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THE

ALLETE™ INVESTOR

A NEWSLETTER FOR THE SHAREHOLDERS OF ALLETE, INC.



Kindergarten students from Winterquist Elementary in Esko, Minn. singing the National Anthem at ALLETE's Annual Meeting.

Hodnik speaks of 'boundless opportunities' at Annual Meeting

ALLETE is at the vanguard of a changing energy landscape, with boundless opportunities for growth, Chief Executive and President Al Hodnik said at the company's Annual Meeting of Shareholders May 10.

Addressing more than 500 investors at the Duluth Entertainment Convention Center, Hodnik stressed that the company was entering a dynamic new era, where shifts in the landscape must be anticipated early.

"Make no mistake – energy supply and delivery in this country has begun to significantly change, and ALLETE expects that rate of change to accelerate, carrying the nation along with it," Hodnik said. "The nature and timing of the shifts we see on the horizon will provide our company with challenges and opportunities quite unlike those of prior times.

"Consequently, ALLETE's vision must be sharp and wide, and our actions in this emerging energy world deft and timely." He said energy companies like ALLETE can no longer wait for regulatory policies to become "final" given the lead time needed for capital investment.

By large majorities, ALLETE shareholders, voting by proxy, approved an advisory vote on executive compensation, approved an advisory vote on the frequency of those votes and again ratified the appointment of PricewaterhouseCoopers LLP as ALLETE's accounting firm.

Shareholders also elected the following 10 directors, in addition to Hodnik and Don Shippar, to serve ALLETE for another year: Kathleen Brekken, Kathryn Dindo, Heidi Eddins, Sidney Emery, James Haines, James Hoolihan, Madeleine Ludlow, Douglas Neve, Leonard Rodman, and Bruce Stender.

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DEAR SHAREHOLDERS



Al Hodnik and Don Shippar

Our recent annual meeting was an opportunity for us to share with you the boundless possibilities for ALLETE's future growth.

But this is also a time of reflection as Don Shippar ends his term as chairman of our board of directors. Don's steady hand helped guide our company through volatile times. He made tough but thoughtful decisions that prepared us for the future.

After the annual meeting, directors of ALLETE participated in an impromptu ceremony at which a portrait of Don was hung in our boardroom. It will be displayed alongside the portraits of nine other ALLETE chairmen as a permanent reminder of Don's leadership. Don was re-elected with the other directors and will remain on the ALLETE board

I am humbled but ready to carry forward his legacy as ALLETE Board Chairman in this next era. The right strategy, outstanding talent and the strong ownership of core values that have always guided ALLETE position us very well. I'm excited about our future prospects.

With sincere thanks for your investment in ALLETE,

Alan R. Hodnik
President and Chief Executive Officer

Minnesota Power to serve Nashwauk, future home of Essar Steel

A new long-term electric service agreement between ALLETE division Minnesota Power and the city of Nashwauk, Minn. was approved in February by the city's Public Utilities Commission.

Under the terms of the agreement, Minnesota Power will provide all of Nashwauk's electric power supply on a wholesale basis. In turn, the city will receive the electricity it needs to serve its retail customers, including Essar Steel Minnesota. Nashwauk is the site of Essar's planned taconite mining and pellet plant operations, scheduled for start-up in late 2012.

Phase two of the project involves the construction of a direct-reduced iron and steelmaking mill. Minnesota Power's agreement with Nashwauk, which is subject to federal regulatory approval, is similar to contracts the company has with other wholesale service providers.

Wholesale municipal customers of Minnesota Power distribute electric service to their local residents and businesses within their city.

Directors raise common stock dividend

The ALLETE Board of Directors in January increased the quarterly dividend on the company's common stock to 44.5 cents per share.

On an annual basis, the increased dividend is equivalent to \$1.78 per share. The regular quarterly dividend is payable March 1, June 1, Sept. 1 and Dec. 1 to common shareholders of record.

'A sense of optimism, purpose and renewed potential'

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"I am enthused about the growing signs of an improving economy throughout our region," Hodnik said in opening his remarks. "You can see it on the Iron Range, where the taconite industry – the lifeblood of our mining communities – is once again ramped up and vital." He added that the past year also saw a rebound of the human spirit.

"There is a sense of optimism, a sense of purpose, a sense of renewed potential," he noted. "ALLETE exemplified that optimistic spirit in 2010. Our stock price showed steady growth as we worked hard to bring value to our shareholders, through careful planning, smart investment and diligent cost management. Coupled with a competitive dividend, our solid results are indicative of recent successes."

Hodnik also named the three finalists for this year's Shippar community Leadership Award, named for former ALLETE Board Chairman Don Shippar (see article below): Rick McDonald, Mike Cochran and Cathy Hoffman.

Hoffman was presented with the award, handed out by its namesake, for many volunteer activities, from serving food to people in need, volunteering at a family Christmas lighting display and for sewing quilts for a crisis center.

Hodnik named Chairman of the ALLETE Board

ALLETE, Inc. has named President and Chief Executive Officer Alan R. Hodnik to succeed Don Shippar as Chairman of the ALLETE Board of Directors, effective May 10, 2011.

Hodnik, 51, became president in 2009 and CEO in May of 2010. Shippar, who served as CEO and President of ALLETE from 2004 to 2010, will remain a director of the company. He was elected board chairman in 2006.

Since assuming the role of CEO, Hodnik has overseen strong earnings growth, two successful rate cases, construction of renewable wind projects and large-scale efficiency and environmental upgrades at the company's utility facilities.

"Al has provided exemplary leadership this past year," said Lead Director Bruce Stender. "This move completes a planned transition and reflects the board's continued confidence in Al and his senior team during a time when the nation's energy landscape is changing.

Stender added that "the company is indebted to Don for his leadership during the past decade. He brought a strong vision and managed a smooth leadership transition."

A University of Minnesota graduate who joined the company in 1982, Hodnik has held varied leadership positions within the company. He was an Organizational Development consultant, co-leader and leader from 1989 to 1994, managed Laskin, Boswell and Taconite Harbor generating facilities from 1995 through 2004, and was named vice president of generation operations in 2005. He was promoted to chief operating officer, with added responsibilities for Superior Water Light & Power Co. and BNI Coal in 2007.

Supplemental 11-year energy purchase from Manitoba approved by MPUC

Minnesota Power will get a supplemental energy source with minimal carbon emissions at market-based prices through an 11-year power purchase agreement with Manitoba Hydro approved by the Minnesota Public Utilities Commission.

The agreement was executed by MP on April 30, 2010, and following Commission approval, it took effect May 1, 2011 and runs through April 30, 2022.

The agreement calls for Manitoba Hydro to provide Minnesota Power with a minimum of one million Megawatt-hours, over its term, of non-firm energy to supplement basic power supplies as the energy is needed by Minnesota Power's customers.

The surplus agreement, a prelude to a larger project with Manitoba Hydro, provides Minnesota Power ratepayers with a predominantly emission-free source of energy.

As noted in the regulatory filing, Manitoba Hydro's spring season and resulting stream runoff, along with periods of higher precipitation, coincide with traditional maintenance periods in the spring and fall when Minnesota Power traditionally schedules outages.



VP of Human Resources Bonnie Keppers

Bonnie Keppers named Human Resources VP

Bonnie Keppers, a human resources professional who advanced through increasingly responsible positions at Minneapolis-based Medtronic over 15 years, was named ALLETE's new vice president of human resources in March.

Keppers brings to ALLETE a diverse HR background in talent acquisition, organizational change, strategic planning, training, compensation and benefits.

Keppers assumed the company's top Human Resources position from senior Vice President, General Counsel and Secretary Deb Amberg, who led the department on an interim basis since July of 2010.

Keppers served as the program director in the Office of Inclusion and Engagement in her last position at Medtronic, a leading medical technology company that operates in more than 120 countries worldwide and has annual revenue exceeding \$15 billion. She also oversaw affirmative action program development across Medtronic's U.S. businesses.

Prior to joining Medtronic, Keppers worked as a compensation and human resource analyst for Cowles Media, Ecolab and the Carlson Companies.

A former resident of Cloquet, Minn., Keppers earned a Bachelor of Arts degree in management studies and a Master's in business administration from the University of Minnesota.

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.