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# EDITED TRANSCRIPT

Q3 2019 ALLETE Inc Earnings Call

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## CORPORATE PARTICIPANTS

**Alan Hodnik**

**Bethany M. Owen** ALLETE, Inc. - *President*

**Robert J. Adams** ALLETE, Inc. - *Senior VP & CFO*

**Steven Wayne Morris** ALLETE, Inc. - *VP, Controller & CAO*

## CONFERENCE CALL PARTICIPANTS

**Brian J. Russo** *Sidoti & Company, LLC - Research Analyst*

**Christopher James Turnure** *JP Morgan Chase & Co, Research Division - Analyst*

**Paul Fremont**

**Vedula Murti** *Millennium Management LLC - Senior Analyst & Assistant Portfolio Manager*

## PRESENTATION

### Operator

Good day, and welcome to the ALLETE Third Quarter 2019 Financial Results Call. Today's call is being recorded.

Certain statements contained in this conference call that are not descriptions of historical facts are forward-looking statements, such as terms defined in the Private Securities Litigation Reform Act of 1995. Because such statements can include risk and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause results to differ materially from those expressed or implied by such forward-looking statements include, but are not limited to those discussed and filings made by the company with the Securities and Exchange Commission.

Many of the factors that will determine the company's future results are beyond the ability of management to control or predict. Listeners should not place undue reliance on forward-looking statements, which reflect management's views only as the date hereof. The company undertakes no obligation to revise or update any forward-looking statements or to make any other forward-looking statements, whether as a result of new information, future events, or otherwise.

For opening remarks and introductions, I would now like to turn the conference over to ALLETE [Chairman] (corrected by the company after the call) and Chief Executive Officer, Alan R. Hodnik. Please go ahead.

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### Alan Hodnik

Good morning, everyone, and thanks for joining us today. With me are ALLETE's President, Bethany Owen; Senior Vice President and Chief Financial Officer, Bob Adams; and ALLETE's Vice President, Controller and Chief Accounting Officer, Steve Morris.

Today we reported third quarter 2019 financial results of \$0.60 per share, on net income of \$31.2 million. These results are in line with our expectations for the quarter. Importantly, we have significant momentum on ALLETE's multidimensional growth strategy as we approach the end of 2019 and anticipate the start of a new year with tremendous enthusiasm.

With several large and transformative projects successfully wrapping up in 2019, and on the heels of record construction and significant capital investments in additional carbon-free energy infrastructure, ALLETE is very well positioned for growth. ALLETE continues to answer the call to transform the nation's energy landscape. And as a new decade soon dawns, we envision the path we are on to accelerate.

For further details on ALLETE's positioning, growth initiatives, and execution, I will now turn the call over to ALLETE's President, Bethany Owen. Bethany?

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### Bethany M. Owen ALLETE, Inc. - *President*

Thanks, Al. Thanks, Al. Good morning, everyone. ALLETE's companies have been busy this year, advancing a record-setting level of construction in support of cleaner and more energy-efficient energy sources. Sustainability is the very foundation of our strategy. And at ALLETE we start our day with caring consideration for the environment, the customers and our communities that we serve, as well as our



talented employees while delivering value to our many stakeholders. Our strategy is driving significant transformation and growth across all of ALLETE's businesses.

At Minnesota Power we've been thoughtfully advancing our clean -- our EnergyForward strategy. We are pleased to report that Minnesota Power currently provides 30% renewable energy to its customers and is on track to provide 50% renewable energy by 2021. As a result, Minnesota Power is #1 of all utilities in the state of Minnesota, and #2 in all of the Midwest in the percentage of renewable energy provided to customers. At the same time, the company currently has the lowest residential rates in the state. We are actively engaging with all stakeholders, regulators, customers, communities, employees and policymakers alike as we seek to strike the right balance to ensure reliability and affordability for all of our customers, while meeting society's cleaner energy objectives.

As planned, on November 1, Minnesota Power filed a request with the Minnesota Public Utilities Commission to increase its retail electric rates. This rate filing is important to ensure the resiliency of Minnesota Power's system and continued clean energy transformation, while keeping rates affordable and competitive for all of our customers. We look forward to working with the Minnesota Public Utilities Commission, our customers and our many other diverse stakeholders throughout this process to ensure the best outcome. Steve will share more details on the rate case filing as well as details on the quarter in a moment.

Minnesota Power's mining customers have made significant capital investments in Northeastern Minnesota operations that also support cleaner steel making. Enhanced pellet products that can be utilized in electric arc furnaces are in high demand, and are expected to be key components in the future of sustainable steel making. Related to enhanced pellet production, Cleveland-Cliffs recently completed the upgrade of their Northshore plant that operates in Northeastern Minnesota, and is already producing DR Grade pellets for their new HBI production plant in Toledo, Ohio.

Related to new nonferrous metal mining in Minnesota, PolyMet is targeting construction in 2020, with the project expected to be operational in 2023. PolyMet plans to operate one of the largest unmined precious metal reserves in the world. The materials PolyMet plans to mine are critical ingredients for most of the clean energy solutions needed to address climate change, including wind turbines, electric vehicles, battery storage and other energy efficiency products and services. We believe the Northeastern Minnesota mineral district is well positioned for a promising future and an increasingly important role in the clean energy economy.

I'd like to update you on some of ALLETE's growth initiatives. A significant addition to ALLETE's strategy is the company's planned \$190 million investment in the Nobles 2 project. Construction is well underway on this project, which will deliver 250 megawatts of least cost renewable wind energy to Minnesota Power's customers beginning in late 2020.

The intermittent nature of renewable energy sources requires an enabling backup sources generation. The Nemadji Trail Energy Center natural gas project will provide cost effective enhanced reliability as a supplement to renewable energy generation. This \$700 million 550-megawatt plant will be jointly owned with Dairyland Power Cooperative. Final approvals and permits are expected during the second quarter of next year.

We anticipate significant investment opportunities in transmission and distribution. With the transformation of generation to more renewable energy sources, there is a growing need for enhanced delivery infrastructure. Already identified areas include expansion of large scale transmission capabilities, overall grid modernization and resiliency improvements and physical and cyber security measures. In our latest CapEx projections we have increased our anticipated investment in the HVDC line by \$100 million and expect to further increase our CapEx for improved resiliency of Minnesota Power's distribution system. We anticipate sharing more information regarding the size, scope and timing of these projects in the first quarter of 2020.

Minnesota Power is in the last phase of construction of its Great Northern Transmission Line. The GNTL will support delivery of 250 megawatts of carbon-free hydroelectric energy from Canada with completion planned in 2020. Minnesota Power's total investment in this project is approximately \$325 million, and is already contributing to financial results through recurrent cost recovery. In addition, ALLETE continues to make investments that support the company's 8% ownership interest in American Transmission Company as it addresses reliability needs in the upper Midwest.

Turning to ALLETE Clean Energy, we are excited about the significant contribution to a clean energy economy that ALLETE's second largest company is making. With more than 550 megawatts of existing wind generation ALLETE Clean Energy is adding nearly 500 megawatts of new wind generation with a total investment of \$700 million by the end of 2020.

The Glen Ullin Energy Center and South Peak wind facilities are expected to be in service near the end of 2019 and will significantly contribute to ALLETE's earnings in 2020.

Not far behind in ALLETE Clean Energy's project pipeline is the 300 megawatt Diamond Spring wind facility. This project will serve Fortune 500 companies including Walmart, Starbucks and Smithfield Foods. Diamond Spring is expected to be operational in late 2020 and will begin to contribute to ALLETE's earnings in 2021.

ALLETE Clean Energy has outpaced our original growth expectations while adhering to strict criteria and a disciplined approach to ensure high quality projects. This business was launched just 8 years ago and is growing to be one of the nation's largest clean energy players with a goal to own and operate at least 1,500 megawatts by 2022. You can expect further progress on ALLETE Clean Energy's strategy in the coming quarters, driven by its talented and growing workforce. The company is entering a new and exciting phase of growth and scale, which we believe will generate value for ALLETE's shareholders for years to come. All of this growth and diversity in our renewable portfolio add to our goal of delivering reliable, affordable and cleaner energy for all of ALLETE's customers.

I'll now ask Steve and Bob to go through the third quarter financial details and provide additional information on 2019 earnings guidance. Steve?

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**Steven Wayne Morris ALLETE, Inc. - VP, Controller & CAO**

Thanks, Bethany. And good morning everyone. I would like to remind you that we filed our 10-Q this morning and encourage you to refer to it for more details on our third quarter results. For the third quarter of 2019 ALLETE reported earnings of \$0.60 per share on net income of \$31.2 million. Earnings for the same quarter in 2018 were \$0.59 per share on net income of \$30.7 million. Please note that the results for the third quarter of 2018 reflected \$0.03 per share or \$1.7 million in earnings from U.S. Water Services which was sold in the first quarter of this year.

A few details from our business segments. ALLETE's regulated operation segment, which includes Minnesota Power, Superior Water, Light and Power and the company's investment in the American Transmission Company recorded net income of \$32.4 million, an increase of \$2.6 million over the third quarter of 2018. Net income at Minnesota Power was higher primarily due to higher transmission revenue, increased cost recovery rider revenue and lower operating and maintenance expense. These increases were partially offset by lower kilowatt hour sales and associated margins from retail and municipal customers.

Net income at Superior Water, Light and Power increased over last year due to higher rates implemented in the first quarter of this year. And ALLETE's earnings in the American Transmission Company were higher than in 2018, primarily due to additional equity investments. Earnings at ALLETE Clean Energy decreased \$2.2 million from 2018, primarily due to lower revenue resulting from decreased noncash amortization relating to the expiration of power sales agreements, partially offset by additional production tax credits generated in 2019.

ALLETE Clean Energy's results for the third quarter of 2019 were in line with our expectations. Corporate and Other, which includes BNI Energy and ALLETE Properties, recorded higher earnings of \$1.8 million from 2018. The increase is primarily attributable to lower expenses and earnings on cash balances. ALLETE's financial position is supported by a strong balance sheet that includes a significant cash balance of approximately \$100 million. And our debt-to-capital ratio was 42% as of September 30, 2019.

A few comments on the Minnesota Power retail rate case filing. On November 1 Minnesota Power filed a retail rate increase request with the Minnesota Public Utilities Commission, seeking approximately \$66 million in total additional annual revenue. This request is needed to address lower customer demand, expiring contracts and increasing operating expenses, such as labor, system operations and maintenance, property taxes and depreciation. The filing seeks a return on equity of 10.05% and a 53.81% equity ratio.

If the Commission accepts the filing as complete, they would authorize an annual interim rate increase of approximately \$48 million



beginning January 1, 2020. Interim rates are subject to refund.

At this time, we anticipate final rates would be implemented some time in late 2021. I'll now hand it off to Bob for additional comments on our financial outlook. Bob?

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**Robert J. Adams ALLETE, Inc. - Senior VP & CFO**

Thanks, Steve. And good morning everyone. As Al mentioned, our year-to-date financial results are consistent with our expectations, and our 2019 full-year guidance remains at the lower half of our original guidance range of \$3.50 to \$3.80 per share, unchanged from what we provided in the second quarter.

As you may recall, the combined effect of challenged wind resources that occurred throughout mid-year, Diamond Spring development expenses and the full year impact of deploying cash for growth initiatives rather than a potential stock repurchase program were the primary reasons for our adjusted 2019 guidance.

I am very pleased with the progress we have made advancing major business efficiency and growth initiatives across all our business units this year, and I am particularly excited about how these efforts will position us going forward. As I stated before, our teams are highly focused on the fundamentals, safety, customer satisfaction and the discipline around operations and deployment of capital, all important building blocks of success.

As we look toward 2020 please note that we will be providing our earnings and dividend guidance at the same time we issue our 2019 year-end results, scheduled for mid-February, which is consistent with last year's logistics. Clearly there are some major drivers to keep in mind as we head into 2020. First, we expect the majority of our growth to come from our nonregulated activities and that most of that growth will come from ALLETE Clean Energy.

Growth from that segment will be very significant, fueled by the 2019 year-end completion of both the South Peak 80 megawatt and Glen Ullin 106 megawatt wind farms, as well as our wind farm refurbishment activities at Storm Lake, Lake Benton and Condon facilities. ACE will have completed approximately 90% of its PTC qualified refurbishment work by year-end, with another 30 megawatts to be completed in 2020. The completion of our 300 megawatt Diamond Spring project in late 2020 will lay the beginnings of ground work for yet another significant upwards step change in 2021.

As we have stated, our pipeline of potential opportunities to utilize our existing PTCs representing the potential for another 500 to 600 megawatts in projects remain strong, and we are very confident that there will be more project announcements in coming quarters, some of which may also originate from accretive acquisitions.

Last quarter I said I felt ALLETE Clean Energy's objective of adding 1 to 2 projects per year was conservative. I made this statement given our track record of consistently exceeding that level in recent years and the depths and breadth of our deal pipeline. ALLETE Clean Energy's expanding geographic and end-market scope as evidenced most recently by the Diamond Spring project and our entrance into the C&I market serving marquee customers like Walmart, Starbucks and Smithfield Foods has been a true game-changer.

With this in mind, and after significant discussions with the ALLETE Clean Energy management team, we have now upward revised our new project guidance from 1 to 2 to 2 to 3 projects per year.

On the regulated business, our focus will continue to be on timely and cost-effective completion of the GNTL transmission line.

We will also continue work to advance our Nobles 250 megawatt wind facility and NTEC gas generation plant which are expected to be completed in late '20 and '25 respectively.

Moreover, 2020 will be a critical year working with the MPUC, key stakeholders and interveners on our Minnesota Power rate case, which Steve mentioned earlier.

Our balance sheet remains strong and only minimal equity issuance needs are expected over the next several years based on current projections. Indeed, ALLETE now generates substantial free cash flow which is expected to ramp up significantly in coming years as we complete new initiatives.

As you know, we are utilizing the tax equity market for financing our new PTC qualified projects, including Nobles, South Peak, Glen Ullin and Diamond Spring. And I'm pleased to report that we have recently completed a competitive bid process for our 2019-2020 projects, and we have found the tax equity market to be robust.

The bottom line is that ALLETE's differentiated growth strategy focused on the customer and clean energy demand trends is working and continues to gain momentum. And I'm particularly proud of our dedicated and hardworking employees who are at the core of this success. Al?

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**Alan Hodnik**

Well, thank you for the strategic and financial updates, Bethany, Steve and Bob. I could not be more pleased with our progress and our strategic positioning within ALLETE. Whether close to home with our regulated operations or across the country with the tremendous expansion of ALLETE Clean Energy we are well-equipped to be a solutions-driven organization, driven by some of the most creative talent in our industry.

More importantly, ALLETE continues to execute with a right results, right way ethos, and will continue, as it has over its long history, to effectively balance the needs of all stakeholders while delivering value to each.

Our 5-year capital investment plan in excess of \$2 billion and growing will deliver meaningful solutions to meet the significant and increasing demand for clean energy infrastructure and grid reliability, while maintaining overall affordability and generating an attractive value for shareholders.

ALLETE's family of differentiated businesses are positioned to grow, whether through a natural resource-based economy here in Minnesota that underpins a clean energy economy, or through the accelerating demand to deliver cleaner energy across the country.

The new decade ahead is more than in the windshield, and the stage is set within ALLETE for an exciting future. A new generation of talent is stepping up, and Bethany and I are fully confident in the team's ability to execute ALLETE's next generation growth strategy. A vision and strategy that will further transform our nation's energy landscape while taking ALLETE to new heights.

We look forward to sharing the next chapters with you in the first quarter of 2020.

At this time I will ask the operator to open up the line for your questions.

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**QUESTIONS AND ANSWERS**

**Operator**

(Operator Instructions) And our first question comes from the line of Christopher Turnure with JPMorgan.

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**Christopher James Turnure JP Morgan Chase & Co, Research Division - Analyst**

I think, Steve, you gave some helpful, qualitative kind of color on the drivers for the rate case ask. I'm wondering if you might be able to quantify some of those items in terms of the expiring contracts and maybe the Great Northern line demand charge as well.

And kind of overall, you're going in for a rate case here and you have made a lot of O&M cuts at Minnesota Power since the last case. Kind of wondering how that flows through everything.

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**Steven Wayne Morris ALLETE, Inc. - VP, Controller & CAO**

We prefer not to answer the detailed questions right now. We can probably get into that a little bit later, potentially at EEL.

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**Christopher James Turnure** *JP Morgan Chase & Co, Research Division - Analyst*

Okay. Can you give us a little bit of a sense at least for 2020 and the impact that interim rates might have on your year-over-year Minnesota Power growth?

**Steven Wayne Morris** *ALLETE, Inc. - VP, Controller & CAO*

Yes, so for 2020 we're going to issue our guidance in February. We'll do it at that point in time. Of course, this rate case isn't a huge driver to our growth. Rate base is still generally about \$2.1 billion, as it was in our last rate case. So more to follow in February, Chris, when we issue our guidance for the year.

**Christopher James Turnure** *JP Morgan Chase & Co, Research Division - Analyst*

Okay. No, certainly appreciate that. There's a lot of moving parts in this process. And then, clearly, you've had success on the renewables front and your comments are nothing less than enthusiastic about what is to come early next year for future projects. I'm just wondering how you view buying projects versus developing them yourselves kind of organically there? You mentioned that some purchases might be in the queue here. And I know you've done some of those in the past. But how do you think about that? How do you think about your competitive advantages?

**Robert J. Adams** *ALLETE, Inc. - Senior VP & CFO*

Sure. Well, Chris, this is Bob Adams. I would tell you that as we look at our pipeline presently, the mix of sort of those that are sort of PTC, new projects versus acquisitions are pretty balanced now. So where we may have been more focused on PTCs, we have quite a bit of effort looking at existing assets now. And as you know, that's how we started the business. So I would say robust on both ends of that.

We continue to focus on projects that are a bit smaller in size, if you will, 100 megawatts, 200 megawatts is in our sweet spot. And the projects that we -- I can tell you that we've been evaluating, continue to meet our criteria, our underwriting criteria in terms of margins and returns and those kinds of things. So it is a competitive market, but we continue to believe by virtue of where we focus in that market, by virtue of the size of the deals that we're going to -- that we're in a good position to continue to meet the underwriting criteria we've set for it.

**Christopher James Turnure** *JP Morgan Chase & Co, Research Division - Analyst*

Okay. And kind of as you're talking about, at least a little bit in your comments so far, there's no slowdown there as you kind of move through your safe harbored assets and kind of move to focusing more on the tax equity markets versus using any kind of organic tax appetite that you previously had?

**Robert J. Adams** *ALLETE, Inc. - Senior VP & CFO*

Yes, no, that's actually an interesting question, because we are actually very uniquely positioned. We're finding out the 80% PTCs, for example, we're one of the few companies that went, took a large position there. So we have a lot of inbound interest from the developer's standpoint that have projects that don't have the PTC. So we're getting a lot of interest there.

At the same time, this entrance into the C&I market with Walmart and Starbucks in Oklahoma, that has also spurred a lot of inbound interest from the C&I market. So I would say sort of characterizing sort of the nature of where ACE sits today as it relates to inbound interest and momentum, it's significantly stronger even than it was a year ago.

**Operator**

And our next question comes from the line of Brian Russo with [Sidoti].

**Brian J. Russo** *Sidoti & Company, LLC - Research Analyst*

Hey, just to clarify, the comments on 2 to 3 projects from the previous kind of expectations of 1 to 2 projects. What does that imply for 2020? Is Diamond Springs -- you may have accelerated some project announcement. So should we expect 2 to 3 projects in 2020 or still 1 to 2, which includes Diamond Springs?



**Steven Wayne Morris ALLETE, Inc. - VP, Controller & CAO**

So we -- of course Diamond Springs is late, going to be late 2020. And so as you look at 2020 we're looking at South Peak. So we've got South Peak and our Glen Ullin projects that are going to be the major contributors there. Brian, we're also, still do have a window on a 100% PTC. And the team is looking at other potential projects that could potentially fit there. It's getting tight. But I want you to know we're still working on that too. So really as beyond Diamond Springs, and what I just said about 2020, as we look in 2021 going forward is really where we're looking to ramp up project levels to that 2 to 3 level.

**Brian J. Russo Sidoti & Company, LLC - Research Analyst**

Okay, got it. So it's post -- it seems like your 2020 development pipeline is kind of intact with Glen Ullin and South Peak and then Diamond Springs. So the incremental projects is more post-2020?

**Steven Wayne Morris ALLETE, Inc. - VP, Controller & CAO**

That's right. That's right.

**Brian J. Russo Sidoti & Company, LLC - Research Analyst**

Okay. And then just on industrial customers. I noticed in the Q that U.S. Steel's, I believe it's the Mintac, is idled in the beginning, in the second week of October. Any thoughts or additional color on that and what we might expect from upcoming demand nominations? Although you don't issue an 8-K on that anymore.

**Alan Hodnik**

Yes, Brian. This is Al. So U.S. Steel had planned on taking one of their lines down for maintenance, line number 3. So don't want to confuse sort of a segment of their operation of their line 3 with the entire operation. And the operation continues. They took down line 3. That was planned maintenance in the fall. What they've signaled publicly is they're going to extend that outage. So do the outage work and also extend it. We don't have any information about what it looks like off into 2020. Demand continues to be fairly strong for steel in the U.S. at least. Importation of steel is down. Obviously ore pricing was impacted. You probably saw that across the entire sector. So -- but demand in the United States continues to be strong. We think 2020 is going to be a strong year yet for steel demand in the U.S. and by extension ore production on the range.

**Brian J. Russo Sidoti & Company, LLC - Research Analyst**

Right, okay. And then just given your forward test here in the Minnesota Power rate case, any adjustment or future adjustments to industrial customer demand based on the economy or steel, et cetera? Can you capture those changes when you update your sales forecast with the 2021 test year rate case?

**Steven Wayne Morris ALLETE, Inc. - VP, Controller & CAO**

Well, it's -- Brian, this is Steve Morris. So the 2020 test year.

**Brian J. Russo Sidoti & Company, LLC - Research Analyst**

That's right, yes.

**Steven Wayne Morris ALLETE, Inc. - VP, Controller & CAO**

Yes, so if we were to get demand nominations come in December 1, which were less than what we have in this test year, we would ask the commission to adjust that. I'd refer back to our 2016 rate case where we filed with a '17 test year without Keetac in. And they came back during the first few months as we filed, and we put that back in. So it would be this similar if we had less than what we filed with we would ask the commission for an adjustment.

**Brian J. Russo Sidoti & Company, LLC - Research Analyst**

Okay, very good. And then just to comment on the CapEx of \$100 million. Is that included in your last publicly available CapEx table? Or is that incremental?

**Robert J. Adams ALLETE, Inc. - Senior VP & CFO**

That is incremental. So that would be in addition to the 200 -- we would be taking the \$280 million to \$380 million.

**Brian J. Russo Sidoti & Company, LLC - Research Analyst**

Okay, got it, great. Okay. And then just some little more insight into the loss at ACE in the third quarter. I know it's a low resource quarter. But it just -- and then the year-to-date results kind of imply a fairly big pickup in the fourth quarter to reach even the lower end of your guidance. Just if you can give us more color there and greater level of confidence that you can achieve that.

**Steven Wayne Morris ALLETE, Inc. - VP, Controller & CAO**

Yes, so this is Steve Morris again, Brian. So, yes, they did have a loss in the third quarter, but that was as expected. Their results were less than \$0.01 from what we had in our forecast. So very close to what we expected. It is going to be the lowest quarter that they have, just from a wind perspective. Of course that will pick up next year with more refurbishment, PTCs, Glen Ullin and South Peak.

The fourth quarter is one of the largest quarters that they have. So it won't be anywhere near reflective of what it is the third quarter. I would look more to the first quarter of what it was this year. And that assumes probably a lower wind that we had in the first quarter. So we'd probably be a pickup from that. So we would expect a significant quarter, the fourth quarter from ALLETE Clean Energy.

**Brian J. Russo Sidoti & Company, LLC - Research Analyst**

Okay, and then just lastly, PolyMet and the assumption that it might be 40 to 50 megawatts of new demand. Can you satisfy that with your existing portfolio? Or would that be -- would you need the incremental capacity to support that growth?

**Alan Hodnik**

No. This is Al. Brian, we can satisfy that with what we have currently in the stable.

**Operator**

And our next question comes from the line of Vedula Murti with Avon.

**Vedula Murti Millennium Management LLC - Senior Analyst & Assistant Portfolio Manager**

Let's see. I'm wondering, in terms of the rate filing, can you help us like say maybe on the trailing 12 as of now kind of what would you consider the earned ROE at Minnesota Power versus the -- versus your current request?

**Steven Wayne Morris ALLETE, Inc. - VP, Controller & CAO**

Yes, I would -- so I would use roughly a 9%. So interim rates are at 9.25%. You can't get your full request of at 10.05%. So 2020 interim rates are at 9.25%. But there is also some expenses that you can't get. So I'd use roughly 9%.

**Vedula Murti Millennium Management LLC - Senior Analyst & Assistant Portfolio Manager**

And that's -- as going forward wild cases being adjudicated. But currently, if we were to look at the trailing 12, September 30, what would you say is the ROE then?

**Steven Wayne Morris ALLETE, Inc. - VP, Controller & CAO**

Yes. So our guidance for '19 was also roughly 9%, 9.25%.

**Vedula Murti Millennium Management LLC - Senior Analyst & Assistant Portfolio Manager**

Okay. And I apologize if I missed this, but did you address Mesabi and where that stands?

**Alan Hodnik**

I didn't quite catch that. Could you repeat that?



**Vedula Murti Millennium Management LLC - Senior Analyst & Assistant Portfolio Manager**

Yes, I may have missed it. But did you -- have you addressed or can you readdress the Mesabi Metallics' opportunity in terms of additional industrial load?

**Alan Hodnik**

Yes, Vedula, I appreciate the clarity. There's a number of things that are referenced as Mesabi up on the Iron Range. And so I wanted to make sure that I understood you were talking about the Metallics project. So Metallics project is still in a bit of limbo with the State of Minnesota. We have a contract with the city of Nashwauk, a wholesale contract through 2032, I believe. So Nashwauk serves that load. But we have the contract with Nashwauk. So we're continuing to watch it right now in terms of its pattern with the state of Minnesota. And of course we would have the resources to supply that load when any of that construction and operation clarity comes.

**Vedula Murti Millennium Management LLC - Senior Analyst & Assistant Portfolio Manager**

And do you have any milestones for us to keep an eye on with regards to how this is progressing?

**Alan Hodnik**

Well, the only milestone that the State of Minnesota has laid out in the moment is a milestone late in December of 2019 that Mesabi Metallics' ownership was supposed to be at a certain spot with construction and operations. And if they were at that spot, then the state would be interested in extending the leases and working with the company. If they weren't at that spot, then the state would have another juncture point where they would step back and take a look at it. They don't have any additional updates on where it sits right now with the State of Minnesota.

**Vedula Murti Millennium Management LLC - Senior Analyst & Assistant Portfolio Manager**

And with regards to ACE, you were discussing the continued interest in push on the 100% PTCs but that the window is kind of getting a little tight here. I mean, based on what you've been seeing or whatever, do you anticipate that by the end of the year perhaps that you would have an announcement of a project that would be able to utilize the 100% PTC turbines?

**Robert J. Adams ALLETE, Inc. - Senior VP & CFO**

Well, we're working hard at it obviously. We have some projects that we are working on that would fit into that category. I can't get any more detailed than that. I would tell you that the projects are advanced enough, so we know what the returns are. We've had advanced conversations with offtakers, in this case utility offtakers. But we're not quite done there. So it's possible, but I can't really say anything more about it.

**Operator**

(Operator Instructions) And our next question comes from the line of Paul Fremont with Mizuho.

**Paul Fremont**

If you go back to the second quarter call, I think you guys had said that renewables and infrastructure businesses are expected to drive substantial growth over the next 5 years. Potentially exceeding our 5% to 7% average annual growth objective. Is that something that you would still expect this quarter on a going-forward basis?

**Robert J. Adams ALLETE, Inc. - Senior VP & CFO**

Yes, Paul. That is still the case as we look forward. And we look hard at our -- obviously our 5- and 10-year plans. Our 5 to 7 expression is over the next 5 years and we're very confident in that -- being on the higher end of that range, yes.

**Paul Fremont**

Okay. And does some of that obviously depend potentially on the outcome in the rate filing at Minnesota Power?

**Robert J. Adams ALLETE, Inc. - Senior VP & CFO**

Yes, there would -- some of that would be dependent on that. Although we're -- we've taken a hard look at what we expect a reasonable outcome will be. So that's been factored in there.



**Paul Fremont**

Okay. And then with respect to Diamond Spring, is all of it going to come online at the end of 2020? Or is the piece that's serving the industrial customers, does that come on at a later date?

**Robert J. Adams ALLETE, Inc. - Senior VP & CFO**

It all comes in later 2020, Paul.

**Operator**

Thank you. And this concludes today's question-and-answer session. I would now like to turn the call back to Bethany Owen, ALLETE's President, for any further remarks.

**Bethany M. Owen ALLETE, Inc. - President**

Thank you for your time with us this morning and for your interest in ALLETE. Bob, Steve and I look forward to seeing many of you and EEI Financial Conference in a few days.

**Operator**

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.

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