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THE

ALLETE™ INVESTOR

A NEWSLETTER FOR THE SHAREHOLDERS OF ALLETE, INC.



Don Shippar, James Hoolihan, Al Hodnik and Jack Rajala at the Boswell Energy Center

Boswell Unit 3 rededicated on Earth Day

Boswell Unit 3 was rededicated to service on Earth Day 2010 after a three-year environmental retrofit project costing \$240 million dramatically reduced air emissions at the 350-megawatt generator.

Two ceremonies were held April 22 at the Boswell Energy Center in Cohasset, Minn. – one an employee recognition luncheon and a second gathering two hours later to which the media were invited.

Speakers included Boswell 3 Operations Manager Josh Skelton, Vice President-MP Generation Al Rudeck, Sandy Layman of Iron Range Resources, ALLETE Director Jack Rajala and ALLETE President and CEO Alan R. Hodnik.

Rudeck said Boswell 3's retrofit had far exceeded expectations for pollution control, with 99 percent of sulfur dioxide eliminated, nitrogen oxide cut

by 91 percent, mercury reduced by 94 percent and particulates reduced by 95 percent.

Among those attending the rededication were four ALLETE directors: Jim Hoolihan of Grand Rapids, Jack Rajala, ALLETE President and CEO Al Hodnik, and ALLETE Chairman Don Shippar. Rajala, who retired from the board May 11 after serving 25 years, was one of many people who praised Shippar for his vision of environmental responsibility and his tenacity in seeing the Boswell 3 project through. Shippar, who retired as CEO April 30, did not speak at the Earth Day event, but his successor, Hodnik, did.

"Without Don's leadership on AREA and Boswell 3, we wouldn't be talking about clear skies here today," he said, referring to the Arrowhead Region Emission

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Beneficial changes coming to Invest Direct® plan

Changes are coming to ALLETE's Invest Direct® plan that will make it easier and more convenient for people to buy shares of ALLETE common stock without incurring fees.

Invest Direct® is the trademarked name of ALLETE's direct stock purchase and dividend reinvestment plan, sometimes known as a DRIP plan. It's an efficient way to invest in shares of ALLETE common stock directly through the company.

Changes in the plan effective June 16, 2010, will make it easier for people to get started investing directly and to make larger and more frequent purchases of ALLETE stock. Although Invest Direct® participants are now limited to one stock purchase per month, the new rules will allow purchase of shares on the first and the 15th of every month.

The maximum investment per year through Invest Direct® will be raised from \$100,000 to \$250,000. For those opening a new account, the minimum initial cash investment of \$250 will be waived if a person signs up for monthly bank withdrawals of at least \$50 per month for a minimum of six months. Also, new custodial accounts for minors can now be opened with a minimum investment of \$50, rather than \$250. As before, there are no fees for purchasing shares through the Invest Direct® plan.

Another change allows shareholders more flexibility for purchasing shares through automatic cash withdrawals from their bank accounts. Shareholders have always been able to sign up for recurring monthly withdrawals from their bank accounts to purchase stock, but they now also have the option of making one-time withdrawals as often as they like.

Included in the envelope containing this newsletter is a revised Invest Direct® Investment Information Chart which lists important dates that will help explain the timing of share purchases. For any questions regarding the Invest Direct® plan, you may contact ALLETE Shareholder Services by telephone at 723-3974 or toll-free at 1-800-535-3056; by email at shareholder@allete.com; or access our website at www.allete.com.

DEAR SHAREHOLDER



I enjoyed meeting many of you at our Annual Meeting of Shareholders May 11 in Duluth. I much appreciate the good wishes directed toward me as I assume the role of CEO that was performed so capably by Don Shippar. We are all fortunate that Don will remain as board chairman of ALLETE.

We move ahead with energy as our core strength, focusing on the development of more wind generation, transmission additions and other energy-centric opportunities. This spring construction has begun in earnest at our new 75-megawatt Bison I wind farm near New Salem, N.D., which will be linked by a new

transmission connection to the direct current line to Duluth that we purchased at the beginning of this year.

As I said at the annual meeting, I'm very proud of our team and what we've accomplished for policy makers, customers and investors during a time of economic challenge. Thanks again for your support, and for your investment.

Sincerely,
Alan R. Hodnik
President and Chief Executive Officer

Earth Day *continued from front*

Abatement project retrofits to the Taconite Harbor and Laskin Energy Centers. Hodnik gave a capsule history of Earth Day, pointing out that its first observance in 1970 coincided with the original construction of Unit 3.

"The preservation of our company's energy installations is crucial to keeping our electricity affordable for the long term," Hodnik said. "And the preservation of the environment goes hand in glove with our values at Minnesota Power."

Rate increase request reduced

About halfway through its 2010 retail rate case before the Minnesota Public Utilities Commission, the company lowered its initial retail rate increase request from \$81 million to approximately \$72 million, primarily because of increased power sales to industrial customers.

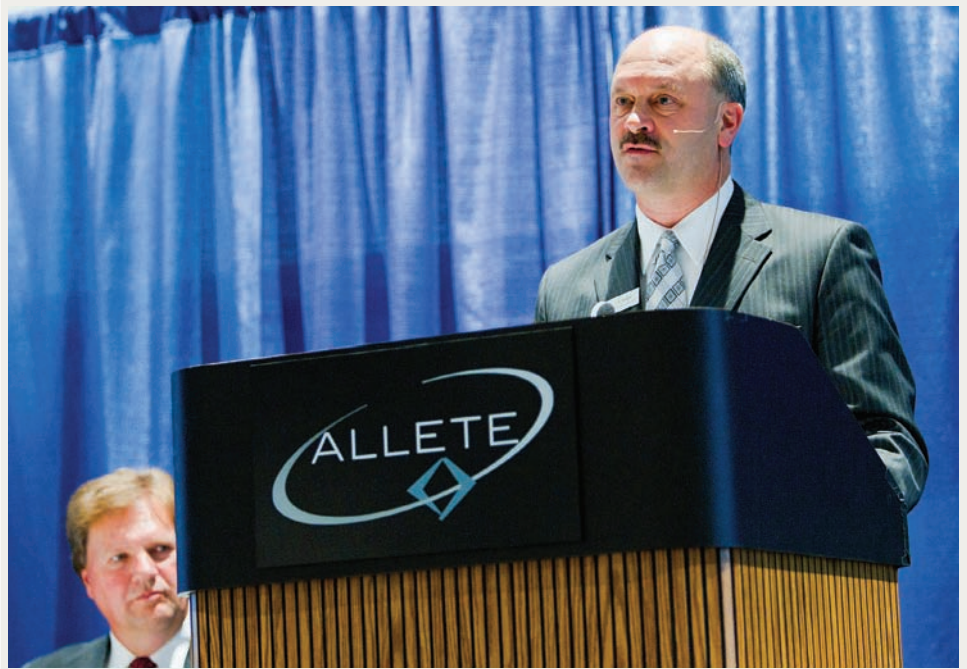
Minnesota Power filed its rate increase request Nov. 2, 2009 for additional revenues to recover the costs of investments for system reliability, enhanced environmental performance and to bring new renewable energy to northeastern Minnesota.

Public hearings on the request were held at several locations in April. The largest turnouts were at two hearings in Duluth, where about 70 percent of the speakers voiced disapproval of an electric rate increase. Others sent letters expressing their views to the Administrative Law Judge hearing the case. Some ALLETE shareholders expressed support of a rate increase.

"I am now retired and depend on income from dividends to supplement my social security," one man wrote to Administrative law Judge Kathleen D. Sheehy. "I request you consider allowing Minnesota Power to recover costs and to provide a fair rate of return. Many have suffered in the economic climate in the last two years. We need companies to be strong financially and also provide good service."

A 76-year-old widow from Long Prairie, Minn. who said she recently lost her husband wrote: "I have Minnesota Power as my utility power and I also own stock in ALLETE. I am torn between raising the cost of power. But as my late husband always said, 'it is a shame we pay more for our Direct TV (\$64 per month) than we pay for our electric.' Our bill in the summer averages around \$55. I feel Minnesota Power probably should have a rate increase."

Evidentiary hearings in the rate case began in May. A report and recommendation from the Administrative Law Judge is scheduled to be issued in August, with a final decision on the rate request expected in November of 2010.



Alan Hodnik addresses annual meeting as Don Shippar looks on

Shippar saluted at ALLETE Annual Meeting

Investors, employees and invited guests gathered at the Duluth Entertainment Convention Center May 11 at ALLETE's Annual Meeting of Shareholders, where about 700 people watched a changing of the guard at the 104-year-old energy company.

For the first time, Alan R. Hodnik, who became ALLETE President last year and succeeded Don Shippar as CEO May 1, was the primary speaker. Hodnik praised the accomplishments of Shippar, and also announced the winner of the very first Shippar Community Leadership Award, Minnesota Power engineer Tom Lohman.

"During his ascent to CEO, Don sought out and accumulated considerable knowledge of energy production, power delivery, customer service, human resources and governmental affairs," Hodnik said. "This broad business experience, a keen eye for strategy, talent development insights and a calm, principled leadership style made Don a natural to lead ALLETE as CEO."

Shippar thanked ALLETE investors, board members and co-workers for their loyalty and support during his tenure. He was named President and CEO of ALLETE in 2004, and became Chairman in 2006. Shippar will stay on as Chairman of ALLETE.

In his remarks, Hodnik took on some tough topics. He acknowledged the difficulties that faced Minnesota Power during the recession of 2009, when the utility faced "a complete shutdown of the taconite industry." And Hodnik defended the company for requesting two electric rate increases.

"It is fair to say that the costs to meet mandates passed in an era of good economic times are not always well timed nor understood in difficult economic times," Hodnik told his listeners, many of them ALLETE shareholders who pay electric bills to Minnesota Power.

Shareholders, voting by Proxy, amended the company's articles of incorporation and bylaws to change the vote required for electing directors. They also re-approved the terms of performance goals under the ALLETE Executive Long-Term Incentive Compensation Plan and ratified the appointment of PricewaterhouseCoopers as the company's independent accountants. A total of 35,435,170 shares of ALLETE Common Stock were entitled to be voted.

A slate of 12 directors was elected to the board: Kathleen Brekken, Kathryn Dindo, Heidi Eddins, Sidney Emery, James Haines, Alan Hodnik, James Hoolihan, Madeleine Ludlow, Douglas Neve, Leonard Rodman, Donald Shippar and Bruce Stender.

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.