



ENERGY. IT'S OUR BUSINESS.

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PROFILE

ALLETE FINANCIAL SNAPSHOT

(12/31/2016)

Dividend yield: 3.24%

Market capitalization: \$3.3 billion

Gross revenue: \$1.34 billion

Total Assets: \$4.9 billion

A LETTER FROM THE CEO

A LONG HISTORY OF CREATING SHAREHOLDER VALUE

For the seventh straight year, ALLETE's Board of Directors voted to increase dividends in 2017, bringing the annualized dividend payment to \$2.14, up from \$2.02 in 2015. ALLETE has paid uninterrupted dividends for 69 years, since 1948, and remains committed to returning value to shareholders.

Total shareholder return over the past three years was 44.4 percent, up from a three-year total shareholder return of 39.5 percent in 2015. Assuming reinvestment of dividends, a \$100 investment in ALLETE in 2011 was worth \$187 at the end of 2016, an increase in value of 87 percent over five years.

The company earned \$3.14 per share in 2016 on net income that was up 10 percent over 2015. ALLETE's market capitalization sits at about \$3.3 billion, up from \$2.7 billion at the end of 2015.

I'm pleased with ALLETE's outlook and opportunities as it rides a more resurgent economic wave here in 2017. Minnesota Power's industrial customers started the year on a strong note, and talk in Washington, D.C., about infrastructure investment bodes well. Meanwhile, both ALLETE Clean Energy and U.S. Water are well-positioned to capitalize on our nation's call for a cleaner, more sustainable energy and water future.

A TEAM DEDICATED TO SUSTAINABLE GROWTH

Our leadership team exemplifies ALLETE's commitment to employee growth and development and our company's "deep bench" of talent. We've grown ALLETE Clean Energy organically while building our overall leadership team's expertise and skills in operations, management, energy policy, legal, financial and more. A cohesive team at the top is needed as we navigate an exciting and transformative time for our industry and our nation. We can trust in this team's guidance and perspective as ALLETE answers the nation's call to transform its energy and water landscape. As we continue to be a leader in sustainable energy and water solutions, their goal is to inspire excellence and unity of purpose in all ALLETE employees.



Alan R. Hodnik
Chairman, President
and CEO

Minnesota Power's first solar power plant (foreground) covers 63 acres at the Minnesota National Guard's Camp Ripley. Capable of generating 10 megawatts, the solar array was built through a partnership with the National Guard.



ALLETE Senior Leadership Team (from left):

- Bradley W. Oachs**, Senior Vice President ALLETE and President of Regulated Operations
- Bethany M. Owen**, Senior Vice President ALLETE and Chief Legal and Administrative Officer
- David J. McMillan**, Senior Vice President ALLETE and Executive Vice President Minnesota Power *(seated)*
- Steven Q. DeVinck**, Senior Vice President ALLETE
- Nicole Johnson**, Vice President ALLETE Human Resources
- Robert J. Adams**, Senior Vice President ALLETE and Chief Financial Officer
- Patrick Mullen**, Senior Vice President ALLETE External Affairs *(leaning on chair)*
- Steven W. Morris**, Vice President ALLETE, Controller and Chief Accounting Officer *(seated)*
- Alan R. Hodnik**, ALLETE Chairman, President and CEO
- Deborah A. Amberg**, Senior Vice President ALLETE; Chief Strategy Officer of Regulated Operations; and President of Superior Water, Light and Power
- Wade W. Boeshans**, President BNI Energy
- Patrick Cutshall**, ALLETE Treasurer
- Allan Rudeck Jr.**, President ALLETE Clean Energy *(seated)*
- LaMarr Barnes**, U.S. Water Services CEO

Our people, culture and leadership have transformed ALLETE into a company with an international footprint. ALLETE's "big-company opportunities, small-company feel" mantra has made the company a talent draw, and our employees certainly exceeded expectations to get us where we are today while embracing change and remaining committed to customer service and our core values. Their collaboration and innovation drive our shared success and quest for operational excellence.

Our collaborative spirit isn't confined to our companies and employees but extends to partners willing to join us in projects and investment opportunities. As we work to grow ALLETE, we also continue to forge positive relationships with the customers, stakeholders and communities that we serve and who support us.

ALLETE's diversity—in companies and employees—builds a collective synergy that fosters reliability and sustainability in products and services, and also in financial results. Our foundation in regulated utilities—Minnesota Power; Superior Water, Light and Power; and our investment in the American Transmission Co.—remains strong and provides the consistent earnings that allow us to seek new opportunities. We continue to believe those opportunities are best found in providing sustainable energy and water solutions as North America's environmental landscape evolves. That's where our complementary companies—ALLETE Clean Energy, U.S. Water and BNI Energy—are positioned to capitalize on the increasingly important nexus of water and energy. We believe societal expectations, regulations and water scarcity will continue to drive the need for the clean energy and water-conservation products offered by ALLETE's companies.

Thank you for your interest in ALLETE on behalf of each of our nearly 2,000 employees. We are positioned well and look forward to financial and operational success in 2017 while assuring the comfort, security and quality of life of our valued customers.

Sincerely,

Alan R. Hodnik
Chairman, President and CEO

WE ARE A FAMILY OF ENERGY-CENTRIC BUSINESSES



ALLETE CORPORATE

Employees: 220
Headquarters: Duluth, MN

ALLETE is an energy company rooted in northern Minnesota but expanding into other areas across the United States. In addition to its two utilities, Minnesota Power and Superior Water, Light and Power of Wisconsin, ALLETE owns ALLETE Clean Energy, U.S. Water and BNI Energy. ALLETE also has an 8 percent equity interest in the American Transmission Co.



ALLETE CLEAN ENERGY

Employees: 75
Headquarters: Duluth, MN

ALLETE Clean Energy leverages industry knowledge and innovation to bring clean energy to customers across North America. It owns, operates and sells wind energy from six projects in four states totaling more than 535 megawatts and pursues projects utilizing wind energy, hydropower, biomass and other innovative technologies.



U.S. WATER SERVICES

Employees: 450
Headquarters: St. Michael, MN

U.S. Water is an integrated water management company, serving a growing and diverse mix of industrial and commercial customers. It serves approximately 4,800 customers in the United States and Canada, providing integrated water management solutions that reduce water use, save energy and improve efficiency.



MINNESOTA POWER

Employees: 950
Headquarters: Duluth, MN

Minnesota Power provides electric service in a 26,000-square-mile region of northern Minnesota rich with mineral deposits and timber. Minnesota Power serves about 145,000 customers, 16 municipalities and some of the largest industrial customers in the United States.



SUPERIOR WATER, LIGHT & POWER

Employees: 85
Headquarters: Superior, WI

Superior Water, Light and Power has about 15,000 electric customers, 13,000 natural gas customers and 10,000 water customers. The natural gas utility connects to two interstate gas pipelines, providing for competitive rates and enhanced system reliability. SWL&P uses Lake Superior as its water source.



BNI ENERGY

Employees: 180
Headquarters: Bismarck, ND

BNI Energy is the parent company of BNI Coal. BNI Coal operates a lignite mine near Center, North Dakota. Two electric generating cooperatives, Minnkota Power and Square Butte, consume virtually all of BNI Coal's lignite production under agreements extending through 2037.

WE ARE INTERNATIONAL

AS WE GROW, WE EXTEND OUR REACH

Minnesota Power's Great Northern renewable energy initiative takes advantage of the world-class wind resources in North Dakota and abundant hydro resources of Canada and expands the regulated utility's presence in North America.

On its face the Great Northern Transmission Line is simply a way to connect the energy grids of Minnesota Power and Manitoba Hydro. But look deeper and you'll see how this 500-kilovolt AC transmission line will help meet the demand for more renewable energy and reduce carbon emissions related to climate change. In June 2016, the White House cited the Great Northern as one of the cross-border transmission projects that will help the U.S., Mexico and Canada generate 50 percent of their electricity from renewable resources by 2025, a goal outlined in the North American Climate, Clean Energy and Environment Partnership.

Four years of hard work and comprehensive outreach culminated in November 2016 when the U.S. Department of Energy issued a Presidential Permit approving the GNTL's connection to Manitoba Hydro's system at the Canadian border northwest of Roseau, Minnesota.

The heart of the project is its ability to tap into the complementary nature of wind and water power. To balance the wind power generated at its 500-megawatt Bison Wind Energy Center in North Dakota, Minnesota Power looked to the hydro resources of Canada. Under innovative power purchase agreements with Manitoba Hydro, Minnesota Power will have the flexibility to balance intermittent wind energy from Bison with dispatchable baseload hydroelectric power from generating stations on the Nelson River.

The GNTL will span 224 miles across northern Minnesota to the border with Canada, where it will connect with Manitoba Hydro's 189-mile Manitoba-Minnesota Transmission Project in this strategic union of wind, water and wires.

Total cost of the project is estimated to be between \$560 million and \$710 million with Minnesota Power's share between \$300 million and \$350 million. Construction is underway in 2017 and the transmission line is expected to be completed in 2020.

ALLETE's international presence stretches beyond the GNTL. U.S. Water, a leader in integrated water management that ALLETE acquired in early 2015, serves industrial and commercial customers across the United States and in Canada.



We maintain a steady hand on the fundamentals while strategically expanding our presence.

Minnesota Power's Great Northern renewable energy initiative will deliver dispatchable hydropower from dams such as this one in Manitoba to Minnesota Power's customers to balance intermittent wind power from North Dakota.

Construction of the GNTL, a 500-kilovolt cross-border transmission line, is the final piece in Minnesota Power's vision for integrating more renewable energy into the North American power grid.

Power purchase agreements between Minnesota Power and Manitoba Hydro call for Minnesota Power to purchase 383 megawatts of hydropower beginning in 2020.

U.S. Water serves industrial and commercial customers across the United States and in Canada.

WE ARE NATIONAL

OUR DRIVE FOR SUSTAINABLE SOLUTIONS IS OPENING NEW MARKETS

We're answering the nation's call to transform its energy and water landscape—and we have a national footprint that is making a difference.

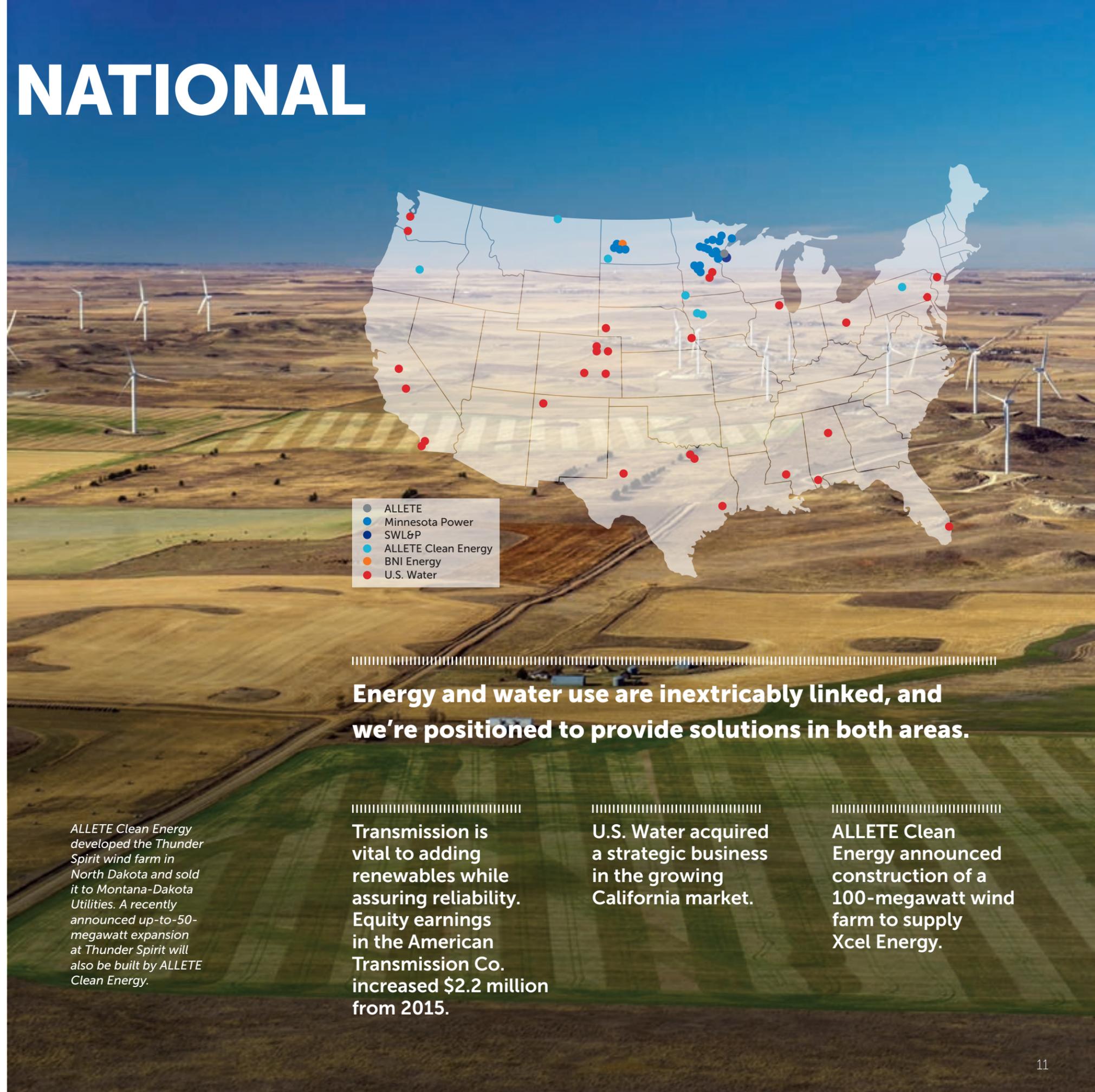
Our national footprint is led by U.S. Water with a presence in 49 states, a strong recurring business model and solid cash generation. The latest addition to ALLETE's family of companies provides integrated water management for industry by combining chemicals, equipment, engineering and service for customized solutions to reduce water and energy use.

Our strategy is to grow U.S. Water's North American presence by adding customers, new products and new geographies as water scarcity and conservation drive demand. U.S. Water has grown its customer base to 4,800 customers since 2015, an increase of 30 percent, and in 2016 U.S. Water also acquired Water & Energy Systems Technology (WEST) Inc. WEST is a strong regional company in the key California market, a good example of U.S. Water expanding its geographic reach, adding new technology and deepening its capabilities to serve its expanding customer base.

We launched ALLETE Clean Energy in 2011 to leverage our industry knowledge and innovation to bring additional clean energy to customers across North America. Today, ALLETE Clean Energy owns and operates six facilities capable of generating approximately 535 megawatts of wind power in Minnesota, Iowa, Pennsylvania and Oregon. ALLETE Clean Energy's wind resources when coupled with Minnesota Power's wind capacity made ALLETE the 17th largest owner of wind power capacity in the nation in 2016.

ALLETE Clean Energy invested about \$100 million in wind turbines in late 2016 to meet federal renewable energy production tax credit "Safe Harbor" provisions. This investment creates a multifaceted growth strategy for ALLETE Clean Energy: It can refurbish its own wind farms while extending power supply agreements, build new wind farms based on long-term power purchase agreements, or build wind farms for other companies for a development fee or a sale price. The Safe Harbor turbines have improved an already strong deal flow pipeline and connected ALLETE Clean Energy with new industry partners nationwide.

In early 2017, ALLETE Clean Energy advanced its growth strategy with the announcement of two significant projects in North Dakota. The company will construct, own and operate a 100-megawatt wind farm in North Dakota to supply electricity to Xcel Energy. The project was made possible by a 20-year power purchase agreement, subject to regulatory approval, under which Xcel Energy will buy the electricity produced at the wind farm, expected to be complete in 2019. When the project is complete, ALLETE Clean Energy will own and operate about 640 megawatts of wind generation capacity. In addition, ALLETE Clean Energy will build an expansion at the Thunder Spirit wind farm.



Energy and water use are inextricably linked, and we're positioned to provide solutions in both areas.

ALLETE Clean Energy developed the Thunder Spirit wind farm in North Dakota and sold it to Montana-Dakota Utilities. A recently announced up-to-50-megawatt expansion at Thunder Spirit will also be built by ALLETE Clean Energy.

Transmission is vital to adding renewables while assuring reliability. Equity earnings in the American Transmission Co. increased \$2.2 million from 2015.

U.S. Water acquired a strategic business in the growing California market.

ALLETE Clean Energy announced construction of a 100-megawatt wind farm to supply Xcel Energy.

WE ARE REGIONAL

WE HARNESS WORLD-CLASS RESOURCES ACROSS THE UPPER MIDWEST

From northern Minnesota's hydropower to North Dakota's wind and coal, ALLETE's companies take full advantage of energy opportunities across the Upper Midwest.

Lately, demand for more renewable energy has centered on wind, a resource North Dakota has in abundance and where Minnesota Power—with its 500-megawatt Bison Wind Energy Center—and ALLETE Clean Energy have been harnessing and developing wind power since 2010. In addition to its 100-megawatt project to supply electricity to Xcel Energy, ALLETE Clean Energy also announced in early 2017 its plan to work with Montana-Dakota Utilities to expand the Thunder Spirit wind farm near Hettinger, North Dakota. ALLETE Clean Energy will build and either sell or operate the up-to-50-megawatt expansion with construction expected to begin in 2018. ALLETE Clean Energy developed Thunder Spirit and sold it to Montana-Dakota Utilities in 2015.

Also in energy-rich North Dakota, ALLETE companies are exploring carbon solutions. BNI Energy is partnering with ALLETE Clean Energy, Basin Electric Cooperative and the University of North Dakota's Energy and Environmental Research Center to develop a potentially transformational carbon solution, the Allam Cycle. The promising technology could yield an electric generator powered by lignite coal with nearly no emissions of carbon dioxide, which is instead captured for possible injection into oil wells to enhance oil recovery in the state's shale formations. Plans call for a 50-megawatt Allam Cycle demonstration plant to be under construction as early as 2019. BNI Energy also is partnering with ALLETE Clean Energy, Minnkota Power Cooperative and the Energy and Environmental Research Center on Project Tundra, an effort to demonstrate how carbon dioxide can be captured from an existing power plant, then pressurized and moved in a pipeline to an oil field where it is injected into wells to enhance oil recovery.

BNI Energy is the parent company of BNI Coal, which mines lignite near Center, North Dakota, to supply the Milton R. Young Generation Station. BNI Coal mines and reclaims about 200 acres a year and has agreements in place to supply the generation station through 2037.

ALLETE's presence in Wisconsin includes Superior Water, Light and Power, which provides electric, water and natural gas service to thousands of customers, and an 8 percent equity investment in the American Transmission Co. (ATC). Based in Pewaukee, Wisconsin, ATC owns and operates the electric transmission system in portions of Wisconsin, Michigan, Minnesota and Illinois. In addition, ATC is exploring or developing projects in Arizona, Alaska, and between Wyoming and California.



Our presence and relationships in energy-rich North Dakota and the rest of the Upper Midwest are paying dividends.

A truck carries soil for reclamation at BNI Coal's lignite mine in North Dakota with turbines at Minnesota Power's Bison Wind Energy Center in the background. ALLETE has a large presence in energy-rich North Dakota.

ALLETE companies explore carbon solutions that could help solve the nation's carbon challenge while benefiting North Dakota and its residents.

ALLETE Clean Energy plans an expansion of the Thunder Spirit wind farm with Montana-Dakota Utilities.

BNI Coal has supply contracts for its lignite mine through 2037 and has been a recognized leader in land reclamation processes.

MINNESOTA POWER'S UNIQUE BASE OF INDUSTRIAL CUSTOMERS IS POISED FOR GROWTH

It takes a lot of energy to turn the massive taconite formations and abundant forest resources of northern Minnesota into iron ore, paper and wood products delivered across the nation. Minnesota Power supplies that energy to some of the nation's largest industrial customers, who make up nearly half of the demand for the utility's electricity.

In 2016, Minnesota Power's taconite customers used enough electricity to power over 400,000 homes, while the company's paper customers used enough electricity to power about 130,000 homes. At full production, large power customer usage in a single hour could power the average Minnesota home for 80 years.

With a resurgent economy, things are looking up for these large power customers. The trade headwinds that caused a downturn in the domestic steel market appear to have subsided, with U.S. Steel's Keetac mine and processing plant restarting production in March 2017 after being idled for nearly two years. With Keetac operating, all of northern Minnesota's major taconite mines are again producing pellets to feed the nation's blast furnaces. There also is an effort by Mesabi Metallics to resurrect the bankrupt Essar Steel Minnesota project. If successful, Mesabi Metallics would add another large taconite and likely direct reduced iron facility to the list of Minnesota Power's customers. And the former Magnetation Inc., which recovers iron ore concentrate from waste dumps at closed iron ore mines, also plans to restart after its assets were sold in bankruptcy court to ERP Iron Ore, which said it intends to operate the facilities.

The resurgence in the domestic steel market is good news for Minnesota Power, which through contract extensions and an agreement with Cleveland Cliffs to begin serving Northshore Mining in Silver Bay, Minnesota, will become the sole electricity supplier for all six major taconite operations in northern Minnesota.

In an effort to make its customers in the mining and paper industries more competitive in global markets, Minnesota Power, working with industry partners, also secured a 5 percent discount on their electric rates from the Minnesota Public Utilities Commission. A rate recovery plan also approved by the commission allows the company to recover the reduction from other customers.

A potential new customer, PolyMet Mining, continues its march toward opening the first copper-nickel and precious metals mine in Minnesota history. Since its Environmental Impact Statement was approved by the Minnesota Department of Natural Resources in March 2016, the company has gained access to the ore body through a land transfer with the U.S. Forest Service and applied for all the necessary permits to open the mine. If the permits are approved, Minnesota Power will gain a major new customer that will create hundreds of jobs in its service area.



Minnesota Power supplies energy to some of the largest industrial customers in the nation, including mines and paper mills.

Minnesota Power energizes some of the nation's largest industrial customers, who are the foundation of an economy built on northern Minnesota's rich supply of natural resources.

Minnesota Power extends contracts with large power customers.

PolyMet Mining gains access to ore body and applies for state permits.

All of Minnesota's taconite mines are back in production.

WE ARE LOCAL

CUSTOMERS COUNT ON US TO MAINTAIN THEIR QUALITY OF LIFE

Electricity often is taken for granted. Flick the switch or push the remote and the lights go on, the TV works, the computer beeps. Most people don't think much about electricity until they don't have it. That's when an energy company's responsiveness is tested.

ALLETE's regulated utilities, Minnesota Power and Superior Water, Light and Power, passed a big test in July 2016. Fierce thunderstorms barreled across central and northern Minnesota early on July 21, uprooting and snapping thousands of mature trees, damaging cars and homes and leaving residents stunned. At one point about 57,000 customers—more than a third of Minnesota Power's 145,000 customers—lost power. In the Duluth area alone, about one-third of the company's 65,000 customers woke up to no electricity. Superior, Wisconsin, served by Superior Water, Light and Power, also suffered outages.

While half of those customers without electricity had power restored within 24 hours, others experienced multiday outages. Damage to the distribution system was deep and widespread, and access to make repairs often extraordinarily difficult. For the next week employees and mutual aid crews worked nearly around the clock to restore power, an enormous effort that won the support of the community and earned Minnesota Power an "Emergency Recovery Award" from the Edison Electric Institute (EEI).

While a utility's storm response may garner headlines, the behind-the-scenes work to keep the lights on 24/7 is just as important. Like other utilities nationwide, Minnesota Power monitors the increasing potential for cyber and other attacks to disrupt the reliability of the bulk electric system and is taking steps to protect its computer networks as well as further hardening its physical assets.

Minnesota Power also set a high standard for generation in 2016 by recording a banner year at its wind, hydro and thermal power plants.

The exceptional performance included production records at some generation facilities, other facilities logging near records and the fleet as a whole setting a high standard for being available when called on to produce power. A commitment to training for best-in-class work practices and wise capital investments in recent years laid the foundation for the achievement. Mother Nature was on board, too, with ample wind at the 500-megawatt Bison Energy Center in North Dakota and plentiful water throughout the 120-megawatt hydroelectric system in Minnesota.

Minnesota Power's hydro operations ended 2016 with near-record production overall and three of the company's 11 hydro stations setting records. Bison set an all-time wind production record of about 1.8 million megawatt hours, and Boswell Energy Center's Unit 4, just off the heels of a major environmental construction project, set all-time reliability records while achieving 90 percent mercury emission reductions.



Mike Linn, a Minnesota Power line worker, repairs a power pole damaged in a July 2016 storm. Restoring power after major storms is one of the most visible aspects of customer service for our regulated utilities, Minnesota Power and Superior Water, Light and Power, which excel at getting the lights back on and keeping them on.

We work hard to make and deliver the energy that provides the security, comfort and quality of life our customers deserve.

Response to historic storm in July 2016 earns EEI "Emergency Recovery Award" for Minnesota Power.

Minnesota Power logs impressive year for reliability and production across its generation fleet.

Bison Wind Energy Center sets production record of about 1.8 million megawatt hours in 2016.

**FOCUSING ON CUSTOMERS IS
THE HEART OF OUR SUCCESS**

ALLETE's family of energy businesses serves a broad range of customers—from pipeline operators and large taconite producers to families and small businesses. ALLETE is committed to all of its customers, no matter where they call home.

As customer expectations continue to evolve, so does customer service. Minnesota Power and Superior Water, Light and Power are responding to their customers by helping them find ways to save energy and offering more choice in where their energy is generated.

One way Minnesota Power shows its commitment to its residential and business customers through is its successful Conservation Improvement Program, also known as Power of One. Program offerings help businesses stay competitive by being more energy efficient and supply rebates, design assistance and expertise to commercial, industrial, agricultural and public sector customers. Power of One has a proven track record, surpassing the state of Minnesota's 1.5 percent energy-savings goal each year since 2010.

When research showed that about a third of Minnesota Power's residential customers were interested in solar, the utility responded by proposing to expand its SolarSense program to approximately \$1 million annually for the next three years. The Minnesota Public Utilities Commission approved the plan in January 2017 and the resulting rebate program has the potential to increase the number of solar systems installed at customer homes and businesses by tenfold.

The SolarSense program complements Minnesota Power's first community solar garden. Energy from the solar garden will come from two solar arrays—a 40-kilowatt array and a 1-megawatt array—and the company is offering subscriptions following the MPUC's approval of the pricing plan in April 2017.

At Superior Water, Light and Power, a \$9.8 million smart meter project will give customers more control over their electric, natural gas and water use and their bills. Once the approximately 30,000 smart meters are deployed over the next three years, customers will be able to enjoy the advantages of Advanced Metering Infrastructure, or AMI, including access to a web portal where they will be able to track their energy and water use and find ways to save on their bills.

The advanced meters also will minimize monthly visits to homes and businesses, and improve safety and reliability through safety, leak and outage notifications that will help SWL&P more quickly alert customers and restore service.

Helping customers manage their energy use is only part of how we strengthen connections with those we serve. A recent J.D. Power survey of 138 participating utilities ranked Minnesota Power ninth overall and first in the Midwest midsize segment for customer service. In the survey, customers gave Minnesota Power high marks for its timeliness in resolving questions and issues, providing clear information and courteous representatives.



Our relationships with customers are strengthened through trust, integrity and a commitment to service.

Superior Water, Light and Power Meter Technician Ryan Erkkila answers a customer's questions. SWL&P is installing smart meters for all of its electric, water and gas customers to give customers more control over their energy and water use and their bills.

SWL&P is unusual among utilities because it provides a trio of services: electricity, water and natural gas.

Minnesota Power's expanded SolarSense program responds to customer interest in residential solar power.

A smart meter project at SWL&P will provide safety, leak and outage notifications, as well as enhanced meter information to help customers save money and conserve resources.

WE ARE RESPONSIBLE

ENVIRONMENTAL STEWARDSHIP IS A CORE VALUE AND A BIG PART OF OUR SUCCESS

At ALLETE, we believe that environmental stewardship and financially responsible business practices go hand-in-hand.

Water conservation plays a big role in our environmentally responsible business practices. U.S. Water's EnergyOUT™ system is reducing customers' water use by 67 million gallons each year—translating into an annual reduction in carbon emissions of more than 10 million pounds. That's a strong example of the energy-water nexus and how conserving water also conserves energy.

Wild rice, Minnesota's iconic grass, depends on clean water to grow and thrive. Minnesota Power is playing a role in advancing the Minnesota Pollution Control Agency's development of new sound-science sulfate standards for protecting wild rice as well as working with others on other water-quality issues.

Since launching Minnesota Power's *EnergyForward* strategy in 2013, we've moved our energy mix to more than 25 percent renewable and dramatically reduced emissions. As we continue to make *EnergyForward* investments, we'll be meeting societal expectations and regulatory standards while providing the safe, reliable and affordable energy our customers deserve. Our goal is a mix of two-thirds renewable energy and renewable-enabling natural gas and one-third environmentally compliant coal. This responsible strategy positions ALLETE to meet any possible outcome of the contested federal Clean Power Plan.

Minnesota Power continued to advance its *EnergyForward* strategy in 2016 by idling the last two coal-burning units at Taconite Harbor Energy Center and announcing a plan to retire two small coal units at Boswell Energy Center in 2018. In November, Minnesota Power completed its first solar power plant, a 10-megawatt facility at Camp Ripley. Built in partnership with the Minnesota National Guard, the power plant also can be switched to power the military base if the energy grid is down, improving energy security at the state's largest National Guard base.

The commitment to environmental stewardship extends across all of ALLETE's companies. For example, BNI Energy has received accolades for its mine reclamation processes and is partnering with the state of North Dakota and others to develop technology that has the potential to help reduce carbon dioxide emissions associated with climate change.

While bringing more renewable energy online through the wind turbines of ALLETE Clean Energy and Minnesota Power, we also work to mitigate impacts on birds, bats and other wildlife. More than 64 miles of high-voltage transmission lines have been fitted with bird flight diverters to reduce the chance of avian collisions. Wind projects are sited away from water bodies and other critical habitat to minimize ecological impacts. In addition, we partner with Ducks Unlimited, the U.S. Fish and Wildlife Service and other local entities on a variety of wildlife habitat improvement projects.



A healthy environment supports healthy communities, and we're leading the transformation to clean energy and water conservation.

Clean air and water support healthy communities and a healthy environment for all, including wildlife such as these common loons. Environmental stewardship is a core value for ALLETE's companies.

Minnesota Power's new 10-megawatt solar power plant began producing energy in late 2016.

Through its Avian and Bat Protection Plan, ALLETE Clean Energy minimizes the impact of its wind sites on birds and bats and their habitats.

U.S. Water's EnergyOUT™ system reduces customers' water use by 67 million gallons a year.

WE ARE ALLETE

ENERGY IS OUR BUSINESS, PEOPLE MAKE IT POSSIBLE

ALLETE's roots go back to the early 1900s and hydropower harnessed among the rocks and water of northern Minnesota's St. Louis River. We've since grown, first across state borders and now across international borders. But we haven't strayed far from our roots—we're still planted firmly at the nexus of energy and water. Through wise investments, innovation and productive partnerships, we are providing sustainable energy and water solutions for customers and society while increasing value for shareholders.

ALLETE's future will be determined by what we do and, even more importantly, how we do it. Our people strive for "the right results, the right way" in everything they do. That can be seen in the strong stakeholder support Minnesota Power garnered for the Great Northern Transmission Line after reaching out to Native American tribes, local governments and landowners before mapping a route or applying for permits. Or in Superior Water, Light and Power's decision to switch all of its customers to smart meters for water, electricity and natural gas, enabling them to monitor and adjust their energy and water use to reduce their costs. The "right results, right way" list is much longer, and is the foundation for our financial success, operational excellence and social license in the communities we serve.

ALLETE's 2,000 employees also live our shared values of safety, environmental stewardship, integrity, employee growth and community engagement. Through 156 foundation grants and 143 corporate grants, we gave about \$1 million back to our communities and sponsored 56 community events in 2016. In addition, our employees engage in their communities by volunteering thousands of hours of their time for projects across the nation.

A heartwarming example of that commitment to core values came in May 2016, when a grassroots employee effort earned Minnesota Power's designation as a Yellow Ribbon company by the Minnesota Department of Military Affairs for its commitment to hiring, supporting and retaining veterans, active-duty military members and their families. Many of the employees involved in the Yellow Ribbon effort are part of the younger generations now moving up through the ALLETE ranks who volunteered their time to reach "the right result, the right way." It's a sure sign that the next generation of leaders at ALLETE will maintain and strengthen the values that guide us on our sustainable journey.

ALLETE's headquarters are in Duluth, Minnesota, seen here in an aerial view. ALLETE's employees are committed to improving the communities where they live and work.

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