

PRELIMINARY SWL&P VALUATION BRIEFING

PREPARED FOR:
SUPERIOR WATER, LIGHT & POWER (SWL&P)
FEBRUARY 19, 2026



CEADVISORS.COM

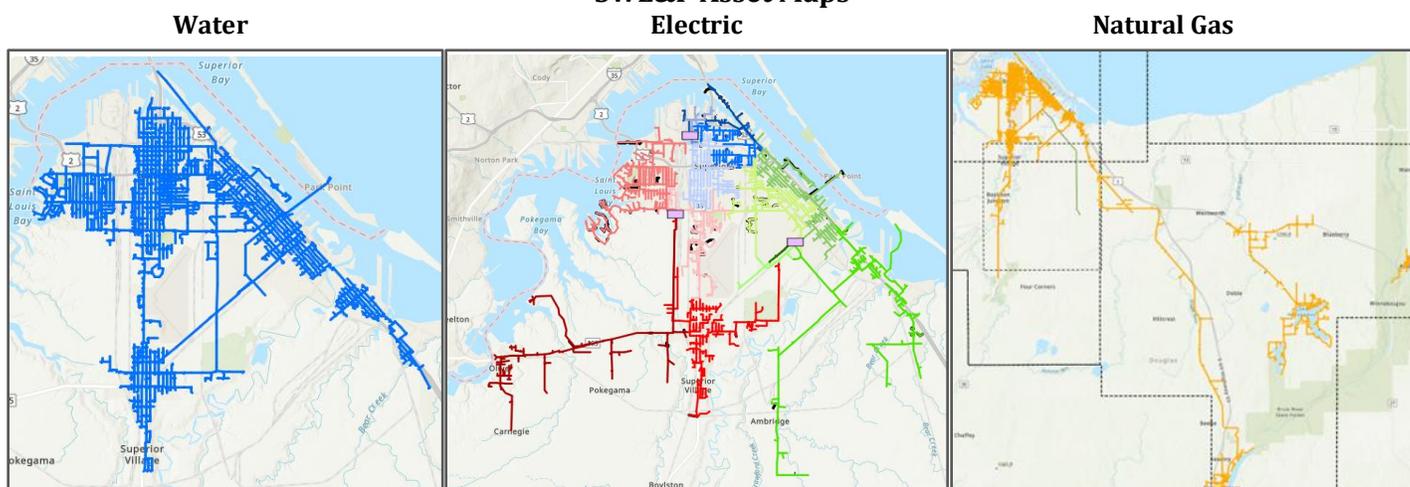
©2026 CONCENTRIC ENERGY ADVISORS, INC. ALL RIGHTS RESERVED.

PRELIMINARY MUNICIPALIZATION VALUATION BRIEFING

➤ Introduction and Overview

Members of the Superior City Council have expressed an interest in purchasing the water, natural gas, and electric utilities from Superior Water, Light, and Power (“SWL&P”) and its parent company, ALLETE, Inc. (“ALLETE”). The City of Superior (the “City”) is in the process of developing a valuation and feasibility study to identify the costs of acquiring SWL&P’s water, natural gas, and electric system. SWL&P retained Concentric Energy Advisors, Inc. (“Concentric”) to develop a preliminary valuation of SWL&P’s assets to estimate the initial cost of municipalization. The figures below show SWL&P’s water, electric, and natural gas asset locations in and around the City of Superior, Wisconsin.

SWL&P Asset Maps



The purpose of this analysis is to provide a preliminary estimate of the Company’s value in order to affirmatively address other estimates in the public domain. The preliminary acquisition cost analysis herein is consistent with fair market value principles. The acquisition costs exclude SWL&P’s electric transmission assets from the transaction, which Concentric assumes would remain with SWL&P if the water, electric, and natural gas assets were sold to the City. The valuation excludes land and easements, which would need to be evaluated in the final valuation. Other factors excluded from the analysis include an estimate for going concern (i.e., the incremental intrinsic value that reflects SWL&P’s utility as a business, which is greater than a collection of physical assets). The valuation made simplifying assumptions regarding boundaries. More specifically, Concentric included the entire water, electric distribution and natural gas systems in the valuation, even though portions of these systems lie outside of the City of Superior.

The natural gas assets located outside the City limits are physically interconnected to those inside the City limits. For example, the Stinson, Oliver, and Hawthorne town border stations (TBS) all feed the City of Superior and the areas outside the City, including Solon Springs, Brule, Maple, etc. The assets work together to ensure the safe and reliable delivery of natural gas to all areas. There is not a feasible way to physically divide this area among multiple natural gas operators (i.e., the City of

Superior and SWL&P) without sacrificing effective operability and pipeline safety. Moreover, if the City pursued separation of these assets along City boundaries, such separation could result in significantly higher overall acquisition costs. A final assessment of the gas system may identify additional separation costs to sever the system along the City boundary lines, which may increase final acquisition costs.

This preliminary analysis of acquisition costs includes the following major categories of costs:

- Value of the Assets: the fair market value of the assets to be acquired from SWL&P.
- Separation Costs: separation costs to physically separate the acquired assets from assets that would continue to be owned and operated by SWL&P.
- Startup Costs: the cost to fund new facilities and staff needed to operate the municipal utility, as well as finance the new utility.
- Transaction Costs: the costs to complete the process of transferring ownership of SWL&P to the City of Superior (e.g., debt issuance costs, legal, engineering, and consulting fees).

Based on Concentric's experience in other jurisdictions, any municipal takeover would be unlikely to be completed for at least several years due to legal proceedings to value the assets, including the need for detailed engineering assessments. As a result, Concentric's initial analysis is based on SWL&P's financial forecasts through end of year 2030.¹ Valuations are as of end of year 2030, with an assumption that the municipal utility would begin operation January 1, 2031.

The preliminary analysis of acquisition costs is based on a combination of Company data, publicly available or subscription data on market values, and forecasts of inflation. The cost estimates are preliminary and provide a range to address some, but not all, of the uncertainty around the estimate. The estimated range does not include several cost components yet to be considered, such as labor and other contracts, unrecovered regulatory assets, debt refinancing, and ongoing municipalization costs. If requested by SWL&P, a more detailed Feasibility Study analysis of the initial acquisition and ongoing municipalization costs would be performed. A detailed Feasibility Study analysis would include a projected rate comparison between SWL&P and a City-run municipal utility to determine whether the transaction produces lower rates for customers.

Preliminary Acquisition Cost Analysis Methodology

Asset Value

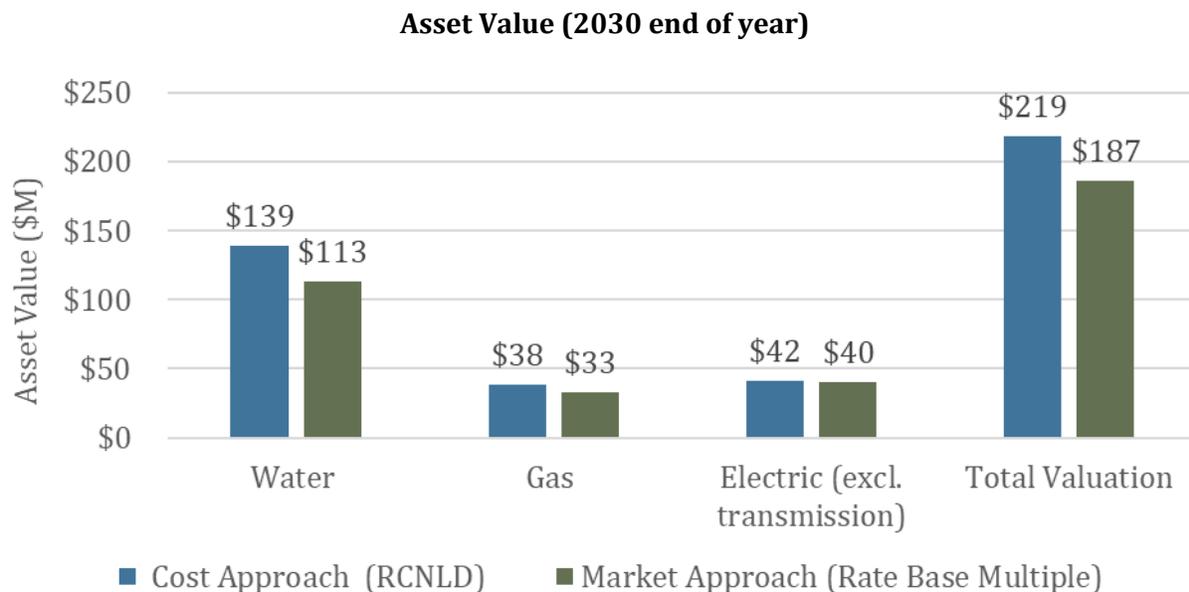
The purpose of the asset valuation is to determine the fair cost of the City of Superior purchasing the physical assets, including substations, transformers, and other equipment from SWL&P. Concentric performed this preliminary valuation using "fair market value" principles. There are three typical approaches to valuation.

¹ See Appendix: Key Assumptions for a list of additional assumptions used in the analysis.

- **Market Approach (or Sales Comparison Approach):** A market-based, “sales comparison approach” is developed based on “fair market value” principles, designed to estimate what an arms-length third-party buyer would pay for these assets.
- **Cost Approach:** One cost approach is the Reproduction Cost New Less Depreciation (RCNLD) analysis, which is commonly used in condemnation proceedings to determine the current value of a property by estimating the cost to construct an exact replica at today's prices, then subtracting depreciation due to physical wear, functional obsolescence, and economic/external factors.
- **Income Approach:** A common income approach is a discounted cash flow (DCF) analysis to determine a valuation based on projecting the Company’s future cash flows and discounting them back to the present.

For this preliminary analysis, Concentric developed a market approach and cost approach. As described above, the valuation excludes electric transmission assets. An Income Approach analysis must exclude income associated with the electric transmission system. Assumptions regarding electric transmission versus electric distribution revenue generation require analysis beyond the scope of this preliminary assessment. Thus, Concentric did not produce an Income Approach for this preliminary valuation estimate.

The asset valuation approaches result in a range of values between \$187 million and \$219 million, as of end of year 2030, as shown in the chart below.



> Market Approach

The Market Approach estimate is based on assumptions that a market participant would use and is designed to estimate what a third-party buyer would pay for these assets in a competitive arms-length market solicitation. This approach applies a market-based sales comparison approach to develop valuation multiples based on an enterprise value (EV)² divided by rate base³ at the time of transaction. This multiple is then applied to the existing rate base as of end of year 2024, which is then escalated to end of year 2030 to include net investments made during the period prior to financial closing.

Based on preliminary analysis, Concentric estimated the value of assets using the following methodology:

$$\text{Value of Assets} = (\text{Rate Base at Transaction Date}) * (\text{Market Based EV / Rate Base Multiple})$$

A market-based transaction multiple is necessary to capture the fair market value of the Company's assets that would be expected to trade at a value in excess of rate base, as well as net rate base growth (i.e., capital investments and application of accumulated depreciation).

The transaction multiple was developed based on the median ratio of enterprise value implied by the purchase price to regulated rate base at time of acquisition of nine comparable deals for water utilities, as well as 22 comparable deals for electric and natural gas utilities in the U.S. over the last ten years, yielding a ratio of **1.85x** for water utilities and **1.80x** for electric and natural gas utilities, or a median of **1.82x** for all 31 transactions.

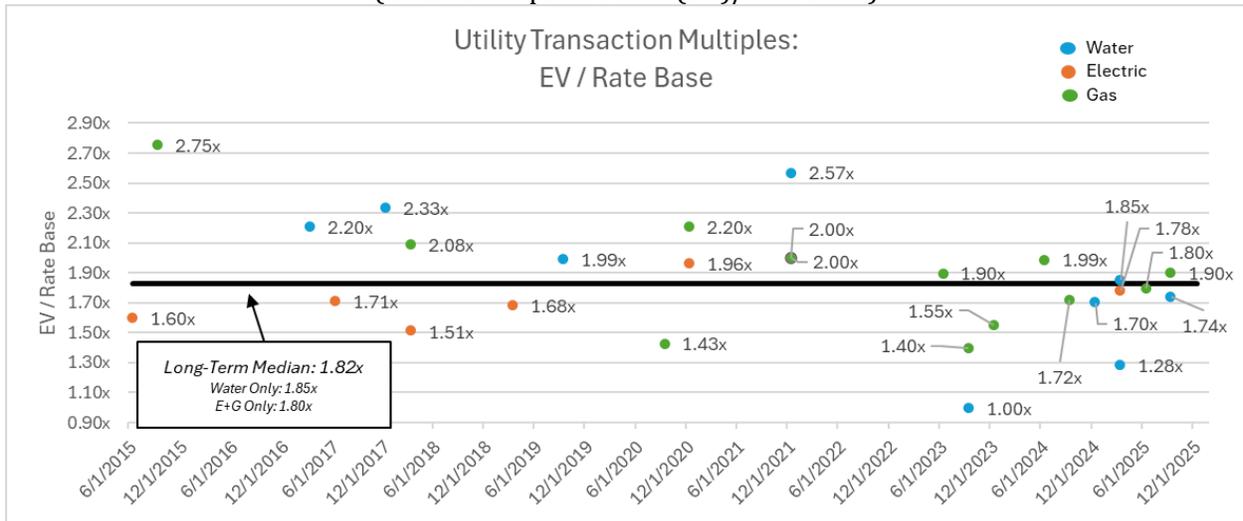
Using the Market Approach, Concentric estimates the asset valuation to be approximately \$187 million based on SWL&P's 2030 end-of-year rate base projections.

The charts below depict the data supporting the market-based approach for water, electric, and natural gas utility asset sales.

² *Enterprise value* measures a company's total value and includes not only the market capitalization of a company's common stock but also short-term and long-term debt, as well as any cash or cash equivalents on the company's balance sheet.

³ *Rate base* refers to the net asset value of property used by a public utility to provide service. Regulatory commissions determine the rate base on which the utility is authorized to earn a specified rate of return during a rate case, and is a key input to calculating the utility's revenue requirement. Rate base includes the physical assets (i.e., original cost less depreciation), as well as other regulatory adjustments, such as regulatory assets and accumulated deferred income taxes.

Water, Electric, and Natural Gas Asset Value: \$187M
(1.82x Enterprise Value (EV)/Rate Base)



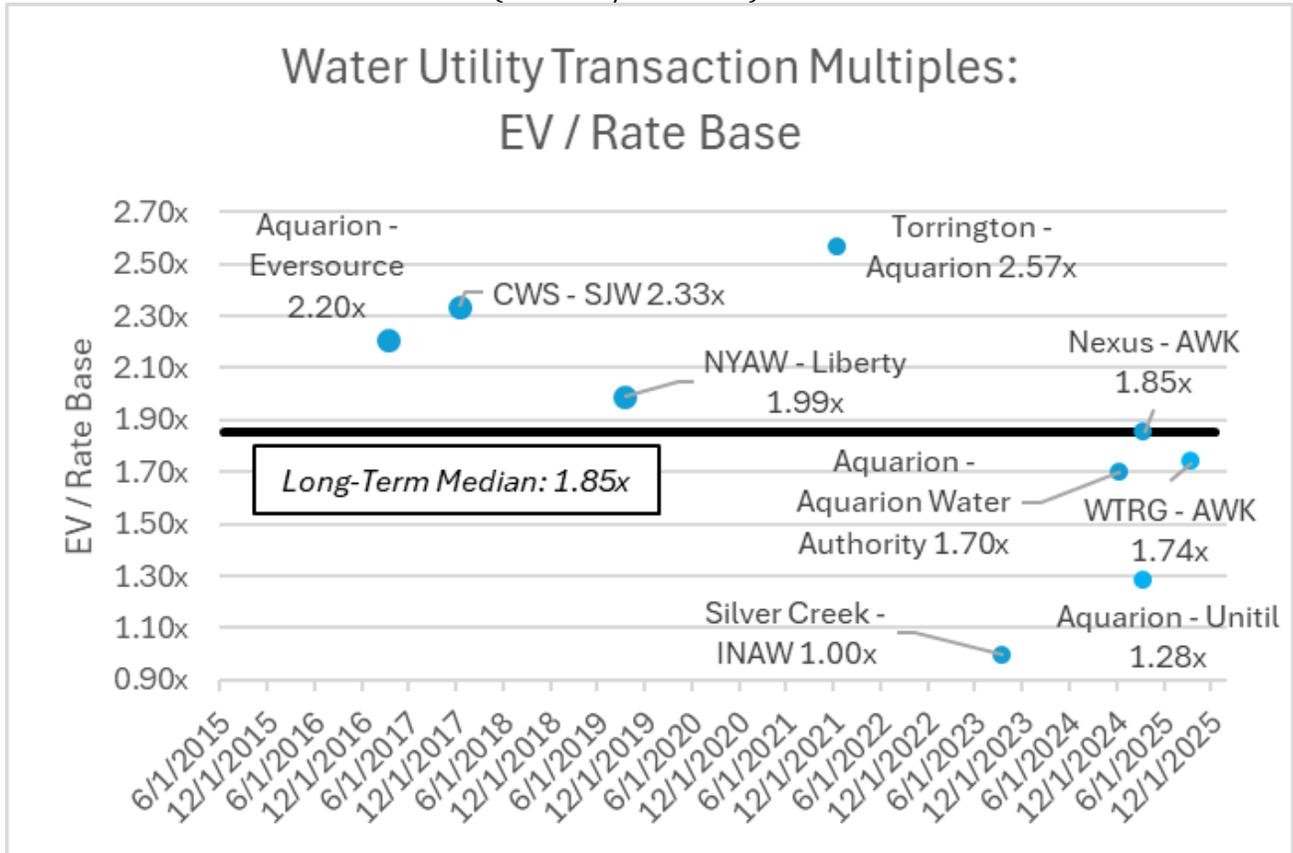
Source: S&P Capital IQ Pro as of November 6, 2025 and public research.

Note: Includes U.S. transactions over \$25 million. Rate base represented regulated rate base at time of transaction. Included in this analysis are 2015-2025 acquisitions of regulated water, electric, and natural gas utilities owned at the time by investor-owned utilities. Certain transactions were excluded due to material differentiators. No rate base publicly available for the following transactions: AltaGas Ltd. purchase of WGL Holdings, Inc. in 2017; Hope Gas 2023 purchase of Peoples Gas West Virginia; and Canada Pension Plan Investment Board and Global Infrastructure Management, LLC purchase of ALLETE, Inc. in 2025.

The charts below indicate the transaction names and dates for each water, electric, and natural gas transaction.

Water Asset Value: \$113M

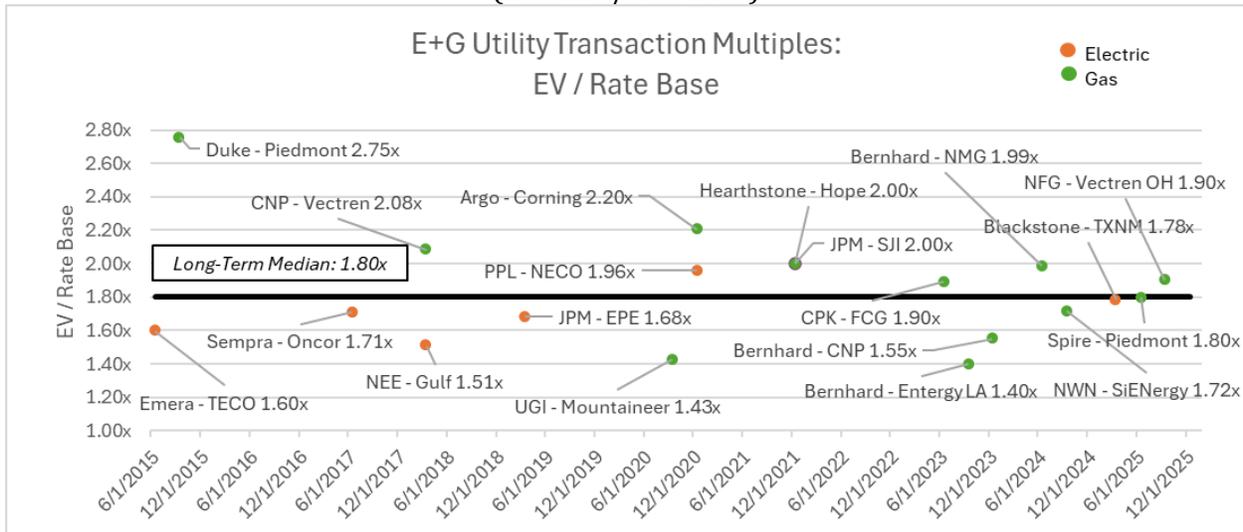
(1.85x EV/Rate Base)



Source: S&P Capital IQ Pro as of November 6, 2025 and public research.

Note: Includes U.S. transactions over \$25 million. Rate base represented regulated rate base at time of transaction. Included in this analysis are 2015-2025 acquisitions of regulated water utilities owned at the time by investor-owned utilities. EV / Rate Base = implied enterprise value divided by target rate base estimate at time of announcement. Certain transactions were excluded due to material differentiators.

Electric and Gas Asset Value: \$74M
(1.80x EV/Rate Base)



Source: S&P Capital IQ Pro as of November 6, 2025 and public research.

Note: Included in this analysis are significant electric and natural gas utility acquisitions from 2015-2025 over \$25 million. Certain transactions were excluded due to material differentiators. EV / Rate Base = implied enterprise value divided by target rate base estimate at time of announcement. No rate base publicly available for the following transactions: AltaGas Ltd. Purchase of WGL Holdings, Inc. in 2017; Hope Gas 2023 purchase of Peoples Gas West Virginia; and Canada Pension Plan Investment Board and Global Infrastructure Management, LLC purchase of ALLETE, Inc. in 2025.

➤ Cost Approach

There are various Cost Approaches that can be utilized to determine the value of assets that are proposed to be included in the municipalization. The Reproduction Cost New Less Depreciation (“RCNLD”) approach is referenced in Wis. Stat. § 32.09(8) (rules governing determination of just compensation) and has been recognized in Wisconsin courts.⁴

Concentric applied the RCNLD approach in developing the asset value below, which is in line with fair market value principles and generally aligns with applicable Wisconsin Statutes, such as sections 196.54(4), 197.03, and 197.05 governing compensation for a utility operating under an indeterminate permit.

The RCNLD methodology develops the Reproduction Cost New (RCN) of the assets by calculating the expense to build an exact replica using identical materials and designs, then subtracting physical deterioration, functional obsolescence, and economic obsolescence. The fair market value of the assets is determined by deducting from the RCN the estimated depreciation of the assets to establish the RCNLD. The RCNLD value represents an estimate of the cost to reproduce the existing system

⁴ Supreme Court of Wisconsin. Case No. 2008AP322. Stepanek v. Wausau Gateway Plant (2011 WI 4), at 30. February 2, 2011.

today. It is likely, however, that it would not be possible to reconstruct assets in the same configuration or to apply the same development and construction practices.

Concentric developed a preliminary estimate of the value of SWL&P's assets based on the reproduction cost methodology. The asset inventory was based on SWL&P's estimate of the cost of the assets as of end of year 2024. The RCN estimate was developed based on an estimate of the current inventory of assets, excluding SWL&P's electric transmission assets. The current reproduction cost was estimated for these assets based on SWL&P's cost estimating team.

Concentric first identified the list of assets to include in the valuation, such as miles of line, number of services, other facilities from SWL&P's records. Concentric then calculated modern construction costs using indices, such as the Handy Whitman Index, to develop the RCN value of the system assets as of end of year 2024. Concentric then applied depreciation rates to each asset using SWL&P's depreciation study values, which assumes straight line depreciation.⁵

The reproduction costs started with the original cost based on the installation year for each asset, then escalated the reproduction costs to 2030. This indicates the current estimate of \$177.7 million RCNLD, based on industry cost indices, or \$219.1 million RCNLD estimate through end of year 2030. The valuation reflects adjustments for physical deterioration, but not functional or economic obsolescence, as Concentric is not aware of any applicable functional or economic obsolescence.

Preliminary Estimate of System Asset Valuation

System Assets	Original Cost (2024\$M)	NBV (2024\$M)	RCN (2024\$M)	RCNLD (2024\$M)	NBV (2030\$M)	RCNLD (2030\$M)
Water	\$74.6	\$47.1	\$843.0	\$93.8	\$69.9	\$139.3
Natural Gas	\$52.6	\$24.3	\$175.4	\$39.8	\$23.3	\$38.2
Electric	\$56.9	\$23.8	\$167.6	\$44.1	\$22.3	\$41.5
Total	\$184.1	\$95.2	\$1,186.1	\$177.7	\$115.5	\$219.1*

* Estimated 2030 NBV derived from SWLP forecast net utility plant. RCNLD 2030 estimated based on 2024 RCNLD/NBV of 1.99x for water, 1.64x for natural gas, and 1.85x for electric assets (excluding transmission).

Note: Values include construction work in progress (CWIP). Excluded items include electric transmission, common plant attributable to transmission, and land. RCN and RCNLD values exclude values with negative book cost values.

Why is the Reproduction Cost New (RCN) water value so high?

The RCN value does not factor in depreciation. This value reflects the original cost escalated to current dollars. For example, a water service line was installed in 1919 for an original cost of \$8,485. Installing that same line in 2024 would cost \$608,787, based on Handy Whitman Index values. Once depreciation is applied to estimate the RCNLD value, many of the assets installed in the early 1900s no longer have a net book value. As a result, the water line installed in 1919 now has a net book value of \$0, and an RCNLD value of \$0, as well.

⁵ Sources: Case No. UR-117, *Application of Superior Water, Light and Power Company for Authority to Adjust Retail Electric, Gas, and Water Rates. Final Decision on Reopening*, Appendices E-H. April 14, 2025. Company information.

Separation Costs

Separation costs include separating the City purchase from SWL&P's existing system, including additional costs incurred by the City to duplicate assets that will remain with SWL&P. As mentioned earlier, the analysis made simplifying assumptions regarding boundaries, including the entire natural gas system (some of which is outside the City limits) and the entire water system, rather than excluding those assets serving the Village of Superior from the analysis of acquisition costs. Should the City pursue a municipalization of only those assets within City boundary lines, the City would incur additional separation costs to sever the system along the City limits, which may increase final acquisition costs.

Separation costs calculated in this preliminary analysis include the costs of certain advanced metering infrastructure (AMI) assets currently shared with SWL&P's sister utility, Minnesota Power (note that actual meters are included above in the asset value itself), as well as other equipment and substation maintenance equipment. Specifically, separation costs estimated include:

- **AMI Radio Equipment:** Currently, SWL&P deploys AMI for its electric, natural gas, and water meters. SWL&P relies on Minnesota Power, for the AMI radio infrastructure.
 - If the City were to operate the AMI meters as SWL&P does, the City must acquire equipment such as radio network equipment, including approximately 3-6 pole-top radios, a Federal Communications Commission (FCC) license for a new radio frequency, engineering studies, meter program labor hours, and software for monitoring and maintenance.
- **Supervisory Control and Data Acquisition (SCADA) Equipment:** The City must acquire a separate SCADA system to separate the distribution system from SWL&P's existing transmission equipment that would remain with SWL&P. These costs may include installation of metering equipment and a SCADA system currently housed within transmission substations.
- **Substation Maintenance:** The City would also incur substation maintenance equipment costs.

The table below indicates total separation costs of approximately \$3.1 million as of end of year 2030.

Preliminary Estimate of Separation Costs (2030\$)

Separation Costs	(2030\$)
Meter Radio Equipment	\$2,424,000
SCADA Equipment	\$597,000
Substation Maintenance	\$59,700
Total Separation Costs	\$3,080,700

Startup and Transaction Costs

In addition to the costs to purchase SWL&P, there are startup costs and transaction costs that would be incurred as part of municipalization. Startup costs include, but are not limited to:

- Initial capital expenditure cycle (i.e., raise debt for first four years of capital investments)
- Staffing and management
- IT systems (e.g., billing, general IT)
- Capital reserve fund

Transaction costs include, but are not limited to:

- Legal fees to execute transaction proceeding to determine final value
- Detailed engineering and consulting fees
- Underwriting and debt issuance costs

The municipalization process also involves transaction costs. Such costs include legal fees to execute a transaction through a regulatory proceeding, detailed engineering and consulting fees, and underwriting and debt issuance costs.⁶

Concentric preliminarily estimates startup and transaction costs will range from \$83.6-\$84.1 million.

Cost Estimates	(2030\$M)
Startup Costs	\$74.7-\$75.2
Transaction Costs	\$8.9
Startup and Transaction Costs Subtotal	\$83.6-\$84.1

Note: Sums may not add to total due to rounding.

⁶ Transaction costs such as legal, consulting, engineering, and other fees required to execute municipalization through regulatory proceedings are absorbed by the acquiring entity whether municipalization is completed or not.

➤ Acquisition Cost Summary

Acquisition cost estimates can vary based on many factors, including the financial ramifications of existing debt. Key acquisition costs include:

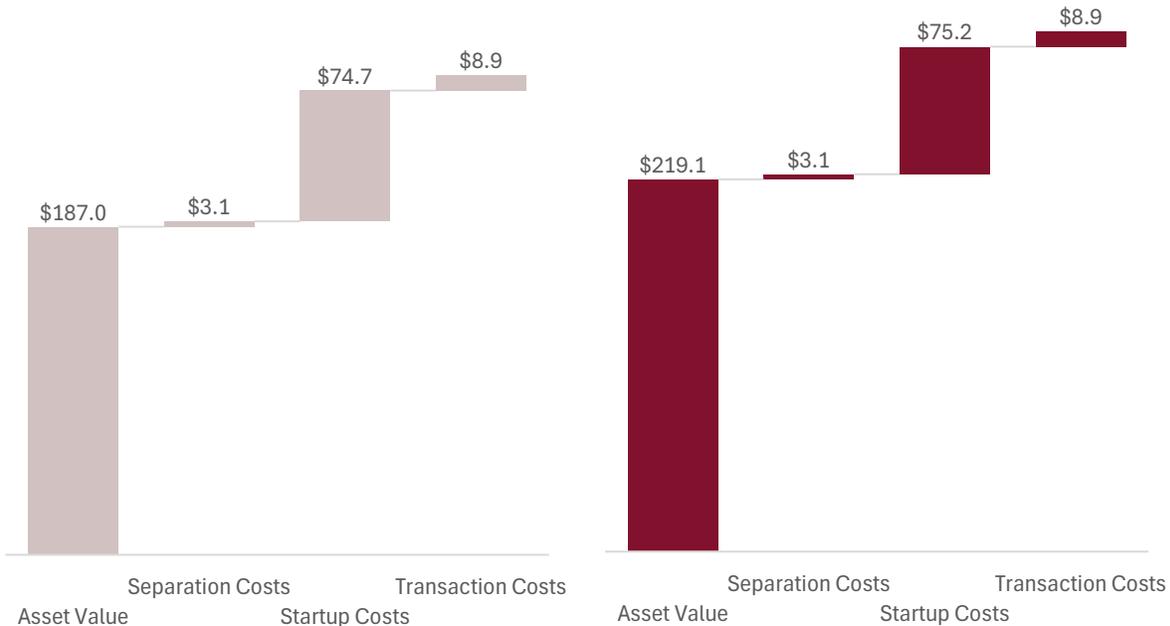
- **Asset Value:** The asset value range is \$187.0 –\$219.1 million at end of year 2030.
- **Separation Costs:** Costs incurred to physically separate the municipal system from remaining assets, including radio infrastructure to support meters and other equipment, estimated at \$3.1 million at the end of year 2030.
- **Startup and Transaction Costs:** Startup costs include initial capital expenditure cycle, staff and management, IT systems, and reserve funds, and transaction costs include legal and other fees, detailed engineering and consulting fees, and debt issuance costs. Costs are estimated at \$83.6-\$84.1 million at the end of year 2030.

Note: This preliminary acquisition cost analysis does not include an estimate for going concern (i.e., the incremental intrinsic value that reflects SWL&P's utility as a business which is greater than a collection of physical assets). The following charts presents preliminary acquisition cost analysis range by element of the proposed transaction.

Preliminary Estimate of Acquisition Costs: \$274-\$306M (2030 end of year)

Rate Base Multiple Acquisition Cost (\$274M)

RCNLD Acquisition Cost (\$306M)



> Additional Considerations

There are a number of issues to consider regarding whether the rates of a City-owned municipal utility would indeed be lower for customers than remaining on SWL&P's system. Some issues include:

Final Acquisition Costs and Rates Impact: The analysis presented in this Briefing provides *preliminary estimates* that are subject to revision based on actual costs incurred and/or updates to methodologies, as well as more in-depth engineering and accounting analysis of SWL&P's assets, among other factors and issues discussed herein. The estimated acquisition cost estimates above would need to be refined through a full feasibility study, which would include a forecasted rate comparison between the City and SWL&P's rates. Acquisition costs, which would be financed with taxable debt, represent a significant outlay that would affect ongoing rates. This analysis would consider additional elements, including but not limited to the following:

- Comparison of ongoing municipalization costs, such as power supply, operations and maintenance, debt service, any foregone fees to municipalities and the State, and customer programs.
- Potential stranded assets or contracts.
- Debt financing.
- Potential additional capital investments the City would need to make to provide a comparable level of service.
- The fair market value of real property, such as land acquired and the value associated with acquiring bundled easements.

Union and Other Contracts: SWL&P is subject to a range of contracts, such as contracts with workers' unions and long-term power purchase agreements. Establishment of the municipal utility must first include an understanding of the implications of all contracts, such as counterparty consent requirements, default penalties, and potential transferability of contracts to a public entity, among other issues. Contract disputes, default penalties, and/or prolonged litigation regarding contracts may affect acquisition and ongoing municipalization costs.

> Conclusions

Based on preliminary analysis, Concentric estimates the total costs of acquisition for SWL&P to be \$274-\$306 million as of end of year 2030. The estimates in this Briefing focus on the immediate purchase price and direct expenses associated with acquiring the water, electric, and natural gas system. However, a full Feasibility Study would include a refined analysis of anticipated acquisition costs in more detail and potentially increase the estimate of municipalization costs.

Disclaimer

This preliminary acquisition cost analysis is based on both publicly available information and non-public information provided to Concentric Energy Advisors, Inc. (“Concentric”) by SWL&P. Concentric has not independently verified the accuracy of this information and does not express an opinion regarding its validity. Furthermore, this preliminary acquisition cost analysis is not an audit and was not conducted for the purpose of providing a legal opinion or to provide investment advice.

This preliminary acquisition cost analysis was developed on behalf of SWL&P. Neither Concentric’s engagement by SWL&P nor Concentric’s compensation are in any way contingent upon the value estimates contained in the analysis. The analysis is intended to be read and used as a whole document and not in isolated sections.

All statements, assumptions, opinions, positions, and conclusions set forth in this acquisition cost analysis are solely attributed to Concentric and not to any other party. Concentric is solely responsible for the content of this analysis. Nothing in this analysis shall be interpreted as information, admissions, statements, assumptions, opinions, positions, or conclusions made or provided by or on behalf of SWL&P.

There are no third-party beneficiaries with respect to the preliminary acquisition cost analysis, and Concentric does not accept liability to any third party regarding the content of the analysis or any actions taken or decisions made based on the information set forth herein. This preliminary acquisition cost analysis was paid for by SWL&P shareholders.

APPENDIX: KEY ASSUMPTIONS

- The preliminary analysis of acquisition costs herein generally aligns with relevant Wisconsin statutes, such as Wisconsin Statutes Chapter 32 (Eminent Domain); section 32.09 (rules governing determination of just compensation, subsection (8)); and sections 196.54(4), 197.03, and 197.05 governing compensation for a utility operating under an indeterminate permit.
- Valuation excludes values for electric transmission assets, land, and easements.
- Valuation does not include an estimate for going concern (i.e., the incremental intrinsic value that reflects SWL&P's utility as a business which is greater than a collection of physical assets).
- The valuation made simplifying assumptions regarding boundaries. However, costs to acquire only those assets located within the limits of the City of Superior (i.e., to separate along City boundaries) could result in significantly higher costs.
- The projected rate base and net book value for SWL&P's water, electric, and natural gas assets is based on Company-provided data for end of year 2024 and forecasts based on the Company's financial forecasts for 2025-2035, including forecasted capital investments. These values were used in developing fair market value assessments for the water, electric, and natural gas assets.
- The dollars herein are expressed in end-of-year 2030 dollars, unless otherwise stated.
- Startup costs include:
 - Initial capital investment cycle (i.e., raise debt for first four years of capital investment) based on SWL&P's financial forecasts through 2035. This assumption is included for efficiency of capital market access, as utilities must raise sufficient funds for initial capital expenditure cycles.
 - Operations startup costs at 1.50% of total asset value; and
 - Initial debt reserve at 3.00% of total debt.
- Transaction costs include:
 - Legal, engineering, and consulting fees estimated at \$5 million; and
 - Flotation costs (i.e., debt issuance costs) estimated at 1.50% of total debt.

ABOUT CONCENTRIC

Concentric Energy Advisors was founded in 2002 by a small group of executive-level consultants committed to establishing a mid-sized energy consulting firm with capabilities and a reputation unsurpassed by any firm in North America. Concentric has approximately seventy employees and is headquartered in Marlborough, Massachusetts with an office in Washington, DC. Our wholly owned Canadian subsidiary, **Concentric Advisors, ULC** is headquartered in Calgary, Alberta, Canada. Our energy industry experts have held positions with utility companies, regulatory agencies, integrated energy companies, regional transmission organizations, retail marketing companies, and utility management consulting firms.

Concentric provides a comprehensive and integrated suite of services to every segment of the energy sector including strategic, financial, regulatory, planning, and ratemaking services. We have evolved with the industry and are actively supporting utilities and other stakeholders as they navigate the energy transition in response to clean energy policies that are being implemented throughout North America.

Our experts stay abreast of the latest developments in regulatory policy and routinely testify before Canadian and U.S. regulators on the above topics. We have 30 experts who have appeared in regulatory proceedings across North America addressing policy and challenging analytical topics, backed up by a team of consultants who are experienced in all aspects of developing the financial, economic, and technical data filed as part of regulatory proceedings. Many of our assignments contain valuation and economic assessments and conclude with expert reports or written testimony supporting our findings.