UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2020

or

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission File Number **1-3548**

ALLETE, Inc.

(Exact name of registrant as specified in its charter)

Minnesota	**41-0418150**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

30 West Superior Street
Duluth, Minnesota 55802-2093
(Address of principal executive offices)
(Zip Code)

(218) 279-5000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol	Name of each exchange on which registered
Common Stock, without par value	**ALE**	**New York Stock Exchange**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☒ Accelerated Filer ☐
Non-Accelerated Filer ☐ Smaller Reporting Company ☐
Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

Common Stock, without par value,
51,974,885 shares outstanding
as of September 30, 2020

Index

Definitions

The following abbreviations or acronyms are used in the text. References in this report to "we," "us" and "our" are to ALLETE, Inc., and its subsidiaries, collectively.

Abbreviation or Acronym	Term
AFUDC	Allowance for Funds Used During Construction – the cost of both debt and equity funds used to finance regulated utility plant additions during construction periods
ALLETE	ALLETE, Inc.
ALLETE Clean Energy	ALLETE Clean Energy, Inc. and its subsidiaries
ALLETE Properties	ALLETE Properties, LLC and its subsidiaries
ALLETE Transmission Holdings	ALLETE Transmission Holdings, Inc.
ArcelorMittal	ArcelorMittal S.A.
ATC	American Transmission Company LLC
Bison	Bison Wind Energy Center
BNI Energy	BNI Energy, Inc. and its subsidiary
Boswell	Boswell Energy Center
Camp Ripley	Camp Ripley Solar Array
Cliffs	Cleveland-Cliffs Inc.
Company	ALLETE, Inc. and its subsidiaries
COVID-19	2019 novel coronavirus
CSAPR	Cross-State Air Pollution Rule
DC	Direct Current
EIS	Environmental Impact Statement
EPA	United States Environmental Protection Agency
ESOP	Employee Stock Ownership Plan
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
Form 10-K	ALLETE Annual Report on Form 10-K
Form 10-Q	ALLETE Quarterly Report on Form 10-Q
GAAP	Generally Accepted Accounting Principles in the United States of America
GHG	Greenhouse Gases
GNTL	Great Northern Transmission Line
Hibbing Taconite	Hibbing Taconite Co.
Husky Energy	Husky Energy Inc.
Invest Direct	ALLETE's Direct Stock Purchase and Dividend Reinvestment Plan
IRP	Integrated Resource Plan
Item ___	Item ___ of this Form 10-Q
kV	Kilovolt(s)
kW / kWh	Kilowatt(s) / Kilowatt-hour(s)
Laskin	Laskin Energy Center
Lampert Capital Markets	Lampert Capital Markets, Inc.
Manitoba Hydro	Manitoba Hydro-Electric Board
Minnesota Power	An operating division of ALLETE, Inc.
Minnkota Power	Minnkota Power Cooperative, Inc.
MISO	Midcontinent Independent System Operator, Inc.
MMTP	Manitoba-Minnesota Transmission Project
Moody's	Moody's Investors Service, Inc.
MPCA	Minnesota Pollution Control Agency

Abbreviation or Acronym	Term
MPUC	Minnesota Public Utilities Commission
MW / MWh	Megawatt(s) / Megawatt-hour(s)
NAAQS	National Ambient Air Quality Standards
NDPSC	North Dakota Public Service Commission
Nobles 2	Nobles 2 Power Partners, LLC
NOL	Net Operating Loss
NO_X	Nitrogen Oxides
Northshore Mining	Northshore Mining Company, a wholly-owned subsidiary of Cleveland-Cliffs Inc.
Note ___	Note ___ to the Consolidated Financial Statements in this Form 10-Q
NPDES	National Pollutant Discharge Elimination System
NTEC	Nemadji Trail Energy Center
Oliver Wind I	Oliver Wind I Energy Center
Oliver Wind II	Oliver Wind II Energy Center
PolyMet	PolyMet Mining Corp.
PPA / PSA	Power Purchase Agreement / Power Sales Agreement
PPACA	Patient Protection and Affordable Care Act of 2010
PSCW	Public Service Commission of Wisconsin
SEC	Securities and Exchange Commission
Silver Bay Power	Silver Bay Power Company, a wholly-owned subsidiary of Cleveland-Cliffs Inc.
SO_2	Sulfur Dioxide
Square Butte	Square Butte Electric Cooperative, a North Dakota cooperative corporation
SWL&P	Superior Water, Light and Power Company
Taconite Harbor	Taconite Harbor Energy Center
Town Center District	Town Center at Palm Coast Community Development District in Florida
U.S.	United States of America
U.S. Water Services	U.S. Water Services Holding Company and its subsidiaries
USS Corporation	United States Steel Corporation
WTG	Wind Turbine Generator

Forward-Looking Statements

Statements in this report that are not statements of historical facts are considered “forward-looking” and, accordingly, involve risks and uncertainties that could cause actual results to differ materially from those discussed. Although such forward-looking statements have been made in good faith and are based on reasonable assumptions, there can be no assurance that the expected results will be achieved. Any statements that express, or involve discussions as to, future expectations, risks, beliefs, plans, objectives, assumptions, events, uncertainties, financial performance, or growth strategies (often, but not always, through the use of words or phrases such as “anticipates,” “believes,” “estimates,” “expects,” “intends,” “plans,” “projects,” “likely,” “will continue,” “could,” “may,” “potential,” “target,” “outlook” or words of similar meaning) are not statements of historical facts and may be forward-looking.

In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, we are providing this cautionary statement to identify important factors that could cause our actual results to differ materially from those indicated in forward-looking statements made by or on behalf of ALLETE in this Form 10-Q, in presentations, on our website, in response to questions or otherwise. These statements are qualified in their entirety by reference to, and are accompanied by, the following important factors, in addition to any assumptions and other factors referred to specifically in connection with such forward-looking statements that could cause our actual results to differ materially from those indicated in the forward-looking statements:

- our ability to successfully implement our strategic objectives;
- global and domestic economic conditions affecting us or our customers;
- changes in and compliance with laws and regulations;
- changes in tax rates or policies or in rates of inflation;
- the outcome of legal and administrative proceedings (whether civil or criminal) and settlements;
- weather conditions, natural disasters and pandemic diseases, including the ongoing COVID-19 pandemic;
- our ability to access capital markets, bank financing and other financing sources;
- changes in interest rates and the performance of the financial markets;
- project delays or changes in project costs;
- changes in operating expenses and capital expenditures and our ability to raise revenues from our customers;
- the impacts of commodity prices on ALLETE and our customers;
- our ability to attract and retain qualified, skilled and experienced personnel;
- effects of emerging technology;
- war, acts of terrorism and cybersecurity attacks;
- our ability to manage expansion and integrate acquisitions;
- population growth rates and demographic patterns;
- wholesale power market conditions;
- federal and state regulatory and legislative actions that impact regulated utility economics, including our allowed rates of return, capital structure, ability to secure financing, industry and rate structure, acquisition and disposal of assets and facilities, operation and construction of plant facilities and utility infrastructure, recovery of purchased power, capital investments and other expenses, including present or prospective environmental matters;
- effects of competition, including competition for retail and wholesale customers;
- effects of restructuring initiatives in the electric industry;
- the impacts on our businesses of climate change and future regulation to restrict the emissions of GHG;
- effects of increased deployment of distributed low-carbon electricity generation resources;
- the impacts of laws and regulations related to renewable and distributed generation;
- pricing, availability and transportation of fuel and other commodities and the ability to recover the costs of such commodities;
- our current and potential industrial and municipal customers’ ability to execute announced expansion plans;
- real estate market conditions where our legacy Florida real estate investment is located may not improve; and
- the success of efforts to realize value from, invest in, and develop new opportunities.

Additional disclosures regarding factors that could cause our results or performance to differ from those anticipated by this report are discussed in Part I, Item 1A. Risk Factors of ALLETE’s 2019 Form 10-K and Part II, Item 1A. Risk Factors of this Form 10-Q. Any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which that statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all of these factors, nor can it assess the impact of each of these factors on the businesses of ALLETE or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. Readers are urged to carefully review and consider the various disclosures made by ALLETE in this Form 10-Q and in other reports filed with the SEC that attempt to identify the risks and uncertainties that may affect ALLETE’s business.

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

ALLETE
CONSOLIDATED BALANCE SHEET
Unaudited

	September 30, 2020	December 31, 2019
Millions		
Assets		
Current Assets		
Cash and Cash Equivalents	$79.0	$69.3
Accounts Receivable (Less Allowance of $1.6 and $0.9)	92.0	96.4
Inventories – Net	74.8	72.8
Prepayments and Other	19.3	31.0
Total Current Assets	265.1	269.5
Property, Plant and Equipment – Net	4,697.5	4,377.0
Regulatory Assets	427.9	420.5
Equity Investments	291.8	197.6
Other Non-Current Assets	196.2	218.2
Total Assets	$5,878.5	$5,482.8
Liabilities and Equity		
Liabilities		
Current Liabilities		
Accounts Payable	$79.0	$165.2
Accrued Taxes	60.0	50.8
Accrued Interest	15.8	18.1
Long-Term Debt Due Within One Year	404.5	212.9
Other	70.7	60.4
Total Current Liabilities	630.0	507.4
Long-Term Debt	1,608.0	1,400.9
Deferred Income Taxes	204.8	212.8
Regulatory Liabilities	547.1	560.3
Defined Benefit Pension and Other Postretirement Benefit Plans	157.5	172.8
Other Non-Current Liabilities	285.5	293.0
Total Liabilities	3,432.9	3,147.2
Commitments, Guarantees and Contingencies (Note 6)		
Equity		
ALLETE Equity		
Common Stock Without Par Value, 80.0 Shares Authorized, 52.0 and 51.7 Shares Issued and Outstanding	1,454.2	1,436.7
Accumulated Other Comprehensive Loss	(23.1)	(23.6)
Retained Earnings	849.9	818.8
Total ALLETE Equity	2,281.0	2,231.9
Non-Controlling Interest in Subsidiaries	164.6	103.7
Total Equity	2,445.6	2,335.6
Total Liabilities and Equity	$5,878.5	$5,482.8

The accompanying notes are an integral part of these statements.

ALLETE
CONSOLIDATED STATEMENT OF INCOME
Unaudited

	Quarter Ended September 30,		Nine Months Ended September 30,	
Millions Except Per Share Amounts	**2020**	**2019**	**2020**	**2019**
Operating Revenue				
Contracts with Customers – Utility	$255.1	$254.1	$721.2	$786.1
Contracts with Customers – Non-utility	35.9	31.3	119.0	141.1
Other – Non-utility	2.9	2.9	8.5	8.7
Total Operating Revenue	293.9	288.3	848.7	935.9
Operating Expenses				
Fuel, Purchased Power and Gas – Utility	93.4	98.2	251.7	295.9
Transmission Services – Utility	14.9	18.3	49.8	55.8
Cost of Sales – Non-utility	15.4	14.7	48.6	61.8
Operating and Maintenance	61.9	58.1	181.9	201.0
Depreciation and Amortization	53.4	49.5	161.3	151.6
Taxes Other than Income Taxes	13.3	12.5	40.9	39.8
Total Operating Expenses	252.3	251.3	734.2	805.9
Operating Income	41.6	37.0	114.5	130.0
Other Income (Expense)				
Interest Expense	(16.3)	(16.1)	(47.9)	(48.9)
Equity Earnings	5.1	4.9	16.7	15.3
Gain on Sale of U.S. Water Services	—	—	—	20.6
Other	2.9	3.0	9.1	14.6
Total Other Income (Expense)	(8.3)	(8.2)	(22.1)	1.6
Income Before Income Taxes	33.3	28.8	92.4	131.6
Income Tax Expense (Benefit)	(5.5)	(2.4)	(27.8)	(4.3)
Net Income	38.8	31.2	120.2	135.9
Net Loss Attributable to Non-Controlling Interest	(1.9)	—	(6.9)	—
Net Income Attributable to ALLETE	$40.7	$31.2	$127.1	$135.9
Average Shares of Common Stock				
Basic	51.9	51.7	51.8	51.6
Diluted	52.0	51.8	51.9	51.7
Basic Earnings Per Share of Common Stock	$0.78	$0.60	$2.45	$2.63
Diluted Earnings Per Share of Common Stock	$0.78	$0.60	$2.45	$2.63

The accompanying notes are an integral part of these statements.

ALLETE
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Unaudited

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2020	**2019**	**2020**	**2019**
Millions				
Net Income	$38.8	$31.2	$120.2	$135.9
Other Comprehensive Income				
Unrealized Gain on Securities				
Net of Income Tax Expense of $–, $–, $– and $0.1	—	—	—	0.2
Defined Benefit Pension and Other Postretirement Benefit Plans				
Net of Income Tax Expense of $0.1, $0.1, $0.2 and $0.2	0.2	0.1	0.5	0.3
Total Other Comprehensive Income	0.2	0.1	0.5	0.5
Total Comprehensive Income	39.0	31.3	120.7	136.4
Net Loss Attributable to Non-Controlling Interest	(1.9)	—	(6.9)	—
Total Comprehensive Income Attributable to ALLETE	$40.9	$31.3	$127.6	$136.4

The accompanying notes are an integral part of these statements.

ALLETE
CONSOLIDATED STATEMENT OF CASH FLOWS
Unaudited

	Nine Months Ended September 30,	
	2020	**2019**
Millions		
Operating Activities		
Net Income	$120.2	$135.9
AFUDC – Equity	(1.8)	(1.9)
Income from Equity Investments – Net of Dividends	(2.3)	(3.2)
Realized and Unrealized Gain on Investments and Property, Plant and Equipment	—	(2.1)
Depreciation Expense	161.3	150.3
Amortization of PSAs	(8.5)	(8.7)
Amortization of Other Intangible Assets and Other Assets	8.5	9.9
Deferred Income Tax Benefit	(27.9)	(4.5)
Share-Based and ESOP Compensation Expense	4.7	4.9
Defined Benefit Pension and Postretirement Benefit Expense	0.1	1.8
Provision (Payments) for Interim Rate Refund	5.2	(40.0)
Payments for Tax Reform Refund	(0.1)	(10.4)
Bad Debt Expense	1.6	(0.3)
Gain on Sale of U.S. Water Services	—	(20.6)
Changes in Operating Assets and Liabilities		
Accounts Receivable	2.8	34.1
Inventories	(2.0)	(15.9)
Prepayments and Other	8.8	7.3
Accounts Payable	2.2	(3.3)
Other Current Liabilities	12.5	(15.8)
Cash Contributions to Defined Benefit Pension Plans	(10.7)	(10.4)
Changes in Regulatory and Other Non-Current Assets	(23.5)	(16.2)
Changes in Regulatory and Other Non-Current Liabilities	(7.2)	(14.5)
Cash from Operating Activities	243.9	176.4
Investing Activities		
Proceeds from Sale of Available-for-sale Securities	6.8	11.2
Payments for Purchase of Available-for-sale Securities	(7.2)	(11.1)
Payments for Equity Investments	(91.0)	(26.4)
Return of Capital from Equity Investments	—	8.3
Proceeds from Sale of U.S. Water Services – Net of Transaction Costs and Cash Retained	—	266.1
Additions to Property, Plant and Equipment	(540.8)	(421.3)
Other Investing Activities	(1.0)	13.2
Cash for Investing Activities	(633.2)	(160.0)
Financing Activities		
Proceeds from Issuance of Common Stock	12.8	1.7
Proceeds from Issuance of Long-Term Debt	607.4	200.0
Repayments of Long-Term Debt	(207.4)	(66.1)
Proceeds from Non-Controlling Interest in Subsidiaries – Net of Issuance Costs	67.8	—
Acquisition-Related Contingent Consideration Payments	—	(3.8)
Dividends on Common Stock	(96.0)	(91.0)
Other Financing Activities	(2.7)	(1.0)
Cash from Financing Activities	381.9	39.8
Change in Cash, Cash Equivalents and Restricted Cash	(7.4)	56.2
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	92.5	79.0
Cash, Cash Equivalents and Restricted Cash at End of Period	$85.1	$135.2

The accompanying notes are an integral part of these statements.

ALLETE
CONSOLIDATED STATEMENT OF EQUITY
Unaudited

	Quarter Ended September 30,		Nine Months Ended September 30,	
Millions Except Per Share Amounts	**2020**	**2019**	**2020**	**2019**
Common Stock				
Balance, Beginning of Period	$1,447.7	$1,433.3	$1,436.7	$1,428.5
Common Stock Issued	6.5	1.8	17.5	6.6
Balance, End of Period	1,454.2	1,435.1	1,454.2	1,435.1
Accumulated Other Comprehensive Loss				
Balance, Beginning of Period	(23.3)	(26.9)	(23.6)	(27.3)
Other Comprehensive Income - Net of Income Taxes				
Unrealized Gain on Debt Securities	—	—	—	0.2
Defined Benefit Pension and Other Postretirement Plans	0.2	0.1	0.5	0.3
Balance, End of Period	(23.1)	(26.8)	(23.1)	(26.8)
Retained Earnings				
Balance, Beginning of Period	841.3	798.6	818.8	754.6
Net Income Attributable to ALLETE	40.7	31.2	127.1	135.9
Common Stock Dividends	(32.1)	(30.3)	(96.0)	(91.0)
Balance, End of Period	849.9	799.5	849.9	799.5
Non-Controlling Interest in Subsidiaries				
Balance, Beginning of Period	166.5	—	103.7	—
Proceeds from Non-Controlling Interest in Subsidiaries – Net of Issuance Costs	—	—	67.8	—
Net Loss Attributable to Non-Controlling Interest	(1.9)	—	(6.9)	—
Balance, End of Period	164.6	—	164.6	—
Total Equity	$2,445.6	$2,207.8	$2,445.6	$2,207.8
Dividends Per Share of Common Stock	$0.6175	$0.5875	$1.8525	$1.7625

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED

The accompanying unaudited Consolidated Financial Statements have been prepared in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X, and do not include all of the information and notes required by GAAP for complete financial statements. Similarly, the December 31, 2019, Consolidated Balance Sheet was derived from audited financial statements, but does not include all disclosures required by GAAP. In management's opinion, these unaudited financial statements include all adjustments necessary for a fair statement of financial results. All adjustments are of a normal, recurring nature, except as otherwise disclosed. Operating results for the quarter and nine months ended September 30, 2020, are not necessarily indicative of results that may be expected for any other interim period or for the year ending December 31, 2020. For further information, refer to the Consolidated Financial Statements and notes included in our 2019 Form 10-K.

NOTE 1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Cash, Cash Equivalents and Restricted Cash. We consider all investments purchased with original maturities of three months or less to be cash equivalents. As of September 30, 2020, restricted cash amounts included in Prepayments and Other on the Consolidated Balance Sheet include collateral deposits required under an ALLETE Clean Energy loan agreement. The restricted cash amounts included in Other Non-Current Assets represent collateral deposits required under ALLETE Clean Energy PSAs as well as loan and tax equity financing agreements. The December 31, 2018, balance presented also included deposits from a SWL&P customer in aid of future capital expenditures. The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the Consolidated Balance Sheet that aggregate to the amounts presented in the Consolidated Statement of Cash Flows.

Cash, Cash Equivalents and Restricted Cash	September 30, 2020	December 31, 2019	September 30, 2019	December 31, 2018
Millions				
Cash and Cash Equivalents	$79.0	$69.3	$100.3	$69.1
Restricted Cash included in Prepayments and Other	3.2	2.8	3.4	1.3
Restricted Cash included in Other Non-Current Assets	2.9	20.4	31.5	8.6
Cash, Cash Equivalents and Restricted Cash on the Consolidated Statement of Cash Flows	$85.1	$92.5	$135.2	$79.0

Inventories – Net. Inventories are stated at the lower of cost or net realizable value. Inventories in our Regulated Operations segment are carried at an average cost or first-in, first-out basis. Inventories in our ALLETE Clean Energy segment and Corporate and Other businesses are carried at an average cost, first-in, first-out or specific identification basis.

Inventories – Net	September 30, 2020	December 31, 2019
Millions		
Fuel *(a)*	$25.1	$25.9
Materials and Supplies	49.7	46.9
Total Inventories – Net	$74.8	$72.8

(a) Fuel consists primarily of coal inventory at Minnesota Power.

Other Non-Current Assets	September 30, 2020	December 31, 2019
Millions		
Contract Assets *(a)*	$26.1	$28.0
Operating Lease Right-of-use Assets	24.0	28.6
ALLETE Properties	21.2	21.9
Restricted Cash	2.9	20.4
Other Postretirement Benefit Plans	38.9	37.5
Other	83.1	81.8
Total Other Non-Current Assets	$196.2	$218.2

(a) Contract Assets consist of payments made to customers as an incentive to execute or extend service agreements. The contract payments are being amortized over the term of the respective agreements as a reduction to revenue.

Other Current Liabilities	September 30, 2020	December 31, 2019
Millions		
PSAs	$12.5	$12.3
Provision for Interim Rate Refund *(a)*	5.2	—
Fuel Adjustment Clause *(b)*	10.3	—
Operating Lease Liabilities	6.3	6.9
Other	36.4	41.2
Total Other Current Liabilities	$70.7	$60.4

(a) Provision for Interim Rate Refund represents reserves for interim rates resulting from the MPUC's approval of Minnesota Power's petition and proposal to resolve and withdraw its rate case. (See Note 2. Regulatory Matters.)

(b) See Note 2. Regulatory Matters.

Other Non-Current Liabilities	September 30, 2020	December 31, 2019
Millions		
Asset Retirement Obligation	$164.4	$160.3
PSAs	55.2	64.6
Operating Lease Liabilities	17.7	21.8
Other	48.2	46.3
Total Other Non-Current Liabilities	$285.5	$293.0

Other Income

Nine Months Ended September 30,	2020	2019
Millions		
Pension and Other Postretirement Benefit Plan Non-Service Credits *(a)*	$6.5	$5.2
Interest and Investment Income	0.4	3.3
AFUDC - Equity	1.8	1.9
Gain on Land Sales	0.5	2.1
Other	(0.1)	2.1
Total Other Income	$9.1	$14.6

(a) These are components of net periodic pension and other postretirement benefit cost other than service cost. (See Note 9. Pension and Other Postretirement Benefit Plans.)

Supplemental Statement of Cash Flows Information.

Nine Months Ended September 30,	2020	2019
Millions		
Cash Paid for Interest – Net of Amounts Capitalized	$48.8	$53.5
Recognition of Right-of-use Assets and Lease Liabilities	—	$30.4
Noncash Investing and Financing Activities		
Increase (Decrease) in Accounts Payable for Capital Additions to Property, Plant and Equipment	$(88.4)	$6.3
Capitalized Asset Retirement Costs	$2.1	$16.6
AFUDC–Equity	$1.8	$1.9

Sale of U.S. Water Services. In February 2019, the Company entered into a stock purchase agreement providing for the sale of U.S. Water Services to a subsidiary of Kurita Water Industries Ltd. In March 2019, ALLETE completed the sale and received approximately $270 million in cash, net of transaction costs and cash retained. The gain on sale of U.S. Water Services in 2019 was $13.2 million after-tax.

NOTE 1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-Controlling Interest in Subsidiaries. Non-controlling interest in subsidiaries on the Consolidated Balance Sheet and net loss attributable to non-controlling interest on the Consolidated Statement of Income represent the portion of equity ownership and earnings, respectively, of subsidiaries that are not attributable to equity holders of ALLETE. These amounts as of and during the quarter and nine months ended September 30, 2020, related to the tax equity financing structure for ALLETE Clean Energy's 106 MW Glen Ullin and 80 MW South Peak wind energy facilities.

On April 16, 2020, ALLETE Clean Energy commenced operations of South Peak, an 80 MW wind energy facility in Montana, and on April 29, 2020, received $67.8 million in cash, net of issuance costs, from a third-party investor as part of a tax equity financing for this wind energy facility.

Subsequent Events. The Company performed an evaluation of subsequent events for potential recognition and disclosure through the date of the financial statements issuance.

New Accounting Pronouncements.

Credit Losses. In 2016, the FASB issued an accounting standard update that requires entities to recognize an allowance for expected credit losses for financial instruments within its scope. Examples of financial instruments within the scope include trade receivables, certain financial guarantees, and held-to-maturity debt securities. The allowance for expected credit losses should be based on historical information, current conditions and reasonable and supportable forecasts. The new standard also revises the other-than-temporary impairment model for available-for-sale debt securities. The new guidance became effective January 1, 2020, and was adopted by the Company in the first quarter of 2020. Adoption of this standard did not have a material impact on our Consolidated Financial Statements.

NOTE 2. REGULATORY MATTERS

Regulatory matters are summarized in Note 4. Regulatory Matters to the Consolidated Financial Statements in our 2019 Form 10-K, with additional disclosure provided in the following paragraphs.

Electric Rates. Entities within our Regulated Operations segment file for periodic rate revisions with the MPUC, PSCW or FERC. As authorized by the MPUC, Minnesota Power also recognizes revenue under cost recovery riders for transmission, renewable, and environmental investments and expenditures. Revenue from cost recovery riders was $22.6 million for the nine months ended September 30, 2020 ($24.3 million for nine months ended September 30, 2019).

2020 Minnesota General Rate Case. In November 2019, Minnesota Power filed a retail rate increase request with the MPUC seeking an average increase of approximately 10.6 percent for retail customers. The rate filing sought a return on equity of 10.05 percent and a 53.81 percent equity ratio. On an annualized basis, the requested final rate increase would have generated approximately $66 million in additional revenue. In orders dated December 23, 2019, the MPUC accepted the filing as complete and authorized an annual interim rate increase of $36.1 million that began January 1, 2020.

On April 23, 2020, Minnesota Power filed a request with the MPUC that proposed a resolution of Minnesota Power's 2020 general rate case. Key components of our proposal included removing the power marketing margin credit in base rates and reflecting actual power marketing margins in the fuel adjustment clause effective May 1, 2020; refunding to customers interim rates collected through April 2020; increasing customer rates 4.1 percent compared to the 5.8 percent increase reflected in interim rates; and a provision that Minnesota Power would not file another rate case until at least November 1, 2021, unless certain events occur. In an order dated June 30, 2020, the MPUC approved Minnesota Power's petition and proposal to resolve and withdraw the general rate case. Effective May 1, 2020, customer rates were set at an increase of 4.1 percent with the removal of the power marketing margin credit from base rates. Actual power marketing margins will be reflected in the fuel adjustment clause on an ongoing basis. Reserves for interim rates of $11.7 million were recorded in the second quarter of 2020 of which $6.5 million were refunded in the third quarter. The remainder will be refunded in the fourth quarter of 2020.

NOTE 2. REGULATORY MATTERS (Continued)
Electric Rates (Continued)

Transmission Cost Recovery Rider. Minnesota Power has an approved cost recovery rider in place for certain transmission investments and expenditures. In a 2016 order, the MPUC approved Minnesota Power's updated customer billing rates allowing Minnesota Power to charge retail customers on a current basis for the costs of constructing certain transmission facilities plus a return on the capital invested. On July 9, 2019, Minnesota Power filed a petition seeking MPUC approval to update the customer billing factor to include investments made for the GNTL, which was approved at a hearing on May 14, 2020. (See Note 6. Commitments, Guarantees and Contingencies.)

Renewable Cost Recovery Rider. Minnesota Power has an approved cost recovery rider for certain renewable investments and expenditures. The cost recovery rider allows Minnesota Power to charge retail customers on a current basis for the costs of certain renewable investments plus a return on the capital invested. On August 15, 2019, Minnesota Power filed a petition seeking MPUC approval to update the customer billing factor, which was approved at a hearing on October 1, 2020.

On June 30, 2020, Minnesota Power filed a petition seeking MPUC approval of a customer billing rate for solar costs related to investments and expenditures for meeting the state of Minnesota's solar energy standard.

Fuel Adjustment Clause Reform. In a 2017 order, the MPUC adopted a program to implement certain procedural reforms to Minnesota utilities' automatic fuel adjustment clause (FAC) for fuel and purchased power. With this order, the method of accounting for all Minnesota electric utilities changed to a monthly budgeted, forward-looking FAC with annual prudence review and true-up to actual allowed costs. On May 1, 2019, Minnesota Power filed its fuel adjustment forecast for 2020, which was accepted by the MPUC in an order dated November 14, 2019, for purposes of setting fuel adjustment clause rates for 2020, subject to a true-up filing in 2021. On May 1, 2020, Minnesota Power filed its fuel adjustment forecast for 2021, subject to MPUC approval.

On March 2, 2020, Minnesota Power filed its fuel adjustment clause report covering July 2018 through December 2019. In an order dated September 16, 2020, the MPUC referred the review of Minnesota Power's forced outage costs during the period of the report, which totaled approximately $8 million, to an administrative law judge for a contested case hearing to determine if any of those costs should be returned to customers. A decision by the administrative law judge is expected in mid-2021. We cannot predict the outcome of this proceeding.

COVID-19 Related Deferred Accounting. In an order dated March 24, 2020, the PSCW authorized public utilities, which includes SWL&P, to defer expenditures incurred by the utility resulting from its compliance with state government or regulator orders, and as otherwise required to ensure the provision of safe, reliable and affordable access to utility services during Wisconsin's declared public health emergency for COVID-19. On April 20, 2020, Minnesota Power along with other regulated electric and natural gas service providers in Minnesota filed a joint petition to request MPUC authorization to track incremental costs and expenses incurred as a result of the COVID-19 pandemic, and to defer and record such costs as a regulatory asset, subject to recovery in a future proceeding. In an order dated May 22, 2020, the MPUC approved the joint petition requiring the joint petitioners to track cost and revenue impacts resulting from the COVID-19 pandemic with review for recovery in a future rate proceeding.

Minnesota Power submitted a petition in November 2020 to the MPUC requesting authority to track and record as a regulatory asset lost large industrial customer revenue resulting from the idling of USS Corporation's Keetac plant and Verso Corporation's paper mill in Duluth, Minnesota. Keetac and Verso represent revenue of approximately $30 million annually, net of associated expense savings such as fuel costs. Minnesota Power proposed in this petition to defer any lost revenue related to the idling of the Keetac facility and the Verso paper mill to its next general rate case or other proceeding for review for recovery by the MPUC.

NOTE 2. REGULATORY MATTERS (Continued)

Integrated Resource Plan. In a 2016 order, the MPUC approved Minnesota Power's 2015 IRP with modifications. The order accepted Minnesota Power's plans for the economic idling of Taconite Harbor Units 1 and 2 and the ceasing of coal-fired operations at Taconite Harbor in 2020, directed Minnesota Power to retire Boswell Units 1 and 2 no later than 2022, required an analysis of generation and demand response alternatives to be filed with a natural gas resource proposal, and required Minnesota Power to conduct requests for proposal for additional wind, solar and demand response resource additions. Minnesota Power retired Boswell Units 1 and 2 in the fourth quarter of 2018. The MPUC also has required a baseload retirement evaluation in Minnesota Power's next IRP filing analyzing its existing fleet, including potential early retirement scenarios of Boswell Units 3 and 4, as well as a securitization plan. Minnesota Power's next IRP filing was due October 1, 2020; however, on May 29, 2020, Minnesota Power filed a request to extend the deadline for submitting its next IRP filing citing the COVID-19 pandemic. In an order dated September 25, 2020, the MPUC granted an extension of the deadline for submission until February 1, 2021, with interim reports due in the fourth quarter of 2020. On October 1, 2020, Minnesota Power submitted an initial securitization report regarding Boswell Units 3 and 4 as required in the MPUC's order.

Nemadji Trail Energy Center. In 2017, Minnesota Power submitted a resource package to the MPUC which included requesting approval of a 250 MW natural gas capacity dedication agreement. The natural gas capacity dedication agreement was subject to MPUC approval of the construction of NTEC, a 525 MW to 550 MW combined-cycle natural gas-fired generating facility which will be jointly owned by Dairyland Power Cooperative and a subsidiary of ALLETE. Minnesota Power would purchase approximately 50 percent of the facility's output starting in 2025. In an order dated January 24, 2019, the MPUC approved Minnesota Power's request for approval of the NTEC natural gas capacity dedication agreement. On December 23, 2019, the Minnesota Court of Appeals reversed and remanded the MPUC's decision to approve certain affiliated-interest agreements. The MPUC was ordered to determine whether NTEC may have the potential for significant environmental effects and, if so, to prepare an environmental assessment before reassessing the agreements. On January 22, 2020, Minnesota Power filed a petition for further review with the Minnesota Supreme Court requesting that it review and overturn the Minnesota Court of Appeals decision, which petition was accepted for review by the Minnesota Supreme Court with oral arguments held on October 6, 2020. There is no deadline for the Minnesota Supreme Court to issue a ruling. On January 8, 2019, an application for a certificate of public convenience and necessity for NTEC was submitted to the PSCW, which was approved by the PSCW at a hearing on January 16, 2020. Construction of NTEC is subject to obtaining additional permits from local, state and federal authorities. The total project cost is estimated to be approximately $700 million, of which ALLETE's portion is expected to be approximately $350 million. ALLETE's portion of NTEC project costs incurred through September 30, 2020, is approximately $14 million.

Conservation Improvement Program. On July 1, 2020, Minnesota Power submitted its CIP triennial filing for 2021 through 2023 to the MPUC, which outlines Minnesota Power's CIP spending and energy-saving goals for those years. Minnesota Power's CIP investment goals are $10.5 million for 2021, $10.7 million for 2022 and $10.9 million for 2023, subject to MPUC approval.

On May 1, 2020, Minnesota Power submitted its 2019 consolidated filing detailing Minnesota Power's CIP program results and requesting a CIP financial incentive of $2.4 million based upon MPUC procedures, which was recognized in the third quarter of 2020 upon approval by the MPUC in an order dated August 18, 2020. In 2019, the CIP financial incentive of $2.8 million was recognized in the third quarter upon approval by the MPUC of Minnesota Power's 2018 CIP consolidated filing. CIP financial incentives are recognized in the period in which the MPUC approves the filing.

MISO Return on Equity Complaint. MISO transmission owners, including ALLETE and ATC, have an authorized return on equity of 10.02 percent, or 10.52 percent including an incentive adder for participation in a regional transmission organization, based on a May 21, 2020, FERC order that granted rehearing of a November 2019 FERC order, which had reduced the base return on equity for regional transmission organizations to 9.88 percent, or 10.38 percent including an incentive adder.

NOTE 2. REGULATORY MATTERS (Continued)

Minnesota Solar Energy Standard. On May 20, 2020, the MPUC issued a notice requesting all regulated gas and electric utilities provide a list of all ongoing, planned, or possible investments that support Minnesota's energy policy objectives and aid economic recovery in Minnesota, among other items. On June 17, 2020, Minnesota Power filed a response which included outlining a proposal to accelerate its plans for solar energy with an estimated $40 million investment in approximately 20 MW of solar energy projects in Minnesota.

Regulatory Assets and Liabilities. Our regulated utility operations are subject to accounting guidance for the effect of certain types of regulation. Regulatory assets represent incurred costs that have been deferred as they are probable for recovery in customer rates. Regulatory liabilities represent obligations to make refunds to customers and amounts collected in rates for which the related costs have not yet been incurred. The Company assesses quarterly whether regulatory assets and liabilities meet the criteria for probability of future recovery or deferral. With the exception of the regulatory asset for Boswell Units 1 and 2 net plant and equipment, no other regulatory assets are currently earning a return. The recovery, refund or credit to rates for these regulatory assets and liabilities will occur over the periods either specified by the applicable regulatory authority or over the corresponding period related to the asset or liability.

Regulatory Assets and Liabilities	September 30, 2020	December 31, 2019
Millions		
Non-Current Regulatory Assets		
Defined Benefit Pension and Other Postretirement Benefit Plans	$204.9	$212.9
Income Taxes	122.3	123.4
Cost Recovery Riders	46.8	24.7
Asset Retirement Obligations	31.6	32.0
Manufactured Gas Plant	8.7	8.2
Boswell Units 1 and 2 Net Plant and Equipment	6.4	10.7
PPACA Income Tax Deferral	4.6	4.8
Other	2.6	3.8
Total Non-Current Regulatory Assets	$427.9	$420.5
Current Regulatory Liabilities *(a)*		
Fuel Adjustment Clause *(b)*	$10.3	—
Provision for Interim Rate Refund *(c)*	5.2	—
Transmission Formula Rates Refund	1.0	$1.7
Other	1.6	0.2
Total Current Regulatory Liabilities	18.1	1.9
Non-Current Regulatory Liabilities		
Income Taxes	388.0	407.2
Wholesale and Retail Contra AFUDC	86.9	79.3
Plant Removal Obligations	41.1	35.5
Defined Benefit Pension and Other Postretirement Benefit Plans	12.6	17.0
North Dakota Investment Tax Credits	12.1	12.3
Conservation Improvement Program	3.1	5.4
Other	3.3	3.6
Total Non-Current Regulatory Liabilities	547.1	560.3
Total Regulatory Liabilities	$565.2	$562.2

(a) Current regulatory liabilities are presented within Other Current Liabilities on the Consolidated Balance Sheet.

(b) Fuel adjustment clause regulatory liability represents the amount expected to be refunded to customers for the over-collection of fuel adjustment clause recoveries. (See Fuel Adjustment Clause Reform.)

(c) Provision for Interim Rate Refund represents reserves for interim rates resulting from the MPUC's approval of Minnesota Power's petition and proposal to resolve and withdraw its rate case. This amount is expected to be refunded to Minnesota Power regulated retail customers in the fourth quarter of 2020. (See 2020 Minnesota General Rate Case.)

NOTE 3. EQUITY INVESTMENTS

Investment in ATC. Our wholly-owned subsidiary, ALLETE Transmission Holdings, owns approximately 8 percent of ATC, a Wisconsin-based utility that owns and maintains electric transmission assets in portions of Wisconsin, Michigan, Minnesota and Illinois. We account for our investment in ATC under the equity method of accounting. For the nine months ended September 30, 2020, we invested $2.0 million in ATC, and on October 30, 2020, we invested an additional $0.8 million. We do not expect to make any additional investments in 2020.

ALLETE's Investment in ATC

Millions	
Equity Investment Balance as of December 31, 2019	$141.6
Cash Investments	2.0
Equity in ATC Earnings *(a)*	16.7
Distributed ATC Earnings	(14.4)
Amortization of the Remeasurement of Deferred Income Taxes	0.9
Equity Investment Balance as of September 30, 2020	$146.8

(a) Equity in ATC Earnings includes $1.2 million of additional earnings resulting from the FERC's May 21, 2020, order increasing ATC's authorized return on equity to 10.52 percent including an incentive adder for participation in a regional transmission organization.

ATC's authorized return on equity is 10.02 percent, or 10.52 percent including an incentive adder for participation in a regional transmission organization, based on a May 21, 2020, FERC order that granted rehearing of a November 2019 FERC order. (See Note 2. Regulatory Matters.)

Investment in Nobles 2. Our wholly-owned subsidiary, ALLETE South Wind, owns 49 percent of Nobles 2, the entity that will own and operate a 250 MW wind energy facility in southwestern Minnesota pursuant to a 20-year PPA with Minnesota Power. We account for our investment in Nobles 2 under the equity method of accounting. As of September 30, 2020, our equity investment in Nobles 2 was $145.0 million ($56.0 million at December 31, 2019). For the nine months ended September 30, 2020, we invested $89.0 million in Nobles 2, and in October 2020 we invested an additional $0.7 million. We expect to make approximately $25 million in additional investments in 2020.

NOTE 4. FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). We utilize market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable. We primarily apply the market approach for recurring fair value measurements and endeavor to utilize the best available information. Accordingly, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs, which are used to measure fair value, are prioritized through the fair value hierarchy. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). Descriptions of the three levels of the fair value hierarchy are discussed in Note 7. Fair Value to the Consolidated Financial Statements in our 2019 Form 10-K.

The following tables set forth, by level within the fair value hierarchy, our assets and liabilities that were accounted for at fair value on a recurring basis as of September 30, 2020, and December 31, 2019. Each asset and liability is classified based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment, which may affect the valuation of these assets and liabilities and their placement within the fair value hierarchy levels. The estimated fair value of Cash and Cash Equivalents listed on the Consolidated Balance Sheet approximates the carrying amount and therefore is excluded from the recurring fair value measures in the following tables.

NOTE 4. FAIR VALUE (Continued)

Recurring Fair Value Measures	Fair Value as of September 30, 2020 Level 1	Level 2	Level 3	Total
Millions				
Assets				
Investments *(a)*				
Available-for-sale – Equity Securities	$10.4	—	—	$10.4
Available-for-sale – Corporate and Governmental Debt Securities *(b)*	—	$10.5	—	10.5
Cash Equivalents	1.3	—	—	1.3
Total Fair Value of Assets	$11.7	$10.5	—	$22.2
Liabilities				
Deferred Compensation *(c)*	—	$21.3	—	$21.3
Total Fair Value of Liabilities	—	$21.3	—	$21.3
Total Net Fair Value of Assets (Liabilities)	$11.7	$(10.8)	—	$0.9

Recurring Fair Value Measures	Fair Value as of December 31, 2019 Level 1	Level 2	Level 3	Total
Millions				
Assets				
Investments *(a)*				
Available-for-sale – Equity Securities	$11.1	—	—	$11.1
Available-for-sale – Corporate and Governmental Debt Securities	—	$9.7	—	9.7
Cash Equivalents	0.9	—	—	0.9
Total Fair Value of Assets	$12.0	$9.7	—	$21.7
Liabilities				
Deferred Compensation *(c)*	—	$21.2	—	$21.2
Total Fair Value of Liabilities	—	$21.2	—	$21.2
Total Net Fair Value of Assets (Liabilities)	$12.0	$(11.5)	—	$0.5

(a) Included in Other Non-Current Assets on the Consolidated Balance Sheet.
(b) As of September 30, 2020, the aggregate amount of available-for-sale corporate and governmental debt securities maturing in one year or less was $2.6 million, in one year to less than three years was $4.3 million, in three years to less than five years was $3.3 million and in five or more years was $0.3 million.
(c) Included in Other Non-Current Liabilities on the Consolidated Balance Sheet.

Fair Value of Financial Instruments. With the exception of the item listed in the following table, the estimated fair value of all financial instruments approximates the carrying amount. The fair value of the item listed in the following table was based on quoted market prices for the same or similar instruments (Level 2).

Financial Instruments	Carrying Amount	Fair Value
Millions		
Short-Term and Long-Term Debt *(a)*		
September 30, 2020	$2,022.5	$2,322.1
December 31, 2019	$1,622.6	$1,791.8

(a) Excludes unamortized debt issuance costs.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis. Non-financial assets such as equity method investments, land inventory, and property, plant and equipment are measured at fair value when there is an indicator of impairment and recorded at fair value only when an impairment is recognized. For the quarter and nine months ended September 30, 2020, and the year ended December 31, 2019, there were no indicators of impairment for these non-financial assets.

We continue to monitor changes in the broader energy markets that could indicate impairment at an ALLETE Clean Energy wind energy facility which currently has undiscounted future cash flows that are marginally in excess of the asset carrying value of approximately $11 million. A continued decline in energy prices would likely result in a future impairment.

NOTE 5. SHORT-TERM AND LONG-TERM DEBT

The following tables present the Company's short-term and long-term debt as of September 30, 2020, and December 31, 2019:

September 30, 2020	Principal	Unamortized Debt Issuance Costs	Total
Millions			
Short-Term Debt	$404.8	$(0.3)	$404.5
Long-Term Debt	1,617.7	(9.7)	1,608.0
Total Debt	$2,022.5	$(10.0)	$2,012.5

December 31, 2019	Principal	Unamortized Debt Issuance Costs	Total
Millions			
Short-Term Debt	$213.3	$(0.4)	$212.9
Long-Term Debt	1,409.3	(8.4)	1,400.9
Total Debt	$1,622.6	$(8.8)	$1,613.8

We had $22.3 million outstanding in standby letters of credit and no outstanding draws under our lines of credit as of September 30, 2020 ($62.0 million in standby letters of credit and no outstanding draws as of December 31, 2019).

On January 10, 2020, ALLETE entered into a $200 million unsecured term loan agreement (Term Loan) of which we have borrowed the full amount as of September 30, 2020. The Term Loan is due on February 10, 2021, and may be repaid at any time. Interest is payable monthly at a rate per annum equal to LIBOR plus 0.55 percent. Proceeds from the Term Loan were used for construction-related expenditures.

On August 3, 2020, ALLETE issued first mortgage bonds (Bonds) to certain institutional buyers in the private placement market as follows:

Maturity Date	Principal Amount	Interest Rate
August 1, 2030	$46 Million	2.50%
August 1, 2050	$94 Million	3.30%

ALLETE has the option to prepay all or a portion of the Bonds at its discretion, subject to a make-whole provision. The Bonds are subject to additional terms and conditions which are customary for these types of transactions. ALLETE used the proceeds from the sale of the Bonds to fund utility capital investment and for general corporate purposes. The Bonds were sold in reliance on an exemption from registration under Section 4(a)(2) of the Securities Act of 1933, as amended, to institutional accredited investors.

On April 8, 2020, ALLETE entered into a $115 million unsecured term loan agreement (Term Loan) and borrowed $95 million upon execution. The additional draw of $20 million provided for under the Term Loan was made in July 2020. The Term Loan is due on April 7, 2021, and may be repaid at any time. Interest is payable monthly at a rate per annum equal to LIBOR plus 1.7 percent with a LIBOR floor of 0.75 percent. Proceeds from the Term Loan were used for general corporate purposes.

On September 10, 2020, ALLETE sold $150 million of the Company's senior unsecured notes (Notes) to certain institutional buyers in the private placement market. The Notes were sold in reliance on an exemption from registration under Section 4(a)(2) of the Securities Act of 1933, as amended, to institutional accredited investors. The Notes bear interest at a rate of 2.65 percent and mature on September 10, 2025.

Interest on the Notes is payable semi-annually on March 1 and September 1 of each year, commencing on March 1, 2021. The Company has the option to prepay all or a portion of the Notes at its discretion, subject to a make-whole provision. The Notes are subject to additional terms and conditions which are customary for these types of transactions. Proceeds from the sale of the Notes were used for construction-related expenditures and general corporate purposes.

NOTE 5. SHORT-TERM AND LONG-TERM DEBT (Continued)

Financial Covenants. Our long-term debt arrangements contain customary covenants. In addition, our lines of credit and letters of credit supporting certain long-term debt arrangements contain financial covenants. Our compliance with financial covenants is not dependent on debt ratings. The most restrictive financial covenant requires ALLETE to maintain a ratio of indebtedness to total capitalization (as the amounts are calculated in accordance with the respective long-term debt arrangements) of less than or equal to 0.65 to 1.00, measured quarterly. As of September 30, 2020, our ratio was approximately 0.46 to 1.00. Failure to meet this covenant would give rise to an event of default if not cured after notice from the lender, in which event ALLETE may need to pursue alternative sources of funding. Some of ALLETE's debt arrangements contain "cross-default" provisions that would result in an event of default if there is a failure under other financing arrangements to meet payment terms or to observe other covenants that would result in an acceleration of payments due. ALLETE has no significant restrictions on its ability to pay dividends from retained earnings or net income. As of September 30, 2020, ALLETE was in compliance with its financial covenants.

NOTE 6. COMMITMENTS, GUARANTEES AND CONTINGENCIES

Power Purchase and Sale Agreements. Our long-term PPAs have been evaluated under the accounting guidance for variable interest entities. We have determined that either we have no variable interest in the PPAs or, where we do have variable interests, we are not the primary beneficiary; therefore, consolidation is not required. These conclusions are based on the fact that we do not have both control over activities that are most significant to the entity and an obligation to absorb losses or receive benefits from the entity's performance. Our financial exposure relating to these PPAs is limited to our capacity and energy payments.

Our PPAs are summarized in Note 9. Commitments, Guarantees and Contingencies to the Consolidated Financial Statements in our 2019 Form 10-K, with additional disclosure provided in the following paragraphs.

Square Butte PPA. As of September 30, 2020, Square Butte had total debt outstanding of $271.4 million. Fuel expenses are recoverable through Minnesota Power's fuel adjustment clause and include the cost of coal purchased from BNI Energy under a long-term contract. Minnesota Power's cost of power purchased from Square Butte during the nine months ended September 30, 2020, was $59.9 million ($61.3 million for the same period in 2019). This reflects Minnesota Power's pro rata share of total Square Butte costs based on the 50 percent output entitlement. Included in this amount was Minnesota Power's pro rata share of interest expense of $5.4 million ($6.3 million for the same period in 2019). Minnesota Power's payments to Square Butte are approved as a purchased power expense for ratemaking purposes by both the MPUC and the FERC.

Minnkota Power PSA. Minnesota Power has a PSA with Minnkota Power, which commenced in 2014. Under the PSA, Minnesota Power is selling a portion of its entitlement from Square Butte to Minnkota Power, resulting in Minnkota Power's net entitlement increasing and Minnesota Power's net entitlement decreasing until Minnesota Power's share is eliminated at the end of 2025. Of Minnesota Power's 50 percent output entitlement, it sold to Minnkota Power approximately 28 percent in 2020 and in 2019.

Minnesota Power Short-term PSAs. Minnesota Power has entered into various short-term PSAs to sell 300 MW of energy in the fourth quarter of 2020 and 2021. These PSAs were entered into to proactively mitigate the uncertainty of customers' energy needs and potential load loss due to the COVID-19 pandemic. Additional transactions, purchases or sales, could be entered into as the extent and duration of the COVID-19 pandemic becomes known.

Coal, Rail and Shipping Contracts. Minnesota Power has coal supply agreements providing for the purchase of a significant portion of its coal requirements through December 2021. Minnesota Power also has coal transportation agreements in place for the delivery of a significant portion of its coal requirements through December 2021. The costs of fuel and related transportation costs for Minnesota Power's generation are recoverable from Minnesota Power's retail and municipal utility customers through the fuel adjustment clause.

Transmission. We continue to make investments in transmission opportunities that strengthen or enhance the transmission grid or take advantage of our geographical location between sources of renewable energy and end users. These include the GNTL, investments to enhance our own transmission facilities, investments in other transmission assets (individually or in combination with others) and our investment in ATC.

NOTE 6. COMMITMENTS, GUARANTEES AND CONTINGENCIES (Continued)
Transmission (Continued)

Great Northern Transmission Line. As a condition of the 250-MW long-term PPA entered into with Manitoba Hydro, construction of additional transmission capacity was required. As a result, Minnesota Power constructed the GNTL, an approximately 220-mile 500-kV transmission line between Manitoba and Minnesota's Iron Range that was proposed by Minnesota Power and Manitoba Hydro in order to strengthen the electric grid, enhance regional reliability and promote a greater exchange of sustainable energy. On June 1, 2020, Minnesota Power placed the GNTL into service with project costs of approximately $310 million incurred by Minnesota Power through September 30, 2020. Total project costs, including those costs contributed by a subsidiary of Manitoba Hydro, incurred through September 30, 2020 totaled approximately $660 million. Also on June 1, 2020, Manitoba Hydro placed the MMTP into service.

Environmental Matters.

Our businesses are subject to regulation of environmental matters by various federal, state and local authorities. A number of regulatory changes to the Clean Air Act, the Clean Water Act and various waste management requirements have been promulgated by both the EPA and state authorities over the past several years. Minnesota Power's facilities are subject to additional requirements under many of these regulations. Minnesota Power is reshaping its generation portfolio, over time, to reduce its reliance on coal, has installed cost-effective emission control technology, and advocates for sound science and policy during rulemaking implementation.

We consider our businesses to be in substantial compliance with currently applicable environmental regulations and believe all necessary permits have been obtained. We anticipate that with many state and federal environmental regulations and requirements finalized, or to be finalized in the near future, potential expenditures for future environmental matters may be material and require significant capital investments. Minnesota Power has evaluated various environmental compliance scenarios using possible outcomes of environmental regulations to project power supply trends and impacts on customers.

We review environmental matters on a quarterly basis. Accruals for environmental matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on current law and existing technologies. Accruals are adjusted as assessment and remediation efforts progress, or as additional technical or legal information becomes available. Accruals for environmental liabilities are included in the Consolidated Balance Sheet at undiscounted amounts and exclude claims for recoveries from insurance or other third parties. Costs related to environmental contamination treatment and cleanup are expensed unless recoverable in rates from customers.

Air. The electric utility industry is regulated both at the federal and state level to address air emissions. Minnesota Power's thermal generating facilities mainly burn low-sulfur western sub-bituminous coal. All of Minnesota Power's coal-fired generating facilities are equipped with pollution control equipment such as scrubbers, baghouses and low NO_X technologies. Under currently applicable environmental regulations, these facilities are substantially compliant with emission requirements.

Cross-State Air Pollution Rule (CSAPR). The CSAPR requires certain states in the eastern half of the U.S., including Minnesota, to reduce power plant emissions that contribute to ozone or fine particulate pollution in other states. The CSAPR does not require installation of controls but does require facilities have sufficient allowances to cover their emissions on an annual basis. These allowances are allocated to facilities from each state's annual budget, and can be bought and sold. Based on our review of the NO_x and SO_2 allowances issued and pending issuance, we currently expect generation levels and emission rates will result in continued compliance with the CSAPR. The ongoing CSAPR "good neighbor" provision and interstate transport litigation is also not currently projected to affect Minnesota Power's CSAPR compliance. The State of Minnesota has not been identified by the downwind litigant states as a culpable upwind source, and previous EPA air quality modeling has demonstrated that Minnesota is not a significant contributor to downwind air quality attainment challenges. Minnesota Power also does not currently anticipate being affected by the EPA's expected upcoming rulemakings to address the remand of certain CSAPR rules. Minnesota Power will continue to monitor ongoing CSAPR litigation and associated rulemakings.

National Ambient Air Quality Standards (NAAQS). The EPA is required to review the NAAQS every five years. If the EPA determines that a state's air quality is not in compliance with the NAAQS, the state is required to adopt plans describing how it will reduce emissions to attain the NAAQS. Minnesota Power actively monitors NAAQS developments and compliance costs for existing standards or proposed NAAQS revisions are not expected to be material.

NOTE 6. COMMITMENTS, GUARANTEES AND CONTINGENCIES (Continued)
Environmental Matters (Continued)

Climate Change. The scientific community generally accepts that emissions of GHG are linked to global climate change which creates physical and financial risks. Physical risks could include, but are not limited to: increased or decreased precipitation and water levels in lakes and rivers; increases or other changes in temperatures; and changes in the intensity and frequency of extreme weather events. These all have the potential to affect the Company's business and operations. We are addressing climate change by taking the following steps that also ensure reliable and environmentally compliant generation resources to meet our customers' requirements:

- Expanding renewable power supply for both our operations and the operations of others;
- Providing energy conservation initiatives for our customers and engaging in other demand side management efforts;
- Improving efficiency of our generating facilities;
- Supporting research of technologies to reduce carbon emissions from generating facilities and carbon sequestration efforts;
- Evaluating and developing less carbon intensive future generating assets such as efficient and flexible natural gas-fired generating facilities;
- Managing vegetation on right-of-way corridors to reduce potential wildfire or storm damage risks; and
- Practicing sound forestry management in our service territories to create landscapes more resilient to disruption from climate-related changes, including planting and managing long-lived conifer species.

EPA Regulation of GHG Emissions. On June 19, 2019, the EPA finalized several separate rulemakings regarding regulating carbon emissions from electric utility generating units.

The EPA repealed the Clean Power Plan (CPP), following a determination by the EPA that the CPP exceeded the EPA's statutory authority under the Clean Air Act (CAA). The primary reason for the repeal was the CPP's attempt to regulate electric generating unit's carbon emissions through measures outside of the affected unit's direct control. The CPP was first announced as a proposed rule under Section 111(d) of the Clean Air Act for existing power plants entitled "Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Generating Units".

With the repeal of the CPP, the Affordable Clean Energy Rule was finalized. The rule establishes emissions guidelines for states to use when developing plans to limit carbon dioxide at coal-fired power plants. The rule identifies heat rate improvements made at individual units as the best system of emission reduction. Affected facilities for Minnesota Power include Boswell Units 3 and 4, and Taconite Harbor Units 1 and 2, which are currently economically idled. Based on our initial review of the rule, many of the candidate heat rate improvements are already installed on Boswell Units 3 and 4.

Additionally, the EPA finalized new regulations for the state implementation of the Affordable Clean Energy Rule and any future emission guidelines issued under CAA Section 111(d). States will have three years to submit SIPs, and the EPA has 12 months to review and approve those plans. Since the Affordable Clean Energy Rule allows states considerable flexibility in how to best implement its requirements, Minnesota Power plans to work closely with the MPCA and the Minnesota Department of Commerce, who are currently co-reviewing the rule as the state develops its SIP. If a state does not submit a SIP or submits a SIP that is unacceptable to the EPA, the EPA will develop a Federal Implementation Plan. The MPCA currently plans to develop a SIP for the Affordable Clean Energy Rule and Minnesota Power is working with the MPCA to provide requested information for the SIP. Minnesota Power is also monitoring legal challenges to the rule and any potential impacts their outcome may have to the Affordable Clean Energy Rule or the development of Minnesota's SIP.

Minnesota had already initiated several measures consistent with those called for under the now repealed CPP and finalized Affordable Clean Energy Rule. Minnesota Power continues implementing its *EnergyForward* strategic plan that provides for significant emission reductions and diversifying its electricity generation mix to include more renewable and natural gas energy. We are unable to predict the GHG emission compliance costs we might incur as a result of the Affordable Clean Energy Rule and the resulting SIP; however, the costs could be material. Minnesota Power would seek recovery of additional costs through a rate proceeding.

NOTE 6. COMMITMENTS, GUARANTEES AND CONTINGENCIES (Continued)
Environmental Matters (Continued)

Water. The Clean Water Act requires NPDES permits be obtained from the EPA (or, when delegated, from individual state pollution control agencies) for any wastewater discharged into navigable waters. We have obtained all necessary NPDES permits, including NPDES storm water permits for applicable facilities, to conduct our operations.

Steam Electric Power Generating Effluent Limitations Guidelines. In 2015, the EPA issued revised federal effluent limitation guidelines (ELG) for steam electric power generating stations under the Clean Water Act. It set effluent limits and prescribed BACT for several wastewater streams, including flue gas desulphurization (FGD) water, bottom ash transport water and coal combustion landfill leachate. In 2017, the EPA announced a two-year postponement of the ELG compliance date of November 1, 2018, to November 1, 2020, while the agency reconsidered the bottom ash transport water and FGD wastewater provisions. On April 12, 2019, the U.S. Court of Appeals for the Fifth Circuit vacated and remanded back to the EPA portions of the ELG that allowed for continued discharge of legacy wastewater and leachate. On October 13, 2020, the EPA published a final ELG Rule allowing re-use of bottom ash transport water in FGD scrubber systems with limited discharges related to maintaining system water balance. The rule sets technology standards and numerical pollutant limits for discharges of bottom ash transport water and FGD wastewater. Compliance deadlines depend on subcategory, with compliance generally required as soon as possible, beginning after October 13, 2021, but no later than December 31, 2023, or December 31, 2028 in some specific cases. The rule also establishes new subcategories for retiring high-flow and low-utilization units, and establishes a voluntary incentives program for FGD wastewater.

The ELG's potential impact on Minnesota Power operations is primarily at Boswell. Boswell currently discharges bottom ash contact water through its NPDES permit, and also has a closed-loop FGD system that does not discharge to surface waters, but may do so in the future if additional water treatment measures are implemented. With Boswell’s planned conversion to dry FGD handling and storage, ongoing FGD water generation will be reduced, and the majority of FGD waters will be legacy waters to be dewatered from existing impoundments. Re-use and onsite consumption for the majority of FGD waters is planned at Boswell.

Under the new ELG rule, most bottom ash transport water discharge to surface waters must cease no later than December 31, 2025, except for small discharges needed to retain water balance. The majority of bottom ash transport water will either need to be re-used in a closed-loop process or routed to a FGD scrubber. At Boswell, the bottom ash handling systems are planned to be converted to a dry process, which will eliminate bottom ash transport water. Re-use and onsite consumption of any residual bottom ash contact water is planned at Boswell post-ELG bottom ash discharge restriction deadlines.

The EPA’s additional reconsideration of legacy wastewater discharge requirements have the potential to reduce timelines for dewatering Boswell’s existing bottom ash pond. The timing of a draft rule addressing legacy wastewater and leachate is currently unknown.

At this time, we estimate that the planned dry conversion of bottom ash handling and storage at Boswell in response to the CCR revisions requiring closure of clay-lined impoundments, as well as other water re-use practices, will reduce or eliminate the need for additional significant compliance costs for ELG bottom ash water and FGD requirements. Compliance costs we might incur related to other ELG waste streams (e.g. legacy leachate) or other potential future water discharge regulations cannot be estimated; however, the costs could be material, including costs associated with wastewater treatment and re-use. Minnesota Power would seek recovery of additional costs through a rate proceeding.

Solid and Hazardous Waste. The Resource Conservation and Recovery Act of 1976 regulates the management and disposal of solid and hazardous wastes. We are required to notify the EPA of hazardous waste activity and, consequently, routinely submit reports to the EPA.

Coal Ash Management Facilities. Minnesota Power has the ability to store or dispose of coal ash at four of its electric generating facilities by the following methods: storing ash in clay-lined onsite impoundments (ash ponds), disposing of dry ash in a lined dry ash landfill, applying ash to land as an approved beneficial use and trucking ash to state permitted landfills.

Coal Combustion Residuals from Electric Utilities (CCR). In 2015, the EPA published the final rule regulating CCR as nonhazardous waste under Subtitle D of the Resource Conservation and Recovery Act (RCRA) in the Federal Register. The rule includes additional requirements for new landfill and impoundment construction as well as closure activities related to certain existing impoundments. Costs of compliance for Boswell and Laskin are expected to occur primarily over the next 15 years and be between approximately $65 million and $120 million. Compliance costs for CCR at Taconite Harbor are not expected to be material. Minnesota Power would seek recovery of additional costs through a rate proceeding.

NOTE 6. COMMITMENTS, GUARANTEES AND CONTINGENCIES (Continued)
Environmental Matters (Continued)

Minnesota Power continues to work on minimizing costs through evaluation of beneficial re-use and recycling of CCR and CCR-related waters. In 2017, the EPA announced its intention to formally reconsider the CCR rule under Subtitle D of the RCRA. In March 2018, the EPA published the first phase of the proposed rule revisions in the Federal Register. In July 2018, the EPA finalized revisions to elements of the CCR rule, including extending certain deadlines by two years, the establishment of alternative groundwater protection standards for certain constituents and the potential for risk-based management options at facilities based on site characteristics. In August 2018, a U.S. District Court for the District of Columbia decision vacated specific provisions of the CCR rule. The court decision changed the status of three existing clay-lined impoundments at Boswell that must now be considered unlined. The EPA proposed additional rule revisions in August and December 2019 to address outstanding issues from litigation and closure timelines for unlined impoundments, respectively. The first of these rules, CCR Rule Part A, was finalized on September 28, 2020. The Part A Rule revision requires unlined impoundments to cease disposal of waste as soon as technically feasible but no later than April 11, 2021. Minnesota Power intends to seek EPA approval to extend the closure date for the two active Boswell impoundments. Additionally, the EPA recently released a proposed Part B rulemaking that addresses options for beneficial reuse of CCR materials, alternative liner demonstrations, and other CCR regulatory revisions. A final Part B Rule is expected in late 2020. Expected compliance costs at Boswell due to the court decision and subsequent rule revisions are reflected in our estimate of compliance costs for the CCR rule noted previously. Minnesota Power would seek recovery of additional costs through a rate proceeding.

Other Environmental Matters

Manufactured Gas Plant Site. We are reviewing and addressing environmental conditions at a former manufactured gas plant site located in Superior, Wisconsin. SWL&P has been working with the Wisconsin Department of Natural Resources (WDNR) in determining the extent of contamination at the site and surrounding properties. In December 2017, the WDNR authorized SWL&P to transition from site investigation into the remedial design process. As of September 30, 2020, we have recorded a liability of approximately $7 million for remediation costs at this site (approximately $7 million as of December 31, 2019); however, SWL&P continues to work with the WDNR on the extent of contamination which may result in additional remediation costs being identified. SWL&P has also recorded an associated regulatory asset as we expect recovery of these remediation costs to be allowed by the PSCW. Remediation costs are expected to be incurred through 2023.

Other Matters.

Letters of Credit and Surety Bonds.

We have multiple credit facility agreements in place that provide the ability to issue standby letters of credit to satisfy our contractual security requirements across our businesses. As of September 30, 2020, we had $106.7 million of outstanding letters of credit issued, including those issued under our revolving credit facility.

Regulated Operations. As of September 30, 2020, we had $28.8 million outstanding in standby letters of credit at our Regulated Operations which are pledged as security for MISO and state agency agreements as well as energy facilities under development.

ALLETE Clean Energy. ALLETE Clean Energy's wind energy facilities have PSAs in place for their entire output and expire in various years between 2022 and 2039. As of September 30, 2020, ALLETE Clean Energy has $63.9 million outstanding in standby letters of credit, the majority of which are pledged as security under these PSAs and PSAs for wind energy facilities under development.

Corporate and Other.

Investment in Nobles 2. Construction of the Nobles 2 wind energy facility requires standby letters of credit as security for certain contractual obligations. As of September 30, 2020, ALLETE South Wind has $14.0 million outstanding in standby letters of credit, related to our portion of the security requirements relative to our ownership in Nobles 2.

BNI Energy. As of September 30, 2020, BNI Energy had surety bonds outstanding of $67.7 million related to the reclamation liability for closing costs associated with its mine and mine facilities. Although its coal supply agreements obligate the customers to provide for the closing costs, additional assurance is required by federal and state regulations. BNI Energy's total reclamation liability is currently estimated at $67.3 million. BNI Energy does not believe it is likely that any of these outstanding surety bonds will be drawn upon.

NOTE 6. COMMITMENTS, GUARANTEES AND CONTINGENCIES (Continued)
Other Matters (Continued)

ALLETE Properties. As of September 30, 2020, ALLETE Properties had surety bonds outstanding and letters of credit to governmental entities totaling $2.3 million primarily related to development and maintenance obligations for various projects. The estimated cost of the remaining development work is $1.3 million. ALLETE Properties does not believe it is likely that any of these outstanding surety bonds or letters of credit will be drawn upon.

Community Development District Obligations. As of September 30, 2020, we owned 53 percent of the assessable land in the Town Center District (53 percent as of December 31, 2019). As of September 30, 2020, ownership levels, our annual assessments related to capital improvement and special assessment bonds for the ALLETE Properties project within the district is approximately $1.9 million. As we sell property at this project, the obligation to pay special assessments will pass to the new landowners. In accordance with accounting guidance, these bonds are not reflected as debt on our Consolidated Balance Sheet.

Legal Proceedings.

We are involved in litigation arising in the normal course of business. Also in the normal course of business, we are involved in tax, regulatory and other governmental audits, inspections, investigations and other proceedings that involve state and federal taxes, safety, and compliance with regulations, rate base and cost of service issues, among other things. We do not expect the outcome of these matters to have a material effect on our financial position, results of operations or cash flows.

NOTE 7. EARNINGS PER SHARE AND COMMON STOCK

We compute basic earnings per share using the weighted average number of shares of common stock outstanding during each period. The difference between basic and diluted earnings per share, if any, arises from non-vested restricted stock units and performance share awards granted under our Executive Long-Term Incentive Compensation Plan.

	2020			2019		
Reconciliation of Basic and Diluted Earnings Per Share	**Basic**	**Dilutive Securities**	**Diluted**	**Basic**	**Dilutive Securities**	**Diluted**
Millions Except Per Share Amounts						
Quarter ended September 30,						
Net Income Attributable to ALLETE	$40.7		$40.7	$31.2		$31.2
Average Common Shares	51.9	0.1	52.0	51.7	0.1	51.8
Earnings Per Share	$0.78		$0.78	$0.60		$0.60
Nine Months Ended September 30,						
Net Income Attributable to ALLETE	$127.1		$127.1	$135.9		$135.9
Average Common Shares	51.8	0.1	51.9	51.6	0.1	51.7
Earnings Per Share	$2.45		$2.45	$2.63		$2.63

NOTE 8. INCOME TAX EXPENSE

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Millions				
Current Income Tax Expense *(a)*				
Federal	—	—	—	—
State	$0.1	—	$0.1	$0.2
Total Current Income Tax Expense	$0.1	—	$0.1	$0.2
Deferred Income Tax Expense (Benefit)				
Federal *(b)*	$(8.3)	$(5.0)	$(34.5)	$(21.8)
State *(c)*	2.9	2.7	7.1	17.7
Investment Tax Credit Amortization	(0.2)	(0.1)	(0.5)	(0.4)
Total Deferred Income Tax Benefit	$(5.6)	$(2.4)	$(27.9)	$(4.5)
Total Income Tax Benefit	$(5.5)	$(2.4)	$(27.8)	$(4.3)

(a) For each of the nine months ended September 30, 2020 and 2019, the federal and state current tax expense was minimal due to NOLs which resulted from the bonus depreciation provisions of certain tax legislation. Federal and state NOLs are being carried forward to offset current and future taxable income.

(b) For each of the nine months ended September 30, 2020 and 2019, the federal income tax benefit is primarily due to production tax credits.

(c) For the nine months ended September 30, 2019, the state income tax expense is primarily related to the sale of U.S. Water Services.

The Company's tax provision for interim periods is determined using an estimate of its annual effective tax rate, adjusted for discrete items arising in that quarter. In each quarter, the Company updates its estimate of the annual effective tax rate and if the estimated annual effective tax rate changes, the Company would make a cumulative adjustment in that quarter.

Reconciliation of Taxes from Federal Statutory Rate to Total Income Tax Expense	Quarter Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Millions				
Income Before Income Taxes	$33.3	$28.8	$92.4	$131.6
Statutory Federal Income Tax Rate	21 %	21 %	21 %	21 %
Income Taxes Computed at Statutory Federal Rate	$7.0	$6.0	$19.4	$27.6
Increase (Decrease) in Income Tax Due to:				
State Income Taxes – Net of Federal Income Tax Benefit	2.4	2.1	5.7	14.1
Production Tax Credits	(12.5)	(9.6)	(45.9)	(35.7)
Regulatory Differences – Excess Deferred Tax	(3.2)	(1.7)	(8.5)	(6.5)
U.S. Water Services Sale of Stock Basis Difference	—	—	—	1.7
Non-Controlling Interest in Subsidiaries	0.4	—	1.5	—
Share-Based Compensation	—	—	(0.1)	(0.9)
Other	0.4	0.8	0.1	(4.6)
Total Income Tax Benefit	$(5.5)	$(2.4)	$(27.8)	$(4.3)

For the nine months ended September 30, 2020, the effective tax rate was a benefit of 30.1 percent (benefit of 3.3 percent for the nine months ended September 30, 2019). The effective tax rate for 2020 was primarily impacted by production tax credits. The effective tax rate for 2019 was primarily impacted by production tax credits and the gain on sale of U.S. Water Services.

Uncertain Tax Positions. As of September 30, 2020, we had gross unrecognized tax benefits of $1.4 million ($1.4 million as of December 31, 2019). Of the total gross unrecognized tax benefits, $0.6 million represents the amount of unrecognized tax benefits included on the Consolidated Balance Sheet that, if recognized, would favorably impact the effective income tax rate. The unrecognized tax benefit amounts have been presented as reductions to the tax benefits associated with NOL and tax credit carryforwards on the Consolidated Balance Sheet.

NOTE 8. INCOME TAX EXPENSE (Continued)
Uncertain Tax Positions (Continued)

ALLETE and its subsidiaries file a consolidated federal income tax return as well as combined and separate state income tax returns in various jurisdictions. ALLETE has no open federal or state audits, and is no longer subject to federal examination for years before 2016, or state examination for years before 2015.

NOTE 9. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

	Pension		Other Postretirement	
Components of Net Periodic Benefit Cost (Credit)	**2020**	**2019**	**2020**	**2019**
Millions				
Quarter Ended September 30,				
Service Cost	$2.7	$2.3	$0.8	$1.0
Non-Service Cost Components *(a)*				
Interest Cost	6.9	7.9	1.2	1.9
Expected Return on Plan Assets	(10.6)	(11.0)	(2.4)	(2.6)
Amortization of Prior Service Credits	—	—	(2.0)	(0.4)
Amortization of Net Loss	3.2	1.9	0.3	0.1
Net Periodic Benefit Cost (Credit)	$2.2	$1.1	$(2.1)	—
Nine Months Ended September 30,				
Service Cost	$8.0	$7.0	$2.5	$2.8
Non-Service Cost Components *(a)*				
Interest Cost	20.9	23.9	3.7	5.7
Expected Return on Plan Assets	(32.0)	(33.3)	(7.3)	(7.9)
Amortization of Prior Service Credits	(0.1)	(0.2)	(6.0)	(1.5)
Amortization of Net Loss	9.6	5.1	0.8	0.2
Net Periodic Benefit Cost (Credit)	$6.4	$2.5	$(6.3)	$(0.7)

(a) These components of net periodic benefit cost (credit) are included in the line item "Other" under Other Income (Expense) on the Consolidated Statement of Income.

Employer Contributions. For the nine months ended September 30, 2020, we contributed $10.7 million in cash to the defined benefit pension plans ($10.4 million for the nine months ended September 30, 2019); we do not expect to make additional contributions to our defined benefit pension plans in 2020. For the nine months ended September 30, 2020, and 2019, we made no contributions to our other postretirement benefit plans; we do not expect to make any contributions to our other postretirement benefit plans in 2020.

NOTE 10. BUSINESS SEGMENTS

We present three reportable segments: Regulated Operations, ALLETE Clean Energy and U.S. Water Services. We measure performance of our operations through budgeting and monitoring of contributions to consolidated net income by each business segment.

Regulated Operations includes three operating segments which consist of our regulated utilities, Minnesota Power and SWL&P, as well as our investment in ATC. ALLETE Clean Energy is our business focused on developing, acquiring and operating clean and renewable energy projects. U.S. Water Services was our integrated water management company, which is reflected in operating results until it was sold in March 2019. We also present Corporate and Other which includes two operating segments, BNI Energy, our coal mining operations in North Dakota, and ALLETE Properties, our legacy Florida real estate investment, along with our investment in Nobles 2, other business development and corporate expenditures, unallocated interest expense, a small amount of non-rate base generation, approximately 4,000 acres of land in Minnesota, and earnings on cash and investments.

NOTE 10. BUSINESS SEGMENTS (Continued)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Millions				
Operating Revenue				
Regulated Operations				
Residential	$34.2	$29.8	$102.5	$104.2
Commercial	37.1	36.8	103.2	110.6
Municipal	11.2	11.8	30.5	39.4
Industrial	109.6	115.6	316.4	357.5
Other Power Suppliers	30.9	37.3	96.6	111.9
CIP Financial Incentive *(a)*	2.4	2.8	2.4	2.8
Other	29.7	20.0	69.6	59.7
Total Regulated Operations	255.1	254.1	721.2	786.1
ALLETE Clean Energy				
Long-term PSA	11.9	7.5	44.0	34.6
Other	2.9	2.9	8.5	8.7
Total ALLETE Clean Energy	14.8	10.4	52.5	43.3
U.S. Water Services *(b)*				
Point-in-Time	—	—	—	19.0
Contract	—	—	—	9.2
Capital Project	—	—	—	5.2
Total U.S. Water Services	—	—	—	33.4
Corporate and Other				
Long-term Contract	20.7	20.5	65.6	61.9
Other	3.3	3.3	9.4	11.2
Total Corporate and Other	24.0	23.8	75.0	73.1
Total Operating Revenue	$293.9	$288.3	$848.7	$935.9
Net Income (Loss) Attributable to ALLETE				
Regulated Operations	$42.4	$32.4	$111.0	$114.2
ALLETE Clean Energy	1.1	(1.2)	16.8	6.5
U.S. Water Services *(b)*	—	—	—	(1.1)
Corporate and Other *(b)*	(2.8)	—	(0.7)	16.3
Total Net Income Attributable to ALLETE	$40.7	$31.2	$127.1	$135.9

(a) See Note 2. Regulatory Matters.

(b) In March 2019, ALLETE sold U.S. Water Services. The Company recognized a gain on the sale of $11.1 million after-tax during the nine months ended September 30, 2019, which is reflected in Corporate and Other.

	September 30, 2020	December 31, 2019
Millions		
Assets		
Regulated Operations	$4,134.4	$4,130.8
ALLETE Clean Energy	1,308.3	1,001.5
Corporate and Other	435.8	350.5
Total Assets	$5,878.5	$5,482.8

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The following discussion should be read in conjunction with our Consolidated Financial Statements and notes to those statements, Management's Discussion and Analysis of Financial Condition and Results of Operations from our 2019 Form 10-K, and the other financial information appearing elsewhere in this report. In addition to historical information, the following discussion and other parts of this Form 10-Q contain forward-looking information that involves risks and uncertainties. Readers are cautioned that forward-looking statements should be read in conjunction with our disclosures in this Form 10-Q, including Part II, Item 1A Risk Factors, and our 2019 Form 10-K under the headings: "Forward-Looking Statements" located on page 6 and "Risk Factors" located in Part I, Item 1A, beginning on page 21 of our 2019 Form 10-K. The risks and uncertainties described in this Form 10-Q and our 2019 Form 10-K are not the only risks facing our Company. Additional risks and uncertainties that we are not presently aware of, or that we currently consider immaterial, may also affect our business operations. Our business, financial condition or results of operations could suffer if the risks are realized.

The trends and results for the quarter and nine months of 2020 may not be indicative of results that may be expected for the year ended December 31, 2020 due to uncertainty regarding the extent and duration of the COVID-19 pandemic. This pandemic has resulted in widespread impacts on the global economy and on our employees, customers, contractors, and suppliers. There is considerable uncertainty regarding the extent to which COVID-19 will spread and the extent and duration of measures to try to contain the virus, such as travel bans and restrictions, quarantines, shelter-in-place orders (including those in effect in areas our businesses operate), and business and government shutdowns. Additional disclosures in this Form 10-Q regarding the impacts of the ongoing COVID-19 pandemic are located in Outlook – Regulated Operations – Industrial Customers and Prospective Additional Load, Liquidity and Capital Resources – Liquidity Position and Part II, Item 1A. Risk Factors.

Regulated Operations includes our regulated utilities, Minnesota Power and SWL&P, as well as our investment in ATC, a Wisconsin-based regulated utility that owns and maintains electric transmission assets in portions of Wisconsin, Michigan, Minnesota and Illinois. Minnesota Power provides regulated utility electric service in northeastern Minnesota to approximately 145,000 retail customers. Minnesota Power also has 15 non-affiliated municipal customers in Minnesota. SWL&P is a Wisconsin utility and a wholesale customer of Minnesota Power. SWL&P provides regulated utility electric, natural gas and water service in northwestern Wisconsin to approximately 15,000 electric customers, 13,000 natural gas customers and 10,000 water customers. Our regulated utility operations include retail and wholesale activities under the jurisdiction of state and federal regulatory authorities. (See Note 2. Regulatory Matters.)

ALLETE Clean Energy focuses on developing, acquiring, and operating clean and renewable energy projects. ALLETE Clean Energy currently owns and operates, in six states, approximately 740 MW of nameplate capacity wind energy generation that is contracted under PSAs of various durations. In addition, ALLETE Clean Energy currently has approximately 600 MW of wind energy facilities under construction or development. ALLETE Clean Energy also engages in the development of wind energy facilities to operate under long-term PSAs or for sale to others upon completion.

U.S. Water Services provided integrated water management for industry by combining chemical, equipment, engineering and service for customized solutions to reduce water and energy usage, and improve efficiency. In March 2019, the Company sold U.S. Water Services to a subsidiary of Kurita Water Industries Ltd. pursuant to a stock purchase agreement for approximately $270 million in cash, net of transaction costs and cash retained.

Corporate and Other is comprised of BNI Energy, our coal mining operations in North Dakota, our investment in Nobles 2, a 49 percent equity interest in the entity that will own and operate a 250 MW wind energy facility in southwestern Minnesota, ALLETE Properties, our legacy Florida real estate investment, other business development and corporate expenditures, unallocated interest expense, a small amount of non-rate base generation, approximately 4,000 acres of land in Minnesota, and earnings on cash and investments.

ALLETE is incorporated under the laws of Minnesota. Our corporate headquarters are in Duluth, Minnesota. Statistical information is presented as of September 30, 2020, unless otherwise indicated. All subsidiaries are wholly-owned unless otherwise specifically indicated. References in this report to "we," "us" and "our" are to ALLETE and its subsidiaries, collectively.

Financial Overview

The following net income discussion summarizes a comparison of the nine months ended September 30, 2020, to the nine months ended September 30, 2019. The trends and results for the first nine months of 2020 may not be indicative of full year results for 2020 due to uncertainty regarding the extent and duration of the COVID-19 pandemic. (See *Overview*.)

Net income attributable to ALLETE for the nine months ended September 30, 2020, was $127.1 million, or $2.45 per diluted share, compared to $135.9 million, or $2.63 per diluted share, for the same period in 2019. Net income in 2020 included reserves for interim rates of $8.3 million after-tax, or $0.16 per share, for the refund of interim rates collected through April 30, 2020, resulting from the MPUC's approval of the resolution of Minnesota Power's 2020 general rate case. (See Note 2. Regulatory Matters.) Net income in 2019 included a gain on the sale of U.S. Water Services of $11.1 million after-tax, or $0.22 per share, and U.S. Water Services results of operations amounted to a loss of $1.1 million after-tax, or $0.02 per share, in 2019.

Regulated Operations net income attributable to ALLETE was $111.0 million for the nine months ended September 30, 2020, compared to $114.2 million for the same period in 2019. Net income at Minnesota Power was lower than 2019 primarily due to: reserves for interim rates of $8.3 million after-tax for the refund of interim rates collected through April 30, 2020; lower kWh sales to retail and municipal customers; lower revenue from Other Power Suppliers resulting from the expiration of a PSA; and higher depreciation expense. These decreases were partially offset by higher rates resulting from Minnesota Power's rate case, increased earnings related to the GNTL and the timing of income taxes. Net income at SWL&P was similar to 2019. Our after-tax equity earnings in ATC were higher compared to 2019 primarily due to period over period changes in ATC's estimate of a refund liability related to the FERC decision on MISO return on equity complaints.

ALLETE Clean Energy net income attributable to ALLETE was $16.8 million for the nine months ended September 30, 2020, compared to $6.5 million for the same period in 2019. Net income in 2020 included $7.5 million of additional production tax credits compared to 2019, earnings from the Glen Ullin and South Peak wind energy facilities which commenced operations in December 2019 and April 2020, respectively, and higher wind resources at other wind energy facilities. These increases were partially offset by higher operating expenses.

U.S. Water Services net loss attributable to ALLETE was $1.1 million for nine months ended September 30, 2019. ALLETE completed the sale of U.S. Water Services in the first quarter of 2019.

Corporate and Other net loss attributable to ALLETE was $0.7 million for the nine months ended September 30, 2020, compared to net income of $16.3 million for the same period in 2019. Net income in 2019 included a gain on the sale of U.S. Water Services of $11.1 million after-tax. Net income in 2020 included lower earnings on cash and short-term investments as well as additional income tax expense recorded in 2020 as GAAP requires the recognition of income taxes at the estimated annual effective tax rate.

COMPARISON OF THE QUARTERS ENDED SEPTEMBER 30, 2020 AND 2019

(See Note 10. Business Segments for financial results by segment.)

Regulated Operations

Quarter Ended September 30,	2020	2019
Millions		
Operating Revenue – Utility	$255.1	$254.1
Fuel, Purchased Power and Gas – Utility	93.4	98.2
Transmission Services – Utility	14.9	18.3
Operating and Maintenance	48.1	47.5
Depreciation and Amortization	41.3	39.4
Taxes Other than Income Taxes	11.9	11.4
Operating Income	45.5	39.3
Interest Expense	(14.4)	(14.4)
Equity Earnings	5.1	4.9
Other Income	1.6	2.1
Income Before Income Taxes	37.8	31.9
Income Tax Expense (Benefit)	(4.6)	(0.5)
Net Income	$42.4	$32.4

Operating Revenue – Utility increased $1.0 million from 2019 primarily due to increased revenue related to the GNTL, higher rates resulting from Minnesota Power's rate case and higher fuel adjustment clause recoveries. These increases were partially offset by lower revenue from kWh sales.

Cost recovery rider and transmission revenue related to the GNTL increased $7.6 million primarily due to recovery of related expenses resulting from the GNTL being placed into service in June 2020 and additional expenditures for property, plant and equipment.

Revenue increased $6.8 million due to higher rates resulting from the resolution of Minnesota Power's 2020 general rate case. (See Note 2. Regulatory Matters.)

Fuel adjustment clause revenue increased $3.1 million due to the timing of fuel adjustment clause recoveries. Beginning in 2020, Minnesota utilities adopted a new fuel adjustment clause methodology. (See Note 2. Regulatory Matters.)

Revenue from kWh sales decreased $17.0 million from 2019 reflecting lower sales to commercial and industrial customers as well as the expiration of a 100 MW PSA in April 2020, partially offset by higher sales to residential customers. Sales to commercial and industrial customers decreased primarily due to the adverse impact of the COVID-19 pandemic on customer operations. Many commercial and industrial customers operated at reduced levels or were temporarily closed or idled during the third quarter of 2020 as a result of the COVID-19 pandemic and related governmental responses, with USS Corporation's Keetac plant and Verso Corporation's paper mill in Duluth, Minnesota both idled. (See Outlook – Regulated Operations – Industrial Customers and Prospective Additional Load.) Sales to residential customers increased from 2019 primarily due to the impact of the COVID-19 pandemic.

Kilowatt-hours Sold			Variance	
Quarter Ended September 30,	2020	2019	Quantity	%
Millions				
Regulated Utility				
Retail and Municipal				
Residential	268	248	20	8.1 %
Commercial	345	361	(16)	(4.4)%
Industrial	1,410	1,802	(392)	(21.8)%
Municipal	147	146	1	0.7 %
Total Retail and Municipal	2,170	2,557	(387)	(15.1)%
Other Power Suppliers	967	758	209	27.6 %
Total Regulated Utility Kilowatt-hours Sold	3,137	3,315	(178)	(5.4)%

Revenue from electric sales to taconite customers accounted for 25 percent of consolidated operating revenue in 2020 (27 percent in 2019). Revenue from electric sales to paper, pulp and secondary wood product customers accounted for 5 percent of consolidated operating revenue in 2020 (6 percent in 2019). Revenue from electric sales to pipelines and other industrial customers accounted for 7 percent of consolidated operating revenue in 2020 (7 percent in 2019).

Operating Expenses decreased $5.2 million, or 2 percent, from 2019.

Fuel, Purchased Power and Gas – Utility expense decreased $4.8 million, or 5 percent, from 2019 primarily due to lower kWh sales and lower purchased power prices. Fuel and purchased power expense related to our retail and municipal customers is recovered through the fuel adjustment clause.

Transmission Services – Utility expense decreased $3.4 million, or 19 percent, from 2019 primarily due to lower MISO-related expense.

Depreciation and Amortization expense increased $1.9 million, or 5 percent, from 2019 primarily due to additional property, plant and equipment in service.

Income Tax Benefit increased $4.1 million from 2019 primarily due to additional income tax benefit recorded in 2020 as GAAP requires the recognition of income tax expense at the estimated annual effective tax rate. We expect our annual effective tax rate in 2020 to be a higher income tax benefit than in 2019 primarily due to lower pre-tax income.

ALLETE Clean Energy

Quarter Ended September 30,	2020	2019
Millions		
Operating Revenue		
Contracts with Customers – Non-utility	$11.9	$7.5
Other – Non-utility *(a)*	2.9	2.9
Operating and Maintenance	10.8	7.3
Depreciation and Amortization	9.3	6.7
Taxes and Other	0.8	0.5
Operating Income (Loss)	(6.1)	(4.1)
Interest Expense	(0.4)	(0.7)
Other Income	—	0.3
Loss Before Income Taxes	(6.5)	(4.5)
Income Tax Expense (Benefit)	(5.7)	(3.3)
Net Income	(0.8)	(1.2)
Net Loss Attributable to Non-Controlling Interest	(1.9)	—
Net Income (Loss) Attributable to ALLETE	$1.1	$(1.2)

(a) Represents non-cash amortization of differences between contract prices and estimated market prices on assumed PSAs.

Operating Revenue increased $4.4 million, or 42 percent, from 2019 primarily due to revenue from the Glen Ullin and South Peak wind energy facilities which commenced operations in December 2019 and April 2020, respectively, as well as higher wind resources and availability at other wind energy facilities.

	Quarter Ended September 30,			
	2020		2019	
Production and Operating Revenue	**kWh**	**Revenue**	**kWh**	**Revenue**
Millions				
Wind Energy Regions				
East	41.6	$3.7	28.6	$2.5
Midwest	182.5	7.0	145.0	6.7
West	166.3	4.1	15.3	1.2
Total Production and Operating Revenue	390.4	$14.8	188.9	$10.4

Operating and Maintenance expense increased $3.5 million, or 48 percent, from 2019 primarily due to operating and maintenance expenses related to the Glen Ullin and South Peak wind energy facilities as well as the Diamond Spring wind project.

Depreciation and Amortization expense increased $2.6 million, or 39 percent, from 2019 primarily due to additional property, plant and equipment in service related to the Glen Ullin and South Peak wind energy facilities.

Income Tax Benefit increased $2.4 million from 2019 primarily due to additional production tax credits generated in 2020 and additional income tax benefit recorded in 2020 as GAAP requires the recognition of income taxes at the estimated annual effective tax rate. The income tax benefit in 2020 reflected production tax credits of $4.4 million compared to $2.1 million in 2019.

Net Loss Attributable to Non-Controlling Interest was $1.9 million in 2020 reflecting net losses attributable to non-controlling interest for the Glen Ullin and South Peak wind energy facilities.

Corporate and Other

Operating Revenue was similar to 2019.

Net Loss Attributable to ALLETE increased $2.8 million from 2019 primarily due to lower earnings on cash and short-term investments in 2020 as well as additional income tax expense recorded in 2020 as GAAP requires the recognition of income taxes at the estimated annual effective tax rate. These decreases were partially offset by higher earnings from marketable equity securities held in benefit trusts in 2020. Net income at BNI Energy was $2.1 million in 2020 compared to $1.7 million in 2019 reflecting higher earnings from marketable equity securities held in benefit trusts in 2020. The net loss at ALLETE Properties was $0.7 million in 2020 compared to a net loss of $1.0 million in 2019.

Income Taxes – Consolidated

For the quarter ended September 30, 2020, the effective tax rate was a benefit of 16.5 percent (benefit of 8.3 percent for the quarter ended September 30, 2019). The 2020 increase in tax benefit was primarily due to additional income tax benefit recorded in 2020 as GAAP requires the recognition of income tax expense at the estimated annual effective tax rate. The estimated annual effective tax rate can differ from what a quarterly effective tax rate would otherwise be on a standalone basis, and this may cause quarter to quarter differences in the timing of income taxes.

COMPARISON OF THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

(See Note 10. Business Segments for financial results by segment.)

Regulated Operations

Nine Months Ended September 30,	2020	2019
Millions		
Operating Revenue – Utility	$721.2	$786.1
Fuel, Purchased Power and Gas – Utility	251.7	295.9
Transmission Services – Utility	49.8	55.8
Operating and Maintenance	145.4	149.4
Depreciation and Amortization	124.9	119.4
Taxes Other than Income Taxes	36.5	36.2
Operating Income	112.9	129.4
Interest Expense	(43.7)	(44.3)
Equity Earnings	16.7	15.3
Other Income	8.3	9.2
Income Before Income Taxes	94.2	109.6
Income Tax Expense (Benefit)	(16.8)	(4.6)
Net Income Attributable to ALLETE	$111.0	$114.2

Operating Revenue – Utility decreased $64.9 million from 2019 primarily due to lower revenue from kWh sales, fuel adjustment clause recoveries and conservation improvement program recoveries, partially offset by increased revenue related to the GNTL and higher rates resulting from Minnesota Power's rate case.

Revenue from kWh sales decreased $52.2 million from 2019 reflecting lower sales to commercial, industrial and municipal customers as well as the expiration of a 100 MW PSA in April 2020. Sales to commercial and industrial customers decreased primarily due to the adverse impact of the COVID-19 pandemic on customer operations. Many commercial and industrial customers operated at reduced levels or were temporarily closed or idled during the second and third quarters of 2020 as a result of the COVID-19 pandemic and related governmental responses. In addition, USS Corporation idled its Keetac plant and Verso Corporation indefinitely idled its paper mill in Duluth, Minnesota, both of which remain idled. (See Outlook – Regulated Operations – Industrial Customers and Prospective Additional Load.) Sales to municipal customers decreased from 2019 as a result of the expiration of a contract with a municipal customer in June 2019. Sales to residential customers increased from 2019 primarily due to the impact of COVID-19, partially offset by warmer weather in the first quarter of 2020.

Kilowatt-hours Sold			Variance	
Nine Months Ended September 30,	2020	2019	Quantity	%
Millions				
Regulated Utility				
Retail and Municipal				
Residential	835	829	6	0.7 %
Commercial	983	1,043	(60)	(5.8)%
Industrial	4,547	5,389	(842)	(15.6)%
Municipal	434	519	(85)	(16.4)%
Total Retail and Municipal	6,799	7,780	(981)	(12.6)%
Other Power Suppliers	2,495	2,294	201	8.8 %
Total Regulated Utility Kilowatt-hours Sold	9,294	10,074	(780)	(7.7)%

Revenue from electric sales to taconite customers accounted for 25 percent of consolidated operating revenue in 2020 (25 percent in 2019). Revenue from electric sales to paper, pulp and secondary wood product customers accounted for 5 percent of consolidated operating revenue in 2020 (6 percent in 2019). Revenue from electric sales to pipelines and other industrial customers accounted for 7 percent of consolidated operating revenue in 2020 (7 percent in 2019).

Fuel adjustment clause revenue decreased $19.8 million due to lower fuel and purchased power costs attributable to retail and municipal customers, partially offset by the timing of fuel adjustment clause recoveries in 2019. Beginning in 2020, Minnesota utilities adopted a new fuel adjustment clause methodology. (See Note 2. Regulatory Matters.)

Conservation improvement program recoveries decreased $4.6 million from 2019 primarily due to a decrease in related expenditures. (See *Operating Expenses - Operating and Maintenance*.)

Cost recovery rider and transmission revenue related to GNTL increased $11.6 million primarily due to recovery of related expenses resulting from the GNTL being placed into service in June 2020 and additional expenditures for property, plant and equipment.

Revenue increased $10.3 million due to higher rates beginning in May 2020 resulting from the resolution of Minnesota Power's 2020 general rate case. As part of the resolution, interim rates collected from January 2020 through April 2020 were offset with reserves for interim rates which are expected to be refunded in the fourth quarter of 2020. (See Note 2. Regulatory Matters.)

Operating Expenses decreased $48.4 million, or 7 percent, from 2019.

Fuel, Purchased Power and Gas – Utility expense decreased $44.2 million, or 15 percent, from 2019 primarily due to lower kWh sales, purchased power prices and fuel costs. Fuel and purchased power expense related to our retail and municipal customers is recovered through the fuel adjustment clause.

Transmission Services – Utility expense decreased $6.0 million, or 11 percent, from 2019 primarily due to lower MISO-related expense.

Operating and Maintenance expense decreased $4.0 million, or 3 percent, from 2019 primarily due to a decrease in conservation improvement program expenses and lower benefit and other employee-related expenses in 2020. These decreases were partially offset by rate case expenses and higher bad debt expense in 2020.

Depreciation and Amortization expense increased $5.5 million, or 5 percent, from 2019 primarily due to additional property, plant and equipment in service.

Equity Earnings increased $1.4 million, or 9 percent, from 2019 primarily due to period over period changes in ATC's estimate of a refund liability related to the FERC decision on MISO return on equity complaints. (See Outlook – Regulated Operations – Transmission – Investment in ATC.)

Income Tax Benefit increased $12.2 million from 2019 primarily due to lower pre-tax income and additional income tax benefit recorded in 2020 as GAAP requires the recognition of income tax expense at the estimated annual effective tax rate. We expect our annual effective tax rate in 2020 to be a higher income tax benefit than in 2019 primarily due to lower pre-tax income.

ALLETE Clean Energy

Nine Months Ended September 30,	**2020**	**2019**
Millions		
Operating Revenue		
Contracts with Customers – Non-utility	$44.0	$34.6
Other – Non-utility *(a)*	8.5	8.7
Operating and Maintenance	26.8	22.7
Depreciation and Amortization	26.4	19.8
Taxes and Other	2.4	1.6
Operating Income	(3.1)	(0.8)
Interest Expense	(1.4)	(2.3)
Other Income	0.2	2.1
Loss Before Income Taxes	(4.3)	(1.0)
Income Tax Expense (Benefit)	(14.2)	(7.5)
Net Income	9.9	6.5
Net Loss Attributable to Non-Controlling Interest	(6.9)	—
Net Income Attributable to ALLETE	$16.8	$6.5

(a) Represents non-cash amortization of differences between contract prices and estimated market prices on assumed PSAs.

Operating Revenue increased $9.2 million, or 21 percent, from 2019 primarily due to revenue from the Glen Ullin and South Peak wind energy facilities which commenced operations in December 2019 and April 2020, respectively, as well as higher wind resources at other wind energy facilities.

	Nine Months Ended September 30,			
	2020		2019	
Production and Operating Revenue	**kWh**	**Revenue**	**kWh**	**Revenue**
Millions				
Wind Energy Regions				
East	177.3	$15.9	173.0	$15.7
Midwest	634.3	23.2	549.4	23.5
West	510.6	13.4	51.4	4.1
Total Production and Operating Revenue	1,322.2	$52.5	773.8	$43.3

Operating and Maintenance expense increased $4.1 million, or 18 percent, from 2019 primarily due to operating and maintenance expenses related to the Glen Ullin and South Peak wind energy facilities as well as the Diamond Spring wind project.

Depreciation and Amortization expense increased $6.6 million, or 33 percent, from 2019 primarily due to additional property, plant and equipment in service related to the Glen Ullin and South Peak wind energy facilities.

Other Income decreased $1.9 million from 2019 reflecting various individually immaterial items.

Income Tax Benefit increased $6.7 million from 2019 primarily due to additional production tax credits generated in 2020 compared to 2019. The income tax benefit in 2020 reflected production tax credits of $13.8 million compared to $6.3 million in 2019.

Net Loss Attributable to Non-Controlling Interest was $6.9 million in 2020 reflecting net losses attributable to non-controlling interest for the Glen Ullin and South Peak wind energy facilities.

U.S. Water Services

Nine Months Ended September 30,	**2020**	**2019**
Millions		
Operating Revenue	—	$33.4
Net Loss Attributable to ALLETE	—	$(1.1)

Operating Revenue was $33.4 million for the nine months ended September 30, 2019. ALLETE completed the sale of U.S. Water Services in the first quarter of 2019.

Net Loss Attributable to ALLETE was $1.1 million for the nine months ended September 30, 2019. ALLETE completed the sale of U.S. Water Services in the first quarter of 2019.

Corporate and Other

Operating Revenue increased $1.9 million, or 3 percent, from 2019 primarily due to higher revenue at BNI Energy, which operates under cost-plus fixed fee contracts, as a result of higher expenses in 2020 compared to 2019, partially offset by the timing of land sales at ALLETE Properties.

Net Loss Attributable to ALLETE was $0.7 million in 2020 compared to net income of $16.3 million in 2019. Net income in 2019 included a gain on the sale of U.S. Water Services of $11.1 million after-tax. Net income in 2020 included lower earnings on cash and short-term investments as well as additional income tax expense recorded in 2020 as GAAP requires the recognition of income taxes at the estimated annual effective tax rate. Net income at BNI Energy was $5.3 million in 2020 and 2019. The net loss at ALLETE Properties was $1.7 million in 2020 compared to a net loss of $2.1 million in 2019.

COMPARISON OF THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019 (Continued)

Income Taxes – Consolidated

For the nine months ended September 30, 2020, the effective tax rate was a benefit of 30.1 percent (benefit of 3.3 percent for the nine months ended September 30, 2019). The effective tax rate for 2020 was a higher benefit primarily due to 2019 including a higher tax rate on and higher pre-tax income resulting from the gain on the sale of U.S. Water Services in 2019.

We expect our annual effective tax rate in 2020 to be a higher benefit as compared to 2019 primarily due to higher production tax credits generated by ALLETE Clean Energy in 2020 and lower pre-tax income. The effective rate deviated from the combined statutory rate of approximately 28 percent primarily due to production tax credits. (See Note 8. Income Tax Expense.)

CRITICAL ACCOUNTING POLICIES

Certain accounting measurements under GAAP involve management's judgment about subjective factors and estimates, the effects of which are inherently uncertain. Accounting measurements that we believe are most critical to our reported results of operations and financial condition include: regulatory accounting, pension and postretirement health and life actuarial assumptions, impairment of long-lived assets, and taxation. These policies are reviewed with the Audit Committee of our Board of Directors on a regular basis and summarized in Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of our 2019 Form 10-K.

OUTLOOK

For additional information see our 2019 Form 10-K.

ALLETE is an energy company committed to earning a financial return that rewards our shareholders, allows for reinvestment in our businesses, and sustains growth. The Company has a long-term (5-year) objective of achieving consolidated average annual earnings per share growth of 5 percent to 7 percent: with a Regulated Operations growth objective of 4 percent to 5 percent, and an ALLETE Clean Energy and Corporate and Other businesses growth objective of at least 15 percent over the long-term. While the Company's long-term growth objectives remain unchanged, our October 2020 5-year projection indicates achieving these objectives is expected to be challenging. Our October 2020 projection of ALLETE's long-term consolidated average annual earnings per share growth rate, using 2019 as a base year, is approximately 4 percent: with a Regulated Operations growth projection of approximately 3 percent, and an ALLETE Clean Energy and Corporate and Other businesses growth projection of approximately 30 percent.

Our earnings through September 30, 2020 have been negatively impacted by the ongoing COVID-19 pandemic and related disruptions, and we expect our earnings to continue to be impacted for at least the remainder of 2020. COVID-19 has had a material impact on Minnesota Power's industrial customers and, as a result, our sales to these customers. USS Corporation idled its Keetac facility and Verso Corporation idled its paper mill in Duluth, Minnesota. We expect the Keetac facility to restart in December 2020, and the Verso paper mill to be idled through the rest of 2020 and potentially portions of, if not all of, 2021. In addition, many of our commercial, municipal, and other smaller industrial customers were operating at reduced levels, or are temporarily closed or were idled during 2020, and we expect some of these customers to be similarly affected in 2021.

In response to these lower sales in 2020, and in anticipation of potentially lower sales in 2021, Minnesota Power submitted a petition in November 2020 to the MPUC requesting authority to track and record as a regulatory asset lost large industrial customer revenue resulting from the idling of USS Corporation's Keetac facility and Verso Corporation's paper mill in Duluth, Minnesota. Keetac and Verso represent revenue of approximately $30 million annually, net of associated expense savings such as fuel costs. Minnesota Power proposed in this petition to defer any lost revenue related to the idling of the Keetac facility and the Verso paper mill to its next general rate case or other proceeding for review for recovery by the MPUC. (See Note 2. Regulatory Matters – COVID-19 Related Deferred Accounting.) Minnesota Power anticipates filing a general rate case in November 2021 with a 2022 test year.

Minnesota Power is also required to submit its next IRP with the MPUC by February 1, 2021, and include in that filing potential early retirement scenarios of Boswell Units 3 and 4, as well as a securitization plan. The outcome of this IRP is likely to be instrumental in the evolution of our *EnergyForward* strategic plan that provides for significant emission reductions and diversifying our electricity generation mix to include more renewables, and potential earnings growth over the long term.

OUTLOOK (Continued)

Our ALLETE Clean Energy business is experiencing return pressures on our earnings per share growth from increased competition, and lower forward price curves, as a growing amount of investment capital is being directed into wind generation opportunities. In addition, current and potential new project developments are negatively affected by a currently lower ALLETE stock price, which may result in such projects not being accretive, or otherwise unable to satisfy our financial objectives criteria to proceed. Although we believe that the renewable energy industry continues to have tremendous potential driven by societal demands to address climate change, we are actively evaluating additional growth opportunities with better risk adjusted returns on capital than currently available in wind only projects for ALLETE Clean Energy, such as solar, storage solutions, and grid resiliency. We believe that the renewable energy industry is entering a new phase of growth, and ALLETE Clean Energy will serve as a strong platform for future growth at ALLETE. ALLETE Clean Energy will continue to optimize its existing wind facility portfolio, seek development of its remaining safe harbor production tax credit qualified turbines, and explore other renewable energy opportunities to expand its service offerings to further enhance its growth and profitability.

ALLETE is predominately a regulated utility through Minnesota Power, SWL&P, and an investment in ATC. ALLETE's strategy is to remain predominately a regulated utility while investing in ALLETE Clean Energy and our Corporate and Other businesses to complement its regulated businesses, balance exposure to the utility's industrial customers, and provide potential long-term earnings growth. ALLETE expects net income from Regulated Operations to be approximately 80 percent of total consolidated net income in 2020. Over the next several years, the contribution of ALLETE Clean Energy and our Corporate and Other businesses to net income is expected to increase as ALLETE grows these operations. ALLETE expects its businesses to provide regulated, contracted or recurring revenues, and to support sustained growth in net income and cash flow.

Regulated Operations. Minnesota Power's long-term strategy is to be the leading electric energy provider in northeastern Minnesota by providing safe, reliable and cost-competitive electric energy, while complying with environmental permit conditions and renewable energy requirements. Keeping the cost of energy production competitive enables Minnesota Power to effectively compete in the wholesale power markets and minimizes retail rate increases to help maintain customer viability. As part of maintaining cost competitiveness, Minnesota Power intends to reduce its exposure to possible future carbon and GHG legislation by reshaping its generation portfolio, over time, to reduce its reliance on coal. (See *EnergyForward.*) We will monitor and review proposed environmental regulations and may challenge those that add considerable cost with limited environmental benefit. Minnesota Power will continue to pursue customer growth opportunities and cost recovery rider approvals for transmission, renewable and environmental investments, as well as work with regulators to earn a fair rate of return.

Regulatory Matters. Entities within our Regulated Operations segment are under the jurisdiction of the MPUC, FERC, PSCW and NDPSC. See Note 2. Regulatory Matters for discussion of regulatory matters within these jurisdictions.

2020 Minnesota General Rate Case. In November 2019, Minnesota Power filed a retail rate increase request with the MPUC seeking an average increase of approximately 10.6 percent for retail customers. The rate filing sought a return on equity of 10.05 percent and a 53.81 percent equity ratio. On an annualized basis, the requested final rate increase would have generated approximately $66 million in additional revenue. In orders dated December 23, 2019, the MPUC accepted the filing as complete and authorized an annual interim rate increase of $36.1 million that began January 1, 2020.

On April 23, 2020, Minnesota Power filed a request with the MPUC that proposed a resolution of Minnesota Power's 2020 general rate case. Key components of our proposal included removing the power marketing margin credit in base rates and reflecting actual power marketing margins in the fuel adjustment clause effective May 1, 2020; refunding to customers interim rates collected through April 2020; increasing customer rates 4.1 percent compared to the 5.8 percent increase reflected in interim rates; and a provision that Minnesota Power would not file another rate case until at least November 1, 2021, unless certain events occur. In an order dated June 30, 2020, the MPUC approved Minnesota Power's petition and proposal to resolve and withdraw the general rate case. Effective May 1, 2020, customer rates were set at an increase of 4.1 percent with the removal of the power marketing margin credit from base rates. Actual power marketing margins will be reflected in the fuel adjustment clause on an ongoing basis. Reserves for interim rates of $11.7 million were recorded in the second quarter of 2020 of which $6.5 million were refunded in the third quarter. The remainder will be refunded in the fourth quarter of 2020.

2018 Wisconsin General Rate Case. SWL&P's current retail rates are based on a December 2018 PSCW order that allows for a return on equity of 10.4 percent and a 55.0 percent equity ratio. The PSCW had directed SWL&P to file its next general rate case in 2020; however, the PSCW granted an extension request made by SWL&P to delay filing its next general rate case until on or before December 20, 2022. SWL&P had requested the extension primarily due to impacts of the COVID-19 pandemic.

OUTLOOK (Continued)

Industrial Customers and Prospective Additional Load.

Industrial Customers. Electric power is one of several key inputs in the taconite mining, paper, pulp and secondary wood products, pipeline and other industries. Approximately 49 percent of our regulated utility kWh sales in the nine months ended September 30, 2020, were made to our industrial customers (53 percent in the nine months ended September 30, 2019). These customers and their markets have been impacted by the ongoing COVID-19 pandemic. (See Part II, Item 1A. Risk Factors.)

The ongoing COVID-19 pandemic and related governmental responses has led to a disruption of economic activity, and could result in an extended disruption of economic activity. This disruption has resulted in reduced sales and revenue from industrial customers as many industrial customers operated at reduced levels or were temporarily closed or idled during the second and third quarters of 2020. In addition, USS Corporation idled its Keetac plant and Verso Corporation indefinitely idled its paper mill in Duluth, Minnesota, both of which remain idled. (See *USS Corporation* and *Verso Corporation*.) The current disruption of economic activity or an extended disruption of economic activity may lead to additional adverse impacts on our taconite and paper, pulp and secondary wood products, pipeline and other industrial customers' operations including further reduced production or the temporary idling or indefinite shutdown of other facilities, which would result in lower sales and revenue from these customers.

Taconite. Minnesota Power's taconite customers are capable of producing up to approximately 41 million tons of taconite pellets annually. Taconite pellets produced in Minnesota are primarily shipped to North American steel making facilities that are part of the integrated steel industry. Steel produced from these North American facilities is used primarily in the manufacture of automobiles, appliances, pipe and tube products for the gas and oil industry, and in the construction industry. Historically, less than 10 percent of Minnesota taconite production has been exported outside of North America.

There has been a general historical correlation between U.S. steel production and Minnesota taconite production. The American Iron and Steel Institute, an association of North American steel producers, reported that U.S. raw steel production operated at approximately 66 percent of capacity during the first nine months of 2020 compared to 81 percent in the first nine months of 2019. The World Steel Association, an association of steel producers, national and regional steel industry associations, and steel research institutes representing approximately 85 percent of world steel production, projected in October 2020 that U.S. steel consumption will decrease in 2020 by approximately 16 percent compared to 2019 and will increase in 2021 by approximately 7 percent compared to 2020.

Minnesota Power's taconite customers may experience annual variations in production levels due to such factors as economic conditions, short-term demand changes or maintenance outages. We estimate that a one million ton change in Minnesota Power's taconite customers' production would impact our annual earnings per share by approximately $0.04, net of expected power marketing sales at current prices. Changes in wholesale electric prices or customer contractual demand nominations could impact this estimate. Minnesota Power proactively sells power in the wholesale power markets that is temporarily not required by industrial customers to optimize the value of its generating facilities. (See Note 6. Commitments, Guarantees and Contingencies.) Long-term reductions in taconite production or a permanent shut down of a taconite customer may lead Minnesota Power to file a general rate case to recover lost revenue.

Northshore Mining. Cliffs is currently constructing a hot briquetted iron production plant in Toledo, Ohio, and had begun shipping direct reduced-grade pellets form Northshore Mining to the Toledo plant in anticipation of the planned start of operations in 2020. In March 2020, following guidelines from the office of the Governor of Ohio regarding the COVID-19 pandemic, Cliffs temporarily shut down construction activities at its hot briquetted iron project site. In April 2020, Cliffs announced that, based on market conditions, it would be temporarily idling Northshore Mining. Cliffs idled production at Northshore Mining in April 2020 and resumed normal production at the facility in August 2020. In June 2020, Cliffs announced that it was resuming construction of its hot briquetted iron project in Toledo, Ohio, with construction expected to be completed in the fourth quarter of 2020. Northshore Mining has the capability to produce approximately 6 million tons annually. Minnesota Power has a PSA through 2031 with Silver Bay Power, which provides the majority of the electric service requirements for Northshore Mining. (See *Silver Bay Power*.)

Silver Bay Power. In 2016, Minnesota Power and Silver Bay Power entered into a PSA through 2031. Silver Bay Power supplies approximately 90 MW of load to Northshore Mining, an affiliate of Silver Bay Power, which had previously been served predominately through self-generation by Silver Bay Power. Starting in 2016, Minnesota Power supplied Silver Bay Power with at least 50 MW of energy and Silver Bay Power had the option to purchase additional energy from Minnesota Power as it transitioned away from self-generation. In the third quarter of 2019, Silver Bay Power ceased self-generation and Minnesota Power began supplying the full energy requirements for Silver Bay Power.

OUTLOOK (Continued)
Industrial Customers and Prospective Additional Load (Continued)

USS Corporation. In April 2020, USS Corporation stated it would idle its Keetac facility in Keewatin, Minnesota, in response to the sudden and dramatic decline in business conditions resulting from the COVID-19 pandemic. In addition, in May 2020, USS Corporation announced that production was expected to be temporarily reduced at its Minntac Plant in Mountain Iron, Minnesota. USS Corporation resumed normal production at its Minntac Plant beginning in late July 2020. On November 5, 2020, USS Corporation announced it would resume operations in December 2020 at its Keetac facility. USS Corporation has the capability to produce approximately 15 million and 5 million tons annually at its Minntac and Keetac plants, respectively.

Hibbing Taconite. In April 2020, ArcelorMittal announced that Hibbing Taconite in Hibbing, Minnesota, would idle production due to the COVID-19 pandemic. Hibbing Taconite resumed normal production in August 2020. Hibbing Taconite has the capability to produce approximately 8 million tons annually.

Cliffs Acquisition. On September 28, 2020, Cliffs announced that it had entered into an agreement with ArcelorMittal to acquire substantially all of the operations of ArcelorMittal USA LLC and its subsidiaries. Cliffs stated that the transaction is expected to close in the fourth quarter of 2020 and that upon closure Cliffs would be the largest flat-rolled steel producer and the largest iron ore pellet producer in North America. The transaction would include ArcelorMittal's Minorca mine in Virginia, Minnesota, and its ownership share of Hibbing Taconite in Hibbing, Minnesota, which are both large industrial customers of Minnesota Power. Cliffs would become Minnesota Power's largest customer once the transaction is closed. The proposed acquisition will increase customer concentration risk and could lead to further capacity consolidation for both steel blast furnaces and the related Minnesota iron ore production.

Paper, Pulp and Secondary Wood Products. The North American paper and pulp industry faces declining demand due to the impact of electronic substitution for print and changing customer needs. As a result, certain paper and pulp customers have reduced their existing operations in recent years and have pursued or are pursuing product changes in response to the declining demand. In addition, the ongoing COVID-19 pandemic and related federal and state government responses have adversely impacted these customers' operations and resulted in lower operating levels than expected as well as the indefinite shutdown of Verso Corporation's paper mill in Duluth, Minnesota. (See *Verso Corporation*.) These customers could continue to be adversely impacted by the COVID-19 pandemic resulting in lower operating levels than expected or the temporary idling or indefinite shutdown of other facilities.

Boise. On April 1, 2020, Packaging Corporation of America announced an idling of both paper machines and the sheet-converting operation at its Jackson Mill in Alabama for the months of May and June 2020, which was subsequently extended through August according to an announcement on July 29, 2020. Packaging Corporation of America also stated that the company's Boise paper mill in International Falls, Minnesota, which is a customer of Minnesota Power, would continue to operate at capacity during the same period.

Verso Corporation. In June 2020, Verso Corporation indefinitely idled its paper mill in Duluth, Minnesota (Duluth Mill). Verso Corporation stated the decision was due to the accelerated decline in graphic paper demand resulting from the COVID-19 pandemic and has disclosed it is considering options for the Duluth Mill, including marketing for a sale.

Pipeline and Other Industries.

Husky Energy. In April 2018, a fire at Husky Energy's refinery in Superior, Wisconsin, disrupted operations at the facility. Under normal operating conditions, SWL&P provides approximately 14 MW of average monthly demand to Husky Energy in addition to water service. In September 2019, Husky Energy announced that it had received the required permit approvals to begin reconstruction. In June 2020, Husky Energy announced that rebuild construction at the refinery had resumed following a suspension in March 2020 due to the COVID-19 pandemic. The facility remains at minimal operations, and the refinery is not expected to resume normal operations until 2022. On October 25, 2020, Husky Energy announced a transaction to combine with Cenovus Energy Inc., which it expects to close in the first quarter of 2021.

Prospective Additional Load. Minnesota Power is pursuing new wholesale and retail loads in and around its service territory. Currently, several companies in northeastern Minnesota continue to progress in the development of natural resource-based projects that represent long-term growth potential and load diversity for Minnesota Power. We cannot predict the outcome of these projects.

PolyMet. PolyMet is planning to start a new copper-nickel and precious metal (non-ferrous) mining operation in northeastern Minnesota. In 2015, PolyMet announced the completion of the final EIS by state and federal agencies, which was subsequently published in the Federal Register and Minnesota Environmental Quality Board Monitor. The Minnesota Department of Natural Resources (DNR) and the U.S. Army Corps of Engineers have both issued final Records of Decision, finding the final EIS adequate.

In 2016, PolyMet submitted applications for water-related permits with the DNR and MPCA, an air quality permit with the MPCA, and a state permit to mine application with the DNR detailing its operational plans for the mine. In June 2018, the U.S. Forest Service and PolyMet closed on a land exchange, which resulted in PolyMet obtaining surface rights to land needed to develop its mining operation. In November 2018, the DNR issued PolyMet's permit to mine and certain water-related permits. In December 2018, the MPCA issued PolyMet's final state water and air quality permits. On March 21, 2019, the U.S. Army Corps of Engineers issued PolyMet's final federal permit. PolyMet was issued all necessary permits to construct and operate its new mining operation; however, on January 13, 2020, the Minnesota Court of Appeals reversed the DNR's decisions granting PolyMet's permit to mine and dam-safety permits, and remanded them back to the DNR to hold a contested-case hearing. On February 11, 2020, PolyMet announced it had filed a petition for further review with the Minnesota Supreme Court seeking to overturn the Minnesota Court of Appeals decision, which was accepted for review by the Minnesota Supreme Court with oral arguments held in October 2020. Minnesota Power could supply between 45 MW and 50 MW of load under a 10-year power supply contract with PolyMet that would begin upon start-up of operations.

EnergyForward. Minnesota Power is executing *EnergyForward*, a strategic plan for assuring reliability, protecting affordability and further improving environmental performance. The plan includes completed and planned investments in wind, solar, natural gas and hydroelectric power, construction of additional transmission capacity, the installation of emissions control technology and the idling of certain coal-fired generating facilities.

Integrated Resource Plan. In a 2016 order, the MPUC approved Minnesota Power's 2015 IRP with modifications. The order accepted Minnesota Power's plans for the economic idling of Taconite Harbor Units 1 and 2 and the ceasing of coal-fired operations at Taconite Harbor in 2020, directed Minnesota Power to retire Boswell Units 1 and 2 no later than 2022, required an analysis of generation and demand response alternatives to be filed with a natural gas resource proposal, and required Minnesota Power to conduct requests for proposal for additional wind, solar and demand response resource additions. Minnesota Power retired Boswell Units 1 and 2 in the fourth quarter of 2018. The MPUC also has required a baseload retirement evaluation in Minnesota Power's next IRP filing analyzing its existing fleet, including potential early retirement scenarios of Boswell Units 3 and 4, as well as a securitization plan. Minnesota Power's next IRP filing was due October 1, 2020; however, on May 29, 2020, Minnesota Power filed a request to extend the deadline for submitting its next IRP filing citing the COVID-19 pandemic. In an order dated September 25, 2020, the MPUC granted an extension of the deadline for submission until February 1, 2021, with interim reports due in the fourth quarter of 2020. On October 1, 2020, Minnesota Power submitted an initial securitization report regarding Boswell Units 3 and 4 as required in the MPUC's order.

Nemadji Trail Energy Center. In 2017, Minnesota Power submitted a resource package to the MPUC which included requesting approval of a 250 MW natural gas capacity dedication agreement. The natural gas capacity dedication agreement was subject to MPUC approval of the construction of NTEC, a 525 MW to 550 MW combined-cycle natural gas-fired generating facility which will be jointly owned by Dairyland Power Cooperative and a subsidiary of ALLETE. Minnesota Power would purchase approximately 50 percent of the facility's output starting in 2025. In an order dated January 24, 2019, the MPUC approved Minnesota Power's request for approval of the NTEC natural gas capacity dedication agreement. On December 23, 2019, the Minnesota Court of Appeals reversed and remanded the MPUC's decision to approve certain affiliated-interest agreements. The MPUC was ordered to determine whether NTEC may have the potential for significant environmental effects and, if so, to prepare an environmental assessment before reassessing the agreements. On January 22, 2020, Minnesota Power filed a petition for further review with the Minnesota Supreme Court requesting that it review and overturn the Minnesota Court of Appeals decision, which petition was accepted for review by the Minnesota Supreme Court with oral arguments held on October 6, 2020. There is no deadline for the Minnesota Supreme Court to issue a ruling. On January 8, 2019, an application for a certificate of public convenience and necessity for NTEC was submitted to the PSCW, which was approved by the PSCW at a hearing on January 16, 2020. Construction of NTEC is subject to obtaining additional permits from local, state and federal authorities. The total project cost is estimated to be approximately $700 million, of which ALLETE's portion is expected to be approximately $350 million. ALLETE's portion of NTEC project costs incurred through September 30, 2020, is approximately $14 million.

OUTLOOK (Continued)
EnergyForward (Continued)

Renewable Energy. Minnesota Power's 2015 IRP includes an update on its plans and progress in meeting the Minnesota renewable energy milestones through 2025. Minnesota Power continues to execute its renewable energy strategy and expects approximately 50 percent of its energy will be supplied by renewable energy sources by 2021.

Solar Energy. Minnesota Power's solar energy supply consists of Camp Ripley, a 10 MW solar energy facility at the Camp Ripley Minnesota Army National Guard base and training facility near Little Falls, Minnesota, and a community solar garden project in northeastern Minnesota, which is comprised of a 1 MW solar array owned and operated by a third party with the output purchased by Minnesota Power and a 40 kW solar array that is owned and operated by Minnesota Power.

On June 17, 2020, Minnesota Power filed a proposal with the MPUC to accelerate its plans for solar energy with an estimated $40 million investment in approximately 20 MW of solar energy projects in Minnesota. (See Note 2. Regulatory Matters.)

Minnesota Power has approval for current cost recovery of investments and expenditures related to compliance with the Minnesota Solar Energy Standard. On June 30, 2020, Minnesota Power filed a petition seeking MPUC approval of a customer billing rate for solar costs related to investments and expenditures for meeting the state of Minnesota's solar energy standard.

Wind Energy. Minnesota Power's wind energy facilities consist of Bison (497 MW) located in North Dakota, and Taconite Ridge (25 MW) located in northeastern Minnesota. Minnesota Power also has two long-term wind energy PPAs with an affiliate of NextEra Energy, Inc. to purchase the output from Oliver Wind I (50 MW) and Oliver Wind II (48 MW) located in North Dakota.

Minnesota Power uses the 465-mile, 250-kV DC transmission line that runs from Center, North Dakota, to Duluth, Minnesota, to transport wind energy from North Dakota while gradually phasing out coal-based electricity delivered to its system over this transmission line from Square Butte's lignite coal-fired generating unit. Minnesota Power is currently pursuing a modernization and capacity upgrade of its DC transmission system to continue providing reliable operations and additional system capabilities.

Minnesota Power has an approved cost recovery rider for certain renewable investments and expenditures. The cost recovery rider allows Minnesota Power to charge retail customers on a current basis for the costs of certain renewable investments plus a return on the capital invested. On August 15, 2019, Minnesota Power filed a petition seeking MPUC approval to update the customer billing factor, which was approved at a hearing on October 1, 2020.

Nobles 2 PPA. In the third quarter of 2018, Minnesota Power and Nobles 2 signed an amended long-term PPA that provides for Minnesota Power to purchase the energy and associated capacity from a 250 MW wind energy facility in southwestern Minnesota for a 20-year period beginning in 2020. The agreement provides for the purchase of output from the facility at fixed energy prices. There are no fixed capacity charges, and Minnesota Power will only pay for energy as it is delivered. This agreement is subject to construction of the wind energy facility. (See Note 3. Equity Investments.)

Manitoba Hydro. Minnesota Power has three long-term PPAs with Manitoba Hydro. Under the first PPA, Minnesota Power is purchasing surplus energy through April 2022. This energy-only agreement primarily consists of surplus hydro energy on Manitoba Hydro's system that is delivered to Minnesota Power on a non-firm basis. The pricing is based on forward market prices. Under this agreement, Minnesota Power will purchase at least one million MWh of energy over the contract term.

The second PPA provides for Minnesota Power to purchase 250 MW of capacity and energy from Manitoba Hydro through May 2035. The energy price is based on a formula that includes an annual fixed price component adjusted for the change in a governmental inflationary index and a natural gas index, as well as market prices.

The third PPA provides for Minnesota Power to purchase up to 133 MW of energy from Manitoba Hydro through June 2040. The pricing under this PPA is based on forward market prices.

OUTLOOK (Continued)

Transmission. We continue to make investments in transmission opportunities that strengthen or enhance the transmission grid or take advantage of our geographical location between sources of renewable energy and end users. These include the GNTL, investments to enhance our own transmission facilities, investments in other transmission assets (individually or in combination with others) and our investment in ATC.

Great Northern Transmission Line. As a condition of the 250-MW long-term PPA entered into with Manitoba Hydro, construction of additional transmission capacity was required. As a result, Minnesota Power constructed the GNTL, an approximately 220-mile 500-kV transmission line between Manitoba and Minnesota's Iron Range that was proposed by Minnesota Power and Manitoba Hydro in order to strengthen the electric grid, enhance regional reliability and promote a greater exchange of sustainable energy. On June 1, 2020, Minnesota Power placed the GNTL into service with project costs of approximately $310 million incurred by Minnesota Power through September 30, 2020. Total project costs, including those costs contributed by a subsidiary of Manitoba Hydro, incurred through September 30, 2020 totaled approximately $660 million. Also on June 1, 2020, Manitoba Hydro placed the MMTP into service.

Investment in ATC. Our wholly-owned subsidiary, ALLETE Transmission Holdings, owns approximately 8 percent of ATC, a Wisconsin-based utility that owns and maintains electric transmission assets in portions of Wisconsin, Michigan, Minnesota and Illinois. We account for our investment in ATC under the equity method of accounting. As of September 30, 2020, our equity investment in ATC was $146.8 million ($141.6 million as of December 31, 2019). In the nine months ended September 30, 2020, we invested $2.0 million in ATC, and on October 30, 2020, we invested an additional $0.8 million. We do not expect to make any additional investments in 2020.

ATC's authorized return on equity is 10.02 percent, or 10.52 percent including an incentive adder for participation in a regional transmission organization, based on a May 21, 2020, FERC order that granted rehearing of a November 2019 FERC order, which had reduced the base return on equity for regional transmission organizations to 9.88 percent, or 10.38 percent including an incentive adder.

ATC's 10-year transmission assessment, which covers the years 2020 through 2029, identifies a need for between $2.9 billion and $3.5 billion in transmission system investments. These investments by ATC, if undertaken, are expected to be funded through a combination of internally generated cash, debt and investor contributions. As opportunities arise, we plan to make additional investments in ATC through general capital calls based upon our pro rata ownership interest in ATC.

ALLETE Clean Energy.

ALLETE Clean Energy focuses on developing, acquiring, and operating clean and renewable energy projects. ALLETE Clean Energy currently owns and operates, in six states, approximately 740 MW of nameplate capacity wind energy generation that is contracted under PSAs of various durations. In addition, ALLETE Clean Energy currently has approximately 600 MW of wind energy facilities under construction or development. ALLETE Clean Energy also engages in the development of wind energy facilities to operate under long-term PSAs or for sale to others upon completion.

ALLETE Clean Energy believes the market for renewable energy in North America is robust, driven by several factors including environmental regulation, tax incentives, societal expectations and continual technology advances. State renewable portfolio standards and state or federal regulations to limit GHG emissions are examples of environmental regulation or public policy that we believe will drive renewable energy development.

ALLETE Clean Energy's strategy includes the safe, reliable, optimal and profitable operation of its existing facilities. This includes a strong safety culture, the continuous pursuit of operational efficiencies at existing facilities and cost controls. ALLETE Clean Energy generally acquires facilities in liquid power markets and its strategy includes the exploration of PSA extensions upon expiration of existing contracts and production tax credit requalification of existing facilities.

ALLETE Clean Energy will pursue growth through acquisitions or project development. ALLETE Clean Energy is targeting acquisitions of existing facilities up to 200 MW each, which have long-term PSAs in place for the facilities' output. At this time, ALLETE Clean Energy expects acquisitions or development of new facilities will be primarily wind or solar facilities in North America. ALLETE Clean Energy is also targeting the development of new facilities up to 200 MW each, which will have long-term PSAs in place for the output or may be sold upon completion.

Federal production tax credit qualification is important to the economics of project development, and ALLETE Clean Energy has invested in equipment to meet production tax credit safe harbor provisions which provides an opportunity to seek development of its remaining safe harbor production tax credit qualified turbines through 2022. ALLETE Clean Energy has invested approximately $80 million through 2020 for production tax credit requalification of up to approximately 500 WTGs at its Storm Lake I, Storm Lake II, Lake Benton and Condon wind energy facilities. We anticipate annual production tax credits relating to these projects of approximately $17 million in 2020, $17 million to $22 million annually in 2021 through 2027 and decreasing thereafter through 2030. Disruptions in our supply chains or a lack of available financing resulting from the ongoing COVID-19 pandemic, if they occur, could jeopardize our ability to complete certain capital projects in time to qualify them for production tax credits. To date we have not experienced disruptions in our supply chains. (See Part II, Item 1A. Risk Factors.)

In 2018, ALLETE Clean Energy announced that it will build, own and operate the South Peak wind project, an 80 MW wind energy facility in Montana, pursuant to a 15-year PSA with NorthWestern Corporation; construction was completed and tax equity funding of $67.8 million in cash, net of issuance costs, was received in the second quarter of 2020.

In May 2019, ALLETE Clean Energy acquired the Diamond Spring wind project in Oklahoma from Apex Clean Energy. ALLETE Clean Energy will build, own and operate the approximately 300 MW wind energy facility. The Diamond Spring wind project is fully contracted to sell wind power under long-term power sales agreements. Construction is expected to be completed in the fourth quarter of 2020.

On March 10, 2020, ALLETE Clean Energy acquired the rights to the approximately 300 MW Caddo wind development project in Oklahoma from Apex Clean Energy. The Caddo wind project is fully contracted to sell wind power under long-term power sales agreements. Construction is expected to be completed in late 2021.

ALLETE Clean Energy manages risk by having a diverse portfolio of assets, which includes PSA expiration, technology and geographic diversity. The current operating portfolio of approximately 740 MW is subject to typical variations in seasonal wind with higher wind resources typically available in the winter months. The majority of its planned maintenance leverages this seasonality and is performed during lower wind periods. The current mix of PSA expiration and geographic location for existing facilities is as follows:

Wind Energy Facility	Location	Capacity MW	PSA MW	PSA Expiration
Armenia Mountain	East	101	100%	2024
Chanarambie/Viking	Midwest	98		
PSA 1 *(a)*			12%	2023
PSA 2			88%	2023
Condon	West	50	100%	2022
Glen Ullin	West	106	100%	2039
Lake Benton	Midwest	104	100%	2028
South Peak	West	80	100%	2035
Storm Lake I	Midwest	108	100%	2027
Storm Lake II	Midwest	77		
PSA 1			90%	2022
PSA 2			10%	2032
Other	Midwest	17	100%	2028

(a) The PSA expiration assumes the exercise of all renewal options that ALLETE Clean Energy has the sole right to exercise.

Corporate and Other.

BNI Energy. BNI Energy anticipates selling 4.3 million tons of lignite coal in 2020 (4.1 million tons were sold in 2019) and has sold 3.1 million tons for the nine months ended September 30, 2020 (3.2 million tons were sold for the nine months ended September 30, 2019). BNI Energy operates under cost-plus fixed fee agreements extending through December 31, 2037.

Investment in Nobles 2. Our wholly-owned subsidiary, ALLETE South Wind, owns 49 percent of Nobles 2, the entity that will own and operate a 250 MW wind energy facility in southwestern Minnesota pursuant to a 20-year PPA with Minnesota Power. The wind energy facility will be built in Nobles County, Minnesota, and is expected to be completed in the fourth quarter of 2020, with an estimated total project cost of approximately $350 million to $400 million. In the fourth quarter of 2019, we entered into a tax equity funding agreement to finance approximately $120 million of the project costs. We account for our investment in Nobles 2 under the equity method of accounting. As of September 30, 2020, our equity investment in Nobles 2 was $145.0 million ($56.0 million at December 31, 2019). In the nine months ended September 30, 2020, we invested $89.0 million in Nobles 2, and in October 2020 we invested an additional $0.7 million. We expect to make approximately $25 million in additional investments in 2020.

ALLETE Properties. ALLETE Properties represents our legacy Florida real estate investment. ALLETE Properties' major project in Florida is Town Center at Palm Coast, with approximately 800 acres of land available for sale. In addition to this project, ALLETE Properties has approximately 600 acres of other land available for sale. Market conditions can impact land sales and could result in our inability to cover our cost basis and operating expenses including fixed carrying costs such as community development district assessments and property taxes.

Our strategy incorporates the possibility of a bulk sale of the entire ALLETE Properties portfolio. Proceeds from a bulk sale would be strategically deployed to support growth initiatives at our Regulated Operations and ALLETE Clean Energy. ALLETE Properties also continues to pursue sales of individual parcels over time and will continue to maintain key entitlements and infrastructure.

Income Taxes.

ALLETE's aggregate federal and multi-state statutory tax rate is approximately 28 percent for 2020. ALLETE also has tax credits and other tax adjustments that reduce the combined statutory rate to the effective tax rate. These tax credits and adjustments historically have included items such as investment tax credits, production tax credits, AFUDC-Equity, depletion, as well as other items. The annual effective rate can also be impacted by such items as changes in income before income taxes, state and federal tax law changes that become effective during the year, business combinations, tax planning initiatives and resolution of prior years' tax matters. We expect our effective tax rate to be a benefit of approximately 30 percent for 2020 primarily due to federal production tax credits as a result of wind energy generation. We also expect that our effective tax rate will be lower than the combined statutory rate over the next 10 years due to production tax credits attributable to our wind energy generation.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity Position. ALLETE is well-positioned to meet the Company's liquidity needs; however, the Company is monitoring capital markets and other financing sources in light of the ongoing COVID-19 pandemic. (See Part II, Item 1A. Risk Factors.) A disruption in capital markets could lead to increased borrowing costs or adversely impact our ability to access capital markets or other financing sources. If we are not able to access capital on acceptable terms in sufficient amounts and when needed, or at all, the ability to maintain our businesses or to implement our business plans would be adversely affected.

As of September 30, 2020, we had cash and cash equivalents of $79.0 million, $384.7 million in available consolidated lines of credit, 2.9 million original issue shares of common stock available for issuance through a distribution agreement with Lampert Capital Markets and a debt-to-capital ratio of 45 percent. (See *Working Capital*.)

In addition, ALLETE received $67.8 million in cash, net of issuance costs, in April 2020 from a third-party investor as part of a tax equity financing for ALLETE Clean Energy's South Peak wind energy facility, issued $140 million of the Company's first mortgage bonds in August 2020 and sold $150 million of senior unsecured notes in September 2020. The Company also has approximately $350 million in commitments from tax equity partners for our investment in Nobles 2 and ALLETE Clean Energy's Diamond Spring wind project.

LIQUIDITY AND CAPITAL RESOURCES (Continued)

Capital Structure. ALLETE's capital structure is as follows:

	September 30, 2020	%	December 31, 2019	%
Millions				
ALLETE Equity	$2,281.0	51	$2,231.9	56
Non-Controlling Interest in Subsidiaries	164.6	4	103.7	3
Short-Term and Long-Term Debt *(a)*	2,022.5	45	1,622.6	41
	$4,468.1	100	$3,958.2	100

(a) Excludes unamortized debt issuance costs.

Cash Flows. Selected information from the Consolidated Statement of Cash Flows is as follows:

For the Nine Months Ended September 30,	2020	2019
Millions		
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	$92.5	$79.0
Cash Flows from (used for)		
Operating Activities	243.9	176.4
Investing Activities	(633.2)	(160.0)
Financing Activities	381.9	39.8
Change in Cash, Cash Equivalents and Restricted Cash	(7.4)	56.2
Cash, Cash Equivalents and Restricted Cash at End of Period	$85.1	$135.2

Operating Activities. Cash from operating activities was higher in 2020 compared to 2019. Cash from operating activities in 2019 included the refund of Minnesota Power's provisions for interim rates and tax reform, and the impact of U.S. Water Services prior to its sale. Cash from operating activities in 2020 included lower collections of accounts receivable due to timing.

Investing Activities. Cash used for investing activities was higher in 2020 compared to 2019. Cash from investing activities in 2019 included proceeds received from the sale of U.S. Water Services. Cash used for investing activities in 2020 included higher additions to property, plant and equipment and additional payments for equity method investments compared to 2019.

Financing Activities. Cash from financing activities was higher in 2020 compared to 2019 primarily due to higher proceeds from the issuance of long-term debt and proceeds from a tax equity financing (non-controlling interest in subsidiaries) in 2020. These increases were partially offset by higher repayments of long-term debt in 2020.

Working Capital. Additional working capital, if and when needed, generally is provided by consolidated bank lines of credit and the issuance of securities, including long-term debt, common stock and commercial paper. As of September 30, 2020, we had consolidated bank lines of credit aggregating $407.0 million ($407.0 million as of December 31, 2019), the majority of which expire in January 2024. We had $22.3 million outstanding in standby letters of credit and no outstanding draws under our lines of credit as of September 30, 2020 ($62.0 million in standby letters of credit and no outstanding draws as of December 31, 2019). We also have other credit facility agreements in place that provide the ability to issue up to $100.0 million in standby letters of credit. As of September 30, 2020, we had $72.4 million outstanding in standby letters of credit under these agreements.

In addition, as of September 30, 2020, we had 3.5 million original issue shares of our common stock available for issuance through Invest Direct, our direct stock purchase and dividend reinvestment plan, and 2.9 million original issue shares of common stock available for issuance through a distribution agreement with Lampert Capital Markets, as amended most recently in May 2020. The amount and timing of future sales of our securities will depend upon market conditions and our specific needs. In July 2019, we filed Registration Statement No. 333-232905, pursuant to which the remaining shares under this agreement will continue to be offered for sale, from time to time.

Securities. During the nine months ended September 30, 2020, we issued 0.3 million shares of common stock through Invest Direct, the Employee Stock Purchase Plan, and the Retirement Savings and Stock Ownership Plan, resulting in net proceeds of $12.8 million (0.2 million shares were issued for the nine months ended September 30, 2019, resulting in net proceeds of $1.7 million). These shares of common stock were registered under Registration Statement Nos. 333-231030, 333-183051 and 333-162890.

LIQUIDITY AND CAPITAL RESOURCES (Continued)

Financial Covenants. See Note 5. Short-Term and Long-Term Debt for information regarding our financial covenants.

Pension and Other Postretirement Benefit Plans. Management considers various factors when making funding decisions, such as regulatory requirements, actuarially determined minimum contribution requirements and contributions required to avoid benefit restrictions for the defined benefit pension plans. (See Note 9. Pension and Other Postretirement Benefit Plans.)

Off-Balance Sheet Arrangements. Off-balance sheet arrangements are summarized in our 2019 Form 10-K, with additional disclosure in Note 6. Commitments, Guarantees and Contingencies.

Credit Ratings. Access to reasonably priced capital markets is dependent in part on credit and ratings. Our securities have been rated by S&P Global Ratings and by Moody's. Rating agencies use both quantitative and qualitative measures in determining a company's credit rating. These measures include business risk, liquidity risk, competitive position, capital mix, financial condition, predictability of cash flows, management strength and future direction. Some of the quantitative measures can be analyzed through a few key financial ratios, while the qualitative ones are more subjective. Our current credit ratings are listed in the following table:

Credit Ratings	S&P Global Ratings	Moody's
Issuer Credit Rating	BBB	Baa1
Commercial Paper	A-2	P-2
First Mortgage Bonds	*(a)*	A2

(a) Not rated by S&P Global Ratings.

On April 22, 2020, S&P Global Ratings downgraded ALLETE's long-term issuer credit rating to BBB stable from BBB+ outlook negative and affirmed its short-term rating at A-2. S&P Global Ratings noted the impacts of debt coverage ratios going forward along with the lack of a revenue decoupling mechanism at Minnesota Power combined with the large commercial and industrial presence in its service territory as its rationale for the downgrade.

The disclosure of these credit ratings is not a recommendation to buy, sell or hold our securities. Ratings are subject to revision or withdrawal at any time by the assigning rating organization. Each rating should be evaluated independently of any other rating.

Capital Requirements. Our capital expenditures for 2020 are now expected to be approximately $670 million. The increase from the 2020 capital expenditures projected in our 2019 Form 10-K is primarily due to the Caddo wind project. (See Outlook – ALLETE Clean Energy.) The Company is also evaluating its planned capital expenditures and may make adjustments to mitigate impacts of the ongoing COVID-19 pandemic, if appropriate. For the nine months ended September 30, 2020, capital expenditures totaled $457.1 million ($421.6 million for the nine months ended September 30, 2019). The expenditures were primarily made in the Regulated Operations and ALLETE Clean Energy segments.

OTHER

Environmental Matters.

Our businesses are subject to regulation of environmental matters by various federal, state and local authorities. A number of regulatory changes to the Clean Air Act, the Clean Water Act and various waste management requirements have been promulgated by both the EPA and state authorities over the past several years. Minnesota Power's facilities are subject to additional requirements under many of these regulations. Minnesota Power is reshaping its generation portfolio, over time, to reduce its reliance on coal, has installed cost-effective emission control technology, and advocates for sound science and policy during rulemaking implementation. (See Note 6. Commitments, Guarantees and Contingencies.)

OTHER (Continued)

Employees.

As of September 30, 2020, ALLETE had 1,343 employees, of which 1,322 were full-time.

Minnesota Power and SWL&P have an aggregate of 462 employees who are members of International Brotherhood of Electrical Workers (IBEW) Local 31. The current labor agreements with IBEW Local 31 expire on April 30, 2023, for Minnesota Power and February 1, 2021, for SWL&P.

BNI Energy has 185 employees, of which 137 are subject to a labor agreement with IBEW Local 1593. The current labor agreement with IBEW Local 1593 expires on March 31, 2023.

NEW ACCOUNTING PRONOUNCEMENTS

New accounting pronouncements are discussed in Note 1. Operations and Significant Accounting Policies.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

SECURITIES INVESTMENTS

Available-for-Sale Securities. As of September 30, 2020, our available-for-sale securities portfolio consisted primarily of securities held in other postretirement plans to fund employee benefits.

COMMODITY PRICE RISK

Our regulated utility operations incur costs for power and fuel (primarily coal and related transportation) in Minnesota, and power and natural gas purchased for resale in our regulated service territory in Wisconsin. Minnesota Power's exposure to price risk for these commodities is significantly mitigated by the current ratemaking process and regulatory framework, which allows recovery of fuel costs in excess of those included in base rates or distribution of savings in fuel costs to ratepayers. SWL&P's exposure to price risk for natural gas is significantly mitigated by the current ratemaking process and regulatory framework, which allows the commodity cost to be passed through to customers. We seek to prudently manage our customers' exposure to price risk by entering into contracts of various durations and terms for the purchase of power and coal and related transportation costs (Minnesota Power), and natural gas (SWL&P).

POWER MARKETING

Minnesota Power's power marketing activities consist of: (1) purchasing energy in the wholesale market to serve its regulated service territory when energy requirements exceed generation output; and (2) selling excess available energy and purchased power. From time to time, Minnesota Power may have excess energy that is temporarily not required by retail and municipal customers in our regulated service territory. Minnesota Power actively sells any excess energy to the wholesale market to optimize the value of its generating facilities.

We are exposed to credit risk primarily through our power marketing activities. We use credit policies to manage credit risk, which includes utilizing an established credit approval process and monitoring counterparty limits.

INTEREST RATE RISK

We are exposed to risks resulting from changes in interest rates as a result of our issuance of variable rate debt. We manage our interest rate risk by varying the issuance and maturity dates of our fixed rate debt, limiting the amount of variable rate debt, and continually monitoring the effects of market changes in interest rates. We may also enter into derivative financial instruments, such as interest rate swaps, to mitigate interest rate exposure. Interest rates on variable rate long-term debt are reset on a periodic basis reflecting prevailing market conditions. Based on the variable rate debt outstanding as of September 30, 2020, an increase of 100 basis points in interest rates would impact the amount of pre-tax interest expense by $3.4 million. This amount was determined by considering the impact of a hypothetical 100 basis point increase to the average variable interest rate on the variable rate debt outstanding as of September 30, 2020.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. As of September 30, 2020, evaluations were performed, under the supervision and with the participation of management, including our principal executive officer and principal financial officer, on the effectiveness of the design and operation of ALLETE's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (Exchange Act)). Based upon those evaluations, our principal executive officer and principal financial officer have concluded that such disclosure controls and procedures are effective to provide assurance that information required to be disclosed in ALLETE's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

Changes in Internal Controls. There has been no change in our internal control over financial reporting that occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For information regarding material legal and regulatory proceedings, see Note 4. Regulatory Matters and Note 9. Commitments, Guarantees and Contingencies to the Consolidated Financial Statements in our 2019 Form 10-K and Note 2. Regulatory Matters and Note 6. Commitments, Guarantees and Contingencies herein. Such information is incorporated herein by reference.

ITEM 1A. RISK FACTORS

Our 2019 Form 10-K includes a detailed discussion of our risk factors. The information presented below updates, and should be read in conjunction with, the risk factors disclosed in Part I, Item 1A. Risk Factors of our 2019 Form 10-K.

We could be materially adversely affected by the ongoing COVID-19 pandemic for which we are unable to predict the ultimate impact as the extent and duration of the COVID-19 pandemic is uncertain.

The ongoing COVID-19 pandemic has resulted in widespread impacts on the global economy and on our employees, customers, contractors, and suppliers. There is considerable uncertainty regarding the extent to which COVID-19 will spread and the extent and duration of measures to try to contain the virus, such as travel bans and restrictions, quarantines, shelter-in-place orders (including those in effect in areas our businesses operate), and business and government shutdowns. We are responding to the COVID-19 pandemic by taking steps to mitigate the potential risks to us posed by its spread and have implemented our company-wide business continuity plans in response to the pandemic. These plans guide our emergency response, business continuity, and the precautionary measures we are taking on behalf of employees and the public. We have taken additional precautions for our employees who work in the field and for employees who continue to work in our facilities, and we have implemented work from home policies where appropriate. We continue to implement physical and cyber-security measures to ensure that our systems remain functional in order to both serve our operational needs with a remote workforce and keep them running to ensure uninterrupted service to our customers.

ITEM 1A. RISK FACTORS (Continued)

We could be materially adversely affected by the ongoing COVID-19 pandemic for which we are unable to predict the ultimate impact as the extent and duration of the COVID-19 pandemic is uncertain (Continued)

The ongoing COVID-19 pandemic and related federal and state government responses has led to a disruption of economic activity, and could result in an extended disruption of economic activity. The governors of Minnesota and Wisconsin issued executive orders in March 2020 in response to the COVID-19 pandemic which restricted economic activity in these states. The state of Minnesota continues to have restrictions that remain in effect through at least November 12, 2020. The state of Wisconsin's original order was overturned in May 2020, but the state issued new restrictions in October 2020 that are currently pending legal challenges. This disruption has resulted and is expected to continue to result in reduced sales and revenue from commercial, municipal and industrial customers as well as an increase in uncollectible accounts from residential and commercial customers. Many commercial and industrial customers were operating at reduced levels or were temporarily closed or idled during the second and third quarters of 2020. In addition, USS Corporation idled its Keetac plant and Verso Corporation indefinitely idled its paper mill in Duluth, Minnesota, both of which remain idled. (See Outlook – Regulated Operations – Industrial Customers and Prospective Additional Load.) The current disruption of economic activity or an extended disruption of economic activity may lead to additional adverse impacts on our taconite mining, paper, pulp and secondary wood products, and pipeline customers' operations including further reduced production or the temporary idling or indefinite shutdown of other facilities, which would result in lower sales and revenue from these customers. In Minnesota Power's service territory, we have also voluntarily and as requested by state regulators extended Minnesota's cold weather rule as well as temporarily suspended disconnections for non-payment and waived late payment charges for residential and small business customers. In SWL&P's service territory, we have implemented state regulator requested customer service actions to further limit service disconnections and late payment charges for residential, commercial and industrial customers.

The Company is monitoring the capital markets and has access to liquidity to enable us to operate our businesses and fund capital projects; however, a disruption in capital markets could lead to increased borrowing costs or adversely impact our ability to access capital markets or other financing sources. If we are not able to access capital on acceptable terms in sufficient amounts and when needed, or at all, the ability to maintain our businesses or to implement our business plans would be adversely affected. In addition, the performance of capital markets impacts the values of the assets that are held in trust to satisfy future obligations under our pension and other postretirement benefit plans. A decline in the market value of these assets would increase the funding requirements under our benefit plans and future costs recognized for the benefit plans if the asset market values do not recover. The Company is also monitoring supply chains for key materials, supplies and services for our operations and large capital projects. We have received notices of force majeure from certain suppliers and the pandemic could result in a disruption to our supply chains which could adversely impact our operations and capital projects; however, there has been limited impact on our supply chains as to the availability of materials, supplies and services to date. In addition, disruptions in our supply chains or a lack of available financing could jeopardize our ability to complete certain capital projects in time to qualify them for production tax credits.

We will continue to monitor developments affecting our workforce, operations and customers, and we will take additional precautions that we determine are necessary in order to mitigate the impacts of the COVID-19 pandemic. Despite our efforts to manage these impacts to the Company, their ultimate impact also depends on factors beyond our control, including the duration and severity of this pandemic as well as governmental and third-party actions taken to contain its spread and mitigate its public health effects. As a result, we cannot predict the ultimate impact of the COVID-19 pandemic and whether it will have a material impact on our liquidity, financial position, results of operations and cash flows.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) requires issuers to include in periodic reports filed with the SEC certain information relating to citations or orders for violations of standards under the Federal Mine Safety and Health Act of 1977 (Mine Safety Act). Information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Act and this Item are included in Exhibit 95 to this Form 10-Q.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	
4	Note Purchase Agreement, dated September 10, 2020, between ALLETE and the purchasers named therein.
4(a)	Forty-First Supplemental Indenture, dated as of August 1, 2020, between ALLETE, Inc. and The Bank of New York Mellon, as corporate trustee, and Andres Serrano, as co-trustee.
31(a)	Rule 13a-14(a)/15d-14(a) Certification by the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31(b)	Rule 13a-14(a)/15d-14(a) Certification by the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Section 1350 Certification of Periodic Report by the Chief Executive Officer and the Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
95	Mine Safety.
99	**ALLETE News Release dated November 9, 2020, announcing 2020 third quarter earnings. (This exhibit has been furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.)**
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Schema
101.CAL	XBRL Calculation
101.DEF	XBRL Definition
101.LAB	XBRL Label
101.PRE	XBRL Presentation
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

ALLETE agrees to furnish to the SEC upon request any instrument with respect to long-term debt that ALLETE has not filed as an exhibit pursuant to the exemption provided by Item 601(b)(4)(iii)(A) of Regulation S-K.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALLETE, INC.

November 9, 2020

/s/ Robert J. Adams

Robert J. Adams
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

November 9, 2020

/s/ Steven W. Morris

Steven W. Morris
Vice President, Controller and Chief Accounting Officer
(Principal Accounting Officer)

ALLETE, INC.

$150,000,000

2.65% Senior Notes Due September 10, 2025

Note Purchase Agreement

Dated September 10, 2020

Table of Contents

Schedule B — Defined Terms

Schedule 5.4 — Subsidiaries of the Company and Ownership of Subsidiary Stock

Schedule 5.15 — Existing Indebtedness

Exhibit 1 — Form of 2.65% Senior Note due September 10, 2025

Exhibit 4.4(a) — Form of Opinion of the Vice President, Chief Legal Officer and Corporate Secretary of ALLETE, INC.

Exhibit 4.4(b) — Form of Opinion of Cohen Tauber Spievack & Wagner P.C.

Exhibit 4.4(c) — Form of Opinion of Chapman and Cutler LLP

Allete, Inc.
30 West Superior Street

Duluth, Minnesota 55802

2.65% Senior Notes due September 10, 2025

September 10, 2020

To Each of the Purchasers Listed in

Schedule A Hereto:
Ladies and Gentlemen:

ALLETE, Inc., a Minnesota corporation (the **"Company"**), agrees with each of the Purchasers as follows:

Section 1. Authorization of Notes.

The Company will authorize the issue and sale of $150,000,000 aggregate principal amount of its 2.65% Senior Notes due September 10, 2025 (the **"Notes"**). The Notes shall be substantially in the form set out in Exhibit 1, with such changes therefrom, if any, as may be approved by you and the Company. Certain capitalized and other terms used in this Agreement are defined in Schedule B and, for purposes of this Agreement, the rules of construction set forth in Section 22.4 shall govern.

Section 2. Sale and Purchase of Notes

Subject to the terms and conditions of this Agreement, the Company will issue and sell to each Purchaser and each Purchaser will purchase from the Company, at the Closing provided for in Section 3, Notes in the principal amount specified opposite such Purchaser's name in Schedule A at the purchase price of 100% of the principal amount thereof. The Purchasers' obligations hereunder are several and not joint obligations and no Purchaser shall have any liability to any Person for the performance or non-performance of any obligation by any other Purchaser hereunder.

Section 3. Closing

The sale and purchase of the Notes to be purchased by each Purchaser shall occur at the offices of Cohen Tauber Spievack & Wagner P.C., 420 Lexington Avenue, Suite 2400, New York, New York 10170, at 10:00 a.m., New York time, at a closing (the **"Closing"**) on September 10, 2020 or on such other Business Day thereafter on or prior to September 11, 2020 as may be agreed upon by the Company and the Purchasers. At the Closing the Company will deliver to each Purchaser the Notes to be purchased by such Purchaser in the form of a single Note (or such greater number of Notes in denominations of at least $100,000 as such Purchaser may request) dated the date of the Closing and registered in such Purchaser's name (or in the name of its nominee), against delivery by such Purchaser to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer for the

account of the Company at Wells Fargo Bank, San Francisco, CA, ABA 121 000 248 for further credit to Minnesota Power Account 002-0000-364, Attn: Calla Gilbertson, 218-355-3686. If at the Closing the Company shall fail to tender such Notes to any Purchaser as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to such Purchaser's satisfaction, such Purchaser shall, at its election, be relieved of all further obligations under this Agreement, without thereby waiving any rights such Purchaser may have by reason of such failure by the Company to tender such Notes or any of the conditions specified in Section 4 not having been fulfilled to such Purchaser's satisfaction. If at the Closing one Purchaser shall fail to purchase the Notes which it is obligated to purchase under this Agreement, the Company shall have the option (i) of terminating its obligation to sell any and all of the Notes to all Purchasers and be relieved of all further obligations under this Agreement, or (ii) of terminating its obligation to sell any Notes only to such defaulting Purchaser and be relieved of all further obligations under this Agreement only with respect to such defaulting Purchaser.

Section 4. Conditions to Closing

Each Purchaser's obligation to purchase and pay for the Notes to be sold to such Purchaser at the Closing is subject to the fulfillment to such Purchaser's satisfaction, prior to or at the Closing, of the following conditions:

Section a. Representations and Warranties

. The representations and warranties of the Company in this Agreement shall be correct when made and at the Closing.

Section b. Performance; No Default

. The Company shall have performed and complied with all agreements and conditions contained in this Agreement required to be performed or complied with by it prior to or at the Closing. Before and after giving effect to the issue and sale of the Notes (and the application of the proceeds thereof as contemplated by Section 5.14), no Default or Event of Default shall have occurred and be continuing.

Section c. Compliance Certificates

.

(i)*Officer's Certificate*. The Company shall have delivered to such Purchaser an Officer's Certificate, dated the date of the Closing, certifying that the conditions specified in Sections 4.1, 4.2 and 4.9 have been fulfilled.

(ii)*Secretary's Certificate*. The Company shall have delivered to such Purchaser a certificate of its Secretary or Assistant Secretary, dated the date of the Closing, certifying as to (i) the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of the Notes and this Agreement and (ii) the Company's organizational documents as then in effect.

Section d. Opinions of Counsel

. Such Purchaser shall have received opinions in form and substance satisfactory to such Purchaser, dated the date of the Closing (a) from the Vice President, Chief Legal Officer and Corporate Secretary of ALLETE, Inc., and Cohen Tauber Spievack & Wagner P.C., counsel for the Company, covering the matters set forth in Exhibit 4.4(a) and 4.4(b), respectively, and covering such other matters incident to the transactions contemplated hereby as such Purchaser or its counsel may reasonably request (and the Company hereby instructs its counsel to deliver such opinion to the Purchasers) and (b) from Chapman and Cutler LLP, the Purchasers' special counsel in connection with such transactions, substantially in the form set forth in Exhibit 4.4(c) and covering such other matters incident to such transactions as such Purchaser may reasonably request.

Section e. Purchase Permitted By Applicable Law, Etc

. On the date of the Closing such Purchaser's purchase of Notes shall (a) be permitted by the laws and regulations of each jurisdiction to which such Purchaser is subject, without recourse to provisions (such as section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies without restriction as to the character of the particular investment, (b) not violate any applicable law or regulation (including Regulation T, U or X of the Board of Governors of the Federal Reserve System) and (c) not subject such Purchaser to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was not in effect on the date hereof. If requested by such Purchaser, such Purchaser shall have received an Officer's Certificate certifying as to such matters of fact as such Purchaser may reasonably specify to enable such Purchaser to determine whether such purchase is so permitted.

Section f. Sale of Other Notes

. Contemporaneously with the Closing the Company shall sell to each other Purchaser and each other Purchaser shall purchase the Notes to be purchased by it at the Closing as specified in Schedule A.

Section g. Payment of Special Counsel Fees

. Without limiting Section 15.1, the Company shall have paid on or before the Closing the fees, charges and disbursements of the Purchasers' special counsel referred to in Section 4.4 to the extent reflected in a statement of such counsel rendered to the Company at least one Business Day prior to the date of the Closing.

Section h. Private Placement Number

. A Private Placement Number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the SVO) shall have been obtained for the Notes.

Section i. Changes in Corporate Structure

. The Company shall not have changed its jurisdiction of incorporation or organization, as applicable, or been a party to any merger or consolidation or succeeded to all or any substantial part of the liabilities of any other entity, at any time following the date of the most recent financial statements referred to in Section 5.5.

Section j. Funding Instructions

. At least three Business Days prior to the date of the Closing, each Purchaser shall have received written instructions signed by a Responsible Officer on letterhead of the Company confirming the information specified in Section 3 including (i) the name and address of the transferee bank, (ii) such transferee bank's ABA number and (iii) the account name and number into which the purchase price for the Notes is to be deposited.

Section k. Proceedings and Documents

. All corporate and other proceedings in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be satisfactory to such Purchaser and its special counsel, and such Purchaser and its special counsel shall have received all such counterpart originals or certified or other copies of such documents as such Purchaser or such special counsel may reasonably request.

Section 5. Representations and Warranties of the Company.

The Company represents and warrants to each Purchaser that:

Section a. Organization; Power and Authority

. The Company is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company has the corporate power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Agreement and the Notes and to perform the provisions hereof and thereof.

Section b. Authorization, Etc

. This Agreement and the Notes have been duly authorized by all necessary corporate action on the part of the Company, and this Agreement constitutes, and upon execution and delivery thereof each Note will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section c. Disclosure

. The Company, through its public filings, has made available to each Purchaser a copy of the Company's Annual Report on Form 10-K for the year ended December 31, 2019, a copy of each of the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2020 and June 30, 2020, and a copy of each of the Company's Current Reports on Form 8-K filed with the SEC on February 3, 2020, March 31, 2020, April 13, 2020, April 14, 2020, May 15, 2020 and July 31, 2020, each of which has also been filed with the SEC under the Exchange Act (collectively, the "**Disclosure Documents**"). The Disclosure Documents fairly describe, in all material respects and as of their respective dates, the general nature of the business and principal properties of the Company and its Subsidiaries. The Disclosure Documents do not

contain, as of their respective dates, any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made. Except as disclosed in the Disclosure Documents or on Schedule 5.3, since December 31, 2019, there has been no change in the financial condition, operations, business or properties of the Company or any Subsidiary except changes that individually or in the aggregate could not reasonably be expected to have a Material Adverse Effect. There is no fact known to the Company that could reasonably be expected to have a Material Adverse Effect that has not been set forth herein, in the Disclosure Documents or on Schedule 5.3.

Section d. Organization and Ownership of Shares of Subsidiaries; Affiliates

.

(i)Schedule 5.4 contains (except as noted therein) complete and correct lists of the Company's active Subsidiaries, showing, as to each Subsidiary, the name thereof, the jurisdiction of its organization, the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Company and each other Subsidiary and whether such Subsidiary is a Subsidiary Guarantor.

(ii)All of the outstanding shares of capital stock or similar equity interests of each Subsidiary shown in Schedule 5.4 as being owned by the Company and its Subsidiaries have been validly issued, are fully paid and non-assessable and are owned by the Company or another Subsidiary free and clear of any Lien that is prohibited by this Agreement.

(iii)Each Subsidiary is a corporation or other legal entity duly organized, validly existing and, where applicable, in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and, where applicable, is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Subsidiary has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

(iv)No Significant Subsidiary nor Superior Water, Light and Power Company ("**SWL&P**") is a party to, or otherwise subject to any legal, regulatory, contractual or other restriction (other than this Agreement, the agreements listed on Schedule 5.4 and customary limitations imposed by corporate law, the Federal Power Act or similar statutes) restricting the ability of such Significant Subsidiary or SWL&P to pay dividends out of profits or make any other similar distributions of profits to the Company or any of its Subsidiaries that owns outstanding shares of capital stock or similar equity interests of such Significant Subsidiary or SWL&P.

Section e. Financial Statements; Material Liabilities

. The financial statements included in the Disclosure Documents (including the schedules and notes) fairly present in all material respects the consolidated financial position of the Company and its Subsidiaries as of the respective dates specified in such financial statements and the consolidated results of their operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the

periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments). The Company and its Subsidiaries do not have any Material liabilities that are not disclosed on such financial statements or otherwise disclosed in the Disclosure Documents.

Section f. Compliance with Laws, Other Instruments, Etc

. The execution, delivery and performance by the Company of this Agreement and the Notes will not (i) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Company or any Subsidiary under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter, regulations or by-laws, shareholders agreement or any other Material agreement or instrument to which the Company or any Subsidiary is bound or by which the Company or any Subsidiary or any of their respective properties may be bound or affected, (ii) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to the Company or any Significant Subsidiary or (iii) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the Company or any Significant Subsidiary.

Section g. Governmental Authorizations, Etc

. No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required in connection with the execution, delivery or performance by the Company of this Agreement or the Notes other than such which have been obtained and which shall be in full force and effect at the Closing.

Section h. Litigation

.

(i)Except as described in the Disclosure Documents, there are no actions, suits, investigations or proceedings pending or, to the knowledge of the Company, threatened against or affecting the Company or any Subsidiary or any property of the Company or any Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Authority which, if adversely determined, would individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(ii)Neither the Company nor any Subsidiary is (i) in violation of any order, judgment, decree or ruling of any court, any arbitrator of any kind or any Governmental Authority or (ii) in violation of any applicable law, ordinance, rule or regulation of any Governmental Authority (including Environmental Laws, the USA Patriot Act or any of the other laws or regulations referred to in Section 5.16), which violation would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section i. Taxes

. The Company and its Subsidiaries have filed all tax returns that are required to have been filed in any jurisdiction, and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments levied upon them or their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (i) the amount of which,

individually or in the aggregate, is not Material or (ii) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Company or a Subsidiary, as the case may be, has established adequate reserves in accordance with GAAP.

Section j. Title to Property; Leases

. The Company and its Subsidiaries have good and sufficient title to their respective properties that individually or in the aggregate are Material, including all such properties reflected in the most recent audited balance sheet referred to in Section 5.5 or purported to have been acquired by the Company or any Subsidiary after such date (except as sold or otherwise disposed of in the ordinary course of business), in each case free and clear of Liens prohibited by this Agreement. All leases that individually or in the aggregate are Material are valid and subsisting and are in full force and effect in all material respects.

Section k. Licenses, Permits, Etc

. Except as set forth or contemplated in the Disclosure Documents, the Company and its Subsidiaries own or possess all licenses, permits, franchises, authorizations, patents, copyrights, proprietary software, service marks, trademarks and trade names, or rights thereto, that individually or in the aggregate are Material, without known conflict with the rights of others.

Section l. Compliance with Employee Benefit Plans

.

(i)The Company and each ERISA Affiliate have operated and administered each Plan in compliance with all applicable laws except for such instances of noncom□pliance as have not resulted in and could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any ERISA Affiliate has incurred any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans (as defined in section 3 of ERISA), and no event, transaction or condition has occurred or exists that could, individually or in the aggregate, reasonably be expected to result in the incurrence of any such liability by the Company or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to section 430(k) of the Code or to any such penalty or excise tax provisions under the Code or federal law or section 4068 of ERISA or by the granting of a security interest in connection with the amendment of a Plan, other than such liabilities or Liens as would not be individually or in the aggregate Material.

(ii)The present value of the aggregate benefit liabilities under each of the Plans (other than Multiemployer Plans), determined as of the end of such Plan's most recently ended plan year on the basis of the actuarial assumptions specified for funding purposes in such Plan's most recent actuarial valuation report, did not exceed the aggregate current value of the assets of such Plan allocable to such benefit liabilities by more than $105,056,491 in the case of any single Plan and by more than $130,534,101 in the aggregate for all Plans.

(iii)The Company and its ERISA Affiliates have not incurred withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under section 4201 or 4204 of

ERISA in respect of Multiemployer Plans that individually or in the aggregate are Material.

(iv)The expected postretirement benefit obligation (determined as of the last day of the Company's most recently ended fiscal year in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 715-60, without regard to liabilities attributable to continuation coverage mandated by section 4980B of the Code) of the Company and its Subsidiaries is approximately $1,003,768,623. A substantial portion of the annual postretirement benefit costs recognized by the Company's regulated companies are recovered through rates filed with the Company's regulatory jurisdictions, as more fully described in Note 12 to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

(v)The execution and delivery of this Agreement and the issuance and sale of the Notes hereunder will not involve any transaction that is subject to the prohibitions of section 406 of ERISA or in connection with which a tax could be imposed pursuant to section 4975(c)(1)(A)-(D) of the Code. The representation by the Company to each Purchaser in the first sentence of this Section 5.12(e) is made in reliance upon and subject to the accuracy of such Purchaser's representation in Section 6.2 as to the sources of the funds to be used to pay the purchase price of the Notes to be purchased by such Purchaser.

(vi)The Company and its Subsidiaries do not have any Non-U.S. Plans.

Section m. Private Offering by the Company

. Neither the Company nor anyone acting on its behalf has offered the Notes or any similar Securities for sale to, or solicited any offer to buy the Notes or any similar Securities from, or otherwise approached or negotiated in respect thereof with, any Person other than the Purchasers and not more than 45 other Institutional Investors, each of which has been offered the Notes at a private sale for investment. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Notes to the registration requirements of section 5 of the Securities Act or to the registration requirements of any Securities or blue sky laws of any applicable jurisdiction.

Section n. Use of Proceeds; Margin Regulations

. The Company will apply the proceeds of the sale of the Notes to fund corporate growth opportunities and for general corporate purposes. No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221), or for the purpose of buying or carrying or trading in any Securities under such circumstances as to involve the Company in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). Margin stock does not constitute more than 20% of the value of the consolidated assets of the Company and its Subsidiaries and the Company does not have any present intention that margin stock will constitute more than 20% of the value of such assets. As used in this Section, the terms **"margin stock"** and **"purpose of buying or carrying"** shall have the meanings assigned to them in said Regulation U.

Section o. Existing Indebtedness; Future Liens

. Except as described therein, Schedule 5.15 sets forth a complete and correct list of all outstanding Indebtedness that is Material of the Company and its Significant Subsidiaries as of June 30, 2020, since which date there has been no Material change in the amounts, interest rates, sinking funds, installment payments or maturities of the Indebtedness of the Company or its Significant Subsidiaries. Neither the Company nor any Significant Subsidiary is in default and no waiver of default is currently in effect, in the payment of any principal or interest on any such Indebtedness and no event or condition exists with respect to such Indebtedness that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Indebtedness to become due and payable before its stated maturity or before its regularly scheduled dates of payment.

(i)Except as disclosed in Schedule 5.15, neither the Company nor any Significant Subsidiary has agreed or consented to cause or permit in the future (upon the happening of a contingency or otherwise) any of its property, whether now owned or hereafter acquired, to be subject to a Lien not permitted by Section 10.4.

(ii)Neither the Company nor any Subsidiary is a party to, or otherwise subject to any provision contained in, any instrument evidencing Indebtedness that is Material of the Company or such Subsidiary, any agreement relating thereto or any other agreement (including its charter or any other organizational document) which limits the amount of, or otherwise imposes restrictions on the incurring of, Indebtedness of the Company, except as specifically indicated in Schedule 5.15.

Section p. Foreign Assets Control Regulations, Etc

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(i)Neither the Company nor any Controlled Entity (i) is a Blocked Person, (ii) has been notified that its name appears or may in the future appear on a State Sanctions List or (iii) is a target of sanctions that have been imposed by the United Nations or the European Union.

(ii)Neither the Company nor any Controlled Entity (i) has violated, been found in violation of, or been charged or convicted under, any applicable U.S. Economic Sanctions Laws, Anti-Money Laundering Laws or Anti-Corruption Laws or (ii) to the Company's knowledge, is under investigation by any Governmental Authority for possible violation of any U.S. Economic Sanctions Laws, Anti-Money Laundering Laws or Anti-Corruption Laws.

(c) No part of the proceeds from the sale of the Notes hereunder:

(i) constitutes or will constitute funds obtained on behalf of any Blocked Person or will otherwise be used by the Company or any Controlled Entity, directly or indirectly, (A) in connection with any investment in, or any transactions or dealings with, any Blocked Person, (B) for any purpose that would cause any Purchaser to be in violation of any U.S. Economic Sanctions Laws or (C) otherwise in violation of any U.S. Economic Sanctions Laws;

(ii) will be used, directly or indirectly, in violation of, or cause any Purchaser to be in violation of, any applicable Anti-Money Laundering Laws; or

(iii) will be used, directly or indirectly, for the purpose of making any improper payments, including bribes, to any Governmental Official or commercial counterparty in order to obtain, retain or direct business or obtain any improper advantage, in each case which would be in violation of, or cause any Purchaser to be in violation of, any applicable Anti-Corruption Laws.

(d) The Company has established procedures and controls which it reasonably believes are adequate (and otherwise comply with applicable law) to ensure that the Company and each Controlled Entity is and will continue to be in compliance with all applicable U.S. Economic Sanctions Laws, Anti-Money Laundering Laws and Anti-Corruption Laws.

Section q. Status under Investment Company Act and ICC Termination Act

. Neither the Company nor any Subsidiary is subject to regulation under the Investment Company Act of 1940, as amended or the ICC Termination Act of 1995, as amended.

Section r. Environmental Matters.

Except as disclosed in the Disclosure Documents, the Company and its Subsidiaries (i) are in compliance with all Environmental Laws, (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses, and (iii) are in compliance with all terms and conditions of any such permit, license or approval; except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect.

Section 6. Representations of the Purchasers.

Section a. Purchase for Investment

. Each Purchaser severally represents that it is purchasing the Notes for its own account or for one or more separate accounts maintained by such Purchaser or for the account of one or more pension or trust funds and not with a view to the distribution thereof, *provided* that the disposition of such Purchaser's or their property shall at all times be within such Purchaser's or their control. Each Purchaser understands that the Notes have not been registered under the Securities Act and may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by law, and that the Company is not required to register the Notes.

Section b. Source of Funds

. Each Purchaser severally represents that at least one of the following statements is an accurate representation as to each source of funds (a "Source") to be used by such Purchaser to pay the purchase price of the Notes to be purchased by such Purchaser hereunder:

(i)the Source is an "insurance company general account" (as the term is defined in the United States Department of Labor's Prohibited Transaction Exemption (**"PTE"**)

95-60) in respect of which the reserves and liabilities (as defined by the annual statement for life insurance companies approved by the NAIC (the **"NAIC Annual Statement"**)) for the general account contract(s) held by or on behalf of any employee benefit plan together with the amount of the reserves and liabilities for the general account contract(s) held by or on behalf of any other employee benefit plans maintained by the same employer (or affiliate thereof as defined in PTE 95-60) or by the same employee organization in the general account do not exceed 10% of the total reserves and liabilities of the general account (exclusive of separate account liabilities) plus surplus as set forth in the NAIC Annual Statement filed with such Purchaser's state of domicile; or

(ii)the Source is a separate account that is maintained solely in connection with such Purchaser's fixed contractual obligations under which the amounts payable, or credited, to any employee benefit plan (or its related trust) that has any interest in such separate account (or to any participant or beneficiary of such plan (including any annuitant)) are not affected in any manner by the investment performance of the separate account; or

(iii)the Source is either (i) an insurance company pooled separate account, within the meaning of PTE 90-1 or (ii) a bank collective investment fund, within the meaning of the PTE 91-38 and, except as disclosed by such Purchaser to the Company in writing pursuant to this clause (c), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(iv)the Source constitutes assets of an "investment fund" (within the meaning of Part VI of PTE 84-14 (the **"QPAM Exemption"**)) managed by a "qualified professional asset manager" or "QPAM" (within the meaning of Part VI of the QPAM Exemption), no employee benefit plan's assets that are managed by the QPAM in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Part VI(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, represent more than 20% of the total client assets managed by such QPAM, the conditions of Part I(c) and (g) of the QPAM Exemption are satisfied, neither the QPAM nor a person controlling or controlled by the QPAM maintains an ownership interest in the Company that would cause the QPAM and the Company to be "related" within the meaning of Part VI(h) of the QPAM Exemption and (i) the identity of such QPAM and (ii) the names of any employee benefit plans whose assets in the investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by any affiliate (within the meaning of Part VI(c)(1) of the QPAM Exemption) of such employer or by the same employee organization, represent 10% or more of the assets of such investment fund, have been disclosed to the Company in writing pursuant to this clause (d); or

(v)the Source constitutes assets of a "plan(s)" (within the meaning of Part IV(h) of PTE 96-23 (the **"INHAM Exemption"**)) managed by an "in-house asset manager" or "INHAM" (within the meaning of Part IV(a) of the INHAM Exemption), the conditions of Part I(a), (g) and (h) of the INHAM Exemption are satisfied, neither the INHAM nor a person controlling or controlled by the INHAM (applying the definition of "control" in Part IV(d)(3) of the INHAM Exemption) owns a 10% or more interest in the Company and (i) the identity of such INHAM and (ii) the name(s) of the employee benefit plan(s) whose assets constitute the Source have been disclosed to the Company in writing pursuant to this clause (e); or

(vi)the Source is a governmental plan; or

(vii)the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this clause (g); or

(viii)the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA.

As used in this Section 6.2, the terms **"employee benefit plan," "governmental plan,"** and **"separate account"** shall have the respective meanings assigned to such terms in section 3 of ERISA.

Section 7. Information as to Company

Section a. Financial and Business Information

. The Company shall deliver to each holder of a Note that is an Institutional Investor:

(i)*Quarterly Statements* — within 60 days (or such shorter period as is the earlier of (x) 15 days greater than the period applicable to the filing of the Company's Quarterly Report on Form 10-Q (the **"Form 10-Q"**) with the SEC regardless of whether the Company is subject to the filing requirements thereof and (y) the date by which such financial statements are required to be delivered under any Material Credit Facility) after the end of each quarterly fiscal period in each fiscal year of the Company (other than the last quarterly fiscal period of each such fiscal year), duplicate copies of,

(1) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such quarter, and

(2) consolidated statements of income, changes in shareholders' equity and cash flows of the Company and its Subsidiaries, for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments;

(ii)*Annual Statements* — within 120 days (or such shorter period as is the earlier of (x) 15 days greater than the period applicable to the filing of the Company's Annual Report on Form 10-K (the **"Form 10-K"**) with the SEC regardless of whether the Company is subject to the filing requirements thereof and (y) the date by which such financial statements are required to be delivered under any Material Credit Facility) after the end of each fiscal year of the Company, duplicate copies of,

(1) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such year, and

(2) consolidated statements of income, changes in shareholders' equity and cash flows of the Company and its Subsidiaries for such year,

setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied by an opinion thereon (without a "going concern" or similar qualification or exception and without any qualification or exception as to the scope of the audit on which such opinion is based) of independent public accountants of recognized national standing, which opinion shall state that such financial statements present fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances;

(iii)*SEC and Other Reports* — promptly upon their becoming available, one copy of (i) each financial statement, report, notice, proxy statement or similar document sent by the Company or any Subsidiary (x) to its creditors under any Material Credit Facility (excluding information sent to such creditors in the ordinary course of administration of a credit facility, such as information relating to pricing and borrowing availability) or (y) to its public Securities holders generally, and (ii) each regular or periodic report, each registration statement (without exhibits except as expressly requested by such holder), and each prospectus and all amendments thereto filed by the Company or any Subsidiary with the SEC;

(iv)*Notice of Default or Event of Default* — promptly, and in any event within five days after a Responsible Officer becoming aware of the existence of any Default or Event of Default or that any Person has given any notice or taken any action with respect to a claimed default hereunder or that any Person has given any notice or taken any action with respect to a claimed default of the type referred to in Section 11(f), a written notice specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto, provided, however, that the Company shall not be required to comply with the provisions of this Section 7.1(d) for so long as the Company is subject to the public reporting requirements of the Exchange Act;

(v)*Employee Benefits Matters* — promptly, and in any event within five days after a Responsible Officer becoming aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Company or an ERISA Affiliate proposes to take with respect thereto:

(1) with respect to any Plan, any reportable event, as defined in section 4043(c) of ERISA and the regulations thereunder, for which notice thereof has not been waived pursuant to such regulations as in effect on the date hereof; or

(2) the taking by the PBGC of steps to institute, or the threatening by the PBGC of the institution of, proceedings under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Company or any ERISA Affiliate of a notice from a

Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan; or

(3) any event, transaction or condition that could result in the incurrence of any liability by the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, could reasonably be expected to have a Material Adverse Effect; or

(4) receipt of notice of the imposition of a Material financial penalty (which for this purpose shall mean any tax, penalty or other liability, whether by way of indemnity or otherwise) with respect to one or more Non-U.S Plans;

(vi)*Resignation or Replacement of Auditors* — within 10 days following the date on which the Company's auditors resign or the Company elects to change auditors, as the case may be, notification hereof, together with such further information as the Required Holders may request; and

(vii)*Requested Information* — with reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of the Company or any of its Subsidiaries (including actual copies of the Company's Form 10-Q and Form 10-K) or relating to the ability of the Company to perform its obligations hereunder and under the Notes as from time to time may be reasonably requested by any such holder of a Note.

Section b. Officer's Certificate

. Each set of financial statements delivered to a holder of a Note pursuant to Section 7.1(a) or Section 7.1(b) shall be accompanied by a certificate of a Senior Financial Officer:

(i)*Covenant Compliance* — setting forth the information from such financial statements that is required in order to establish whether the Company was in compliance with the requirements of Section 10.4 or Section 10.5 during the quarterly or annual period covered by the financial statements then being furnished (including with respect to each such provision that involves mathematical calculations, the information from such financial statements that is required to perform such calculations) and detailed calculations of the maximum or minimum amount, ratio or percentage, as the case may be, permissible under the terms of such Section, and the calculation of the amount, ratio or percentage then in existence. In the event that the Company or any Subsidiary has made an election to measure any financial liability using fair value (which election is being disregarded for purposes of determining compliance with this Agreement pursuant to Section 22.2) as to the period covered by any such financial statement, such Senior Financial Officer's certificate as to such period shall include a reconciliation from GAAP with respect to such election;

(ii)*Event of Default* — certifying that such Senior Financial Officer has reviewed the relevant terms hereof and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Company and its Subsidiaries from the beginning of the quarterly or annual period covered by the statements then being

furnished to the date of the certificate and that such review shall not have disclosed the existence during such period of any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists, specifying the nature and period of existence thereof and what action the Company shall have taken or proposes to take with respect thereto; and

(c) *Subsidiary Guarantors* – setting forth a list of all Subsidiaries that are Subsidiary Guarantors and certifying that each Subsidiary that is required to be a Subsidiary Guarantor pursuant to Section 9.7 is a Subsidiary Guarantor, in each case, as of the date of such certificate of Senior Financial Officer.

Section c. Visitation

. The Company shall permit the representatives of each holder of Notes that is an Institutional Investor:

(i)*No Default* — if no Default or Event of Default then exists, the Company shall permit the representatives of each holder of Notes that is an Institutional Investor, at the expense of such holder and upon reasonable prior notice to the Company, to visit the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Subsidiaries with the Company's officers, and (with the consent of the Company, which consent will not be unreasonably withheld) to visit the other offices and properties of the Company and each Subsidiary, all at such reasonable times and as often as may be reasonably requested in writing; and

(ii)*Default* — if a Default or Event of Default then exists, at the expense of the Company to visit and inspect any of the offices or properties of the Company or any Subsidiary, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Company authorizes said accountants to discuss the affairs, finances and accounts of the Company and its Subsidiaries), all at such times and as often as may be requested.

Section d. Electronic Delivery.

Financial statements, opinions of independent certified public accountants, other information and Officer's Certificates that are required to be delivered by the Company pursuant to Sections 7.1(a), (b) or (c) and Section 7.2 shall be deemed to have been delivered if the Company satisfies any of the following requirements with respect thereto:

(a) such financial statements satisfying the requirements of Section 7.1(a) or (b) and related Officer's Certificate satisfying the requirements of Section 7.2 and any other information required under Section 7.1(c) are delivered to each holder of a Note by e-mail at the e-mail address set forth in Schedule A or as communicated from time to time in a separate writing delivered to the Company;

(b) the Company shall have timely filed such Form 10–Q or Form 10–K, satisfying the requirements of Section 7.1(a) or Section 7.1(b), as the case may be, with the SEC on EDGAR and shall have (i) made such form available on its home page on the

internet, which is located at http://www.allete.com as of the date of this Agreement and (ii) delivered the related Officer's Certificate satisfying the requirements of Section 7.2 by e-mail in accordance with Section 7.4(a);

(c) such financial statements satisfying the requirements of Section 7.1(a) or Section 7.1(b) and related Officer's Certificate(s) satisfying the requirements of Section 7.2 and any other information required under Section 7.1(c) are timely posted by or on behalf of the Company on IntraLinks or on any other similar website to which each holder of Notes has free access; or

(d) the Company shall have timely filed any of the items referred to in Section 7.1(c) with the SEC on EDGAR and shall have made such items available on its home page on the internet or on IntraLinks or on any other similar website to which each holder of Notes has free access;

provided however, that in no case shall access to such financial statements, other information and Officer's Certificates be conditioned upon any waiver or other agreement or consent (other than confidentiality provisions consistent with Section 20 of this Agreement); *provided further*, that in the case of any of clauses (b), (c) or (d), the Company shall have given each holder of a Note prior written notice, which may be by e-mail or in accordance with Section 18, of such posting or filing in connection with each delivery, *provided further,* that upon request of any holder to receive paper copies of such forms, financial statements, other information and Officer's Certificates or to receive them by e-mail, the Company will promptly e-mail them or deliver such paper copies, as the case may be, to such holder.

Section 8. Payment and Prepayment of the Notes.

Section a. Maturity

. As provided therein, the entire unpaid principal balance of the Notes shall be due and payable on the stated maturity date thereof.

Section b. Optional Prepayments with Make-Whole Amount

. The Company may, at its option, upon notice as provided below, prepay at any time all, or from time to time any part of, the Notes, in an amount not less than 10% of the aggregate principal amount of the Notes then outstanding in the case of a partial prepayment, at 100% of the principal amount so prepaid, together with interest accrued thereon to the date of such prepayment, and the Make-Whole Amount determined for the prepayment date with respect to such principal amount. The Company will give each holder of Notes written notice of each optional prepayment under this Section 8.2 not less than 30 days and not more than 60 days prior to the date fixed for such prepayment unless the Company and the Required Holders agree to another time period pursuant to Section 17. Each such notice shall specify such date (which shall be a Business Day), the aggregate principal amount of the Notes to be prepaid on such date, the principal amount of each Note held by such holder to be prepaid (determined in accordance with Section 8.4), and the interest to be paid on the prepayment date with respect to such principal amount being prepaid, and shall be accompanied by a certificate of a Senior Financial Officer as to the estimated Make-Whole Amount due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such

computation. Two Business Days prior to such prepayment, the Company shall deliver to each holder of Notes a certificate of a Senior Financial Officer specifying the calculation of such Make-Whole Amount as of the specified prepayment date.

Section c. Change in Control

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(i)*Notice of Change in Control*. The Company will, within five Business Days after any Responsible Officer has knowledge of the occurrence of any Change in Control, give written notice of such Change in Control to each holder of Notes. Such notice shall contain and constitute an offer to prepay Notes as described in subparagraph (b) of this Section 8.3 and shall be accompanied by the certificate described in subparagraph (e) of this Section 8.3.

(ii)*Offer to Prepay Notes*. The offer to prepay the Notes contemplated by subparagraph (a) of this Section 8.3 shall be an offer to prepay, in accordance with and subject to this Section 8.3, all, but not less than all, of the Notes held by each holder (in this case only, "**holder**" in respect of any Note registered in the name of a nominee for a disclosed beneficial owner shall mean such beneficial owner) on a date specified in such offer (the "Proposed Prepayment Date"). Such date shall be not less than 30 days and not more than 60 days after the date of such offer.

(iii)*Acceptance*. A holder of Notes may accept the offer to prepay made pursuant to this Section 8.3 by causing a notice of such acceptance to be delivered to the Company not later than 15 days prior to the Proposed Prepayment Date. A failure by a holder of Notes to respond to the offer to prepay made pursuant to this Section 8.3 shall be deemed to constitute a rejection of such offer by such holder.

(iv)*Prepayment*. Prepayment of the Notes to be prepaid pursuant to this Section 8.3 shall be at 100% of the principal amount of such Notes, together with interest on such Notes accrued to the date of prepayment and without any Make-Whole Amount. The Prepayment shall be made on the Proposed Prepayment Date.

(v)*Officer's Certificate*. Each offer to prepay the Notes pursuant to this Section 8.3 shall be accompanied by a certificate, executed by a Senior Financial Officer of the Company and dated the date of such offer, specifying: (i) the Proposed Prepayment Date; (ii) that such offer is made pursuant to this Section 8.3; (iii) the interest that would be due on each Note offered to be prepaid, accrued to the Proposed Prepayment Date; (iv) that the conditions of this Section 8.3 have been fulfilled; (v) in reasonable detail, the nature of the Change in Control; and (vi) any written response from the relevant rating agency.

(vi)*"Change in Control" Definition*.

"**Change in Control**" means the occurrence of any of the following: (a) the consummation of any transaction the result of which is that any "person" or "group" (within the meaning of Section 13(d)(3) of the Exchange Act but excluding any employee benefit plan of the Company or its Subsidiaries, and any Person acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) becomes the "beneficial owner" (as such term is defined in Rule 13d-3 under the Exchange Act) of more than 30% of the total voting power in the aggregate of all classes of the Voting Securities of the Company then outstanding, (b) during any period of two consecutive

calendar years, individuals who at the beginning of such period constituted the board of directors of the Company cease for any reason to constitute a majority of the directors of the Company then in office unless (i) such new directors were elected or nominated by a majority of the directors of the Company who constituted the board of directors of the Company at the beginning of such period or (ii) the reason for such directors failing to constitute a majority is a result of retirement by directors due to age, death or disability or (c) any event or condition relating to a change of control of the Company shall occur which requires or permits the holder or holders of indebtedness of the Company in an aggregate principal amount of $35,000,000 or more, or any agent or trustee for such holders, to require payment, purchase, redemption or defeasance of such indebtedness prior to its expressed maturity..

(vii)*Assumptions*. All calculations contemplated in this Section 8.3 involving the capital stock or other equity interest of any Person shall be made with the assumption that all convertible securities of such Person then outstanding and all convertible securities issuable upon the exercise of any warrants, options and other rights outstanding at such time were converted at such time and that all options, warrants and similar rights to acquire shares of capital stock or other equity interest of such Person were exercised at such time.

Section d. Allocation of Partial Prepayments

. In the case of each partial prepayment of the Notes pursuant to Section 8.2, the principal amount of the Notes to be prepaid shall be allocated among all of the Notes at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment. All prepayments pursuant to Section 8.3 shall be applied as therein provided.

Section e. Maturity; Surrender, Etc

. In the case of each prepayment of Notes pursuant to this Section 8, the principal amount of each Note to be prepaid shall mature and become due and payable on the date fixed for such prepayment, together with interest on such principal amount accrued to such date and the applicable Make-Whole Amount, if any. From and after such date, unless the Company shall fail to pay such principal amount when so due and payable, together with the interest and Make-Whole Amount, if any, as aforesaid, interest on such principal amount shall cease to accrue. Any Note paid or prepaid in full shall be surrendered to the Company and cancelled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

Section f. Purchase of Notes

. The Company will not and will not permit any Affiliate to purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the outstanding Notes except (a) upon the payment or prepayment of the Notes in accordance with the terms of this Agreement and the Notes or (b) pursuant to an offer to purchase made by the Company or an Affiliate pro rata to the holders of all Notes at the time outstanding upon the same terms and conditions. Any such offer shall provide each holder with sufficient information to enable it to make an informed decision with respect to such offer, and shall remain open for at least 10 Business Days. If the holders of more than 25% of the principal amount of the Notes then outstanding accept such offer, the Company shall promptly notify the remaining holders of such fact and the expiration date for the acceptance by holders of Notes of such offer shall be extended by the number of days necessary

to give each such remaining holder at least 10 Business Days from its receipt of such notice to accept such offer. The Company will promptly cancel all Notes acquired by it or any Affiliate pursuant to any payment, prepayment or purchase of Notes pursuant to any provision of this Agreement and no Notes may be issued in substitution or exchange for any such Notes.

Section g. Make-Whole Amount

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The term **"Make-Whole Amount"** means, with respect to any Note, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Note over the amount of such Called Principal, *provided* that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount, the following terms have the following meanings:

"Called Principal" means, with respect to any Note, the principal of such Note that is to be prepaid pursuant to Section 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

"Discounted Value" means, with respect to the Called Principal of any Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the Notes is payable) equal to the Reinvestment Yield with respect to such Called Principal.

"Reinvestment Yield" means, with respect to the Called Principal of any Note, the sum of (a) 0.50% plus (b) the yield to maturity implied by the "Ask Yield(s)" reported as of 10:00 a.m. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as "Page PX1" (or such other display as may replace Page PX1) on Bloomberg Financial Markets for the most recently issued actively traded on-the-run U.S. Treasury securities (**"Reported"**) having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. If there are no such U.S. Treasury securities Reported having a maturity equal to such Remaining Average Life, then such implied yield to maturity will be determined by (i) converting U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and (ii) interpolating linearly between the "Ask Yields" Reported for the applicable most recently issued actively traded on-the-run U.S. Treasury securities with the maturities (1) closest to and greater than such Remaining Average Life and (2) closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable Note.

If such yields are not Reported or the yields Reported as of such time are not ascertainable (including by way of interpolation), then **"Reinvestment Yield"** means, with respect to the Called Principal of any Note, the sum of (x) 0.50% plus (y) the yield to maturity implied by the U.S. Treasury constant maturity yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with

respect to such Called Principal, in Federal Reserve Statistical Release H.15 (or any comparable successor publication) for the U.S. Treasury constant maturity having a term equal to the Remaining Average Life of such Called Principal as of such Settlement Date. If there is no such U.S. Treasury constant maturity having a term equal to such Remaining Average Life, such implied yield to maturity will be determined by interpolating linearly between (1) the U.S. Treasury constant maturity so reported with the term closest to and greater than such Remaining Average Life and (2) the U.S. Treasury constant maturity so reported with the term closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable Note.

"Remaining Average Life" means, with respect to any Called Principal, the number of years obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (b) the number of years, computed on the basis of a 360-day year comprised of twelve 30-day months and calculated to two decimal places, that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

"Remaining Scheduled Payments" means, with respect to the Called Principal of any Note, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date, *provided* that if such Settlement Date is not a date on which interest payments are due to be made under the Notes, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to Section 8.2 or Section 12.1.

"Settlement Date" means, with respect to the Called Principal of any Note, the date on which such Called Principal is to be prepaid pursuant to Section 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

Section h. Payments Due on Non-Business Days.

Anything in this Agreement or the Notes to the contrary notwithstanding, (x) except as set forth in clause (y), any payment of interest on any Note that is due on a date that is not a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day; and (y) any payment of principal of or Make-Whole Amount on any Note (including principal due on the Maturity Date of such Note) that is due on a date that is not a Business Day shall be made on the next succeeding Business Day and shall include the additional days elapsed in the computation of interest payable on such next succeeding Business Day.

Section 9. Affirmative Covenants.

The Company covenants that so long as any of the Notes are outstanding:

Section a. Compliance with Law

. Without limiting Section 10.3, the Company will, and will cause each of its Subsidiaries to, comply with all laws, ordinances or governmental rules or regulations to which each of them is subject (including ERISA, the USA Patriot Act, Environmental Laws and the other laws and regulations that are referred to in Section 5.16) and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section b. Insurance

. The Company will, and will cause each of its Subsidiaries to, maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated, except in each case to the extent that any non-compliance with the terms of this Section 9.2 could not reasonably be expected to have a Material Adverse Effect.

Section c. Maintenance of Properties

. The Company will, and will cause each of its Subsidiaries to, maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, *provided* that this Section shall not prevent the Company or any Subsidiary from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and the Company has concluded that such discontinuance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section d. Payment of Taxes and Claims

. The Company will, and will cause each of its Subsidiaries to, file all tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies imposed on them or any of their properties, assets, income or franchises, to the extent the same have become due and payable and before they have become delinquent and all claims for which sums have become due and payable that have or might become a Lien on properties or assets of the Company or any Subsidiary, *provided* that neither the Company nor any Subsidiary need pay any such tax, assessment, charge, levy or claim if (i) the amount, applicability or validity thereof is contested by the Company or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Company or a Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Company or such Subsidiary or (ii) the non-filing of all such returns and/or nonpayment of all such taxes, assessments, charges, levies and claims (as the case may be) in the aggregate could not reasonably be expected to have a Material Adverse Effect.

Section e. Corporate Existence, Etc

. Subject to Section 10.2, the Company will at all times preserve and keep its corporate existence in full force and effect. Subject to Section 10.2, the Company will at all times preserve and keep in full force and effect the corporate existence of each of its Subsidiaries (unless merged into the Company or a Wholly-Owned Subsidiary) and all Material rights and franchises of the Company and its Subsidiaries unless, in the good faith judgment of the Company, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise could not, individually or in the aggregate, have a Material Adverse Effect.

Section f. Books and Records

. The Company will, and will cause each of its Subsidiaries to, maintain proper books of record and account in conformity with GAAP and all applicable requirements of any Governmental Authority having legal or regulatory jurisdiction over the Company or such Subsidiary, as the case may be. The Company will, and will cause each of its Subsidiaries to, keep books, records and accounts which, in reasonable detail, accurately reflect all transactions and dispositions of assets. The Company and its Subsidiaries have devised a system of internal accounting controls sufficient to provide reasonable assurances that their respective books, records, and accounts accurately reflect all transactions and dispositions of assets and the Company will, and will cause each of its Subsidiaries to, continue to maintain such system.

Section g. Subsidiary Guarantors

. (a) The Company will cause each of its Subsidiaries that guarantees or otherwise becomes liable at any time, whether as a borrower or an additional or co-borrower or otherwise, for or in respect of any Indebtedness under any Material Credit Facility to concurrently therewith:

(i) enter into an agreement in form and substance satisfactory to the Required Holders providing for the guaranty by such Subsidiary, on a joint and several basis with all other such Subsidiaries, of (x) the prompt payment in full when due of all amounts payable by the Company pursuant to the Notes (whether for principal, interest, Make-Whole Amount or otherwise) and this Agreement, including all indemnities, fees and expenses payable by the Company thereunder and (y) the prompt, full and faithful performance, observance and discharge by the Company of each and every covenant, agreement, undertaking and provision required pursuant to the Notes or this Agreement to be performed, observed or discharged by it (a ***"Subsidiary Guaranty"***); and

(ii) deliver the following to each holder of a Note:

(A) an executed counterpart of such Subsidiary Guaranty;

(B) a certificate signed by an authorized responsible officer of such Subsidiary containing representations and warranties on behalf of such Subsidiary to the same effect, *mutatis mutandis*, as those contained in Sections 5.1, 5.2, 5.6 and 5.7 of this Agreement (but with respect to such Subsidiary and such Subsidiary Guaranty rather than the Company);

(C) all documents as may be reasonably requested by the Required Holders to evidence the due organization, continuing existence and, where applicable, good standing of such Subsidiary and the due authorization by all requisite action on the part of such Subsidiary of the execution and delivery of such Subsidiary Guaranty and the performance by such Subsidiary of its obligations thereunder; and

(D) an opinion of counsel reasonably satisfactory to the Required Holders covering such matters relating to such Subsidiary and such Subsidiary Guaranty as the Required Holders may reasonably request.

(b) At the election of the Company and by written notice to each holder of Notes, any Subsidiary Guarantor that has provided a Subsidiary Guaranty under subparagraph (a) of this Section 9.7 may be discharged from all of its obligations and liabilities under its Subsidiary Guaranty and shall be automatically released from its obligations thereunder without the need for the execution or delivery of any other document by the holders, *provided* that (i) if such Subsidiary Guarantor is a guarantor or is otherwise liable for or in respect of any Material Credit Facility, then such Subsidiary Guarantor has been released and discharged (or will be released and discharged concurrently with the release of such Subsidiary Guarantor under its Subsidiary Guaranty) under such Material Credit Facility, (ii) at the time of, and after giving effect to, such release and discharge, no Default or Event of Default shall be existing, (iii) no amount is then due and payable under such Subsidiary Guaranty, (iv) if in connection with such Subsidiary Guarantor being released and discharged under any Material Credit Facility, any fee or other form of consideration is given to any holder of Indebtedness under such Material Credit Facility for such release, the holders of the Notes shall receive equivalent consideration substantially concurrently therewith and (v) each holder shall have received a certificate of a Responsible Officer certifying as to the matters set forth in clauses (i) through (iv).

Section 10. Negative Covenants.

The Company covenants that so long as any of the Notes are outstanding:

Section a. Transactions with Affiliates

. The Company will not, and will not permit any Significant Subsidiary to, enter into directly or indirectly any Material transaction or Material group of related transactions (including the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any Affiliate (other than the Company or another Subsidiary), except in the ordinary course and pursuant to the reasonable requirements of the Company's or such Significant Subsidiary's business and upon fair and reasonable terms no less favorable to the Company or such Significant Subsidiary than would be obtainable in a comparable arm's-length transaction with a Person not an Affiliate, *provided* that this Section 10.1 shall not apply to (i) any transaction that is in compliance with applicable laws and regulations of the Federal Energy Regulatory Commission, the Public Service Commission of Wisconsin or the Minnesota Public Utilities Commission, or any Governmental Authority succeeding to the functions of any of these commissions, pertaining to affiliate transactions or is authorized by a tariff or rate schedule which has been approved by a Governmental Authority or performed in accordance with its orders, (ii) any transaction that is otherwise permitted under Section 10.2 and (iii) transactions pursuant to any contract in effect on the date of this Agreement, as such contract may be

amended, extended or replaced from time to time so long as (x) such contract as so amended, extended or replaced is, taken as a whole, not materially less favorable to the Company and its Subsidiaries than under those contracts in effect on the date of this Agreement and (y) any such amendment, extension or replacement would not result in a transaction that would violate any other provision of this Agreement .

Section b. Merger, Consolidation, Etc

. The Company will not, and will not permit any Subsidiary Guarantor to, consolidate with or merge with any other Person or convey, transfer or lease all or substantially all of its assets in a single transaction or series of transactions to any Person unless:

(i)in the case of any transaction involving the Company, the successor formed by such consolidation or the survivor of such merger or the Person that acquires by conveyance, transfer or lease all or substantially all of the assets of the Company as an entirety, as the case may be, shall be a solvent corporation or limited liability company organized and existing under the laws of the United States or Canada or any jurisdiction thereof (including the District of Columbia), and, if the Company is not such corporation or limited liability company, (i) such corporation or limited liability company shall, immediately after giving effect to such transaction, have an Investment Grade Rating, (ii) such corporation or limited liability company shall have executed and delivered to each holder of any Notes its assumption of the due and punctual performance and observance of each covenant and condition of this Agreement and the Notes and (iii) such corporation or limited liability company shall have caused to be delivered to each holder of any Notes an opinion of nationally recognized independent counsel, or other independent counsel reasonably satisfactory to the Required Holders, to the effect that all agreements or instruments effecting such assumption are enforceable in accordance with their terms and comply with the terms hereof;

(b) in the case of any such transaction involving a Subsidiary Guarantor, the successor formed by such consolidation or the survivor of such merger or the Person that acquires by conveyance, transfer or lease all or substantially all of the assets of such Subsidiary Guarantor as an entirety, as the case may be, shall be (1) the Company, such Subsidiary Guarantor or another Subsidiary Guarantor; or (2) a solvent corporation or limited liability company (other than the Company or another Subsidiary Guarantor) that is organized and existing under the laws of the United States or any state thereof (including the District of Columbia) and, if such Subsidiary Guarantor is not such corporation or limited liability company, (A) such corporation or limited liability company shall, immediately after giving effect to such transaction, have an Investment Grade Rating, (B) such corporation or limited liability company shall have executed and delivered to each holder of Notes its assumption of the due and punctual performance and observance of each covenant and condition of the Subsidiary Guaranty of such Subsidiary Guarantor and (C) the Company shall have caused to be delivered to each holder of Notes an opinion of nationally recognized independent counsel, or other independent counsel reasonably satisfactory to the Required Holders, to the effect that all agreements or instruments effecting such assumption are enforceable in accordance with their terms and comply with the terms hereof;

(c) each Subsidiary Guarantor under any Subsidiary Guaranty that is outstanding at the time such transaction or each transaction in such a series of

transactions occurs reaffirms its obligations under such Subsidiary Guaranty in writing at such time pursuant to documentation that is reasonably acceptable to the Required Holders; and

(d) immediately before and immediately after giving effect to such transaction or each transaction in any such series of transactions, no Default or Event of Default shall have occurred and be continuing and the Company would be able to incur at least $1.00 of additional Indebtedness.

No such conveyance, transfer or lease of substantially all of the assets of the Company or any Subsidiary Guarantor shall have the effect of releasing the Company or such Subsidiary Guarantor, as the case may be, or any successor corporation or limited liability company that shall theretofore have become such in the manner prescribed in this Section 10.2, from its liability under (x) this Agreement or the Notes (in the case of the Company) or (y) the Subsidiary Guaranty (in the case of any Subsidiary Guarantor), unless, in the case of the conveyance, transfer or lease of substantially all of the assets of a Subsidiary Guarantor, such Subsidiary Guarantor is released from its Subsidiary Guaranty in accordance with Section 9.7(b) in connection with or immediately following such conveyance, transfer or lease.

Section c. Economic Sanctions, Etc.

. The Company will not and will not permit any Controlled Entity to (a) become (including by virtue of being owned or controlled by a Blocked Person), own or control a Blocked Person or (b) directly or indirectly have any investment in or engage in any dealing or transaction (including any investment, dealing or transaction involving the proceeds of the Notes) with any Person if such investment, dealing or transaction (i) would cause any holder or any affiliate of such holder to be in violation of, or subject to sanctions under, any law or regulation applicable to such holder, or (ii) is prohibited by or subject to sanctions under any U.S. Economic Sanctions Laws.

Section d. Liens

. The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly create, incur, assume or permit to exist (upon the happening of a contingency or otherwise) any Lien on or with respect to any property or asset (including any document or instrument in respect of goods or accounts receivable) of the Company or any such Subsidiary, whether now owned or held or hereafter acquired, or any income or profits therefrom or assign or otherwise convey any right to receive income or profits, except:

(i)Liens existing on the date of this Agreement;

(ii)Liens on any Utility Property securing Indebtedness incurred in the ordinary course of the Company’s utility business;

(iii)Liens for taxes, assessments or other governmental charges which are not yet due and payable or the payment of which is not at the time required by Section 9.4;

(iv)statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen and other similar Liens including Liens incident to construction**,** in each case, incurred in the ordinary course of business for sums not yet due and payable or the payment of which is not at the time required by Section 9.4;

(v)Liens (other than any Lien imposed by ERISA) incurred or deposits made in the ordinary course of business (i) for salary or wages earned, but not yet payable, or (ii) in connection with workers' compensation, unemployment insurance and other types of social security or retirement benefits, or (iii) to secure (or to obtain letters of credit that secure) the performance of tenders, statutory obligations, surety, reclamations or appeal bonds, bids, leases (other than Capital Lease Obligations), obligations, or (iv) to secure (or to obtain letters of credit that secure) obligations to public utilities, municipalities, governmental or other public authorities in connection with the supply of services or utilities to the Company or a Subsidiary, in each case not incurred or made in connection with the borrowing of money, the obtaining of advances or credit or the payment of the deferred purchase price of property;

(vi)any attachment or judgment Lien, unless the judgment it secures shall not, within 60 days after the entry thereof, have been discharged or execution thereof stayed pending appeal, or shall not have been discharged within 60 days after the expiration of any such stay;

(vii)leases or subleases granted to others, easements, rights-of-way, title irregularities, restrictions, encroachments and other charges or encumbrances, in each case incidental to the ownership of property or assets or the ordinary course of business of the Company or any of its Subsidiaries, *provided* that such Liens do not, in the aggregate, materially detract from the value of such property;

(viii)minor survey exceptions and the like which do not, in the aggregate, materially detract from the value of such property;

(ix)Liens on property or assets of any Subsidiary securing Indebtedness owing to the Company or to another Wholly-Owned Subsidiary;

(x)any Lien created to secure all or any part of the purchase price, or to secure Indebtedness incurred or assumed to pay all or any part of the purchase price or cost of construction, of property (or any improvement thereof) acquired or constructed by the Company or a Subsidiary after the date of the Closing, *provided* that

(1) any such Lien shall extend solely to the item or items of such property (or improvement thereon) so acquired or constructed and, if required by the terms of the instrument originally creating such Lien, other property (or improvements thereon) which is an improvement to or is acquired for specific use in connection with such acquired or constructed property (or improvement thereof) or which is real property being improved by such acquired or constructed property (or improvement thereon),

(2) the principal amount of the Indebtedness secured by such Lien shall at no time exceed an amount equal to 100% of the lesser of (A) the cost to the Company or such Subsidiary of the property (or improvement thereon) so acquired or constructed and (B) the fair market value (as determined in good faith by the board of directors of the Company) of such property (or improvement thereon) at the time of such acquisition or construction; and

(3) any such Lien shall be created contemporaneously with, or within 365 days after, the acquisition or construction of such property;

(xi)any Lien existing on property of a Person immediately prior to its being consolidated with or merged into the Company or a Subsidiary or its becoming a

Subsidiary, or any Lien existing on any property acquired by the Company or any Subsidiary at the time such property is so acquired (whether or not the Indebtedness secured thereby shall have been assumed), provided that (i) no such Lien shall have been created or assumed in contemplation of such consolidation or merger or such Person's becoming a Subsidiary or such acquisition of property, and, (ii) each such Lien shall extend solely to the item or items of property so acquired and, if required by the terms of the instrument originally creating such Lien, other property which is an improvement to or is acquired for specific use in connection with such acquired property;

(xii)controls, restrictions, obligations, duties and/or other burdens imposed by federal, state, municipal or other law, or by rules, regulations or orders of Governmental Authorities, upon any property of the Company or its Subsidiaries or the ownership, operation or use thereof or upon the Company with respect to any of its property or the operation or use thereof or with respect to any franchise, grant, license, permit or public purpose requirement, or any rights reserved to or otherwise vested in Governmental Authorities to impose any such controls, restrictions, obligations, duties and/or other burdens;

(xiii)rights reserved to or vested in others to take or receive any part of any coal, ore, gas, oil and other minerals, any timber and/or any electric capacity or energy, gas, water, steam and any other products developed, produced, manufactured, generated, purchased or otherwise acquired by the Company or by others on property of the Company or any of its Subsidiaries;

(xiv)(i) rights and interests of Persons other than the Company or its Subsidiaries arising out of contracts, agreements and other instruments to which the Company or any of its Subsidiaries is a party and which relate to the common ownership or joint use of property; and (ii) all Liens on the interests of Persons other than the Company or its Subsidiaries in property owned in common by such Persons and the Company or any of its Subsidiaries if and to the extent that the enforcement of such Liens would not adversely affect the interests of the Company or its Subsidiaries in such property in any material respect;

(xv)any Liens which have been bonded for the full amount in dispute or for the payment of which other adequate security arrangement have been made;

(xvi)grants by the Company or any of its Subsidiaries of easements, ground leases or rights-of-way in, upon, over and/or across the property or rights-of-way of the Company or its Subsidiaries for the purpose of roads, pipelines, transmission lines, distribution lines, communication lines, railways, removal of coal or other minerals or timber, and other like purposes, or for the joint or common use of real property, rights-of-way, facilities and/or equipment; *provided*, *however*, that no such grant shall materially impair the use of the property or rights-of-way for the purposes for which such property or rights-of-way are held by the Company or its Subsidiaries;

(xvii)Liens on property of the Company or its Subsidiaries which secure indebtedness for borrowed money less than one year from the date of the issuance or incurrence thereof and is not extendible at the option of the issuer;

(xviii)Liens created or assumed by the Company or its Subsidiaries in connection with the issuance of debt securities the interest on which is not included in gross income for purposes of federal income taxation pursuant to Section 103 of the Code (or any successor provision of law), for the purpose of financing or refinancing, in whole or in part, costs of acquisition or construction in connection with the issuance of such debt

securities either by applicable law or by the issuer of such debt securities or is otherwise necessary in order to establish or maintain such exclusion from gross income;

(xix)Liens securing Project Finance Indebtedness;

(xx)Liens created by the Mortgage and Deed of Trust dated September 1, 1945 between the Company and Irving Trust Company (now The Bank of New York Mellon) and Richard H. West (Andres Serrano, successor), as Trustees, as heretofore and hereafter supplemented and amended (the "Mortgage"); Liens created by any other indenture hereafter executed by the Company pursuant to which bonds issued under the Mortgage are or are to be delivered to the trustee(s) under such indenture in a principal amount at least equal to the principal amount of debt securities to be secured by such indenture; and Liens created by the Mortgage and Deed of Trust, dated as of March 1, 1943, between Superior Water, Light and Power Company and U.S. Bank National Association (successor to First Bank (N.A.) as successor to Chemical Bank and Trust Company as Corporate Trustee and Howard B. Smith as Co-Trustee) as Trustee.

(xxi)any mortgage, pledge, security interest, Lien or encumbrance upon any shares of capital stock of majority owned subsidiaries of the Company to the extent such capital stock is directly owned by the Company, created at the time of the acquisition of such capital stock by the Company, or within 365 days after such time, to secure all or a portion of the purchase price for such capital stock;

(xxii)any mortgage, pledge, security interest, Lien or encumbrance upon any such capital stock existing thereon at the time of the acquisition thereof by the Company (whether or not the obligations secured thereby are assumed by the Company and whether or not such mortgage, pledge, security interest, Lien or encumbrance was created in contemplation of such acquisition);

(xxiii)any extension, renewal or replacement of any mortgage, pledge, security interest, Lien or encumbrance permitted by subsection (u) or (v) of this Section 10.4, or of any indebtedness for borrowed money secured thereby; provided that the principal amount of indebtedness so secured immediately following the time of such extension, renewal or replacement shall not exceed the principal amount of indebtedness so secured immediately preceding the time of such extension, renewal or replacement, and that such extension, renewal or replacement mortgage, pledge, security interest, Lien or encumbrance shall be limited to no more than the same proportion of all shares of capital stock as were covered by the mortgage, pledge, security interest, Lien or encumbrance that was extended, renewed or replaced;

(xxiv)any Lien renewing, extending or replacing Liens permitted by subsections (a), (b), (j), (k), (q), (r) and (s) of this Section 10.4, *provided* that, (i) the principal amount of Indebtedness secured by such Lien immediately prior to such extension, renewal or refunding is not increased (or if increased, the increased principal amount of Indebtedness so secured does not exceed the fair market value of the secured property, as determined in good faith by the board of directors of the Company or the Subsidiary, as the case may be), or the maturity thereof reduced, (ii) such Lien is not extended to any other property, and (iii) immediately after such extension, renewal or refunding, no Default or Event of Default would exist;

(xxv)CoBank ACB's statutory Lien in the CoBank Equities; and

(xxvi)any Lien, other than a Lien described in any of the foregoing subsections (a) through (y), inclusive, to the extent that it secures Indebtedness, or guarantees thereof, the

outstanding principal amount of which at the time of creation of such Lien, when added to (i) the outstanding principal balance of all Indebtedness secured by Liens incurred under this subsection (z) then outstanding and (ii) the outstanding principal amount of all unsecured Indebtedness of all Subsidiaries (excluding (1) Project Finance Indebtedness and (2) any unsecured Indebtedness of any Subsidiary guaranteeing the Notes), does not exceed 20% of Consolidated Assets, *provided* that notwithstanding the foregoing, the Company shall not secure pursuant to this Section 10.4(z) any Indebtedness outstanding under or pursuant to any Material Credit Facility unless and until the Notes (and any guaranty delivered therewith) shall concurrently be secured equally and ratably with such Indebtedness pursuant to documentation reasonably acceptable to the Required Holders in substance and in form, including an intercreditor agreement and opinions of counsel to the Company, from counsel that is reasonably acceptable to the Required Holders.

Section e. Maximum Ratio of Total Indebtedness to Total Capitalization

. The Company will not permit Total Indebtedness to be greater than 65% of Total Capitalization as of the end of any fiscal quarter.

Section 11. Events of Default.

An **"Event of Default"** shall exist if any of the following conditions or events shall occur and be continuing:

(i)the Company defaults in the payment of any principal or Make-Whole Amount, if any, on any Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or

(ii)the Company defaults in the payment of any interest on any Note for more than five Business Days after the same becomes due and payable; or

(iii)the Company defaults in the performance of or compliance with any term contained in Section 7.1(d), Section 10.2 or Section 10.5; or

(iv)the Company or any Subsidiary Guarantor defaults in the performance of or compliance with any term contained herein (other than those referred to in Sections 11(a), (b) and (c) or in any Subsidiary Guaranty and such default is not remedied within 30 days after the earlier of (i) a Responsible Officer obtaining actual knowledge of such default and (ii) the Company receiving written notice of such default from any holder of a Note (any such written notice to be identified as a "notice of default" and to refer specifically to this Section 11(d)); or

(v)(i) any representation or warranty made in writing by or on behalf of the Company or by any officer of the Company in this Agreement or any writing furnished in connection with the transactions contemplated hereby proves to have been false or incorrect in any material respect on the date as of which made, or (ii) any representation or warranty made in writing by or on behalf of any Subsidiary Guarantor or by any officer of such Subsidiary Guarantor in any Subsidiary Guaranty or any writing furnished in connection with such Subsidiary Guaranty proves to have been false or incorrect in any material respect on the date as of which made; or

(vi)(i) the Company or any Subsidiary is in default (as principal or as guarantor or other surety) in the payment of any principal of or premium or make-whole amount or interest on any Indebtedness (other than any Project Finance Indebtedness which does not

individually or in the aggregate exceed $200,000,000) that is outstanding in an aggregate principal amount in excess of the lesser of (x) the lowest dollar amount figure in the corresponding event of default provision in any Material Credit Facility, and (y) 2% of Consolidated Assets beyond any period of grace provided with respect thereto, or (ii) the Company or any Subsidiary is in default in the performance of or compliance with any term of any evidence of any Indebtedness (other than any Project Finance Indebtedness which does not individually or in the aggregate exceed $200,000,000) in an aggregate outstanding principal amount in excess of 2% of Consolidated Assets or of any mortgage, indenture or other agreement relating thereto or any other condition exists, and as a consequence of such default or condition such Indebtedness has become, or has been declared (or one or more Persons are entitled to declare such Indebtedness to be), due and payable before its stated maturity or before its regularly scheduled dates of payment, or (iii) as a consequence of the occurrence or continuation of any event or condition (other than the passage of time or the right of the holder of Indebtedness (other than any Project Finance Indebtedness which does not individually or in the aggregate exceed $200,000,000) to convert such Indebtedness into equity interests), (x) the Company or any Subsidiary has become obligated to purchase or repay Indebtedness (other than any Project Finance Indebtedness which does not individually or in the aggregate exceed $200,000,000) before its regular maturity or before its regularly scheduled dates of payment in an aggregate outstanding principal amount in excess of 2% of Consolidated Assets, or (y) one or more Persons have the right to require the Company or any Subsidiary so to purchase or repay such Indebtedness (other than any Project Finance Indebtedness which does not individually or in the aggregate exceed $200,000,000); or

(vii)the Company or any Significant Subsidiary (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes corporate action for the purpose of any of the foregoing; or

(viii)a court or other Governmental Authority of competent jurisdiction enters an order appointing, without consent by the Company or any of its Significant Subsidiaries, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Company or any of its Significant Subsidiaries, or any such petition shall be filed against the Company or any of its Significant Subsidiaries and such petition shall not be dismissed within 60 days; or

(ix)any event occurs with respect to the Company or any Subsidiary which under the laws of any jurisdiction is analogous to any of the events described in Section 11(g) or Section 11(h), *provided* that the applicable grace period, if any, which shall apply shall be the one applicable to the relevant proceeding which most closely corresponds to the proceeding described in Section 11(g) or Section 11(h); or

(x)one or more final judgments or orders for the payment of money aggregating in excess of 2% of Consolidated Assets, including any such final order enforcing a binding arbitration decision, are rendered against one or more of the Company and its Significant

Subsidiaries and which judgments are not, within 60 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 60 days after the expiration of such stay; or

(xi)if (i) any Plan shall fail to satisfy the minimum funding standards of ERISA or the Code for any plan year or part thereof or a waiver of such standards or extension of any amortization period is sought or granted under section 412 of the Code, (ii) a notice of intent to terminate any Plan shall have been or is reasonably expected to be filed with the PBGC or the PBGC shall have instituted proceedings under ERISA section 4042 to terminate or appoint a trustee to administer any Plan or the PBGC shall have notified the Company or any ERISA Affiliate that a Plan may become a subject of any such proceedings, (iii) there is any "amount of unfunded benefit liabilities" (within the meaning of section 4001(a)(18) of ERISA) under one or more Plans, determined in accordance with Title IV of ERISA, (iv) the aggregate present value of accrued benefit liabilities under all funded Non-U.S. Plans exceeds the aggregate current value of the assets of such Non-U.S. Plans allocable to such liabilities, (v) the Company or any ERISA Affiliate shall have incurred or is reasonably expected to incur any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, (vi) the Company or any ERISA Affiliate withdraws from any Multiemployer Plan, (vii) the Company or any Subsidiary establishes or amends any employee welfare benefit plan that provides post-employment welfare benefits in a manner that would increase the liability of the Company or any Subsidiary thereunder, (viii) the Company or any Subsidiary fails to administer or maintain a Non-U.S. Plan in compliance with the requirements of any and all applicable laws, statutes, rules, regulations or court orders or any Non-U.S. Plan is involuntarily terminated or wound up, or (ix) the Company or any Subsidiary becomes subject to the imposition of a financial penalty (which for this purpose shall mean any tax, penalty or other liability, whether by way of indemnity or otherwise) with respect to one or more Non-U.S. Plans; and any such event or events described in clauses (i) through (ix) above, either individually or together with any other such event or events, could reasonably be expected to have a Material Adverse Effect. As used in this Section 11(k), the terms **"employee benefit plan"** and **"employee welfare benefit plan"** shall have the respective meanings assigned to such terms in section 3 of ERISA;

(l) the Company shall fail to own, directly or indirectly, substantially all of the assets of Minnesota Power; or

(m) any Subsidiary Guaranty shall cease to be in full force and effect, any Subsidiary Guarantor or any Person acting on behalf of any Subsidiary Guarantor shall contest in any manner the validity, binding nature or enforceability of any Subsidiary Guaranty, or the obligations of any Subsidiary Guarantor under any Subsidiary Guaranty are not or cease to be legal, valid, binding and enforceable in accordance with the terms of such Subsidiary Guaranty.

Section 12. Remedies on Default, Etc.

Section a. Acceleration

. (a) If an Event of Default with respect to the Company described in Section 11(g), (h) or (other than an Event of Default described in clause (i) of Section 11(g) or described in clause (vi) of Section 11(g) by virtue of the fact that such clause encompasses clause (i) of

Section 11(g)) has occurred, all the Notes then outstanding shall automatically become immediately due and payable.

(i)If any other Event of Default has occurred and is continuing, the Required Holders may at any time at its or their option, by notice or notices to the Company, declare all the Notes then outstanding to be immediately due and payable.

(ii)If any Event of Default described in Section 11(a) or (b) has occurred and is continuing, any holder or holders of Notes at the time outstanding affected by such Event of Default may at any time, at its or their option, by notice or notices to the Company, declare all the Notes held by it or them to be immediately due and payable.

Upon any Notes becoming due and payable under this Section 12.1, whether automatically or by declaration, such Notes will forthwith mature and the entire unpaid principal amount of such Notes, plus (x) all accrued and unpaid interest thereon (including interest accrued thereon at the Default Rate) and (y) the Make-Whole Amount determined in respect of such principal amount, shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived. The Company acknowledges, and the parties hereto agree, that each holder of a Note has the right to maintain its investment in the Notes free from repayment by the Company (except as herein specifically provided for) and that the provision for payment of a Make-Whole Amount by the Company in the event that the Notes are prepaid or are accelerated as a result of an Event of Default, is intended to provide compensation for the deprivation of such right under such circumstances.

Section b. Other Remedies

. If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Notes have become or have been declared immediately due and payable under Section 12.1, the holder of any Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in any Note or Subsidiary Guaranty, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise.

Section c. Rescission

. At any time after any Notes have been declared due and payable pursuant to Section 12.1(b) or (c), the Required Holders, by written notice to the Company, may rescind and annul any such declaration and its consequences if (a) the Company has paid all overdue interest on the Notes, all principal of and Make-Whole Amount, if any, on any Notes that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal and Make-Whole Amount, if any, and (to the extent permitted by applicable law) any overdue interest in respect of the Notes, at the Default Rate, (b) neither the Company nor any other Person shall have paid any amounts which have become due solely by reason of such declaration, (c) all Events of Default and Defaults, other than non-payment of amounts that have become due solely by reason of such declaration, have been cured or have been waived pursuant to Section 17, and (d) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Notes. No rescission and annulment under this Section 12.3 will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

Section d. No Waivers or Election of Remedies, Expenses, Etc

. No course of dealing and no delay on the part of any holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder's rights, powers or remedies. No right, power or remedy conferred by this Agreement, any Subsidiary Guaranty or any Note upon any holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Without limiting the obligations of the Company under Section 15, the Company will pay to the holder of each Note on demand such further amount as shall be sufficient to cover all costs and expenses of such holder incurred in any enforcement or collection under this Section 12, including reasonable attorneys' fees, expenses and disbursements.

Section 13. Registration; Exchange; Substitution of Notes.

Section a. Registration of Notes

. The Company shall keep at the principal office of U.S. Bank in St. Paul, Minnesota a register for the registration and registration of transfers of Notes. The name and address of each holder of one or more Notes, each transfer thereof and the name and address of each transferee of one or more Notes shall be registered in such register. If any holder of one or more Notes is a nominee, then (a) the name and address of the beneficial owner of such Note or Notes shall also be registered in such register as an owner and holder thereof and (b) at any such beneficial owner's option, either such beneficial owner or its nominee may execute any amendment, waiver or consent pursuant to this Agreement. Prior to due presentment for registration of transfer, the Person in whose name any Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes hereof, and U.S. Bank shall not be affected by any notice or knowledge to the contrary. The Company shall give to any holder of a Note that is an Institutional Investor promptly upon request therefor, a complete and correct copy of the names and addresses of all registered holders of Notes.

Section b. Transfer and Exchange of Notes

. Upon surrender of any Note to U.S. Bank at the address and to the attention of the designated officer (all as specified in Section 18(iv)), for registration of transfer or exchange (and in the case of a surrender for registration of transfer accompanied by a written instrument of transfer duly executed by the registered holder of such Note or such holder's attorney duly authorized in writing and accompanied by the relevant name, address and other information for notices of each transferee of such Note or part thereof), within 10 Business Days thereafter, the Company shall execute and deliver, at the Company's expense (except as provided below), one or more new Notes (as requested by the holder thereof) in exchange therefor, in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Each such new Note shall be payable to such Person as such holder may request and shall be substantially in the form of Exhibit 1. Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. U.S. Bank may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes. Notes shall not be transferred in denominations of less than $100,000, provided that if necessary to enable the registration of transfer by a holder of its entire holding of Notes, one Note may be in a denomination of less than $100,000. Any transferee, by its acceptance of a Note registered in its name (or the name of its nominee), shall be deemed to have made the representation set forth in Section 6.2.

Section c. Replacement of Notes

. Upon receipt by U.S. Bank at the address and to the attention of the designated officer (all as specified in Section 18(iv)) of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note (which evidence shall be, in the case of an Institutional Investor, notice from such Institutional Investor of such ownership and such loss, theft, destruction or mutilation), and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to the Company (provided that if the holder of such Note is, or is a nominee for, an original Purchaser or another holder of a Note with a minimum net worth of at least $100,000,000 or a Qualified Institutional Buyer, such Person's own unsecured agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancellation thereof, within 10 Business Days thereafter, the Company at its own expense, shall execute and deliver, in lieu thereof, a new Note, dated and bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon .

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Section 14. Payments on Notes.

Section a. Place of Payment

. Subject to Section 14.2, payments of principal, Make-Whole Amount, if any, and interest becoming due and payable on the Notes shall be made in New York, New York at the principal office of U.S. Bank in such jurisdiction. The Company may at any time, by notice to each holder of a Note, change the place of payment of the Notes so long as such place of payment shall be either the principal office of the Company in such jurisdiction or the principal office of a bank or trust company in such jurisdiction.

Section b. Payment by Wire Transfer

. So long as any Purchaser or its nominee shall be the holder of any Note, and notwithstanding anything contained in Section 14.1 or in such Note to the contrary, the Company will pay all sums becoming due on such Note for principal, Make-Whole Amount, if any, interest and all other amounts becoming due hereunder by the method and at the address specified for such purpose below such Purchaser's name in Schedule A, or by such other method or at such other address as such Purchaser shall have from time to time specified to the Company in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that upon written request of the Company made concurrently with or reasonably promptly after payment or prepayment in full of any Note, such Purchaser shall surrender such Note for cancellation, reasonably promptly after any such request, to the Company at its principal executive office or at the place of payment most recently designated by the Company pursuant to Section 14.1. Prior to any sale or other disposition of any Note held by a Purchaser or its nominee, such Purchaser will, at its election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon or surrender such Note to the Company in exchange for a new Note or Notes pursuant to Section 13.2. The Company will afford the benefits of this Section 14.2 to any Institutional Investor that is the direct or indirect transferee of any Note purchased by a Purchaser under this Agreement and that

has made the same agreement relating to such Note as the Purchasers have made in this Section 14.2.

Section c. FATCA Information.

By acceptance of any Note, the holder of such Note agrees that such holder will with reasonable promptness duly complete and deliver to the Company, or to such other Person as may be reasonably requested by the Company, from time to time (a) in the case of any such holder that is a United States Person, such holder's United States tax identification number or other Forms reasonably requested by the Company necessary to establish such holder's status as a United States Person under FATCA and as may otherwise be necessary for the Company to comply with its obligations under FATCA and (b) in the case of any such holder that is not a United States Person, such documentation prescribed by applicable law (including as prescribed by section 1471(b)(3)(C)(i) of the Code) and such additional documentation as may be necessary for the Company to comply with its obligations under FATCA and to determine that such holder has complied with such holder's obligations under FATCA or to determine the amount (if any) to deduct and withhold from any such payment made to such holder. Nothing in this Section 14.3 shall require any holder to provide information that is confidential or proprietary to such holder unless the Company is required to obtain such information under FATCA and, in such event, the Company shall treat any such information it receives as confidential.

Section 15. Expenses, Etc.

Section a. Transaction Expenses

. Whether or not the transactions contemplated hereby are consummated, the Company will pay all costs and expenses (including reasonable attorneys' fees of a special counsel and, if reasonably required by the Required Holders, local or other counsel) incurred by the Purchasers and each other holder of a Note in connection with such transactions and in connection with any amendments, waivers or consents under or in respect of this Agreement, any Subsidiary Guaranty or the Notes (whether or not such amendment, waiver or consent becomes effective), including: (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under this Agreement, any Subsidiary Guaranty or the Notes or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement, any Subsidiary Guaranty or the Notes, or by reason of being a holder of any Note, (b) the costs and expenses, including financial advisors' fees, incurred in connection with the insolvency or bankruptcy of the Company or any Subsidiary or in connection with any work-out or restructuring of the transactions contemplated hereby and by the Notes and any Subsidiary Guaranty and (c) the costs and expenses incurred in connection with the initial filing of this Agreement and all related documents and financial information with the SVO *provided*, that such costs and expenses under this clause (c) shall not exceed $3,500. If required by the NAIC, the Company shall obtain and maintain at its own cost and expense a Legal Entity Identifier (LEI).

The Company will pay, and will save each Purchaser and each other holder of a Note harmless from, (i) all claims in respect of any fees, costs or expenses, if any, of brokers and finders (other than those, if any, retained by a Purchaser or other holder in connection with its purchase of the Notes), (ii) any and all wire transfer fees that any bank or other financial institution deducts from any payment under such Note to such holder or otherwise charges to a holder of a Note with respect to a payment under such Note and (iii) any judgment, liability,

claim, order, decree, fine, penalty, cost, fee, expense (including reasonable attorneys' fees and expenses) or obligation resulting from the consummation of the transactions contemplated hereby, including the use of the proceeds of the Notes by the Company.

Section b. Certain Taxes.

The Company agrees to pay all stamp, documentary or similar taxes or fees which may be payable in respect of the execution and delivery or the enforcement of this Agreement or any Subsidiary Guaranty or the execution and delivery (but not the transfer) or the enforcement of any of the Notes in the United States or any other jurisdiction where the Company or any Subsidiary Guarantor has assets or of any amendment of, or waiver or consent under or with respect to, this Agreement or any Subsidiary Guaranty or of any of the Notes, and to pay any value added tax due and payable in respect of reimbursement of costs and expenses by the Company pursuant to this Section 15, and will save each holder of a Note to the extent permitted by applicable law harmless against any loss or liability resulting from nonpayment or delay in payment of any such tax or fee required to be paid by the Company hereunder.

Section 15.3 Survival

. The obligations of the Company under this Section 15 will survive the payment or transfer of any Note, the enforcement, amendment or waiver of any provision of this Agreement, any Subsidiary Guaranty or the Notes, and the termination of this Agreement.

Section 16. Survival of Representations and Warranties; Entire Agreement.

All representations and warranties contained herein shall survive the execution and delivery of this Agreement and the Notes, the purchase or transfer by any Purchaser of any Note or portion thereof or interest therein and the payment of any Note, and may be relied upon by any subsequent holder of a Note, regardless of any investigation made at any time by or on behalf of such Purchaser or any other holder of a Note. All statements contained in any certificate or other instrument delivered by or on behalf of the Company pursuant to this Agreement shall be deemed representations and warranties of the Company under this Agreement. Subject to the preceding sentence, this Agreement, the Notes and any Subsidiary Guarantees embody the entire agreement and understanding between each Purchaser and the Company and supersede all prior agreements and understandings relating to the subject matter hereof.

Section 17. Amendment and Waiver.

Section a. Requirements

. This Agreement and the Notes may be amended, and the observance of any term hereof or of the Notes may be waived (either retroactively or prospectively), only with the written consent of the Company and the Required Holders, except that:

(a) no amendment or waiver of any of Sections 1, 2, 3, 4, 5, 6 or 21 hereof, or any defined term (as it is used therein), will be effective as to any Purchaser unless consented to by such Purchaser in writing; and

(b) no amendment or waiver may, without the written consent of each Purchaser and the holder of each Note at the time outstanding, (i) subject to Section 12 relating to acceleration or rescission, change the amount or time of any prepayment or payment of principal of, or reduce the rate or change the time of payment or method of computation of (x) interest on the Notes or (y) the Make-Whole Amount, (ii) change the percentage of the principal amount of the Notes the holders of which are required to consent to any amendment or waiver, or (iii) amend any of Sections 8 (except as set forth in the second sentence of Section 8.2), 11(a), 11(b), 12, 17 or 20.

Section b. Solicitation of Holders of Notes

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(1) *Solicitation.* The Company will provide each holder of a Note with sufficient information, sufficiently far in advance of the date a decision is required, to enable such holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the Notes or any Subsidiary Guaranty. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to this Section 17 or any Subsidiary Guaranty to each holder of a Note promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite holders of Notes.

(2) *Offer of Payment.* The Company will not offer to pay any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security or provide other credit support, to any holder of a Note as consideration for or as an inducement to the entering into by such holder of any waiver or amendment of any of the terms and provisions hereof or of any Subsidiary Guaranty or any Note unless such remuneration is concurrently offered or security is concurrently granted or other credit support concurrently provided, on the same terms, ratably to each holder of a Note then outstanding

(3) *Consent in Contemplation of Transfer.* Any consent given pursuant to this Section 17 or any Subsidiary Guaranty by a holder of a Note that has transferred or has agreed to transfer its Note to (i) the Company, (ii) any Subsidiary or any other Affiliate or (iii) any other Person in connection with, or in anticipation of, such other Person acquiring, making a tender offer for or merging with the Company and/or any of its Affiliates, in each case in connection with such consent,shall be void and of no force or effect except solely as to such holder, and any amendments effected or waivers granted or to be effected or granted that would not have been or would not be so effected or granted but for such consent (and the consents of all other holders of Notes that were acquired under the same or similar conditions) shall be void and of no force or effect except solely as to such holder.

Section c. Binding Effect, Etc

. Any amendment or waiver consented to as provided in this Section 17 or any Subsidiary Guaranty applies equally to all holders of Notes and is binding upon them and upon each future holder of any Note and upon the Company without regard to whether such Note has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Company and any holder of a Note and no delay in exercising any rights hereunder or under any Note or Subsidiary Guaranty shall operate as a waiver of any rights of any holder of such Note.

Section d. Notes Held by Company, Etc

. Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Notes then outstanding approved or consented to any amendment, waiver or consent to be given under this Agreement, any Subsidiary Guaranty or the Notes, or have directed the taking of any action provided herein or in any Subsidiary Guaranty or in the Notes to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of Notes then outstanding, Notes directly or indirectly owned by the Company or any of its Affiliates shall be deemed not to be outstanding.

Section 18. Notices.

Except to the extent otherwise provided in Section 7.4, all notices and communications provided for hereunder shall be in writing and sent (a) by telecopy if the sender on the same day sends a confirming copy of such notice by an internationally recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by an internationally recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

(i) if to any Purchaser or its nominee, to such Purchaser or nominee at the address specified for such communications in Schedule A, or at such other address as such Purchaser or nominee shall have specified to U.S. Bank in writing,

(ii) if to any other holder of any Note, to such holder at such address as such other holder shall have specified to U.S. Bank in writing,

(iii) if to the Company, to the Company at its address set forth at the beginning hereof to the attention of its General Counsel, or at such other address as the Company shall have specified to the holder of each Note in writing, or

(iv) if to U.S. Bank, to U.S. Bank at its address set forth below, or at such other address as U.S. Bank shall have specified to the holder of each Note in writing:

U.S. Bank Global Corporate Trust Services – New York
100 Wall Street, Suite 1600
New York, New York 10005
Attn: Wendy Kumar – Vice President/ Josh Hahn – Vice President

Notices under this Section 18 will be deemed given only when actually received.

Section 19. Reproduction of Documents.

This Agreement and all documents relating thereto, including (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by any Purchaser at the

Closing (except the Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to any Purchaser, may be reproduced by such Purchaser by any photographic, photostatic, electronic, digital, or other similar process and such Purchaser may destroy any original document so reproduced. The Company agrees and stipulates that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by such Purchaser in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This Section 19 shall not prohibit the Company or any other holder of Notes from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

Section 20. Confidential Information.

For the purposes of this Section 20, "**Confidential Information**" means information delivered to any Purchaser by or on behalf of the Company or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature and that was clearly marked or labeled or otherwise adequately identified when received by such Purchaser as being confidential information of the Company or such Subsidiary, provided that such term does not include information that (a) was publicly known or otherwise known to such Purchaser prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by such Purchaser or any Person acting on such Purchaser's behalf, (c) otherwise becomes known to such Purchaser other than through disclosure by the Company or any Subsidiary or (d) constitutes financial statements delivered to such Purchaser under Section 7.1 that are otherwise publicly available. Each Purchaser will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by such Purchaser in good faith to protect confidential information of third parties delivered to such Purchaser, provided that such Purchaser may deliver or disclose Confidential Information to (i) its directors, officers, employees, agents, attorneys, trustees and affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by its Notes), (ii) its auditors, financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with this Section 20, (iii) any other holder of any Note, (iv) any Institutional Investor to which it sells or offers to sell such Note or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by this Section 20), (v) any Person from which it offers to purchase any Security of the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by this Section 20), (vi) any federal or state regulatory authority having jurisdiction over such Purchaser, (vii) the NAIC or the SVO or, in each case, any similar organization, or any nationally recognized rating agency that requires access to information about such Purchaser's investment portfolio, or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to such Purchaser, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which such Purchaser is a party or (z) if an Event of Default has occurred and is continuing, to the extent

such Purchaser may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under such Purchaser's Notes, this Agreement or any Subsidiary Guaranty. Each holder of a Note, by its acceptance of a Note, will be deemed to have agreed to be bound by and to be entitled to the benefits of this Section 20 as though it were a party to this Agreement. On reasonable request by the Company in connection with the delivery to any holder of a Note of information required to be delivered to such holder under this Agreement or requested by such holder (other than a holder that is a party to this Agreement or its nominee), such holder will enter into an agreement with the Company embodying this Section 20.

In the event that as a condition to receiving access to information relating to the Company or its Subsidiaries in connection with the transactions contemplated by or otherwise pursuant to this Agreement, any Purchaser or holder of a Note is required to agree to a confidentiality undertaking (whether through IntraLinks, another secure website, a secure virtual workspace or otherwise) which is different from this Section 20, this Section 20 shall not be amended thereby and, as between such Purchaser or such holder and the Company, this Section 20 shall supersede any such other confidentiality undertaking.

Section 21. Substitution of Purchaser.

Each Purchaser shall have the right to substitute any one of its Affiliates or another Purchaser or any one of such other Purchaser's Affiliates (a **"Substitute Purchaser"**) as the purchaser of the Notes that it has agreed to purchase hereunder, by written notice to the Company, which notice shall be signed by both such Purchaser and such Substitute Purchaser, shall contain such Substitute Purchaser's agreement to be bound by this Agreement and shall contain a confirmation by such Substitute Purchaser of the accuracy with respect to it of the representations set forth in Section 6. Upon receipt of such notice, any reference to such Purchaser in this Agreement (other than in this Section 21), shall be deemed to refer to such Substitute Purchaser in lieu of such original Purchaser. In the event that such Substitute Purchaser is so substituted as a Purchaser hereunder and such Substitute Purchaser thereafter transfers to such original Purchaser all of the Notes then held by such Substitute Purchaser, upon receipt by the Company of notice of such transfer, any reference to such Substitute Purchaser as a "Purchaser" in this Agreement (other than in this Section 21), shall no longer be deemed to refer to such Substitute Purchaser, but shall refer to such original Purchaser, and such original Purchaser shall again have all the rights of an original holder of the Notes under this Agreement.

Section 22. Miscellaneous.

Section a. Successors and Assigns

. All covenants and other agreements contained in this Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including any subsequent holder of a Note) whether so expressed or not, except that, subject to Section 10.2, the Company may not assign or otherwise transfer any of its rights or obligations hereunder or under the Notes without the prior written consent of each holder. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the

parties hereto and their respective successors and assigns permitted hereby) any legal or equitable rights, remedy or claim under or by reason of this Agreement.

Section b. Accounting Terms

. All accounting terms used herein which are not expressly defined in this Agreement have the meanings respectively given to them in accordance with GAAP. Except as otherwise specifically provided herein, (i) all computations made pursuant to this Agreement shall be made in accordance with GAAP, and (ii) all financial statements shall be prepared in accordance with GAAP. For purposes of determining compliance with this Agreement (including Section 9, Section 10 and the definition of "Indebtedness"), any election by the Company to measure any financial liability using fair value (as permitted by Financial Accounting Standards Board Accounting Standards Codification Topic No. 825-10-25 – *Fair Value Option*, International Accounting Standard 39 – *Financial Instruments: Recognition and Measurement* or any similar accounting standard) shall be disregarded and such determination shall be made as if such election had not been made.

Section c. Severability

. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

Section d. Construction, Etc

. Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

Defined terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall." Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein) and, for purposes of the Notes, shall also include any such notes issued in substitution therefor pursuant to Section 13, (b) subject to Section 22.1, any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein," "hereof" and "hereunder," and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Sections, Schedules and Exhibits shall be construed to refer to Sections of, and Schedules and Exhibits to, this Agreement, and (e) any reference to any law or

regulation herein shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time.

Section e. Counterparts; Electronic Contracting

. This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto. The parties agree to electronic contracting and signatures with respect to this Agreement. Delivery of an electronic signature to, or a signed copy of, this Agreement by facsimile, email or other electronic transmission shall be fully binding on the parties to the same extent as the delivery of the signed originals and shall be admissible into evidence for all purposes.

Section f. Governing Law

. This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York excluding choice of law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

Section g. Jurisdiction and Process; Waiver of Jury Trial

. (a) The Company irrevocably submits to the non-exclusive jurisdiction of any New York State or federal court sitting in the Borough of Manhattan, The City of New York, over any suit, action or proceeding arising out of or relating to this Agreement or the Notes. To the fullest extent permitted by applicable law, the Company irrevocably waives and agrees not to assert, by way of motion, as a defense or otherwise, any claim that it is not subject to the jurisdiction of any such court, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

(b) The Company agrees, to the fullest extent permitted by applicable law, that a final judgment in any suit, action or proceeding of the nature referred to in Section 22.7(a) brought in any such court shall be conclusive and binding upon it subject to rights of appeal, as the case may be, and may be enforced in the courts of the United States of America or the State of New York (or any other courts to the jurisdiction of which it or any of its assets is or may be subject) by a suit upon such judgment.

(c) The Company consents to process being served by or on behalf of any holder of Notes in any suit, action or proceeding of the nature referred to in Section 22.7(a) by mailing a copy thereof by registered, certified, priority or express mail (or any substantially similar form of mail), postage prepaid, return receipt or delivery confirmation requested, to it at its address specified in Section 18 or at such other address of which such holder shall then have been notified pursuant to said Section. The Company agrees that such service upon receipt (i) shall be deemed in every respect effective service of process upon it in any such suit, action or proceeding and (ii) shall, to the fullest extent permitted by applicable law, be taken and held to be valid personal service upon and personal delivery to it. Notices hereunder shall be

conclusively presumed received as evidenced by a delivery receipt furnished by the United States Postal Service or any reputable commercial delivery service.

(d) Nothing in this Section 22.7 shall affect the right of any holder of a Note to serve process in any manner permitted by law, or limit any right that the holders of any of the Notes may have to bring proceedings against the Company in the courts of any appropriate jurisdiction or to enforce in any lawful manner a judgment obtained in one jurisdiction in any other jurisdiction.

(e) The parties hereto hereby waive trial by jury in any action brought on or with respect to this Agreement, the Notes or any other document executed in connection herewith or therewith.

* * * * *

If you are in agreement with the foregoing, please sign the form of agreement on a counterpart of this Agreement and return it to the Company, whereupon this Agreement shall become a binding agreement between you and the Company.

Very truly yours,

allete, inc.

By: __
Name:
Title:

This Agreement is hereby accepted and agreed to as of the date thereof.

ATHENE ANNUITY & LIFE ASSURANCE COMPANY
By: Apollo Insurance Solutions Group LP, its investment adviser
By: Apollo Capital Management, L.P., its sub adviser
By: Apollo Capital Management GP, LLC, its General Partner

By _____
Name: Joseph D. Glatt
Title: Vice President

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY
By: Apollo Insurance Solutions Group LP, its investment adviser
By: Apollo Capital Management, L.P., its sub adviser
By: Apollo Capital Management GP, LLC, its General Partner

By _____
Name: Joseph D. Glatt
Title: Vice President

JACKSON NATIONAL LIFE INSURANCE COMPANY
By: Apollo Insurance Solutions Group LP, its investment adviser
By: Apollo Capital Management, L.P., its sub adviser
By: Apollo Capital Management GP, LLC, its General Partner

By: _____
Name: Joseph D. Glatt
Title: Vice President

This Agreement is hereby accepted and agreed to as of the date thereof.

CoBank, ACB

By:
Name:
Title:

PRUDENTIAL RETIREMENT INSURANCE AND ANNUITY COMPANY

By: PGIM, Inc., as investment manager

By:_____

Vice President

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

By:_____

Second Vice President

This Agreement is hereby accepted and agreed to as of the date thereof.

PRINCIPAL LIFE INSURANCE COMPANY

By: Principal Global Investors, LLC
a Delaware limited liability company,
its authorized signatory

By: _____

By: _____

This Agreement is hereby accepted and agreed to as of the date thereof.

American United Life Insurance Company

By:
Name:
Title:

The State Life Insurance Company
By: American United Life Insurance Company
Its: Agent

By:
Name:
Title:

This Agreement is hereby accepted and agreed to as of the date thereof.

Ensign Peak Advisors, Inc.

By_____
Name: Matthew D. Dall
Title: Head of Credit Research

Clifton Park Capital Management, LLC

By_____
Name: Matthew D. Dall
Title: Head of Credit Research

This Agreement is hereby accepted and agreed to as of the date thereof.

Protective Life Insurance Company

By:
Name:
Title:

This Agreement is hereby accepted and agreed to as of the date thereof.

Standard Insurance Company

By:
Name: Chris Beaulieu
Title: VP, Individual Annuities & Investments

This Agreement is hereby accepted and agreed to as of the date thereof.

Southern Farm Bureau Life Insurance Company

By:
Name:
Title:

Defined Terms

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

"Affiliate" means, at any time, and with respect to any Person, any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person, and, with respect to the Company, shall include any Person beneficially owning or holding, directly or indirectly, 10% or more of any class of voting or equity interests of the Company or any Subsidiary or any Person of which the Company and its Subsidiaries beneficially own or hold, in the aggregate, directly or indirectly, 10% or more of any class of voting or equity interests. Unless the context otherwise clearly requires, any reference to an "Affiliate" is a reference to an Affiliate of the Company.

"Agreement" means this Note Purchase Agreement, including all Schedules and Exhibits attached to this Agreement.

"Anti-Corruption Laws" means any law or regulation in a U.S. or any non-U.S. jurisdiction regarding bribery or any other corrupt activity, including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act 2010.

"Anti-Money Laundering Laws" means any law or regulation in a U.S. or any non-U.S. jurisdiction regarding money laundering, drug trafficking, terrorist-related activities or other money laundering predicate crimes, including the Currency and Foreign Transactions Reporting Act of 1970 (otherwise known as the Bank Secrecy Act) and the USA PATRIOT Act.

"**Blocked Person**" means (a) a Person whose name appears on the list of Specially Designated Nationals and Blocked Persons published by OFAC, (b) a Person, entity, organization, country or regime that is blocked or a target of sanctions that have been imposed under U.S. Economic Sanctions Laws or (c) a Person that is an agent, department or instrumentality of, or is otherwise beneficially owned by, controlled by or acting on behalf of, directly or indirectly, any Person, entity, organization, country or regime described in clause (a) or (b).

"Business Day" means (a) for the purposes of Section 8.7 only, any day other than a Saturday, a Sunday or a day on which commercial banks in New York City are required or authorized to be closed, and (b) for the purposes of any other provision of this Agreement, any day other than a Saturday, a Sunday or a day on which commercial banks in New York, New York or Duluth, Minnesota are required or authorized to be closed.

"**Capital Lease Obligations**" means with respect to any Person, obligations of such Person to pay rent or other amounts under any lease (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP, provided that no power purchase agreement shall constitute a Capital Lease Obligation.

"**Change in Control**" is defined in Section 8.3(f).

"Closing" is defined in Section 3.

"CoBank Equities" means the Company's cash patronage, stock and other equities in CoBank ACB acquired in connection with its patronage loan from CoBank ACB, it affiliates or its participants.

"Code" means the Internal Revenue Code of 1986, and the rules and regulations promulgated thereunder from time to time.

"Company" is defined in the first paragraph of this Agreement.

"Confidential Information" is defined in Section 20.

"Consolidated Assets" means the total amount of assets shown on the consolidated balance sheet of the Company and its Subsidiaries, determined in accordance with GAAP and prepared as of the end of the fiscal quarter then most recently ended.

"**Control**" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise; and the terms "**Controlled**" and "**Controlling**" shall have meanings correlative to the foregoing.

"Controlled Entity" means (a) any of the Subsidiaries of the Company and any of their or the Company's respective Controlled Affiliates and (b) if the Company has a parent company, such parent company and its Controlled Affiliates.

"Default" means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

"Default Rate" means that rate of interest per annum that is the greater of (a) 2.00% above the rate of interest stated in clause (a) of the first paragraph of the Notes or (b) 2.00% over the rate of interest publicly announced by U.S. Bank in New York, New York as its "base" or "prime" rate.

"Disclosure Documents" is defined in Section 5.3.

"**Disqualified Stock**" means any Equity Interest that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event, matures (excluding any maturity as a result of an optional redemption by the issuer thereof) or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the unconditional sole option of the holder thereof (other than solely for Equity Interests that do not constitute Disqualified Stock), in whole or in part, on or prior to the date that is 180 days after the Maturity Date.

"EDGAR" means the SEC's Electronic Data Gathering, Analysis and Retrieval System or any successor SEC electronic filing system for such purposes.

"Environmental Laws" means any and all federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including those related to Hazardous Materials.

"**Equity Interest**" means (a) shares of corporate stock, partnership interests, limited liability company membership interests, and any other interest that confers on a Person the right to receive a share of the profits and losses of, or distribution of assets of, the issuing Person, and

(b) all warrants, options or other rights to acquire any Equity Interest set forth in the foregoing clause (a).

"ERISA" means the Employee Retirement Income Security Act of 1974, and the rules and regulations promulgated thereunder from time to time in effect.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that is treated as a single employer together with the Company under section 414 of the Code.

"Event of Default" is defined in Section 11.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"**FATCA**" means (a) sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), together with any current or future regulations or official interpretations thereof, (b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the United States of America and any other jurisdiction, which (in either case) facilitates the implementation of the foregoing clause (a), and (c) any agreements entered into pursuant to section 1471(b)(1) of the Code.

"Fitch" means Fitch Ratings Inc., or any successor thereto.

"Form 10‑K" is defined in Section 7.1(b).

"Form 10‑Q" is defined in Section 7.1(a).

"GAAP" means (a) generally accepted accounting principles as in effect from time to time in the United States of America and (b) for purposes of Section 9.6, with respect to any Subsidiary, generally accepted accounting principles (including International Financial Reporting Standards, as applicable) as in effect from time to time in the jurisdiction of organization of such Subsidiary.

"Governmental Authority" means

(a) the government of

(i) the United States of America or any state or other political subdivision thereof, or

(ii) any other jurisdiction in which the Company or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Company or any Subsidiary, or

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

"Governmental Official" means any governmental official or employee, employee of any government-owned or government-controlled entity, political party, any official of a political party, candidate for political office, official of any public international organization or anyone else acting in an official capacity.

"**Guarantee**" of or by any Person (the "guarantor") means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any

Indebtedness or other obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation, provided that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guaranteed" has a meaning correlative thereto. The amount of any Guarantee of a Person shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee is made (or, if less, the maximum amount of such primary obligation for which such Person may be liable pursuant to the terms of the instrument evidencing such Guarantee) or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by such Person in good faith, provided that, notwithstanding anything in this definition to the contrary, the amount of any Guarantee of a Person in respect of any Permitted Hedge Agreement by any other Person with a counterparty shall be deemed to be the maximum reasonably anticipated liability of such other Person, as determined in good faith by such Person, net of any obligation or liability of such counterparty in respect of any Permitted Hedge Agreement with such Person, provided further that the obligations of such other Person under such Permitted Hedge Agreement with such counterparty shall be terminable at the election of such other Person in the event of a default by such counterparty in its obligations to such other Person.

"Hazardous Materials" means any and all pollutants, toxic or hazardous wastes or other substances that might pose a hazard to health and safety, the removal of which may be required or the generation, manufacture, refining, production, processing, treatment, storage, handling, transportation, transfer, use, disposal, release, discharge, spillage, seepage or filtration of which is or shall be restricted, prohibited or penalized by any applicable law, including asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum, petroleum products, lead based paint, radon gas or similar restricted, prohibited or penalized substances.

"**Hedge Agreement**" means any interest rate protection agreement, foreign currency exchange agreement, commodity price protection agreement or other interest rate, currency exchange rate or commodity price hedge, future, forward, swap, option, cap, floor, collar or similar agreement or arrangement (including both physical and financial settlement transactions).

"holder" means, with respect to any Note, the Person in whose name such Notes is registered in the register maintained by U.S. Bank on behalf of the Company pursuant to Section 13.1, except as otherwise defined in Section 8.3(b) for purposes of Section 8.3 only, and *provided, however,* that if such Person is a nominee, then for the purposes of Sections 7, 12, 17.2 and 18 and any related definitions in this Schedule B, "holder" shall mean the beneficial owner of such Note whose name and address appears in such register.

"Indebtedness" means as to any Person, at a particular time, all items which constitute, without duplication, (a) indebtedness for borrowed money or the deferred purchase price of property (excluding trade payables incurred in the ordinary course of business and excluding any such obligations payable solely through the Company's issuance of Equity Interests (other than the Disqualified Stock and Equity Interests convertible into Disqualified Stock)), (b) indebtedness evidenced by notes, bonds, debentures or similar instruments, (c) obligations with respect to any conditional sale or title retention agreement, (d) indebtedness arising under

acceptance facilities and the amount available to be drawn under all letters of credit issued for the account of such Person and, without duplication, all drafts drawn thereunder to the extent such Person shall not have reimbursed the issuer in respect of the issuer's payment of such drafts, (e) all liabilities secured by any Lien on any property owned by such Person even though such Person has not assumed or otherwise become liable for the payment thereof, provided that the amount of such liabilities included for purposes of this definition will be the amount equal to the lesser of the fair market value of such property and the amount of the liabilities so secured, (f) indebtedness in respect of Disqualified Stock valued at the greater of its voluntary or involuntary maximum fixed repurchase price plus accrued dividends, (g) liabilities in respect of any obligation (contingent or otherwise) to purchase, redeem, retire, acquire or make any other payment in respect of any shares of equity securities or any option, warrant or other right to acquire any shares of equity securities, (h) obligations under Capital Lease Obligations, (i) Guarantees of such Person in respect of Indebtedness of others, and (j) to the extent not otherwise included, all net obligations of such Person under Permitted Hedge Agreements.

For the avoidance of doubt, Indebtedness shall include all Indebtedness secured by any Liens permitted under Section 10.4 of this Agreement.

"INHAM Exemption" is defined in Section 6.2(e).

"Institutional Investor" means (a) any Purchaser of a Note, (b) any holder of a Note holding (together with one or more of its affiliates) more than 5% of the aggregate principal amount of the Notes then outstanding, (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form, and (d) any Related Fund of any holder of any Note.

"Investment Grade Rating" means a Senior Debt Rating from at least two Rating Agencies equal to (a) for any transaction where the surviving entity has a Senior Debt Rating, a rating for such surviving entity of BBB- or higher from S&P or Fitch or Baa3 or higher from Moody's and (b) for any transaction where the surviving entity is an indirect or direct holding company for a public utility that does not have a Senior Debt Rating, a rating for such surviving entity's primary utility Subsidiary of BBB- or higher from S&P or Fitch or Baa3 or higher from Moody's.

"Lien" means, with respect to any Person, any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or Capital Lease Obligations, upon or with respect to any property or asset of such Person (including in the case of stock, stockholder agreements, voting trust agreements and all similar arrangements).

"Make-Whole Amount" is defined in Section 8.7.

"Material" means material in relation to the business, operations, affairs, financial condition, assets or properties of the Company and its Subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Company and its Subsidiaries taken as a whole, (b) the ability of the Company to perform its obligations under this Agreement and the Notes, (c) the ability of any Subsidiary Guarantor to perform its obligations under its Subsidiary Guaranty, or (d) the validity or enforceability of this Agreement, the Notes or any Subsidiary Guaranty.

"Material Credit Facility" means, as to the Company,

1. (1) the Amended and Restated Credit Agreement, dated as of January 10, 2019, among the Company, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent, (2) the Term Loan Agreement, dated as of January 10, 2020, between the Company and Bank of America, N.A., (3) the Term Loan Agreement, dated as of April 8, 2020, among the Company, the lenders party thereto and U.S. Bank National Association, as administrative agent; and (4) the Note Purchase Agreement, dated December 8, 2016, among the Company and the purchasers thereunder, in each case including any renewals, extensions, amendments, supplements, restatements, replacements or refinancing thereof; and

2. any other credit agreement(s), loan agreement(s) or similar agreement(s) with one or more lenders creating or evidencing indebtedness for borrowed money entered into on or after the date of Closing by the Company, or in respect of which the Company is an obligor or otherwise provides a guarantee or other credit support (**"Credit Facility"**), in a principal amount outstanding or available for borrowing equal to or greater than $115,000,000 (or the equivalent of such amount in the relevant currency of payment, determined as of the date of the closing of such facility based on the exchange rate of such other currency).

"Maturity Date" is defined in the first paragraph of each Note.

"Moody's" means Moody's Investors Service, Inc., or any successor thereto.

"Multiemployer Plan" means any Plan that is a "multiemployer plan" (as such term is defined in section 4001(a)(3) of ERISA).

"NAIC" means the National Association of Insurance Commissioners.

"**Non-U.S. Plan**" means any plan, fund or other similar program that (a) is established or maintained outside the United States of America by the Company or any Subsidiary primarily for the benefit of employees of the Company or one or more Subsidiaries residing outside the United States of America, which plan, fund or other similar program provides, or results in, retirement income, a deferral of income in contemplation of retirement or payments to be made upon termination of employment, and (b) is not subject to ERISA or the Code.

"Notes" is defined in Section 1.

"OFAC" means the Office of Foreign Assets Control of the United States Department of the Treasury.

"OFAC Sanctions Program" means any economic or trade sanction that OFAC is responsible for administering and enforcing. A list of OFAC Sanctions Programs may be found at http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx.

"Officer's Certificate" means a certificate of a Senior Financial Officer or of any other officer of the Company whose responsibilities extend to the subject matter of such certificate.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA.

"**Permitted Hedge Agreement**" means any Hedge Agreement engaged in by a Person as part of its normal business operations with the purpose and effect of hedging and protecting such Person against fluctuations or adverse changes in the prices of electricity, gas, fuel or other commodities, interest rates or currency exchange rates, which Hedge Agreement is part of a risk management strategy and not for purposes of speculation and not intended primarily as a borrowing of funds.

"Person" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, business entity or Governmental Authority.

"Plan" means an "employee benefit plan" (as defined in section 3(3) of ERISA) subject to Title I of ERISA that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company or any ERISA Affiliate or with respect to which the Company or any ERISA Affiliate may have any liability.

"Project Finance Indebtedness" means any indebtedness or lease obligations incurred by a special purpose subsidiary with no material assets or operations other than the project being financed (i) which are related to the construction or acquisition of property not previously owned by the Company or its Subsidiaries or (ii) which are related to the financing of a project involving the development or expansion of property of the Company or any of its Subsidiaries and (iii), in either case, the obligee in respect of which has no recourse to the Company or its Subsidiaries or any property of the Company or its Subsidiaries other than the property constructed or acquired with the proceeds of such transaction or the project financed with the proceeds of such transaction (or the proceeds thereof).

"property" or **"properties"** means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

"**Proposed Prepayment Date**" is defined in Section 8.3(b).

"PTE" is defined in Section 6.2(a).

"Purchaser" or **"Purchasers"** means each of the purchasers that has executed and delivered this Agreement to the Company and such Purchaser's successors and assigns (so long as any such assignment complies with Section 13.2), *provided, however,* that any Purchaser of a Note that ceases to be the registered holder or a beneficial owner (through a nominee) of such Note as the result of a transfer thereof pursuant to Section 13.2 shall cease to be included within the meaning of "Purchaser" of such Note for the purposes of this Agreement upon such transfer .

"Qualified Institutional Buyer" means any Person who is a "qualified institutional buyer" within the meaning of such term as set forth in Rule 144A(a)(1) under the Securities Act.

"QPAM Exemption" is defined in Section 6.2(d).

"Rating Agencies" means Fitch, Moody's and S&P (or, if any of the foregoing ceases to provide Senior Debt Ratings as contemplated hereby, such other nationally recognized rating agency as shall be agreed upon by the Company and the Required Holders).

"Related Fund" means, with respect to any holder of any Note, any fund or entity that (i) invests in Securities or bank loans, and (ii) is advised or managed by such holder, the same investment advisor as such holder or by an affiliate of such holder or such investment advisor.

"Required Holders" means at any time, the holders of at least 51% in principal amount of the Notes at the time outstanding (exclusive of Notes then owned by the Company or any of its Affiliates).

"Responsible Officer" means any Senior Financial Officer and any other officer of the Company with responsibility for the administration of the relevant portion of this Agreement.

"S&P" means Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business, or any successor thereto.

"SEC" means the Securities and Exchange Commission of the United States of America.

"Securities" or **"Security"** shall have the meaning specified in section 2(1) of the Securities Act.

"Securities Act" means the Securities Act of 1933 and the rules and regulations promulgated thereunder from time to time in effect.

"Senior Debt Rating" means, at any date, the credit rating identified by a Rating Agency as the credit rating that (i) it has assigned to long term unsecured senior debt of such Person or (ii) would assign to long term unsecured senior debt of such Person were such Person to issue or have outstanding any long term unsecured senior debt on such date.

"Senior Financial Officer" means the chief financial officer, principal accounting officer, treasurer or comptroller of the Company.

"Significant Subsidiary" has the meaning set forth in Item 1.02(w) of Regulation S-X under the Securities Act.

"Source" is defined in Section 6.2.

"**State Sanctions List**" means a list that is adopted by any state Governmental Authority within the United States of America pertaining to Persons that engage in investment or other commercial activities in Iran or any other country that is a target of economic sanctions imposed under U.S. Economic Sanctions Laws.

"Subsidiary" means, as to any Person, any other Person in which such first Person or one or more of its Subsidiaries or such first Person and one or more of its Subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such second Person, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such first Person or one or more of its Subsidiaries or such first Person and one or more of its Subsidiaries (unless such partnership or joint venture can and does ordinarily take major business actions without the prior approval of such Person or one or more of its Subsidiaries). Unless the context otherwise clearly requires, any reference to a "Subsidiary" is a reference to a Subsidiary of the Company.

"Subsidiary Guarantor" means each Subsidiary that has executed and delivered a Subsidiary Guaranty.

"Subsidiary Guaranty" is defined in Section 9.7(a).

"Substitute Purchaser" is defined in Section 21.

"SVO" means the Securities Valuation Office of the NAIC.

"SWL&P" is defined in Section 5.4(d).

"**Total Capitalization**" means, at any time, the difference between (a) the sum of each of the following at such time with respect to the Company and the Subsidiaries, determined on a consolidated basis in accordance with GAAP: (i) preferred Equity Interests, plus (ii) common Equity Interests and any premium on Equity Interests thereon (as such term is used in the Disclosure Documents), excluding accumulated other comprehensive income or loss, plus (iii) retained earnings, plus (iv) Total Indebtedness, and (b) stock of the Company acquired by the

Company and (ii) stock of a Subsidiary acquired by such Subsidiary, in each case at such time, as applicable, determined on a consolidated basis in accordance with GAAP.

"**Total Indebtedness**" means at any time, all Indebtedness (net of unamortized premium and discount (as such term is used in the Disclosure Documents)) at such time of the Company and the Subsidiaries, determined on a consolidated basis in accordance with GAAP.

"**United States Person**" has the meaning set forth in Section 7701(a)(30) of the Code.

"USA Patriot Act" means United States Public Law 107-56, Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001 and the rules and regulations promulgated thereunder from time to time in effect.

"**U.S. Bank**" means U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America.

"**U.S. Economic Sanctions Laws**" means those laws, executive orders, enabling legislation or regulations administered and enforced by the United States pursuant to which economic sanctions have been imposed on any Person, entity, organization, country or regime, including the Trading with the Enemy Act, the International Emergency Economic Powers Act, the Iran Sanctions Act, the Sudan Accountability and Divestment Act and any other OFAC Sanctions Program.

"Utility Property" means all property and assets of the Company and its Subsidiaries used principally in the electric, natural gas and water operations that are regulated by applicable Governmental Authorities.

"**Voting Security**" means a security which ordinarily has voting power for the election of the board of directors (or other governing body), whether at all times or only so long as no senior class of Equity Interests has such voting power by reason of any contingency.

"Wholly-Owned Subsidiary" means, at any time, any Subsidiary all of the equity interests (except directors' qualifying shares) and voting interests of which are owned by any one or more of the Company and the Company's other Wholly-Owned Subsidiaries at such time.

SCHEDULE 5.4
Subsidiaries of the Company and Ownership of Subsidiary Stock

5.4(a)

SUBSIDIARIES OF ALLETE, INC.[1]	**Jurisdiction of Organization**
ACE DS Class B LLC	Delaware
ACE GAWW Class B LLC	Delaware
ACE Gopher Holdings, LLC	Delaware
ACE Lincoln Heights Holdings, LLC	Delaware
ACE Mid-West Holdings, LLC	Delaware
ACE O&M, LLC	Delaware
ACE Solar LLC	Delaware
ACE South Holdings, LLC	Delaware
ACE West Holdings, LLC	Delaware
ACE Wind LLC	Delaware
ALLETE Automotive Services, LLC	Minnesota
ALLETE Clean Energy, Inc.	Minnesota
ALLETE Commercial, LLC	Florida
ALLETE Enterprises, Inc.	Minnesota
ALLETE Enterprises QOF, LLC	Delaware
ALLETE Power Systems, Inc.	Minnesota
ALLETE Properties, LLC	Minnesota
ALLETE Renewable Resources, Inc.	North Dakota
ALLETE South Wind, LLC	Delaware
ALLETE Transmission Holdings, Inc.	Wisconsin
ALLETE Water Services, Inc.	Minnesota
AMW I Holding, LLC	Delaware
Armenia Holdings, LLC	Delaware
Armenia Mountain Wind, LLC	Delaware
Armenia Mountain Wind II, LLC	Delaware
ASW Partners, LLC	Delaware
BNI Coal, Ltd	North Dakota
BNI Energy, Inc.	North Dakota
Breezy Bucks – I, LLC	Minnesota
Breezy Bucks – II, LLC	Minnesota
Buffalo Ridge Wind Farm, LLC	Minnesota
Caddo Renewables, LLC	Delaware
Caddo Transmission, LLC	Delaware
Caddo Wind, LLC	Delaware
Chanarambie Power Partners, LLC	Delaware
Christoffer Wind Energy I LLC	Minnesota
Christoffer Wind Energy II LLC	Minnesota
Christoffer Wind Energy III LLC	Minnesota
Christoffer Wind Energy IV LLC	Minnesota
Cisco Holdings, LLC	Delaware
Cisco Wind Energy, LLC	Minnesota
Condon Wind Power, LLC	Delaware
DAJAW Transmission, LLC	Minnesota

[1] Unless otherwise specified, the capital stock or similar equity interests in each Subsidiary are owned 100%, directly or indirectly through another Subsidiary, by ALLETE, Inc.

Diamond Spring, LLC Delaware
Diamond Spring Renewables, LLC Delaware
Diamond Spring QOZB, LLC Delaware
Energy Land, Incorporated Wisconsin
Energy Replacement Property, LLC Minnesota
Florida Landmark Communities, LLC Florida
Florida Water Services Corporation Florida
Glen Ullin Energy Center, LLC Delaware
Great American West Wind, LLC[2] Delaware
Interlachen Lakes Estates, LLC Florida
Lake Benton Holdings LLC Delaware
Lake Benton Power Associates LLC Delaware
Lake Benton Power Partners L.L.C. Delaware
Lehigh Acquisition, LLC Florida
Lehigh Corporation Florida
Mardem, LLC Florida
MINNIGAN HOLDCO, LLC Delaware
Moulton Heights Wind Power Project, LLC Minnesota
MP Affiliate Resources, Inc. Minnesota
MP Investments, Inc. Delaware
Muncie Power Partners, LLC Minnesota
MWW Holdings, LLC Delaware
North Ridge Wind Farm, LLC Minnesota
Northern Wind Energy, LLC Delaware
Palm Coast Holdings, Inc. Florida
Palm Coast Land, LLC Florida
Port Orange Holdings, LLC Florida
Rainy River Energy Corporation Minnesota
Red Lake Solar, LLC Delaware
RendField Land Company, Inc. Minnesota
Roadrunner – I, LLC Minnesota
Salty Dog – I, LLC Minnesota
Salty Dog – II, LLC Minnesota
South Peak Wind, LLC Delaware
South Shore Energy, LLC Wisconsin
Storm Lake Power Partners I LLC Delaware
Storm Lake II Power Associates LLC Delaware
Storm Lake II Holdings LLC Delaware
Storm Lake Power Partners II LLC Delaware
Superior Water, Light and Power Company Wisconsin
Thunder Spirit Wind, LLC Delaware
Upper Minnesota Properties, Inc. Minnesota
Upper Minnesota Properties - Development, Inc Minnesota
Vandy South Project, LLC Minnesota
Vindy Power Partners, LLC Minnesota
Viking Wind Holdings, LLC Delaware
Viking Wind Partners, LLC Minnesota

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[2] An ALLETE Clean Energy, Inc. subsidiary, ACE GAWW Class B LLC, owns the Class B membership interests in Great American West Wind, LLC; the Class A membership interests are owned by a third party tax equity investor, JPM Capital Corporation. Great American West Wind, LLC is the parent entity of South Peak Wind, LLC and Glen Ullin Energy Center, LLC.

Viking Wind Farm, LLC Minnesota
Wally's Wind Farm, LLC Minnesota
Wilson-West Wind Farm, LLC Minnesota
Windy Dog – I, LLC Minnesota

5.4(d)

None

SCHEDULE 5.15
Existing Indebtedness

5.15(a)

ALLETE, Inc.
Long Term Debt

	6/30/2020
Millions	
First Mortgage Bonds	
5.28 % Series due 2020	35.0
2.80 % Series due 2020	40.0
4.85 % Series due 2021	15.0
3.02 % Series due 2021	60.0
3.40 % Series due 2022	75.0
6.02 % Series due 2023	75.0
3.69 % Series due 2024	60.0
5.10 % Series due 2025	30.0
4.90 % Series due 2025	30.0
3.20% Series due 2026	75.0
5.99% Series due 2027	60.0
3.30% Series due 2028	40.0
4.08% Series due 2029	70.0
3.74% Series due 2029	50.0
3.86% Series due 2030	60.0
5.69% Series due 2036	50.0
6.00% Series due 2040	35.0
5.82% Series due 2040	45.0
4.08% Series due 2042	85.0
4.21% Series due 2043	60.0
4.95% Series due 2044	40.0
5.05% Series due 2044	40.0
4.39% Series due 2044	50.0
4.07% Series due 2048	60.0
4.47% Series due 2049	30.0
Variable Demand Bonds	
Collier County Variable Series due 2025	27.8
Other MP Long-Term Debt	
3.11% Series due 2027 - Senior Unsecured	80.0
Unsecured Notes Term Loan 1 month LIBOR+1.025% due 2020	110.0
Unsecured Notes Term Loan 1 month LIBOR+0.55% due 2021	200.0
Unsecured Notes Term Loan 1 month LIBOR+1.70% due 2021 LIBOR Floor of 0.75%	95.0
Capital Lease	11.6
Total Long-Term Debt	1,794.4
Less due Within One Year	496.0
Net ALLETE Long-Term Debt	1,298.4

5.15(b)
None

5.15(c)
The Mortgage and Deed of Trust dated September 1, 1945, between the Company and Irving Trust Company (now The Bank of New York Mellon) and Richard H. West (Andres Serrano, successor), as Trustees, as supplemented and amended.

Note Purchase Agreement dated December 8, 2016 among the Company and the Purchasers named therein.

Reimbursement Agreement dated as of November 1, 2011, as thereafter amended, by and among the Company, the participating banks, and JPMorgan Chase Bank, N.A., as Administrative Agent (relating to Adjustable Rate Pollution Control Revenue Refunding Bonds (Minnesota Power, Inc. Project), Series 2000.

Amended and Restated Letter of Credit Agreement entered into as of June 3, 2011, as thereafter amended, among the Company and Wells Fargo Bank, National Association, as Administrative Agent and Issuing Bank.

Amended and Restated Credit Agreement dated as of January 10, 2019, as thereafter amended, among the Company and JPMorgan Chase Bank, N.A., as Agent for the Lenders thereunder.

Term Loan Agreement dated as of January 10, 2020 between the Company and Bank of America, N.A., as Lender.

Term Loan Agreement dated as of April 8, 2020 among the Company, the Lenders party thereto, and U.S. Bank National Association, as Administrative Agent.

Letter of Credit Agreement entered into as of June 11, 2020, among the Company and CoBank, ACB as Administrative Agent and Issuing Bank.

[Form of Note]

ALLETE, Inc.

2.65% Senior Note Due September 10, 2025

No. R-[___] [_____, 20__]
$[_____] PPN 018522 M@8

For Value Received, the undersigned, Allete, Inc (herein called the **"Company"**), a corporation organized and existing under the laws of the State of Minnesota, hereby promises to pay to [_____], or registered assigns, the principal sum of [_____] Dollars (or so much thereof as shall not have been prepaid) on September 10, 2025, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of 2.65% per annum from the date hereof, payable semiannually, on the 1st day of March and September in each year, commencing with the March or September next succeeding the date hereof, and on the Maturity Date, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law, on any overdue payment of interest and, during the continuance of an Event of Default, on such unpaid balance and on any overdue payment of any Make-Whole Amount, at a rate per annum from time to time equal to the greater of (i) 4.65% or (ii) 2.00% over the rate of interest publicly announced by U.S. Bank from time to time in New York, New York as its "base" or "prime" rate, payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand).

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at U.S. Bank or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Senior Notes (herein called the **"Notes"**) issued pursuant to the Note Purchase Agreement, dated September 10, 2020 (as from time to time amended, the **"Note Purchase Agreement"**), between the Company and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) made the representation set forth in Section 6.2 of the Note Purchase Agreement. Unless otherwise indicated, capitalized terms used in this Note shall have the respective meanings ascribed to such terms in the Note Purchase Agreement.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the Person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.

If an Event of Default occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Note shall be construed and enforced in accordance with, and the rights of the Company and the holder of this Note shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

ALLETE, Inc.
By:
Name: Title:

EXHIBIT 4.4(a)

FORM OF OPINION OF
Vice President, Chief Legal Officer and Corporate Secretary of ALLETE, Inc.

[ALLETE, INC. LETTERHEAD]

September 10, 2020

To Each of the Purchasers Listed
on Schedule A to the Note Purchase Agreement
dated September 10, 2020

Re: $150,000,000 2.65% Senior Notes due September 10, 2025
Issued by ALLETE, Inc.

Ladies and Gentlemen:

Reference is made to the sale by ALLETE, Inc., a Minnesota corporation ("Company") of $150,000,000 principal amount of its 2.65% Senior Notes due September 10, 2025 (the "Notes"). The Notes will be issued under the Note Purchase Agreement, dated September 10, 2020 (the "Agreement"). I advise you that I am Vice President, Chief Legal Officer and Corporate Secretary of the Company and have acted in that capacity in connection with such issuance and sale and I (or attorneys in the Company's legal department with whom I have consulted) have participated in the preparation of (i) the Agreement; and (ii) the petition filed by the Company with the Minnesota Public Utilities Commission seeking authorization to issue the Notes. In addition, I have reviewed the order issued by said Commission in response to said petition.

All capitalized terms used herein without definition shall have the respective meanings set forth in the Agreement.

In furnishing this opinion, I have examined the Amended and Restated Articles of Incorporation, as amended (the "Charter"), and the Bylaws, as amended, of the Company and the Agreement, and have made such further investigation and examined such further documents and records of the Company and certificates of public officials as I have deemed necessary or appropriate for purposes of this opinion.

I have also reviewed all corporate proceedings taken by the Company in respect of the authorization of the Agreement and the issuance and sale of the Notes thereunder and I have examined the Notes.

For purposes of the opinions expressed below, I have assumed (i) the authenticity of all documents submitted to me as originals, (ii) the conformity to the originals of all documents submitted to me as certified or photostatic copies and the authenticity of the originals of such copies, (iii) the genuineness of all signatures other than on behalf of the Company, (iv) the legal capacity of natural persons, (v) the power, corporate or otherwise, of all parties other than the Company to enter into and to perform all of its obligations under such documents, (vi) the due authorization, execution and delivery of all documents by all parties other than the Company, and (vii) that the consideration contemplated by the Agreement for the purchase of the Notes has been paid.

For purposes of the opinions contained herein, I have made no independent investigation of the facts referred to herein, and with respect to such facts have relied, for the purpose of rendering this opinion and except as otherwise stated herein, exclusively on the

statements contained and matters provided for in the Agreement and such other documents relating to the Agreement as I have deemed advisable, including the factual representations, warranties and covenants contained therein as made by the respective parties thereto and assumed that any such statement or representation that was given or dated on or prior to the date hereof continues to remain accurate and complete, insofar as relevant to my opinion, from such earlier date through and including the date of this opinion.

Based on such examinations and investigation, it is my opinion that:

1. The Company is a validly organized and existing corporation and in good standing under the laws of the State of Minnesota and is duly qualified as a foreign corporation in each jurisdiction in which the character of the properties owned or leased by it or the nature of the business transacted by it makes such qualification necessary, except where the failure to be so qualified would not result in a Material Adverse Effect.

2. The Company is a corporation duly authorized by its Charter to conduct the business which it is now conducting as set forth in the Disclosure Documents and the Company holds valid and subsisting franchises, licenses and permits authorizing it to carry on the business in which it is engaged.

3. The Company has all requisite corporate power and authority to execute and deliver, and to perform all of its obligations under, the Agreement and the Notes.

4. The Agreement has been duly and validly authorized by all necessary corporate action, has been duly and validly executed and delivered, and is a valid and binding obligation of the Company enforceable in accordance with its terms, except as (i) the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting enforcement of creditors' rights generally and (ii) rights of acceleration and the availability of equitable remedies may be limited by equitable principles of general applicability.

5. The Notes have been duly and validly authorized by all necessary corporate action and have been executed in accordance with the provisions of the Agreement and delivered and are entitled to the benefits of the Agreement and are valid and binding obligations of the Company enforceable in accordance with their terms, except as (i) the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting enforcement of creditors' rights generally and (ii) rights of acceleration and the availability of equitable remedies may be limited by equitable principles of general applicability.

6. An order has been issued by the Minnesota Public Utilities Commission certifying the Company's capital structure and authorizing the issuance and sale of the Notes, and to the best of my knowledge after such inquiry as I deem reasonable, said order is still in full force and effect; and no further approval, authorization, consent or order of any public board or body (other than in connection or in compliance with the provisions of the securities or "blue sky" laws of any jurisdiction) is legally required for the authorization of the issuance and sale of the Notes or, as of the date hereof, the performance of the Notes or the Agreement.

7. Neither the execution by the Company of the Agreement nor the issue and sale by the Company of the Notes as contemplated by the Agreement nor the consummation by the Company of the other transactions contemplated by the Agreement or, as of the date hereof, the performance of the Notes or the Agreement conflicts with, or results in a breach of, the Charter or Bylaws of the Company or any material agreement or instrument to which the Company is a party or by which the Company is bound, any law or regulation or, so far as is known to me after such inquiry as I deem reasonable, any order or regulation of any court, governmental instrumentality or arbitrator, and which conflict or breach is material to the Company and its subsidiaries, taken as a whole.

8. The execution, delivery and performance by the Company of the Agreement and the Notes do not and will not violate any provision of Regulations T, U or X of the Board of Governors of the Federal Reserve System.

9. It is not necessary, in connection with the sale of the Notes to the Purchasers by the Company, in the manner contemplated by the Agreement, to register the Notes under the Securities Act of 1933, as amended, or to qualify the Agreement under the Trust Indenture Act of 1939, as amended.

10. Except as disclosed in the Disclosure Documents, there are no actions, suits, or proceedings pending or, to the best of my knowledge after due inquiry, threatened against the Company before any court or arbitrator or by or before any administrative agency or governmental authority, which, if adversely determined, would prevent or have a material adverse effect on the ability of the Company to perform its obligations under the Agreement or the Notes.

11. The Company is not an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

I am a member of the Minnesota Bar and do not hold myself out as an expert on the laws of any other jurisdiction. As to all matters of Minnesota law, Cohen Tauber Spievack & Wagner P.C. is hereby authorized to rely upon this opinion to the same extent as if this opinion had been addressed to them.

The opinions expressed above are limited to the laws and facts in effect on the date hereof. I disclaim any obligation to advise you of facts, circumstances, events or developments which hereafter may be brought to my attention and which might alter, affect or modify the opinions expressed herein.

The opinion is rendered to you in connection with the above-described transaction. This opinion may not be relied upon by you for any other purpose, or relied upon or furnished to any other Person, without my prior written consent, except that (i) this opinion may be reviewed by, but not relied upon by, applicable legal or regulatory bodies and proposed transferees of the Notes, and (ii) this opinion may be relied upon by transferees of the Notes as of the date of original delivery hereof.

Very truly yours,

Margaret A. Thickens

EXHIBIT 4.4(b)

FORM OF OPINION OF COHEN TAUBER SPIEVACK & WAGNER P.C.

[CTSW LETTERHEAD]

September 10, 2020

To Each of the Purchasers Listed
on Schedule A to the Note Purchase Agreement
dated September 10, 2020

Re: $150,000,000 2.65% Senior Notes due September 10, 2025
Issued by ALLETE, Inc.

Ladies and Gentlemen:

Reference is made to the sale by ALLETE, Inc., a Minnesota corporation ("Company") of $150,000,000 principal amount of its 2.65% Senior Notes due September 10, 2025 (the "Notes"). The Notes will be issued under the Note Purchase Agreement, dated September 10, 2020 (the "Agreement"). We advise you that we have acted as counsel to the Company in connection with such issuance and sale and have participated in the preparation of the Agreement. In addition, we have reviewed the petition filed by the Company with the Minnesota Public Utilities Commission seeking authorization to issue the Notes, and the order issued by said Commission in response to said petition.

All capitalized terms used herein without definition shall have the respective meanings set forth in the Agreement.

In furnishing this opinion, we have examined the Amended and Restated Articles of Incorporation, as amended, and the Bylaws, as amended, of the Company, and the Agreement, and have made such further investigation and examined such further documents and records of the Company and certificates of public officials as we have deemed necessary or appropriate for purposes of this opinion.

We have also reviewed all corporate proceedings taken by the Company in respect of the authorization of the Agreement and the issuance and sale of the Notes thereunder and we have examined the Notes.

For purposes of the opinions expressed below, we have assumed (i) the authenticity of all documents submitted to us as originals, (ii) the conformity to the originals of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such copies, (iii) the genuineness of all signatures other than on behalf of the Company, (iv) the legal capacity of natural persons, (v) the power, corporate or otherwise, of all parties other than the Company to enter into and to perform all of its obligations under such documents, (vi) the due authorization, execution and delivery of all documents by all parties other than the Company, and (vii) that the consideration contemplated by the Agreement for the purchase of the Notes has been paid.

For purposes of the opinions contained herein, we have made no independent investigation of the facts referred to herein, and with respect to such facts have relied, for the purpose of rendering this opinion and except as otherwise stated herein, exclusively on the statements contained and matters provided for in the Agreement and such other documents relating to the Agreement as we have deemed advisable, including the factual representations, warranties and covenants contained therein as made by the respective parties thereto and assumed that any such statement or representation that was given or dated on or prior to the date hereof continues to remain accurate and complete, insofar as relevant to our opinion, from such earlier date through and including the date of this opinion.

Based on such examinations and investigation, it is our opinion that:

1. The Company has all requisite corporate power and authority to execute and deliver, and to perform all of its obligations under, the Agreement and the Notes.

2. The Agreement has been duly and validly authorized by all necessary corporate action, has been duly and validly executed and delivered, and is a valid and binding obligation of the Company enforceable in accordance with its terms, except as (i) the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting enforcement of creditors' rights generally and (ii) rights of acceleration and the availability of equitable remedies may be limited by equitable principles of general applicability.

3. The Notes have been duly and validly authorized by all necessary corporate action and have been executed and authenticated in accordance with the provisions of the Agreement and delivered and are entitled to the benefits of the Agreement and are valid and binding obligations of the Company enforceable in accordance with their terms, except as (i) the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting enforcement of creditors' rights generally and (ii) rights of acceleration and the availability of equitable remedies may be limited by equitable principles of general applicability.

4. An order has been issued by the Minnesota Public Utilities Commission certifying the Company's capital structure and authorizing the issuance and sale of the Notes, and to the best of our knowledge after such inquiry as we deem reasonable, said order is still in full force and effect; and no further approval, authorization, consent or order of any public board or body (other than in connection or in compliance with the provisions of the securities or "blue sky" laws of any jurisdiction) is legally required for the authorization of the issuance and sale of the Notes or, as of the date hereof, the performance of the Notes or the Agreement.

5. The execution, delivery and performance by the Company of the Agreement and the Notes do not and will not violate any provision of Regulations T, U or X of the Board of Governors of the Federal Reserve System.

6. It is not necessary, in connection with the sale of the Notes to the Purchasers by the Company, in the manner contemplated by the Agreement, to register the Notes under the Securities Act of 1933, as amended, or to qualify the Agreement under the Trust Indenture Act of 1939, as amended.

7. The Company is not an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

This opinion is limited to the laws of the States of Minnesota and New York and the federal laws of the United States of America. As to all matters of Minnesota law, we have relied with your consent upon an opinion of even date herewith addressed to you by Margaret A. Thickens, Esq., Vice President, Chief Legal Officer and Corporate Secretary of the Company.

The opinions expressed above are limited to the laws and facts in effect on the date hereof. We disclaim any obligation to advise you of facts, circumstances, events or developments which hereafter may be brought to our attention and which might alter, affect or modify the opinions expressed herein.

The opinion is rendered to you in connection with the above-described transaction. This opinion may not be relied upon by you for any other purpose, or relied upon or furnished to any other Person, without our prior written consent, except that (i) this opinion may be reviewed by, but not relied upon by, applicable legal or regulatory bodies and proposed transferees of the Notes, and (ii) this opinion may be relied upon by transferees of the Notes as of the date of original delivery hereof.

Very truly yours,

COHEN TAUBER SPIEVACK & WAGNER P.C.

FORM OF OPINION OF CHAPMAN AND CUTLER LLP

The closing opinion of Chapman and Cutler LLP, special counsel to the Purchasers, called for by Section 4.4(b) of the Note Purchase Agreement, shall be dated the date of Closing and addressed to each purchaser, shall be satisfactory in form and substance to the Purchasers and shall be to the effect that:

1. The Note Purchase Agreement and the Notes are enforceable in accordance with their respective terms (subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and laws of general applicability relating to or affecting creditors' rights and to general equity principles).

2. The issuance, sale and delivery of the Notes under the circumstances contemplated by the Note Purchase Agreement do not, under existing law, require the registration of the Notes under the Securities Act of 1933, as amended, or the qualification of an indenture under the Trust Indenture Act of 1939, as amended.

ALLETE, Inc.

(formerly Minnesota Power & Light Company

and formerly Minnesota Power, Inc.)
TO

THE BANK OF NEW YORK MELLON
(formerly The Bank of New York
(formerly Irving Trust Company))

AND

Andres Serrano
(successor to Richard H. West, J. A. Austin, E. J. McCabe, D. W. May, J. A. Vaughan, W. T. Cunningham, Douglas J. MacInnes, Ming Ryan, and Philip L. Watson)

As Trustees under ALLETE, Inc.'s Mortgage and Deed of Trust dated as of September 1, 1945

Forty-first Supplemental Indenture

Providing, among other things, for

First Mortgage Bonds, 2.50% Series due August 1, 2030
(Sixtieth Series),
And

First Mortgage Bonds, 3.30% Series due August 1, 2050
(Sixty-first Series)

Dated as of August 1, 2020

FORTY-FIRST SUPPLEMENTAL INDENTURE

THIS INDENTURE, dated as of August 1, 2020, by and between ALLETE, Inc. (formerly Minnesota Power & Light Company and formerly Minnesota Power, Inc.), a corporation of the State of Minnesota, whose post office address is 30 West Superior Street, Duluth, Minnesota 55802 (hereinafter sometimes called the "Company"), and The Bank of New York Mellon (formerly The Bank of New York (formerly Irving Trust Company)), a corporation of the State of New York, whose post office address is 240 Greenwich Street, New York, New York 10286 (hereinafter sometimes called the "Corporate Trustee"), and Andres Serrano (successor to Richard H. West, J. A. Austin, E. J. McCabe, D. W. May, J. A. Vaughan, W. T. Cunningham, Douglas J. MacInnes, Ming Ryan and Philip L. Watson), whose post office address is c/o The Bank of New York Mellon, 240 Greenwich Street, New York, New York 10286 (said Andres Serrano being hereinafter sometimes called the "Co-Trustee" and the Corporate Trustee and the Co-Trustee being hereinafter together sometimes called the "Trustees"), as Trustees under the Mortgage and Deed of Trust, dated as of September 1, 1945, between the Company and Irving Trust Company and Richard H. West, as Trustees, securing bonds issued and to be issued as provided therein (hereinafter sometimes called the "Mortgage"), reference to which Mortgage is hereby made, this indenture (hereinafter sometimes called the "Forty-first Supplemental Indenture") being supplemental thereto:

Whereas, the Mortgage was filed and recorded in various official records in the State of Minnesota; and

Whereas, an instrument, dated as of October 16, 1957, was executed and delivered under which J. A. Austin succeeded Richard H. West as Co-Trustee under the Mortgage, and such instrument was filed and recorded in various official records in the State of Minnesota; and

Whereas, an instrument, dated as of April 4, 1967, was executed and delivered under which E. J. McCabe in turn succeeded J. A. Austin as Co-Trustee under the Mortgage, and such instrument was filed and recorded in various official records in the State of Minnesota; and

Whereas, under the Sixth Supplemental Indenture, dated as of August 1, 1975, to which reference is hereinafter made, D. W. May in turn succeeded E. J. McCabe as Co-Trustee under the Mortgage; and

Whereas, an instrument, dated as of June 25, 1984, was executed and delivered under which J. A. Vaughan in turn succeeded D. W. May as Co-Trustee under the Mortgage, and such instrument was filed and recorded in various official records in the State of Minnesota; and

Whereas, an instrument, dated as of July 27, 1988, was executed and delivered under which W. T. Cunningham in turn succeeded J. A. Vaughan as Co-Trustee under the Mortgage, and such instrument was filed and recorded in various official records in the State of Minnesota; and

Whereas, on May 12, 1998, the Company filed Amended and Restated Articles of Incorporation with the Secretary of State of the State of Minnesota changing its name from Minnesota Power & Light Company to Minnesota Power, Inc. effective May 27, 1998; and

Whereas, an instrument, dated as of April 15, 1999, was executed and delivered under which Douglas J. MacInnes in turn succeeded W. T. Cunningham as Co-Trustee under the Mortgage, and such instrument was filed and recorded in various official records in the State of Minnesota; and

Whereas, on May 8, 2001, the Company filed Amended and Restated Articles of Incorporation with the Secretary of State of the State of Minnesota changing its name from Minnesota Power, Inc. to ALLETE, Inc.; and

Whereas, under the Thirty-second Supplemental Indenture, dated as of August 1, 2010, to which reference is hereinafter made, Ming Ryan in turn succeeded Douglas J. MacInnes as Co-Trustee under the Mortgage; and

Whereas, an instrument, dated as of August 1, 2012, was executed and delivered under which Philip L. Watson in turn succeeded Ming Ryan as Co-Trustee under the Mortgage effective at the close of business on August 6, 2012, and such instrument was filed and recorded in various official records in the State of Minnesota; and

Whereas, an instrument, dated as of July 31, 2015, was executed and delivered under which Andres Serrano in turn succeeded Philip L. Watson as Co-Trustee under the Mortgage effective at the close of business on August 14, 2015, and such instrument was filed and recorded in various official records in the State of Minnesota; and

Whereas, by the Mortgage the Company covenanted, among other things, that it would execute and deliver such supplemental indenture or indentures and such further instruments and do such further acts as might be necessary or proper to carry out more effectually the purposes of the Mortgage and to make subject to the lien of the Mortgage any property thereafter acquired and intended to be subject to the lien thereof; and

Whereas, for said purposes, among others, the Company executed and delivered the following indentures supplemental to the Mortgage:

Designation	**Dated as of**
First Supplemental Indenture	March 1, 1949
Second Supplemental Indenture	July 1, 1951
Third Supplemental Indenture	March 1, 1957
Fourth Supplemental Indenture	January 1, 1968
Fifth Supplemental Indenture	April 1, 1971
Sixth Supplemental Indenture	August 1, 1975
Seventh Supplemental Indenture	September 1, 1976
Eighth Supplemental Indenture	September 1, 1977
Ninth Supplemental Indenture	April 1, 1978
Tenth Supplemental Indenture	August 1, 1978
Eleventh Supplemental Indenture	December 1, 1982
Twelfth Supplemental Indenture	April 1, 1987
Thirteenth Supplemental Indenture	March 1, 1992
Fourteenth Supplemental Indenture	June 1, 1992
Fifteenth Supplemental Indenture	July 1, 1992
Sixteenth Supplemental Indenture	July 1, 1992
Seventeenth Supplemental Indenture	February 1, 1993
Eighteenth Supplemental Indenture	July 1, 1993
Nineteenth Supplemental Indenture	February 1, 1997
Twentieth Supplemental Indenture	November 1, 1997
Twenty-first Supplemental Indenture	October 1, 2000
Twenty-second Supplemental Indenture	July 1, 2003
Twenty-third Supplemental Indenture	August 1, 2004
Twenty-fourth Supplemental Indenture	March 1, 2005
Twenty-fifth Supplemental Indenture	December 1, 2005
Twenty-sixth Supplemental Indenture	October 1, 2006
Twenty-seventh Supplemental Indenture	February 1, 2008
Twenty-eighth Supplemental Indenture	May 1, 2008
Twenty-ninth Supplemental Indenture	November 1, 2008
Thirtieth Supplemental Indenture	January 1, 2009
Thirty-first Supplemental Indenture	February 1, 2010
Thirty-second Supplemental Indenture	August 1, 2010
Thirty-third Supplemental Indenture	July 1, 2012
Thirty-fourth Supplemental Indenture	April 1, 2013
Thirty-fifth Supplemental Indenture	March 1, 2014
Thirty-sixth Supplemental Indenture	June 1, 2014
Thirty-seventh Supplemental Indenture	September 1, 2014
Thirty-eighth Supplemental Indenture	September 1, 2015
Thirty-ninth Supplemental Indenture	April 1, 2018
Fortieth Supplemental Indenture	March 1, 2019

which supplemental indentures were filed and recorded in various official records in the State of Minnesota; and

Whereas, the Company has heretofore issued, in accordance with the provisions of the Mortgage, as heretofore supplemented, the following series of First Mortgage Bonds:

Series	Principal Amount Issued	Principal Amount Outstanding
3-1/8% Series due 1975	$26,000,000	None
3-1/8% Series due 1979	4,000,000	None
3-5/8% Series due 1981	10,000,000	None
4-3/4% Series due 1987	12,000,000	None
6-1/2% Series due 1998	18,000,000	None
8 1/8% Series due 2001	23,000,000	None
10 1/2% Series due 2005	35,000,000	None
8.70% Series due 2006	35,000,000	None
8.35% Series due 2007	50,000,000	None
9-1/4% Series due 2008	50,000,000	None
Pollution Control Series A	111,000,000	None
Industrial Development Series A	2,500,000	None
Industrial Development Series B	1,800,000	None
Industrial Development Series C	1,150,000	None
Pollution Control Series B	13,500,000	None
Pollution Control Series C	2,000,000	None
Pollution Control Series D	3,600,000	None
7-3/4% Series due 1994	55,000,000	None
7-3/8% Series due March 1, 1997	60,000,000	None
7-3/4% Series due June 1, 2007	55,000,000	None
7-1/2% Series due August 1, 2007	35,000,000	None
Pollution Control Series E	111,000,000	None
7% Series due March 1, 2008	50,000,000	None
6-1/4% Series due July 1, 2003	25,000,000	None
7% Series due February 15, 2007	60,000,000	None
6.68% Series due November 15, 2007	20,000,000	None
Floating Rate Series due October 20, 2003	250,000,000	None
Collateral Series A	255,000,000	None
Pollution Control Series F	111,000,000	None
5.28% Series due August 1, 2020	35,000,000	None
5.69% Series due March 1, 2036	50,000,000	50,000,000
5.99% Series due February 1, 2027	60,000,000	60,000,000
4.86% Series due April 1, 2013	60,000,000	None
6.02% Series due May 1, 2023	75,000,000	75,000,000
6.94% Series due January 15, 2014	18,000,000	None

7.70% Series due January 15, 2016	20,000,000	None
8.17% Series due January 15, 2019	42,000,000	None
4.85% Series due April 15, 2021	15,000,000	15,000,000
5.10% Series due April 15, 2025	30,000,000	30,000,000
6.00% Series due April 15, 2040	35,000,000	35,000,000
4.90% Series due October 15, 2025	30,000,000	30,000,000
5.82% Series due April 15, 2040	45,000,000	45,000,000
3.20% Series due July 15, 2026	75,000,000	75,000,000
4.08% Series due July 15, 2042	85,000,000	85,000,000
1.83% Series due April 15, 2018	50,000,000	None
3.30% Series due October 15, 2028	40,000,000	40,000,000
4.21% Series due October 15, 2043	60,000,000	60,000,000
3.69% Series due March 15, 2024	60,000,000	60,000,000
4.95% Series due March 15, 2044	40,000,000	40,000,000
3.40% Series due July 15, 2022	75,000,000	75,000,000
5.05% Series due July 15, 2044	40,000,000	40,000,000
3.02% Series due September 15, 2021	60,000,000	60,000,000
3.74% Series due September 15, 2029	50,000,000	50,000,000
4.39% Series due September 15, 2044	50,000,000	50,000,000
2.80% Series due September 15, 2020	40,000,000	40,000,000
3.86% Series due September 16, 2030	60,000,000	60,000,000
4.07% Series due April 16, 2048	60,000,000	60,000,000
4.08% Series due March 1, 2029	70,000,000	70,000,000
4.47% Series due March 1, 2049	30,000,000	30,000,000

which bonds are also hereinafter sometimes called bonds of the First through Fifty-ninth Series, respectively; and

Whereas, Section 8 of the Mortgage provides that the form of each series of bonds (other than the First Series) issued thereunder and of coupons to be attached to coupon bonds of such series shall be established by Resolution of the Board of Directors of the Company and that the form of such series, as established by said Board of Directors, shall specify the descriptive title of the bonds and various other terms thereof, and may also contain such provisions not inconsistent with the provisions of the Mortgage as the Board of Directors may, in its discretion, cause to be inserted therein expressing or referring to the terms and conditions upon which such bonds are to be issued and/or secured under the Mortgage; and

Whereas, Section 120 of the Mortgage provides, among other things, that any power, privilege or right expressly or impliedly reserved to or in any way conferred upon the Company by any provision of the Mortgage, whether such power, privilege or right is in any way restricted or is unrestricted, may (to the extent permitted by law) be in whole or in part waived or surrendered or subjected to any restriction if at the time unrestricted or to additional restriction if already restricted, and the Company may enter into any further covenants, limitations or restrictions for the benefit of any one or more series of bonds issued thereunder, or the Company may cure any ambiguity contained therein, or in any supplemental indenture, or may establish the terms and provisions of any series of bonds (other than said First Series) by an instrument in writing executed and acknowledged by the Company in such manner as would be necessary to entitle a conveyance of real estate to record in all of the states in which any property at the time subject to the lien of the Mortgage shall be situated; and

Whereas, the Company now desires to create two new series of bonds and (pursuant to the provisions of Section 120 of the Mortgage) to add to its covenants and agreements contained in the Mortgage, as heretofore supplemented, certain other covenants and agreements to be observed by it and to alter and amend in certain respects the covenants and provisions contained in the Mortgage, as heretofore supplemented; and

Whereas, the execution and delivery by the Company of this Forty-first Supplemental Indenture, and the terms of the bonds of the Sixtieth Series and the Sixty-first Series, hereinafter referred to, have been duly authorized by the Board of Directors of the Company by appropriate resolutions of said Board of Directors;

Now, Therefore, This Indenture Witnesseth:

That the Company, in consideration of the premises and of One Dollar to it duly paid by the Trustees at or before the ensealing and delivery of these presents, the receipt whereof is hereby acknowledged, and in further evidence of assurance of the estate, title and rights of the Trustees and in order further to secure the payment of both the principal of and interest and premium, if any, on the bonds from time to time issued under the Mortgage, as heretofore supplemented, according to their tenor and effect and the performance of all the provisions of the Mortgage (including any instruments supplemental thereto and any modification made as in the Mortgage provided) and of said bonds, hereby grants, bargains, sells, releases, conveys, assigns, transfers, mortgages, pledges, sets over and confirms (subject, however, to Excepted Encumbrances) unto The Bank of New York Mellon and Andres Serrano, as Trustees under the Mortgage, and to their successor or successors in said trust, and to said Trustees and their successors and assigns forever, all property, real, personal and mixed, of the kind or nature specifically mentioned in the Mortgage, as heretofore supplemented, or of any other kind or nature acquired by the Company after the date of the execution and delivery of the Mortgage, as heretofore supplemented (except any herein or in the Mortgage, as heretofore supplemented, expressly excepted), now owned or, subject to the provisions of subsection (I) of Section 87 of the Mortgage, hereafter acquired by the Company (by purchase, consolidation, merger, donation, construction, erection or in any other way) and wheresoever situated, including (without in anywise limiting or impairing by the enumeration of the same the scope and intent of the foregoing or of any general description contained in this Forty-first Supplemental Indenture) all lands, power sites, flowage rights, water rights, water locations, water appropriations, ditches, flumes, reservoirs, reservoir sites, canals, raceways, dams, dam sites, aqueducts, and all other rights or means for appropriating, conveying, storing and supplying water; all rights of way and roads; all plants for the generation of electricity by steam, water and/or other power; all power houses, gas plants, street lighting systems, standards and other equipment incidental thereto, telephone, radio and television systems, air-conditioning systems and equipment incidental thereto, water works, water systems, steam heat and hot water plants, substations, lines, service and supply systems, bridges, culverts, tracks, ice or refrigeration plants and equipment, offices, buildings and other structures and the equipment thereof; all machinery, engines, boilers, dynamos, electric, gas and other machines, regulators, meters, transformers, generators, motors, electrical, gas and mechanical appliances, conduits, cables, water, steam heat, gas or other pipes, gas mains and pipes, service pipes, fittings, valves and connections, pole and transmission lines, wires, cables, tools, implements, apparatus, furniture and chattels; all municipal and other franchises, consents or permits; all lines for the transmission and distribution of electric current, gas, steam heat or water for any purpose including towers, poles, wires, cables, pipes, conduits, ducts and all apparatus for use in connection therewith; all real estate, lands, easements, servitudes, licenses, permits, franchises, privileges, rights of way and other rights in or relating to real estate or the occupancy of the same and (except as herein or in the Mortgage, as heretofore supplemented, expressly excepted) all the right, title and interest of the Company in and to all other

property of any kind or nature appertaining to and/or used and/or occupied and/or enjoyed in connection with any property hereinbefore or in the Mortgage, as heretofore supplemented, described.

Together with all and singular the tenements, hereditaments, prescriptions, servitudes and appurtenances belonging or in anywise appertaining to the aforesaid property or any part thereof, with the reversion and reversions, remainder and remainders and (subject to the provisions of Section 57 of the Mortgage) the tolls, rents, revenues, issues, earnings, income, product and profits thereof, and all the estate, right, title and interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid property and franchises and every part and parcel thereof.

It is hereby agreed by the Company that, subject to the provisions of subsection (I) of Section 87 of the Mortgage, all the property, rights, and franchises acquired by the Company (by purchase, consolidation, merger, donation, construction, erection or in any other way) after the date hereof, except any herein or in the Mortgage, as heretofore supplemented, expressly excepted, shall be and are as fully granted and conveyed hereby and by the Mortgage and as fully embraced within the lien hereof and the lien of the Mortgage as if such property, rights and franchises were now owned by the Company and were specifically described herein or in the Mortgage and conveyed hereby or thereby.

Provided that the following are not and are not intended to be now or hereafter granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, hypothecated, affected, pledged, set over or confirmed hereunder and are hereby expressly excepted from the lien and operation of this Forty-first Supplemental Indenture and from the lien and operation of the Mortgage, namely: (1) cash, shares of stock, bonds, notes and other obligations and other securities not hereafter specifically pledged, paid, deposited, delivered or held under the Mortgage or covenanted so to be; (2) merchandise, equipment, apparatus, materials or supplies held for the purpose of sale or other disposition in the usual course of business; fuel, oil and similar materials and supplies consumable in the operation of any of the properties of the Company; all aircraft, rolling stock, trolley coaches, buses, motor coaches, automobiles and other vehicles and materials and supplies held for the purpose of repairing or replacing (in whole or part) any of the same; all timber, minerals, mineral rights and royalties; (3) bills, notes and accounts receivable, judgments, demands and choses in action, and all contracts, leases and operating agreements not specifically pledged under the Mortgage or covenanted so to be; the Company’s contractual rights or other interest in or with respect to tires not owned by the Company; (4) the last day of the term of any lease or leasehold which may hereafter become subject to the lien of the Mortgage; (5) electric energy, gas, steam, ice, and other materials or products generated, manufactured, produced or purchased by the Company for sale, distribution or use in the ordinary course of its business; (6) the Company’s franchise to be a corporation; and (7) any property heretofore released pursuant to any provisions of the Mortgage; provided, however, that the property and rights expressly excepted from the lien and operation of this Forty-first Supplemental Indenture and from the lien and operation of the Mortgage in the above subdivisions (2) and (3) shall (to the extent permitted by law) cease to be so excepted in the event and as of the date that either or both of the Trustees or a receiver or trustee shall enter upon and take possession of the Mortgaged and Pledged Property in the manner provided in Article XIII of the Mortgage by reason of the occurrence of a Default as defined in Section 65 thereof.

To have and to hold all such properties, real, personal and mixed, granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over or confirmed by the Company as aforesaid, or intended so to be, unto the Trustees and their successors and assigns forever.

In trust nevertheless, for the same purposes and upon the same terms, trusts and conditions and subject to and with the same provisos and covenants as are set forth in the Mortgage, as supplemented, this Forty-first Supplemental Indenture being supplemental thereto.

And it is hereby covenanted by the Company that all the terms, conditions, provisos, covenants and provisions contained in the Mortgage, as heretofore supplemented, shall affect and apply to the property hereinbefore described and conveyed and to the estate, rights, obligations and duties of the Company and Trustees and the beneficiaries of the trust with respect to said property, and to the Trustees and their successors in the trust in the same manner and with the same effect as if said property had been owned by the Company at the time of the execution of the Mortgage, and had been specifically and at length described in and conveyed to said Trustees by the Mortgage as a part of the property therein stated to be conveyed.

The Company further covenants and agrees to and with the Trustees and their successors in said trust under the Mortgage as follows:

ARTICLE I
Sixtieth Series of Bonds

Section 1. There shall be a series of bonds designated "2.50% Series due August 1, 2030" (herein sometimes referred to as the "Sixtieth Series"), each of which shall also bear the descriptive title "First Mortgage Bond", and the form thereof, which shall be established by Resolution of the Board of Directors of the Company, shall contain suitable provisions with respect to the matters hereinafter in this Section specified. Bonds of the Sixtieth Series shall be dated as in Section 10 of the Mortgage provided, mature on August 1, 2030 (the "Sixtieth Series Stated Maturity"), be issued as fully registered bonds in denominations of One Thousand Dollars and, at the option of the Company, in any multiple or multiples of One Thousand Dollars (the exercise of such option to be evidenced by the execution and delivery thereof) and bear interest from August 3, 2020 (computed on the basis of a 360-day year of twelve thirty-day months) at the rate of 2.50% per annum, payable semi-annually on February 1 and August 1 of each year, commencing February 1, 2021, the principal of and interest on each said bond to be payable at the office or agency of the Company in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts.

Any payment of principal of or interest on any bond of the Sixtieth Series that is due on a date other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day; provided that if the maturity date of any such bond of the Sixtieth Series is a date other than a Business Day, the payment otherwise due on such maturity date shall be made on the next succeeding Business Day and shall include the additional days elapsed in the computation of interest payable on such next succeeding Business Day.

(I) **Optional Prepayment.** At any time prior to February 1, 2030 (six months prior to the Sixtieth Series Stated Maturity) the Company may, at its option, upon notice as provided below, prepay at any time all, or from time to time any part of, the bonds of the Sixtieth Series at 100% of the principal amount so prepaid, and the Make-Whole Amount determined for the Settlement Date specified by the Company in such notice with respect to such principal amount. The Company will give each registered owner of bonds of the Sixtieth Series written notice (by first class mail or such other method as may be

agreed upon by the Company and such registered owner) of each optional prepayment under this subsection (I) mailed or otherwise given not less than 30 days and not more than 60 days prior to the date fixed for such prepayment, to each such registered owner at his, her or its last address appearing on the registry books. Each such notice shall specify the Settlement Date (which shall be a Business Day), the aggregate principal amount of the bonds of the Sixtieth Series to be prepaid on such date, the principal amount of each bond held by such registered owner to be prepaid (determined in accordance with subsection (II) of this section), and the interest to be paid on the Settlement Date with respect to such principal amount being prepaid, and shall be accompanied by a certificate signed by a Senior Financial Officer as to the estimated Make-Whole Amount due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. Two Business Days prior to such Settlement Date, the Company shall send to each registered owner of bonds of the Sixtieth Series (by first class mail or by such other method as may be agreed upon by the Company and such registered owner) a certificate signed by a Senior Financial Officer specifying the calculation of such Make-Whole Amount as of the specified Settlement Date. As promptly as practicable after the giving of the notice and the sending of the certificates provided in this subsection, the Company shall provide a copy of each to the Corporate Trustee. The Trustees shall be under no duty to inquire into, may conclusively presume the correctness of, and shall be fully protected in relying upon the information set forth in any such notice or certificate.

At any time on or after February 1, 2030, the bonds of the Sixtieth Series will be redeemable at the option of the Company, in whole or in part, on not less than 30 nor more than 60 days' notice prior to the Settlement Date, at a redemption price equal to 100% of the principal amount of the bonds of the Sixtieth Series to be redeemed, plus accrued and unpaid interest thereon to the Settlement Date.

The bonds of the Sixtieth Series are not otherwise subject to voluntary or optional prepayment.

(II) **Allocation of Partial Prepayments.** In the case of each partial prepayment of the bonds of the Sixtieth Series, the principal amount of the bonds of the Sixtieth Series to be prepaid shall be allocated by the Company among all of the bonds of the Sixtieth Series at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment.

(III) **Maturity; Surrender, Etc.** In the case of each notice of prepayment of bonds of the Sixtieth Series pursuant to this section, if cash sufficient to pay the principal amount to be prepaid on the Settlement Date (which shall be a Business Day), together with interest on such principal amount accrued to such date and the applicable Make-Whole Amount, if any, is not paid as agreed upon by the Company and each registered owner of the affected bonds, or, to the extent that there is no such agreement entered into with one or more such owners, deposited with the Corporate Trustee on or before the Settlement Date, then such notice of prepayment shall be of no effect. If such cash is so paid or deposited, such principal amount of the bonds of the Sixtieth Series shall be deemed paid for all purposes and interest on such principal amount shall cease to accrue. In case the Company pays any registered owner pursuant to an agreement with that registered owner, the Company shall notify the Corporate Trustee as promptly as practicable of such agreement and payment, and shall furnish the Corporate Trustee with a copy of such agreement; in case the Company deposits any cash with the Corporate Trustee, the Company shall provide therewith a list of the registered owners and the amount of such cash each registered owner is to receive. The Trustees shall be under no duty to inquire into, may conclusively presume the correctness of, and shall be fully protected in relying upon the information set forth in any such notice, list or agreement, and shall not be chargeable with knowledge of any of the contents of any such agreement. Any bond prepaid in full shall be surrendered to the Company or the Corporate Trustee

for cancellation on or before the Settlement Date or, with respect to cash deposited with the Corporate Trustee, before payment of such cash by the Corporate Trustee; any bond prepaid in part shall be surrendered to the Company or the Corporate Trustee on or before the Settlement Date (unless otherwise agreed between the Company and the registered owner) or, with respect to cash deposited with the Corporate Trustee before payment of such cash by the Corporate Trustee, for a substitute bond in the principal amount remaining unpaid.

(IV) **Make-Whole Amount.**

The term "Make-Whole Amount" means, with respect to any bond of the Sixtieth Series, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such bond of the Sixtieth Series over the amount of such Called Principal, provided that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount, the following terms have the following meanings:

"Business Day" means any day other than a Saturday, a Sunday or a day on which commercial banks in New York City are required or authorized to be closed.

"Called Principal" means, with respect to any bond of the Sixtieth Series, the principal of such bond that is to be prepaid pursuant to subsection (I) of this section.

"Discounted Value" means, with respect to the Called Principal of any bond of the Sixtieth Series, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the bonds of the Sixtieth Series is payable) equal to the Reinvestment Yield with respect to such Called Principal.

"Reinvestment Yield" means, with respect to the Called Principal of any bond of the Sixtieth Series, the sum of (a) 0.50% plus (b) the yield to maturity implied by the "Ask Yield(s)" reported as of 10:00 a.m. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as "Page PX1" (or such other display as may replace Page PX1) on Bloomberg Financial Markets for the most recently issued actively traded on-the-run benchmark U.S. Treasury securities ("Reported") having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. If there are no such U.S. Treasury securities Reported having a maturity equal to such Remaining Average Life, then such implied yield to maturity will be determined by (i) converting U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and (ii) interpolating linearly between the "Ask Yields" Reported for the applicable most recently issued actively traded on-the-run benchmark U.S. Treasury securities with the maturities (1) closest to and greater than such Remaining Average Life and (2) closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable bond of the Sixtieth Series.

If such yields are not Reported or the yields Reported as of such time are not ascertainable (including by way of interpolation), then "Reinvestment Yield" means, with respect to the Called Principal of any bond of the Sixtieth Series, the sum of (x) 0.50% plus (y) the yield to maturity implied by the U.S. Treasury constant maturity yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (or any comparable successor publication) for the

U.S. Treasury constant maturity having a term equal to the Remaining Average Life of such Called Principal as of such Settlement Date. If there is no such U.S. Treasury constant maturity having a term equal to such Remaining Average Life, such implied yield to maturity will be determined by interpolating linearly between (1) the U.S. Treasury constant maturity so reported with the term closest to and greater than such Remaining Average Life and (2) the U.S. Treasury constant maturity so reported with the term closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable bond of the Sixtieth Series.

"Remaining Average Life" means, with respect to any Called Principal, the number of years obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (b) the number of years, computed on the basis of a 360-day year comprised of twelve 30-day months and calculated to two decimal places, that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled.

"Remaining Scheduled Payments" means, with respect to the Called Principal of any Bond of the Sixtieth Series, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due, provided that if such Settlement Date is not a date on which interest payments are due to be made under the terms of the bonds of the Sixtieth Series, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to subsection (I) of this section.

"Settlement Date" means, with respect to the Called Principal of any Bond of the Sixtieth Series, the date on which such Called Principal is to be prepaid pursuant to subsection (I) of this section.

"Senior Financial Officer" means the chief financial officer, principal accounting officer, treasurer or comptroller of the Company.

(V) At the option of the registered owner, any bonds of the Sixtieth Series, upon surrender thereof for cancellation at the office or agency of the Company in the Borough of Manhattan, The City of New York, together with a written instrument of transfer wherever required by the Company duly executed by the registered owner or by his duly authorized attorney, shall (subject to the provisions of Section 12 of the Mortgage) be exchangeable for a like aggregate unpaid principal amount of bonds of the same series of other authorized denominations.

Bonds of the Sixtieth Series shall be transferable (subject to the provisions of Section 12 of the Mortgage) at the office or agency of the Company in the Borough of Manhattan, The City of New York. The Company shall not be required to make transfers or exchanges of bonds of the Sixtieth Series for a period of ten (10) days next preceding any designation of bonds of said series to be prepaid, and the Company shall not be required to make transfers or exchanges of any bonds of said series designated in whole or in part for prepayment.

Upon any exchange or transfer of bonds of the Sixtieth Series, the Company may make a charge therefor sufficient to reimburse it for any tax or taxes or other governmental charge, as provided in Section 12 of the Mortgage, but the Company hereby waives any right to make a charge in addition thereto for any exchange or transfer of bonds of the Sixtieth Series.

After the delivery of this Forty-first Supplemental Indenture and upon compliance with the applicable provisions of the Mortgage and receipt of consideration therefor by the Company, there shall be an initial issue of bonds of the Sixtieth Series for the aggregate principal amount of $46,000,000.

ARTICLE II
Sixty-first Series of Bonds

Section 1. There shall be a series of bonds designated "3.30% Series due August 1, 2050" (herein sometimes referred to as the "Sixty-first Series"), each of which shall also bear the descriptive title "First Mortgage Bond", and the form thereof, which shall be established by Resolution of the Board of Directors of the Company, shall contain suitable provisions with respect to the matters hereinafter in this Section specified. Bonds of the Sixty-first Series shall be dated as in Section 10 of the Mortgage provided, mature on August 1, 2050 (the "Sixty-first Series Stated Maturity"), be issued as fully registered bonds in denominations of One Thousand Dollars and, at the option of the Company, in any multiple or multiples of One Thousand Dollars (the exercise of such option to be evidenced by the execution and delivery thereof) and bear interest from August 3, 2020 (computed on the basis of a 360-day year of twelve thirty-day months) at the rate of 3.30% per annum, payable semi-annually on February 1 and August 1 of each year, commencing February 1, 2021, the principal of and interest on each said bond to be payable at the office or agency of the Company in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts.

Any payment of principal of or interest on any bond of the Sixty-first Series that is due on a date other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day; provided that if the maturity date of any such bond of the Sixty-first Series is a date other than a Business Day, the payment otherwise due on such maturity date shall be made on the next succeeding Business Day and shall include the additional days elapsed in the computation of interest payable on such next succeeding Business Day.

(I) **Optional Prepayment.** At any time prior to February 1, 2050 (six months prior to the Sixty-first Series Stated Maturity) the Company may, at its option, upon notice as provided below, prepay at any time all, or from time to time any part of, the bonds of the Sixty-first Series at 100% of the principal amount so prepaid, and the Make-Whole Amount determined for the Settlement Date specified by the Company in such notice with respect to such principal amount. The Company will give each registered owner of bonds of the Sixty-first Series written notice (by first class mail or such other method as may be agreed upon by the Company and such registered owner) of each optional prepayment under this subsection (I) mailed or otherwise given not less than 30 days and not more than 60 days prior to the date fixed for such prepayment, to each such registered owner at his, her or its last address appearing on the registry books. Each such notice shall specify the Settlement Date (which shall be a Business Day), the aggregate principal amount of the bonds of the Sixty-first Series to be prepaid on such date, the principal amount of each bond held by such registered owner to be prepaid (determined in accordance with subsection (II) of this section), and the interest to be paid on the Settlement Date with respect to such principal amount being prepaid, and shall be accompanied by a certificate signed by a Senior Financial Officer as to the estimated Make-Whole Amount due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. Two Business Days prior to such Settlement Date, the Company shall send to each registered owner of

bonds of the Sixty-first Series (by first class mail or by such other method as may be agreed upon by the Company and such registered owner) a certificate signed by a Senior Financial Officer specifying the calculation of such Make-Whole Amount as of the specified Settlement Date. As promptly as practicable after the giving of the notice and the sending of the certificates provided in this subsection, the Company shall provide a copy of each to the Corporate Trustee. The Trustees shall be under no duty to inquire into, may conclusively presume the correctness of, and shall be fully protected in relying upon the information set forth in any such notice or certificate.

At any time on or after February 1, 2050, the bonds of the Sixty-first Series will be redeemable at the option of the Company, in whole or in part, on not less than 30 nor more than 60 days' notice prior to the Settlement Date, at a redemption price equal to 100% of the principal amount of the bonds of the Sixty-first Series to be redeemed, plus accrued and unpaid interest thereon to the Settlement Date.

The bonds of the Sixty-first Series are not otherwise subject to voluntary or optional prepayment.

(II) **Allocation of Partial Prepayments.** In the case of each partial prepayment of the bonds of the Sixty-first Series, the principal amount of the bonds of the Sixty-first Series to be prepaid shall be allocated by the Company among all of the bonds of the Sixty-first Series at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment.

(III) **Maturity; Surrender, Etc.** In the case of each notice of prepayment of bonds of the Sixty-first Series pursuant to this section, if cash sufficient to pay the principal amount to be prepaid on the Settlement Date (which shall be a Business Day), together with interest on such principal amount accrued to such date and the applicable Make-Whole Amount, if any, is not paid as agreed upon by the Company and each registered owner of the affected bonds, or, to the extent that there is no such agreement entered into with one or more such owners, deposited with the Corporate Trustee on or before the Settlement Date, then such notice of prepayment shall be of no effect. If such cash is so paid or deposited, such principal amount of the bonds of the Sixty-first Series shall be deemed paid for all purposes and interest on such principal amount shall cease to accrue. In case the Company pays any registered owner pursuant to an agreement with that registered owner, the Company shall notify the Corporate Trustee as promptly as practicable of such agreement and payment, and shall furnish the Corporate Trustee with a copy of such agreement; in case the Company deposits any cash with the Corporate Trustee, the Company shall provide therewith a list of the registered owners and the amount of such cash each registered owner is to receive. The Trustees shall be under no duty to inquire into, may conclusively presume the correctness of, and shall be fully protected in relying upon the information set forth in any such notice, list or agreement, and shall not be chargeable with knowledge of any of the contents of any such agreement. Any bond prepaid in full shall be surrendered to the Company or the Corporate Trustee for cancellation on or before the Settlement Date or, with respect to cash deposited with the Corporate Trustee, before payment of such cash by the Corporate Trustee; any bond prepaid in part shall be surrendered to the Company or the Corporate Trustee on or before the Settlement Date (unless otherwise agreed between the Company and the registered owner) or, with respect to cash deposited with the Corporate Trustee before payment of such cash by the Corporate Trustee, for a substitute bond in the principal amount remaining unpaid.

(IV) **Make-Whole Amount.**

The term "Make-Whole Amount" means, with respect to any bond of the Sixty-first Series, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such bond of the Sixty-first Series over the amount of such Called Principal, provided that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount, the following terms have the following meanings:

"Business Day" means any day other than a Saturday, a Sunday or a day on which commercial banks in New York City are required or authorized to be closed.

"Called Principal" means, with respect to any bond of the Sixty-first Series, the principal of such bond that is to be prepaid pursuant to subsection (I) of this section.

"Discounted Value" means, with respect to the Called Principal of any bond of the Sixty-first Series, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the bonds of the Sixty-first Series is payable) equal to the Reinvestment Yield with respect to such Called Principal.

"Reinvestment Yield" means, with respect to the Called Principal of any bond of the Sixty-first Series, the sum of (a) 0.50% plus (b) the yield to maturity implied by the "Ask Yield(s)" reported as of 10:00 a.m. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as "Page PX1" (or such other display as may replace Page PX1) on Bloomberg Financial Markets for the most recently issued actively traded on-the-run benchmark U.S. Treasury securities ("Reported") having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. If there are no such U.S. Treasury securities Reported having a maturity equal to such Remaining Average Life, then such implied yield to maturity will be determined by (i) converting U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and (ii) interpolating linearly between the "Ask Yields" Reported for the applicable most recently issued actively traded on-the-run benchmark U.S. Treasury securities with the maturities (1) closest to and greater than such Remaining Average Life and (2) closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable bond of the Sixty-first Series.

If such yields are not Reported or the yields Reported as of such time are not ascertainable (including by way of interpolation), then "Reinvestment Yield" means, with respect to the Called Principal of any bond of the Sixty-first Series, the sum of (x) 0.50% plus (y) the yield to maturity implied by the U.S. Treasury constant maturity yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (or any comparable successor publication) for the U.S. Treasury constant maturity having a term equal to the Remaining Average Life of such Called Principal as of such Settlement Date. If there is no such U.S. Treasury constant maturity having a term equal to such Remaining Average Life, such implied yield to maturity will be determined by interpolating linearly between (1) the U.S. Treasury constant maturity so reported with the term closest to and greater than such Remaining Average Life and (2) the U.S. Treasury constant maturity so reported with the term closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable bond of the Sixty-first Series.

"Remaining Average Life" means, with respect to any Called Principal, the number of years obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (b) the number of years, computed on the basis of a 360-day year comprised of twelve 30-day months and calculated to two decimal places, that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled.

"Remaining Scheduled Payments" means, with respect to the Called Principal of any Bond of the Sixty-first Series, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due, provided that if such Settlement Date is not a date on which interest payments are due to be made under the terms of the bonds of the Sixty-first Series, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to subsection (I) of this section.

"Settlement Date" means, with respect to the Called Principal of any Bond of the Sixty-first Series, the date on which such Called Principal is to be prepaid pursuant to subsection (I) of this section.

"Senior Financial Officer" means the chief financial officer, principal accounting officer, treasurer or comptroller of the Company.

(V) At the option of the registered owner, any bonds of the Sixty-first Series, upon surrender thereof for cancellation at the office or agency of the Company in the Borough of Manhattan, The City of New York, together with a written instrument of transfer wherever required by the Company duly executed by the registered owner or by his duly authorized attorney, shall (subject to the provisions of Section 12 of the Mortgage) be exchangeable for a like aggregate unpaid principal amount of bonds of the same series of other authorized denominations.

Bonds of the Sixty-first Series shall be transferable (subject to the provisions of Section 12 of the Mortgage) at the office or agency of the Company in the Borough of Manhattan, The City of New York. The Company shall not be required to make transfers or exchanges of bonds of the Sixty-first Series for a period of ten (10) days next preceding any designation of bonds of said series to be prepaid, and the Company shall not be required to make transfers or exchanges of any bonds of said series designated in whole or in part for prepayment.

Upon any exchange or transfer of bonds of the Sixty-first Series, the Company may make a charge therefor sufficient to reimburse it for any tax or taxes or other governmental charge, as provided in Section 12 of the Mortgage, but the Company hereby waives any right to make a charge in addition thereto for any exchange or transfer of bonds of the Sixty-first Series.

After the delivery of this Forty-first Supplemental Indenture and upon compliance with the applicable provisions of the Mortgage and receipt of consideration therefor by the Company, there shall be an initial issue of bonds of the Sixty-first Series for the aggregate principal amount of $94,000,000.

ARTICLE III
Consent to Amendments

Section 1. Consent to Amendments Each initial and future holder of bonds of the Sixtieth Series and the Sixty-first Series, by its acquisition of an interest in such bonds, irrevocably (a) consents to the amendments set forth in Article IV of the Thirty-first Supplemental Indenture, dated as of February 1, 2010, without any other or further action by any holder of such bonds, and (b) designates the Corporate Trustee, and its successors, as its proxy with irrevocable instructions to vote and deliver written consents on behalf of such holder in favor of such amendments at any bondholder meeting, in lieu of any bondholder meeting, in any consent solicitation or otherwise.

ARTICLE IV
Reservation of Right to Amend Sections 35(a) and 101 of the Mortgage

Section 1. The Company reserves the right, without any vote, consent or other action by the holders of bonds of the Sixtieth Series, the Sixty-first Series, or any subsequent series, to amend the Mortgage, as herein or heretofore supplemented as follows:

(A) By deleting from Section 35(a) the phrase "having its principal office and place of business in the Borough of Manhattan, The City of New York" and the word "such" at the location in said Section 35(a) at which such word first appears.

(B) By adding the following at the end of the first sentence of Section 101:

> "; provided however, that if all of the bonds at that time Outstanding are registered as to principal and interest or as to principal only, such notice shall be sufficiently given if mailed, postage prepaid to each such registered owner of bonds at his/her last address appearing on the registry books, on or before the date of on which the first publication of such notice would otherwise have been required."

ARTICLE V
Miscellaneous Provisions

Section 1. Section 126 of the Mortgage, as heretofore amended, is hereby further amended by adding the words "and August 1, 2030 and August 1, 2050" after the words "and March 1, 2029 and March 1, 2049."

Section 2. Subject to the amendments provided for in this Forty-first Supplemental Indenture, the terms defined in the Mortgage, as heretofore supplemented, shall, for all purposes of this Forty-first Supplemental Indenture, have the meanings specified in the Mortgage, as heretofore supplemented.

Section 3. The holders of bonds of the Sixtieth Series and the Sixty-first Series consent that the Company may, but shall not be obligated to, fix a record date for the purpose of determining the holders of bonds of the Sixtieth Series and the Sixty-first Series entitled to consent to any amendment,

supplement or waiver. If a record date is fixed, those persons who were holders at such record date (or their duly designated proxies), and only those persons, shall be entitled to consent to such amendment, supplement or waiver or to revoke any consent previously given, whether or not such persons continue to be holders after such record date. No such consent shall be valid or effective for more than 90 days after such record date.

Section 4. The Trustees hereby accept the trusts herein declared, provided, created or supplemented and agree to perform the same upon the terms and conditions herein and in the Mortgage set forth and upon the following terms and conditions:

The Trustees shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Forty-first Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made by the Company solely. In general, each and every term and condition contained in Article XVII of the Mortgage shall apply to and form part of this Forty-first Supplemental Indenture with the same force and effect as if the same were herein set forth in full with such omissions, variations and insertions, if any, as may be appropriate to make the same conform to the provisions of this Forty-first Supplemental Indenture.

Section 5. Whenever in this Forty-first Supplemental Indenture any party hereto is named or referred to, this shall, subject to the provisions of Articles XVI and XVII of the Mortgage, as heretofore supplemented, be deemed to include the successors or assigns of such party, and all the covenants and agreements in this Forty-first Supplemental Indenture contained by or on behalf of the Company, or by or on behalf of the Trustees shall, subject as aforesaid, bind and inure to the benefit of the respective successors and assigns of such party whether so expressed or not.

Section 6. Nothing in this Forty-first Supplemental Indenture, expressed or implied, is intended, or shall be construed, to confer upon, or give to, any person, firm or corporation, other than the parties hereto and the holders of the bonds and coupons Outstanding under the Mortgage, any right, remedy, or claim under or by reason of this Forty-first Supplemental Indenture or any covenant, condition, stipulation, promise or agreement hereof, and all the covenants, conditions, stipulations, promises and agreements in this Forty-first Supplemental Indenture contained by and on behalf of the Company shall be for the sole and exclusive benefit of the parties hereto, and of the holders of the bonds and of the coupons Outstanding under the Mortgage.

Section 7. This Forty-first Supplemental Indenture shall be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 8. The Company, the mortgagor named herein, by its execution hereof acknowledges receipt of a full, true and complete copy of this Forty-first Supplemental Indenture.

In witness whereof, ALLETE, Inc. has caused its corporate name to be hereunto affixed, and this instrument to be signed and sealed by its President, one of its Vice Presidents, or its Treasurer, and its corporate seal to be attested by its Secretary or one of its Assistant Secretaries for and in its behalf, all in the City of Duluth, Minnesota, and The Bank of New York Mellon has caused its corporate name to be hereunto affixed, and this instrument to be signed by one of its Vice Presidents or one of its Assistant Vice Presidents, and Andres Serrano has hereunto set his hand, all in The City of New York, as of the day and year first above written.

ALLETE, Inc.

By__

Patrick L. Cutshall
Vice President and Corporate Treasurer

Attest:

__

Margaret A. Thickens
Vice President, Chief Legal Officer
and Corporate Secretary

Trustees' Signature Pages Follow

The Bank of New York Mellon,
as Trustee

By__
Rita Duggan
Vice President

Corporate Trustee’s Signature Page

—

Andres Serrano

Forty-first Supplemental Indenture dated as of August 1, 2020
to Mortgage and Deed of Trust dated as of September 1, 1945

Co-Trustee’s Signature Page

State of Minnesota)
) SS:
County of St. Louis)

On this _____ day of July, 2020, the foregoing instrument was acknowledged before me by Patrick L. Cutshall, Vice President and Corporate Treasurer of ALLETE, Inc., a Minnesota corporation, on behalf of the Company.

NOTARIAL STAMP OR SEAL

_____
Jodi Nash

State of Minnesota)
) SS:
County of St. Louis)

On this _____ day of July, 2020, the foregoing instrument was acknowledged before me by Margaret A. Thickens, Vice President, Chief Legal Officer and Corporate Secretary of ALLETE, Inc., a Minnesota corporation, on behalf of the Company.

NOTARIAL STAMP OR SEAL

_____
Jodi Nash

State of New York)
) ss:
County of New York)

On this 24th day of July, 2020, the foregoing instrument was acknowledged before me by Rita Duggan, a Vice-President of The Bank of New York Mellon, the corporation named in the foregoing instrument.

Given under my hand and notarial seal this 24th day of July, 2020.

Helen Choi
Helen Choi

Notary Public – State of New York
New York County
No. 01CH6291290
Commission Expires October 15, 2021
Notary Public, State of New York

State of New York)
) ss:
County of New York)

On this 24th day of July, 2020, the foregoing instrument was acknowledged before me by Andres Serrano, the person described in and who executed the foregoing instrument.

Given under my hand and notarial seal this 24th day of July, 2020.

Roger Garay
Notary Public, State of New York

Roger Garay
Notary Public – State of New York
No. 01GA6168153
Qualified in Richmond County
Commission Expires June 11, 2023

Exhibit 31(a)

Rule 13a-14(a)/15d-14(a) Certification by the Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Bethany M. Owen, of ALLETE, Inc. (ALLETE), certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2020, of ALLETE;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2020

/s/ Bethany M. Owen
Bethany M. Owen
President and Chief Executive Officer

Exhibit 31(b)

Rule 13a-14(a)/15d-14(a) Certification by the Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Robert J. Adams, of ALLETE, Inc. (ALLETE), certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2020, of ALLETE;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2020

/s/ Robert J. Adams
Robert J. Adams
Senior Vice President and Chief Financial Officer

Exhibit 32

Section 1350 Certification of Periodic Report
By the Chief Executive Officer and Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, each of the undersigned officers of ALLETE, Inc. (ALLETE), does hereby certify that:

1. The Quarterly Report on Form 10-Q of ALLETE for the period ended September 30, 2020, (Report) fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of ALLETE.

Date: November 9, 2020

/s/ Bethany M. Owen
Bethany M. Owen
President and Chief Executive Officer

Date: November 9, 2020

/s/ Robert J. Adams
Robert J. Adams
Senior Vice President and Chief Financial Officer

This certification shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to liability pursuant to that section. Such certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that ALLETE specifically incorporates it by reference.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to ALLETE and will be retained by ALLETE and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 95

Mine Safety Disclosure

Mine or Operating Name/MSHA Identification Number	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessments Proposed ($)	Total Number of Mining Related Fatalities (#)	Received Notice of Pattern of Violation Under Section 104(e) (yes/no)	Received Notice of Potential to Have Pattern Under Section 104(e) (yes/no)	Legal Actions Pending as of Last Day of Period (#)	Legal Actions Initiated During Period (#)	Legal Actions Resolved During Period (#)
Center Mine / 3200218	—	—	—	—	—	—	—	No	No	—	—	—

For the nine months ended September 30, 2020, BNI Energy, owner of Center Mine, received five citations under Section 104(a) of the Mine Safety Act, none were significant and substantial (S&S) citations. For the nine months ended September 30, 2020, BNI Energy paid $1,057 in penalties for citations closed during the period. For the nine months ended September 30, 2020, there were no citations, orders, violations or notices under Sections 104(b), 104(d), 107(a), 104(e) or 110(b)(2) of the Mine Safety Act and there were no fatalities. There were no citations received or fatalities during the quarter ended September 30, 2020.

Exhibit 99

For Release: November 9, 2020

Investor Contact: Vince Meyer
218-723-3952
vmeyer@allete.com

NEWS

ALLETE, Inc. reports third quarter earnings of 78 cents
Reaffirms 2020 earnings guidance range

DULUTH, Minn. - ALLETE, Inc. (NYSE: ALE) today reported third quarter 2020 earnings of 78 cents per share on net income of $40.7 million. Last year's results were 60 cents per share on net income of $31.2 million.

"ALLETE's strong financial performance for this quarter and significant progress made on two of our large renewable energy projects representing over 500 megawatts of new, carbon free wind generation, demonstrate our resilience and resourcefulness while we work to mitigate the effects of the pandemic on our customers and the economy," said ALLETE President and CEO Bethany Owen. "ALLETE remains focused on delivering essential energy services to our customers and value to our shareholders, while leading the transition to cleaner energy and reducing carbon as part of our sustainability in action strategy."

ALLETE's Regulated Operations segment, which includes Minnesota Power, Superior Water, Light and Power and the Company's investment in the American Transmission Co., recorded net income of $42.4 million, compared to $32.4 million in the third quarter of 2019. Earnings reflect higher net income at Minnesota Power primarily due to higher rates, and year-over-year timing impacts related to income tax expense and fuel adjustment clause recoveries. The quarter also reflects lower kilowatt-hour sales to commercial and industrial customers due to COVID-19 impacts, partially offset by increased residential sales, and lower revenue from other power suppliers due to the expiration of a contract in the second quarter of 2020.

ALLETE Clean Energy recorded third quarter 2020 net income of $1.1 million compared to a net loss of $1.2 million in 2019. Net income in 2020 reflects additional production tax credits, higher kilowatt-hour sales due to higher wind resources compared to 2019, and earnings from the new Glen Ullin and South Peak wind energy facilities.

Corporate and Other, which includes BNI Energy and ALLETE Properties, recorded a loss of $2.8 million in 2020 primarily due to lower earnings on cash and short-term investments and year-over-year timing impacts related to the recording of income tax expense, which varies quarter to quarter based on an estimated annual effective tax rate.

"We continue to expect ALLETE's 2020 annual adjusted earnings guidance (Non-GAAP) to be in the range of $3.25 to $3.45 per share, excluding the 16 cent per share charge related to the Minnesota Power rate case resolution, net of tax." said ALLETE Senior Vice President and Chief Financial Officer Bob Adams. "This guidance reflects lower power demand and kilowatt-hour sales related to Keewatin Taconite and Verso Corporation operations that remain idled, as well as lower demand from other customers, partially offset by lower operating and maintenance expense."

ALLETE's earnings conference call will be at 10:00 a.m. (EST), November 9, 2020, at which time management will discuss the third quarter of 2020 financial results. Interested parties may listen live by calling 877-303-5852, pass code 5289685, ten minutes prior to the start time, or may listen to the live audio-only webcast and view supporting slides, which will be available on ALLETE's Investor Relations website http://investor.allete.com/events-presentations. A replay of the call will be available through November 16, 2020 by calling (855) 859-2056, pass code 5289685. The webcast will be accessible for one year at www.allete.com.

ALLETE is an energy company headquartered in Duluth, Minn. In addition to its electric utilities, Minnesota Power and Superior Water, Light and Power of Wisconsin, ALLETE owns ALLETE Clean Energy, based in Duluth, BNI Energy in Bismarck, N.D., and has an eight percent equity interest in the American Transmission Co. More information about ALLETE is available at www.allete.com. *ALE-CORP*

The statements contained in this release and statements that ALLETE may make orally in connection with this release that are not historical facts, are forward-looking statements. Actual results may differ materially from those projected in the forward-looking statements. These forward-looking statements involve risks and uncertainties and investors are directed to the risks discussed in documents filed by ALLETE with the Securities and Exchange Commission.

ALLETE's press releases and other communications may include certain non-Generally Accepted Accounting Principles (GAAP) financial measures. A "non-GAAP financial measure" is defined as a numerical measure of a company's financial performance, financial position or cash flows that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP in the company's financial statements.

Non-GAAP financial measures utilized by the company include presentations of earnings (loss) per share. ALLETE's management believes that these non-GAAP financial measures provide useful information to investors by removing the effect of variances in GAAP reported results of operations that are not indicative of changes in the fundamental earnings power of the company's operations, such as the charge for the recent Minnesota Power rate case resolution. Management believes that the presentation of non-GAAP financial measures is appropriate and enables investors and analysts to more accurately compare the company's ongoing financial performance over the periods presented. See page 4 in this release for a reconciliation of 2020 annual GAAP earnings guidance range to 2020 annual adjusted earnings guidance range (Non-GAAP).

ALLETE, Inc.
Consolidated Statement of Income
Millions Except Per Share Amounts - Unaudited

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2020	**2019**	**2020**	**2019**
Operating Revenue				
Contracts with Customers – Utility	$255.1	$254.1	$721.2	$786.1
Contracts with Customers – Non-utility	35.9	31.3	119.0	141.1
Other – Non-utility	2.9	2.9	8.5	8.7
Total Operating Revenue	293.9	288.3	848.7	935.9
Operating Expenses				
Fuel, Purchased Power and Gas – Utility	93.4	98.2	251.7	295.9
Transmission Services – Utility	14.9	18.3	49.8	55.8
Cost of Sales – Non-utility	15.4	14.7	48.6	61.8
Operating and Maintenance	61.9	58.1	181.9	201.0
Depreciation and Amortization	53.4	49.5	161.3	151.6
Taxes Other than Income Taxes	13.3	12.5	40.9	39.8
Total Operating Expenses	252.3	251.3	734.2	805.9
Operating Income	41.6	37.0	114.5	130.0
Other Income (Expense)				
Interest Expense	(16.3)	(16.1)	(47.9)	(48.9)
Equity Earnings	5.1	4.9	16.7	15.3
Gain on Sale of U.S. Water Services	—	—	—	20.6
Other	2.9	3.0	9.1	14.6
Total Other Income (Expense)	(8.3)	(8.2)	(22.1)	1.6
Income Before Income Taxes	33.3	28.8	92.4	131.6
Income Tax Expense (Benefit)	(5.5)	(2.4)	(27.8)	(4.3)
Net Income	38.8	31.2	120.2	135.9
Net Loss Attributable to Non-Controlling Interest	(1.9)	—	(6.9)	—
Net Income Attributable to ALLETE	$40.7	$31.2	$127.1	$135.9
Average Shares of Common Stock				
Basic	51.9	51.7	51.8	51.6
Diluted	52.0	51.8	51.9	51.7
Basic Earnings Per Share of Common Stock	$0.78	$0.60	$2.45	$2.63
Diluted Earnings Per Share of Common Stock	$0.78	$0.60	$2.45	$2.63
Dividends Per Share of Common Stock	$0.6175	$0.5875	$1.8525	$1.7625

Consolidated Balance Sheet
Millions - Unaudited

	Sep. 30 2020	**Dec. 31, 2019**		**Sep. 30 2020**	**Dec. 31, 2019**
Assets			**Liabilities and Equity**		
Cash and Cash Equivalents	$79.0	$69.3	Current Liabilities	$630.0	$507.4
Other Current Assets	186.1	200.2	Long-Term Debt	1,608.0	1,400.9
Property, Plant and Equipment – Net	4,697.5	4,377.0	Deferred Income Taxes	204.8	212.8
Regulatory Assets	427.9	420.5	Regulatory Liabilities	547.1	560.3
Equity Investments	291.8	197.6	Defined Benefit Pension and Other Postretirement Benefit Plans	157.5	172.8
Other Non-Current Assets	196.2	218.2	Other Non-Current Liabilities	285.5	293.0
			Equity	2,445.6	2,335.6
Total Assets	$5,878.5	$5,482.8	**Total Liabilities and Equity**	$5,878.5	$5,482.8

ALLETE, Inc. Income (Loss)	Quarter Ended September 30, 2020	2019	Nine Months Ended September 30, 2020	2019
Millions				
Regulated Operations	$42.4	$32.4	$111.0	$114.2
ALLETE Clean Energy	1.1	(1.2)	16.8	6.5
U.S. Water Services	—	—	—	(1.1)
Corporate and Other	(2.8)	—	(0.7)	16.3
Net Income Attributable to ALLETE	$40.7	$31.2	$127.1	$135.9
Diluted Earnings Per Share	$0.78	$0.60	$2.45	$2.63

Statistical Data				
Corporate				
Common Stock				
High	$61.32	$88.60	$84.71	$88.60
Low	$49.91	$82.38	$48.22	$72.50
Close	$51.74	$87.41	$51.74	$87.41
Book Value	$43.89	$42.73	$43.89	$42.73

Kilowatt-hours Sold				
Millions				
Regulated Utility				
Retail and Municipal				
Residential	268	248	835	829
Commercial	345	361	983	1,043
Industrial	1,410	1,802	4,547	5,389
Municipal	147	146	434	519
Total Retail and Municipal	2,170	2,557	6,799	7,780
Other Power Suppliers	967	758	2,495	2,294
Total Regulated Utility Kilowatt-hours Sold	3,137	3,315	9,294	10,074

Regulated Utility Revenue				
Millions				
Regulated Utility Revenue				
Retail and Municipal Electric Revenue				
Residential	$32.2	$27.6	$93.3	$94.0
Commercial	36.5	36.0	99.5	106.1
Industrial	109.3	115.4	315.0	356.0
Municipal	11.2	11.8	30.5	39.4
Total Retail and Municipal Electric Revenue	189.2	190.8	538.3	595.5
Other Power Suppliers	30.9	37.3	96.6	111.9
Other (Includes Water and Gas Revenue)	35.0	26.0	86.3	78.7
Total Regulated Utility Revenue	$255.1	$254.1	$721.2	$786.1

A reconciliation of 2020 annual GAAP earnings guidance range to 2020 annual adjusted earnings guidance range (Non-GAAP) is as follows:

2020 Annual GAAP Earnings Guidance Range	$3.09 - $3.29
Rate Case Settlement Charge	$0.23
Less: Income Tax Benefit	$(0.07)
Rate Case Settlement Charge, Net of Income Tax Benefit	$0.16
2020 Annual Adjusted Earnings Guidance Range (Non-GAAP)	$3.25 - $3.45