

SEPTEMBER 1, 2010

THE

ALLETE™ INVESTOR

A NEWSLETTER FOR THE SHAREHOLDERS OF ALLETE, INC.

## ALLETE's Bison wind energy project well underway in North Dakota

With regulatory approvals secured in two states, a transmission line purchased and 16 wind turbines in Duluth, Minn. awaiting shipment to New Salem, N.D., work is proceeding briskly on ALLETE's newest wind farm.

The Bison I Wind Energy Center represents the first wave of several hundred megawatts (MW) of renewable wind energy that will be built by ALLETE in North Dakota. It will help fulfill the Minnesota statute mandating a 25 percent renewable energy supply by 2025.

Bison I will consist of 33 wind turbines with a total nameplate capacity of 75.9 MWs and will be phased into service in late 2010 and 2011. Bison I, including the associated transmission upgrades to the DC Line, will have a total capital cost of approximately \$177 million. Approximately \$63 million of the costs were incurred by June 30 of this year.

Barely a month after a Bison project groundbreaking ceremony in New Salem June 17, a cargo ship loaded with wind components destined for North Dakota arrived in the Lake Superior port of Duluth, headquarters city of ALLETE.

On board the ship were 16 nacelles and 16 rotor hubs that are integral components of the first phase of Bison. Of a total 33 wind turbines to be installed in the project by the end of 2011, 16 will be assembled and scheduled for activation by the end of this year. Each nacelle supports a rotor and encloses a wind turbine plant's major components for electric power generation – the gearbox, drive train and control electronics. A rotor hub fits on the front of the nacelle and contains large holes where the blades will be fitted. Each rotor and hub set weighs 144 tons.

The ship, called the BBC Ems, traveled from Aarhus, Denmark, across the Atlantic and through the St. Lawrence Seaway to Duluth. The wind power equipment was manufactured at a Siemens facility not far from Aarhus in Brande, Denmark. The blades for Bison will be fabricated in a Siemens facility in Fort Madison, Ia. and trucked to the construction site. Towers for the wind turbines will be built in West Fargo, N.D.

Work is progressing smoothly at the Bison I construction site while the nacelles await delivery by truck in mid-September. A 22-mile transmission line connecting Bison with the Square Butte Substation in Center is under construction. On December 31, 2009, ALLETE purchased for \$69.7 million a 250 kV direct current (DC) transmission line running 465 miles from Square Butte to a Minnesota Power substation near Duluth.

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*A cargo ship bearing wind turbine components for Minnesota Power's Bison Project sails into the Port of Duluth, Minn.*



### DEAR SHAREHOLDER

Today I'd like to ask for your assistance in helping us convince Congress that raising taxes on dividends is a bad idea. In 2003, Congress passed a law that reduced the maximum tax rate on dividend income to 15 percent. Extended in 2006, today's lower dividend tax rates are set to expire at the end of this year.

Keeping the tax on dividends low is important to all of you, and of course it's important to ALLETE. If we don't make our opinions heard, Congress could raise current dividend taxes by more than 100 percent before the year is over.

ALLETE has paid its shareholders dividends in every consecutive quarter since 1948. I know many of you depend upon your ALLETE dividend as a necessary source of income – in some cases it's a critical portion of your retirement funding. We've included in this mailing a sample letter defending the present dividend tax. I urge you to sign this letter – or write your own – and mail it to the appropriate U.S. Senator or Representative.

Alternatively, I ask that you access the "Defend My Dividend" link on [www.allete.com](http://www.allete.com) to learn more about this issue. Through this link, you can send an email directly to your representatives in Washington to help defend your dividend.

Lower dividend tax rates are good for investors, consumers, American businesses and the recovering U.S. economy. Lower dividend tax rates tend to assist companies like ALLETE in attaining capital through issuing common stock. This allows companies like ALLETE to maintain cleaner, more efficient generating facilities and invest in renewable energy and modern technology. In short, a fair dividend tax allows us to grow and our shareholders to prosper.

Thanks for your attention to this important matter.

A handwritten signature in dark ink, appearing to read "A. Hodnik".

Sincerely,  
Alan R. Hodnik  
President and Chief Executive Officer



ALLETE CEO Alan R. Hodnik chats with invited guests – mostly neighboring landowners – at a groundbreaking event for Minnesota Power's Bison Project in New Salem, N.D. June 17. The groundbreaking was moved indoors due to high winds and storms. Construction of Bison's first phase is proceeding briskly.

## High Winds move groundbreaking for Bison project indoors

*continued from front*

The company plans to use the DC line to transport increasing amounts of wind energy from North Dakota while gradually phasing out coal-based electricity currently being delivered to the Minnesota Power system over this transmission line from Square Butte's coal-fired generating unit.

Substations, an operation and maintenance building, roads, collector lines and foundations for wind turbines and transmission towers are in various stages of completion at the project site, about 12 miles from New Salem. Because the Bison project and a portion of the DC line are located in the migratory flyway of the endangered whooping crane, hundreds of "bird diverters" are being installed. The devices, shaped like pigtails, are designed to make the lines more visible to the waterfowl.

ALLETE had planned a media event and invited neighboring landowners to a Bison I groundbreaking ceremony at the construction site June 17. But due to high winds and rain, the outdoor ceremony was moved indoors to the New Salem Auditorium. An attentive audience of about 150 neighboring landowners watched as Dave Schmitz, ALLETE's general manager of renewable operations, and MP's Chief Operating Officer Brad Oachs outlined the Bison Project and gave a brief rundown of MP and ALLETE's history of diversification and involvement outside its home state.

"After more than a century in this business, we understand that energy is a diverse marketplace where ingenuity and resourcefulness can thrive," Oachs said. "We know it will take strong partnerships to get it done. ALLETE and Minnesota Power look forward to an alliance with those of you who will live every day within sight of the wind turbines we're about to build. We look ahead confidently, together, with the wind at our backs."

Other speakers on the program included North Dakota Gov. John Hoeven, Kevin Cramer, chairman of the North Dakota Public Service Commission, and ALLETE CEO Alan R. Hodnik. Cramer told the crowd they were fortunate to live where they do, in a state settled by pioneers who've learned to live off the land.

"We have a God that put minerals underneath it and wind above it that blows," Cramer said. He said he viewed regulators like himself as government representatives who bring people and industry together without having to do a whole lot of regulating. As an example, he pointed to a Bison siting hearing held a few months ago in Center, N.D.

"There were 15 people there and ten of them were from Duluth," Cramer said. "There were four landowners, and we didn't have a single person object or protest this project. By the time the regulators got involved, the relationships had been built."

## Shareholders have two ways to lobby Congress on dividends

ALLETE has joined forces with other like-minded organizations and the Minnesota Utility Investors in urging Congress to make permanent the lower 15 percent tax rate on dividend income.

Congress passed in 2003, and extended in 2006, a law that reduced the maximum tax rate on dividend income to 15 percent. The law is set to expire at the end of this year, and unless Congress acts before the end of 2010, the maximum tax rate on dividends will more than double.

ALLETE, which has paid consecutive dividends every quarter since 1948, is asking its shareholders to help convince their government representatives to keep the dividend tax at its current rate.

Included in the envelope containing this ALLETE Investor newsletter is a sample letter voicing support for the lower dividend tax rate. The letter can be signed and sent to an ALLETE investor's representatives in Congress.

Also, shareholders are encouraged to access [www.DefendMyDividend.org](http://www.DefendMyDividend.org) to learn more about this important issue (a link to this site is also prominently displayed on [www.allete.com](http://www.allete.com)). Contained on that Web site is a "Take Action Now" link that makes it easy for shareholders to urge their representatives to defend the existing dividend tax. By typing in a Zip code, users can send an email directly to their Senator or Representative in Washington, D.C.

## Facebook page, new email initiative targets improved shareholder communication

In an effort to improve communication with investors, ALLETE has launched a Facebook page and is now making it easier for shareholders to interact with the company by email.

On the new Allete, Inc. page on Facebook, the company will post the latest news releases and other information relevant to investors. The first posting was geared to ALLETE's second quarter earnings release and associated conference call.

Representatives of ALLETE's shareholder services department can continue to be reached by phone during business hours, toll-free, at 800-535-3056. Sometimes it's more convenient to communicate electronically, and that's why ALLETE is reaching out to shareholders who want to provide email addresses.

To do so, you can send your email address to us by mail – ALLETE Shareholder Services, 30 W. Superior St., Duluth MN, 55802; by phone – 800-535-3056; or by emailing [shareholder@allete.com](mailto:shareholder@allete.com). Investors who choose to provide us their email address will not automatically receive official shareholder communications, such as the Proxy and Annual Report, by email. You may elect electronic delivery of those materials by contacting Shareholder Services.

Investors who choose the electronic option will be able, on their own timetable, to ask questions about their accounts or shareholder procedures or forms and provide suggestions and feedback. Those wishing to provide their email address will be asked if they want to receive in electronic form more information about the company, such as news releases and company updates.

*The statements contained in this newsletter and statements that ALLETE may make orally in connection with this newsletter that are not historical facts, are forward-looking statements. Actual results may differ materially from those projected in the 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.*