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Minnesota Power finalizes environmental agreement with EPA

Duluth, Minn.-Minnesota Power, a utility division of ALLETE, Inc. (NYSE: ALE), has reached a settlement agreement with the Environmental Protection Agency (EPA) and the Minnesota Pollution Control Agency that resolves alleged violations of the New Source Review provisions of the Clean Air Act. The agreement does not include any admission of wrongdoing on the part of the company.

Minnesota Power is one of many utility companies in the U.S. whose investments in electric generation facilities were reviewed as part of the EPA's Coal-Fired Power Plant Enforcement Initiative that began in 1999. The initiative has resulted in more than 25 related settlements nationwide.

"The company has been in discussions with the EPA since 2008 to settle this matter to avoid costly litigation, in the best interest of our customers and other stakeholders," said ALLETE Senior Vice President, General Counsel and Secretary Deb Amberg. "We are pleased to have reached a settlement that recognizes the significant investments we've already made to reduce emissions. It is consistent with our Energy **Forward** resource strategy to reduce emissions, diversify our energy mix and advance renewable energy."

Since 2006, the company has invested or will invest more than \$600 million to reduce sulfur dioxide, nitrogen oxide, mercury and particulate matter emissions at its thermal generation facilities. Retrofits to comply with state and federal regulations at its two largest units - Boswell 3 and Boswell 4 - will result in a 90 percent reduction in mercury emissions. Many of the emission control measures were implemented during the six year discussions to resolve the Notice of Violation (NOV).

"As a regulated utility providing an essential service, we must always take a long-range planning view to meet our electric customers' needs in the most cost-competitive and reliable manner," said Al Rudeck, Minnesota Power Vice President of Strategy and Planning.

As part of its Energy **Forward** strategy toward achieving a diversified and more flexible energy mix, the company has secured 600 megawatts of new wind capacity, dramatically growing its carbon emission-free renewable portfolio. By the end of 2014, Minnesota Power will be positioned to meet Minnesota's renewable standard of 25 percent by 2025 -- more than a decade earlier than required by law.

The settlement agreement covers Minnesota Power's Boswell, Laskin, Taconite Harbor and Rapids Energy Centers and includes more stringent emissions limits than in current air permits at all affected units, and the option of refueling, retrofits and retirements at some units. It also includes the addition of 200 megawatts of wind energy. Minnesota Power will also spend \$4.2 million over the next five years in conservation and clean energy projects benefitting local communities, which could potentially include a forest restoration project, an electric car charging station in northeastern Minnesota and a 1 megawatt solar installation on Fond du Lac Band of Lake Superior Chippewa property. Under the terms of the settlement, the company will also pay a \$1.4 million civil penalty. In the second quarter of 2014, ALLETE recorded an after-tax expense of \$2.5 million, or \$0.06 per share, to reflect a liability associated with the conservation and clean energy projects. Due to its non recurring nature, the expense will be excluded from 2014 earnings guidance. A liability for the civil penalty was recognized in 2013.

In August 2008, and April 2011, Minnesota Power received NOVs from the EPA alleging that Minnesota Power made past modifications at its Boswell, Laskin and Rapids Energy Centers between 1981 and 2005 without following appropriate pre-construction review and permitting (New Source Review) requirements.

While Minnesota Power believes the projects specified in the NOVs were in full compliance with the Clean Air Act, NSR requirements and applicable permits, it entered into the settlement agreement to avoid unnecessary costs and delays associated with litigation. Settlement negotiations resulted in a consent decree filed with the U.S. District Court for the District of Minnesota. Before it will be effective, the settlement must be approved by the Court after a 30-day public comment period.

Minnesota Power provides electric service within a 26,000-square-mile area in northeastern Minnesota, supporting comfort, security and quality of life for 144,000 customers, 16 municipalities and some of the largest industrial customers in the United States. More information can be found at www.mnpower.com.

The statements contained in this release and statements that ALLETE may make orally in connection with this release that are not historical facts, are forward-looking statements. Actual results may differ materially from those projected in the forward-

looking statements. These forward-looking statements involve risks and uncertainties and investors are directed to the risks discussed in documents filed by ALLETE with the Securities and Exchange Commission.

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