

DECEMBER 1, 2009

THE

ALLETE™ INVESTOR

A NEWSLETTER FOR THE SHAREHOLDERS OF ALLETE, INC.

## Resource Plan highlights development of renewable energy

Minnesota Power does not anticipate the need for new base load electric generation within the utility's service territory over the next 15 years, according to an Integrated Resource Plan (IRP) filed with regulators in October.

The resource plan, submitted to the Minnesota Public Utilities Commission, is required by all investor-owned utilities and outlines how the company will meet the energy needs of its customers through 2024. It highlights the key challenges Minnesota Power faces as it works to incorporate new renewable resources and meet environmental policy controls projected for the future.

To achieve its objectives over the coming years, Minnesota Power plans on reshaping its generation portfolio by adding 300 to 500 megawatts of renewable energy while exploring options to incorporate peaking or intermediate resources. The company's 76 megawatt Bison I wind project in North Dakota, expected to be in service in 2010-2011, is part of the renewable initiative, as is the 25 megawatt Taconite Ridge wind energy center in northern Minnesota that became operational in 2008.

As described in the IRP, Minnesota Power does not plan to add new coal generation or enter into long-term power purchase agreements from coal-based generation resources without a solution for limiting greenhouse gases. While projecting average annual long-term growth of approximately one percent in electricity usage over the next 15 years, the company will also focus on conservation and demand-side management to meet the energy savings goals established in Minnesota legislation.

"This document will form the foundation for many internal plans and decisions over the next several years," said Sr. Vice President of Strategy and Planning Eric Norberg of the IRP. An excerpt from the plan's summary shows how its main themes conform to the company's long-held planning principles and strategic goals while meeting regulatory and legislative objectives. "Robust, yet flexible, this Plan will:

- Ensure reliable and environmentally compliant service to meet customer needs.
- Enable a flexible resource mix appropriate for a range of economic scenarios.
- Continue Minnesota Power's tradition of leadership in renewable energy and conservation.
- Achieve carbon emission reductions while anticipating even tighter limits on the horizon.
- Maintain competitive electric service rates for Minnesota Power's customers."



## More wood-waste biomass to fuel Hibbard Energy Center

Minnesota Power this fall finalized the purchase from the city of Duluth boilers and wood handling facilities at Hibbard Energy Center in order to boost the company's production of energy fueled by biomass wood waste.

The systems that were purchased were initially built in the late 1940s as part of a coal burning power plant, and retrofitted to burn wood-based biomass fuel as well as coal. Minnesota Power intends to invest approximately \$20 million over the next several years to upgrade the boilers and associated systems to increase biomass energy generation to approximately 200,000 megawatt-hours, compared to the 70,000 megawatt-hours generated there now.

The purchase will help Minnesota Power achieve Minnesota's mandate of providing 25 percent of the utility's retail energy from renewable resources by 2025. Under Minnesota Power ownership, the facility will continue to serve the steam needs of the nearby NewPage paper mill as well as generate electricity for Minnesota Power customers.

Construction work to boost the biomass output is scheduled for 2011-13. Both the sale and upgrade investment were approved by the Minnesota Public Utilities Commission in August.

## DEAR SHAREHOLDER



As 2009 winds down, we at ALLETE and Minnesota Power can take pride in completing one large project and pushing ahead with other initiatives that will change the way we generate electricity while improving environmental quality.

We've just finished a major retrofit project on Boswell Energy Center's Unit 3 – the second-largest power generator on our system – that will dramatically reduce emissions of sulfur dioxide, nitrogen oxide, particulates and mercury.

This fall we finalized the purchase of boilers and associated systems from the city of Duluth located on the property of our Hibbard Energy Center, which was built in the 1940s as a coal-burning power plant and later retrofitted to burn biomass and coal. The purchase of this equipment will allow Minnesota Power to upgrade the boilers and wood-handling systems to increase the production of power from wood-waste biomass.

On behalf of all ALLETE employees, we wish you a warm and rewarding holiday season. Thank you for your investment in ALLETE.

Don Shipp  
Chairman and Chief Executive Officer

## Minnesota Power requests \$81 million electric rate increase

Minnesota Power filed on Nov. 2 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.

The company has requested that interim rates be implemented in early 2010. New rates approved by the MPUC are expected to go into effect in 2011.

Minnesota Power announced earlier this fall its intent to file for additional revenues to recover the costs of significant investments, to ensure current and future system reliability, enhance environmental performance and bring new renewable energy to northeastern Minnesota.

If the request is approved, Minnesota Power estimates that an average residential customer using 755 kilowatt-hours would see a monthly rate increase of \$13. The new rate request also includes shifting \$14 million in line items currently reflected on customers' bills into base rates.

On October 29, the MPUC approved the Nov. 1 implementation of final rates resulting from a previous Minnesota Power retail rate increase request filed in May of 2008. In the 2008 case, the commission granted Minnesota Power a retail rate increase of \$20.4 million.

## Electronic delivery of proxy materials more efficient, easier and less wasteful

ALLETE shareholders who want to receive the company's proxy materials and annual reports online instead of receiving paper copies can sign up to do so through the ALLETE.com Web site.

ALLETE encourages investors to read financial information about the company online, rather than having it mailed to them in printed form. There are dramatic savings in printing and postage costs when the information is accessed electronically, and the financial data can be delivered in a timelier manner.

It's easy to sign up for electronic receipt of shareholder materials: 1. Log on to the Internet at [www.allete.com](http://www.allete.com); 2. Click on "Investors;" 3. Choose the "electronic delivery" link under the shareholder services menu; and 4. Follow the prompts to submit your electronic consent.

With your consent, 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 and another link where you'll be able to vote your Common Stock shares online.

## Consider a long-term investment as a lesson in life for your child

What better time than now to give your child a life lesson and share some of the knowledge and experience you've gained by investing in the stock market?

Sure, a child can learn about the benefits of investing in a variety of ways. But if a youngster begins this learning process by already owning an investment, chances are good the lesson could last a lifetime.

One way to get your child comfortable in owning and buying stock is through participation in a company's direct stock purchase and dividend reinvestment plan, often called a DRIP.

Linnea Mirsch of Duluth, Minn. became an investor long before she even realized it. Her father, Steve Betzler invested on her behalf in the ALLETE DRIP plan, called Invest Direct (the company was then called Minnesota Power). Betzler, an employee of the company, also signed up his two sons in the plan.

"I believe he started investing for me practically when I was born," said Mirsch, 30, a county government employee. "I remember when I was in school, finding out he'd invested money for us. My dad and mom both used it as a learning opportunity.

"I started with the idea that you're in it for the long haul."

DRIPs are not only convenient, but affordable. Generally it costs very little to start investing through a DRIP, and young investors can save their own money and make additional cash purchases.

Depending on the state of residence, a minor child can own stock and other securities under the Uniform Transfers to Minors Act (UTMA) or the Uniform Gifts to Minors Act (UGMA). Although most states have adopted the UTMA, the essential principles of both acts are the same.

"I think it's a great gift, even if it's just a little bit of stock," said Mirsch. The DRIP account opened for her decades ago by her father is still a part of her portfolio.

If you'd like information on ALLETE's DRIP, contact Shareholder Services at 800-535-3056 or 218-723-3974.

## Energy veteran joins ALLETE board



James S. Haines, Jr., a former CEO of two publicly traded utilities, joined ALLETE's board of directors in October.

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, with more than 680,000 customers.

Haines was CEO, president and a director of El Paso Electric Co. from 1996 to 2001. El Paso Electric generates and distributes electricity to 360,000 customers in the Rio Grand Valley.

*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.*