



ALLETE's Sale Of Water Assets Nearly Complete

DULUTH, Minn.--With the closing of two transactions today, ALLETE, Inc. (NYSE: ALE) announced it has substantially completed the sale of its Water Services businesses. ALLETE subsidiary Florida Water Services Corporation closed today on the sale of its water and wastewater systems serving Lee County and Citrus County, Florida. The systems were sold to a local governmental authority for approximately \$51 million.

ALLETE has been in the process of selling its Water Services businesses, which are comprised primarily of Florida Water Services Corporation and North Carolina-based Heater Utilities, Inc. All of the previously announced water services transactions have been closed with the exception of Charlotte County, Florida, and Heater Utilities, which are scheduled to close this month and in 2004, respectively. Heater will be sold for \$48 million, including the buyer assuming approximately \$28 million in debt, and Charlotte County will be sold for approximately \$4 million.

Total sale proceeds from all announced transactions will be approximately \$490 million, representing an after-tax gain of approximately \$90 million. The associated net cash proceeds after transaction costs, retirement of most water services debt and payment of income taxes are approximately \$300 million and will be used to retire debt and securities at ALLETE.

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.