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NEWS

Minnesota Power proposes next step in *EnergyForward* plan

Wind, solar and natural gas package will increase company's renewable mix, reduce carbon and preserve reliability for customers

DULUTH, Minn. – Minnesota Power, a utility division of ALLETE (NYSE:ALE), today announced the next step in its *EnergyForward* strategy for ensuring a safe, reliable and competitive energy supply for customers and the region. If approved by regulators, the resource package coupled with the company's existing renewable resources will result in renewable resources providing 44 percent of the company's energy supply by 2025, further reducing carbon emissions while keeping rates affordable.

In an upcoming filing with the Minnesota Public Utilities Commission (MPUC), Minnesota Power will request the addition of 250 megawatts of wind power capacity, an additional 10 megawatts of solar power and 250 megawatts of combined-cycle natural gas generation to meet customer demand for power, which is projected to grow throughout the region. The new resources will increase the company's already robust wind portfolio of 620 megawatts and double its solar generation.

"For the past four years, *EnergyForward* has been exceeding expectations for how an energy company can transform the way it produces and delivers energy," said Brad Oachs, president of Regulated Operations. "We look forward to working with our customers and regulators to continue down the path toward a safe, reliable, cleaner and affordable energy future."

With approval of the proposed resource package by the MPUC, renewable energy resources— including wind, Canadian hydro, solar and biomass—will account for 44 percent of the utility's energy supply portfolio, exceeding the initial *EnergyForward* goal of one-third renewable power. Minnesota Power's long-term goal is an energy mix of two-thirds renewable energy and flexible, renewable-enabling natural gas and one-third environmentally compliant baseload coal.

Natural gas is an essential component of the resource package to be filed with regulators. Without this plant, Minnesota Power would be reliant on fluctuating wholesale market prices when sun and wind resources aren't available, increasing overall costs over the long-run.

"Through a unique partnership with Dairyland Power Cooperative and access to a competitive natural gas supply, this approximately \$350 million investment will further balance Minnesota Power's energy mix while contributing meaningful growth for ALLETE's shareholders," said ALLETE Chairman, President and CEO Al Hodnik. "Minnesota Power's *EnergyForward* investments and industrial load prospects complement nicely the nexus of energy and water growth initiatives already announced and additional opportunities being pursued by ALLETE Clean Energy and U.S. Water. The ALLETE of today is a stronger and much more balanced company, with each of its businesses providing attractive growth and diversity consistent with our overall growth thesis."



Minnesota Power will file later this summer with the MPUC requesting approval of the resource package. After filing, state regulators will open a formal review process to consider Minnesota Power's request. After input from stakeholders and the public, a final determination is expected in the latter half of 2018.

The details of Minnesota Power's proposal include:

- Natural gas. Minnesota Power is proposing a joint ownership structure with Dairyland Power Cooperative to build a state-of-the-art 525- to 550-megawatt combined-cycle natural gas power plant in Superior, Wisconsin. Minnesota Power would purchase approximately 50 percent of the plant's output (250 megawatts) from an ALLETE subsidiary starting in 2025 to serve customer load, stabilizing energy supply for times when renewable energy capability is lower. The project will create an estimated 260 construction jobs and employ approximately 25 full-time workers.
- Wind. Minnesota Power conducted a robust competitive process as part of its 2015 Integrated Resource Plan. An independent, third-party evaluator reviewed the bids and recommended a 250-megawatt, 20-year purchase power agreement (PPA) with independent power producer Tenaska, to be located in southwestern Minnesota. In addition to providing the lowest overall cost among the wind farm bids, Tenaska's Nobles 2 Power Partners wind farm will offer greater geographic diversity among Minnesota Power's wind resources and a highly efficient wind resource. Minnesota Power has an option to purchase the wind farm after 10 years of production.
- Solar. To achieve the state's solar requirements, the Minnesota Power package proposes to add 10 megawatts of solar power by 2020 through a 25-year PPA with Cypress Creek Renewables. The addition will complement the current 10-megawatt Camp Ripley project that was completed last year and will be placed within Minnesota Power's distribution system near Royalton in central Minnesota. The agreement includes an option for Minnesota Power to purchase the array.

Minnesota Power already is meeting or exceeding state standards for renewable power, energy conservation and carbon emission reduction through fleet transition of smaller coal units and the addition of renewable energy. The company has already achieved a 25 percent renewable energy mix well ahead of Minnesota's goal of 25 percent by 2025. Minnesota Power expects to reduce carbon emissions on its system by about 40 percent by 2030 compared with 2005 levels.

"We believe this resource package is the best way to meet changing customer expectations for clean energy while preserving safe, affordable and reliable supplies of energy for the customers who depend on us to power homes, schools, hospitals and the natural resource based industry that fuels our region's economy," Oachs said.

Minnesota Power provides electric service within a 26,000-square-mile area in Northeastern Minnesota, supporting comfort, security and quality of life for 145,000 customers, 16 municipalities and some of the largest industrial customers in the United States. More information is available at www.mnpower.com. ALE-CORP

The statements contained in this release, and statements that ALLETE may make orally in connection with this release that are not historical facts, are forward-looking statements. Actual results may differ materially from those projected in the forward-looking statements. These forward-looking statements involve risks and uncertainties and investors are directed to the risks discussed in documents filed by ALLETE with the Securities and Exchange Commission.

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