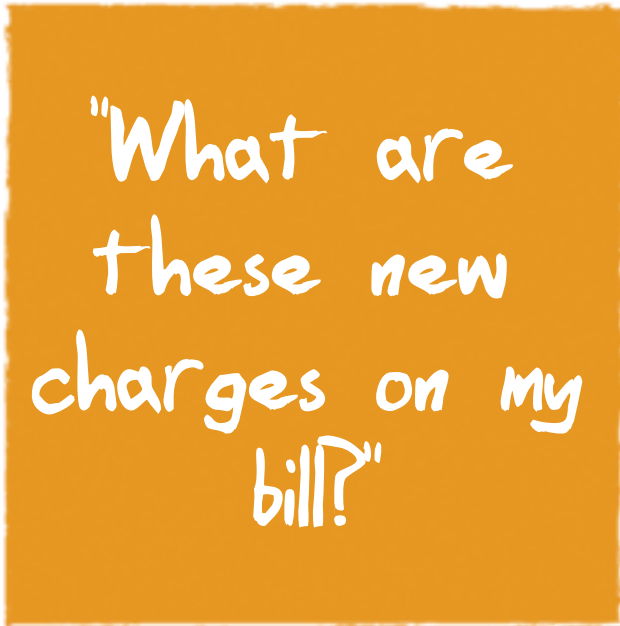


This month's Minnesota Power bill contains line items that may be unfamiliar to you. As part of our commitment to customer service, we thought it would be helpful to explain the adjustments reflected on your statement so you have a better understanding of what these numbers represent. They include property tax savings that we are passing on to you in the form of a refund and modest charges necessary for plant and transmission system upgrades that will improve Minnesota Power's environmental performance and the reliability of your electric service.

A more detailed explanation is provided at the Minnesota Power Web site:

www.mnpower.com/earthfriendly

These adjustments are itemized separately because they cover costs for services, projects, and regulatory mandates that were not in effect when rates were last adjusted in 1994.



**Explanation of
current adjustments
appearing on your
Minnesota Power
electric bill**

Property Tax Adjustment

This adjustment is a refund. Minnesota Power and other regulated utilities successfully lobbied the Minnesota State Legislature for property tax reforms that exempt portions of electric machinery and personal property from property taxes, retroactive to January 1, 2002. We are passing these savings on to you, our retail customers.

Environmental Performance Adjustments (AREA and Boswell 3)

Minnesota Power is a leader in environmental protection with emissions well below permitted levels. Continuing that tradition, we are taking early, voluntary action to reduce emissions at three of our generating plants.

AREA Adjustment—The \$60 million Arrowhead Regional Emission Abatement (AREA) Plan is improving environmental performance at Taconite Harbor and Laskin Energy Centers. Designed to meet state and federal regulations that take effect in 2018, these upgrades already are significantly reducing emissions. This adjustment is reflected in a per-kilowatt-hour charge, so it will be collected over time rather than all at once. The average rate increase was approximately 0.07 percent to 0.13 percent in December 2006 and will be 1.85 percent to 3.33 percent in December 2008.

Boswell 3 Plan Adjustment—Through an investment of nearly \$200 million, Minnesota Power is poised to meet state and federal regulations by significantly reducing emissions at the Boswell Unit 3 generating unit. Depending on whether you are a business or residential customer, this adjustment resulted in average rate increases of approximately 2.2 percent to 3.8 percent in January 2008 and may increase to 6.7 percent to 11.3 percent in January 2010.

Transmission Adjustment

Minnesota Power is recovering costs for new transmission facilities deemed necessary by the Minnesota Public Utilities Commission (MPUC). This adjustment will result in average rate increases of approximately 0.14 percent to 0.19 percent in 2008.

Resource Adjustment

When customer demand exceeds our generation capacity or outages occur, we must buy energy on the open market. Purchasing electricity usually costs more than producing it ourselves, and the MPUC allows us to collect the difference. This adjustment is influenced by the following:

- Availability of Minnesota Power generated electricity
- Cost of fuel (primarily coal) to run Minnesota Power's generation stations
- Commitments to buy energy
- Energy market prices when Minnesota Power purchases energy
- Costs of conservation projects (Minnesota Power is required to spend a percentage of sales to promote electric conservation.)

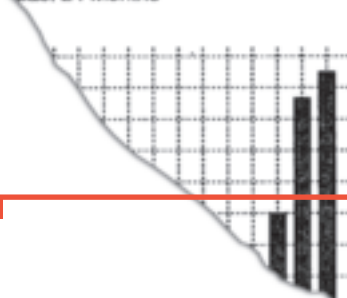
RESIDENTIAL - ALL ELECTRIC Rate: 32A

33 days

Next Scheduled Meter Read: 02/05/2008

Start	Head	End	End	Head	Usage
Code	Date	Read	Code		
regular	01/16/08	83,456	regular		4,245 Kilowatt Hours (kWh) used

Last 24 Months



50 kWh or less (Monthly Minimum)	5.00
300 kWh @ \$0.04773	14.32
3,895 kWh @ \$0.07218	281.14
Total Energy Charge for 4,245 kWh	300.46
Property Tax Adjustment	2.68-
AREA Adjustment 4,245 kWh @ \$0.00065	2.76
Boswell 3 Plan Adjustment 4,245 kWh @ \$0.00166	7.05
Transmission Adjustment 4,245 kWh @ \$0.0001	0.42
Resource Adjustment	58.15
Total charge this service agreement	366.16

For details on Minnesota Power's AREA, Boswell 3 Plan, Transmission and Resource adjustments, visit

www.mnpower.com/earthfriendly

You can call us at 1-800-228-4966, or write MP at
30 W. Superior St., Duluth MN 55802