



Palm Coast Park District issues \$31.8 million in bonds for infrastructure at ALLETE development in Florida

The Palm Coast Park Community Development District has issued special assessment bonds totaling \$31.8 million to fund all master infrastructure improvements at Palm Coast Park, an ALLETE (NYSE: ALE) Properties development in northeast Florida.

The bonds, \$26.3 million of which will be used for construction, will pay for environmental, traffic mitigation and infrastructure improvements, including utility extensions, roadways, parks, drainage, recreational facilities, landscaping and a multi-purpose trail system. Development costs funded by ALLETE Properties will be minimal. The 4,740-acre development is located in Flagler County, Fla.

"This bond issue is another important step toward full development of the Palm Coast Park property," said Laura A. Holquist, president of ALLETE Properties. "We're pleased with the interest shown by developers to this point, and encouraged by the potential for this property."

ALLETE Properties previously announced two sales of residential development sites at Palm Coast Park. The sales include the right to develop a total of 1,959 residential units. The aggregate sales price of the two pending sales is \$60 million.

The Palm Coast Park Community Development District is an independent unit of local government created and established in accordance with Florida's Uniform Community Development District Act of 1980. The Act provides legal authority for a community development district (CDD) to finance the construction of major infrastructure for community development with general obligation, revenue and special assessment revenue debt obligations.

CDDs have the power to assess property within their boundaries to pay the principal and interest on debt obligations. Bonds issued by the Palm Coast Park CDD are non-recourse debt to ALLETE Properties. The assessments will be included in the annual property tax bills of land owners beginning in 2007.

ALLETE's corporate headquarters are located in Duluth, Minn. ALLETE provides energy services in the Upper Midwest and has significant real estate holdings in Florida. More information about the company is available at www.allete.com.

The statements contained in this release and statements 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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