be used by a driver when operating any vehicle on Company business. Headsets for cellular phone use are permitted.
- The Company is not liable for injury to a passenger who is in a vehicle and who is not a party to the Company business being conducted or for damage to such passenger’s personal property or possessions. The Company is not liable for injury to persons or for damage to property that occurs outside the “course and scope” of Company business.

Violations of this motor vehicle use policy include, but are not limited to, unauthorized use, abuse or neglect of Company policies, discourteous driving, violations of traffic
laws, and/or falsification of reimbursement information. Infractions could result in discipline up to and including termination of employment.

**Rental Vehicles**

Employees involved in temporary project assignments, out of service area business or overnight travel may, with supervisor approval, obtain a rental vehicle. Refer also to instructions in the Supervisor’s Guide. Interns, temporary employees through an external agency, and contractors are not authorized to rent vehicles under the Company contract.

The Company has pre-arranged agreements with Enterprise Car Rental for Duluth based travel. Employees are encouraged to utilize Enterprise or National Car Rental for travel outside of the Duluth area. Rental vehicle size should be requested based on business needs. Mid-size cars are standard. A link to the Enterprise website is located on the Company Intranet homepage. Follow the instructions listed on the website to rent a vehicle.

- When a rental vehicle is picked up, always check the condition of the vehicle. If it shows evidence of previous damage, do not accept the vehicle without notifying the rental agency.
- ALLETE is self-insured for rental vehicles. To assure coverage, it is essential that ALLETE’s name be listed on the rental agreement. If the employee uses his/her Company corporate credit card to rent the vehicle, the Company name will be on the rental agreement.
- In the event that an employee has an accident in a rental vehicle, the employee should notify the rental company and ALLETE’s Claims Department as soon as possible.
- Personal use of vehicles rented for business use should be minimal.
- Employees are responsible for rental fees and their own insurance coverage on any personal days of the trip.
- Only Company employees are authorized to drive a rental vehicle.

Employees should not accept additional car insurance for rentals in the United States. The Company’s self-insurance policy and the bank issuing the corporate credit card provide this coverage. A Self-Insurer Identification Card showing the self-insured status can be obtained from the Purchasing Department. When renting a car outside the United States for business purposes, employees should purchase the liability and physical damage insurance coverage.

If the employee rents a car for both business and non-business travel during the same rental period, he or she may wish to purchase the additional insurance coverage for the non-business portion of the trip. Employees will not be reimbursed for this expense.

Rental cars should be refueled before return to avoid high fuel costs. If it is known ahead of time that refueling will not be possible and considerable driving is expected, an
alternative may be to purchase gas from the car rental company at time of rental pick-up. Advance purchase of the full tank is generally at local gas station rates.

**Personal Vehicle Use**

All employees who use a personal vehicle for business must comply with the following:

- Have a valid driver’s license.
- Carry at least the minimum insurance coverage as required by law.
- Have an insurance policy covering the vehicle being used for business travel.
- Employees consistently using their personal vehicle for business travel should discuss this vehicle usage with their personal automobile insurance agent.
- Employees driving in excess of 9,000 miles per calendar year are required to carry additional insurance and be able to provide proof of insurance upon request.
- Should an employee be involved in a motor vehicle accident with a personal vehicle, the employee’s insurance company is the responsible party. Any litigation arising from the accident is the responsibility of the employee’s insurance company/agent.

If there is reason to believe an employee has inadequate or inappropriate coverage, the supervisor may require the employee to provide proof of insurance.

The Company reserves the right to request a Motor Vehicle Report (MVR) for any employee. The MVR shows the employee’s driving record including all driving incidents for the last four (4) or more years.

The Company will reimburse employees for the use of personal vehicles at the current allowable IRS rate per mile. Supervisors are *not authorized* to reimburse employees over and above either Company plan or to create any special arrangements or conditions without the approval of both Tax and Human Resources.

**Mileage**

Per IRS guidelines, private automobile travel will be reimbursed based on the approved mileage rate for employees using their own vehicle for company business. For documentation purposes, employees must disclose the point of departure, the destination and the total miles for the trip. Employees should be aware that if mileage is paid but is not reimbursable under IRS guidelines, that reimbursement to the employee is taxable income per IRS regulations.
The following illustration depicts the rules used to determine if ground transportation expenses are reimbursable.

Expense reimbursement scenarios:
- Between home (A) and regular work location (B), whether by car or bus, is never reimbursable.
- Between home (A) and temporary work location/customer (C1 or C2), if you have a regular work location elsewhere, is reimbursable. The amount of reimbursement is the lesser of: 1) the distance from your home to the temporary work/customer location or 2) the distance from your regular work location to the temporary work/customer location.
- Between regular work location (B) and temporary work location/customer (C1 or C2) is always reimbursable.
- Between two or more temporary work locations/customers (C1 or C2) is always reimbursable.

Definitions:
- Home – this is the place where you reside. Transportation expenses between your home and your main or regular work location are personal commuting expenses.
- Regular work location – your principal place of business.
- Temporary work location – this not your regular work location, but another company or off-site location to which you travel to perform work-related activities or to attend meetings or events. Travel to this location is for a year or less.
All of the above rules also apply on weekends; therefore, mileage incurred from home (A) to regular work location (B) is NOT reimbursable on the weekend.

**PARKING**

For the selection of airport parking or parking associated with business-related events, employees should consider whether the parking fees are reasonably priced, and location allows for the safe and efficient conduct of business.

Parking for a business-related activity is reimbursable only if the amount incurred is outside the employee’s normal work location or if parking at the employee’s work location is pre-approved. If an employee’s parking at his or her normal work location is pre-approved, any amount reimbursed over the IRS limit is taxable.

The following parking expenses are not reimbursable:
- Expenses paid to park employee’s car at his or her normal work location, when this expense is not pre-approved.
- In and out expenses associated with parking garages if incurred at a normal work location, and there is no related-business purpose.
- Parking tickets or expenses associated with towing a vehicle.

**PERSONAL COMMUNICATION DEVICES**

While traveling, personal telephone calls of a reasonable duration and frequency are reimbursable as long as the employee uses the most economical means available. Employees traveling should make business-related phone calls from company locations whenever possible, and/or use a calling card or personal cell phone whenever possible to avoid direct call fees from hotels or other public locations that charge high rates.

Employees who are eligible to be reimbursed for cell phone and data usage will be reimbursed through expense reports and must provide adequate original documentation supporting the expense. The employee also may have business personal communication expenses charged directly to their corporate credit card. Original receipts supporting the cell phone and data charges are required for reimbursement.

Additional information on Personal Communication devices can be found in Section II. Company Practices, Cellular Devises.

**EMPLOYEE RECOGNITION GIFTS, BONUSES, AND AWARDS**

It is important for supervisors to recognize the efforts of their employees. Recognition should be appropriate and reasonable for the work performed and meaningful to the employee. Employee recognition expenses need to be reasonable in amount, have a business purpose, and be compliant with the Code of Conduct. Employee recognition, gifts, and bonuses include High Performance Awards, Extraordinary Compensation, Spot / Project Bonuses, Gift Cards, Non-Monetary Gifts and Safety Awards, Special
Time Off with Pay, Recognition Meals and Events, and other employee recognition. The correct cost type and work order must be used for all Employee Recognition Expenses. Certain types and amounts of expenses must be approved by the department’s vice president and/or the Chief Executive Officer.

**High Performance Awards**

High Performance awards may be considered to reward outstanding performance and results. As part of the annual review process 0.75% of the total annual nonunion, non-management payroll is allocated for lump sum high performance awards, typically payable in 1st quarter of the year following. The performance appraisal should detail the performance that substantiates the award. As a general guideline, High Performance Awards are designed to reward the top 5-10% of nonunion/non-management employees. Nominations for High Performance Awards should be submitted to the department’s vice president.

**Extraordinary Compensation**

Special compensation plans may be developed for key individuals prior to a project that is long in duration and is strategic in nature (ie. Bison, Boswell Environmental Retrofit). These plans are structured prior to the start of a project and typically incorporate payout based on attainment of milestones. The monetary award should be comparable with the level of accomplishment.

**Spot and Project Bonuses**

Spontaneous and timely spot bonuses in the form of a lump sum check may be made to employees to recognize extraordinary efforts and accomplishments, going above and beyond normal job duties for the good of the Company and special recognition for a job well done. The monetary award should be comparable with the level of accomplishment.

**Gift Cards**

Gift Cards are used for recognizing employees who have added exceptional value to the organization through day to day excellence and effort. The amount of a gift card should not exceed $250.00. Gift Cards must be purchased through the Minnesota Power Employee Credit Union by using Form 6151 – Minnesota Power Gift Card Control Record (available online on the intranet page). VISA Gift Card requests require approval by supervisor or above. All gift cards are considered taxable income to employees for Federal, State, FICA and Medicare tax purposes. However, when payroll records the gift card as income to an employee, the amount of the taxable income will be increased to offset the additional tax deductions. Under IRS code, all cash awards are taxable and gift cards are equivalent to cash. Gift Cards are to be treated as cash and must be safely secured. Gift Cards for recognizing service and retirement are awarded through the Service Award program administered by Human Resources. Gift cards for these reasons should not be purchased by individual departments through this program.
Non-Monetary Gifts and Safety Awards
On occasion, departments may want to recognize their employees with a specific gift. Gifts for life events, such as flowers for a birth, funeral, etc., should be limited to immediate family members. Gifts given from one employee to another employee will NOT be reimbursed. If the total cost of all non-monetary awards received by an individual exceeds $1600 per year, the amount that exceeds the limit is taxable to the employee.

Non-Monetary Gifts – Under IRS code, non-monetary gifts that are a de minimus amount are non-taxable. As a general guideline, $75 or less per quarter would be considered de minimus. If the value of the gifts in the quarter exceeds $75, the entire value of all gifts is taxable earnings to the employee and is taxed at the employee’s current W-4 election. Whenever the value of gifts given to an employee exceeds $75 in one quarter, the supervisor must notify the Payroll Department. Visa Gift Cards do not qualify as non-monetary gifts as they are considered by the IRS to be the same as cash and thus taxable.

Safety Awards – An individual’s safety award cannot exceed $400. If awards exceed these limits, they must be considered taxable. The safety award items must be of tangible personal property and awarded in a meaningful presentation.

Special Time Off With Pay
The Company supports granting reasonable amounts of paid special time off in recognition of the extra effort of diligent and dedicated exempt employees who have worked unusual amounts of unpaid overtime. The amount and scheduling of special time off with pay is determined by the supervisor, based on considerations of departmental workflow, merit, and continuation of customer service. Employees who are granted special time off should charge their time to Other Time Off With Pay.

This privilege is not entitlement nor is it the intention that unpaid overtime hours worked be accumulated or special time off be granted on an hour by hour basis.

Recognition Meals and Events
Recognition Meals are meals incurred to recognize one or more employees for work-related accomplishments. This guidance should also be followed when seeking reimbursement for Recognition Events such as retirement or service anniversaries, etc. Recognition meals and events should be appropriate, reasonable, modest but meaningful. Employees should talk with their supervisor to determine what is reasonable.

Recognition Meal documentation must include the business purpose and name(s) of attendee(s).

Employees must ensure that all expenses associated with recognition are charged to the correct cost type and work order.
**Other Employee Recognition**
The Company recognizes employees for their on-going contributions to the Company in the form of service awards and retirement awards. These award programs are administered by ALLETE's Human Resources department.

Other Employee Recognition includes tickets for sporting events, other ticketed entertainment, and recreational events (e.g., golfing, fishing, resort activities, etc.) and requires approval by the department’s vice president or director. Other employee recognition costs such as meals, gifts, awards and other associated expenses may be approved by the department’s manager. Employee Recognition Expenses need to be reasonable in amount, have a business purpose, and be compliant with the Code of Conduct. The correct cost type and work order must be used for all Employee Recognition Expenses.

**COMPANY-OWNED MOTOR VEHICLES**

A Company-owned motor vehicle should be stored at a Company location unless other arrangements have been made with his/her supervisor or with Transportation Department. Based on job requirements, an employee may be authorized to take a Company vehicle home overnight.

- A Company-owned vehicle assigned to one employee may be used by another employee for Company business.
- It is prohibited to allow passengers other than employees to ride in Company vehicles without permission from the employee’s supervisor.
- Driving of Company-owned vehicles by non-employees is not permitted except under special advance authorization by the supervisor.
- Company-provided vehicles are not to be used for personal business of any type without specific permission from the employee’s supervisor and Transportation.
- Radar detectors are prohibited from use in Company vehicles.
- Employees shall not disable, modify, or otherwise tamper with any vehicle safety device in or on Company vehicles, including but not limited to, supplemental restraint systems (airbags). Vehicle safety devices include those devices installed by the vehicle manufacturer or the Company.
- Equipment may be added to Company vehicles only after written approval by the appropriate supervisor and must be coordinated through the Transportation Department.
- Company-provided vehicles are smoke-free and smoking is not allowed in any Company vehicle.
- Costs incurred from the use of Company-provided vehicles as well as other forms of transportation (rental car, taxi or bus) are to be charged to the appropriate work orders.
Policy on Taking Company-Owned Motor Vehicles Home Overnight

Approval for employees to take Company vehicles home overnight is at the discretion of the employee’s supervisor and is decided on a case-by-case basis.

Only those vehicles that are controlled by the Company and have a Gross Vehicle Weight Rating (GVWR) of less than 10,000 pounds are eligible for home travel under this policy.

The first 10 miles to and from work are not charged to employees or up to 20 free miles each day. Employees will pay $.15 per mile for every mile over 20 that the employee would normally drive between his/her regular work location and home. The per mile rate will be adjusted annually based on the Company’s Fixed and Variable Rate Reimbursement Plan. This daily number of miles is fixed and driving to or from any area other than his/her regular work location and the place where the employee resides does not alter this rule.

It is each employee’s responsibility to comply with the following procedures when taking a Company vehicle home overnight:

- Only employees of ALLETE are allowed to ride in Company vehicles.
- Outside errands are not allowed when using a Company vehicle unless approved by supervisor.
- Vehicles must be legally parked at all times. Tickets received for illegal parking are the responsibility of the employee. See also areas of the Transportation Motor Vehicle Policy Manual referring to use of Company vehicles.
- Vehicle head bolt heaters must be utilized if existing weather conditions may have a negative effect on the starting of the vehicle. Head bolt heaters are installed in all Company vehicles. Should a vehicle not start, the employee should call the closest service station for assistance. Do not call Minnesota Power’s fleet maintenance area.
- All Company vehicles are under the Company’s policy, and the employee is not responsible for damage to the vehicle by vandals or nature.

By the 10th of the month following the month for which mileage is being paid, employees are to complete the Overnight Vehicle Payment Form No. 6078. The form can be found on ALLETE’s Intranet page under the Transportation Department.

Assigned On-Call Vehicles

The Company provides a limited number of “specialized” vehicles to employees for business purposes. See the Transportation Manual for further information. These on-call vehicles are specialized vehicles for employees whose job function includes “on-call” status. These employees regularly respond to emergencies and/or incident
investigations with materials, tools, or equipment (that would be carried in tool bins or in a service body), not including forms, reports, or communications/computer equipment.

**MOTOR VEHICLE ACCIDENTS**

This section covers steps to be taken if a Company vehicle, a rental vehicle, or an employee’s personal vehicle is involved in an accident.

**Driver Responsibility**

At the scene of an accident, the driver should:
- Arrange for the immediate needs of injured persons.
- Contact appropriate law enforcement to file a police report.
- Obtain names and addresses of the other driver and all available witnesses.
- Make notes of any unusual conditions or circumstances, take appropriate measurements, and gather useful evidence.
- Avoid disputes or unnecessary discussions.

As soon as possible following the accident:
- Notify the Safety Department immediately following the accident whenever personal injury occurs during any business travel.
- Complete a Driver’s Accident Report (Form No. 1329). Obtain the necessary approvals and send the original to Claims and a copy to Transportation. Specific requirements apply to drivers of Commercial Motor Vehicles (CMV) who are involved in accidents.
- If necessary, complete a Minnesota Motor Vehicle Accident Report (State Form). This form must be completed for all motor accidents involving $1,000 or more in property damage (combined between two vehicles) or personal injury. (Send the original and one copy to Claims and retain one copy.)

Motor Vehicle Accident procedures can be found in the transportation manual, located on ALLETE’s Intranet page under the Transportation Department.

**MOBILE DEVICE (WHILE DRIVING) POLICY**

A driver who uses a handheld or multiple-touch cellular telephone or other mobile device (“mobile device”) while driving can be significantly distracted. Distracted driving causes accidents. At ALLETE, we deeply value employee safety and seek to limit at-risk behavior. The company encourages all employees to minimize or eliminate the use of mobile devices while driving. This policy addresses the standards and practices for employees who use a mobile device while operating any vehicle or mobile equipment (“vehicle”) in the course of his or her work for ALLETE.

This policy applies without regard to who owns the mobile device (e.g., the employee’s personal property, company-owned, etc.). Likewise, this policy applies regardless of who owns the vehicle being operated.
• Any employee who operates a vehicle in the course of his or her employment must follow all applicable federal, state and local laws and regulations in addition to company policies. Employees who are subject to special licensure (e.g., commercial driver’s license, etc.) must follow the rules and regulations associated with such licensure.

• Employees may not use a hand-held mobile device while operating a vehicle in the course of work. This rule prohibits all usage and handing of a hand-held mobile device, including, but not limited to, holding the mobile device and any form of keying or typing. An employee who needs to use a handheld mobile device while operating vehicle must pull over to a safe location and place the vehicle in park before doing so.

• Employees may use mobile devices controlled by hands-free technology while driving to initiate, answer, talk, listen or terminate a call by touching a single button on the hands-free device. The hands-free operation must not require the employee to take her or his eyes off the road. The mobile or hands-free device must be within close proximity. An employee may not reach for a mobile phone or hands-free device in an unsafe manner, such as reaching on the passenger seat or under the driver’s seat.

• This policy does not limit employees from using the push-to-talk radios available in some company vehicles in the course of their work.

• Individual departments and workgroups may elect to establish and enforce more restrictive rules regarding the use of mobile devices in vehicles while driving, including an absolute prohibition on the use of any mobile device while driving. Any more restrictive rules will be communicated to employees by their respective management teams. Any employee who is unsure of the rules that apply in his or her work area should seek guidance from his or her immediate supervisor before using any mobile device in a vehicle in the course of her or his employment.

Employees violating this policy will be subject to disciplinary action, up to and including termination of employment.
IX. SECURITY

The Company is committed to providing a safe and secure work environment. Sound security practices are in place to prevent personal injury, property loss or damage and the interruption of service. The success of this program is dependent upon the cooperation of all Company employees and the awareness of security hazards.

EMPLOYEE IDENTIFICATION

Picture IDs are required for all employees. New employees need to contact the Security Office at extension 3852 at the General Office Building (GOB) to schedule an appointment. Picture IDs are to be worn at all times when on Company property.

The identification card must be returned to the supervisor or sent directly to Human Resources when the employee leaves service.

GENERAL OFFICE BUILDING ACCESS

There are two main entrances to the Lake Superior Plaza Complex (GOB). They are located on the Superior Street level (first floor) on the east and west sides. These doors are locked in conjunction with the Skywalk hours and unlocked one half hour earlier in the a.m.

**Locking and Unlocking Procedures**

The following is a schedule of the main doors and elevators:

<table>
<thead>
<tr>
<th>Unlocked</th>
<th>Locked</th>
</tr>
</thead>
<tbody>
<tr>
<td>7:00 a.m.</td>
<td>5:00 p.m.</td>
</tr>
<tr>
<td>7:00 a.m.</td>
<td>7:00 p.m. Elevator Glass Lobby Doors (A, B, C &amp; D levels)</td>
</tr>
</tbody>
</table>

Access Control System

Most of our facilities are equipped with access control readers, and when an employee needs access to these facilities, they are issued a proximity card and customized access levels are programmed specifically for each employee.

Employees whose work requires them to go to facilities not assigned to their specific responsibility center, can have access added to it by having their supervisor submit a request to ‘Security Admin’ via email.

Supervisors are asked to notify ‘Security Admin’ by email when an employee changes departments or terminates employment.
VISITORS/CONTRACTORS

Visitors are required to sign in and out at the Security Office on the GOB first floor. A “Visitor Pass” will be issued and must be visibly worn at all times. The Security Control Operator will notify the appropriate employee of the visitor’s arrival. The visitor must be met and escorted by the employee to and from the meeting location.

Employees scheduling meetings at the GOB are required to notify Security via email in advance so the visitors(s) can be pre-registered. Advance registration will prevent delays in the start of your meeting. Please provide the following information in your email:

- Name of the Visitor
- Company Name
- Employee Contact
- Phone Extension

Contracted Personnel

When contracted personnel are hired, the supervisor should notify Security via email and provide the following:

- Name of the Company/Agency
- Employee’s name
- Department they will be working in
- Telephone extension
- Length of employment (if applicable)

Contracted temporary employment agencies must be required to do background checks on all personnel working within the Company.

Advanced notification of Contractors is required so the necessary precautions can be taken to prevent false fire alarms, injury or power interruptions.

AFTER HOURS ACCESS

All employees and authorized visitors are required to follow the after hours security procedures to protect and safeguard Company property and employees. Employees remaining in the building after hours are required to notify Security by either signing in personally or calling Security at extension 3852 after 5:30 p.m. Employees working weekends, holidays or on special projects are also required to sign in/out when they enter/leave the building.
Stair Towers

LSP Stair Tower: The Lake Superior Plaza (LSP) stair tower, located next to the Lake Superior Plaza Deck, is locked at 5:00 p.m. Monday through Friday and locked all day Saturday, Sunday and holidays. Note: Due to the open accessibility from the skywalk after normal business hours, this stair tower should not be used to leave the building with the exception of emergency situations.

GOB Rear Stair Tower: Is located behind the west end of the GOB and is designated for emergency evacuation only. Once inside the stair tower, proceed down to exit onto Michigan Street. In the event you are unable to exit onto the Michigan Street sidewalk, there are two emergency telephones located on the second and fourth floors for emergency assistance. Dial x3852 to tell Security which telephone you are calling from so you can be located immediately and directed to an alternate evacuation route.

GOB Front Stair Tower: Follow emergency evacuation routes according to departmental procedures.

After Hour Access to Other Facilities

Most facilities are equipped with both fire and burglar alarm protection systems. Employees who are assigned to these facilities will be assigned individual access codes to arm/disarm the facility. These access codes must be kept confidential. Employees who disarm/arm the systems, while working after hours, on weekends, or holidays are required to call Security x 3852 when entering or leaving the facility. A request for an access code must come from your supervisor via e-mail.

SECURITY OF COMPANY PROPERTY

Every effort will be made to define and protect the rights and property of the Company and employees, to minimize losses or damage whether tangible or intangible. An infraction of these rules or other action(s) contrary to the Company’s best interest will be sufficient grounds for Corrective Action up to and including termination. The following list of violations is provided as a guide only and is not all-inclusive:

- Unauthorized opening of or tampering with locks.
- Unauthorized use or duplication of keys issued by the Company.
- Unauthorized entry to restricted or locked areas.
- Defacing or changing Company identification cards or badges.
- Failing to cooperate in keeping the premises, working areas and equipment clean, or creating unsanitary conditions.
- Unauthorized personal use of Company provided telephones, vehicles, copy machines, personal computers, or other materials or equipment.
• Failure to observe Company safety rules and regulations.
• Using or duplicating badges, passes, proximity cards, or parking decals for unauthorized purposes.
• Posting, defacing or removing notices or signs, or writing on bulletin boards or Company property.
• Stealing or deliberately damaging any Company property or equipment.
• Horseplay, dangerous practical joking, and other unsafe conduct.
• Unauthorized entry or exit from Company premises at points other than those established as normal areas of entry and exit for employees.
• Infractions of security regulations.

The Company reserves the right to modify the above list of violations at any time.

SABOTAGE RECOGNITION AND REPORTING

The Department of Energy (DOE) in conjunction with the North American Electric Reliability Corporation (NERC) has identified the electric industry as one of the critical infrastructures that are vital to our national security. With that designation, it became even more important to protect the Bulk Electric System from various types of threats. One threat to the Bulk Electric System includes sabotage, both physical and cyber. NERC and the DOE have required that utilities develop sabotage recognition and reporting procedures so that individuals and companies can quickly recognize sabotage and determine the extent of any damage resulting from the sabotage. All Minnesota Power employees should be mindful of their surroundings and identify and immediately report actual or suspected physical or cyber sabotage events. If an employee suspects sabotage is occurring, the employee must immediately report the event to the MP System Operator. The MP System Operator maintains a listing of governmental, law enforcement, MP management and Security contacts, and is responsible for relaying this information to these entities and individuals. The MP System Operator can be contacted 24 hours a day, 7 days a week at (218) 720-2750.

Sabotage is generally considered motivated behavior intended to create disruptions in a work or social environment. The initiation of a sabotage event can come from either inside or outside the Company and is often the work of enemy agents and/or disgruntled employees. Sabotage generally includes the destruction of property or obstruction of normal operations. Sabotage attempts are often tied to disruptive events in the workplace such as possible threats to an industry or region and labor unrest. Civil unrest can also result in attempted sabotage, especially when a specific group’s cause may conflict with organizational, governmental or industry goals.

There are two major types of sabotage: physical and cyber. Each of these types of sabotage is discussed in more detail below.
**Physical Sabotage**

Examples of physical sabotage include:
- Tampering with transmission towers/poles
- Disrupting the supply of fuel to a generation plant
- Disrupting operations by false or real threats (bomb, fire, etc.)
- Causing intentional failure of critical machinery or systems
- Damaging essential communications equipment
- Intentionally failing to lock doors and arm security alarm systems with the intent of allowing unauthorized access to equipment and facilities
- Intentionally propping open doors to allow entry without authorization

Everyday abnormal operational events may be a result of physical sabotage. Some of these events may include:
- Loss of a line or major piece of equipment
- Trip of a major unit
- Relay mis-operations
- Loss of communication circuitry

Additionally, employees should be aware of events that may be signs of a potential sabotage threat. Some of these events include:
- Unauthorized access attempts to a critical facility
- Intelligence gathering – unauthorized people requesting information about operations, software, telecommunications, etc.
- Physical surveillance
- Verbal or written threats by internal or external parties
- Minor acts or a series of minor acts, of vandalism at transmission substations, distribution substations supporting critical government agencies, distribution substations supporting power system operation facilities, service centers or other Minnesota Power facilities.

**Cyber Sabotage**

Cyber sabotage can be difficult to identify without the necessary tools. However, there are some physical characteristics that all employees need to be aware of that may indicate a possible cyber attack. These include:
- New or unauthorized equipment in the vicinity of critical cyber assets
- Devices that appear to reroute network connections to other devices
- Recording devices in the proximity of cyber assets with no known purpose
- Unknown individuals plugging unauthorized devices into the data network
- Workstations or laptops that start working in an uncharacteristic manner
- Emails or phone calls requesting sensitive operating information
REMOVAL OF COMPANY PROPERTY

All property removed from the Company premises must be properly authorized and documented. Property Removal Request (Form No. 4128) must be filled out by the employee removing the property and authorized by the supervisor.

UNAUTHORIZED VISITORS

The Security Office should be notified immediately of the following situations:
- Individuals whose appearance or action indicates a potential threat to employees or Company property.
- Individuals loitering, smoking, harassing, skateboarding, panhandling, etc.
- Non-employees without a business purpose for being on Company property.

ELECTRONIC SURVEILLANCE

Surveillance cameras have been installed and will be used where appropriate throughout Company facilities for the purpose of providing a more secure environment for our employees and Company property.

THEFT AND VANDALISM

In the event of a theft or suspected theft by an employee, the appropriate supervisor and Security Manager or Supervisor must be notified immediately. The Company reserves the right to conduct searches of persons and their personal belongings whenever deemed necessary. If a search of a person or personal property is deemed necessary, the purpose of the search and the potential implications of refusing to be searched must be explained to the employee(s). Refusal to submit to a reasonable search may result in Corrective Action, up to and including termination.

A theft or suspected theft or vandalism by someone other than an employee should be reported to the appropriate supervisor and the Security Supervisor. A detailed Theft/Vandalism Report (Form No. 4066) should be completed and sent to the Security Supervisor.

The Company is not responsible or liable for personal property that is lost, stolen, or damaged on or in Company facilities or parking ramps. Consequently, employees are encouraged not to keep personal property of any substantial value at their workplace.

ESCORT SERVICES

Escort services to the Lake Superior Plaza Parking Ramp (GOB) are available for employees anytime, day or night. Employees are encouraged to utilize this service.
whenever necessary. Call the Duluth Clean and Safe Team at 723-8317 to request an escort.

REPORTING OF ORDERS FOR PROTECTION (RESTRAINING ORDERS)

When an Order for Protection (Restraining Order) for an employee is in effect, the employee is required to report it to Security immediately, especially if the protective order includes a provision that the restrained person stay away from the workplace. A copy of the Order for Protection (Restraining Order) and a photograph of the person against whom the order is directed should be provided to Security whenever possible.

Limit Information Disclosed

Employees should never disclose home telephone numbers, addresses or family information, work schedules, and travel itineraries about other employees. It is always safest to simply take a message and have the employee return the call at another time. If that is not acceptable to the caller, ask the nature of the business and transfer the caller as appropriate for assistance.

Questions regarding employment status should always be referred to Human Resources.

SECURITY-CONSCIOUS TRAVEL

Some tips for security conscious travel are:
- Vary routes and times of departure and arrival.
- Always lock car doors both when the vehicle is occupied and parked.
- Be alert to surroundings and being followed.
- If followed or stopped by anyone who does not give every indication of being a law enforcement officer, the traveler should head for the nearest police station or, if that is too remote, the nearest well-lighted and populated area.
- Keep hotel/motel room numbers confidential and separate from room keys.

For immediate assistance, when at the General Office Building (GOB), intercoms are located in the following locations:

Parking Ramp: Each entry/exit point, outside the glass door to “C” Level Elevator lobby and outside the Security vestibule on the east entrance on Superior Street by the LS Plaza Deck.
EMERGENCY PROCEDURES

When emergencies occur, they require an immediate response with a clear, commonsense approach. In order to avoid confusion and panic, emergency preparedness plans have been developed for each facility. Supervisors are responsible for communication of such plans to employees.

Disasters

All Company facilities are required to have a current Emergency Preparedness Plan designed to safeguard and minimize hazards to employees, property and equipment. Supervisors are expected to cooperate and participate in the development and implementation of an emergency plan, as well as communicate and train all employees in evacuation procedures.

Evacuation of the General Office Building (GOB)

Emergency evacuation map plans have been prepared and are posted in every department. Supervisors are responsible for making sure that all new employees are instructed on the main and secondary emergency evacuation routes for their particular department on their first day of employment. Emergency evacuation plans should be reviewed monthly in safety meetings to keep employees current on any changes that may have occurred in their area. When the siren, alarm, or strobe engages, employees must leave the building immediately and go to their pre-determined gathering area.

Safety representatives from each department are trained to make sure all employees, visitors, interns and temporary agency workers leave the building. Security will notify the safety representatives when the emergency team has given the “All Clear.”

Evacuation of Other Facilities

The Company has Emergency Preparedness Plans that include basic procedures for emergency evacuation from Company facilities and tenant facilities. Supervisors should make sure employees in all facilities are familiar with the audible alarm, strobes, and evacuation procedures in their facility.

SECURITY OF INFORMATION ASSETS AND SERVICES

The Company relies heavily on information to meet its business requirements. Much of this information resides on electronic/computer systems that are accessed physically or via telecommunications networks. Company information and information systems must
be protected from misuse and unauthorized access and/or distribution. Every employee has a responsibility to see this is accomplished.

The Company’s information assets are comprised of a wide variety of components including desktop computers, notebook and handheld computers, software applications, data, etc. All persons using the Company’s information assets must take appropriate measures to protect it from accidental or unauthorized modification, destruction, disclosure, or loss. Violations of this policy that compromise the reliability or integrity of the Company’s information assets will result in corrective action up to and including discharge.

Formal information and network security policies have been established to help guide employees in the proper procedures and conduct related to the use of information assets. The Security Committee, under the direction of Corporate Information Technology Security, maintains these policies. This section is meant to be a brief overview of those policies. Refer to the Information Assets Security Policy for further details and updates.

**Information Assets**

The term information assets is used in its broadest sense and includes all computer systems, storage devices, display devices, and access devices whether directly attached or remotely connected from the internal network or dial-up communications. Information assets also include data, text, voice, and image information with internal systems.

All such information, as well as computer hardware, software, and communication resources purchased by the Company are the property of the Company and are provided to employees for convenience in conducting business-related activities.

**Employee Responsibilities**

Computer and telecommunications systems and data are the property of the Company and are intended for business use. The Company reserves the right to monitor or access its information systems. Employees should promptly report any suspected security violations or problems to their supervisor or ITS Department Head.

All Company computer users must accept certain responsibilities to ensure the Company’s information assets are safeguarded. All employees are responsible for using information assets only for authorized Company business purposes and complying with the security policy. Employees are also responsible for the physical security of computers and telecommunications systems and data to prevent theft or malicious destruction of equipment, system integrity, and data.
**Supervisor Responsibilities**

Supervisors are responsible for assuring that appropriate security safeguards/controls essential for protecting Company information assets are followed in their areas, i.e., assuring notebooks are locked up after working hours, data is stored safely, etc.

Supervisors are responsible for educating employees, authorizing usage, supporting and enforcing the policy and taking any corrective actions required for violations of the policy.

**Personal Use**

Computers are installed and maintained at an expense to the Company. All use of computer systems is intended for authorized business purposes only. It is not unreasonable to expect that some personal use will occur. However, personal usage of computer systems, email, etc. by employees must be kept as short as possible. Inappropriate use of computers for personal activity should not occur. Examples of inappropriate use include but are not limited to:

- Installation and use of computer games not authorized by the Company, “chatting” programs for non-business use, etc.
- Installing and using software not licensed by the Company.
- Excessive use of the Internet and email for personal use.
- Access to Internet sites which are offensive, sexually graphic, obscene or in any way represent information or activities otherwise prohibited by Company policy.

**Company Image**

Since the Company’s image is a direct reflection of its workers, employees should conduct themselves with integrity and discretion so that their actions do not reflect negatively on the Company. Therefore, any electronic communications sent internally or externally that identifies the source of information as the Company (i.e., email, computer system identification, etc.) must represent the Company in a legal, ethical and professional manner.

**INFORMATION CLASSIFICATION**

Information Assets should be protected according to its sensitivity and importance to the Company. All persons using Company data must take appropriate actions necessary to protect it from accidental or unauthorized modifications, destruction, disclosure or loss, and to assure the security, reliability, and integrity of the Company’s information assets and activities.
User ID and Passwords

Individual User IDs and passwords should be used and kept confidential. An effective password should contain both alphabetic and numeric characters and comply with established ITS Department guidelines. REMEMBER to shut down or log off your computer when leaving.

Remote Access/Dial-Up Networking Access

Employees should exercise special care and discretion during transmittal of confidential, proprietary, or otherwise 'sensitive' Company information. Company remote access information (dial-up instructions or computer phone numbers) must be held confidential. Third-party vendors should only be granted minimal access needed to perform approved tasks and access should be disabled when not in use.

Backup Recovery Policy

The ITS Department will backup/restore critical files on a scheduled basis and in accordance with established guidelines. End users are responsible for backing up and physically protecting data that resides on their personal computers.

Malware Protection

Use extreme caution when using any external programs, data, files or web plug-ins. Do not download, execute/run or install software without ITS Department knowledge and approval.

ELECTRONIC MESSAGING AND INTERNET POLICY

Access to the Internet and electronic mail is intended for business and professional use only. All messages are Company records. The Company reserves the rights to access, audit, and disclose all active and/or archived messages sent over its email for any purposes. Users need to be aware that the Internet and email are part of a public communications system and use appropriate etiquette and safeguards. Discretion should be used when handling "sensitive" or confidential information. Do not forward email that contains other individual email addresses outside the Company.

SOCIAL MEDIA POLICY

ALLETE understands that social media can be an easy, fun and rewarding way for you to share your life and opinions with family, friends and co-workers around the world. Using social media, however, presents certain risks and carries with it certain
responsibilities. The purpose of this policy is to assist you in making responsible decisions about your use of social media as related to your employment.

This policy builds on longstanding ethical principles and company policies, essentially extends to social media participation expectations of what is required for appropriate, professional behavior in other situations.

This policy applies to all employees of ALLETTE, Inc. and its subsidiaries, including, ALLETTE Clean Energy, ALLETTE Renewable Resources, Superior Water, Light and Power Company and BNI Coal.

GUIDELINES

In the rapidly expanding world of electronic communication, “social media” can mean many things. For purposes of this policy, social media includes all means of communicating or posting information or content of any sort electronically or on the Internet, including, for example, to your own or someone else’s web log or blog, journal or diary, personal web site, social networking or affinity website, web bulletin board or chat room, whether or not associated with ALLETTE.

Ultimately, you are solely responsible for what you communicate electronically or post online. Any social media activity that adversely affects your job performance or adversely affects another employee, customer, supplier, shareholder, or person who works on behalf of ALLETTE or ALLETTE’s legitimate business interests may result in disciplinary action up to and including termination of employment.

Know and follow the rules.
Any social media posting you make must be consistent with company policies, including, ALLETTE’s Code of Business Conduct, policies prohibiting unlawful harassment, information asset security policies, disclosure policies and other Employee Handbook policies. Inappropriate postings that may include discriminatory remarks, harassment, threats of violence, or similar inappropriate or unlawful conduct will not be tolerated.

Be respectful.
Always be fair and courteous to fellow employees, customers, suppliers, shareholders and people who work on behalf of ALLETTE or ALLETTE’s legitimate business interests. Also, keep in mind that you are more likely to resolve work-related complaints by speaking directly with your co-worker, supervisor or other company representative than by posting complaints to a social media outlet. Nevertheless, if you decide to post such complaints or criticisms, avoid using statements, photographs, video or audio that reasonably could be viewed as malicious, obscene, threatening or intimidating, that disparage customers, suppliers or shareholders, or that might constitute harassment or bullying. Examples of such content might include offensive posts meant to intentionally
harm someone’s reputation or posts that could contribute to a hostile work environment on the basis of race, sex, disability, religion or any other status protected by law or company policy.

**Be honest and accurate.**
Make sure you are honest and accurate when posting information or news, and if you make a mistake, correct it quickly. Be open about any previous posts you have altered. Remember that the Internet archives almost everything; therefore, even deleted posting can be searched. Never post any information or rumors that you know to be false about the company, fellow employees, customers, suppliers, shareholders or people working on behalf of ALLETE or its subsidiaries.

**Post only appropriate content.**
- Maintain the confidentiality of ALLETE’s trade secret and private or confidential information. Do not post internal reports, policies, procedures or other internal business-related confidential information or communications. Your social media postings should never disclose confidential customer or employee information.

- Respect financial disclosure laws. Never communicate or give a “tip” about inside company information so that they may buy or sell stocks or other securities. Such conduct could violate ALLETE’s insider trading policy and the law.

- Do not create a link from your blog, website or other social networking site to an ALLETE website without first obtaining any necessary consent and without identifying yourself as an ALLETE employee.

- Express only your personal opinions. Never represent yourself as a spokesperson for ALLETE. If ALLETE or any of its subsidiaries is the subject of the content you are creating, be clear and open about the fact that you are an ALLETE employee and make it clear that your views do not represent those of ALLETE, other employees, shareholders, customers, suppliers or people acting on behalf of ALLETE. If you create a social media posting related to the work you do or other topics associated with ALLETE, make it clear that you are not speaking on behalf of ALLETE by conspicuously including a disclaimer such as: “I am employed by ALLETE, Inc. The views I express on this site are my own and do not necessarily reflect the views of ALLETE.”

**Using Social Media at Work**
Generally, you should refrain from using social media while on work time or on equipment provided by the company, unless it is work-related as authorized by your manager or supervisor. Social media activities during work hours are subject to the company’s communications, technology and confidentiality policies. If you are uncertain about whether or you use of social media complies with this policy, consult with your supervisor prior to posting.
Media Contacts
Refer all media inquiries related to company business, whether from the public, news media or bloggers, to the Corporate Communications Department for an official response. If you come across negative or inaccurate social media postings about the company or its interests, refrain from responding directly. Instead, pass the posts or information along to the Corporate Communications Department whose employees are trained to address such comments.

Retaliation Prohibited
ALLETE prohibits taking negative action against any employee for reporting in good faith a possible violation of this social media policy or cooperating with an investigation related to this policy.

SOCIAL MEDIA POLICY FOR AUTHORIZED USERS

Increasingly, ALLETE uses social media as a way to share news, events and information with its customers and other stakeholders, relying on certain authorized employees to participate in social media on behalf of the company as part of performing their job duties.

This policy applies to all employees of ALLETE, Inc., and its subsidiaries, including, ALLETE Clean Energy, ALLETE Renewable Resources, Superior Water, Light and Power Company and BNI Coal who have been authorized by their supervisor and approved by ALLETE’s Vice President—Corporate Communications to engage in social media on behalf of ALLETE (“Authorized Company Business Users”). The purpose of this policy is to guide Authorized Company Business Users in their use of social media on behalf of the Company.

Authorized Company Business Users’ social media activities are also subject to ALLETE’s Social Media policy. To the extent that there is any conflict between this policy and ALLETE’s Social Media Policy, the terms of this policy are controlling with respect to Authorized Company Business Users.

GUIDELINES

In the rapidly expanding world of electronic communication, “social media” can mean many things. For purposes of this policy, social media includes all means of communicating or posting information or content of any sort electronically or on the Internet, including, for example, to the company’s or someone else’s web log or blog, journal or diary, personal web site, social networking or affinity website, web bulletin board or chat room, whether or not associated with ALLETE.
Ultimately, each Authorized Company Business User is responsible for what he or she posts online. Authorized Company Business Users must always protect trade secret and private or confidential information and not post content to social media unless they have been authorized to do so. Authorized Company Business Users should not comment on subjects outside their area of expertise without first obtaining accurate information from qualified sources. Authorized Company Business Users must not use aliases or otherwise deceive people about their identity.

**Always Use Properly Configured Security Settings.**
Administrators of Company-initiated social media sites must be employees of the Company or a contracted partner. Authorized Company Business Users must establish and maintain robust passwords on all social media accounts, including administrator accounts to help minimize the risk of unauthorized use of these accounts or unauthorized administrative access to the Company's social media tools. The Company's Information Technology department can assist with the requirements for robust passwords.

**Respect Intellectual Property Rights.**
All posting must respect the copyright, trademark and other intellectual property rights of third parties. Authorized Company Business Users acting in the course and scope of their work assignments may use ALLETE company logos or trademarks.

Any marketing campaign with endorsements or testimonials (e.g., from an employee, customer, marketing partner, etc.) must comply with the Federal Trade Commission guidelines. If unsure about these requirements, employees should consult with the Corporate Communications Department or the Legal Services Department prior to launching the campaign.

**Follow the rules and policies of any specific website and forums.**
Authorized Company Business Users should be aware of and comply with applicable terms of use.

**Limit content to company concerns.**
Authorized Company Business Users should restrict their social media content to Company matters and should not publish, forward or share unrelated messages.

**Receive authorization for company-initiated social media sites.**
Individuals or departments seeking to create social media sites for business purposes must first obtain approval from the Vice President—Corporate Communications.

**Violation of Policy**
Any employee who violates this policy is subject to disciplinary actions, up to and including termination of employment. The Company also reserves the right to disable Company computers and/or accounts for violation or suspected violation of this policy.
INFORMATION TECHNOLOGY PURCHASE POLICY

All purchases of computer hardware/software will be made through a centralized purchasing process including the following:

- Personal computer hardware/software
- Networking hardware/software
- Telephones
- Cellular phones
- Telephone and data circuits
- Personal digital assistants (PDAs)
- Printers
- Copiers
- FAX machines
- Scanners
- Videoconferencing equipment

New purchases can be made by filling out Form No. 6087, Request for Technology. The form can be accessed from the Company Intranet page. Once the form is completed, it should be forwarded via email to the “IT Services” distribution list. ITS will review the request, assign cost estimates, and (if necessary) forward to the appropriate department head/vice president for their approval. Once all approvals are received, ITS will then order the hardware/software requested.

If unauthorized purchases are made, these expenses could be denied with personal reimbursement due from the employee.

SOFTWARE LICENSING/COPYRIGHT

Software is subject to copyright and usage terms, which are fully supported by the Company. Violations of copyright terms may result in substantial fees, fines, or other actions against the Company. Do not install software on Company systems unless approved by the ITS Department.

PHONE MAIL POLICY

Phone Mail is provided to each employee for convenience in conducting business related activities. Employees are responsible for maintaining the confidentiality of their passwords and the proper use of the phone mail system.
PHOTOGRAPHIC AND VIDEOGRAPHIC DEVICES

The use of conventional or digital cameras, videocameras, camera equipped cellular phones or any other photographic or videographic device at work is intended for business purposes only, whether the device is Company provided or personally owned.

Photographic or other reproduction of confidential, proprietary or nonpublic information, including the physical layout of critical facilities, requires supervisory knowledge and authorization.

Using photographic or videographic equipment in facilities or situations where there is an expectation of privacy (locker rooms, wellness facilities and the like) is prohibited. Taking photographic or videographic images without the subject's knowledge and permission, where such images are potentially embarrassing or humiliating, is prohibited.

Violation of this policy will result in corrective action, up to and including termination of employment.

SECURITY VIOLATIONS

All suspected Information Assets security violations and/or problems should be promptly reported to Corporate Information Technology Security. They will perform and document an investigation whenever a breach of security has been identified.

Unauthorized use, access, disclosure or destruction of Information Assets or introduction of a computer virus will result in corrective action up to and including termination, civil and/or criminal penalties under the applicable laws.

Security Policies Information

For further information, call the Director – ITS, IT Security and Compliance, or visit the website via the Intranet homepage or directly at: http://intranet/security
ORACLE 101 – IEXPENSES
(CREDIT CARD/EXPENSE REPORTS)
CONTENTS

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I. ENTERING MASTER CARD/EXPENSE REPORTS

- You can enter both, Master Card charges AND Expense Report charges, simultaneously.
- You do NOT have to reconcile all MasterCard charges for each month at the same time; however, if done separately, approval is needed for each reconciliation.
- If you do not reconcile MasterCard charges in a timely manner, Oracle will NOT let you enter Expense Report charges until the MasterCard charges are reconciled.
- Note: if you have mileage only, you do not need to provide a printed copy of mileage reimbursement to your supervisor. They will be able to review your mileage through the Oracle email notification.

A. RECONCILING MASTER CARD CHARGES

1. Log in to Employee Self Service from the ALLETE Stream Intranet Page.

2. Select **Employee Self-Service** from either the toolbox or under Online Applications on the main Stream page.
3. Click the **Login** button.

4. Enter your User Name and Password and click **Login**
5. From the Navigator Menu, choose ALT MP iExpenses User (or SWLP or ACE or ARR iExpenses User), Expenses Home.
6. Click **Create Expense Report**.
   a. On this screen you can also:
      i. **Track Submitted Expense Reports** - submitted reports that are either awaiting approval or have been approved.
      ii. **Update Expense Reports** - reports that are saved, rejected, or have been returned to you. Click the Update pencil to edit the expense report and resubmit, or alternatively, click the garbage can to delete the expense report.
7. **Credit Expense Report: General Information**
   a. Notice the Information box stating the number of credit card transactions waiting to reconcile.
   b. If you don’t have credit card transactions to reconcile, but you do have receipt based or mileage based transactions, click **next** to proceed to the Receipt Based Expenses tab or the Mileage Expenses tab.

8. **Credit Expense Report: Credit Card Transactions**
   a. Notice the warning box stating the number of transactions older than 60 days. Credit card users will also receive alerts in their company email warning of credit card transactions older than 30 days and 60 days.
   b. **Please reconcile your credit card within 30 days of the transaction dates.**
   c. **Click Next.**
9. **Credit Expense Report: Credit Card Expenses**
   a. Select the credit card transactions to reconcile.
   b. Choose an Expense Type from the drop down menu.
   c. Enter a justification explanation, business purpose.
   d. Click the Details box.

![](image1.png)

10. **Credit Card Expenses: Details for Line X**
    a. Fill in the details for the credit card line: Expense type, justification, etc.
    b. **Additional information:**
        i. This information changes per the expense type that is chosen. In the above example, additional information questions do not populate.
        ii. Other expense types (such as 1560– Meals Refreshments) will populate questions that need to be answered before moving on.
c. Itemize if you need to split a charge to multiple work orders, or to itemize personal expenses for Safety Boots or FR Clothing. (See example of itemization on page 17.)
d. Click Continue to see the details of the next line.
e. Click Return to go back to the Credit Card Expenses page.

11. Credit Expense Report: Credit Card Expenses
   a. After clicking return, you are brought back to Credit Card Expenses page.
   b. Click Next.
   c. If you have receipt based transactions or mileage expenses to reconcile, proceed to the next section, Cash and Other Expenses.
12. Under *Receipt Based Expenses*, you can enter information to be reimbursed (this is used for scenarios where you want to be reimbursed for something you personally paid for – where you did not use your *company credit card*). **Do not enter credit card expenses here.**
   a. Select the transaction line.
   b. Enter date expenses incurred.
   c. Enter Receipt Amount.
   d. Select Expense Type from the drop down menu.
   e. Enter Justification reason.
   f. Click Details box.
13. **Enter Details for Expense Line (Receipt Based Expense)**
   a. Enter Yes or No if tax was charged on receipt.
   b. Enter the Merchant Name.
   c. Click **Itemize** to split costs to different projects and work orders. (See example of itemization on page 16.)
   d. Click **Return**.
C. MILEAGE BASED EXPENSES

14. Mileage Expenses
   a. Select the transaction line.
   b. Enter date mileage expense incurred.
   c. Choose Expense Type from drop down menu.
   d. Enter Justification reason.
   e. Enter trip distance.
   f. Click Details box.
15. **Details for Mileage Expense**: (Mileage to and from should be an address not a city. (i.e. GOB not Duluth, or your home address not the city you live in.)
   a. Enter Mileage From.
   b. Enter Mileage To.
      1. If it’s a round trip, enter Round trip in the justification or in the Mileage to area.
   c. Click **Calculate Amount**.
   d. Click **Return**.

16. Click **Next**.
17. Enter project and task information for each transaction line. Click Next.

18. Project Expenditure Organization:
   a. If you do not have anything populated in this field, start entering your department’s project number (aka responsibility center) and hit Tab.
   b. It should pull in your department’s project number.
   c. This number stays the same, even if you use different project and task numbers for your credit card charges, receipts and mileage.

19. TIP: Have numerous lines that have the same project and task? Use the Update Allocations button.
   a. Select the lines that will have the same project and task numbers.
   b. Hit update allocations button.
   c. Enter the Project and Task.
   d. Hit Apply.
e. Enter the Project, task and project expenditure organization.
   i. Project expenditure org is your department’s project number (aka responsibility center). Start typing in your department’s project number and hit tab. It will auto-populate the rest.

f. Hit Apply.
20. The selected lines are now filled in with the one project and task you chose. Fill in remaining lines as needed.

21. Review the Expense Allocations section. Click **Next**.
22. Expense Report: Review
   a. Review everything that’s been entered. Once complete, hit submit.

23. Click Printable Page.
24. Select **File** and **Print**.

25. Once the print page is closed, you will return to the Expense Report Confirmation Page. Click **Return** to return to the Expense Reports home page.
   - Send the printed cover page and all original receipts (or missing receipt forms) to your supervisor for approval.
   - After your supervisor approves the cover page/receipts packet, the packet should be sent in the Blue Envelopes to Record Services.
   - If the expense report is for mileage based expenses only, the cover page/receipts packet does not need to be sent in to Supervisor/Record Services.
D. ITEMIZE OR DISTRIBUTE CHARGES TO MULTIPLE WORK ORDERS

Expense lines can be itemized or split to multiple work orders.

1. From the credit card expense line or the receipt based expense line, click the **details** box.

2. Details for Expense line.
   a. Enter Merchant Name if applicable.
   b. Answer Yes or No if tax was charged on the receipt.
   c. Click the **Itemize** button.
3. **Itemized business expenses:**
   a. Change the Itemized Receipt Amount,
   b. Then click **Add Another Row**.
4. The remaining Receipt Amount will auto-populate,
   a. Choose an expense type,
   b. Answer the tax question,
   c. Add additional rows if required to split to additional work orders.
   d. Your total should be the total of the original receipt amount.
   e. Click **Return**.

5. Click **Next**.
6. **Expense Allocation section:**
   a. Enter project and task for each split,
   b. Click **Next** to complete expense report and submit.
E. QUICK TIPS – FILL PROJECT AND TASK NUMBERS IN EXPENSE ALLOCATION SECTION:

Do several of your expense report lines have the same project and task numbers? Follow these tricks to fill multiple lines in at once.

1. *Update allocations* button:
   a. Select the lines you want to update (will have the same project and task).
   b. Click *Update Allocations*. 
2. Update project allocations:
   a. Enter the project, task and project expenditure organization
      i. Project expenditure org. – enter your department’s project number (aka responsibility center) and hit tab. This will pull in the correct information you need.
   b. **TIP**: want to quick-select these project and task numbers during your next expense report? Click the box next to Add Allocation Set to My Allocations.
      i. Give the allocation a name.
   c. Hit **Apply**.
3. The information you filled in is now applied to the lines you selected.

4. Using **My Allocations**: Have allocations saved and ready to use?
   a. Select the lines you want to update.
   b. Select the option under My Allocations.
   c. Click **Apply**.
5. The set allocation is now applied to the lines you chose.

VIEW YOUR SAVED ALLOCATIONS:
1. Want to see your saved allocations?
   i. While in Expense Reports, Click **Settings** then **Preferences**.

2. When in the settings, choose *My Allocations* on the far left side of the screen.

3. View, edit, add and remove your set allocations on this screen.
F. FR CLOTHING AND SAFETY BOOT INSTRUCTIONS

**FR Clothing:** FR Clothing can be purchased on corporate credit card up to the dollar amount allowed per employee. FR Clothing can also be purchased by employee’s personal credit card, check, cash, where the company reimburses the employee up to the dollar amount allowed per employee.

*If you have any questions regarding RF clothing, please email FRClothing@mnpower.com.*

**Safety Boots:** Safety boots are 50% (up to $100.00) reimbursed by the company. Purchase can be on corporate credit card, where the employee reimburses the company for 50% of cost, or purchase can be done on employee personal credit card, check, cash, where the company reimburses the employee for 50% of the cost.

1) **FR CLOTHING ON CORPORATE CREDIT CARD**

1. If FR Clothing is purchased on Corporate Credit card, select the credit card transaction line, click *Next*.

2. Click *Details*. 
3. Enter additional information.
   a. Enter Expense type 4250 FR Clothing – Employee.
   b. Enter justification reason.
   c. Enter Employee name for whom the FR clothing was purchased.
   d. Enter a description of the clothing.
   e. Answer Yes or No if tax was charged on the receipt.
   f. Click *return*. 
II. FR CLOTHING, RECEIPT BASED FROM EMPLOYEE PERSONAL EXPENSE

1. At the Receipt-Based Expenses tab:
   a. Select the line, enter the date, receipt amount, Expense Type 4250 FR Clothing – Employee, Justification reason.
   b. Click the Details box.
2. Fill in the Additional Information questions.
   
a. Enter Merchant Name.
b. Enter Purchased For (use the looking glass to search for Employee Name).
c. Enter Clothing Description.
d. Answer question Yes or No if tax was charged on receipt.
e. Click *Continue* (next line) or *Return*.

3. Once back to the previous screen, click Next.
4. Enter project and task. Click Next.

5. Verify Expense Allocations, click Submit to complete Expense Report.
II) SAFETY BOOT EXAMPLE

A. SAFETY BOOTS PURCHASED ON CORPORATE CREDIT CARD

- Employee is responsible for 50% of charge. Company will pay half of safety boots (up to $100 total).
  - I.e. – purchase $250 boots – company will pay for $100, employee pays for $150
  - I.e. – purchase $180 boots – company will pay for $90, employee pays for $90

1. Reconcile the Safety boot transaction on corporate credit card
   a. Select credit card transaction line.
   b. Enter expense type of materials purchased.
   c. Enter justification reason.
   d. Click the Details box to itemize and split the charge.

2. Answer the question Yes or No if tax was charged on the receipt, click Itemize.
3. Itemize to split the charge.
   a. Enter half the amount of the transaction (Company pays 50% of the boots up to $100.00).
   b. Click Add another Row.

4. Enter the information for the employee personal amount due.
a. Enter the Expense Type 0000 MC Pers. With Cost Type 0000 MC Pers you want to use the appropriate below project and work order:

<table>
<thead>
<tr>
<th>Project</th>
<th>Work Order</th>
<th>Expense Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>MP</td>
<td>MCPERMP</td>
<td>0000 MCPERS</td>
</tr>
<tr>
<td>ACE</td>
<td>MCPERACE</td>
<td>0000 MCPERS</td>
</tr>
<tr>
<td>SWLP</td>
<td>MCPERSWLP</td>
<td>0000 MCPERS</td>
</tr>
<tr>
<td>ARR</td>
<td>MCPERARR</td>
<td>0000 MCPERS</td>
</tr>
</tbody>
</table>

b. Enter Justification reason.
c. Notice the total amount of the transaction does not have amount in the Distribution amount off.
d. Click Return.

5. Click Next to continue to complete expense report.

You will now need to write a check to the company – see Section G for more information.
B. SAFETY BOOTS PURCHASED BY EMPLOYEE AS PERSONAL EXPENSE

- Employee is responsible for 50% of charge. Company will pay half of safety boots (up to $100 total).
  - I.e. – purchase $250 boots – company will pay for $100, employee pays for $150
  - I.e. – purchase $180 boots – company will pay for $90, employee pays for $90

Example for a $200.00 pair of boots purchased by employee with personal credit card, check or cash.

1. At the Receipt-Based Expenses tab:
   a. Enter the date boots purchased.
   b. Enter 50% of the Receipt Amount up to $100.00.
   c. Expense Type of 4200 Materials Purchased.
   d. Enter justification reason.
   e. Select the expense line and click the Details box.
2. Enter additional information:
   a. Enter Merchant Name.
   b. Answer Yes or No if tax was charged on receipt.
   c. Click Return.

3. Click Next.
4. Enter Project, task and Project Expenditure Organization
   a. Project Expenditure Organization is your department’s project number (aka responsibility center). Start typing in your department project number then hit tab on your keyboard. The rest will populate.

5. Click Next.

5. Verify expense allocations and click Submit to complete Expense Report.
G. WRITING A CHECK TO THE COMPANY – ACCIDENTAL CHARGES OR REIMBURSEMENT

There are instances where an employee may owe the company money. For instance, if an employee purchases safety boots on their company card, they need to write a personal check to pay for half of the cost of the boots. Or, if an employee accidentally puts a personal charge on their company credit card.

Follow the steps below to properly reimburse the company:

2. Use this accounting for your expense report:

<table>
<thead>
<tr>
<th>Project</th>
<th>Work Order</th>
<th>Expense Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>MP</td>
<td>MCPERMP</td>
<td>0000 MCPERS</td>
</tr>
<tr>
<td>ACE</td>
<td>MCPERACE</td>
<td>0000 MC PERS</td>
</tr>
<tr>
<td>SWLP</td>
<td>MCPERSWLP</td>
<td>0000 MC PERS</td>
</tr>
<tr>
<td>ARR</td>
<td>MCPERRARR</td>
<td>0000 MC PERS</td>
</tr>
</tbody>
</table>

3. **MP-SWLP-ARR** - When you print your expense report, include the check with the printable page and give to your Supervisor to review and approve in Oracle iExpenses. The supervisor will then send the packet by inter-company mail in a blue envelope for processing and final approval by Accounts Payable.

**ACE** - Fill out a cash received memo (form 144c). Include the expense report number in the description and use 121.0000.1439.0073.000 in the GL account field. Send check and cash received memo (form 144c) with a copy of the front page of expense report to ACE Accounting.
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ORACLE 101 – SUPERVISORS NOTIFICATIONS AND APPROVALS

I. APPROVAL NOTIFICATIONS FOR SUPERVISORS, MANAGERS

Supervisors, Managers, and Executives can view and respond to Oracle approval notifications while logged in to Oracle eBusiness Suite (Employee Self Service), or through email or smart phone.

A. LOG IN TO ORACLE EBUSINESS SUITE, EMPLOYEE SELF SERVICE

Log into Oracle eBusiness Suite through the ALLETE Stream intranet page. Employee Self Service can be reached by clicking on the Toolbox, Employee Self Service, or clicking Online Applications, Employee Self Service.
1. Click the Login button.

2. Enter your user name, (first initial last name, for example: jsmith), and password (case sensitive), click the Login button.
B. NOTIFICATION WORKLIST

1. The Home page will contain the notification worklist. Select the individual notification for review and approval, or click Full List for more options for reviewing notifications.

2. From Full List, select one notification and click Open.
II. PURCHASE REQUISITION APPROVAL NOTIFICATION

1. Available Actions

- **Approve** – This action will approve the requisition. If the Approval limit of the Approver is sufficient to approve then the PR is approved otherwise it moves to next level of Approver in the hierarchy.

- **Approve and Forward** – This action will approve the requisition and the notification is forwarded to the recipient entered in the ‘Forward To’ field. For example, if another business unit needs to also review and approve the requisition.

- **Forward** – This action will approve the requisition and the notification is forwarded to the recipient entered in the ‘Forward To’ field. For example, if a requisition needs to be approved by another business unit.

- **Reject** – This action will reject the requisition and requestor will be notified through the notification.
• **Reassign** – By clicking this button and entering an employee name, the notification is reassigned to that employee.

• **Request Information** – By clicking this button the requestor of the requisition will be notified to provide more information to the Approver on the requisition.

2. Justification – this is the notes to the approver (you).

3. Requisition line description, suggested supplier, cost center (project number), quantity, price.

4. Requisition approval sequence.

5. Requisition approval action history and notes to approver.

6. Related applications; approver can open requisition to view (while logged in to Oracle), or edit the requisition.

7. Response options; approver can forward the requisition approval notification to another approver. Enter last name first.

8. Return to Worklist or check the “Display next notification after my response” box to open next requisition approval notification automatically.
A. VIEW REQUISITION DETAILS FROM APPROVAL NOTIFICATION

While logged in to Oracle the Approver can view requisition details from the approval notification.

1. Click on the attachment to open and view.
2. Click View Requisition Details to view additional requisition details.
3. Requisition header attachments are visible. To view further information, click **Details**.

4. Requisition header attachments are visible. To view further information, click **Show Additional Information**.
5. Requisition header attachments and requisition line attachments are visible, and project, task, expense type.
   a. Click on Requisitions and then Return to return to the requisition approval notification in your worklist.
B. REQUISITION CHANGE REQUEST NOTIFICATION

In iProcurement, a PR change request can be initiated by the end user to change a requisition that has already been created into a purchase order.

1. Note the fields showing the difference in requisition total, quantity, price, amount, reason for the change, between the original PR and the new PR.

2. Approval options are the same here as PR approvals.
III. NON-PO INVOICE APPROVAL

Supervisors will receive Non-PO invoice approval notifications when a requester in their Human Resources (HR) approval hierarchy enters accounting to a Non-PO invoice notification and clicks approve.

1. The Non-PO invoice notification **will not** contain a PO Number.
2. Please ensure the invoice approver entered accounting.
3. Available actions.
   a. **Approve**, will approve the invoice and the invoice will schedule to pay.
   b. **Reject**, will reject the invoice. Please let accounts payable know if you have rejected the invoice.
   c. **Reassign**, will reassign the Non-PO invoice approval notification to another employee, but the employee will need to be another supervisor in order for the invoice notification to approve.
   d. **Request information**, will request information about the invoice. Please let accounts payable know if you have requested information.

4. **View Additional Invoice Details**. Supervisors can view additional information about the Non-PO invoice while logged in to Oracle. Click View Additional Invoice Details.
5. Click Show.
6. View the attached .pdf of the invoice under the Attachments. View the project and task and expense type.
### IV. EXPENSE REPORT APPROVAL NOTIFICATIONS

<table>
<thead>
<tr>
<th>From</th>
<th>Type</th>
<th>Subject</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paulson,</td>
<td>Expenses</td>
<td>Expense EXP34566 for Paulson, Vanessa (36.20 USD)</td>
</tr>
<tr>
<td>Vanessa</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paulson,</td>
<td>Requisition</td>
<td>Purchase Requisition 541110368 for Paulson, Vanessa (10,000.00 USD)</td>
</tr>
<tr>
<td>Vanessa</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paulson,</td>
<td>Requisition</td>
<td>Purchase Requisition 541110367 for Paulson, Vanessa (10,000.00 USD)</td>
</tr>
<tr>
<td>Vanessa</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paulson,</td>
<td>Requisition</td>
<td>Purchase Requisition 541110365 for Paulson, Vanessa (21.00 USD)</td>
</tr>
<tr>
<td>Vanessa</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hanson, Tony</td>
<td>OTI Workflows for Employees</td>
<td>Timecard (21-JAN-2017 to 03-FEB-2017) for Hanson, Tony (78 hours) requires approval</td>
</tr>
</tbody>
</table>

A. Select the expense report notification by clicking on the notification,

B. OR from **full list**, check the box to the left of the notification and click “Open”.
1. **Available Actions:**

   - **Approve** – This action will approve the requisition. If the Approval limit of the Approver is sufficient to approve then the PR is approved otherwise it moves to next level of Approver in the hierarchy.
   - **Reject** – This action will reject the requisition and requestor will be notified through the notification.
   - **Reassign** – By clicking this button and entering an employee name, the notification is reassigned to that employee.
   - **Request Information** – By clicking this button the requestor of the requisition will be notified to provide more information to the Approver on the requisition.

2. **Corporate Credit Card Expenses**, Merchant name, expense type, cost center, justification.

3. **Previously Submitted Expenses**. Expand this to see list of previously submitted expenses.
4. **Approval Notes.** Expand this to see approval notes history.
5. **Approvals History.** List of approvers in the approval string.
6. **Related Applications.** Click on the Expense Report Details to view additional expense report details.
7. **Response notes.** Enter approval notes if required.

### V. APPROVAL NOTIFICATIONS THROUGH EMAIL OR SMARTPHONE/TABLET

#### A. APPROVE NOTIFICATION BY EMAIL OR SMARTPHONE

All Oracle notifications will also be sent to your email. All the information necessary to make an approval decision will be with the email notification. If you are viewing the notification while logged into your Oracle worklist, you will be able to click on the “Additional Details” button and view the additional details of a requisition or expense report.
1. From the email notification, click on the Approval buttons at the bottom of the email. Click Approve.

![Email Approval Screen](image)

2. Click Send.

B. FORWARD AN APPROVAL NOTIFICATION THROUGH EMAIL OR SMARTPHONE

![Smartphone Approval Screen](image)

1. The email notification can be forwarded to another approver through email.
2. Click on Approve and Forward or Forward.
3. Enter the user name (first initial and last name of the Oracle user) between the single quotation marks, click Send.
VI. VACATION RULES

Vacation rules for approval notifications can be set to automatically route to another person while you are on vacation.

1. From the Home screen Worklist, click Vacation rules.

2. Click Create Rule.

3. Select the type of notification to create the vacation rule. Do not choose “All” as there could be personal notifications that you would not want to route to another individual.

4. Click Next.
5. Select All.
6. Click Next.

7. Enter start and end dates, a message to the person you are transferring notifications to,
8. Select Employee and enter employee name,
9. Select **Delegate** your response,
10. Click **Apply**.

11. The vacation rule can be updated to change dates or delegated individual, deleted.
   Create new rules for each type of notification required to delegate.
12. The vacation rule will change to inactive when the active dates have passed.
### Summary of Employee Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>2018 Actual</th>
<th>Adjustments</th>
<th>Budgeted 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel and Lodging - Employee</td>
<td>$1,261,813</td>
<td>$(29,287)</td>
<td>$1,232,526</td>
</tr>
<tr>
<td>Travel and Lodging - Vice President / Ten Highest Paid</td>
<td>69,449</td>
<td>(22,751)</td>
<td>46,698</td>
</tr>
<tr>
<td>Food and Beverage - Employee</td>
<td>409,495</td>
<td>(108,240)</td>
<td>301,255</td>
</tr>
<tr>
<td>Food and Beverage - Vice President / Ten Highest Paid</td>
<td>16,884</td>
<td>(15,489)</td>
<td>1,395</td>
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<tr>
<td>Board Expenses and Compensation</td>
<td>1,318,558</td>
<td>(49,920)</td>
<td>1,268,638</td>
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<tr>
<td>Recreation and Entertainment</td>
<td>3,516</td>
<td>(3,516)</td>
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<tr>
<td>Expenses of Ten Highest Paid Employees</td>
<td>318,796</td>
<td>(39,268)</td>
<td>279,528</td>
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<tr>
<td>Dues and Subscriptions</td>
<td>956,249</td>
<td>(39,565)</td>
<td>916,684</td>
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<tr>
<td>Gifts</td>
<td>148,051</td>
<td>(38,899)</td>
<td>109,152</td>
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<tr>
<td>Registration / Fees / Parking / Other</td>
<td>474,394</td>
<td>(41,786)</td>
<td>432,608</td>
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<tr>
<td>Aircraft</td>
<td>-</td>
<td>-</td>
<td>[3]</td>
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<tr>
<td>Lobbying</td>
<td>-</td>
<td>-</td>
<td>[3]</td>
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<tr>
<td><strong>Total Employee Expenses</strong></td>
<td>$4,977,205</td>
<td>(388,721)</td>
<td>4,588,484</td>
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<tr>
<td>Incidental lobbying - related costs included in Regulated O&amp;M</td>
<td>(48,284)</td>
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<td>(48,284)</td>
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<tr>
<td><strong>Total Employee Expense Adjustment including Incidental lobbying - related costs included in Regulated O&amp;M</strong></td>
<td>$(437,005)</td>
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<td><strong>$4,540,200</strong></td>
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<tr>
<td><strong>Total Employee Expenses Net of Lobbying</strong></td>
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[1] Adjustments are based on the review of the 2018 actual expenditures, as specific expense justifications do not exist in budget data.

[2] The adjustment for Board of Directors Compensation and Expenses utilizes 2020 budget data as this information is readily available.

[3] Aircraft and lobbying costs are non-regulated expenses and therefore no adjustment is necessary.
### Key Word Search List

<table>
<thead>
<tr>
<th>Minnesota Power</th>
<th><strong>Accomplishment</strong></th>
<th><strong>Event</strong></th>
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<td>Outing</td>
<td>United Way</td>
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<td>AEIC</td>
<td>Farewell</td>
<td>PAC</td>
<td>Veterans</td>
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<td>AGA</td>
<td>Festival</td>
<td>Party</td>
<td>Video</td>
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<tr>
<td></td>
<td>Alcohol</td>
<td>First Day</td>
<td>Picnic</td>
<td>Wedding</td>
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<td>American Gas</td>
<td>Fish</td>
<td>Pie</td>
<td>Welcome</td>
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<td>Appreciation</td>
<td>Fleece</td>
<td>Pipeline</td>
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<td>Award</td>
<td>Flower(s)</td>
<td>Political</td>
<td>XMAS</td>
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<td>Baby</td>
<td>Fruit</td>
<td>Pop</td>
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<td>Fundraiser</td>
<td>Popcorn</td>
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<td>Bakery</td>
<td>Funeral</td>
<td>Powerade</td>
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<td></td>
<td>Bar(s)</td>
<td>Game</td>
<td>Prize</td>
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<td></td>
<td>Beer</td>
<td>Gatorade</td>
<td>Propel</td>
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<td>Bereavement</td>
<td>Germany</td>
<td>Puerto Rico</td>
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<td>Beverage</td>
<td>Get Together</td>
<td>PUC</td>
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<tr>
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<td>Gift</td>
<td>Recognition</td>
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<td>Recreation</td>
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<td>Brand</td>
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<td>Hunt</td>
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<td>Drink(s)</td>
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<td>NTEC</td>
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