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NEWS

Purchase of steam district and increased biomass production approved by Minnesota Public Utilities Commission

Minnesota Power's petition to purchase steam boilers and wood handling facilities from the city of Duluth to expand biomass energy production won approval today from the Minnesota Public Utilities Commission.

The MPUC approved the Duluth-based electric utility's request to buy assets of Duluth Steam District Number Two (DSD#2), located in West Duluth, for \$2.5 million and authorized the investment of another \$22 million for upgrades that will eventually triple the amount of electricity produced at the facility from wood waste biomass fuel.

"We applaud the Commission for its foresight in approving a transaction that enables us to help meet Minnesota's Renewable Energy Standard," said Al Hodnik, president of ALLETE, Minnesota Power's parent company. "The end result will be more sustainable energy produced from biomass."

The Duluth City Council unanimously approved Minnesota Power's purchase of its DSD #2 assets in June of 2008. The assets owned by the city include two boilers, wood handling systems, and other equipment used to generate steam both for the nearby NewPage paper mill and Minnesota Power's Hibbard Energy Center in West Duluth.

"Approval of this sale has tremendous benefit to Duluth taxpayers," said Duluth Mayor Don Ness. "Not only will sale proceeds help rebuild our budget reserve, but it also creates jobs, expands our tax base, and allows the City to further focus its efforts on core services. We're pleased that this sale will also assist Minnesota Power's efforts to create renewable energy in the region."

The boilers and wood-handling facilities are located at Minnesota Power's Hibbard generating station on Duluth's waterfront. Hibbard was a coal-burning generation facility from its construction in 1929 until 1982, when it was closed. After the facility was retrofitted to burn wood along with the coal to facilitate economic development, DSD# 2 came into service in 1987, when the City of Duluth, Minnesota Power and Pentair, Inc. teamed up to construct Lake Superior Paper Industries.

"This facility has come full circle," Hodnik said. "It was our company's first steam electric generating station and later retrofitted to be fueled in part by the wood-waste byproduct of our region's paper industry. Now its full renewable energy potential can be realized."

Under Minnesota Power ownership, the facility will continue to serve both the paper mill and Minnesota Power's customer needs. Agreement has already been reached between Minnesota Power and NewPage on a long-term contract for steam from the facility.

The purchase of the assets will allow Minnesota Power to invest \$22 million in upgrading the facility so it can produce 210,000 megawatt-hours of electricity from wood waste compared to the 70,000 megawatt-hours available there now. Construction work to boost the biomass output is scheduled for 2011-13.

Minnesota Power will commence detailed engineering on the facility upgrades following a written order from the MPUC. Final closing on the sale is anticipated by the end of September.

Minnesota Power, a division of ALLETE provides retail electric service within a 26,000-square-mile area in northeastern Minnesota to 143,000 customers and wholesale electric service to 16 municipalities. More information can be found at: www.mnpower.com.

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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