



ALLETE Properties Announces \$52.5 Million Sales Agreement

DULUTH, Minn. - ALLETE, Inc. (NYSE: ALE) announced today that its real estate subsidiary, ALLETE Properties, has entered into a contract for a \$52.5 million sale of residential land at its Palm Coast Park project.

The buyer is LDD Palm Coast North, LLC, a branch of Lowe Destination Development, a subsidiary of one of the nation's leading real estate services companies, Lowe Enterprises. Lowe plans to create an upscale residential golf course community tentatively named Sawmill at the Park. The development will include 1,459 residential housing units, a championship golf course, and neighborhood retail and office space, along with a community park and school site. Sawmill at the Park will be marketed by Lowe to both baby boomers and primary residents.

"This is the largest real estate transaction ever by ALLETE Properties, and it considerably increases the dollar amount of real estate contracts that will close over the next several years," said Don Shippar, ALLETE Chairman, President and CEO. "These contracts reinforce our expectation of ongoing significant earnings from our real estate business."

Under the contract, land will be purchased by Lowe in four phases, with closings to occur in 2007 through 2009. ALLETE Properties will also have the opportunity to receive participation revenue as part of the sales agreement.

Palm Coast Park is located in Flagler County, FL, which was recently recognized as the fastest growing county percentage-wise in the country for the second consecutive year. The project is a 4,700 acre mixed-use, planned development that, at build out, is expected to include 3,600 residential units and 3.2 million square feet of commercial space.

"Lowe Enterprises, with its strong reputation as a leader in resort community development, will be an excellent addition to the Palm Coast Park project," said Laura Holquist, President of ALLETE Properties. "Their development will greatly enhance the value of surrounding commercial and residential property we own."

Palm Coast Park is one of three major real estate development projects that ALLETE Properties currently has underway in northeast Florida. Other projects include Town Center at Palm Coast and Ormond Crossings. These three projects account for more than 12,000 acres and approximately three-fourths of ALLETE Properties' Florida land inventory.

ALLETE's corporate headquarters are located in Duluth, Minnesota. ALLETE provides energy services in the upper Midwest and has significant real estate holdings in Florida. More information about the company is available on ALLETE'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.

Investor Contact:
Tim Thorp
218-723-3953
tthorp@allete.com