

THE ALLETE™ INVESTOR

A NEWSLETTER FOR THE SHAREHOLDERS OF ALLETE, INC.

Dear Shareholder

ALLETE has made great progress on its environmental initiatives in 2007. Work has begun in earnest at our most ambitious project, a \$200 million retrofit of air emissions control equipment at Boswell Energy Center's Unit 3. We have also completed work on a major air emissions upgrade at Taconite Harbor Energy Center's Unit 2.

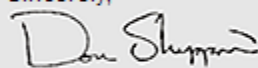
Results of air monitoring tests on the new Taconite Harbor equipment are due later this month. And we look forward to another event in a couple weeks with an environmental theme – a centennial celebration at Minnesota Power's Thomson Hydroelectric Station. How many electric utilities can say they have generated renewable energy for 100 years?



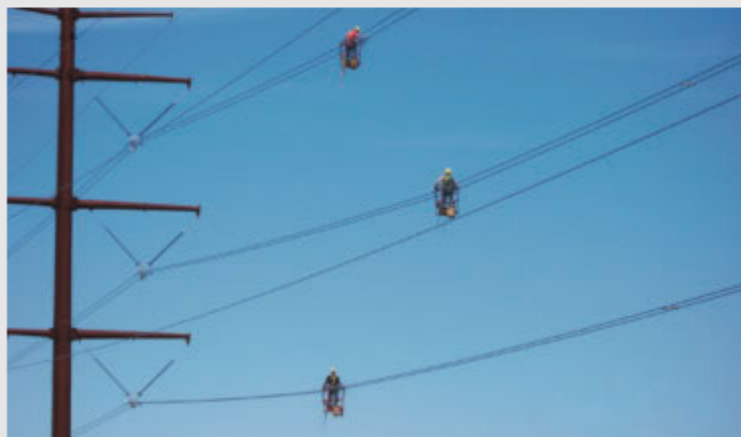
While we are speaking of conservation, I would like you to read an article in this newsletter about a way ALLETE shareholders can view proxy materials – including the annual report and proxy statement – online instead of receiving paper copies by mail. It is a more environmentally friendly way to stay current with shareholder information, and saves postage and paper costs.

I wish all of you a pleasant late summer. Thanks again for your investment in ALLETE.

Sincerely,



Don Shippar Chief Executive Officer



High-wire act

Contract workers for MJ Electric install spacers while working on the Arrowhead-Weston transmission line near the St. Louis River in Minnesota. Wisconsin Public Service and Minnesota Power are partnering with American Transmission Company (ATC) to build the 220-mile line connecting Duluth and Wausau, Wis. Pictured above are (top to bottom) Jason Iverson, Dave Heinonen and Josh Kittelson, working from spacer carts. ALLETE has an equity ownership of approximately seven percent in ATC, which expects to have the line in service in 2008.

ALLETE Properties closes on first phase of Sawmill Creek project in Palm Coast Park

ALLETE Properties in June closed a \$13 million sale of land representing the first phase of Sawmill Creek, an upscale residential golf course community to be developed by Lowe Destination Development in Palm Coast, Florida.

The closing, which had been expected, involved 698 acres of property in Palm Coast Park purchased from the ALLETE affiliate by Lowe Enterprise Investors, a subsidiary of Los Angeles-based Lowe Enterprises, a leading national real estate firm.

Lowe's overall development plan for Sawmill Creek includes 1,469 housing units, a retail and office marketplace and a championship golf course to be designed by Jim Furyk, one of the world's leading golfers. A community park and school site are also included in the plans. Phase one includes the construction of 406 residential units, the golf course, clubhouse and other amenities. Work is expected to begin this year, with the golf course scheduled to open for play in 2008.

"We're proud of the relationship we've built with Lowe that will allow this high-quality community to be developed over the next few years," said ALLETE Properties President Laura Holquist. "This development will enhance the value of the surrounding property we are marketing in Palm Coast Park."

The Sawmill Creek project is located within Palm Coast Park, a 4,700-acre ALLETE Properties development in the City of Palm Coast. At build-out, Palm Coast Park is expected to include 3,600 residential units and 3.2 million square feet of commercial space.

ALLETE Properties entered into the contract with Lowe in May 2006. The sales agreement calls for Lowe to purchase the land in phases over the next several years.

Lowe Enterprises Investors and Lowe Destination Development are wholly-owned subsidiaries of Los Angeles-based Lowe Enterprises. A leading real estate development, investment and management firm, Lowe has developed, acquired or managed more than \$8.5 billion in real estate over the past 35 years.

ALLETE investors encouraged to save paper and expense and sign up for electronic delivery of proxy materials

In an effort to reduce paper waste, cut postage costs and make financial information more timely, ALLETE is asking its shareholders to consider reading the company's proxy materials and annual reports online instead of receiving paper copies by mail.

ALLETE offers its shareholders the convenience and benefits of viewing proxy statements, annual reports and associated materials online. With your consent, we can stop sending you paper copies of these proxy documents.

Instead, ALLETE will send e-mail notification that the shareholder materials have been filed with the Securities Exchange Commission and are available for viewing. The notice will include a link to the web pages where you can view the materials. We'll provide you a link to allow you to vote your Common Stock shares online.

"We can save a lot of money on printing and postage if a significant number of our shareholders sign up for electronic delivery of these materials," said Tim Thorp, ALLETE's Vice President of Investor Relations. "And shareholders will be able to view important information earlier than if they have to wait for it to be delivered by mail. It makes sense to encourage a program that will cut costs and be environmentally friendly at the same time."

Thorp said the trend in investor relations nationwide is to move required disclosure documents away from hard paper and into digital form. Investors are increasingly relying upon the World Wide Web for much of their financial information. Thorp said it's only a matter of time before hard copies of disclosure documents will be the exception rather than the rule.

To sign up for electronic receipt of shareholder materials, follow these easy steps:

1. Click on "Investors" above.
2. Choose the "electronic delivery" link under the shareholder services menu.
3. Follow the prompts to submit your electronic consent.

Douglas Neve elected to ALLETE Board of Directors



Douglas C. Neve, former Chief Financial Officer of Minneapolis-based Ceridian Corporation, has joined the ALLETE Board of Directors.

Neve, 51, of Eden Prairie, Minn. was elected by ALLETE's Board of Directors on July 18. As a former public company CFO and audit partner with two international accounting firms, Neve has an extensive background in finance and accounting.

From February 2005 until March 2007, Neve was Executive Vice President and CFO of Ceridian, a multinational human resources company serving more than 110,000 customers. At Ceridian, Neve was responsible for all areas of finance for this New York Stock Exchange-listed company, which had revenue of more than \$1.5 billion in 2006 and has a current market capitalization in excess of \$5 billion. Prior to joining Ceridian, Neve was a partner at Deloitte & Touche, where he led the Minneapolis enterprise risk services practice and assisted public companies in applying the rules mandated by the Sarbanes-Oxley Act. Before moving to Deloitte & Touche, Neve was an audit partner at Arthur Andersen in Chicago and Minneapolis.

He is on the Audit Committee of Luther College and is a board member for Tyndale House Publishers. Neve has served on the boards of the Special Olympics of Minnesota and International Students, Inc., and is a former director and audit committee chairman of Golf Galaxy.

Neve holds a Bachelor of Arts degree in Accounting and Economics from Luther College and is a member of the American Institute of Certified Public Accountants.

Town Center construction moving ahead on schedule

Construction is proceeding on schedule at a Super Target store in Palm Coast, Fla. that will anchor a "regional lifestyle center" at ALLETE Properties' Town Center at Palm Coast development.

Ground was broken for the Palm Coast Landing Super Target in early May, and the 179,000 square-foot store is scheduled to open in March, according to ALLETE Properties spokesman David Lusby.

"We like to say that change is on the horizon in the heart of Palm Coast," Lusby said. The Super Target will anchor Palm Coast Landing, which will eventually include a total of 435,000 square feet of retail space occupied by merchants, including T.J. Maxx, Ross Stores, Michaels Arts & Crafts, PetSmart and others. ALLETE Properties closed the \$12.6 million sale of land to Target and Palm Coast Center LLC in April.

Major infrastructure at the 1557-acre Town Center development is essentially complete. It includes approximately 3.8 miles of roads, decorative intersections, bicycle and pedestrian paths, a storm water management system, lakes, ponds and underground utilities.

In another corner of Town Center, construction of the Town Center Medical Center is expected to be complete during the first quarter of 2008. This 82,000 square-foot structure, which will house medical offices, is in close proximity to Florida Hospital-Flagler. The first commercial business in Town Center, a Publix grocery store anchoring another retail center, opened in December of 2006.

Shareholders who received ADESA payment in 2007 should be aware of tax consequences and cost basis

Holders of ADESA stock who received checks when that company was acquired earlier this year have been calling ALLETE Shareholder Services with questions. Many people are unaware that receiving a payment for their ADESA stock is a taxable event. Generally, the receipt of cash in exchange for shares is a taxable transaction for federal income tax purposes and is most likely a taxable transaction under state, local or foreign tax laws. Investors who either sold shares or received a check for their ADESA stock in 2007 will most likely need to establish their cost basis in order to calculate their capital gain or loss when filing income tax statements early in 2008.

ALLETE shareholders who received ADESA shares as part of its spin-off from ALLETE in 2004 should refer to saved stock statements received from ALLETE, Minnesota Power or their brokers for the information needed to calculate their cost basis in ADESA shares. They may want to consult a tax advisor about the consequences of the ADESA transaction. ALLETE shareholders who need help tracking down old statements can contact ALLETE Shareholder Services by calling (218)723-3974 or 1-800-535-3056, or by sending an email to shareholder@allete.com.

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.

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