

THE ALLETE™ INVESTOR

A NEWSLETTER FOR THE SHAREHOLDERS OF ALLETE, INC.

Bonds issued for infrastructure improvements at Palm Coast Park in northeast Florida

The Palm Coast Park Community Development District issued special assessment bonds totaling \$31.8 million in May to fund all master infrastructure improvements at Palm Coast Park, a 4,700-acre ALLETE Properties development in northeast Florida.

The bond proceeds of \$26.3 million will be used for construction of environmental, traffic mitigation and infrastructure improvements, including utility extensions, roadways, parks, drainage, recreational facilities, landscaping and a multipurpose trail system.

Issuance of the bonds will lead to the first phase of infrastructure development, which involves installing underground utilities and pipes beneath a 100-foot wide buffer strip. This strip, running parallel to U.S. Highway 1, will eventually become a linear park more than seven miles long that will feature a path for pedestrians and bicyclists.

Clint Smith, ALLETE Properties Vice President of Product Development, said the project is expected to be under construction in September 2006. The linear park and the utilities that go beneath it should be completed in the spring of 2007, Smith said.

ALLETE Properties has made three sales of residential development sites at Palm Coast Park. The sales include the right to develop a total of 2,469 residential units and 50,000 square feet of commercial space. The aggregate sales price of the pending sales is \$64.3 million.

The Palm Coast Park Community Development District is an independent unit of local government created and established in accordance with Florida's Uniform Community Development District Act of 1980. The Act provides legal authority for a community development district (CDD) to finance the construction of major infrastructure for community development with general obligation, revenue and special assessment revenue debt obligations.

CDDs have the power to assess property within their boundaries to pay the principal and interest on debt obligations. The assessments will be included in the annual property tax bills of land owners beginning in 2007.



Laura Holquist, president of ALLETE Properties, and Bill Livingston, president of Palm Coast Holdings, at the Town Center construction site.

Dear Shareholder

As the summer of 2006 winds down, key construction projects about 1,500 miles apart symbolize ALLETE's strategy in action. In Palm Coast, Fla., amid the roar of earthmovers, ALLETE Properties' Town Center project is taking shape. And in Oliver County, N.D. roads are being prepared for the installation of huge wind turbines later this year.

Newly-installed utilities, excavated lakes, roads and other infrastructure improvements at Town Center at Palm Coast represent for us ALLETE Properties' strategic mission: maximize the value of our property to provide a growing contribution to earnings.

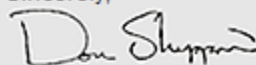
Up in North Dakota, contractors are laying the groundwork for construction of a new wind farm where Minnesota Power will purchase 50 megawatts of renewable electricity. This project supports our strategy of serving electric customers in our assigned service area safely, reliably and economically.



Meanwhile, ALLETE is expanding its energy business by investing in the American Transmission Company. As ATC works to complete its Arrowhead- Weston transmission line across northern Wisconsin, we expect to invest approximately \$60 million.

It's satisfying to see these projects move from concept to completion, and gratifying to report progress to our loyal shareholders. Thanks for your investment in ALLETE.

Sincerely,



Don Shippar
Chief Executive Officer

ALLETE makes its first investment in American Transmission Company

ALLETE, through a subsidiary, made its first installment of a \$60 million investment in the American Transmission Company in May.

ATC is a Wisconsin-based public utility that owns and maintains electric transmission assets in parts of Wisconsin, Michigan, Minnesota and Illinois. ALLETE signed an agreement last December that provides for its subsidiary Rainy River Energy Corporation-Wisconsin to invest \$60 million in ATC. ALLETE's subsidiary will be responding to ATC's monthly capital calls to arrive at the total planned contribution. When completed, this investment is expected to represent an estimated nine percent ownership interest in ATC. In addition, Rainy River is also eligible to participate in ATC's quarterly general equity capital calls, which would increase the total amount of this investment.

Schober succeeds Vizanko as CFO; DeVinck named Controller

Mark A. Schober, ALLETE Controller since 1993, was named Chief Financial Officer of the corporation effective July 1, following the retirement of James K. Vizanko.

Schober, 51, who joined ALLETE in 1978, will be responsible for finance, treasury, internal audit and accounting functions. He replaces Vizanko, who announced his retirement from the company in May to accept a teaching position at the University of Minnesota-Duluth.

Appointed to succeed Schober as controller was Steven Q. DeVinck, 46, who joined ALLETE in 1997 as a financial analyst in the accounting department and was named assistant controller in 1999. DeVinck in 2004 was named director of ALLETE's non-utility business development group. He's a former chief accountant for Enbridge Energy U.S., formerly Lakehead Pipeline Company.

ALLETE's controller is responsible for Securities and Exchange Commission financial reporting and all accounting and tax functions.

A native of Duluth, Minn., Schober graduated from the University of Minnesota-Duluth with a degree in accounting and a master's degree in business administration. He is a certified public accountant and a certified management accountant. In addition to serving as controller, Schober was named vice president in 2001 and senior vice president in 2004.

DeVinck, also a certified public accountant, is a Superior, Wis. native with a bachelor's degree in accounting from the University of Wisconsin-Superior.



Mark A. Schober



Steven Q. DeVinck

Kathleen Brekken rejoins ALLETE Board of Directors

Kathleen Brekken, 57, a retired business executive from Cannon Falls, Minn., has been elected to the ALLETE Board of Directors.

A graduate of the University of Minnesota, Brekken is the former president and CEO of Midwest of Cannon Falls. She served on the ALLETE Board of Directors from 1997 to 2003. Brekken also serves on the board of the Cannon Falls Medical Center – Mayo Health System and is a member of the St. Olaf College Board of Regents.

Utilities Commission approves emission abatement plan for two MP plants

The Minnesota Public Utilities Commission (MPUC) has issued an order approving Minnesota Power's \$60 million voluntary emission reduction initiative.

The Arrowhead Regional Emission Abatement Plan (AREA) is Minnesota Power's near-term effort to significantly reduce emissions from two of its energy generation facilities: the 225-megawatt Taconite Harbor Energy Center in Schroeder; and the 110-megawatt Laskin Energy Center in Hoyt Lakes.

The MPUC order endorsing area allows Minnesota Power to recover approved costs from customers without a rate proceeding. Work will begin upon receipt of construction permits from the Minnesota Pollution Control Agency.

Upon completion of area, Minnesota Power estimates a reduction of over 60 percent for oxides of nitrogen (NOx) at both facilities and a 65 percent reduction in sulfur dioxide (SO2) at Taconite Harbor. Laskin Energy Center already has relatively low emission levels of sulfur dioxide due to existing emission reduction technology.

Additionally, with the emerging technology being applied at Taconite Harbor, there is the potential for as much as a 90 percent reduction in mercury emissions.

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.