

Minnesota Power has asked the Minnesota Public Utilities Commission (MPUC) for an increase in electricity rates.

The requested increase is \$55.1 million or about 9 percent overall. While the MPUC reviews our request, state law allows Minnesota Power to collect higher rates on an interim (temporary) basis. The MPUC has approved an overall interim rate increase of \$34.7 million, or about 5.6 percent, for all Minnesota Power customers. The increase is effective for service rendered on or after January 1, 2017.

The rate increase appears on your bill as "Interim Rate Adjustment." It applies to all major components of your bill. For residential and small general service customers, those charges include the monthly minimum charge and energy charges. For all other customers, the increase applies to the customer charge, energy charges, and the demand charge. The interim rate adjustment is billed as a 5.6 percent increase or about an additional \$4 a month for the average residential customer.

The MPUC will have up to 15 months to evaluate our request and will make its decision regarding final rates by early 2018. If final rates are lower than interim rates, Minnesota Power will refund customers the difference with interest. If final rates are higher than interim rates Minnesota Power will not charge customers the difference.

Why is Minnesota Power asking for an increase?

Our current rates were set in 2010. Since then we've invested in transmission, distribution and generation infrastructure and cleaner energy resources to ensure safe, reliable and cleaner sources of energy for customers. Now state regulators will review these expenditures and determine the way to recover those costs.

What is the process for reviewing Minnesota Power's request?

The MPUC, the Minnesota Department of Commerce – Division of Energy Resources, the Office of the Attorney General – Residential Utilities and Antitrust Division, public interest groups, and customers will review and investigate our proposal.

The MPUC will hold public hearings and accept written comments about our rate request. Customers and others will be able to comment on our rate request at the public hearings. You may add verbal comments, written comments, or both into the record.

Notice of the public hearing dates and locations will be published in local newspapers, in bill inserts and online at www.mnpower.com/2016RateReview and mn.gov/puc.

Submit comments

Minnesota Public Utilities Commission

121 7th Place East, Suite 350
St. Paul, MN 55101
651-296-0406 or 1-800-657-3782

mn.gov/puc

Select Speak Up!, find this docket (16-664), and add your comments to the discussion.

How to learn more

Minnesota Power's current and proposed rate schedules are available at:

Minnesota Power

30 W Superior Street
Duluth, MN 55802
800-228-4966

www.mnpower.com/2016RateReview

Minnesota Department of Commerce

85 7th Place East, Suite 500
St. Paul, MN 55101
651-539-1534

mn.gov/puc

Select eDockets, then type 16 in the year field, type 664 in the number field, select Search, and the list of documents will appear on the next page.

Citizens with hearing or speech disabilities may call through their preferred Telecommunications Relay Service.



Interim change in electric rates

Your Minnesota Power bill is changing.

In effect January 1, 2017



Your bill is also changing with the addition of two new line items that will now appear on all customer bills:

1. **Boswell Energy Center 4/Renewable Resource Adjustment/Transmission Adjustment (refers to line item titled Bos4/Renew/Trans Base)**—Includes costs associated with investments in renewable energy resources, transmission project costs, and investments made in environmental upgrades to Boswell Unit 4 that will be rolled into base rates. The three existing line items on your bill for these costs, the Renewable Adjustment, the Transmission Adjustment and the Boswell 4 Plan Adjustment, have been reduced.
2. **Fuel/Purchased Energy**—This is the amount of the average budgeted fuel and purchased energy costs for 2017 that was previously included in the Resource Adjustment line item on your bill. The Resource Adjustment line item on your bill will reflect any costs over or under the budgeted amount.

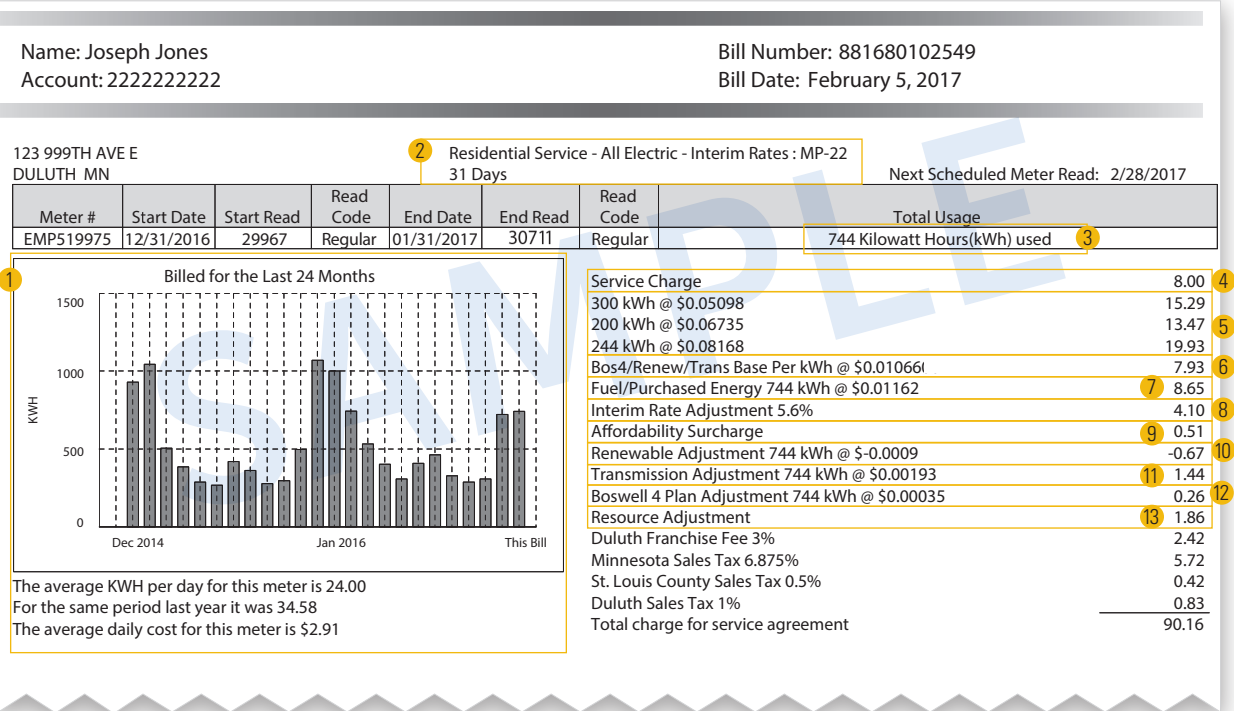
Here's how these rate changes will affect monthly bills:

The proposed rate increase will affect individual monthly bills differently, depending on the amount of electric usage and customer type. The table below shows the average, interim and proposed rates for each customer type. The table also reflects a reduction in the Renewable Adjustment line item found on your bill. For most customers that reduction will significantly offset the impact of the interim rate increase, resulting in an increase of less than 1 percent.

Customer Classification	Average monthly kWh usage	Previous monthly cost		Interim monthly increase		Renewable Adjustment Charge		New TOTAL monthly cost with interim and renewable adjustments	2018 Additional proposed final monthly increase*
Residential	744	\$81	+	\$4	−	\$4	=	\$81	\$11
Residential CARE	778	\$66	+	\$3	−	\$4	=	\$65	\$11
Residential Dual Fuel	1,119	\$102	+	\$5	−	\$6	=	\$101	\$5
General Service	2,670	\$298	+	\$15	−	\$15	=	\$298	\$13
Commercial & Industrial Dual Fuel	4,278	\$370	+	\$18	−	\$25	=	\$363	\$20
Municipal Pumping	6,220	\$675	+	\$34	−	\$36	=	\$673	\$33
Large Light & Power	297,246	\$25,664	+	\$1,273	−	\$1,706	=	\$25,231	\$962
Large Power	55,771,981	\$3,629,658	+	\$190,316	+	\$51,463	=	\$3,871,437	\$35,693
Street & Area Lighting	364	\$61	+	\$3	−	\$2	=	\$62	- \$3

*If the \$55.1 million increase we requested is approved by the MPUC in early 2018, the average residential bill will increase from \$81 a month to \$92.

The example provided below is designed to give you a detailed description of the items on your Minnesota Power bill.



- 1 This graph depicts a two-year record of your electric power (kilowatt-hour) use.
- 2 The **Residential Service Rate** code identifies your classification of service. This example is of a single family dwelling.
- 3 **Total kilowatt-hours (kWh)** used during a billing period.
- 4 **Service Charge** is the minimum monthly fee which covers the cost of connection to our system.
- 5 The amount you are charged per kWh varies depending on your monthly usage. There are three separate rate blocks; the more electricity you use, the more you will pay per kWh. The fee for your monthly energy usage is the **Total Energy Charge**.
- 6 **Bos 4/Renew/Trans Base** — See line item description 1 to the left for a full explanation.
- 7 **Fuel/Purchased Energy** — See line item description 2 to the left for a full explanation.
- 8 **Interim Rate Adjustment 5.6%**
- 9 The **Affordability Surcharge** on your bill, \$0.51 per month, recovers the costs of a rate affordability discount program for income-qualified residential electricity customers.
- 10 The **Renewable Adjustment** charge includes the costs for additional renewable energy and transmission to deliver this energy to our system. We are investing in renewable energy projects as economically as possible to meet Minnesota's Renewable Energy Standard of 25 percent renewable energy by 2025.
- 11 The **Transmission Adjustment** charge includes costs for new transmission facilities that are necessary for reliable delivery of the electricity to customers.
- 12 The **Boswell 4 Plan Adjustment** charge includes the costs of mercury and other environmental controls installed on Boswell Energy Center Unit 4 required by the Minnesota Mercury Reduction Act.
- 13 The **Resource Adjustment** is a combination of two charges. The first portion of this charge is applied to the cost of our state mandated Conservation Improvement Program which promotes energy conservation through education and outreach. The second portion is fuel and purchased energy which is based on the fluctuating cost of fuel used in our generating stations and power purchased from other energy providers when needed. Due to the varying costs of fuel, this line item will vary from month to month.