



AN ALLETE COMPANY

July 17, 2020

Dear Current Leaseholder,

It's my sincere hope that this letter finds you well during these challenging and unusual times. Please know that Minnesota Power continues to work diligently to safeguard our customers' security, comfort and quality of life. These core values have never been more important, and they continue to guide our plans and decisions.

I'm writing today to provide updates on Minnesota Power's activities and plans regarding the potential exclusive opportunity to voluntarily purchase your existing lease parcel. Please remember, your existing lease term will continue to be honored by Minnesota Power.

Significant research, analysis and planning has taken place since our first communication on this subject in June of 2018. Minnesota Power has thoroughly studied the technical and logistical challenges associated with the sale of leased property, and has a solid understanding of the regulatory processes required to offer this option to our customers. There are three major undertakings needed to facilitate the option of fee purchase of your lease lot, which will only include options for Island Lake Reservoir, Fish Lake Reservoir, and Whiteface Reservoir. Those undertakings are as follows:

1. **Platting:** Most Minnesota Power reservoir leases are not platted. Platting is the formal process of subdividing land into lots and blocks by registered land survey, which is then approved and recorded by St. Louis County via a well-established process. Platting will simplify legal descriptions and allow mortgages to be recorded against specific individual lots upon fee purchase, which should significantly increase financing options for owners of those parcels. Over the past several months, Minnesota Power has commissioned SEH to reestablish, locate and certify approximately 70 Public Land Survey System (PLSS) corner monuments around Island Lake Reservoir to facilitate future platting efforts. We anticipate plats will be completed on Island, Fish and Whiteface Reservoirs in the 2021-2022 timeframe.
2. **Minnesota Public Utilities Commission (MPUC) approval:** Minnesota Power's reservoir leases are part of our rate-base assets, and therefore subject to the jurisdiction of the MPUC. In order to sell fee interest in these properties and establish potential sales price of the lots, MPUC approval is required. Minnesota Power intends to file a petition requesting MPUC approval to sell the lease lots later this summer.
3. **Project Boundary:** Minnesota Power's operation of its reservoir system is authorized by license from the Federal Energy Regulatory Commission (FERC). Most reservoir lease lots are located partly within the boundary that defines the regulated FERC project. For example, on Island Lake Reservoir, the first 25 feet from the shoreline on all leases is subject to FERC regulation based on its inclusion within the license's project boundary. Minnesota Power is preparing an application to FERC to reduce the size of the project boundary to at, or near, the shoreline. The regulatory process for project boundary adjustment may continue into 2021.

Please take note, that while we are actively pursuing these regulatory processes, a final decision to offer lots for sale has not been made. If regulatory approvals are granted, and a decision to offer the lots for purchase is made, lots likely won't be available for purchase until 2022 at the earliest. We'll provide future updates on each of these efforts as things progress. In the meantime, please contact me at 218-343-9119 or Matt Hagelin at 218-269-7305 with any questions.

Best regards,

A handwritten signature in black ink that reads 'Jim Atkinson'.

Jim Atkinson
Environmental and Real Estate Manager