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PRESENTATION

Operator

Good day and welcome to the ALLETE fourth-quarter 2017 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 by the Private Securities Litigation Reform Act of 1995. Because such statements can include risks 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 in the 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 of 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 results or otherwise.

For opening remarks and introductions, I'd now like to turn the conference over to ALLETE President and Chief Executive Officer, Alan R. Hodnik. Please go ahead.

Alan Hodnik - *ALLETE, Inc. - Chairman, President & CEO*

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

This morning, we reported full-year 2017 financial results of $3.38 per share on net income of $172.2 million. These results reflect many operational and financial accomplishments that will deliver value to ALLETE's shareholders for years to come. These financial results were within our 2017 earnings guidance range of $3.15 to $3.40 per share.

Before Steve and Bob go through the details of the 2017 financial results and our 2018 guidance, I would like to highlight several accomplishments achieved during the year. We take great pride in delivering value to our shareholders and ALLETE has delivered on this promise with annual earnings growth through sustainable and growing dividends while strategically positioning our businesses for sustainable growth over the long term.

If you recall, we entered 2017 with many key initiatives already in progress at our Regulated Operations and within our Energy Infrastructure and Related Services businesses. Strategic initiatives from both broader business lines reflect ALLETE's commitment to answering our nation's call for cleaner energy forms and water conservation while growing ALLETE.

Minnesota Power made significant progress in 2017 with its Energy Forward strategy. During 2017, a proposal for a natural gas plant and additional renewable generation was filed with the Minnesota Public Utilities Commission and Minnesota Power anticipates an administrative law judge report on the natural gas plant to be available by July of 2018. The Nemadji Trail Energy project represents a $350 million investment opportunity for ALLETE and will provide a necessary renewable enabling component for Minnesota Power.

On the regulatory front, the Minnesota Public Utilities Commission recently made determinations regarding Minnesota Power's 2016 general rate review, including, among other items, a return on common equity of 9.25% and a 53.81% equity ratio.

Another key item in the rate review was Minnesota Power's request to extend the depreciable lives of its Boswell Energy Center facilities. The MPUC agreed with our request to extend the depreciable lives of Boswell Unit 3, Boswell Unit 4 and Boswell common facilities while shortening the depreciable lives of Boswell Units 1 and 2.

The Minnesota Public Utilities Commission also resolved the Energy Intensive Trade Exposed, or EITE rate, design question. The Boswell depreciation and EITE determinations were important customer outcomes in the rate review as Minnesota Power worked closely with the legislature, Governor Dayton, economic regulators and its price-sensitive large industrial customers. In recent years, unfairly traded steel and other factors have pressured these major regional employers as they compete in highly competitive global markets.

While EITE is about maintaining existing natural resources operations, it is equally important to the development of new opportunities such as PolyMet and Chippewa Capital, which are moving from the drawing board to final construction.

While EITE brings about higher rates for other Minnesota Power customers, it is our view that Northeastern Minnesota is better off in total when industrial mining and paper operations remain strong and vibrant. Boswell depreciation, EITE, and now a measure of Trump tax reform serve as rate-mitigating tools and lessen the overall impact of any rate increases on all Minnesota Power customers.

Given Minnesota Power's long-standing and unique customer mix, it has always approached rate reviews with a balanced stakeholder perspective. While several key customer objectives were met during the rate review, Minnesota Power is disappointed, however, that the overall rate review decision was below its original request from a credit market support and investor perspective.

Minnesota Power has worked in full partnership with state policy and regulatory leaders to thoughtfully and creatively execute various ways of state energy policy, including retiring coal plants, boosting renewables and modernizing its grid.

In doing so, Minnesota Power has worked hard to keep rates reasonable for all customers while striving to ensure investors earn a fair return on their investment. Minnesota Power is evaluating options and next steps relative to treatment of certain disallowed expenses and assets excluded from rate base by regulators in the rate review.

Next steps may include clarification and/or reconsideration of certain items in the review following the Commission's order on March 12. Minnesota Power fully intends to earn its 9.25% return and it will be reviewing all dimensions within the enterprise as it rescales and repositions the business.

Following the Minnesota Public Utilities Commission rate review decision, Standard & Poor's moved to downgrade their rating outlook for ALLETE to negative from stable. At the same time, they did affirm ratings on our issuer credit. S&P cited the rate review outcome, coupled with revenue impacts from President Trump's Tax Cuts and Jobs Act, as their basis for the negative watch. S&P views the combination of the two to have potential to strain Minnesota Power's cash flows.

Meanwhile, Moody's issued an initial overall assessment citing Minnesota Power's general rate review outcome as credit negative. As is customary, we would expect Moody's to issue their annual view on ALLETE's overall credit rating by early spring.

ALLETE has always managed its balance sheet and related credit ratings in a very disciplined and thoughtful manner. I am going to ask Bob Adams to provide you with a quick snapshot in numbers form on ALLETE's current liquidity position and our rich history of cash generation. Bob?

Bob Adams - *ALLETE, Inc. - SVP & CFO*

Thanks, Al. Good morning, everyone. As Al stated, we are indeed disappointed with the rate case outcome and will be taking appropriate actions to address the implications on both credit ratings and performance overall. We are committed to retaining solid investment-grade ratings and strong performance from all of our business units whereby each achieves their respective cost of capital and hurdle rates.

At Minnesota Power, achieving our allowed return on equity means, in large part, we will continue to advance significant cost control and business efficiency initiatives across the business while continuing to ensure we operate reliably and safely on behalf of our customers and employees.

In terms of our liquidity position, we are well-positioned to meet our needs. As of December 31, 2017, we had cash and cash equivalents of approximately $100 million, $395 million in available lines of credit and a debt to capital ratio of 42%. Our cash from operating activities for the same period was approximately $400 million, an increase of 21% over 2016.

Our FFO to debt ratio, a ratio used by Standard & Poor's, as of year-end 2017 stands at 21%. We believe our strong liquidity position, significant cash flows from our regulated businesses, along with increasing cash flows from our Energy Infrastructure and Related Services businesses, support ALLETE's investment-grade ratings. Minnesota Power is committed to earning its allowed rate of return for ALLETE's shareholders and as we continue to grow our business, we will remain focused on maintaining a strong balance sheet.

All of our businesses are appropriately capitalized and are expected to generate long-term cash flows in support of ALLETE's credit ratings and dividends for shareholders. We expect our FFO to debt to be in the upper teens over the long term. Back to you, Al.

Alan Hodnik - *ALLETE, Inc. - Chairman, President & CEO*

Thanks, Bob. Minnesota Power's taconite customers finished 2017 at full production. Demand nominations remain strong and we anticipate continued strength in 2018. Expected high levels of production, recent long-term investments made by Cleveland-Cliffs in diversified ore products, along with positive permitting developments for potential new customers clearly support the long-term viability and attractiveness of natural resource-based economies of Minnesota Power's service territory.

On the continued success front, in mid-2017, Superior Water, Light and Power received a final rate order in Wisconsin to begin charging new rates, which support the quality and reliability of electric, gas and water services provided to its customers. The final rates reflect a 10.5% return on equity and a 55% equity capital structure. We view this as a constructive outcome that supports Superior Water, Light and Power's history of quality service to its customers.

A critical component for the success of our regulated enterprises is the regulatory framework that allows us to earn a fair return on investments made to serve our customers. Earning fair returns for ALLETE's investors reduces the cost of capital needed to provide competitive and reliable services, which are a large part of the quality of life in the regions that we serve.

ALLETE Clean Energy started 2017 with a significant $100 million investment in wind turbines already qualified for 100% of production tax credit Safe Harbor provisions. This strategic investment competitively positions ALLETE Clean Energy for additional investment opportunities in the dynamic renewable energy sector. ALLETE Clean Energy has since announced a wind turbine refurbishment plan for its own fleet involving an $80 million investment over a four-year period and an additional 40 megawatts of investment in additional GE turbines from GE Renewable Energy, which qualified for 80% of the production tax credit.

The Safe Harbor turbines can be used through 2021 and provide an additional 400 megawatts of optionality in terms of future wind projects on top of the 1,100 megawatts of potential already in place.

These Safe Harbor turbines are part of ALLETE Clean Energy's multi-faceted, multi-year growth strategy, a strategy that includes refurbishment of existing windfarms, building and operating new wind projects based on long-term power sales agreements and fee-based build-own-transfer projects.

The ALLETE Clean Energy deal pipeline remains robust and they remain busy pursuing and negotiating projects. ALLETE's results in 2017 were positively impacted by tax reform that was enacted on December 22, 2017. Overall, we believe that tax reform was beneficial to ALLETE, its regulated customers and its subsidiary enterprises.

For ALLETE's regulated businesses, including Minnesota Power and Superior Water, Light and Power, it will result in lower revenue requirements, which in turn provides an opportunity to further reduce customer bills.

For ALLETE's non-regulated businesses, it reduces taxes and will result in increased earnings and cash flow. ALLETE, as you know, is not a holding company. It does not have any holding company debt and intentionally finances non-regulated businesses conservatively, meaning ALLETE has no adverse impacts from the interest deduction limitation.

From an ALLETE Clean Energy perspective, lower tax rates could impact returns on new projects, but we remain confident we will still be able to achieve the attractive rates of return we seek. Likewise, we are of a view that tax equity markets will remain a robust and competitive source of capital.

2018 is an exciting year for ALLETE and opportunities for our businesses are as robust as ever. ALLETE Clean Energy remains busy negotiating more projects amidst a busy deal flow pipeline. Energy sector transformation and future growth of Minnesota Power is evidenced by growing Great Northern Transmission investment and construction and via the Nemadji Trail Energy Center regulatory filing underway.

Meanwhile, production within the mineral district remains strong amidst a robust economy and final permitting is coming to a close for PolyMet Mining, a potential new 50 megawatt load in Minnesota Power's service territory.

We continue to execute on our multi-faceted, multi-year growth strategy and believe our unique mix of businesses will continue to deliver a strong value proposition to shareholders.

The ALLETE Board of Directors recently expressed their own confidence in our strategic positioning, approving an increase in our long-term average annual earnings growth rate from 5% to 5% to 7%, while the Board increased the dividends by approximately 5% over 2017.

The dividend increase is at a higher level than in past years and is supported by ALLETE's solid financial position, investment discipline and our Board's broader confidence in the longer-term earnings and cash flow attributes of our businesses. We will remain financially disciplined as our future dividend increases are expected to align with our long-term earnings growth and strong cash flows.

Setting financial outcomes aside for just a moment, I wish to speak to ALLETE's core values and to humanitarian efforts underway far from our home in Upper Midwest Minnesota. Minnesota Power and Superior Water, Light and Power had logistics personnel on the ground in Puerto Rico last November. Recently, both utilities sent additional line workers, support personnel, trucks and equipment to Puerto Rico as part of an industrywide effort to restore the security, comfort and overall quality of life still missing, sadly, for many five months removed from the devastating Irma and Maria hurricanes.

I cannot express the overwhelming amount of pride I have in our dedicated employees who left their homes and families over the holidays to work with our industry partners from across the nation with ongoing restoration efforts to help restore power and, more importantly, restore hope, for our fellow Puerto Rican citizens.

Earlier, I had shared that ALLETE and its subsidiaries have always demonstrated a balanced stakeholder and caring view while conducting all of its business affairs in Minnesota and elsewhere. The efforts and sacrifices of our utility teams in remote and geographically difficult Western Puerto Rico, yet one more demonstration of values in action from an upstanding, caring and values-based organization.

I will provide an update on other key initiatives and developments in my closing remarks. But, first, I will ask Steve and Bob to go through the 2017 financial details and the 2018 earnings outlook. Steve?

Steve Morris - *ALLETE, Inc. - VP, Controller & CAO*

Thanks, Al, and good morning, everyone. I would like to remind you that we filed our 10-K this morning, along with an 8-K that provides details of our 2018 earnings guidance. I encourage you to refer to them for more details.

For the year ended 2017, ALLETE reported earnings of $3.38 per share on net income of $172.2 million and operating revenue of $1.42 billion. Earnings for 2016 were $3.14 per share on net income of $155.3 million and operating revenue of $1.34 billion. Earnings were diluted by $0.11 in 2017 due to additional shares of common stock outstanding as of December 31, 2017.

Results for 2017 were positively impacted by approximately $13 million after tax or $0.25 per share for the remeasurement of ALLETE's deferred income tax assets and liabilities resulting from tax reform that was enacted on December 22, 2017. This benefit related to our non-regulated operations.

Results for 2017 also reflected a favorable impact of $7.9 million after tax or $0.16 per share for the Minnesota Public Utilities Commission modification of its November 2016 order on the allocation of North Dakota investment tax credits. These favorable impacts were partially offset by a non-cash $11.4 million after-tax charge or $0.22 per share for the Commission's decision in Minnesota Power's rate case at a hearing in January 2018 disallowing recovery of a regulatory asset for deferred fuel adjustment clause cost due to the anticipated adoption of a forward-looking fuel adjustment clause methodology.

ALLETE's Regulated Operations segment, which includes Minnesota Power, Superior Water, Light and Power and the Company's investment in the American Transmission Company recorded net income of $128.4 million, a decrease of $7.1 million compared to 2016. Net income at Minnesota Power decreased $9.8 million after tax, which reflected the non-cash $11.4 million after-tax charge for the Commission's decision disallowing recovery of regulatory assets for deferred fuel adjustment clause costs.

In addition, net income decreased due to lower sales to other power suppliers as a result of higher industrial sales, coupled with lower market prices, higher interest expense and property taxes and lower kilowatt hour sales to residential, commercial and municipal customers due to mild temperatures in 2017. These decreases were partially offset by lower depreciation expense resulting from the Commission's decision to modify the depreciable lives of our Boswell Energy Center and higher industrial kilowatt hour sales.

Interim retail rate reserves of $18.5 million after tax fully offset interim retail rates recognized during 2017 due to the Commission's decision in Minnesota Power's rate case. Our equity earnings in ATC increased $2.6 million after tax in 2017 primarily due to additional investments in ATC and period-over-period changes in ATC's estimate of a refund liability related to MISO return on equity complaints.

Income tax expense increased $21.3 million from 2016, primarily due to period-over-period impacts of the regulatory outcomes related to the allocation of North Dakota investment tax credits and higher pre-tax income. Tax reform did not have an impact on 2017 income tax expense for our Regulated Operations as the remeasurement of deferred income tax assets and liabilities resulted in the recording of regulatory assets and liabilities. The Minnesota and Wisconsin Commissions both recently opened dockets to address the ratemaking treatment and mechanisms to pass the benefits of tax reform back to the ratepayers.

A few additional comments on Minnesota Power's rate case. In November 2016, Minnesota Power filed a retail rate increase request seeking an average increase of 9% for retail customers, reflecting approximately $55 million of additional annual revenue. The filing requested a return on equity of 10.25% and a 53.81% equity ratio.

As Al mentioned, in January of 2018, the Commission made determinations in Minnesota Power's general rate case. The Commission addressed revenue neutrality concerns Minnesota Power brought forward by funding the EITE discount for EITE customers from additional revenues related to United States Steel Keewatin taconite plant restart. Minnesota Power expects the discount to EITE customers to be approximately $15 million annually based on their current operating levels and will be credited back on their bills throughout the year.

Recall that our initial rate request of $55 million excluded revenue associated with the idled Keewatin taconite plant, a large power customer of Minnesota Power. Shortly after filing the case, United States Steel announced the startup of the Keewatin taconite plant for early spring 2017.

As a result of this positive development, we were able to lower our annual revenue requirements by approximately $16 million. This, in turn, lowered our total revenue requirement to approximately $39 million. And as I noted, the Commission addressed the EITE revenue neutrality concerns of Minnesota Power by then adding back to the annual revenue requirements approximately $16 million to fund the EITE customer discount, resulting in revenue requirements of $55 million back to our original request.

Another development with a large power customer, which occurred before the Commission's rate case decision, was the announcement by UPM Blandin that it was permanently closing the smaller of its two paper machines located in Grand Rapids, Minnesota in early 2018, and due to the timing of the test year was not addressed by the Commission in our hearing.

The Keewatin taconite plant restart and Blandin closure of one of its paper machines, both of which occurred since the filing of our rate case, are a couple examples of why Minnesota Power proposed an annual rate review mechanism, or ARM, primarily to address Minnesota Power's unique customer mix and load profile.

Unfortunately, the Commission denied this mechanism at the January 18, 2018 hearing. Minnesota Power will look for other opportunities and venues to continue with the concept of establishing an annual rate review mechanism.

At the January 18, 2018 rate case hearing, the Commission lowered our $55 million request to approximately $13 million on an annual basis. The decrease in final rates of approximately $42 million is primarily due to the reduction in the requested return on equity of 10.25% to the Commission's allowed return on equity of 9.25%, lowering our revenue requirements by approximately $20 million.

As the rate case proceeded, through working with intervenors along the way, led to additional expense reductions of approximately $10 million. These revenue requirement reductions were offset by lower expenses. For example, the depreciable life of our Hibbard Renewable Energy Center was extended to 2029, resulting in lower revenue requirements and lower depreciation expense.

The Commission also disallowed recovery of other expenses and certain assets in rate base, which amounted to approximately $15 million. The Commission shortened the life of Boswell Units 1 and 2 to 2022, which increased revenue requirements by $5 million. The Commission did approve the modification of the depreciable lives of Boswell Units 3 and 4 in common facilities to 2050. Overall, depreciation expense decreased by approximately $25 million pre-tax in 2017.

An initial order setting forth the Commission's decision is expected by March 12, 2018. Minnesota Power will review this order for potential reconsideration of certain issues at that time. Pending the outcome of various appeals for reconsideration under any case, final rates should be in place by the fourth quarter of 2018. Interim rates will be collected through this period, which will be fully offset by the recognition of a corresponding reserve.

Next, a few details from our other business segments. Net income at ALLETE Clean Energy increased $28.1 million over 2016. Net income in 2017 reflected a $23.6 million after-tax benefit due to the remeasurement of deferred income tax assets and liabilities resulting from tax reform, in addition to increased production tax credits due to the requalification of wind facilities at Storm Lake I and II and Lake Benton, as well as lower operating and maintenance expense and lower interest expense compared to 2016.

Net income in 2016 included a $3.3 million after-tax goodwill impairment charge and a $900,000 after-tax expense related to the repayment of long-term debt. Net income at US Water Services increased $9.2 million over 2016. Net income in 2017 reflected a $9.2 million after-tax benefit due to the remeasurement of deferred income tax assets and liabilities resulting from tax reform, as well as higher operating revenue, partially offset by increased operating expenses as a result of investments for future growth in waste treatment and water safety applications. Net income in 2017 also reflected a net loss of $800,000 after tax for transaction fees and amortization expense related to the purchase of Tonka Water on September 1, 2017.

Normalizing out the effects of Tonka Water and tax reform, the Company generated approximately $2.4 million in net income, a significant improvement over 2016. US Water Services generated strong cash flow from operating activities of approximately $12 million in 2017.

Our Corporate and Other segment, which includes BNI Energy, ALLETE Properties and other miscellaneous corporate income and expenses, reported a net loss of $8.4 million in 2017 compared to net income of $4.9 million in 2016. The net loss in 2017 included a $19.8 million after-tax expense for the impacts of tax reform. The net loss in 2017 was offset by a $7.9 million after-tax favorable benefit for the regulatory outcome of the Commission's modification of its November 2016 order on the allocation of North Dakota investment tax credits, as well as lower accretion expense relating to the contingent consideration liability and lower interest expense.

Net income at BNI Energy was $4.5 million in 2017, which included a $3.1 million after-tax expense for the impacts of tax reform partially offset by an increase in coal sales. Net income in 2016 was $6.8 million. The net loss at ALLETE Properties was $8.8 million in 2017, which included a $7.8 million after-tax expense for the impacts of tax reform.

ALLETE's consolidated effective tax rate for 2017 was 7.9% compared to 11.3% in 2016. The decrease from 2016 was primarily due to the benefits of tax reform and increased production tax credits partially offset by higher pre-tax income. We anticipate our effective tax rate to be approximately negative 10% in 2018 and near zero for the next five years.

With tax reform now in place, I will provide some additional comments on its impact to ALLETE. The more significant items that impact ALLETE include provisions related to our regulated utilities, which generally allow for the continued deductibility of interest expense, the elimination of full expensing for property acquired after September of 2017 and the continuation of normalization requirements for accelerated tax depreciation from our regulated utilities.

The tax reform provisions applicable to our non-regulated operation allows for full expensing for property acquired after September 2017 and imposes a limitation on the deduction of interest expense. The interest expense limitation is not expected to have a material impact on ALLETE.

In December of 2017, the Minnesota Public Utilities Commission opened a docket to review the effects of tax reform in Minnesota, including the legislation's impact on Minnesota jurisdictional revenue requirements. Initial filing for all Minnesota rate-regulated utilities are due by March 2, 2018.

In January of 2018, the Public Service Commission of Wisconsin also opened a docket to review the effects of this legislation and directed Wisconsin utilities to defer its impact until further direction is provided. The final amounts and timing over which the benefits will be passed back to customers is expected to be determined in these dockets.

I'll now hand it off to Bob to review our earnings guidance and positioning for 2018. Bob?

Bob Adams - *ALLETE, Inc. - SVP & CFO*

Thanks, Steve, and hello again, everyone. Today, we initiated our 2018 earnings guidance at a range of $3.20 to $3.50 per share. As Al stated previously, we are beginning an important pivot point in our strategy, which is characterized by a period of higher earnings growth, increasing cash flow and a differentiated value proposition for our shareholders overall.

With the hard work and positioning investments made in our non-regulated business platforms over the past seven years, they are now poised to make considerable contributions to ALLETE overall, and these contributions of both earnings and cash flow will increase measurably over the next several years.

We are also proud of the complement of ALLETE's businesses, both regulated and non-regulated, and the increasing impact they can and will have toward our objective to answer the nations call in support of cleaner and more sustainable electric energy sources.

Having said that and to be clear, ALLETE's strategy is to remain predominantly a regulated utility with a significant base of cash flow and earnings that support ALLETE's credit quality and deliver value to our shareholders. ALLETE's Energy Infrastructure and Related Services businesses provide synergies and complement our regulated businesses.

Through these non-regulated businesses, exposure to industrial customers is better balanced with a more diversified earnings and cash flow profile over the long term.

With 2018 as our base year, we anticipate earnings growth from our energy infrastructure and related businesses to be in the mid-teens on average over the long term, while the regulated business growth will be somewhat lower, approximating 3% to 4% per annum.

As Al mentioned in his comments earlier, these platform growth companies are the reason we stepped up our long-term average annual earnings growth target of 5% to 7% from what was 5% for previous years through 2017. We are focused on total returns for our shareholders. Accordingly, we also increased our dividend at a higher rate, approximately 5% over 2017.

In conjunction with our earnings growth projections and with our targeted 60% to 65% dividend payout ratio in mind, we anticipate future dividend increases to now align with earnings growth.

Throughout 2017, we shared our intention to include additional disclosures and metrics to assist our valued investors with a clearer view of our future growth potential, especially from our Energy Infrastructure and Related Services businesses. Consistent with that commitment, you will see enhanced and new disclosures in our ongoing SEC filings, investor communications materials and in our 2018 earnings guidance.

Our 2018 earnings guidance is projected to be in a range of $3.20 to $3.50 per share on net income of $165 million to $185 million. This guidance range is comprised of Regulated Operation segment earnings with a range of $2.45 to $2.65 per share and Energy Infrastructure and Related Services businesses, which includes ALLETE Clean Energy and US Water Services, and Corporate and Other earnings within a range of $0.75 to $0.85 per share. Our 2018 earnings guidance includes approximately $0.10 per share of anticipated benefit from the Tax Cuts and Jobs Act of 2017.

I'll now share a few factors and assumptions from our guidance, starting with our regulated operations. Regarding Minnesota Power's general rate case filed in November 2016, final rates are expected to commence in the fourth quarter of 2018. Interim rates will be collected through this period, which will be fully offset by the recognition of a corresponding reserve. We expect additional cost recovery rider revenue from the Great Northern Transmission Line capital investments with Minnesota Power's portion of anticipated expenditures estimated at $110 million in 2018.

Industrial sales for Minnesota Power are expected to be at approximately 7 million to 7.5 million megawatt hours, reflecting taconite customer production levels of approximately 39 million tons.

A few highlights from our 2018 guidance regarding ALLETE Clean Energy and US Water Services. ALLETE Clean Energy expects to generate approximately 1.4 million megawatt hours in total wind generation versus 1.2 million megawatt hours in 2017. We expect to spend approximately $25 million in requalification of wind turbine generators at ALLETE's Clean Energy's Storm Lake I, Storm Lake II and Lake Benton facilities in 2018.

Production tax credits related to these refurbishment projects are estimated to be approximately $5 million in 2018. Our 2018 guidance includes ALLETE Clean Energy's construction and sale of the previously announced 50 megawatt wind energy facility to Montana-Dakota Utilities, a division of MDU Resources Group. The sale is expected to be completed in December of 2018.

At US Water Services, we expect organic revenue growth of approximately 8%, excluding the year-over-year impact of a September 2017 acquisition of Tonka Water. Including Tonka Water, revenues are projected to increase to approximately $180 million to $190 million this year.

As I have highlighted in past calls, short-term amortization and related purchase accounting is a significant component of reported earnings for this business. Earnings before interest, tax, depreciation and amortization of approximately 12% of revenue is expected in 2018. Additionally, we expect cash flow from operations to continue to be strong, generating approximately $15 million or 25% higher than the $12 million in 2017.

Our guidance excludes the impact, if any, of possible acquisitions or development projects. We also expect earnings-per-share dilution of approximately $0.05 due to higher average shares of common stock outstanding.

I would encourage you to review the complete 8-K disclosure filed this morning, which includes additional details of our 2018 earnings guidance.

Our history of financial discipline focuses on cash generation and the commitment from each of our businesses to earn their cost of capital. At our regulated businesses, we are committed to earning our allowed ROE, and through a combination of cost control initiatives, operational efficiencies, we will manage these businesses to achieve this goal. These improved returns will ramp up over time and we will be updating you on our progress as we report our quarterly financial results.

As we look forward, I am excited about the prospects for all of our businesses at ALLETE. We believe these differentiated yet synergistic businesses with their strong customer base and recurring revenues will provide long-term earnings and cash flow growth potential, as well as balanced exposure to our regulated industrial customers. We are indeed entering a new and exciting chapter at ALLETE. Al?

Alan Hodnik - *ALLETE, Inc. - Chairman, President & CEO*

Thanks for the financial update, Steve and Bob. As expressed earlier, the Nemadji Trail Energy Center, or NTEC, gas plant initiative is before Minnesota regulators. Minnesota Power is partnering with Dairyland Cooperative on the venture and would purchase approximately 50% of the facility's output upon completion of the project starting in 2025.

In addition to bringing about cleaner energy forms, NTEC represents a $350 million investment opportunity for ALLETE. In an order dated September 19, 2017, the MPUC approved Minnesota Power's request for an Administrative Law Judge-led contested case process as they make a determination about the NTEC initiative. The Administrative Law Judge is expected to provide a recommendation by July 2018 and Minnesota Power anticipates the MPUC decision in the second half of 2018.

The MPUC did not take any action regarding Minnesota Power's companion wind and solar agreements, which will be refiled separately from NTEC.

Also in progress as part of the Energy Forward initiative is the ongoing construction of the Great Northern Transmission Line. Minnesota is experiencing a very traditional and very cold winter and construction activity in the frozen swamps and bogs of northern Minnesota is benefiting construction. Minnesota Power expects cost recovery rider revenue to increase as they plan to spend approximately $110 million on construction in 2018, an estimated total GNTL line investment of $330 million upon completion.

Minnesota Power anticipates strong sales to its existing industrial customers in 2018. The World Steel Association, an association of over 160 steel producers representing approximately 85% of production, projects US steel consumption in 2018 will increase by approximately 1% compared to 2017.

The steel industry appears well-positioned to also benefit from President Trump's recently announced $1.5 trillion investment in rebuilding our nation's infrastructure. Lastly, the steel industry awaits Section 232 steel dumping recommendations from the Trump administration expected later this year.

On January 5, 2018, the Minnesota Department of Natural Resources and the Minnesota Pollution Control Agency respectively released PolyMet's draft permit to mine and also its air and water discharge permits. These major announcements provided for a public comment period through March 6, 2018, as well as two public hearings recently held in the region here in February.

The final EIF also requires records of decision by federal agencies, which are expected in 2018 before final action can be taken on the required permits to construct and operate the mining operation.

Meanwhile, the United States Forest Service has signed the final record of decision authorizing a land exchange with PolyMet and continues to work with the company on the final title transfer, which will result in PolyMet obtaining surface rights needed to develop the mining operation. Minnesota Power could supply between 45 to 50 megawatts of new load under a 10-year power supply contract that would begin on the startup of mining operations.

Mesabi Metallics, a retail customer of Nashwauk Public Utilities Commission and Minnesota Power has a wholesale electric contract with Nashwauk for electric service through at least December 2032. On June 13, 2017, a bankruptcy court approved a settlement plan for a consortium led by Chippewa Capital Partners, LLC to take control of the project, subject to certain stipulations and timelines, as part of a reorganization plan. Well over $1 billion have been spent to date on this site and additional investment appears likely.

Chippewa Capital Partners has indicated to the state of Minnesota that they plan to mine and process ore and also produce hot briquetted iron which could be used in the fast-growing electric arc mini-mill steel segment of the steel industry.

Operational startup of this project would generate significant job growth for our region, as well as significant increase in electric load for Minnesota Power through its wholesale contract with Nashwauk Public Utilities.

Next, I would like to call your attention to progress on ALLETE's Energy Infrastructure and Related Services businesses. ALLETE Clean Energy continues to pursue growth through refurbishment of existing facilities, acquisition of new renewable projects, which have long-term power sales agreements in place and through fee-based build-own-transfer projects.

ACE is moving forward as expected with a major initiative to refurbish and requalify several of its own wind facilities, which will generate an estimated $180 million in production tax credits over the life of those credits. ACE has started construction activities to refurbish 385 wind turbines located at three wind farms in Minnesota and Iowa. This $80 million reinvestment initiative started in late 2017 and will be completed in the 2020 timeframe.

Refurbishing these turbines will improve performance and reliability while generating federal production tax credits as work on each turbine is completed and those turbines resume their normal generation output. We believe the long-term operational benefits and resulting economics from these refurbished facilities will benefit the renewal of power sales agreements and of course boost financial results for ALLETE Clean Energy.

In 2017, ACE announced it has contracted with Montana-Dakota Utilities to increase the permanent capacity of Thunder Spirit Wind by 50 megawatts under a 25-year power sales agreement. The agreement included an option for Montana-Dakota Utilities to purchase the facility upon completion for a development fee. We now expect MDU to exercise its option to acquire the facility and ACE anticipates construction to begin shortly for a planned completion and sale in December of this year.

Also, in 2017, ACE announced it was awarded a project to build, own and operate a separate 106 megawatt wind energy facility pursuant to a 20-year power sales agreement with Northern States Power. Recently, the Minnesota Public Utilities Commission approved the transfer of an existing large generator interconnect agreement from Minnesota Power to ALLETE Clean Energy. This was the last major regulatory step related to the project and construction is expected to begin in late 2018.

With its investment in 140 megawatts of PTC qualified Safe Harbor turbines, ACE can be a very competitive partner as it considers additional renewable projects and formally bids into a nationwide pipeline of renewable RFPs. The pipeline of opportunities is robust and if fully optimized, these turbines imply a total project opportunity of approximately 1,500 megawatts. We anticipate 2018 to be a significant and transformational year for ALLETE Clean Energy with its multi-faceted growth strategy.

We remain excited about the nexus of energy and water and our investment in US Water Services. US Water Services provides integrated water management for industry by combining chemicals, equipment and engineering for customized solutions with a focus on reducing water and energy usage.

US Water Services is located in 49 states and Canada and its tailored solutions result in over 90% repeat business, highly recurring revenues and solid cash generation. US Water has grown its customer base from 3,600 to 4,900 customers since joining the ALLETE family. Including expectations for 2018 and with acquisitions made since the time of purchase 36 months ago in mind, average annual revenue growth for US Water has been in excess of 10%.

On September 1, 2017, US Water Services acquired Tonka Water for a total consideration of $19.2 million. Tonka is a supplier of municipal and industrial water treatment systems that will expand US Water Services' geographic reach and customer markets. We believe water scarcity and a growing emphasis on conservation will continue to drive significant growth in the industrial, commercial and governmental sectors. Given the strong economy, tax reform and a proposed $1.5 trillion infrastructure thesis from the Trump administration, we believe US Water Services is well-positioned for growth.

This is truly an exciting time for ALLETE and we look forward to delivering another year of value to our shareholders through earnings growth and dividends. Minnesota Power's industrial customers are running strong and prospects for new customer loads are promising. Demands for cleaner energy forms and water conservation provide momentum and investment opportunities for ALLETE Clean Energy and US Water. We believe ALLETE's diversified growth platform and our proven ability to execute offers an attractive and differentiated value proposition to investors.

Thank you for your interest and for your investment in ALLETE. At this time, I will ask the operator to open up the lines for your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Chris Ellinghaus, Williams Capital.

Chris Ellinghaus - *Williams Capital - Analyst*

Al, you made some kind of comments in your initial remarks talking about making some adjustments for the Minnesota Power case. Can you talk about what you mean there? And do you anticipate earning your allowed return as a result of those actions?

Alan Hodnik - *ALLETE, Inc. - Chairman, President & CEO*

Well, earning our 9.25% allowed return is an objective of Minnesota Power that we intend to commit ourselves to here. We would look at, as Bob said, all dimensions of the business, all aspects of it and create necessary cost control and adjustments to re-scale and reposition Minnesota Power. So we will earn our 9.25% by virtue of discipline inside the business.

With respect to my comments to the rate case itself, we're going to use our normal channels of reconsideration and filings and motions and all those things that we can do and are allowed to do within the process to ask the Commission to reconsider, if you will, certain aspects of expense disallowance or assets excluded from rate base.

So that process will go on post March 12 when the Commission issues its order. We'll then follow up in response to that order with a normal filing or reconsideration filing on certain items that we think that the Commission either didn't fully understand or that we have a different point of view on and would like to convince the Commission in our reconsideration.

So that's how we're going to come at our interface with both Minnesota Public Utilities Commission and the case itself, but more importantly, inside the organization, we are going to earn our 9.25% with rescaling and repositioning the business.

Chris Ellinghaus - *Williams Capital - Analyst*

Okay, great. As far as the MDU situation goes, they were talking about having a purchase agreement in place by the end of the month. Have they done that yet?

Bob Adams - *ALLETE, Inc. - SVP & CFO*

Well, in terms of the Clean Energy I, Chris?

Chris Ellinghaus - *Williams Capital - Analyst*

Yes.

Bob Adams - *ALLETE, Inc. - SVP & CFO*

Okay. Well, at Clean Energy I, we have a --

Alan Hodnik - *ALLETE, Inc. - Chairman, President & CEO*

No. Clean Energy I, Bob, is the NSP deal.

Bob Adams - *ALLETE, Inc. - SVP & CFO*

Right.

Bob Adams - *ALLETE, Inc. - SVP & CFO*

So yes, yes.

Alan Hodnik - *ALLETE, Inc. - Chairman, President & CEO*

Is that what you are speaking to or MDU?

Chris Ellinghaus - *Williams Capital - Analyst*

MDU, sorry.

Bob Adams - *ALLETE, Inc. - SVP & CFO*

Yes, so MDU has an election by the end of the month in terms of whether they are going to actually acquire the facility or PPA. We expect that timing to be met and we still expect that the option to purchase is what they have in mind.

Chris Ellinghaus - *Williams Capital - Analyst*

Yes. Thunder Spirit, they've made that pretty clear. I just wanted to see if they had executed that yet. Should we also for that expect a similar pattern of earnings recognition during construction in the third and fourth quarters?

Steve Morris - *ALLETE, Inc. - VP, Controller & CAO*

Chris, Steve Morris. We expect it to be recognized upon completion because of new revenue recognition rules that are in place now, beginning January 2018. So it will be recognized upon completion, which we do expect in 2018, so to the extent, if it was to slip and be completed in 2019, that project would be recognized at that point in time.

Chris Ellinghaus - *Williams Capital - Analyst*

So you are expecting the full -- whatever the full economic value is for the fourth quarter?

Steve Morris - *ALLETE, Inc. - VP, Controller & CAO*

Yes, that would be correct.

Chris Ellinghaus - *Williams Capital - Analyst*

Okay. You made a lot of remarks about how 2018 will be transformational for ACE. Can we just interpret that as meaning there's announcements to come?

Bob Adams - *ALLETE, Inc. - SVP & CFO*

Yes, Chris, this is Bob. So there's a lot of activity -- continues to be a lot of activity at ALLETE Clean Energy in terms of their pipeline. So we do expect some announcements in that regard.

Of course, the other thing that they're up to is the refurbishment activities of the Storm Lake and Lake Benton farms, and those are proceeding along very well. That will generate about $5 million in PTCs for the year as well.

Chris Ellinghaus - *Williams Capital - Analyst*

Okay. One last question. You gave the guidance for US Water cash flow improvement. Are there any deferred tax issues or depreciation issues or can we just interpret that improvement for the year as what you are expecting earnings to increase?

Bob Adams - *ALLETE, Inc. - SVP & CFO*

Yes, that's true, yes. So there will be no deferred tax impacts in the year. We're moving forward based on the lower tax rates and that will be incremental, of course, to the earnings as we go forward.

Chris Ellinghaus - *Williams Capital - Analyst*

Okay, great. Thanks for the color, guys.

Operator

Christopher Turnure, JPMorgan.

Christopher Turnure - *JPMorgan Chase - Analyst*

I just wanted to follow up on the -- one of the last questions on the MDU deal. Can you tell us how that's going to be booked? Is it going to be a one-time gain and you will benefit from the lower -- separately you'll benefit from the lower tax rate applied to the same deal price or revenues as was contemplated under the higher tax rate regime?

Steve Morris - *ALLETE, Inc. - VP, Controller & CAO*

Chris, Steve Morris. Yes, we'll book that when it's complete; expect it in the fourth quarter, one time. So that revenue will just flow through. We'll book the revenue and the various expenses along the way. Taxes will just flow as is then.

Alan Hodnik - *ALLETE, Inc. - Chairman, President & CEO*

Chris, this is Al. I would say that the ACE thesis, of course, includes refurbishment, building new with long-term power sales agreement and also build-own-transfers. So the notion of one-time I guess I would have to say that ALLETE -- there's a possibility for ALLETE Clean Energy over time to have additional build-own-transfers. So I guess one-time is a semantical term.

Christopher Turnure - *JPMorgan Chase - Analyst*

Okay. And have you quantified the amount of the MDU deal to this year?

Steve Morris - *ALLETE, Inc. - VP, Controller & CAO*

Yes, we have, but we haven't disclosed it, Chris.

Christopher Turnure - *JPMorgan Chase - Analyst*

Okay. And then switching gears just overall to tax reform, I think you said $0.10 benefit in 2018 baked into your guidance, excluding revaluation of DTL or any other nonrecurring impacts. But is the $0.10 benefit the way that we can think about the all-in run rate impact of tax reform, including any incremental equity needs?

Bob Adams - *ALLETE, Inc. - SVP & CFO*

Chris, this is Bob. Yes, that's the case.

Christopher Turnure - *JPMorgan Chase - Analyst*

Okay, got you. And have you disclosed the amount of equity in total that would be needed in 2018 or 2019?

Bob Adams - *ALLETE, Inc. - SVP & CFO*

We have cash. We have about $100 million worth of cash and so there will be some equity issuances, but they're going to be relatively minor for the year.

Christopher Turnure - *JPMorgan Chase - Analyst*

Okay. So we can just use, for at least 2018, your EPS dilution guidance to try to back into our own estimate on that?

Bob Adams - *ALLETE, Inc. - SVP & CFO*

That's correct.

Christopher Turnure - *JPMorgan Chase - Analyst*

Okay. Thanks, guys.

Operator

Paul Ridzon, KeyBanc.

Paul Ridzon - *KeyBanc Capital Markets - Analyst*

Couple quick questions. First is the fuel hit you took, is that permanent or is that a timing issue that's going to be recognized in future periods?

Steve Morris - *ALLETE, Inc. - VP, Controller & CAO*

Paul, this is Steve. We consider that a one-time charge, so that will not reoccur in future periods. It was a non-cash charge as well, so really related to how we account for the fuel clause on the lag method. As they are moving to a forward-looking fuel clause, we no longer need to do that accounting, so we wrote that off our books. You won't see that again.

Paul Ridzon - *KeyBanc Capital Markets - Analyst*

Okay, thanks. I know there was a big move in depreciation related to Boswell. For modeling purposes, should Boswell be apples-to-apples between 2017 and 2018?

Bob Adams - *ALLETE, Inc. - SVP & CFO*

It will be. Yes, it is.

Paul Ridzon - *KeyBanc Capital Markets - Analyst*

Thank you. That's helpful. And I think it was about a year ago or maybe a little more when you first said that you have bid into about 2 gigawatts of wind projects at ACE. Just wondering where does that number -- how many gigawatts have you bid into now and what may have rolled off unsuccessfully versus what you've added?

Alan Hodnik - *ALLETE, Inc. - Chairman, President & CEO*

Well, the pipeline ebbs and flows, as you know. I talked about 1,500 megawatts of opportunity in the moment that we've bid in or have available to bid into. RFPs, of course, evolve depending on all kinds of circumstances, including Trump tax reform and either the offtaker or us, the developer, recalibrating and taking a look at things. So we're pretty pleased with the announcements at MDU, of course Xcel, our own refurbishment efforts, which also took time to develop. And I don't want to underestimate the 385 megawatts.

So it isn't an issue of a roll-off out of the pipeline necessarily. It's an issue of being disciplined. It's an issue of looking for high-quality returns and great offtakers and we think we have plenty of opportunities there. We still say 2018 and 2019 will be a transformational year for ACE.

Paul Ridzon - *KeyBanc Capital Markets - Analyst*

You said there's 1,500 megawatts currently standing?

Alan Hodnik - *ALLETE, Inc. - Chairman, President & CEO*

From the PTC-related opportunities that have been driven by the PTC strategy is the way I think about it right now, Paul. With respect to the broader deal flow pipeline, I would say that total gigawatts, it's probably still in that neck of the woods. As to whether or not ACE would have bid all those projects or be engaged with all those projects, I would say that's probably not the case.

Paul Ridzon - *KeyBanc Capital Markets - Analyst*

And what's the half-life of that 1,500 megawatts? And when do those mature?

Alan Hodnik - *ALLETE, Inc. - Chairman, President & CEO*

About 2021 if you think about the declination of the PTC value, so 100% for some and 80% for others through 2021.

Paul Ridzon - *KeyBanc Capital Markets - Analyst*

And then watching the dry run in the iron range, Chippewa seems to be pretty optimistic about the projects. [Lorenzo] seems to have a -- [thinks he] pretty much sabotaged it. What's your read?

Alan Hodnik - *ALLETE, Inc. - Chairman, President & CEO*

Well, it's been an interesting back and forth between Cliffs and Chippewa Capital and the state of Minnesota, of course. We are supplying power to Nashwauk Public Utilities Commission, so we're obligated to serve Nashwauk and to continue to try and work with all stakeholders in Minnesota to move that along.

Tom Clarke continues to insist that he has sufficient ore to move his project along and has an offtaker, at least a declared offtaker, in China in which doesn't result in operational displacement here in Minnesota. So that's Tom's story.

On Lorenzo, of course, is still very interested in wanting to have an active operation on the Iron Range, including serving all of its mines at Silver Bay, at Eveleth and in Hibbing and has a strong interest in that ore over there.

Of course, he, through his acquisition of some mineral rights from Glacier, has some ore now to both potentially be viewed as a disruptor to the Chippewa initiative, but also ore for his Hibbing taconite operations over at Hibbing.

So as I see it right now, I think it's possible for both operations to continue to do what they want to do over there strategically. And the state of Minnesota and the bankruptcy court, of course, is going to be the final judge and jury on whether or not the stipulations have been met by Chippewa Capital, which will be upcoming here in the spring and summer.

Paul Ridzon - *KeyBanc Capital Markets - Analyst*

Not sure if I missed it, but did you say when you think the ARM might be ripe for talking about with the Commission again, opening the docket there?

Alan Hodnik - *ALLETE, Inc. - Chairman, President & CEO*

Well, ARM may be one of the features that we consider or ask for reconsideration or we may deal with the ARM working with our regulators, both the Department of Commerce and the Public Utilities Commission as we always have constructively to find a solution to the ARM. I think Steve Morris's point, and I think it was well made, is that in the middle of a 14-month rate case, we had United States Steel Keewatin Taconite, of course, idled before we filed the case.

In the middle of the case, United States Steel Keewatin Taconite came back. Near the end of the case, recognizing the case and its docket had been closed, UPM Blandin had announced the closure of a smaller paper machine for 25 megawatts. So there's been a lot of in and outs just in a 14-month period that we think is very illustrative as to the need for the ARRM.

We don't know how we'll take all that up necessarily or what form it will take up, but we want to continue to work with the regulators in our state to make our case that an ARM makes sense for Minnesota Power.

Paul Ridzon - *KeyBanc Capital Markets - Analyst*

Okay, thank you very much. The answers are very helpful.

Operator

(Operator Instructions). Sarah Akers, Wells Fargo.

Sarah Akers - *Wells Fargo - Analyst*

Just as a follow-up on the intent to earn the 9.25%, is that embedded in your 2018 regulated utility guidance or is that more of a goal over time?

Bob Adams - *ALLETE, Inc. - SVP & CFO*

It is embedded in the 2018 guidance as well, Sarah. Yes, we're -- so just a little more color there. Again, we're -- and I've expressed this as well in the past -- is we're on what I call a 24-month journey here as we continue to look at efficiencies. This is not a -- for many years, we have tightly managed our O&M and looked at business efficiencies, so we're going to continue to do that and be mindful of the 9.25%.

Sarah Akers - *Wells Fargo - Analyst*

As I run the math on the earned ROE, I'm getting something more sub-8%. So can you help me out with the denominator, the average rate base that you're using in that calculation for 2018? Or if you have year-end 2017 rate base that would be helpful as well.

Steve Morris - *ALLETE, Inc. - VP, Controller & CAO*

I'd use about $2 billion.

Sarah Akers - *Wells Fargo - Analyst*

Okay. Does that include the transmission piece?

Steve Morris - *ALLETE, Inc. - VP, Controller & CAO*

No. Consider that a separate rider.

Sarah Akers - *Wells Fargo - Analyst*

Okay. And roughly how much is the transmission rate base then?

Steve Morris - *ALLETE, Inc. - VP, Controller & CAO*

Well, so we probably invested about $100 million so far on our GNTL, which we're earning now at 9.25%, the allowed rate of return that we have. We expect to spend about $100 million in 2018 on that, so that will progress throughout the year. So you could probably take the $100 million and add roughly half of that, $50 million.

Sarah Akers - *Wells Fargo - Analyst*

Okay. Then just on weather quickly, I think as of Q3 you had a $0.10 weather hit versus normal. Where did that end the year?

Steve Morris - *ALLETE, Inc. - VP, Controller & CAO*

We ended up probably $0.05 down. We picked about $0.05 in the quarter because of the very cold weather that we had.

Sarah Akers - *Wells Fargo - Analyst*

Okay, got it. Then if we adjust 2017 regulated utility earnings, adjust that up for the one-time fuel adjustment charge, it seems like the regulated utility guidance implies that 2018 will be down versus 2017. As we think about a little weather pickup and then increased transmission rider revenue, what are the negatives that bring that down to cause 2018 utility earnings lower than 2017?

Steve Morris - *ALLETE, Inc. - VP, Controller & CAO*

You're right, that's how the math plays out. So this might sound not intuitive, but we have actually higher depreciation expense. All things being equal, we recognize the benefit to Boswell in 2017 and we'll recognize it in 2018, but as we add more plant and service, depreciation expense will go up. We have a significant amount of additional property tax expense in Minnesota so you have to factor that in there. And then we had some transmission revenue that went away. That was probably about $5 million so you have to factor those items in.

Sarah Akers - *Wells Fargo - Analyst*

I'm sorry. I missed the transmission revenue going (multiple speakers).

Steve Morris - *ALLETE, Inc. - VP, Controller & CAO*

Yes, we had some -- a little bit lower transmission revenue.

Sarah Akers - *Wells Fargo - Analyst*

Okay. Just via the rate at FERC?

Steve Morris - *ALLETE, Inc. - VP, Controller & CAO*

Well, it was really just a reservation path that a customer had that they no longer needed.

Sarah Akers - *Wells Fargo - Analyst*

Oh, I see.

Steve Morris - *ALLETE, Inc. - VP, Controller & CAO*

So it just dropped off.

Sarah Akers - *Wells Fargo - Analyst*

Got it. And then one question on the non-utility side. So you mentioned the mid-teens EPS growth off the 2018 base, but should we exclude the gain on Thunder Spirit in that base as we think about the growth rate? Or do you intend to grow mid-teens off the actual 2018 EPS, which includes the gain?

Bob Adams - *ALLETE, Inc. - SVP & CFO*

Sarah, this is Bob. So it would be excluding the MDU gain.

Sarah Akers - *Wells Fargo - Analyst*

Perfect. Thank you very much and thanks for the increased disclosure. It's very helpful.

Operator

Thank you. And there are no further questions in queue, so at this time, it is my pleasure to hand the conference back over to ALLETE's President and Chief Executive Officer, Alan R. Hodnik. Sir, please proceed with your closing remarks.

Alan Hodnik - *ALLETE, Inc. - Chairman, President & CEO*

Well, Steve and Bob and I thank you again for being with us this morning and we certainly thank you for your investment and your interest in ALLETE. We look forward to seeing many of you at our analyst breakfast, of course, in New York on March 15 and at other investor venues throughout the year. We want you to enjoy your day and be safe out there. Thank you very much.

Operator

Ladies and gentlemen, thank you for your participation on today's conference. This does conclude our program and we may all disconnect. Everybody have a wonderful day.