



What is a rate review?

Minnesota Power, as a regulated energy company, charges its customers rates to recover the cost of producing and delivering safe and reliable power to the homes and businesses in its service area. When those costs increase or projected revenue changes, we submit a plan to state regulators, who review our costs to ensure they are prudent and reasonable. State regulators must authorize any changes in rates before they are charged to customers. This independent rate review is a normal part of our business process.

When was the last rate review?

Minnesota Power last filed a rate review request in 2019, but it was quickly withdrawn after the COVID-19 pandemic hit. Current customer rates were determined in our 2016 rate review. Minnesota Power has completed only three full rate reviews in the past 25 years.

What is the company requesting?

Minnesota Power has filed a rate review request with the Minnesota Public Utilities Commission (MPUC) to increase its electric rates by approximately \$108 million or about 18% overall. If approved, the average residential customer would see about a \$15 increase on their monthly bills.

While the MPUC reviews our request, state law allows Minnesota Power to collect higher rates on an interim basis. Minnesota Power requested the MPUC approve an interim rate increase of 14%, or about \$11.78 per month for the average residential customer, to be implemented in early January 2022. The interim rate will remain in effect until a decision is made on final rates. If final rates are lower than the interim rates, we will refund the difference with interest. If final rates are higher than the interim rate, we will not collect the difference.

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

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

- Become coal-free by 2035.
- Reach a carbon-free energy supply by 2050.
- Create a more resilient electric grid that is safe and reliable.
- Reduce carbon emissions by 80% by 2035 while increasing our renewable mix to 70% by 2030.
- Offer more opportunities for customers to control their energy use and their monthly bills.

How does the company's *EnergyForward* plan benefit customers?

Minnesota Power's *EnergyForward* strategy meets customer needs by transitioning to a carbon-free energy supply without sacrificing safety, reliability or affordably priced energy. We are already halfway to our goal, delivering 50% renewable energy to our customers. The plan invests in a stronger transmission and distribution system to deliver energy, provides customers with services and programs to allow them to control their energy use, offers low-income customers ways to manage their bills and exceeds the state's conservation goals (for 11 straight years).

How do Minnesota Power rates compare with other companies?

During our *EnergyForward* transformation, we have strived to keep customer costs down while also achieving the highest percentage of renewable energy among Minnesota utilities. We currently offer one of the lowest residential rates in Minnesota.

Will all customers see the same final rate increase?

Generally, yes. However, customers who are signed up for our dual fuel program will see a lower increase. Also, we have proposed ways for all customers to reduce their rates based on how and when they use energy. We are also providing new protections for low-income customers to ensure they receive the energy they need during the coldest winters and hottest summers. However, the MPUC will determine how this rate request affects different customer classes.

What does Minnesota Power do to hold down costs?

We work hard to hold down costs, making energy a greater value for our customers. For example, we've held down our operations and maintenance expenses to 2010 levels for more than a decade. However, we also know that the transition to a carbon-free energy supply is a complex endeavor, and we are asking state regulators to approve all costs necessary to achieve the carbon-free vision reliably and safely.

What can I do to reduce my bill?

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

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

Minnesota Power offers conservation resources specifically for low-income customers to help decrease overall energy consumption and lower electric bills. Minnesota Power also recently made significant enhancements for income-eligible customers, by nearly doubling the amount of support offered through its Customer Affordability of Residential Electricity (CARE) program and providing a special discount for usage-qualified low-income customers so they will continue to experience some of the lowest average bills in the state. Minnesota Power is also a partner in delivering the benefits of solar power to low-income customers through Minnesota's first Low-Income Solar Program.

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

Minnesota Power recently obtained MPUC approval to increase assistance for customers who find it difficult to pay their monthly energy bills. We also partner with community programs to connect customers with other help like energy assistance.

Information about these energy assistance programs can be found at www.mnpower.com/CustomerService/AssistancePrograms.

Where can I get more information about the rate review?

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

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

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

Yes, the MPUC will accept written input from the public, state agencies and other community stakeholders before setting final rates. Details are online at the MPUC website. Public hearings will be scheduled, locally or virtually, during the process.

Why should customers pay more when Minnesota Power's customer energy demand changes?

Minnesota Power's customer profile is unique, in that more than half of our energy demand comes from large industrial customers. These customers use energy 24 hours per day and fully utilize our system, creating efficiencies that result in affordable rates for all customers. In contrast, our residential customers are only 13% of our sales. When customer demand changes, the fixed costs of maintaining a safe and reliable grid for our 145,000 customers don't change, so state regulators determine in their review how those costs are covered by new rates.

What would happen if Minnesota Power gains a large industrial customer after the rate case?

We are proposing a new sales adjustment mechanism that could change rates annually based on changes in sales to large industrial customers. If the MPUC adopts this, regulators would review sales to industrial customers each year when there are large swings, and rates for all customers (including residential) could be raised or lowered. If approved, all customers would benefit when a large industrial customer is added.

Why should investors in Minnesota Power be guaranteed a rate of return?

State regulators establish a maximum return on equity as part of their rate review. In practice, this maximum is rarely reached because we generally have unforeseen cost and revenue changes between rate reviews that reduce the return to investors. A fair rate of return helps customers by ensuring we can obtain enough capital, at a low interest rate, for our investments in ensuring delivering safe, reliable and cleaner energy. If a utility does not offer a fair rate of return, it becomes more difficult to make those investments affordably.

Here's how our proposed rate change will affect monthly bills

Customer Classification	Avg. monthly kWh usage	Avg. current monthly cost	Interim monthly increase	Proposed final monthly increase
Residential	701	\$82.76	\$11.78	\$15.08
Residential Dual Fuel	1,013	\$94.04	\$13.38	-\$0.42
General Service	2,581	\$301.93	\$42.96	\$55.09
Commercial & Industrial Dual Fuel	3,654	\$324.01	\$46.11	\$1.85
Large Light & Power	247,815	\$21,772.72	\$3,098.26	\$3,938.50
Large Power	51,654,952	\$3,635,297.83	\$517,302.88	\$558,488.32
Street & Area Lighting	224	\$60.95	\$8.67	\$11.11