



ALLETE Agrees to Sell North Carolina Utility

DULUTH, Minn.--ALLETE, Inc. (NYSE: ALE) announced today that its subsidiary, ALLETE Water Services, has agreed to sell its water and wastewater systems of North Carolina-based Heater Utilities, Inc. to Philadelphia Suburban Corporation (NYSE: PSC). The stock purchase agreement includes a \$48 million cash payment to ALLETE Water Services and the assumption by PSC of approximately \$28 million in debt. Closing is expected by mid-2004 pending approval of the North Carolina Utilities Commission.

ALLETE has been in the process of selling its Water Services business which is comprised primarily of Florida Water Services and Heater Utilities. Presently, approximately 90 percent of Florida Water assets have been sold, or are under contract to be sold, for \$442 million. Including the proposed sale of Heater Utilities, the after-tax gain, net of all selling and transaction costs is expected to be approximately \$90 million. The expected net cash proceeds after transaction costs, retirement of most debt, and payment of income taxes are approximately \$300 million. Net proceeds from these sales have been and will be used to retire debt and securities at ALLETE.

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