



Minnesota Power has filed its 2024 electric rate proposal with the Minnesota Public Utilities Commission (MPUC) as it continues the transition to a resilient clean-energy future through its **EnergyForward** strategy. The rate proposal supports the investments needed to build a sustainable carbon-free future for the region and the state.

Minnesota Power became the first utility in the state to deliver 50% renewable energy to its customers in 2020 and was nearly 60% renewable in 2022 with a goal of being more than 70% renewable by 2030, all while safeguarding reliable service to its 150,000 customers. The 2024 proposal

includes an additional \$89 million in revenue to support the goals of **EnergyForward** and the costs associated with producing and delivering 24/7 electric service to customers. It will also ensure the company can hire and retain the workforce necessary to execute innovative projects that increase renewable resources, preserve reliability to homes and businesses, and provide programs and services that help customers control their energy use and monthly bills.

The following Q&A will help answer some of the most frequent questions we get from customers during our public and transparent rate reviews.

How are utility rates reviewed?

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 sales change, we submit a plan for proposed rates to state regulators, who review our costs to ensure they are fair 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 and occurs as often as is determined necessary by Minnesota Power based on investments and sales forecasts.

What is the company requesting?

Minnesota Power has filed its 2024 proposal with the Minnesota Public Utilities Commission (MPUC), increasing its approved regulated expenditures by approximately \$89 million or about 12% overall. If approved, the average residential customer would see about an \$11 increase on their monthly bills. This proposal includes a combination of an increase to base rates and a reduction in the Minnesota Policy Adjustment line item on your bill.

Next Steps

While the MPUC reviews our proposal, state law allows Minnesota Power to collect higher rates on an interim (temporary) basis. Minnesota Power requested the MPUC approve a net interim rate increase of 8.6%, or about \$8 per month for the average residential customer, including the Minnesota Policy Adjustment line-item reduction. Interim rates are expected to be implemented in early January 2024 and will remain in effect until a final decision is made on Minnesota Power's proposal. If final rates are lower than the interim rates, Minnesota Power will refund the difference to customers with interest. If final rates are higher than the interim rate, the new rates go into effect at a date determined by the MPUC.

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

Our rate filing reflects changes in customer demand, increasing operating and maintenance expenses due to inflation, and recovery of costs associated with regulatory obligations since our last rate proposal filed in 2021. 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 goals of our **EnergyForward** plan:

- Become coal-free by 2035;
- Increase our renewable energy supply through the addition of up to 700 megawatts of solar and wind generation;
- Invest in a resilient electric grid to safeguard the delivery of reliable energy;
- Reduce carbon emissions by 80% by 2035 while increasing our renewable energy supply to more than 70% by 2030;
- Achieve a safe and reliable carbon-free energy supply at competitive prices; and
- Offer more opportunities for customers to control their energy use and their monthly bills.

How does the company's EnergyForward strategy 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. 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 13 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. If the MPUC approves our proposal, our total monthly residential bills would remain among the lowest in the region and below the national average.

Will all residential customers see the same percentage rate increase?

Generally, yes. However, there are protections for income-eligible residential customers to ensure they receive the energy they need during cold winter and hot summer days. In addition, we offer a Time-of-Day Rate, which is based on not just how much, but when, customers use energy. The MPUC will determine how this rate request affects different customer classes, and we have proposed ways for all customers to reduce their rates based on how and when they use energy.

What does Minnesota Power do to hold down costs?

We work hard to make energy a greater value for our customers and have kept operation and maintenance expenses below the rate of inflation for many years. We recently received \$65 million in federal and state grants to help cover costs of our proposed project to modernize our high-voltage direct-current transmission line, and continue to pursue opportunities for federal and state funding to help reduce costs for customers. Despite these efforts, inflation and supply chain challenges in recent years have increased our costs. We also know that the transition to a reliable 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. Through these programs, we offer rebates for energy efficiency investments. We also offer a Time-of-Day rate, to shift your consumption to other times of the day when energy demand is lower. The rate offers price breaks for customers who can commit to shifting their energy use from high-demand, or on-peak, hours to lower-demand, or off-peak or super-off-peak, hours. As the energy transition continues, engaging customers through rate offerings like this will be even more important. We encourage you to call us or go to our website for more information.

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 to moderate-income customers?

Minnesota Power offers conservation resources specifically for income-eligible customers to help decrease overall energy consumption and lower electric bills. We include an income- and usage-qualified discount as part of our base residential rates where we determine eligibility using the existing energy assistance application process or a straightforward self-declaration process, along with usage information in our billing system. Minnesota Power also recently made significant enhancements to its Customer Affordability of Residential Electricity (CARE) program, expanding eligibility and increasing bill discounts for eligible customers. 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. This is through our income- and usage-qualified discount and our CARE program. We also partner with community programs to provide that energy assistance. Information about these energy assistance programs can be found at www.mnpower.com/CustomerService/AssistancePrograms.

Where can I get more information about this rate proposal?

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 will be online at the MPUC website. Public in-person and virtual hearings will be scheduled during the process.

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

State regulators establish a maximum authorized return on equity as part of their review of our rate proposals, but not a guaranteed rate. In theory, it makes capital for investments in *EnergyForward* easier to obtain. In practice, this maximum authorized amount is rarely if ever reached because we generally have unforeseen cost and revenue changes between rate reviews that reduce the return to investors. For customers, a fair rate of return ensures we can obtain enough capital for our investments needed to deliver safe, reliable and cleaner energy. If a utility does not receive a fair rate of return, it becomes more difficult to make those investments affordably.

Here's how our proposed rate change would affect monthly bills*

Customer Classification	Avg. monthly kWh usage	Avg. current monthly cost	Net interim monthly increase	Proposed final net monthly increase
Residential	691	\$94	\$8	\$11
Residential Dual Fuel	970	\$96	\$8	\$11
General Service	2,683	\$361	\$31	\$43
Commercial & Industrial Dual Fuel	3,598	\$344	\$30	\$45
Large Light & Power	258,754	\$26,403	\$2,293	\$3,172
Large Power	49,194,469	\$3,999,252	\$344,917	\$478,966
Lighting	156	\$64	\$5	\$8

*These are our proposed rates. Amounts for the interim and final rates may vary.