



2018 Year End
Earnings Report Presentation

February 14, 2019

ALLETE Earnings *(millions)*

Year Ended December 2018

	2018	2017	
Regulated Operations	\$131.0	\$128.4	1)
ALLETE Clean Energy	33.7 ⁴⁾	41.5	2)
U.S. Water Services	3.2	10.7	2)
Corporate and Other	6.2	(8.4)	2), 3)
Net Income Attributable to ALLETE	\$174.1	\$172.2	
Diluted Earnings Per Share of Common Stock	\$3.38	\$3.38	

See slide on page 3 for earnings per share impacts related to:

- 1) 2017 included a non-cash charge for fuel adjustment clause costs write-off of \$11.4
- 2) 2017 included the TCJA impacts (ALLETE Clean Energy, \$23.6; U.S. Water Services, \$9.2; Corporate & Other, -\$19.8)
- 3) 2017 included the North Dakota ITC favorable regulatory outcome of \$7.9
- 4) 2018 included the sale of a wind energy facility of \$10.2



ALLETE Earnings Per Share

Year Ended December 2018

	2018	2017
Earnings Per Share	<u>\$3.38</u>	<u>\$3.38</u>
Impacts on Earnings Per Share		
TCJA Included in 2017 Earnings		
ALLETE Clean Energy		0.45
U.S. Water Services		0.18
Corporate and Other		(0.38)
		<u>0.25</u>
Non-cash write-off of Deferred Fuel Adjustment Clause Costs		
Regulated Operations		<u>(0.22)</u>
North Dakota ITC Ruling		
Corporate and Other		<u>0.16</u>
Sale of Wind Energy Facility		
ALLETE Clean Energy	<u>0.20</u>	



Consolidated Earnings *(millions)*

Fourth Quarter December 2018

	2018	2017
Regulated Operations	\$31.3	\$18.3 ^{1), 2)}
ALLETE Clean Energy	17.8 ⁴⁾	30.4 ³⁾
U.S. Water Services	2.7	9.1 ³⁾
Corporate and Other	9.3	(16.4) ³⁾
Net Income Attributable to ALLETE	<u>\$61.1</u>	<u>\$41.4</u>
Diluted Earnings Per Share of Common Stock	<u>\$1.18</u>	<u>\$0.81</u>

See slide on page 5 for earnings per share impacts related to:

- 1) 2017 included a non-cash charge for fuel adjustment clause costs write-off of \$11.4
- 2) 2017 included interim rate reserves for the first 3 quarters of \$14, and lower depreciation for the Boswell life extension to 2050 of \$14
- 3) 2017 included the TCJA impacts (ALLETE Clean Energy, \$23.6; U.S. Water Services, \$9.2; Corporate & Other, -\$19.8)
- 4) 2018 included the sale of a wind energy facility of \$10.2



ALLETE Earnings Per Share

Fourth Quarter December 2018

	2018	2017
Earnings Per Share	<u>\$1.18</u>	<u>\$0.81</u>
Impacts on Earnings Per Share		
TCJA Included in 2017 Earnings		
ALLETE Clean Energy		0.45
U.S. Water Services		0.18
Corporate and Other		(0.38)
		<u>0.25</u>
Non-cash write-off of Deferred Fuel Adjustment Clause Costs		
Regulated Operations		<u>(0.22)</u>
Interim Rate Refund Reserves on First Three Quarters		
Regulated Operations		<u>(0.25)</u>
Boswell Units 3 and 4 Depreciable Life Extension		
Regulated Operations		<u>0.25</u>
Sale of Wind Energy Facility		
ALLETE Clean Energy	<u>0.20</u>	



2019 Guidance Highlights

Guidance range \$3.50 - \$3.80 per share*

• Regulated Operations	\$2.85 - \$3.05
• Energy Infrastructure & Related Services & Corporate & Other*	\$.65 - \$.75

*Includes estimated gain on the sale of U.S. Water Services of \$0.20 per share.

Key factors

- **Regulated Operations**
 - Additional cost recovery rider revenue from the Great Northern Transmission Line capital investments, estimated at \$127 million in 2019
 - Industrial sales are expected to be at ~7 to 7.5 million MWh reflecting taconite customer production levels of ~39 million tons
 - Lower revenue due to an expiring municipal customer contract in mid-2019, and the temporary shutdown of an industrial customer
 - Decrease in operating and maintenance expense from 2018 of ~10% due to expense management efforts
 - Additional investments in the American Transmission Company LLC of ~\$9 million
- **ALLETE Clean Energy**
 - Expect to generate ~1.5 million MWh versus 1.2 million MWh in 2018 in total wind generation
 - Lower revenue due to the 2018 sale of a wind energy facility, and the renewal of wind energy facility power sales agreements at lower prices
 - Expected investment of ~\$22 million in requalification of wind turbine generators – production tax credits related to these refurbishment projects are estimated to be ~\$14 million in 2019
 - Higher depreciation and operating expenses compared to 2018
 - Glen Ullin and South Peak wind projects' commercial operation dates anticipated in the fourth quarter of 2019
- **Guidance excludes the impact, if any, of possible acquisitions or additional development projects**



Schedule of Capital Expenditures

(Estimated amounts in millions)

	Spent Through 2018	2019	2020	2021	2022	2023	Total 2019-2023	Total Project
Regulated Operations								
Great Northern Transmission Line	\$180	\$125	\$20	-	-	-	\$145	\$325
DC Line Modernization & Upgrade	-	5	10	\$120	\$85	\$20	240	240
Base and Other	N/A	115	150	95	85	85	530	530
Energy Infrastructure / Related Services								
ALLETE Clean Energy								
Glen Ullin EC	20	145	-	-	-	-	145	165
(2) South Peak	30	95	-	-	-	-	95	125
Base and Other	-	30	20	10	5	10	75	75
Utility-like Projects								
(2) Nemadji Trail Energy Center	-	5	15	50	135	130	335	335
(2) Nobles 2	35	15	140	-	-	-	155	190
Corporate and Other								
	N/A	10	15	15	25	30	95	95
(1) Total Projects	\$265	\$545	\$370	\$290	\$335	\$275	\$1,815	\$2,080

(1) 2019 – 2023 include amounts from the capital expenditures per the 2018 Form 10-K and the Nobles 2 project

(2) 2018 announced projects

