



Florida Water Services Sells Deltona System for \$59.5 Million

DULUTH, Minn.--ALLETE, Inc. (NYSE: ALE) announced today that its subsidiary, Florida Water Services Corporation, has agreed to sell its water and wastewater system serving Deltona, Florida to the city of Deltona for \$59.5 million. Florida Water Services will realize an after-tax gain of approximately \$20 million and expects to close on the sale by the end of the year pending satisfaction of certain contingencies and regulatory approvals in Florida.

"Deltona is one of Florida Water's larger systems," said Dave Gartzke, ALLETE Chairman, President and CEO. "We're pleased that we were able to reach an acceptable agreement with the city of Deltona as we continue to work to exit our water businesses."

Deltona joins seven other Florida communities who have announced plans to purchase water systems that combined represent about 70 percent of Florida Water's assets. The total amount of the sale of the eight systems, including Deltona, is \$356 million and represents an after-tax gain to Florida Water of about \$75 million. The cash proceeds after transaction costs, retirement of Florida Water debt, and payment of income taxes are approximately \$185 million, and will be used to retire debt at ALLETE.

Florida Water Services continues to work with local governments interested in purchasing remaining water systems. If interested governmental entities cannot be found, the remaining systems will be sold to a private buyer.

ALLETE's corporate headquarters are located in Duluth, Minnesota. ALLETE's holdings include ADESA, the second largest wholesale vehicle auction network in North America; AFC, the leading provider of independent auto dealer financing; Minnesota Power, a low-cost electric utility that serves some of the largest industrial customers in the United States; and significant real estate holdings in Florida. For more information about ALLETE, visit the company's Web site at www.allete.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.

Contact:

Eric Olson
218-723-3947
eolson@allete.com

Investor Contact:

Tim Thorp
218-723-3953
tthorp@allete.com