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RECEIVED

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Copies given to
Commissioners Clark
and Cramer
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PUBLIC SERVICE COMMISSION

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President Susan E. Wefald
Commissioner Kevin Cramer
Commissioner Tony Clark
North Dakota Public Service Commission
600 E. Boulevard, Dept. 408
Bismarck, ND 58505-0480

Re: July 15 Meeting Follow Up

Dear President Wefald and Commissioners:

David Moeller, Lyssa Supinski and I appreciated the opportunity to meet with you on July 15th to provide an overview of Minnesota Power's plans to develop significant wind resources in North Dakota. The purpose of this letter is to recap the high points that were presented and follow up with additional information on DC line usage in response to your questions.

Background on Minnesota Power

Minnesota Power is an investor-owned utility based in Northeastern Minnesota that serves approximately 140,000 customers. Minnesota Power is unique as a utility in that more than 60 percent of its energy is supplied to industrial customers, whereas a 30 percent split between residential, commercial and industrial loads is more typical. Minnesota Power's service territory also lies largely within a regional economy that is very reliant on the continued prosperity of taconite (low grade iron ore) mining and wood processing industries.

Minnesota Power and BNI Coal are part of a Duluth, Minnesota-based corporation called ALLETE. ALLETE has owned BNI Coal since 1988 and also has had a business presence in North Dakota through its Square Butte partnership with Minnkota Power Cooperative in the 455 MW Milton R. Young Unit 2 generating facility and the related DC transmission line since 1974. Additionally, Minnesota Power currently purchases power under contract from two wind farms that were built by FPL Energy in Oliver County. This wind energy is also transported on the previously mentioned DC line.

Minnesota Power and Minnkota Power currently have a thirty-plus year business arrangement through which they share the output from the Young 2 generating station. They also share use of the ± 250 kV DC transmission line, which runs from Young Unit 2 to Minnesota Power's Arrowhead substation in Hermantown, Minnesota, and currently has a capability to transport 500 MW.

Minnesota Power/Minnkota Power Strategic Asset Realignment

Minnesota Power has a need to significantly increase its supply of renewable energy to meet the State of Minnesota 25% renewable energy mandate by 2025. Minnkota Power has a need to add base load energy supply to its resource mix over the next number of years. In view of these circumstances, Minnesota Power and Minnkota Power have developed a plan to strategically realign their assets to the benefit of their customers. Minnesota Power plans to gradually decrease its supply from the Young 2 facility in the coming years while constructing 400-600 MW of wind generating facilities in North Dakota to help replace that supply. Minnesota Power plans to purchase the DC transmission line from Square Butte in order to deliver wind energy to Minnesota Power's customers. Minnkota Power plans to build a 345 kV AC transmission line to replace its use of the DC line and facilitate delivery of the entire power supply from Young 2 to its customers in the Red River Valley. Both Minnesota Power and Minnkota Power will seek the necessary state and federal regulatory approvals for their respective plans in the coming months.

Land Acquisition

During our meeting with you, questions were asked about our views of the interface between land use for mining interests and for wind generation interests. As we stated, Minnesota Power recognizes quite clearly the need to ensure that mining interests are thoroughly taken into account in any planning and development of wind projects. Minnesota Power is purchasing energy from recently developed wind projects sited around BNI Coal mining property that were very deliberately located so as to not encumber future mining requirements. Minnesota Power also recently completed construction of its first owned wind farm within the boundaries of an active taconite mine on the Iron Range in Northeastern Minnesota that was facilitated by a lease with Minnesota Power's largest customer, US Steel. Great care was taken in both the North Dakota and Minnesota projects to ensure that any wind facilities would be located such that they avoid conflicts with long term mining needs and plans. Minnesota Power will continue to exercise similar diligence to avoid conflicts with mining interests as it pursues new North Dakota projects. In fact, land identification and/or easement options for the 400-600 MW proposed projects is well underway and Minnesota Power will not secure wind options on land with existing coal leases or land with known mining plans such that wind development adversely impacts coal mining. As Commissioner Cramer requested at our meeting with you, Minnesota Power will work with the various North Dakota interests to help ensure that all stakeholders' needs are taken into account with our plans.

DC Line Current Usage and Transition

As we met, you also asked questions we promised to follow up on about the ± 250 kV DC line usage as the transition is made from the current shared use between Minnesota Power and Minnkota Power for Young 2 power delivery to Minnesota Power's future use of the DC line for wind energy delivery from North Dakota to its customers.

Currently, the DC line's usage is administered for Square Butte as the DC line's transmission provider under a non-jurisdictional, open access tariff. Minnesota Power and Minnkota Power have existing transmission agreements with Square Butte for their shared and fully-subscribed use of the DC line that include renewal rights for full use of the line. As we discussed, Minnesota Power is obtaining the transmission ownership and rights to the DC line from Minnkota Power in exchange for Minnesota Power's power supply interest in Young Unit 2.

When Minnesota Power purchases the DC line from Square Butte, the line's administration will be folded under a MISO tariff. Under this tariff, Minnesota Power will have rights to all firm transmission service and full use of the line, though the line will be offered through MISO as it is

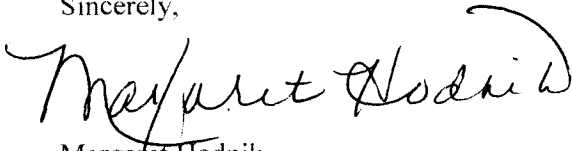
available for non-firm hourly service. Minnesota Power has been working diligently with both FERC and MISO to implement the transition of the DC line's administration to a MISO tariff under the circumstances as described here.

A filing to the Minnesota Public Utilities Commission requesting approval for Minnesota Power to purchase the DC line is planned for mid-August. A similar asset purchase filing will be made to FERC along with a filing of the tariff for the DC line in early September. As we mentioned during our visit, Minnesota Power will need to make filings to the North Dakota Public Service Commission (NDPSC) to transfer route permits and Certificates of Corridor Compatibility from Square Butte to Minnesota Power to facilitate Minnesota Power's purchase of the DC line. We anticipate making these filings to the NDPSC in September 2008.

Summary

Minnesota Power appreciated the opportunity to meet with you to explain our North Dakota wind project and the strategic asset transition with Minnkota Power that underlies the wind project and which also facilitates Minnkota meeting its need for additional energy supply. We hope that our visit and this letter are helpful to the Commission in understanding our project. We welcome further opportunities to provide you more background or updates on our project and future wind development plans.

Sincerely,



Margaret Hodnik

CC Illona Jeffcoat-Sacco-North Dakota Public Service Commission
David Moeller-Minnesota Power
Lyssa Supinski-Minnesota Power
Mike Hummel-BNI Coal
Al Tschepen-Minnkota Power