



For Release: August 5, 2009
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NEWS

Minnesota Power to file rate case supporting greater reliability, improved environmental performance and new renewable projects

Duluth, MN— To meet the future energy needs of its customers and state-mandated environmental and renewable goals, Minnesota Power today announced its intention to file a request with the Minnesota Public Utilities Commission (MPUC) before the end of the year to increase base electric retail rates.

Minnesota Power, an ALLETE (NYSE:ALE) company, previously filed for a rate increase in May 2008, the first increase to its base rates in 14 years. Final rates for the 2008 rate request are expected to take effect this fall. At the time of last year's filing, the company indicated it was the first in a series of expected rate increases.

"We recognize a price increase is not welcome news to our customers, but it is necessary to meet the rising costs of producing and delivering energy," said ALLETE CEO Don Shippar. "We've invested nearly one billion dollars in the electric system over the past three years to ensure we provide the safe and reliable service our customers expect while at the same time delivering additional sources of clean energy policymakers have mandated."

Ongoing investments to build the company's renewable energy portfolio to satisfy Minnesota's "25% by 2025" mandate include the acquisition of an approximately \$80 million direct current (DC) transmission line that will deliver wind energy from the company's growing number of wind generation facilities in North Dakota to the company's customers in Minnesota.

"Wind generation facilities are being built all around the country, but it will take thousands of miles of new transmission lines to bring this renewable energy to customers who need it," Shippar said. "That's why the DC line project is such a strategic fit. Utilizing an existing line will cost significantly less than building a new line. This plan will result in a cost savings for customers over the long term."

The rate increase request is also the result of significant environmental improvements at the company's largest generating facility, Boswell Energy Center in Cohasset. The company is investing more than \$300 million in a series of retrofit projects at Boswell's four generating units to improve efficiency and reduce mercury, sulfur dioxide, nitrogen oxide and particulate emissions by up to 90 percent to meet state and federal requirements.

"These projects reflect our commitment to improving efficiency while reducing our impact on the environment," Shippar said. "Once complete, we will have a state of the art facility at our second largest generating asset, Boswell Unit 3, that rivals any new coal fired plant being built today, at a far lower cost."

"While the official rate request will not be filed until later this year, we felt it was important to give our customers notice now of the necessity to increase rates in 2010," Shippar said. "While operation and maintenance costs have increased as a direct result of capital investment projects, we've reduced costs in other areas without impacting customer service, to help lessen the impact. Those steps include staff reductions and pay freezes for executives and management as well as aggressive cuts to discretionary spending."

In addition to the cost cutting measures, Minnesota Power has offered customers a number of conservation tools for more than 20 years to help them make their homes and businesses more energy efficient and as a means to reduce their monthly bills. Since inception, its conservation program has helped customers reduce their electric usage by more than 792 million kilowatt-hours. That's enough energy to power an estimated 88,000 homes for an entire year.

For more information about conservation, log on to www.mnpower.com and click on Power of One[®].

More details about Minnesota Power's rate request, including public hearing dates, will be made available once the request is filed with the MPUC later this year. If approved by the commission, interim rates would go into effect in early 2010 with final rates being implemented in the fourth quarter of 2010.

The statements contained in this release and statements that ALLETE may make orally in connection with this release 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.

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