

JUNE 1, 2009

THE

ALLETE™

INVESTOR

A NEWSLETTER FOR THE SHAREHOLDERS OF ALLETE, INC.

Annual Meeting of Shareholders held in Duluth

About 600 people attended the May 12 ALLETE Annual Meeting of Shareholders at the Duluth Entertainment Convention Center, where a new president was named, a new director elected, and other business transacted.

Alan R. Hodnik, an experienced Minnesota Power executive, was named President of ALLETE by Don Shippar, who will remain as Chairman and Chief Executive Officer (see separate story).

Voting by proxy, shareholders elected a board of 11 directors to serve for the ensuing year, including new board member Leonard Rodman,

60, of Overland Park, Kan. Rodman has more than 35 years of experience with Black & Veatch, a major provider of engineering services to the power generation, water and environmental industries.



Alan Hodnik is introduced as ALLETE's new president at the annual meeting.

Rodman has served as President and Chief Executive Officer of Black & Veatch since 1998, and as its CEO since 2000. He joins 10 other directors elected by shareholders at the meeting.

Shareholders also ratified the appointment of PricewaterhouseCoopers as ALLETE's public accounting firm, amended one article of incorporation and deleted another. Article III of the company's amended and restated articles of incorporation was amended to increase the amount of authorized capital stock and common stock of ALLETE. Shareholders also voted to delete Article V, thereby removing dated information.

"As we look beyond 2009 we see a clear horizon, and one where we are poised for growth," Chairman, President and CEO Don Shippar told the shareholders. He identified "three main pathways" for growth: capital investments, regional transmission investments, and demand from new customers.

Shippar told the audience that Hodnik had the capabilities to step in as ALLETE president during a time of change in the electric utility industry.

"Al has significant strategic, leadership and operational expertise," Shippar said. "He will play a key role during this period of significant capital growth as we strive to meet environmental and renewable energy mandates and prepare for future greenhouse gas initiatives."

DEAR SHAREHOLDER

Last December in this newsletter I expressed confidence in our ability to manage ALLETE while confronting difficult economic challenges. Although a recessionary economy is still with us, I'm proud of how this company has performed in the last six months.



Worldwide economic conditions caused many of our largest steel and paper customers to cut back production, thereby curtailing their purchases of electricity. Our people at Minnesota Power got to work and lined up other buyers for this available power. To date, we've been able to mitigate about 85 percent of the estimated earnings impact from those cutbacks by our industrial customers for 2009.

This enterprise says a lot about the resourcefulness of this company. It also underscores the importance of our low-cost energy supply. When demand slows, the more affordable product wins out.

ALLETE is well-positioned to deal successfully with a changing economy. We're prepared to do what's necessary to sustain growth and reward our shareholders.

A handwritten signature of Don Shippar in dark ink.

Don Shippar
Chairman and Chief Executive Officer

Hodnik has diverse background

Alan R. Hodnik, whose broad experience at the company spans 27 years, was named President of ALLETE and a member of its board at the 2009 Annual Meeting of Shareholders.

Don Shippar, who announced the appointment, will remain as Chairman and Chief Executive Officer of ALLETE. He told shareholders that Hodnik "is well suited to help me guide ALLETE."

Hodnik, 49, has held the position of Chief Operating Officer-Minnesota Power for the past two years, which included responsibility over Superior Water, Light & Power and BNI Coal. Prior to that, the native of Aurora, Minn. had served as Senior Vice President of Operations, with responsibility over generation, power delivery, distribution, customer service and engineering services.

See Hodnik has diverse background, on back

Electric rate increase of \$21 million ordered by MPUC

The Minnesota Public Utilities Commission (MPUC) on May 4 ordered an overall retail electric rate increase for Minnesota Power customers of approximately \$21 million, and approved a 10.74 percent return on common equity and a 54.79 percent equity ratio.

Minnesota Power, a division of ALLETE, in 2008 filed a rate increase request that would have generated approximately \$40 million in additional revenue. In its first rate increase request since 1994, the company cited rising operational and maintenance costs and government-mandated renewable energy facilities.

The MPUC approved interim rates effective Aug. 1, 2008 that resulted in an increase for retail customers of approximately \$36 million on an annualized basis. On April 3, 2009, the MPUC deliberated and voted on more than 60 different issues contained in the company's rate increase request, and followed up with its written order about one month later.

Minnesota Power will continue to collect interim rates from its customers until the new rates go into effect, which will occur after the expiration of a reconsideration period and after all compliance filings are completed and accepted.

The company expects to inform its customers of the new final rates, which will differ by customer class, later this summer. Minnesota Power is required to file with the MPUC a schedule of new rates and charges and a proposal to make refunds of interim rates, including interest, to affected customers.

ALLETE recorded the difference between the interim rates now being collected and the estimated final rates through March 31, 2009 in its first quarter financial results.



ALLETE shareholders have elected Leonard C. Rodman to the company's board of directors. Rodman is chairman, president, and CEO of Black & Veatch Corp., a leading global engineering, consulting and construction company.

Board increases ALE dividend to 44 cents per share

ALLETE's Board of Directors in January increased the quarterly dividend on the company's common stock by 2.3 percent, to 44 cents per share.

On an annual basis, the increased dividend is equivalent to \$1.76 per share. The regular quarterly dividend was payable March 1 to common stock shareholders of record at the close of business Feb. 16, 2009.

Hodnik has diverse background, continued from front

Hodnik has also held the titles of Vice President-Generation Operations, General Manager-Thermal Generation Operations and Manager of the Laskin Energy Center in Hoyt Lakes. He joined Minnesota Power in 1982. Hodnik earned a Bachelor of Arts degree from the University of Minnesota and served five terms as the Mayor of Aurora. Hodnik's father, the late Ralph J. Hodnik, was employed by Minnesota Power for 27 years as a utility worker at Laskin.

Besides maintaining strong working relationships with business, organized labor, political and educational leaders in northeastern Minnesota, Hodnik has served on various state and regional task forces. He is a member of the Edison Electric Institute's Energy Supply Executive Advisory Committee.

"It is humbling and exciting to have the opportunity to help lead ALLETE during this period in the company's history," Hodnik said. "ALLETE has a talented team of employees, and is well positioned both strategically and financially."

Minnesota Power's North Dakota wind initiative moving forward

Minnesota Power's first fully owned and operated commercial wind project in North Dakota is moving forward with an agreement to purchase 33 wind turbines and the initiation of the regulatory approval processes in North Dakota and Minnesota.

The 75 megawatt (MW) Bison I Wind Project located near Center, N.D. will draw on the state's excellent wind resources to provide economical, renewable energy for the company's Minnesota customers.

A battery of 33 Siemens wind turbines generating 2.3MW each will be built in two phases, with 16 turbines to be installed in 2010 and 17 more scheduled for 2011. At full capacity, the project will generate an estimated 300,000 megawatt-hours of energy, enough to power about 33,000 homes annually.

The estimated \$180 million investment is part of the Company's commitment to diversify its energy mix and grow its renewable portfolio.

The Bison I Wind Project will be located near an existing direct current (DC) transmission line connecting the Square Butte Substation in Center, N.D. and Minnesota Power's Arrowhead Substation near Duluth. Minnesota Power expects to close on the \$80 million DC line purchase later this year.

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.