

FAQs

What Happens Now?

Right now, our request to adjust rates is just that – a request. It is our job to work with the Minnesota Public Utilities Commission as they evaluate our request on its merits. It is their job to make sure they understand the facts of our case and that you are treated fairly in this process, and they are very good at their job.

The review process will take approximately one year and there will be opportunities for the public to comment. In the meantime, Minnesota law allows the MPUC to set what are called “interim rates,” following a preliminary review of our filing. The company has requested that interim rates be implemented in early 2010. Depending on the outcome of the MPUC review, these rates would then be adjusted in accord with the final regulatory decision. If the final decision is less than the original request, there would be a refund to customers. It’s a months-long process designed to ensure customers’ interests are served.

What’s the bottom line for me?

If the rate increase is approved as suggested, it would mean the average residential customer using 755 kWh per month would see an increase of about \$13 on each bill. But that dollar amount could vary for a number of reasons. The final cost on every bill can be influenced by everything from customer usage to the current cost of fuel to make power. These are all separate factors that make up the final price even though our base rates have gone up due to our most recent previous request. Overall customer bills actually have stayed flat since 2007 as MP has worked hard to take advantage of falling fuel and power prices.

How Can I Find Out More?

We know utility rate increases are not an everyday subject. We appreciate the opportunity to answer your questions and there are a variety of ways for you to contact us. You can join us online at www.straightenergyanswers.com where you can find more information and post questions. You can also call our Customer Call Center at 1-800-228-4966.

Changes to your electric rates are coming.

What are they and what’s in it for you?

(800) 228-4966
straightenergyanswers.com

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Minnesota Power has asked the Minnesota Public Utilities Commission (MPUC) for an increase in the rates we charge our customers. The additional revenue will help to pay for a stronger electric power system and a cleaner, healthier environment for our region.

Give it to me straight.

Whether it's the water bill or the price at the pump, our daily necessities seem to be costing more. Until recently, Minnesota Power's rates were an exception to this rule. In our most recent rate case, we received approval to raise our rates by about \$6 per month for the average residential customer – an increase that officially went into effect this fall.

While \$6 may not sound like a lot of money, we hadn't raised our rates in more than 14 years prior to this increase. So it was a big deal to us. When we asked the regulators to approve this increase we said we would be asking for other increases during the coming years because of ongoing system investments. Now it is time for us to again request an increase in rates.

Why now?

Minnesota Power recently asked the Minnesota Public Utilities Commission (MPUC) to raise rates by \$81 million and shift \$14 million in line items currently reflected on customers' bills into base rates. That sounds like a lot of money. If we were you, our first questions would be why now and what's in it for me?

The production and delivery of electric energy is undergoing major changes. As a utility, we are investing in our system so we can continue to provide reliable, efficient and cleaner energy to our customers. From maintaining our existing fleet, to environmental upgrades, to bringing more renewable energy online, we continue to make significant phased investments in our plants, lines and systems. This investment has been under way for several years and is causing a series of rate increases right now.

What's in it for me?

We could give you several explanations about our rising expenses, such as legislative mandates and the ever increasing costs of the fuel used to create electricity. And all of these examples are legitimate reasons to request increased rates. But the truth is, we are asking for this increase because the investments we're making will help keep Minnesota Power a strong electricity supplier, keep Minnesota's environment healthy and allow us to continue providing reliable power to our customers, just as we have done for more than a century. Simply put, we believe the benefits funded by this request are necessary for our customers.

You probably are asking whether this request makes sense during an economically challenging time, so let's answer the second question: What's in it for you?

Here's a breakdown of the \$81-million increase:

\$46 Million for environmental upgrades

The largest portion of the proposed increase directly benefits the environment through significant upgrades to the company's pollution controls and performance at the Boswell Energy Center in Cohasset. The upgrades, which were first announced in 2006, are expected to immediately reduce pollutants emitted from the second largest generator at this fossil fuel power plant by 80 to 90 percent.

Boswell complies with existing environmental regulatory requirements but new regulations are on the horizon. Meeting the expectations of our customers and policymakers is important to us, and so is planning for the future. While wind, biomass and hydro-power will be increasingly important resources at Minnesota Power, we know our customers also want and need the competitively priced power produced at the Boswell facility. This investment will ensure Boswell continues to provide power for decades to come, while meeting even the most stringent environmental standards.

\$3 Million for a powerline to deliver renewable energy

It's no secret that we have invested in renewable power such as our wind projects in North Dakota. We plan to add hundreds of megawatts of wind-generated electricity from this region over the next several years. In order to get that power from the plains of North Dakota to our customers, we are purchasing an existing high-voltage transmission line that connects our system with this wind rich region. Purchasing this line is significantly less expensive than building a new one and it is an important part of our renewable efforts.

Once the purchase receives regulatory approval, we will need to cover maintenance expenses and investment costs that come with adding the line to our portfolio. For our customers, this investment will further ensure we are able to meet the renewable power commitments that are a part of our system's future.

\$8 Million to maintain infrastructure

Minnesota Power serves 144,000 electric customers. To meet their needs, we work hard to maintain more than 7,945 miles of power lines that deliver vital energy to your home. That's enough power line to stretch from Duluth, MN to New York, NY, down to Tampa Bay, FL, over to Los Angeles, CA, up to Seattle, WA, then back to Duluth with enough line left over to run to Minneapolis. More than 100 line workers invest thousands of hours each year to keep up with maintenance and replacement of this vast system.

This investment in maintenance continues to pay off. Our customer satisfaction score last year was 95 percent, and even in one of the most challenging climates in the U.S., we were able to keep the lights on 99.98 percent of the time.

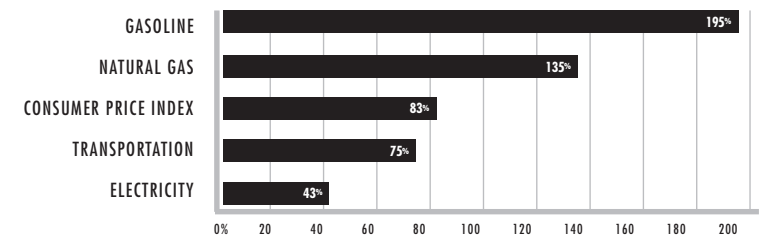
Through the heat of summer or the dead of winter, we know you count on your power being there when you flip the switch. Ongoing maintenance is necessary for that to happen.

\$24 Million to maintain essential service in a tough economy

We're all taking necessary actions in the face of a tough economy. For us, that has meant taking a hard look at our staffing levels this year, reducing our workforce and instituting pay freezes to cut costs. Even so, there is a major difference between us and many other businesses—power is our only product and our customers need and depend on it whether at home or work. That means when times are tough, we can't simply cut back on what we supply, or the service that supports it.

As a result, this new rate request covers revenue lost because of the recession and labor-related increases. An adequate level of revenue is necessary to maintain the level of service our customers deserve and expect. In an ideal world, a healthy economy would help to support the investments we need to make sure the lights come on when you flip the switch. Our primary responsibility is to keep power flowing to you, and we're taking a necessary step via a rate adjustment request to make sure that happens by maintaining the ability to invest in our system.

CHANGES IN ELECTRICITY PRICES COMPARED TO OTHER CONSUMER PRODUCTS: 1987-2007



SOURCES: U.S. DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS (BLS), AND U.S. DEPARTMENT OF ENERGY, ENERGY INFORMATION ADMINISTRATION (EIA).

Clean, Reliable Energy We All Can Be Proud Of

Minnesotans believe in developing cleaner power. Our customers and our elected officials have made it clear that renewable power needs to play a big role in the state's energy future.

Minnesota's 25 percent renewable power by 2025 goal is aggressive and it also happens to be the right thing to do.

We are committed to this goal and we are looking hard at the best ways to create greener power using wind, water, biomass and significant upgrades to traditional power plants that use fossil fuels.