

Minnesota Power celebrates environmental achievements on Earth Day

Minnesota Power celebrated cleaner air and healthier forests on Earth Day at the Boswell Energy Center in Cohasset, Minnesota.

About 50 fourth-graders from Cohasset Elementary School planted white pine seedlings as part of the company's Rajala Woods initiative, and about 150 Minnesota Power and other officials and local business leaders rededicated Boswell's Unit 4 generator where mercury emissions have been reduced by more than 90 percent.

ALLETE CEO Al Hodnik said the Boswell project and Rajala Woods Initiative highlight Minnesota Power's commitment to the environment and sustainability in northern Minnesota.

"We're very proud of this major accomplishment at Boswell," he said. "This is the capstone of a multiyear emissions reduction effort across Minnesota Power's system. Boswell is now one of the cleanest coal-fired generators

in the nation and positioned to provide reliable and affordable power to all our customers, industrial and residential."

Over the past decade, Minnesota Power has invested more than \$600 million to cut emissions across its system. At Boswell, the company has reduced mercury emissions by more than 90 percent and cut sulfur dioxide emissions by more than 90 percent over 2005 levels, while also capturing 99.8 percent of particulates. That investment also included the installation of a high-efficiency steam turbine at Boswell 4 that produces 60 more megawatts of electricity with no additional emissions.

In November 2015, the Minnesota Pollution Control Agency recognized the company for its leadership in reducing mercury emissions under the Mercury Emissions Reduction Act implemented in 2006. Minnesota Power hit the act's mercury-reduction goal a decade early in 2015.

State approves PolyMet Environmental Impact Statement

PolyMet Mining Corp. moved on to the mine permitting process in March when the Minnesota Department of Natural Resources (DNR) gave its blessing to the Final Environmental Impact Statement (EIS) for the company's proposed copper-nickel mine near Hoyt Lakes, Minnesota.

The DNR's "adequate" ruling on the EIS was the final and conclusive action by the state on the required environmental review, according to a PolyMet news release, and demonstrates PolyMet can mine and process copper, nickel and platinum-group metals while complying with the law and protecting the environment.

Minnesota DNR Commissioner Tom Landwehr said the PolyMet EIS was the largest environmental review ever undertaken by the DNR, taking up 90,000 hours of staff time — 45 years if one person worked on it — the cost of which was borne by PolyMet. It also received more than 58,000 public comments.

The adequacy decision on the EIS allows PolyMet to apply for local, state and federal permits needed to break ground on the planned open-pit mine that will reuse the former LTV Steel plant to process ore. Final decisions on those permits are expected later this year, and Landwehr said additional analysis of the project will take place during the permitting process.

The project is expected to create hundreds of high-paying jobs in northeastern Minnesota over an expected 20 years or more of operation and diversify the region's economy, which is heavily reliant on iron ore mining, the timber industry and tourism. Minnesota Power has an agreement to supply 45 to 50 megawatts of load to the proposed mine for 10 years after it opens.

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THE ALLETE INVESTOR

A NEWSLETTER FOR THE SHAREHOLDERS OF ALLETE, INC.

Minnesota Power earns Yellow Ribbon designation

Minnesota Power has won state recognition for its support of veterans, active-duty service members and their families.

The first Duluth-based company to earn Yellow Ribbon status, Minnesota Power also is the 50th employer in the state recognized for coordinating support systems for military-connected employees and their families.

Overseen by the Minnesota Department of Military Affairs, the Beyond the Yellow Ribbon program supports service members, veterans and their families by connecting them with career counseling, professional development and employment resources. To earn a Yellow Ribbon designation, companies must build relationships with local military leaders, identify which employees have military connections and commit to hiring, supporting and retaining veterans.

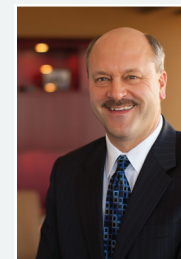


Major General Richard C. Nash (from left), adjutant general of the Minnesota National Guard; Minnesota Commerce Commissioner Mike Rothman; and ALLETE CEO Al Hodnik pose with the Yellow Ribbon proclamation for Minnesota Power on May 10 at the Air National Guard's 148th Fighter Wing base in Duluth.

"While we are very proud to receive this recognition, what matters most is what it means to our military-connected employees and their families," said Al Hodnik,

president and CEO of ALLETE, Minnesota Power's parent company. "ALLETE and its subsidiaries have for decades supported veterans, military members and their

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Dear Shareholders,

In many ways, ALLETE is not only answering the nation's call but leading its transformation to a more balanced and cleaner energy mix. If you attended our annual meeting May 10 in Duluth, you heard that ALLETE is now ranked 16th in the nation for wind power capacity when combining the assets of ALLETE Clean Energy and Minnesota Power. More updates are included in this newsletter.

Any day now, we expect a Presidential Permit for the Great Northern Transmission Line, which will clear the way for construction of the 220-mile line that will bring hundreds of megawatts of carbon-free hydropower from Manitoba Hydro to Minnesota Power's customers. We plan to begin construction in 2017 after wrapping up the rights-of-way and land access agreements this year.

ALLETE has long been a right results-right way, values-based company, and I am proud to share that Minnesota Power has been recognized by the State of Minnesota as a Yellow Ribbon company. Yellow Ribbon designation is a high honor and affirms decades of coordinated recruiting, compensation and employee development support for

veterans, service members and their families. The stimulus for Yellow Ribbon designation came from deep within Minnesota Power. It was most heartwarming and further proof that as our workforce transitions to the next generation of talent, we are successfully passing on the company's genetic code and community engagement values.

ALLETE was forged from rock and renewable hydropower 110 years ago this spring. Your company has endured through all forms of business cycles and successfully transformed itself during periods of great change. For the past 68 years ALLETE has delivered uninterrupted dividends including the recent increase authorized by your Board. ALLETE is a more balanced and sustainable company today and one positioned for growth going forward. On behalf of the Board and the 2,000 colleagues I am privileged to lead with in this transformative era, my deepest thanks for your investment and trust in ALLETE.

Alan R. Hodnik
Chairman, President and Chief Executive Officer

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.

Minnesota Power earns Yellow Ribbon designation

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families quietly and behind the scenes. An organic employee effort recently grew out of that spirit of commitment to veterans. That employee team further bolstered the many ways support has and continues to be provided to veterans, service members and their families, including recruiting, compensation and benefits, training and development and employee-family outreach. Their hard work led to the state of Minnesota designating ALLETE as a Yellow Ribbon Company.”

The assistance Yellow Ribbon companies extend to veterans, service members and their families is felt across the communities they serve. There are more than 13,000 soldiers and airmen in the Minnesota National Guard. In Minnesota Power’s service territory, St. Louis County alone is home to nearly 19,000 veterans. And about 400 members of the Air National Guard’s 148th Fighter Wing and the Army Reserve’s 312th Engineer Company, both based in Duluth, are deployed overseas.

“Given the many connections of our military members, veterans and their families, Yellow Ribbon is another way for us to give back to the community,” said Al Rudeck, Minnesota Power vice president of strategy and planning and executive lead for the company’s Yellow Ribbon Steering Committee. “I hope we can leave a legacy of caring — a legacy of caring for our co-workers and a legacy of caring for our communities. If we can leave that legacy of giving back, I really think that’s going to make a big difference not only in the community and to all the families involved, but also in a small way to maybe serve our country.”

Minnesota Power poised to break ground on international transmission line following approval of route permit

Minnesota Power’s Great Northern Transmission Line cleared a major regulatory hurdle in February with approval of a route permit for the 500-kilovolt line that will deliver renewable, carbon-free hydroelectricity from Canada to Minnesota Power customers.

The Minnesota Public Utilities Commission unanimously approved the route permit for the transmission line being developed by Minnesota Power, a utility division of ALLETE. The route permit is among the most important regulatory decisions the project requires. A Presidential Permit from the U.S. Department of Energy, needed because the line crosses an international border, is expected soon and will be the final permit needed before construction.

The route permit approval came after years of comprehensive agency review and voluntary stakeholder engagement by Minnesota Power. The transmission line was proposed in 2012.

The approved 224-mile route will cross the border between the U.S. and Canada in Roseau County in northern Minnesota, about three miles east of Minnesota Highway 89. The line will run to an expanded Blackberry electric substation east of Grand Rapids, Minnesota. The route passes through Roseau, Lake of the Woods, Koochiching and Itasca counties in Minnesota.

Building the line is a significant undertaking. Construction is expected to get underway in 2017 with the line completed by 2020. The line will generally require a 200-foot-wide right-of-way, with about four or five structures per mile. Each structure is about 100 to 170 feet in height, and the specific types of structures will depend on land type and land use.

Minnesota Power’s share of the project cost is about \$345 million.

Minnesota Power begins construction of Camp Ripley 10-megawatt solar array

Minnesota Power has begun construction of a 10-megawatt solar power plant at Camp Ripley.

The \$30 million project will help Minnesota Power achieve about one-third of its requirement under the state’s solar energy standard. The plant will be built at the Minnesota National Guard’s base in central Minnesota on the southwestern edge of Minnesota Power’s service territory. The Minnesota Public Utilities Commission unanimously approved the project in January.

Construction of the solar plant began in late April, and it is expected to be generating solar power by November. Minnesota Power’s first large-scale solar array will cover about 80 acres of underused property at the National Guard’s 53,000-acre regional training facility near Little Falls, Minnesota. The project will be made up of 120,000 thin-film photovoltaic panels.

The project is designed to allow Camp Ripley to use the energy produced by the array during emergencies when the electric grid is down, providing enhanced energy security for the military site. At most times, the solar energy produced would be sent to Minnesota Power’s customers.

The state solar standard, enacted in 2013 by the Minnesota Legislature, requires 1.5 percent of a public utility’s applicable retail sales to come from solar energy sources by 2020.

Hodnik: ALLETE has solutions the nation needs

ALLETE is providing sustainable solutions for the nation’s changing energy and water needs, company investors heard May 10 at the Duluth, Minnesota-based energy company’s 2016 Annual Meeting of Shareholders.

About 700 people attended the meeting at the Duluth Entertainment Convention Center convened by Deb Amberg, ALLETE senior vice president, general counsel and secretary. Voting by proxy, shareholders re-elected 10 directors, approved compensation-related resolutions and ratified the appointment of ALLETE’s accounting firm. After conducting business, they heard from Al Hodnik, ALLETE’s chairman, president and CEO.

The rise of ALLETE Clean Energy in the wind-power area and other clean-energy initiatives have created a stronger ALLETE well-positioned for the future, Hodnik said.

“ALLETE was forged from the rock and renewable hydropower just up the hill from here 110 years ago,” Hodnik said. “That renewable and sustainable ethos lives on today within the hearts and minds of ALLETE’s employees.”

Part of that sustainability is financial. Hodnik reported ALLETE earned \$2.92 per share in 2015 on net income that was up 13 percent over 2014, operating revenue grew by 31 percent to \$1.49 billion and ALLETE’s market capitalization sits at about \$2.8 billion, up from \$2.5 billion at the end of 2014.

“Perhaps an equal or greater measure of performance is dividend sustainability,” Hodnik said. “Recently your board raised the dividend by 3 percent to \$2.08 per share on an annual basis. Since 1948, that’s 68 uninterrupted years of paying dividends.”

Sustainability also comes from answering the carbon-climate challenge, where Hodnik said ALLETE’s companies continue to make progress. ALLETE is now ranked 16th in the nation in wind power capacity when combining ACE and



ALLETE Chairman, President and CEO Al Hodnik speaking at this year’s Annual Meeting of Shareholders at the DECC.

Minnesota Power. A presidential permit is expected early this summer to clear the way for the Great Northern Transmission Line that will deliver hydropower from Manitoba to Minnesota.

Projects such as the Great Northern Transmission Line are aimed at meeting Minnesota Power’s EnergyForward plan to shift its energy mix to one-third renewable, one-third gas and one-third coal.

“Minnesota Power has already exceeded Minnesota’s 25 percent renewable standard,” Hodnik said, “and I am pleased to say the Minnesota Power team is positioned to reach its one-third, or 33 percent, renewable goal as the Great Northern moves toward construction and completion by the early 2020s.”

Hodnik said Minnesota Power also is well-positioned to meet Minnesota’s carbon reduction standard of 30 percent by 2030 through a plan to close smaller coal units.

ALLETE is increasingly focused on the connection between energy and water, and the growing challenges of water scarcity, water conservation, and water quality and reuse. ALLETE acquired U.S. Water Services in 2015, and the company is on track to increase revenue by 10 percent in 2016.

By conserving water for its customers, U.S. Water’s projects also conserve energy, and reduce carbon emissions by about 8 million pounds per year — a strong example of the energy-water nexus, Hodnik said.

For Minnesota Power, sustainability also means weathering a downturn in the iron

and steel industries. While there is no lack of U.S. steel demand, seven of 11 major iron ore producers, some of Minnesota Power’s largest customers, were shut down at times in 2015. That situation continues into 2016, but looks to be improving as the federal government takes strong action against low-priced imported steel.

“Viewed through the lens of 2015’s economic adversity, ALLETE’s solid financial performance speaks to a sound strategy, a more sustainable mix of energy businesses and to our talented employees who continue to innovate and devise creative solutions to meet customers’ needs as well as shareholders expectation,” Hodnik said.

ALLETE shareholders, voting by proxy, elected to new terms current directors Kathryn W. Dindo, Sidney W. Emery Jr., George G. Goldfarb, James S. Haines Jr., Alan R. Hodnik, James J. Hoolihan, Heidi E. Jimmerson, Madeleine W. Ludlow, Douglas C. Neve and Leonard C. Rodman.

The Don Shippar Community Service Award, given annually, was presented to Micheline Bayiha, costing and pricing analyst at Minnesota Power, for her volunteer work on behalf of the people of her native Cameroon, Africa.

“With long-held company values still guiding us, the ALLETE of today is more balanced, more sustainable and is well-positioned to answer a nation’s call to transform its energy and water landscape, all while growing ALLETE,” Hodnik said in conclusion. “Thank you for your investment—and your trust—in ALLETE.”