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NEWS

ALLETE Clean Energy announces \$80 million turbine refurbishment initiative

Project will enhance turbine performance and reliability, generate tax credits

Duluth, Minn. — ALLETE Clean Energy, a wholly-owned subsidiary of ALLETE Inc. (NYSE: ALE), today announced a strategic initiative to refurbish 385 wind turbines at three wind farms in Minnesota and Iowa.

The project includes replacing select blades, gearboxes and generators on turbines at the Lake Benton wind site in Lincoln County, Minnesota, and the Storm Lake I and II wind sites in Buena Vista and Cherokee counties, Iowa. The project will improve turbine performance and reliability, generate federal production tax credits at each site and support the renewal of power sale agreements at the Storm Lake sites.

“As a central part of ALLETE Clean Energy’s multifaceted growth strategy, this \$80 million reinvestment will contribute to future earnings growth,” said Allan S. Rudeck Jr., president of ALLETE Clean Energy. “Revenue from our existing wind sites such as Lake Benton and Storm Lake is the foundation for ALLETE Clean Energy’s momentum and growth. Neighboring communities also benefit by keeping these older sites viable and valuable, which maintains jobs and landowner lease payments.”

The refurbishment will be staged from 2017 through 2020 to minimize turbine downtime and maximize safe energy production at each site. In total, the sites produce approximately 700,000 megawatt hours of energy per year, representing about 50 percent of ALLETE Clean Energy’s current electricity sales.

In addition to the turbine refurbishments, the project includes installing new communications infrastructure at the sites to better integrate them into ALLETE Clean Energy’s corporate operations structure. New fiber optic connections, servers, and data acquisition and management systems will improve the operation of each site and secure the best performance.

Energy from the Lake Benton site is fully contracted through 2028, and approximately 8 megawatts of Storm Lake I production is contracted through 2032. ALLETE Clean Energy is working to recontract the balance of the Storm Lake I and II power sale agreements which expire in 2019.

The turbine refurbishment project follows ALLETE Clean Energy’s December 2016 \$100 million investment in wind turbine components that meet the standards for the production tax credit “safe harbor” provision. The investment in safe harbor turbines allows ALLETE Clean Energy to pursue a three-pronged production tax credit strategy before the 2020 federal production tax credit phase-out. The strategy includes building and operating new wind farms based on long-term power sale agreements, building wind farms for other companies for a development fee, and refurbishing its existing wind farms while extending power sale agreements.

As part of that strategy, ALLETE Clean Energy announced in March its plan to build, own and operate a 100-megawatt wind farm in Morton and Mercer counties in North Dakota that will supply electricity to Xcel Energy under a signed 20-year power sale agreement. Construction is expected to begin in 2018 and be complete in 2019.

The company also announced an agreement with Montana-Dakota Utilities (MDU) in January to expand the Thunder Spirit wind farm in Hettinger, North Dakota. MDU signed a 25-year power sale agreement with ALLETE Clean Energy to purchase energy from the expansion. Under the agreement, MDU also has an option to buy as it did with the first phase of Thunder Spirit.

ALLETE Chairman, President and CEO Al Hodnik said ALLETE Clean Energy has grown to be the company's second-largest source of net income, and is helping ALLETE do its part to answer the call to transform the nation's energy and water landscape.

"ALLETE Clean Energy is consistently building shareholder value as it executes a thoughtful growth strategy," Hodnik said. "Maintaining and enhancing the Lake Benton and Storm Lake sites, along with extending power sales agreements, provide a cost-effective platform for the strategy that is already bearing fruit as the safe harbor turbines connect ALLETE Clean Energy with new industry partners nationwide."

ALLETE Clean Energy was established in 2011 to acquire or develop capital projects to create energy solutions by way of wind, solar, biomass, hydro, natural gas, shale resources, clean coal technology and other emerging innovations.

ALLETE Inc. is an energy company with headquarters in Duluth, Minnesota. In addition to its electric utilities, Minnesota Power and Superior Water, Light and Power of Wisconsin, ALLETE owns ALLETE Clean Energy, based in Duluth; BNI Energy in Bismarck, North Dakota; U.S. Water Services in St. Michael, Minnesota; and has an 8 percent equity interest in the American Transmission Co. More information about ALLETE is available at www.allete.com. *ALE-CORP*

The statements contained in this release and statements that ALLETE may make orally in connection with this release that are not historical facts, are forward-looking statements. These forward-looking statements involve risks and uncertainties and investors are directed to the risks discussed in documents filed by ALLETE with the Securities and Exchange Commission.

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