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AN ALLETE COMPANY

## ***NEWS RELEASE***

### **Superior Water, Light and Power Company requests rate changes to support system improvements, enhance reliability**

Superior, Wis. — In its ongoing efforts to serve customers reliably, safely, and sustainably, Superior Water, Light and Power Co. (SWL&P) filed an application today with the Public Service Commission of Wisconsin (PSCW) for authority to increase water and electric rates to cover the costs of replacing aging infrastructure. The company, a wholly owned subsidiary of ALLETE Inc. (NYSE:ALE), has served customers in northwestern Wisconsin for more than 125 years.

The last rate adjustment requested by SWL&P was four years ago, in 2012, and was authorized by the PSCW in 2013. The rate adjustments being requested in today's filing reflect four years of changes in operating revenue, operating expenses and customer base.

In today's filing, SWL&P requested an overall rate increase of about \$2.7 million, which would result in a 3.46 percent increase in electric rates and a 7.83 percent increase in water rates. SWL&P also requests to reduce natural gas rates by 1.34 percent.

The water rate increase will help fund a planned \$2 million replacement of century-old water mains along Belknap Street that will start in 2017 and be completed in 2018. The project is timed to coincide with the Wisconsin Department of Transportation's reconstruction of Belknap Street, which will allow easier and more cost-effective access to underground water mains. Nearly two miles of water mains will be replaced, along with other, smaller projects, to improve the water system's reliability.

Improvements to the electrical system are ongoing, with a new switching station going into operation in 2015, and plans to replace 50-year-old switches at the Winter Street substation in 2017. In addition, as required by the North American Electric Reliability Corp., SWL&P has made significant investments to the transmission line infrastructure to enhance the electrical system's reliability.

While SWL&P continues to make efficiency improvements to hold costs down, the company must request an increase at this time to recover the cost of the improvements it has made, and will make, in replacing infrastructure and enhancing reliability.

"As it has always done in the past, SWL&P continues to prudently manage its operations to keep down costs to serve customers," said Paul Holt, treasurer and manager of accounting, rates and gas

procurement for SWL&P. “In fact, the most recent report from the Edison Electric Institute indicates that SWL&P has the lowest average electric rates in the state of Wisconsin. We work hard to retain reasonable rates, while maintaining and enhancing a sustainable system to deliver our electric, gas and water services safely, reliably, and affordably.”

Today’s filing included estimates of the revenue the company needs to cover its operating expenses, debt payments, construction costs, taxes and a rate of return on its investment. Because each of SWL&P’s three utilities — water, electric and natural gas — must stand alone financially, the rate change for each reflects each utility’s expected costs.

SWL&P will file additional information with the PSCW regarding this rate request during the next month. That information will include a cost of service study and a proposed rate design for each of the utilities. The cost of service study determines the amount of revenue that needs to be collected to cover the costs of providing service by each utility — electric, gas and water. The rate design study indicates the amount that needs to be collected for each unit of electricity, gas, or water that is used by a customer.

The actual amount of any change in SWL&P’s rates will be determined by the PSCW based on a review of the application and after public hearings expected to be scheduled in the last quarter of 2016. The rate adjustments, if approved, are anticipated to become effective in 2017.

Additional information regarding the rate application can be obtained from your SWL&P customer representative or by calling (715) 394-2200.

*Superior Water, Light and Power Company (SWL&P) is a wholly owned subsidiary of [ALLETE](#) that provides service to approximately 15,000 electric customers, 12,000 natural gas customers and 10,000 water customers in Superior, Wisconsin, and adjacent areas. Superior is in northwestern Wisconsin across the St. Louis River from Duluth, Minnesota.*

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