

**ALLETE, Inc.
Board of Directors**

Audit Committee Charter

Purposes and Role of Committee

The purposes of the Audit Committee (Committee) of the Board of Directors (Board) of ALLETE, Inc. (Company) are to:

(A) assist the Board's oversight of: (1) the integrity of the Company's financial statements and internal controls over financial reporting; (2) the Company's compliance with corporate policies and procedures; (3) the Company's compliance with legal and regulatory requirements; (4) the independent registered public accounting firm's qualifications and independence; and (5) the performance of the Company's internal audit function and independent registered public accounting firm; and

(B) prepare the report that Securities and Exchange Commission (Commission) rules require to be included in the Company's annual proxy statement.

The role of the Committee is oversight. Management is responsible for setting the tone and maintaining and evaluating appropriate accounting and financial reporting principles and policies, as well as internal controls, processes, systems, disclosure processes, corporate policies and procedures designed to assure compliance with accounting standards, corporate policies and applicable laws and regulations.

The independent registered public accounting firm is responsible for auditing the financial statements and assessing the Company's internal controls. Consequently, in carrying out its oversight responsibilities, the Committee is not providing any certification as to the independent registered public accounting firm's work or the work or report of any expert. Each member of the Committee shall be entitled to reasonably rely on the integrity of people and organizations from which the Committee receives information and the accuracy of such information.

This Charter is intended as a component of the flexible governance framework within which the Board, assisted by its committees, oversees the affairs of the Company. Nothing contained in this Charter is intended to create, or should be construed as creating, any responsibility or liability of the members of the Committee, except to the extent otherwise provided under applicable federal or state law.

Committee Membership

The Committee shall consist of three or more Directors, each of whom, in the judgment of the Board (A) satisfies the requirements for independence pursuant to Section 301 of the Sarbanes-Oxley Act of 2002 and Rule 10A-3(b)(1) of the Exchange Act Rules and the listing standards of the New York Stock Exchange, Inc. (NYSE), and (B) is financially literate as required by the listing standards of the NYSE, or shall at the time of appointment undertake training for that purpose.

At least one Committee member shall, in the judgment of the Board, have accounting or related financial management expertise in accordance with the listing standards of the NYSE and be considered an Audit Committee Financial Expert under Section 407(d)(5) of Regulation 5-K. An “audit committee financial expert” is a person who has an understanding of financial statements and generally accepted accounting principles (“GAAP”); experience in preparing, auditing, analyzing or evaluating financial statements of companies comparable to the company or experience in actively supervising one or more persons engaged in such activities; experience in applying GAAP to accounting for estimates, accruals and reserves; and an understanding of internal accounting controls, procedures for financial reporting and the functioning of audit committees, as a result of:

- (a) education and experience as a public accountant, auditor, principal financial officer, controller or principal accounting officer of a company, or a position involving similar functions,
- (b) experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions,
- (c) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements, or
- (d) other relevant experience.

The designation or identification of a person as an audit committee financial expert shall not impose on such person any duties, obligations or liabilities that are greater than the duties obligations and liabilities imposed on such person as a member of the audit committee and Board of Directors in the absence of such designation or identification. The designation shall also not affect the duties, obligations or liabilities of any other member of the Audit Committee or Board of Directors.

Committee members may not serve on audit committees of more than two other publicly traded companies. Committee members shall be recommended by the Corporate Governance and Nominating Committee annually and as vacancies or newly-created positions occur, shall be appointed by the Board, and shall serve at the pleasure of the Board and for such term or terms as the Board may determine.

Committee Structure and Operations

The Board shall designate one member of the Committee as its Chair. The Committee shall meet at least quarterly at a time and place determined by the Board or the Committee Chair, with further meetings to occur when deemed necessary or desirable by a majority of the Committee or its Chair. The Committee will meet periodically in executive session without management present.

A majority of the Committee members currently holding office constitutes a quorum for the transaction of business. The Committee shall take action by the affirmative vote of a majority of the Committee members present at a duly held meeting. The Committee may meet in person or telephonically, or other communications equipment by means of which all persons participating in the meeting can communicate with each other, and may act by unanimous written consent when deemed necessary or desirable by the Committee or its Chair. In discharging its role, the Committee is empowered to inquire into any matter it considers appropriate to carry out its responsibilities, with access to all books, records, facilities, and personnel of the Company. The Committee may recommend to the Board procedures to be observed in executing its responsibilities. The Committee may invite such members of management to its meetings as it may deem desirable or appropriate. The Committee shall maintain minutes of its meetings and records relating to those meetings.

Committee Duties and Responsibilities

The duties and responsibilities of the Committee are to:

1. Select, retain, evaluate the independence and performance of, and terminate (when appropriate) the independent registered public accounting firm, and approve fees and terms of retention of the independent registered public accounting firm (subject to ratification by Company shareholders if deemed appropriate). The Committee shall be responsible for the oversight and evaluation of the independent registered public accounting firm engaged by the Company for the purpose of preparing or issuing an audit report or related work or performing other audit, review or

attest services, including resolution of disagreements between management and the independent registered public accounting firm regarding financial reporting. The Committee shall pre-approve any audit and non-audit services by the independent registered public accounting firm as required by applicable law. The Committee shall directly implement these responsibilities. The Committee may consult with management in the decision making process, but may not delegate this authority to management.

2. Instruct the independent registered public accounting firm that they are to report directly to the Committee, and provide that they are ultimately responsible to the Committee and the Board.
3. Review with the independent registered public accounting firm and approve the scope of the prospective audit plan, the estimated fees therefor and such other matters pertaining to such audit as the Committee may deem appropriate, including the timing and scope of audit activities and the monitoring of such plan's progress and results during the year. Receive copies of the annual comments from the independent registered public accounting firm on accounting procedures, systems of control, critical accounting policies, and practices to be used. Recommend to the Board the acceptance of such audits that are accompanied by certification.
4. Review and discuss with management and the independent registered public accounting firm, before filing with the Commission, the annual audited financial statements and quarterly financial statements, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations".
5. Review and discuss earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies. The Committee may discuss the types of financial information and earnings guidance provided to analysts and ratings agencies.
6. Advise management, the internal audit department and the independent registered public accounting firm that they are expected to provide to the Committee a timely analysis of and opportunity to review (A) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in

light of material control deficiencies; (B) compliance with the Company's policies and procedures; (C) analyses prepared by management and/or the independent registered public accounting firm setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements; (D) the effect of regulatory and accounting initiatives, as well as off balance sheet structures, on the financial statements of the company; and (E) the type and presentation of information to be included in earnings press releases (paying particular attention to any use of "pro forma," or "adjusted" non-GAAP, information), as well as review any financial information and earnings guidance provided to analysts and rating agencies.

7. Appoint, evaluate, compensate, oversee the work of, and if appropriate terminate the appointment of any other registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services (including the resolution of any disagreements between management and the auditor regarding financial reporting), each of which firms shall report to the Committee, and, if such firm is required to be independent of the Company in accordance with SEC rules, the annual report delineating all relationships between the independent auditor and the Company required by applicable audit professional regulatory standards, and discuss with such firm any relationships or services that may impact the objectivity and independence of the firm and take appropriate action to satisfy itself of such firm's independence and approve any audit-related and permitted non-audit services (including the fees and material terms thereof) to be provided by any registered public accounting firm so engaged.

8. Direct management, the internal auditors and the independent registered public accounting firm to disclose to the Committee any significant financial risks and exposures. Discuss with management (a) the Company's policies with respect to risk assessment and risk management, (b) the Company's policies with respect to risk assessment and risk management in the areas of financial reporting, internal controls and compliance with legal and regulatory requirements and management's assessment of their adequacy and effectiveness, (c) the Company's material risk exposures in these areas and the steps taken to manage such exposures, and (d) the Company's risk tolerance in these areas and its relationship to Company strategy.

9. Review with the independent registered public accounting firm any audit problems or difficulties that the registered public accounting firm encountered in the course of the audit work and management's response, including any restrictions on the independent registered public accounting firm's activities or on access to requested information, any accounting adjustments that were noted or proposed by the independent registered public accounting firm but were "passed" (as immaterial or otherwise); any communications between the audit team and the independent registered public accounting firm's national office respecting auditing or accounting issues presented by the engagement; any significant deficiencies or material weaknesses noted as a result of the evaluation of internal controls over financial reporting.
10. Review the action taken by management on the internal auditors' and independent registered public accounting firm's recommendations.
11. Review the activities and organizational structure of the internal audit function. Review at least annually with the senior internal audit executive the annual internal audit plan and scope of internal audits, including the procedure for assuring implementation of accepted recommendations made by the internal auditors. Advise the senior internal audit executive that he or she is expected to provide the Committee with summaries of any significant identified control issues and management's response thereto, and seek prior approval of the Committee for any significant changes to the internal audit department charter, staffing or budget.
12. Ensure there are no unjustified restrictions or limitations placed on internal audit, and review and concur in the appointment, replacement or dismissal of the senior internal audit executive. Review the responsibilities, budget and staffing of the Company's internal audit function.
13. Make or cause to be made, from time to time, such other examinations or reviews as the Committee may deem advisable or which the Board may direct with respect to the adequacy of the systems of internal controls and accounting practices of the Company and its subsidiaries and with respect to current accounting trends and developments, and take such action with respect thereto as may be deemed appropriate.
14. Review the appointment, reassignment, and replacement of the lead

audit partner, and concurring partner, and assure regular rotation of lead audit partner, such that the lead audit partner has not performed audit services for the Company in each of the 5 previous fiscal years, or more frequently so as to assure continuing auditor independence, consider whether the independent registered public accounting firm should be rotated so as to assure continuing auditor independence, and evaluate whether rotation of the independent auditor firm would be in the best interests of the Company considering, among other things, auditor independence, audit quality, costs and any loss of institutional knowledge.

15. Set clear hiring policies for employees or former employees of the independent registered public accounting firm that are consistent with the requirements of applicable laws and the NYSE.
16. On a periodic basis, and without others present, meet separately with the independent registered public accounting firm, the senior internal audit executive, the controller, the general counsel, and other members of management as appropriate.
17. On a regular basis, review with management, the independent registered public accounting firm and the senior internal audit executive the adequacy and effectiveness of and any significant changes in the internal controls, the accounting policies procedures or practices of the Company and its subsidiaries, and compliance with corporate policies, directives and applicable laws. Review and discuss with management and the independent registered public accounting firm whether such controls and procedures are designed to provide reasonable assurance that: (i) transactions entered into by the Company are properly authorized, (ii) assets are safeguarded from unauthorized or improper use, (iii) and transactions by the Company are properly recorded and reported. The Committee shall also review and discuss any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls.
18. Ensure that the independent registered public accounting firm submits on a periodic basis to the Committee a formal written statement delineating all relationships between the independent registered public accounting firm and the Company that may have a bearing on the independent registered public accounting firm's independence, engage in an active dialogue with the independent registered public accounting firm with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent registered public accounting firm,

and recommend to the Board any action deemed appropriate in response to the independent registered public accounting firm's report to satisfy the Board and the Committee of the independent registered public accounting firm's independence.

19. Obtain and review, at least annually, a report by the independent registered public accounting firm describing: the independent registered public accounting firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, peer review, or Public Company Accounting Oversight Board (PCAOB) review of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (to assess the registered public accounting firm's independence) all relationships between the independent registered public accounting firm and the Company. The Committee shall also receive and review other required reports by the independent registered public accounting firm.
20. Establish and oversee procedures for the receipt, retention and treatment of complaints received, and review and as necessary, investigate any reports provided by SEC Counsel to the Company regarding evidence of unremedied material violations of U.S. Federal or state securities or any similar other law regarding the Company's accounting, internal accounting controls, or auditing matters; as well as concerns submitted by Company employees or those of its affiliates (including any submitted confidentially or anonymously) regarding questionable accounting, financial reporting, internal control or auditing matters.
21. Review periodically, in consultation with management legal and regulatory matters that may have a material impact on the Company's financial statements, including any reserves for legal contingencies and any related financial statement disclosure.
22. At least annually, (i) review and discuss with management and the independent auditor the Company's financial risk exposures and assess the policies and processes management has implemented to monitor and control such exposures, (ii) assist the Board in fulfilling its oversight responsibilities regarding the Company's policies and processes with respect to risk assessment and risk management, including any significant non-financial risk exposures, and (iii) review the Company's annual disclosures concerning the role of the Board in the risk oversight of the Company, such as how the Board

administers its oversight function.

23. Prepare a report for inclusion in the annual proxy statement that specifies the Directors who sit on the Committee, describes the Committee's responsibilities as outlined in this Charter, and discusses how these responsibilities were discharged during the year.
24. Conduct or authorize investigations into any matters within the Committee's scope of responsibility, consistent with procedures adopted by the Committee. The Committee shall have the authority to retain, at the Company's expense, independent legal, accounting, or other consultants to advise the Committee. The Committee may direct any officer or employee of the Company or any other subsidiaries or request the Company outside counsel or independent external auditor to attend a meeting of the Committee to meet with any member of, or consultants to, the Committee.
25. Perform such additional activities, and consider such other matters, within the scope of its responsibilities, as the Committee or the Board deems necessary or appropriate.
26. Evaluate, on an annual basis, the Committee's performance. The evaluation shall address all matters that the Committee considers relevant to its performance, including a review and assessment of the adequacy of this Charter, and shall be conducted in such manner as the Committee deems appropriate. The results of the evaluation shall be delivered to the Board, which may be an oral report, including any recommended amendments to this Charter.
27. Review, with management, the Company's finance function, including its budget, organization and quality of personnel.

Committee Reports

1. Report to the Board on a regular basis on the activities of the Committee and make such recommendations with respect to the above matters as the Committee may deem necessary or appropriate. This report shall include a review of any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent registered public accounting firm, or the performance of the internal audit function.
2. Transmit to the Board notices of Committee meetings, agendas, and meeting minutes.
3. At the time of or in advance of the Annual Directors Meeting held in May of each year, present an annual performance evaluation of the Committee, which shall assess the performance of the Committee in relation to its duties and responsibilities under this charter, and recommend any amendments to this charter.
4. Report on matters required by the rules of the Commission to be disclosed in the Company's annual proxy statement.

Delegation of Authority

The Committee may, in its discretion, delegate certain of its duties and responsibilities to a subcommittee of the Committee.

The Committee may delegate to one or more of its members the authority to grant pre-approvals of auditing and non-audit services to be performed by the Company's independent registered public accounting firm subject to such guidelines as the Committee may determine. Any such decisions to pre-approve shall be presented to the full Committee at its next following regular meeting.

Resources and Authority of the Committee

The Committee shall have the resources and appropriate funding, as determined by the Committee, to discharge its duties and responsibilities. The Committee shall have the authority, with or without Board approval, to retain and discharge, and approve fees and other terms and conditions for retention of independent experts in accounting and auditing, legal counsel and other experts or advisors to assist the Committee in fulfilling its duties and responsibilities, the cost of such independent expert advisors to be borne by the Company. The Committee may direct any officer or employee of the Company or request any employee of the Company's independent registered public accounting firm or outside legal counsel to attend a Committee meeting or meet with any Committee members.