

# THE ALLETE™ INVESTOR

A NEWSLETTER FOR THE SHAREHOLDERS OF ALLETE, INC.

## Dear Shareholder

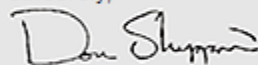
ALLETE has enjoyed an eventful 2006, beginning with the 100th birthday of our incorporation, which occurred in January and was observed in various ways throughout the year.

This year we increased our dividend, signed a new three-year labor agreement with our unionized electrical workers, made our largest-ever sale of real estate at ALLETE Properties, began construction on one major air emissions improvement project and announced plans for a second—even larger—cleaner-air initiative. We began investing in the American Transmission Company and expect to soon have a stake of about nine percent in that growing company. Our real estate sales in Florida have remained solid.

With one month to go in the year, we expect to meet the earnings guidance we projected last February: an increase of 15 to 20 percent in earnings per share from continuing operations. In fact, we expect those earnings to be at the upper end of the guidance at year's end.

Our company is in excellent shape as we finish 2006 and make plans for a productive 2007. We very much appreciate your investment. On behalf of ALLETE, I want to wish all of you a happy and rewarding holiday season.

Sincerely,



Don Shippar  
Chief Executive Officer



## Huge components for Minnesota Power wind farm shipped from Denmark by way of Duluth's Seaway port

One of the many advantages of wind power is the short amount of time it takes to bring a generation project from the drawing board to the actual production of electricity.

Less than three months after a shipload of wind turbine components steamed into Duluth, Minn. on Sept. 18, the pieces of 22 giant windmills are rapidly coming together in Oliver County, N.D.

Minnesota Power, a division of ALLETE, will purchase all the energy output from the Oliver County facility under a long-term contract. FPL Energy is constructing the wind farm, which will be the largest in North Dakota. By year's end, the new facility is scheduled to be producing a maximum of 50.6 megawatts of electricity, or enough to power 16,000 homes.



The Oliver County Wind Energy Center, located north of Center, N.D., will consist of 22 towers, each 262 feet tall to the center of the blade hub. Siemens Power Generation manufactured the 2.3-megawatt turbines, also called nacelles, and the 135-foot-long blades.

The blades, cast in one-piece epoxy resin at the Siemens plant in Aalborg, Denmark, will sweep an area 1.7 acres in size when operational. The towers will have a total height (including the upper reach of the blade) of 415 feet.

The blades will spin between six and 16 rotations-per-minute, reaching a maximum tip speed of 164 miles per hour.

Considering the huge scale of the component parts, moving the pieces of the new wind farm from Denmark, where they were manufactured, to central North Dakota was no small undertaking. All 66 blades, 22 nacelles and turbine hubs and the top two portions of the 22 tubular steel towers were shipped from Europe on a single vessel, the BBC India.

After departing from the port of Aarhus, Denmark, and navigating the Saint Lawrence Seaway, the cargo ship ended its 13½-day voyage by entering the harbor in Duluth, Minn., Sept. 18. When the BBC India steamed under Duluth's Aerial Lift Bridge within sight of ALLETE headquarters, several Minnesota Power employees were at the canal pier to witness the event.

"Minnesota Power is very excited about our first wind project coming into service," said Eric Norberg, the utility's vice president of strategic initiatives. "Wind begins to add another renewable source to our hydro and biomass energy portfolio."

All the components unloaded from the BBC India were moved to a large "lay-down area" at the port, then trucked to the construction site 550 miles away, using specialized trucks and trailers. The equipment was delivered from Duluth to North Dakota just as it was needed at the construction site.

It was the eighth shipload of wind power components unloaded at the Duluth Seaway Port, located at the far western end of Lake Superior and the end point of the St. Lawrence Seaway. Still, it was a special job for the people who work there, said Adolph N. Ojard, executive director of the Duluth Seaway Port Authority.

"It was special, because it was the first wind cargo for Minnesota Power," Ojard said. "The Siemens wind turbine components are the largest we've handled to date at 2.3 megawatts. Special cranes had to be leased and mobilized to handle the 96-ton nacelles, and the 32-ton turbine hubs."

The port authority in Duluth expects to be handling more wind farm equipment in the coming years because of its proximity to excellent wind resources in the upper Midwest. Ojard said that without the Duluth port's availability, the shipment from Denmark would have likely been made to a Gulf port, perhaps in Texas. In that case, shipment to North Dakota would have required a much longer truck trip.

"Duluth has a reputation as one of the premier heavy lift ports in the nation, with a high degree of expertise and productivity," Ojard said.

North Dakota is ranked number one among U.S. states in wind energy potential by the American Wind Energy Association. So the huge windmills now being erected in Oliver County are well positioned in the strong prevailing breezes and also for their proximity to the direct current (DC) transmission line linking the Square Butte Electric Cooperative near Center, N.D. to Minnesota Power's Arrowhead substation near Duluth.

FPL Energy is the nation's leader in wind energy, with 44 wind facilities in operation in five states. It is a subsidiary of FPL Group (NYSE: FPL).



The BBC India, loaded with wind energy components, navigates the Duluth, Minn. ship canal Sept. 18 after its voyage from Aarhus, Denmark. After shipment by truck from Duluth to Oliver County, N.D., the towers, blades and nacelles are being assembled to construct a wind farm from which Minnesota Power will buy electricity.

**ALLETE Invest Direct plan offers dividend reinvestment and other convenient features with no brokerage fees**

For many years, people have had the ability to buy shares in ALLETE directly without paying brokerage fees by using the company's Direct Stock Purchase and Dividend Reinvestment Plan.

**INVEST DIRECT**

At ALLETE, what is often known as a "DRIP Plan" has a trademarked name of Invest Direct. It's a no-load way for investors to buy shares in Allete and to use the common stock dividends any way they choose. Participants in Invest Direct can receive their stock dividends in cash, reinvest them, or blend the cash-dividend mix the way they want. A new investor must make an initial investment of at least \$250. But current registered shareholders and customers of ALLETE and certain subsidiaries can begin investing directly for as little as \$10.

Invest Direct is also a convenient way to deposit ALLETE common stock certificates in an individualized account, a convenience investors might expect from a brokerage account—but without the expenses and fees. The Invest Direct plan allows participants to sell up to 200 shares once a year for a nominal fee.

To join more than 25,000 ALLETE investors who already participate in Invest Direct, contact ALLETE Shareholder Services toll-free at 1-800-535-3056 for an enrollment form and prospectus.

*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.*