



AN ALLETE COMPANY

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February 15, 2018

VIA ELECTRONIC FILING

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101-2147

Re: Capital Structure Petition
Docket No. E015/S-18-_____

Dear Mr. Wolf:

Pursuant to Minn. Stat. § 216B.49 and Minn. Rules 7825.1000-7825.1500, Minnesota Power (“the Company”) submits to the Minnesota Public Utilities Commission (“Commission”) the enclosed 2018 Consolidated Capital Structure Petition for ALLETE, Inc. The Consolidated Capital Structure Petition contains the Company’s request for Commission approval to issue securities within the scope of the approved capital structure, plus contingencies. Specifically, the Company is seeking approval of a common equity ratio of 57.07% with a contingency window of +/-10% (51.36% to 62.78%). The Company is also seeking approval of a total consolidated capitalization of \$4,815 million, including a contingency reserve of \$438 million for ALLETE, Inc. and its divisions, including Minnesota Power. The Company respectfully requests approval of this Petition by May 1, 2018.

The Company understands the use of trade secret designations in filings to the Commission must be limited. Certain portions of the Petition contain trade secret information and are marked as such, pursuant to the Commission’s Revised Procedures for Handling Trade Secret and Privileged Data which further the intent of Minn. Stat. § 13.37 and Minn. Rule 7829.0500. As required by the Commission’s Revised Procedures, a statement providing justification for excising the Trade Secret Data is included in the Petition.

We look forward to the opportunity to work with the Department of Commerce – Division of Energy Resources and the Commission to review the information contained in the Company’s 2018 Capital Structure Petition.

Please contact me at the number above with any questions related to this Petition.

Yours truly,

A handwritten signature in black ink, appearing to read "Susan Ludwig".

Susan Ludwig

STATEMENT REGARDING JUSTIFICATION FOR EXCISING
TRADE SECRET INFORMATION

Pursuant to the Commission's revised Procedures for Handling Trade Secret and Privileged Data in furtherance of the intent of Minn. Stat. § 13.37 and Minn. Rule 7829.0500, Minnesota Power has designated portions of the exhibits filed with the Petition as Trade Secret.

The Petition is Minnesota Power's request for approval of the Company's capital structure. The Petition contains projected cash flow data and analysis that is materially sensitive to Minnesota Power. Minnesota Power follows strict internal procedures to maintain the secrecy of this information in order to capitalize on the economic value of the information. Potential competitors of Minnesota Power would gain a commercial advantage if this information was publicly available, with severe competitive implications resulting.

Minnesota Power believes that this statement justifies why the information excised from the attached report should remain a trade secret under Minn. Stat. § 13.37. Minnesota Power respectfully requests the opportunity to provide additional justification in the event of a challenge to the trade secret designation provided herein.

STATE OF MINNESOTA)
) ss
COUNTY OF ST. LOUIS)

AFFIDAVIT OF SERVICE VIA
ELECTRONIC FILING

Jodi Nash of the City of Duluth, County of St. Louis, State of Minnesota, says that on the 15th day of February, 2018, she served Minnesota Power's Petition for Approval of its Capital Structure and Authorization to Issue Securities to the Minnesota Public Utilities Commission and the Energy Resources Division of the Minnesota Department of Commerce via electronic filing. The remaining parties on the Service List were served as noted.



Jodi Nash

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1800 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_17-142_S-17-142
Patrick	Cutshall	pcutshall@allete.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_17-142_S-17-142
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**STATE OF MINNESOTA
BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION**

Docket No. E015/S-18-_____

**IN THE MATTER OF THE PETITION OF
MINNESOTA POWER
UNDER MINNESOTA STATUTES SECTION 216B.49
FOR APPROVAL OF ITS CAPITAL STRUCTURE
AND AUTHORIZATION TO ISSUE SECURITIES**

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**STATE OF MINNESOTA
BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION**

In the Matter of the Petition of	:	
Minnesota Power Under Minnesota	:	
Statutes Section 216B.49 For	:	Docket No. E015/S-18-_____
Approval of its Capital Structure and	:	
Authorization to Issue Securities	:	

INTRODUCTION

Pursuant to Minn. Stat. § 216B.49 and Minn. Rules 7825.1000-7825.1500, Minnesota Power submits this Petition to the Minnesota Public Utilities Commission (“Commission”) for approval of the consolidated capital structure of ALLETE, Inc.¹ (“Company”) for the period beginning with the date of issuance of an Order in this Docket through the later of: (i) May 1, 2019 or (ii) the date at which the Commission issues a subsequent order.

In summary, Minnesota Power’s Petition requests the Commission’s approval to issue securities within the scope of the approved capital structure, plus contingencies. Specifically the Company requests:

- i. Approval of its proposed capital structure and total capitalization;
- ii. Authorization of the ability to issue securities provided it remains within the approved capital structure;
- iii. Continuation of the variance of Minn. Rules 7825.1000, subp. 6 to allow the Company to treat borrowings under multi-year credit agreements as short-term debt;
- iv. Approval of the ability to issue short-term debt up to 15% of total capitalization; and
- v. Flexibility to issue securities provided that the Company remains within the equity ratio contingency ranges or does not exceed them for more than 60 days.

¹Minnesota Power, Inc. received shareholder approval to change its name to ALLETE, Inc. on May 8, 2001, to better reflect the diversified businesses of the corporation. Minnesota Power continues as the regulated utility providing service in Minnesota. Throughout this Petition, the term “ALLETE” or the “Company” is used when referring to the corporate activity of the combined business units, and Minnesota Power is used when referring to the regulated electric utility operations in Minnesota. Minnesota Power is a public utility as defined in Minn. Stat. § 216B.02, subd. 4.

I. SUMMARY OF THE FILING

Minnesota Power hereby petitions the Commission for approval of the Company's consolidated capital structure for the purpose of the Company issuing, at any time or from time to time during the authorized period set forth in the Commission's Order granted in this Docket, any of the following securities:

- (i) Long-term debt, including first mortgage bonds and other secured and unsecured long-term debt obligations and guarantees;
- (ii) Short-term debt, including secured and unsecured short-term debt obligations and guarantees;
- (iii) Common and preferred stock and warrants;

and, that except as otherwise provided, the issuance of any of the above securities shall be subject to the following contingency ranges and shall occur during the period authorized by the Commission.

The Company is seeking approval of a common equity ratio of 57.07% with a contingency window of +/-10% (51.36% to 62.78%). The Company is also seeking approval of a total consolidated capitalization of \$4,815 million, including a contingency reserve of \$438 million. The Company requests authorization to make one or more issues of securities with the provision that these parameters will not be exceeded for more than 60 days without notifying the Commission. Minnesota Power respectfully requests approval of this Petition by May 1, 2018.

In this Petition, as in prior Petitions, the Company seeks a variance from Minn. Rule 7825.1000 subp. 6 for the authority to include direct borrowings under a multi-year credit agreement as short-term debt. Furthermore, the Company is requesting a short-term debt limit not to exceed 15% of total capitalization during the authorization period. This request is also consistent with requests in prior Petitions.

II. DESCRIPTION OF FILING AND BASIS FOR REQUEST

A. Background

The Commission authorized the Company’s current capital structure in its June 8, 2017, Order (“2017 Capital Structure Order”),² specifically providing for the following:

- i. Approval of the Company’s 2017 capital structure until the later of May 1, 2018, or the date on which the Commission issues a new capital structure Order;
- ii. An equity ratio of 56.72% and a contingency equity ratio range of plus/minus 10%, which provided an authorized equity ratio range of 51.05% to 62.39%;
- iii. Total capitalization that would not exceed \$4,555 million (including a capitalization contingency of \$417 million);
- iv. Approval of a variance to treat any loan under the multi-year credit facility as short-term debt; and
- v. Flexibility to issue securities provided that the Company remains within the equity ratio contingency ranges or does not exceed them for more than 60 days.

As of December 31, 2017, the Company remained in compliance with the 2017 Capital Structure Order as follows:

- a) *Total Capitalization of \$3,571 million, within the approved limit of \$4,555 million;*
- b) *Equity Ratio of 57.91% within the approved range of 51.05% to 62.39%.*

Table 1 below, shows the Company’s actual consolidated capital structure for the calendar years ending, 2015, 2016, 2017, and projected as of June 30, 2019.

Table 1: Actual and Projected Consolidated Capital Structures (\$ Millions)

Capital Structures	12/31/2015		12/31/2016		12/31/2017		Projected June 30, 2019	
Long-Term Debt	\$ 1,605	46.80%	\$ 1,558	45.15%	\$ 1,503	42.09%	\$ 1,879	42.93%
Short-Term Debt	\$ 2	0.05%	\$ 0	0.00%	\$ 0	0.00%	\$ 0	0.00%
Common Equity	\$ 1,822	53.15%	\$ 1,893	54.85%	\$ 2,068	57.91%	\$ 2,498	57.07%
Total Capitalization	\$ 3,429	100.00%	\$ 3,451	100.00%	\$ 3,571	100.00%	\$ 4,377	100.00%

² Docket No. E015/S-17-142.

B. Proposed Capital Structure and Request for Variance

The Company requests the Commission approve the following, which is further outlined in this Section:

- i. Total capitalization of \$4,815 million, including a contingency of \$438 million;
- ii. An equity ratio of 57.07% with a contingency range of +/- 10%, (resulting in an equity range of 51.36% to 62.78%);
- iii. Request for a variance of Minn. Rules 7825.1000, subp. 6 to allow the Company to treat borrowings under multi-year credit agreements as short-term debt for approved capital structure purposes;
- iv. Approval for the ability to issue short-term debt not to exceed 15% of total capitalization;
- v. Continued flexibility to issue long-term debt, provided it remains within the limits approved for the short-term debt and equity ratios, as well as the total capitalization limit;
- vi. Flexibility to issue securities provided that the Company remains within the approved capital structure ratios or does not exceed them for more than 60 days;
- vii. Approval of the Company's consolidated capital structure for the period beginning with the date of issuance of an Order in this Docket through the later of: (i) May 1, 2019 or (ii) the date at which the Commission issues a subsequent order.

This Petition provides the information required by Minn. Rules 7825.1000 – 7825.1500, as well as previous Commission Orders, as detailed in Section III of this Petition. Minnesota Power has incorporated Exhibit L – Consolidated Projected Capital Expenditures to this Petition, based on the guidance the Commission provided in its May 17, 2011, Order³ and reaffirmed in subsequent Orders.

1. Total Capitalization

The Company requests a total capitalization of \$4,815 million, including an approximate 10% contingency reserve of \$438 million. The projected capitalization and contingency reserve are detailed below in Table 2.

Table 2: Projected Consolidated Capital Structure
June 30, 2019
(\$ Millions)

	Amount	Percentage
Long - Term Debt	\$ 1,879	42.93%
Short - Term Debt	\$ 0	0.00%
Common Equity	\$ 2,498	57.07%
Projected Capitalization	\$ 4,377	100.00%
Contingency	\$ 438	
Total Request	\$ 4,815	

³ Docket No. E015/S-11-174.

The Company's requested capitalization of \$4,815 million reflects significant construction and infrastructure development underway on the Company's system. Investment and spending for the utility system in 2018 and 2019 includes capital investments to meet safety, environmental, regulatory, and system reliability objectives.

a. Short-term Debt

Similar to other capital structure proceedings, the Company requests the ability to issue short-term debt not to exceed 15% of total capitalization. Short-term debt may take the form of commercial paper, borrowings that mature in one year or less and direct borrowings under a 364-day credit agreement. In addition to these traditional short-term instruments, in this Petition the Company also requests the inclusion of direct borrowings under a multi-year credit facility as short-term debt. The Company is requesting continuation of the variance to Minn. Rules 7825.1000 subp. 6 to allow the Company to treat borrowings under multi-year credit agreements as short-term debt. The Company further proposes to continue reporting on the usage of the multi-year credit facility as initially required in the 2011 Capital Structure Order⁴ and reaffirmed in subsequent Orders. Additional detail on the multi-year credit facility is included at Section III.K.3, III.O.3, and Attachment B.

Minn. Rules 7825.1000 subp. 6 defines a short-term security as an:

Unsecured security with a date of maturity no more than one year from the date of issuance; and containing no provisions for automatic renewal or 'rollover' at the option of either the obligee or obligor.

Minn. Rules 7825.1300, however, permits the Commission to issue a capital structure order that allows the utility to issue short-term debt at its discretion, provided the overall terms of the Commission's Order are met. Based on these Rules, The Company concluded that a variance is necessary to allow the Company to treat direct borrowings under multi-year credit facilities as short-term debt. Thus, the Company seeks to continue a variance permitting direct borrowings under a multi-year credit facility as short-term debt for approved capital structure purposes. The Commission Rules provide a three-part test for variances under Minn. Rules 7829.3200. The Company asserts that this test provides and is satisfied as follows:

1. Enforcement of the rule would impose an excessive burden upon the applicant or others affected by the rule.

As discussed above, this request involves the use of a multi-year credit facility as if it were short-term debt. Because the purposes and manner in which a facility may be used resembles traditional

⁴ Docket No. E015/S-11-174.

use of short-term securities, the Company believes these borrowings should be counted with the short-term debt pursuant to the 15% limit.

2. Granting the variance would not adversely affect the public interest.

The Commission retains oversight of these types of issues through annual capital structure filings, the 15% limit, the equity ratio, and the equity ratio ranges. These parameters assure that the Company will continue to have a capital structure that meets the public interest. These instruments allow the Company to lock in liquidity and fee structures for several years, which is also in the public interest.

3. Granting the variance would not conflict with standards imposed by law.

This variance would not conflict with law. The Company believes granting a continuation of the variance is appropriate. Because the intended use of such facilities is to meet short-term funding requirements, the granting of this variance offers the most direct and consistent way of addressing this issue.⁵

b. Long-term Debt

The Company requests the authority to issue long-term debt provided that it remains within the approved capitalization ratios and limit. Long-term debt issuances may include first mortgage bonds and other secured and unsecured long-term debt obligations and guarantees.

C. Equity Ratio Contingency Range

The Company requests an equity ratio contingency range of +/-10% around the common equity ratio of 57.07%. The equity ratio range of +/-10% allows the Company flexibility needed to manage the capital expenditures and financing plans outlined in Exhibits J and L of this Petition. Flexibility is also needed to meet unanticipated events such as changing economic conditions, major plant repairs, refinancing, and variations of actual events from forecast.

By virtue of this Petition and Commission approval, any securities issuance that results in a common equity ratio within the window (*i.e.*, at or above 51.36% and at or below 62.78%) is approved. In

⁵ Minnesota Power has requested a continuation of a variance from Minn. Rules part 7825.1000, subpart 6 to allow the Company to treat borrowings under multi-year credit agreements as short-term debt in each of its Capital Structure Petitions from 2011 through 2017. The Commission approved these requests, along with reporting requirements that the Company proposes to continue. See Docket Nos. E015/S-11-174, E015/S-12-184, E015/S-13-126, E015/S-14-145, E015/S-15-168, E015/S-16-165, and E015/S-17-142.

addition, common equity ratios that exceed 62.78% or fall below 51.36% for a period not exceeding 60 days are also authorized. As soon as the Company has reason to know that a contemplated securities issuance would cause the common equity ratio to fall outside the window (*i.e.*, exceed 62.78% or fall below 51.36%) for a period exceeding 60 days, Minnesota Power will seek approval from the Commission for any such issuance.

D. Total Capitalization Contingency Range

The Company's requested total capitalization contingency range addresses total capitalization requirements, including a contingency reserve of \$438 million, representing an amount approximately 10% above \$4,377 million (the Company's projected total consolidated capitalization). Any securities issuance that results in total consolidated capitalization below \$4,815 million is approved. In addition, total consolidated capitalizations that exceed the cap for a period not exceeding 60 days are also authorized. As soon as the Company has reason to know that a contemplated securities issuance would cause the Company's total consolidated capitalization to exceed \$4,815 million for a period exceeding 60 days, Minnesota Power will seek approval from the Commission for any such issuance.

E. Authorization Period

The Company requests an authorization period to be from the date of issuance of such Order through the later of: (i) May 1, 2019, or (ii) the date at which the Commission issues a subsequent capital structure Order.

III. REQUIREMENTS OF MINN. RULE, PART 7825.1400

A. Descriptive Title

In the Matter of the Petition of Minnesota Power for Approval of its 2018 Capital Structure and Authorization to Issue Securities.

B. Table of Contents

Please reference page i.

C. The Exact Name of the Petitioner and Address of its Principal Business Office

ALLETE, Inc.
30 West Superior Street
Duluth, Minnesota 55802

The Company was incorporated January 24, 1906, as Duluth Edison Electric Company under the laws of the State of Minnesota. Its name was changed to Minnesota Power & Light Company on October 23, 1923, and to Minnesota Power, Inc. on May 27, 1998. On September 1, 2000, Minnesota Power began operating as ALLETE on a corporate-wide basis to better represent the diversified services of all Company operations, and filed the requisite assumed name certificate to conduct business under that name. The official name change to ALLETE, Inc. was adopted by shareholders on May 8, 2001. Electric operations in Minnesota continue as Minnesota Power. As of August 1980, a certificate of assumed name has been in effect with the Minnesota Secretary of State permitting the Company to conduct business in Minnesota using the name Minnesota Power.

D. Name, Address and Telephone Number of Persons Authorized to Receive Notice and Communications with Respect to the Petition

Patrick L. Cutshall
ALLETE Vice President and Corporate Treasurer
ALLETE, Inc.
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Duluth, Minnesota 55802
(218) 355-3529
pcutshall@allete.com

Christopher D. Anderson
Associate General Counsel
Minnesota Power
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Duluth, Minnesota 55802
(218) 723-3961
canderson@allete.com

E. A Verified Statement by a Responsible Officer of the Petitioner Attesting to the Accuracy and Completeness of the Enclosed Information

Please see Attachment A.

F. The Purpose for Which the Securities are to be Issued

The Company expects capital expenditures (which include acquisitions and investments at ALLETE affiliates) to exceed internal cash generation during the 18-month period that extends from January 2018 through June 2019. With internally generated cash insufficient to fund the planned capital outlays, the Company will need to issue long-term debt, common stock, and/or short-term debt to support the planned investments. In addition, ALLETE continues to evaluate acquisition and other investment opportunities to diversify ALLETE's revenue base in order to reduce its dependence on revenues from a concentrated industrial base of taconite and paper customers in northeastern Minnesota.

ALLETE's capital expenditure program is related to many initiatives the Company is undertaking. The Company's best estimate capital structure may fund the following:

- a) investment in renewable energy;
- b) investment in environmental technology for generating assets;
- c) investment in transmission initiatives, including transmission assets and infrastructure;

- d) investment in distribution grid modernization;
- e) other electric system component replacement and upgrades;
- f) the acquisition of and investment in energy-related businesses; and
- g) for general corporate purposes.

As described in previous capital structure petitions, Minnesota Power’s concentrated industrial customer base has led the Company to seek diversified revenue sources in order to weather the cyclical nature of customers’ operations and reduce the dependence on revenues from taconite and paper customers in northeastern Minnesota. The Company initiated a diversification strategy in the early 1980s in order to reduce its dependence on revenues from a concentrated industrial base of taconite and paper customers in Northeastern Minnesota. Over the past 30-plus years, this strategy has contributed significantly to the Company’s financial strength during a period of substantial restructuring in the taconite and paper industries. Today, the Company’s diversification investments consist primarily of regulated electric, water and gas services; investments aimed at creating energy solutions, integrated water management services; coal mining; and an investment in an independent transmission company. Although collectively smaller than Minnesota Power in size, these investments strengthen the Company by broadening the base of customers, geographies, and products and services that provide cash flow and earnings to the Company.

Table 3 shows the forecasted amount of each capital component for each security as of June 30, 2019.

Table 3: Projected Consolidated Capital Structure
June 30, 2019
(\$ Millions)

	Amount	Percentage
Long - Term Debt	\$ 1,879	42.93%
Short - Term Debt	\$ 0	0.00%
Common Equity	\$ 2,498	57.07%
Projected Capitalization	\$ 4,377	100.00%
Contingency	\$ 438	
Total Request	\$ 4,815	

Other securities issuances by the Company or its subsidiaries may include the following:

- a) the refunding and refinancing of electric utility or other long-term debt, should business or market conditions warrant;
- b) the issuances of securities by the Company or one or more subsidiaries to provide funding for existing operations; or
- c) the assumption or new securities issuances of one or more subsidiaries to facilitate the acquisition of, or investments in, energy related businesses.

These potential events are much less certain as to timing and magnitude. These other potential security issuances are not included in the projected capitalization of \$4,377 million, but are included in the total request of \$4,815 million, including the contingency reserve. The \$438 million contingency reserve may be any combination of debt and equity and represents approximately 10% of total projected capitalization. This contingency range is similar to previous caps allowed by the Commission.

The Company's projected consolidated capital structure includes an additional \$376 million in net long-term debt and \$430 million in additional common equity. Short-term debt may be issued primarily to fund (or "roll over") maturing short-term debt, to provide short-term bridge financing or for working capital purposes. The exact amount and timing of short-term debt securities assumed and newly issued are indeterminable at this time and transactions have been incorporated into the consolidated capital structure with the Company's best estimate.

G. Copies of Resolutions By the Directors Authorizing the Petition for the Issue or Assumption of Liability in Respect to Which the Petition is Made; and if Approval of Stockholders has Been Obtained, Copies of the Resolution of the Stockholders Shall be Furnished

Please see Exhibit A at the end of this Petition.

H. A Statement as to Whether, at the Time of Filing of the Petition, the Petitioner Knows of any Person who is an "Affiliated Interest" Within the Meaning of Minnesota Statutes, Section 216B.48, Subdivision 1, Who has Received or is Entitled to Receive a Fee for Services in Connection with the Negotiations or Consummation of the Issuances of the Securities, or for Services in Securing Underwriters, Sellers, or Purchasers of the Securities

To the best of the Company's knowledge, at the time of the filing of this Petition, no person, who is an "affiliated interest" within the meaning of Minn. Stat. § 216B.48 of the Minnesota Public Utilities Act, has received or is entitled to receive a fee for services in connection with the negotiations or consummation of the issuance of the securities, or for services in securing underwriters, sellers or purchasers of the securities herein described, except as may have been reported pursuant to Commission rules or other applicable "affiliated interest" reporting requirements.

I. A Signed Copy of the Opinion of Counsel in Respect to the Legality of the Issue or Assumption of Liability

Please reference Exhibit B at the end of this Petition.

J. A Balance Sheet Dated no Earlier than Six Months Prior to the Date of the Petition Together with an Income Statement and Statement of Changes in Financial Position Covering the 12 Months then Ended. When the Petitions include Long-Term

Securities, Such Statements Shall Show the Effects of the Issuance on Such Balance Sheet and Income Statement

Exhibit C to the Petition shows the balance sheet of the Company as of December 31, 2017 and pro forma balance sheet.

Exhibit D to the Petition shows the income statement of the Company for the 12 months ended December 31, 2017, and pro forma income statement.

Exhibit E to the Petition shows the statement of cash flows of the Company as of December 31, 2017, and a pro forma cash flow statement.

For simplicity, securities issuances in these exhibits are assumed to have taken effect immediately and the removal of any refunded obligations from the financial statements is not depicted.

K. Description of the Security or Securities to be Issued

1. Long-Term Debt

The best estimate of capital structure includes an addition of \$376 million in net long-term debt. Issuances may take the form of first mortgage bonds, guarantee of pollution control revenue bonds, guarantee of industrial development revenue bonds, unsecured bonds or debentures or other long-term debt. For those types of instruments already outstanding, any issuance is expected to have terms and conditions substantially similar to those of the respective outstanding securities. The maturity date of any newly issued long-term debt would likely be no more than 30 years from the date of issuance; however, tenor will be determined based on investor interest and prevailing market conditions. Depending on market conditions at the time of issuance, the debt may or may not be redeemable, in whole or in part, at general redemption prices prior to maturity.

The Mortgage and Deed of Trust contains descriptions of collateralization, issuance provisions, sinking fund and replacement fund provisions, redemption provisions and mortgage modification provisions. The Thirty-eighth Supplemental Indenture was dated September 1, 2015, and is referenced in Exhibit F hereto. The exact interest rate or rates of any newly issued long-term debt is indeterminable in advance and will depend on, among other things, maturity of the debt, bond rating (if available), a fixed vs. variable coupon, manner of sale (*i.e.*, competitively bid vs. negotiated; public vs. private sale), security, call provisions and taxability of interest income to the debt holder. A long-term rate of 5% has been assumed for the \$376 million in new long-term debt included in the Company's best estimate of capital structure.

2. Common Stock

The best estimate of capital structure includes an addition in common stock of \$342 million. New common stock issuances will involve the sale or transfer of stock to investors, employees, directors, or

business owners and will increase the number of shares outstanding. These shares may be substantially similar in all terms, conditions and limitations as the currently outstanding common stock and as such is subject to all terms, conditions and limitations of the Articles of Incorporation, as amended, and the Mortgage and Deed of Trust, as shown in Exhibit G. Reference is made to those documents for a description of the terms, conditions and limitations of the new common stock, including dividend rights, voting rights and liquidation rights. Certain restrictions, however, may be placed upon the stock distributed in an acquisition. The exact share price or prices of any new common stock is indeterminable in advance, and will depend on, among other things, general equity market conditions.

3. Short-Term Debt

The best estimate of capital structure includes a minimal amount of short-term debt. Short-term debt may be issued to fund maturing short-term debt, to provide short-term bridge financing or for working capital purposes. During the Authorization Period, the Company does not expect short-term debt to exceed \$722 million. As described above in Section II.B., the Company seeks the ability to issue short-term debt up to 15% of total capitalization. In addition, in Section II.B, the Company is requesting a variance allowing ALLETE to enter into a multi-year credit agreement and consider any direct borrowings under the facility as short-term debt.

The short-term debt that may be issued will likely represent unsecured promissory notes issued to banks and well-established commercial paper dealers. Short-term debt may take the form of commercial paper, borrowings that mature in one year or less and direct borrowings under a 364-day credit agreement. The exact discount or interest rate or rates of the short-term debt are indeterminable in advance and will depend on, among other things, maturity of the debt, credit rating and general short-term money market conditions. During the Authorization Period, the Company assumes a short-term interest rate of approximately 2.75%.

L. An Estimate of the Interest or Dividend Cost per \$100 Principal Amount, Except in the Case of Common Stock, and a Description of any Anticipated Terms or Indenture Provisions.

Please view Section K.

M. If the Petitioner is a Corporation, a Copy of its Current Articles of Incorporation Certified by the Secretary of State of Incorporation. If the Current Articles have already Been Filed, the Petitioner Need Only Make Specific Reference of Such Filings.

The current Articles of Incorporation have been filed with previous capital structure petitions. Please reference Docket No. E015/S-07-1379 to view.

N. The Following Information shall be Attached as Exhibits to the Petition:

- Exhibit G Rule 7825.1400 (N1): The amount and kinds of stock authorized by Articles of Incorporation and amount outstanding.
- Exhibit G Rule 7825.1400 (N2): The terms of preference of preferred stock, whether cumulative or participating, or on dividends or assets, or otherwise.
- Exhibit F Rule 7825.1400 (N3): A brief description of each security agreement, mortgage, and deed of trust upon petitioner's property, showing date of execution, debtor, and secured party, mortgagor and mortgagee and trustor and beneficiary, amount of indebtedness authorized to be secured thereby, and amount of indebtedness actually secured, together with any sinking fund provision.
- Exhibit F Rule 7825.1400 (N4): The amount of bonds authorized and issued that exceed one percent of total debt giving the name of the public utility which issued same, describing each class separately, and giving the date of issue, par value, rate of interest, date of maturity, and how secured, together with the amount of interest paid thereon during the latest fiscal year.
- Minnesota Rule 7825.1400 (N5) and Minnesota Rule 7825.1400 (N6) do not apply to the Company. Please reference response to Minnesota Rule 7825.1400 (Section S) for explanation.
- Exhibit H Rule 7825.1400 (N7): The rate and amount of dividends paid during the five previous fiscal years.
- Exhibit J Report providing a general projection of sources and uses of cash (pursuant to the Commission's May 12, 2009 Order in Docket No. E, G-999/CI-08-1416).
- Exhibit K Report of actual issuances and uses of the funds from the prior year (pursuant to the Commission's May 12, 2009 Order in Docket No. E, G-999/CI-08-1416).
- Exhibit L Supplemental report to general projection of sources and uses of cash – Consolidated Projected Capital Expenditures.

O. A Statement of the Manner in Which Such Securities will be Issued; and if Invitations for Sealed Written Proposals (Competitive Bidding) are not Anticipated, an Explanation of the Decision not to Invite Such Proposals Shall be Submitted.

1. Long-Term Debt

Except for those securities which may be assumed, any issuance of long-term debt will likely be made through a public or private placement, either directly or through an underwriter (and in the case of an underwritten offering, either through negotiation or competitive bidding). The Company, at this time, is unable to predict which method of issuance will be utilized for the securities offerings. In such circumstances where maximum benefits will be achieved by the negotiated method instead of competitive bid, the Company requests the flexibility to do so. Possible advantages to using the negotiated method include: flexibility in timing the date of sale, ability to choose a firm with adequate capital, financial

expertise, the familiarity with the Company and the type of offering being made; and, in uncertain market conditions, lower costs of issuance. Such interests will be determined by management's examination of results obtained under similar offerings by similarly rated entities, prevailing market conditions and other relevant factors.

2. Common Stock

The Company may issue common stock through secondary equity issuance offerings, periodic equity issuance programs, the dividend reinvestment program ("DRIP"), and employee and director compensation plans such as: Employee Stock Purchase Plan ("ESPP"), Employee Stock Ownership Plan ("ESOP"), Executive Long-Term Incentive Compensation Plan ("LTICP"), and Director's Long-Term Incentive Compensation Plan ("Director's LTICP").

A secondary issuance of equity would be through one or more underwriters either through negotiation or by competitive bidding. The process of a secondary offering includes extensive marketing to potential investors. ALLETE may also issue common equity through a periodic equity issuance program by which it issues a limited amount of equity over an extended period to limit market disruption. The Company also offers a DRIP under which investors have the option to directly purchase Company common stock and may choose to reinvest or receive by check their quarterly cash dividends, and to make cash payments to the Company for additional shares of common stock. The Company intends to continue to issue common stock during the Authorization Period to employees and directors through compensation plans such as: ESPP, LTICP, and its Director's LTICP. The Company may also issue common stock in support of its postretirement benefit plans.

3. Short-Term Debt

Short-term debt may be issued primarily to fund (or "roll over") maturing short-term debt, to provide short-term bridge financing or for working capital purposes. The short-term debt that may be issued will likely represent unsecured promissory notes issued to banks and well-established commercial paper dealers.

- (a) Promissory Notes Issued to Commercial Banks: Unsecured promissory notes will be issued to commercial banks with interest payable on designated dates and at maturity or on the date of prepayment. These borrowings typically represent drawings from bank lines of credit.
- (b) Promissory Notes Issued to Commercial Paper Dealers for Resale to Public: Unsecured promissory notes will be issued to well-established commercial paper dealers that are engaged in the business of buying and selling commercial paper. All commercial paper will have a maturity of no more than 270 days.

ALLETE entered into a \$400 million, 5-year revolving credit facility in November 2013. In November, 2016, ALLETE extended this credit facility by one year to mature in November 2019. In November 2017, ALLETE extended the \$400 million credit facility again to mature in October 2020. The amounts available under the credit facility provide liquidity in support of Minnesota Power's planned capital outlays in 2018 and 2019. The credit facility may be used as commercial paper back-up, allow up to \$60 million in letters of credit to be issued, provide for direct borrowings from banks that support the credit agreement, and general corporate purposes. The Company may prepay amounts outstanding under the facility in whole or in part at the Company's discretion, and may irrevocably terminate or reduce the size of the facility prior to maturity without premium or penalty.

Additionally, ALLETE's subsidiary, BNI Energy, has a \$6 million unsecured revolving line of credit, which is scheduled to expire November 2020.

P. A Copy of Each Plan, Offer, or Agreement for the Reorganization or Readjustment of Indebtedness or Capitalization or for the Retirement or Exchange of Securities.

Please reference the response to Minn. Rule 7825.1400 in Section S.

Q. If any of the Above Filing Requirements are Provided in Petitions or Applications to Other Regulatory Agencies, such Petitions or Applications Properly Cross-Referenced in Item B, May Be Submitted in Lieu of the Specific Filing Requirements.

No additional filing requirements are applicable.

R. Such Additional Information that the Staff or Commission May Require in a Particular Case.

No additional information is required in this case.

S. If a Filing Requirement Does Not Apply, it Shall be so Stated with an Explanation Why it Does Not Apply.

The following requirements of Minn. Rules 7825.1400 to 7825.1500 are inapplicable to the Company for the reasons stated:

Rule 7825.1400 (N5): Except those enumerated elsewhere within this filing, the Company has no notes outstanding with a maturity of more than one year and which exceed one percent of Company's total debt.

Rule 7825.1400 (N6): At the date of this filing, the Company has no debt with a maturity of more than one year other than that described elsewhere within this filing.

Rule 7825.1400 (P): The Company was organized and incorporated as Duluth Edison Electric Company January 24, 1906 and subsequently changed its name to Minnesota Power and Light Company on October 23, 1923, to Minnesota Power, Inc. on May 27, 1998, and to ALLETE, Inc. on May 8, 2001. Other than as described in the Petition, the Company has not entered into any agreement for reorganization or readjustment of indebtedness or capitalization or for the retirement or exchange of securities.

Rule 7825.1500 (A): Not Applicable.

Rule 7825.1500 (B): The Company made no such invitation under the most recent Order.

IV. REQUIREMENTS OF MINN. RULE, PART 7825.1300

A. Items A to K of part 7825.1400.

Items A to K are explained on pages 7 to 12 of the petition.

B. A Descriptive Summary of the Assumptions Made in the Development of Such Statement of Cash Flow.

Please reference Exhibit E page 2 of 2.

C. A Statement of Cash Flow.

Please reference Exhibit I.

V. CONCLUSION

WHEREFORE, the Company requests the Commission to enter its Order herein certifying the Company's capital structure effective as of the date of issuance of such Order, through the later of (i) May 1, 2019, or (ii) the date at which the Commission issues a subsequent capital structure Order, and authorizing pursuant thereto the issuance of long-term debt, common stock, warrants, short-term debt, and guarantees, provided that the issuance of any of the above securities shall be subject to the equity ratio contingency range and the total capitalization contingency limit described herein, except that such contingency ranges may be exceeded for a period no longer than 60 days.

Dated: February 15, 2018

Respectfully submitted,



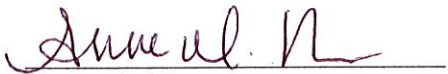
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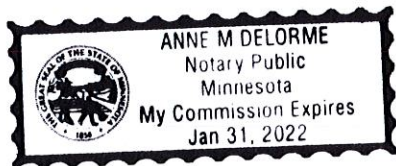
STATE OF MINNESOTA)
) ss
COUNTY OF ST. LOUIS)

Patrick L. Cutshall, being first duly sworn, deposes and says that he is Treasurer of the Company; that he has read the foregoing Petition and knows the contents thereof; and that the statements therein are true and correct to the best of his knowledge and belief.



Subscribed and sworn to before me
this 14th day of February 2018.


Notary Public



Report on Use of Multi-Year Credit Facilities

Multi-Year Credit Facility Uses

Credit facilities provide liquidity support, which is a key element of the credit rating agencies' credit assessment. Sufficient liquidity is required to maintain the Company's investment grade credit rating and is critical to support Minnesota Power's substantial capital expenditure program.

ALLETE entered into a \$400 million revolving credit facility in November 2013. In November 2016, ALLETE extended the \$400 million credit facility one year to mature in November 2019. In November 2017, ALLETE extended the \$400 million credit facility again to mature in October 2020. The amounts available under the credit facility provide liquidity in support of Minnesota Power's planned capital outlays in 2018 and 2019. The credit facility may be used as commercial paper back-up, allow up to \$60 million in letters of credit to be issued, provide for direct borrowings from banks that support the credit agreement, and general corporate purposes. The Company may prepay amounts outstanding under the facility in whole or in part at the Company's discretion. Additionally, the Company may irrevocably terminate or reduce the size of the facility prior to maturity without premium or penalty.

As shown on Attachment B, page 2 of 2, there were minimal direct borrowings under the Company's multi-year credit facilities in 2017.

Advantages of Multi-Year Credit Facilities

The benefits of multi-year credit facilities include:

- Up-front fees are amortized over multiple years, rather than 12 months (as with a 364-day facility).
- Potential increased costs associated with roll-over risk are reduced. By locking in favorable borrowing rates and commitment fees for multiple years, the Company avoids the risk of changing market conditions on an annual basis.
- Most multi-year facilities have options to increase or decrease the size or extend the maturity, allowing for financing flexibility through the credit facility term.
- The Company may terminate the facility prior to its maturity and re-syndicate if favorable market pricing exists.

Direct Borrowings Under Multi-Year Credit Facilities

	Credit Facility	Avg. Direct Borrowing ¹	Borrowing Rate %	Interest Expense	Fees ²	Total Fees + Interest
2017						
January	\$ 400,000,000	\$ 8,064,516	3.750%	\$ 25,685	\$ 71,076	\$ 96,761
February	400,000,000	-	0.000%	-	64,439	64,439
March	400,000,000	-	0.000%	-	68,606	68,606
April	400,000,000	-	0.000%	-	67,217	67,217
May	400,000,000	-	0.000%	-	68,606	68,606
June	400,000,000	-	0.000%	-	67,217	67,217
July	400,000,000	-	0.000%	-	68,606	68,606
August	400,000,000	-	0.000%	-	68,606	68,606
September	400,000,000	-	0.000%	-	67,217	67,217
October	400,000,000	-	0.000%	-	68,606	68,606
November	400,000,000	-	0.000%	-	81,779	81,779
December	400,000,000	-	0.000%	-	68,168	68,168
2017 Cost				\$ 25,685	\$ 830,143	\$ 855,828
As a % of Credit Facility						0.214%

¹ Average direct borrowings represent the average of daily outstanding direct borrowings under the credit facility.

² Fees include annual administrative agency fees, monthly fees, and amortization of upfront fees and closing costs.