



Progress Reported On Proposed Sale of Florida Water Services

Duluth, Minn.--Representatives of ALLETE, Inc. (NYSE: ALE) and the Florida Government Utility Authority (FGUA), continuing their negotiations over the sale of Florida Water Services Corporation yesterday signed a letter of understanding to be communicated to local governments affected by the sale. A term sheet attached to the letter provides an outline of the transaction.

The letter confirms the understanding that:

- ALLETE will permit the FGUA to initiate its final due diligence process.
- ALLETE agrees to terminate its solicitation of competitive bids from other parties interested in purchasing Florida Water.
- FGUA and ALLETE will recommend to their respective boards approval of the purchase under the framework of a term sheet, provided that a definitive asset acquisition agreement is finalized prior to May 14, 2002.

The letter of understanding and accompanying term sheet were filed by ALLETE as a Form 8-K with the Securities and Exchange Commission today. Both parties currently contemplate that the transaction will close by October 2002.

Florida Water, a wholly owned subsidiary of ALLETE Water Services, Inc., operates the largest investor-owned water and wastewater utility in Florida, serving more than 120 communities in 26 counties across the state. The FGUA is a mechanism available under Florida law that permits local governmental entities to join together to acquire, finance, own and operate water or wastewater utilities.

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