

ALLETE is well-positioned as a reliable provider of competitively-priced energy in the upper Midwest, and has a strategic investment in the American Transmission Company. ALLETE's Minnesota Power electric utility serves 142,000 residents, 16 municipalities and some of the nation's largest industrial customers. Other businesses include BNI Coal in North Dakota and ALLETE Properties, which owns 10,000 acres of real estate in northeast Florida.



REGULATED UTILITY

Minnesota Power, an operating division of ALLETE serving customers since 1906, generates, transmits and distributes electricity in a 26,000-square-mile region of northern Minnesota rich with mineral deposits and timber.



NYSE: ALE

POWER SUPPLY

Our energy supply in Minnesota is a mix of company generation and purchased power. Our generation sources are primarily coal-fired, but also include 112 megawatts of hydroelectric power generated from nine hydro stations in Minnesota and 25 MWs of wind generation. We purchase power from Square Butte Electric Cooperative in North Dakota, from two wind facilities totaling 98 megawatts in Oliver County, N.D. operated by FPL Energy LLC, and from other energy suppliers.

LARGE INDUSTRIAL CUSTOMERS

Minnesota Power sells a high percentage of its electric power to large industrial facilities. Ten of our customers require 10 megawatts or more of generating capacity. Among these are five taconite producing facilities, one iron nugget plant and four paper and pulp mills.

POTENTIAL NEW CUSTOMERS DEVELOPING PROJECTS

Several natural resource-based companies are developing new projects in northeastern Minnesota. These potential customers of Minnesota Power could require up to 400 megawatts of new electric service if the projects are completed. Polymet Mining and Essar Steel Limited are among the companies seeking permits for major industrial projects.

NEW STRATEGIC WIND INITIATIVE

ALLETE finalized an agreement Jan. 1, 2010 to purchase a 250-kilovolt direct current (D.C.) transmission line between Center, N.D. and Hermantown, Minn. and phase out a long-term contract to buy coal-generated electricity now transmitted over the line. Minnesota Power will gradually replace the coal-based electricity transported by the 465-mile line with renewable energy generated by wind turbines that will be constructed by Minnesota Power in North Dakota. The 76-MW Bison I project, estimated to cost \$178 million, will be built in two phases. Construction of the first 16-turbine project will begin in the spring of 2010.



ALLETE, listed on the New York Stock Exchange with the symbol ALE, has paid consecutive dividends on its common stock since 1950.

Our web address is www.allete.com.

EMISSION-REDUCTION PROJECT COMPLETED

At the end of 2009, Minnesota Power completed a \$240 million upgrade at Boswell Energy Center's Unit 3 to dramatically reduce emissions of mercury, particulates, sulfur dioxide and nitrogen oxide. Current cost recovery from retail customers through billing adjustments was used to pay for, and earn a return on, construction costs for these retrofits. Work on Boswell 3, the company's second-largest generating unit, followed emission control upgrades at the Laskin and Taconite Harbor Energy Centers.

MORE RENEWABLE ENERGY

Taconite Ridge, a 25-megawatt wind generation facility built in 2008 by Minnesota Power, produces renewable energy on property owned by U.S. Steel, a major customer in Mountain Iron, Minn. Under a long-term contract, Minnesota

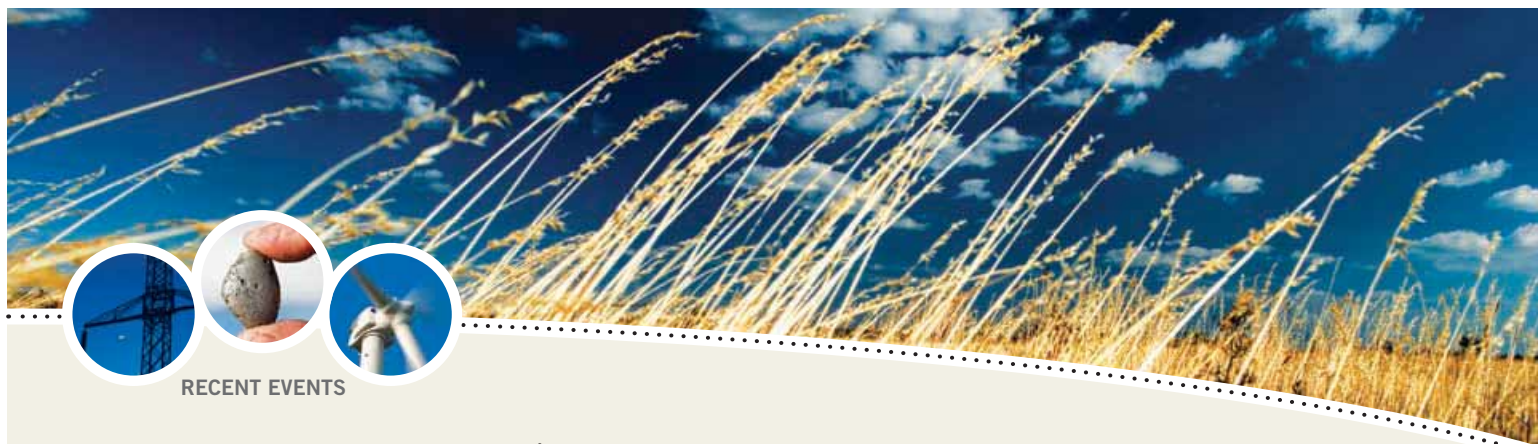
Power also purchases the entire output of a 50-megawatt wind facility, built in 2006 by FPL Energy near Center, N.D., and an adjacent 48-megawatt wind farm constructed in 2007.

OTHER ALLETE INVESTMENTS

BNI Coal operates a lignite mine in Center, N.D., producing about four million tons annually. Two electric generating cooperatives, Minnkota Power and Square Butte, consume virtually all of BNI Coal's lignite production under agreements extending through 2026.

American Transmission Company: ALLETE has an ownership interest of about eight percent in ATC, a utility based in Wisconsin that owns and maintains electric transmission assets in four states. ALLETE's investment in ATC was about \$88 million at the beginning of 2009.

ALLETE Properties owns real estate in several Florida locations. Most of the land now held by ALLETE Properties is located in three mixed-use projects being developed in Flagler and Volusia Counties in northeast Florida. ●



RECENT EVENTS

Minnesota Power completes purchase of DC transmission line to move wind power

Minnesota Power on Jan. 1, 2010 finalized the purchase of a 465-mile transmission line, signaling a new era of renewable energy transport and development for the company.

For approximately \$70 million, Minnesota Power has acquired a 250-kilovolt line connecting Center, N.D. with its Arrowhead Substation in Hermantown, Minn.

Purchase of the direct current (DC) transmission line from the Square Butte Electric Cooperative will further Minnesota Power's long range plan to bring more renewable energy into its system. The company plans to develop several hundred megawatts of new wind generation in North Dakota and deliver wind-fueled electricity to customers via the DC line.

The project, consisting of 33 turbines with a 2.3 MW capacity each, will be installed in two phases. Phase one, which will involve the construction of the first 16 turbines, is scheduled to be operational by the end of 2010.

The wind-rich plains of central North Dakota are considered among the nation's premier sites for wind energy development, but there's a shortage of transmission assets available to move the renewable energy to population centers.

When Square Butte built the DC line in the 1970s, it was designed to move electricity from the coal-fired Young Station to supply Minnesota Power's growing taconite customers in northeast Minnesota's Iron Range. Minnesota Power intends to use its DC line as an innovative method of moving "wind by wire." Electricity generated at the Young Station is now shared by Minnesota Power and Minnkota Power Cooperative, an affiliate of Square Butte.

Over the next several years, Minnesota Power will phase out its generation rights at the Young Station. •

Minnesota Power requests \$81 million electric rate increase

Minnesota Power has filed a retail rate increase request with the Minnesota Public Utilities Commission (MPUC) seeking an \$81 million net increase in electric retail revenue on an annualized basis, a return on equity of 11.5 percent and a capital structure consisting of 54.29 percent equity and 45.71 percent debt.

In an order issued Dec. 30, 2009, the MPUC approved the request but reduced the interim rate increase to \$48.5 million, or approximately 60 percent of the final rate request, and modified other language in the request. The company was authorized to put this rate increase into effect for service rendered on or after January 1, 2010.

New rates approved by the MPUC are expected to go into effect in 2011. •

Don Shippar will be succeeded by Alan R. Hodnik as ALLETE's Chief Executive

ALLETE Chairman and Chief Executive Officer Don Shippar will retire as CEO effective April 30, 2010, and will be succeeded by Alan R. Hodnik, current president of ALLETE. Shippar will continue as chairman of ALLETE's board of directors.

Hodnik, 50, joined Minnesota Power in 1978. In 2007, he was named Minnesota Power's Chief Operating Officer with responsibilities for transmission, distribution, generation and engineering functions as well as the leadership of Superior, Water, Light & Power and BNI Coal. He was promoted to ALLETE President and elected to the board of directors in May of 2009. His previous positions include Senior Vice President of Minnesota Power Operations, Vice President - Generation Operations, and Leader of ALLETE's Organizational Development Team. A native of Aurora, Minn. and a graduate of the University of Minnesota, Hodnik served as Aurora mayor from 1988-1997.

Shippar, 61, will retire as CEO after 33 years with the company. As CEO, he led an aggressive utility capital investment program that supported significant emission reduction projects at Minnesota Power's generation centers along with renewable wind projects in North Dakota and Minnesota. He began his career with ALLETE's regulated utility, Minnesota Power, in 1976 in the Telecommunications Department. During the next 20 years he held increasingly responsible leadership roles in Human Resources, Transmission and Distribution before being appointed Chief Operating Officer of Minnesota Power in 2000. In 2002, his role expanded to that of Minnesota Power President and Chief Operating Officer. In 2004, Shippar was named President and CEO of ALLETE, and became chairman of the board in 2006. •

James S. Haines, Jr., and Kathryn Dindo join ALLETE Board of Directors

James S. Haines, Jr., a former CEO of two publicly traded utilities, and Akron, Ohio business and civic leader Kathryn "Kitty" Dindo have joined ALLETE's board of directors.

Haines, 63, is widely recognized in the energy industry for his leadership skills both in the board room and the regulatory arena. From 2002 to 2007 Haines served as CEO and director of Westar Energy, the largest electric energy provider in Kansas. He was CEO, president and a director of El Paso Electric Co. from 1996 to 2001.

Dindo, 60, served from 2001 to 2008 as vice president and chief risk officer for FirstEnergy Corp., a diversified energy company in Ohio, Pennsylvania and New Jersey. Prior to joining FirstEnergy in 1998, Dindo was vice president and chief accounting officer of Caliber System, Inc. •

ALLETE at a Glance

Web Site: www.allete.com / Toll-Free Phone: 1-800-535-3056

52-week high and low:
as of 4/08/10

High — \$35.29
Low — \$24.45

Common Stock Dividend
Payment Dates: March 1, June 1, September 1, December 1