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 June 30, 2023

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,
57,398,158 shares outstanding
as of June 30, 2023

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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 South Wind	ALLETE South Wind, LLC
ALLETE Transmission Holdings	ALLETE Transmission Holdings, Inc.
ATC	American Transmission Company LLC
Bison	Bison Wind Energy Center
BNI Energy	BNI Energy, Inc. and its subsidiary
Boswell	Boswell Energy Center
Cliffs	Cleveland-Cliffs Inc.
Company	ALLETE, Inc. and its subsidiaries
CSAPR	Cross-State Air Pollution Rule
EPA	United States Environmental Protection Agency
ESOP	Employee Stock Ownership Plan
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
Invest Direct	ALLETE's Direct Stock Purchase and Dividend Reinvestment Plan
Item ___	Item ___ of this Form 10-Q
kWh	Kilowatt-hour(s)
Laskin	Laskin Energy Center
Lampert Capital Markets	Lampert Capital Markets, Inc.
Minnesota Power	An operating division of ALLETE, Inc.
Minnkota Power	Minnkota Power Cooperative, Inc.
MISO	Midcontinent Independent System Operator, Inc.
Moody's	Moody's Investors Service, Inc.
MPCA	Minnesota Pollution Control Agency
MPUC	Minnesota Public Utilities Commission
MW	Megawatt(s)
NAAQS	National Ambient Air Quality Standards
NDPSC	North Dakota Public Service Commission
New Energy	New Energy Equity LLC
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

Abbreviation or Acronym	Term
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
South Shore Energy	South Shore Energy, LLC
ST Paper	ST Paper LLC
SWL&P	Superior Water, Light and Power Company
Taconite Harbor	Taconite Harbor Energy Center
U.S.	United States of America
USS Corporation	United States Steel Corporation

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 or changes in tax rates or policies;
- changes in rates of inflation or availability of key materials and supplies;
- the outcome of legal and administrative proceedings (whether civil or criminal) and settlements;
- weather conditions, natural disasters and pandemic diseases;
- 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 deteriorate; 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 our 2022 Form 10-K. 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

	June 30, 2023	December 31, 2022
Millions		
Assets		
Current Assets		
Cash and Cash Equivalents	$47.9	$36.4
Accounts Receivable (Less Allowance of $1.6 and $1.6)	123.2	137.9
Inventories – Net	194.3	455.9
Prepayments and Other	80.8	87.8
Total Current Assets	446.2	718.0
Property, Plant and Equipment – Net	4,973.9	5,004.0
Regulatory Assets	454.5	441.0
Equity Investments	327.5	322.7
Goodwill and Intangible Assets – Net	155.5	155.6
Other Non-Current Assets	210.3	204.3
Total Assets	$6,567.9	$6,845.6
Liabilities and Equity		
Liabilities		
Current Liabilities		
Accounts Payable	$89.3	$103.0
Accrued Taxes	50.4	69.1
Accrued Interest	21.3	20.5
Long-Term Debt Due Within One Year	106.7	272.6
Other	112.6	251.0
Total Current Liabilities	380.3	716.2
Long-Term Debt	1,685.9	1,648.2
Deferred Income Taxes	153.6	158.1
Regulatory Liabilities	538.0	526.1
Defined Benefit Pension and Other Postretirement Benefit Plans	173.6	179.7
Other Non-Current Liabilities	268.0	269.0
Total Liabilities	3,199.4	3,497.3
Commitments, Guarantees and Contingencies (Note 6)		
Equity		
ALLETE Equity		
Common Stock Without Par Value, 80.0 Shares Authorized, 57.4 and 57.2 Shares Issued and Outstanding	1,791.6	1,781.5
Accumulated Other Comprehensive Loss	(24.4)	(24.4)
Retained Earnings	966.9	934.8
Total ALLETE Equity	2,734.1	2,691.9
Non-Controlling Interest in Subsidiaries	634.4	656.4
Total Equity	3,368.5	3,348.3
Total Liabilities and Equity	$6,567.9	$6,845.6

The accompanying notes are an integral part of these statements.

ALLETE
CONSOLIDATED STATEMENT OF INCOME
Unaudited

	Quarter Ended June 30		Six Months Ended June 30	
	2023	**2022**	**2023**	**2022**
Millions Except Per Share Amounts				
Operating Revenue				
Contracts with Customers – Utility	$292.2	$308.7	$604.8	$637.7
Contracts with Customers – Non-utility	239.9	62.1	490.9	113.8
Other – Non-utility	1.3	2.3	2.6	5.1
Total Operating Revenue	533.4	373.1	1,098.3	756.6
Operating Expenses				
Fuel, Purchased Power and Gas – Utility	107.3	143.2	225.9	280.6
Transmission Services – Utility	23.5	18.3	43.6	38.2
Cost of Sales – Non-utility	193.2	41.5	403.7	58.5
Operating and Maintenance	84.9	79.6	170.6	154.9
Depreciation and Amortization	62.8	61.0	125.1	122.7
Taxes Other than Income Taxes	8.2	15.8	27.6	34.6
Total Operating Expenses	479.9	359.4	996.5	689.5
Operating Income	53.5	13.7	101.8	67.1
Other Income (Expense)				
Interest Expense	(21.1)	(18.6)	(40.4)	(36.9)
Equity Earnings	5.4	5.3	11.4	10.8
Other	2.5	12.1	6.6	14.1
Total Other Expense	(13.2)	(1.2)	(22.4)	(12.0)
Income Before Income Taxes	40.3	12.5	79.4	55.1
Income Tax Expense (Benefit)	(0.4)	(8.3)	1.1	(12.2)
Net Income	40.7	20.8	78.3	67.3
Net Loss Attributable to Non-Controlling Interest	(10.8)	(16.8)	(31.4)	(36.6)
Net Income Attributable to ALLETE	$51.5	$37.6	$109.7	$103.9
Average Shares of Common Stock				
Basic	57.3	56.1	57.3	54.9
Diluted	57.4	56.1	57.4	54.9
Basic Earnings Per Share of Common Stock	$0.90	$0.67	$1.91	$1.89
Diluted Earnings Per Share of Common Stock	$0.90	$0.67	$1.91	$1.89

The accompanying notes are an integral part of these statements.

ALLETE
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Unaudited

	Quarter Ended June 30		Six Months Ended June 30,	
	2023	**2022**	**2023**	**2022**
Millions				
Net Income	$40.7	$20.8	$78.3	$67.3
Other Comprehensive Income (Loss)				
Unrealized Gain (Loss) on Securities				
Net of Income Tax Expense of $–, $(0.2), $0.1 and $(0.2)	—	(0.1)	0.1	(0.4)
Defined Benefit Pension and Other Postretirement Benefit Plans				
Net of Income Tax Expense of $(0.1), $–, $(0.1) and $0.1	(0.1)	0.2	(0.1)	0.3
Total Other Comprehensive Income (Loss)	(0.1)	0.1	—	(0.1)
Total Comprehensive Income	40.6	20.9	78.3	67.2
Net Loss Attributable to Non-Controlling Interest	(10.8)	(16.8)	(31.4)	(36.6)
Total Comprehensive Income Attributable to ALLETE	$51.4	$37.7	$109.7	$103.8

The accompanying notes are an integral part of these statements.

ALLETE
CONSOLIDATED STATEMENT OF CASH FLOWS
Unaudited

	Six Months Ended June 30	
	2023	**2022**
Millions		
Operating Activities		
Net Income	$78.3	$67.3
Adjustments to Reconcile Net Income to Cash provided by (used in) Operating Activities:		
AFUDC – Equity	(1.4)	(1.7)
Income from Equity Investments – Net of Dividends	0.2	0.6
Loss on Investments and Property, Plant and Equipment	0.4	1.4
Depreciation Expense	125.0	122.7
Amortization of PSAs	(2.6)	(5.1)
Amortization of Other Intangible Assets and Other Assets	3.5	4.3
Deferred Income Tax Benefit	(12.9)	(12.3)
Share-Based and ESOP Compensation Expense	2.4	2.7
Defined Benefit Pension and Postretirement Benefit	(1.7)	(1.4)
Fuel Adjustment Clause	38.4	(18.8)
Bad Debt Expense	0.7	0.8
Provision for Interim Rate Refund	13.4	—
Residential Interim Rate Adjustment	—	(3.8)
Changes in Operating Assets and Liabilities		
Accounts Receivable	14.0	8.2
Inventories	261.6	(168.2)
Prepayments and Other	(1.2)	(8.7)
Accounts Payable	(13.3)	17.8
Other Current Liabilities	(166.8)	(27.7)
Cash Contributions to Defined Benefit Pension Plans	(6.5)	—
Changes in Regulatory and Other Non-Current Assets	(1.6)	16.9
Changes in Regulatory and Other Non-Current Liabilities	1.7	(2.9)
Cash provided by (used in) Operating Activities	331.6	(7.9)
Investing Activities		
Proceeds from Sale of Available-for-sale Securities	0.2	1.2
Payments for Purchase of Available-for-sale Securities	(0.4)	(1.2)
Acquisition of Subsidiaries - Net of Cash & Restricted Cash Acquired	—	(155.0)
Payments for Equity Method Investments	(4.3)	(3.9)
Additions to Property, Plant and Equipment	(120.5)	(90.3)
Other Investing Activities	(6.3)	2.0
Cash used in Investing Activities	(131.3)	(247.2)
Financing Activities		
Proceeds from Issuance of Common Stock	7.7	240.4
Equity Issuance Costs	—	(8.1)
Proceeds from Issuance of Short-Term and Long-Term Debt	403.7	465.3
Repayments of Short-Term and Long-Term Debt	(531.5)	(491.6)
Proceeds from Non-Controlling Interest in Subsidiaries – Net	9.9	155.7
Dividends on Common Stock	(77.6)	(71.5)
Other Financing Activities	(1.6)	(1.1)
Cash provided by (used in) Financing Activities	(189.4)	289.1
Change in Cash, Cash Equivalents and Restricted Cash	10.9	34.0
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	40.2	47.7
Cash, Cash Equivalents and Restricted Cash at End of Period	$51.1	$81.7

The accompanying notes are an integral part of these statements.

ALLETE
CONSOLIDATED STATEMENT OF EQUITY
Unaudited

	Quarter Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Millions Except Per Share Amounts				
Common Stock				
Balance, Beginning of Period	$1,785.6	$1,541.3	$1,781.5	$1,536.7
Common Stock Issued	6.0	230.4	10.1	235.0
Balance, End of Period	1,791.6	1,771.7	1,791.6	1,771.7
Accumulated Other Comprehensive Loss				
Balance, Beginning of Period	(24.3)	(24.0)	(24.4)	(23.8)
Other Comprehensive Income – Net of Income Taxes				
Unrealized Gain (Loss) on Debt Securities	—	(0.1)	0.1	(0.4)
Defined Benefit Pension and Other Postretirement Plans	(0.1)	0.2	(0.1)	0.3
Balance, End of Period	(24.4)	(23.9)	(24.4)	(23.9)
Retained Earnings				
Balance, Beginning of Period	954.2	932.0	934.8	900.2
Net Income Attributable to ALLETE	51.5	37.6	109.7	103.9
Common Stock Dividends	(38.8)	(37.0)	(77.6)	(71.5)
Balance, End of Period	966.9	932.6	966.9	932.6
Non-Controlling Interest in Subsidiaries				
Balance, Beginning of Period	642.2	694.2	656.4	533.2
Proceeds from Non-Controlling Interest in Subsidiaries – Net	3.2	1.7	9.9	182.9
Net Loss Attributable to Non-Controlling Interest	(10.8)	(16.8)	(31.4)	(36.6)
Distributions to Non-Controlling Interest	(0.2)	(0.6)	(0.5)	(1.0)
Balance, End of Period	634.4	678.5	634.4	678.5
Total Equity	$3,368.5	$3,358.9	$3,368.5	$3,358.9
Dividends Per Share of Common Stock	$0.6775	$0.65	$1.355	$1.30

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, 2022, Consolidated Balance Sheet was derived from audited financial statements, but does not include all disclosures required by GAAP. The presentation of certain prior period amounts on the Consolidated Financial Statements have been adjusted for comparative purposes. 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 six months ended June 30, 2023, are not necessarily indicative of results that may be expected for any other interim period or for the year ending December 31, 2023. For further information, refer to the Consolidated Financial Statements and notes included in our 2022 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 June 30, 2023, restricted cash amounts included in Prepayments and Other on the Consolidated Balance Sheet include collateral deposits required under an ALLETE Clean Energy loan. The restricted cash amounts included in Other Non-Current Assets represent collateral deposits required under an ALLETE Clean Energy loan agreement as well as PSAs. 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	**June 30, 2023**	**December 31, 2022**	**June 30, 2022**	**December 31, 2021**
Millions				
Cash and Cash Equivalents	$47.9	$36.4	$74.6	$45.1
Restricted Cash included in Prepayments and Other	0.8	1.5	0.8	0.3
Restricted Cash included in Other Non-Current Assets	2.4	2.3	6.3	2.3
Cash, Cash Equivalents and Restricted Cash on the Consolidated Statement of Cash Flows	$51.1	$40.2	$81.7	$47.7

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	**June 30, 2023**	**December 31, 2022**
Millions		
Fuel *(a)*	$37.7	$33.4
Materials and Supplies	122.3	75.1
Renewable Energy Facilities Under Development *(b)*	34.3	347.4
Total Inventories – Net	$194.3	$455.9

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

(b) Renewable Energy Facilities Under Development as of June 30, 2023 consists primarily of project costs related to renewable energy development projects at New Energy. As of December 31, 2022, it consisted primarily of project costs related to ALLETE Clean Energy's Northern Wind and Red Barn wind projects sold in the first quarter of 2023 and second quarter of 2023, respectively. (See Other Current Liabilities.)

Goodwill. The aggregate carrying amount of goodwill was $154.9 million as of June 30, 2023 ($154.9 million as of December 31, 2022). There have been no changes to goodwill by reportable segment for the quarter and six months ended June 30, 2023.

NOTE 1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Non-Current Assets	**June 30, 2023**	**December 31, 2022**
Millions		
Contract Assets *(a)*	$19.7	$21.0
Operating Lease Right-of-use Assets	11.1	12.7
ALLETE Properties	19.4	19.1
Restricted Cash	2.4	2.3
Other Postretirement Benefit Plans	60.4	58.8
Other	97.3	90.4
Total Other Non-Current Assets	$210.3	$204.3

(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	**June 30, 2023**	**December 31, 2022**
Millions		
Customer Deposits *(a)*	$9.6	$150.7
PSAs	6.0	6.1
Provision for Interim Rate Refund	31.8	18.4
Manufactured Gas Plant *(b)*	9.1	14.7
Operating Lease Liabilities	3.0	3.2
Other	53.1	57.9
Total Other Current Liabilities	$112.6	$251.0

(a) Customer Deposits as of December 31, 2022 primarily related to deposits received by ALLETE Clean Energy for the Northern Wind and Red Barn wind projects sold in the first quarter of 2023 and second quarter of 2023, respectively. (See Inventories – Net.)

(b) The manufactured gas plant represents the current liability for remediation of a former manufactured gas plant site located in Superior, Wisconsin, and formerly operated by SWL&P.

Other Non-Current Liabilities	**June 30, 2023**	**December 31, 2022**
Millions		
Asset Retirement Obligation *(a)*	$203.6	$200.4
PSAs	23.9	26.9
Operating Lease Liabilities	8.1	9.3
Other	32.4	32.4
Total Other Non-Current Liabilities	$268.0	$269.0

(a) The asset retirement obligation is primarily related to our Regulated Operations and is funded through customer rates over the life of the related assets. Additionally, BNI Energy funds its obligation through its cost-plus coal supply agreements for which BNI Energy has recorded a receivable of $32.4 million in Other Non-Current Assets on the Consolidated Balance Sheet as of June 30, 2023 ($32.4 million as of December 31, 2022).

NOTE 1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Income	Quarter Ended June 30 2023	Quarter Ended June 30 2022	Six Months Ended June 30 2023	Six Months Ended June 30 2022
Millions				
Pension and Other Postretirement Benefit Plan Non-Service Credits *(a)*	$1.7	$2.7	$3.7	$5.3
Interest and Investment Income	1.0	(1.0)	2.1	(0.9)
AFUDC - Equity	0.9	0.8	1.4	1.7
PSA Liability *(b)*	—	10.2	—	10.2
Other	(1.1)	(0.6)	(0.6)	(2.2)
Total Other Income	$2.5	$12.1	$6.6	$14.1

(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.)*

(b) *The gain on removal of the PSA liability for the Northern Wind project upon decommissioning of the legacy wind energy facility assets, which was more than offset by a reserve for an anticipated loss on the sale of the Northern Wind project that was recorded in Cost of Sales - Non-Utility on the Consolidated Statement of Income.*

Supplemental Statement of Cash Flows Information.

Six Months Ended June 30,	2023	2022
Millions		
Cash Paid for Interest – Net of Amounts Capitalized	$39.1	$35.6
Cash Paid for Income Taxes – Net	$8.1	$1.1
Noncash Investing and Financing Activities		
Increase (Decrease) in Accounts Payable for Capital Additions to Property, Plant and Equipment	$(5.0)	$3.1
Reclassification of Property, Plant and Equipment to Inventory *(a)*	—	$78.6
Capitalized Asset Retirement Costs	$2.4	$8.8
AFUDC–Equity	$1.4	$1.7

(a) *The decommissioning of the legacy Northern Wind assets resulted in a reclassification from Property, Plant and Equipment – Net to Inventories – Net in the second quarter of 2022 as they were repowered and subsequently sold to a subsidiary of Xcel Energy Inc.*

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 are primarily related to the tax equity financing structures for ALLETE Clean Energy's 106 MW Glen Ullin, 80 MW South Peak, 303 MW Diamond Spring and 303 MW Caddo wind energy facilities as well as ALLETE's equity investment in the 250 MW Nobles 2 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.

NOTE 2. REGULATORY MATTERS

Regulatory matters are summarized in Note 4. Regulatory Matters to the Consolidated Financial Statements in our 2022 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 $31.5 million for the six months ended June 30, 2023 ($11.9 million for the six months ended June 30, 2022).

2022 Minnesota General Rate Case. On November 1, 2021, Minnesota Power filed a retail rate increase request with the MPUC seeking an average increase of approximately 18 percent for retail customers. The rate filing sought a return on equity of 10.25 percent and a 53.81 percent equity ratio. On an annualized basis, the requested final rate increase would have generated approximately $108 million in additional revenue.

In an order dated February 28, 2023, the MPUC made determinations regarding Minnesota Power's general rate case including allowing a return on common equity of 9.65 percent and a 52.50 percent equity ratio. Upon commencement of final rates, we expect additional revenue from base rates of approximately $60 million and an additional $10 million in revenue recognized under cost recovery riders on an annualized basis. On March 20, 2023, Minnesota Power filed a petition for reconsideration with the MPUC requesting reconsideration and clarification of certain decisions in the MPUC's order. Minnesota Power's petition included requesting reconsideration of the ratemaking treatment of Taconite Harbor and Minnesota Power's prepaid pension asset as well as clarification on interim rate treatment for sales to certain customers that did not operate during 2022. The MPUC denied the requests for reconsideration in an order dated May 15, 2023, and provided clarification in support of the interim rate refund treatment for sales to certain customers that did not operate during 2022.

Final rates are expected to commence in the third quarter of 2023; interim rates will be collected through this period with reserves recorded as necessary. Minnesota Power has recorded a reserve for an interim rate refund of $31.8 million pre-tax as of June 30, 2023 ($18.4 million as of December 31, 2022), which is subject to MPUC approval of Minnesota Power's compliance filing and interim rate refund calculation that was submitted to the MPUC on June 14, 2023.

On June 14, 2023, Minnesota Power filed notice with the Minnesota Court of Appeals (Court) to appeal specific aspects of the MPUC's rate case orders. Minnesota Power is appealing the ratemaking treatment of Taconite Harbor and Minnesota Power's prepaid pension asset. We are unable to predict the outcome of this proceeding.

Renewable Cost Recovery Rider. Minnesota Power has an approved cost recovery rider in place to charge retail customers on a current basis for the costs of certain renewable investments and expenditures, including a return on the capital invested. Current customer billing rates for the renewable cost recovery rider were approved by the MPUC in an order dated January 24, 2023. On March 29, 2023, Minnesota Power submitted its latest renewable factor filing. If the filing is approved, Minnesota Power would be authorized to include updated billing rates on customer bills.

Fuel Adjustment Clause. Minnesota Power incurred higher fuel and purchased power costs in 2022 than those factored in its fuel adjustment forecast filed in May 2021 for 2022, which resulted in the recognition of an approximately $13 million regulatory asset in 2022. Minnesota Power requested recovery of the regulatory asset over 12 months as part of its annual true-up filing submitted to the MPUC on March 1, 2023, which was approved by the MPUC in an order dated July 31, 2023. We expect to begin recovery of the regulatory asset in the third quarter of 2023.

Minnesota Power has incurred lower fuel and purchased power costs in 2023 than those factored in its fuel adjustment forecast filed in May 2022 for 2023, which resulted in the recognition of an $17.8 million regulatory liability as of June 30, 2023.

Energy Conservation and Optimization (ECO) Plan. On April 3, 2023, Minnesota Power submitted its 2022 ECO, formally known as the conservation improvement program, annual filing detailing Minnesota Power's ECO plan results and proposed financial incentive, which was approved by the MPUC at a hearing on July 20, 2023. As a result, Minnesota Power recognized revenue of $2.2 million for the approved financial inventive in the third quarter of 2023. A financial incentive of $1.9 million was recognized in the second quarter of 2022 upon approval by the MPUC of Minnesota Power's 2021 ECO annual filing. The financial incentives are recognized in the period in which the MPUC approves the filing.

NOTE 2. REGULATORY MATTERS (Continued)

On June 30, 2023, Minnesota Power submitted its triennial filing for 2024 through 2026 to the MPUC and Minnesota Department of Commerce, which outlines Minnesota Power's ECO spending and energy-saving goals for those years. Minnesota Power's investment goals are $12.5 million for 2024, $12.7 million for 2025 and $12.8 million for 2026, subject to MPUC and Minnesota Department of Commerce approval.

Regulatory Assets and Liabilities. Our regulated utility operations are subject to accounting standards for the effects 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. 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	**June 30, 2023**	**December 31, 2022**
Millions		
Current Regulatory Assets *(a)*		
Fuel Adjustment Clause	$15.7	$25.6
Total Current Regulatory Assets	$15.7	$25.6
Non-Current Regulatory Assets		
Defined Benefit Pension and Other Postretirement Plans	$223.6	$225.9
Income Taxes	93.3	97.6
Cost Recovery Riders	42.4	41.2
Asset Retirement Obligations	36.6	35.6
Taconite Harbor *(b)*	27.1	—
Fuel Adjustment Clause	5.4	14.5
Manufactured Gas Plant	14.3	15.1
PPACA Income Tax Deferral	4.0	4.1
Other	7.8	7.0
Total Non-Current Regulatory Assets	$454.5	$441.0
Current Regulatory Liabilities *(c)*		
Provision for Interim Rate Refund *(d)*	$31.8	$18.4
Transmission Formula Rates Refund	2.5	4.9
Other	2.1	0.1
Total Current Regulatory Liabilities	$36.4	$23.4
Non-Current Regulatory Liabilities		
Income Taxes	$320.7	$332.5
Wholesale and Retail Contra AFUDC	79.3	80.7
Plant Removal Obligations	63.7	60.0
Fuel Adjustment Clause	17.8	—
North Dakota Investment Tax Credits	16.6	16.9
Defined Benefit Pension and Other Postretirement Benefit Plans	13.8	17.6
Non-Jurisdictional Land Sales	12.7	7.5
Boswell Units 1 and 2 Net Plant and Equipment	6.7	6.7
Other	6.7	4.2
Total Non-Current Regulatory Liabilities	$538.0	$526.1

(a) Current regulatory assets are presented within Prepayments and Other on the Consolidated Balance Sheet.
(b) In the first quarter of 2023, Minnesota Power retired Taconite Harbor Units 1 and 2. The remaining net book value was reclassified from property, plant and equipment to a regulatory asset on the Consolidated Balance Sheet when the units were retired. Minnesota Power expects to receive recovery of the remaining net book value from customers.
(c) Current regulatory liabilities are presented within Other Current Liabilities on the Consolidated Balance Sheet.
(d) See 2022 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.

ALLETE's Investment in ATC	
Millions	
Equity Investment Balance as of December 31, 2022	$165.4
Cash Investments	4.3
Equity in ATC Earnings	11.6
Distributed ATC Earnings	(9.3)
Amortization of the Remeasurement of Deferred Income Taxes	0.7
Equity Investment Balance as of June 30, 2023	$172.7

ATC's authorized return on equity was 10.02 percent, or 10.52 percent including an incentive adder for participation in a regional transmission organization, based on a 2020 FERC order which is subject to various outstanding legal challenges related to the return on equity calculation and refund period ordered by the FERC. In August 2022, the U.S. Court of Appeals for the District of Columbia Circuit vacated and remanded the 2020 FERC order back to FERC. We cannot predict the return on equity the FERC will ultimately authorize in the remanded proceeding.

In addition, the FERC issued a Notice of Proposed Rulemaking in 2021 proposing to limit the 50 basis point incentive adder for participation in a regional transmission organization to only the first three years of membership in such an organization. If this proposal is adopted, our equity in earnings from ATC would be reduced by approximately $1 million pre-tax annually.

Investment in Nobles 2. Our subsidiary, ALLETE South Wind, owns 49 percent of Nobles 2, the entity that owns and operates 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.

ALLETE's Investment in Nobles 2	
Millions	
Equity Investment Balance as of December 31, 2022	$157.3
Equity in Nobles 2 Earnings *(a)*	(0.2)
Distributed Nobles 2 Earnings	(2.3)
Equity Investment Balance as of June 30, 2023	$154.8

(a) The Company also recorded earnings from net loss attributable to non-controlling interest of $5.9 million related to its investment in Nobles 2.

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 2022 Form 10-K.

NOTE 4. FAIR VALUE (Continued)

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 June 30, 2023, and December 31, 2022. 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 on the Consolidated Balance Sheet approximates the carrying amount and therefore is excluded from the recurring fair value measures in the following tables.

	Fair Value as of June 30, 2023			
Recurring Fair Value Measures	**Level 1**	**Level 2**	**Level 3**	**Total**
Millions				
Assets				
Investments *(a)*				
Available-for-sale – Equity Securities	$8.4	—	—	$8.4
Available-for-sale – Corporate and Governmental Debt Securities *(b)*	—	$5.7	—	5.7
Cash Equivalents	5.8	—	—	5.8
Total Fair Value of Assets	$14.2	$5.7	—	$19.9
Liabilities				
Deferred Compensation *(c)*	—	$16.2	—	$16.2
Total Fair Value of Liabilities	—	$16.2	—	$16.2

	Fair Value as of December 31, 2022			
Recurring Fair Value Measures	**Level 1**	**Level 2**	**Level 3**	**Total**
Millions				
Assets				
Investments *(a)*				
Available-for-sale – Equity Securities	$7.7	—	—	$7.7
Available-for-sale – Corporate and Governmental Debt Securities	—	$5.7	—	5.7
Cash Equivalents	4.2	—	—	4.2
Total Fair Value of Assets	$11.9	$5.7	—	$17.6
Liabilities				
Deferred Compensation *(c)*	—	$15.0	—	$15.0
Total Fair Value of Liabilities	—	$15.0	—	$15.0

(a) Included in Other Non-Current Assets on the Consolidated Balance Sheet.

(b) As of June 30, 2023, the aggregate amount of available-for-sale corporate and governmental debt securities maturing in one year or less was $1.2 million, in one year to less than three years was $2.7 million, in three years to less than five years was $1.4 million and in five or more years was $0.4 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)*		
June 30, 2023	$1,801.3	$1,647.9
December 31, 2022	$1,929.1	$1,782.7

(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 six months ended June 30, 2023, and the year ended December 31, 2022, there were no indicators of impairment for these non-financial assets.

NOTE 4. FAIR VALUE (Continued)

We continue to monitor changes in the broader energy markets along with wind resource expectations that could indicate impairment at ALLETE Clean Energy wind energy facilities upon contract expirations or for facilities without long-term contracts for their entire output. A continued decline or volatility in energy prices or lower wind resource expectations could 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 June 30, 2023, and December 31, 2022:

June 30, 2023	**Principal**	**Unamortized Debt Issuance Costs**	**Total**
Millions			
Short-Term Debt	$106.8	$(0.1)	$106.7
Long-Term Debt	1,694.5	(8.6)	1,685.9
Total Debt	$1,801.3	$(8.7)	$1,792.6

December 31, 2022	**Principal**	**Unamortized Debt Issuance Costs**	**Total**
Millions			
Short-Term Debt	$272.7	$(0.1)	$272.6
Long-Term Debt	1,656.4	(8.2)	1,648.2
Total Debt	$1,929.1	$(8.3)	$1,920.8

We had $17.8 million outstanding in standby letters of credit and $29.4 million outstanding draws under our lines of credit as of June 30, 2023 ($32.8 million in standby letters of credit and $31.3 million outstanding draws as of December 31, 2022). We also have standby letters of credit outstanding under other letter of credit facilities. (See Note 6. Commitments, Guarantees and Contingencies.)

On April 27, 2023, ALLETE issued $125 million of its First Mortgage Bonds (Bonds) to certain institutional buyers in the private placement market. The Bonds, which bear interest at 4.98 percent, will mature in April 2033 and pay interest semi-annually in May and November of each year, commencing on November 1, 2023. 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. Proceeds from the sale of the Bonds were used to refinance existing indebtedness 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.

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 June 30, 2023, our ratio was approximately 0.37 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 June 30, 2023, 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 2022 Form 10-K, with additional disclosure provided in the following paragraphs.

Square Butte PPA. As of June 30, 2023, Square Butte had total debt outstanding of $182.4 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 six months ended June 30, 2023, was $44.0 million ($41.0 million for the same period in 2022). 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 $2.7 million ($2.6 million for the same period in 2022). 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, Minnesota Power sold to Minnkota Power approximately 37 percent in 2023 and 32 percent in 2022.

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 2025. Minnesota Power also has coal transportation agreements in place for the delivery of a significant portion of its coal requirements through December 2024. 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.

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.

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

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. The EPA's CSAPR Update Rule issued in March 2021 revising the 2016 CSAPR Update does not apply to the state of Minnesota and is therefore not currently projected to affect Minnesota Power's CSAPR compliance. Minnesota Power will continue to monitor ongoing CSAPR rulemakings and compliance implementation, including the EPA's new Good Neighbor Plan published June 5, 2023, to modify certain aspects of the CSAPR's program scope and extent.

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 currently expected to be material. The EPA is currently reviewing the secondary NAAQS for NO_x and SO_2, as well as particulate matter. In June 2021, the EPA announced it would reconsider the December 2020 final rule retaining the 2012 particulate matter NAAQS. On January 6, 2023, the EPA announced a proposed rule to revise the primary annual particulate matter NAAQS from its current level while retaining the other primary and secondary particulate matter NAAQS. A final rule is expected by the end of 2023. The EPA also announced in October 2021 that it was reconsidering the 2020 Ozone NAAQS rule finalized in December 2020, and issued an initial draft policy assessment on April 28, 2022, recommending retention of the current standard. A second version of the draft policy assessment was then published for public comment on March 1, 2023. The EPA plans to finalize this 2023 policy assessment and to issue a notice of proposed rulemaking for a 2020 ozone NAAQS revision rule during 2024. Anticipated compliance costs related to the proposed and expected NAAQS revisions cannot yet be estimated; however, costs could be material. Minnesota Power would seek recovery of additional costs through a rate proceeding.

EPA Good Neighbor Plan for 2015 Ozone NAAQS. On June 5, 2023, the EPA published a final rule in the Federal Register, the Good Neighbor Plan, to address regional ozone transport for the 2015 Ozone NAAQS by reducing NO_x emissions during the period of May 1 through September 30 (ozone season). This rule addresses certain good neighbor or interstate transport provisions of the Clean Air Act relative to the 2015 Ozone NAAQS. In the justification for the final rule, the EPA asserts that 23 states, including Minnesota, are modeled as significant contributors to downwind states' challenges in attaining or maintaining ozone NAAQS compliance within their state borders. The Good Neighbor Plan is designed to resolve this interstate transport issue by implementing a variety of NO_x reduction strategies, including federal implementation plan requirements, NO_x emission limitations, and ozone season allowance program requirements, beginning during the 2023 ozone season and sixty days after the final rule is published in the Federal Register. The final rule imposes restrictions on fossil-fuel fired power plants in 22 states and on certain industrial sources in 20 states. Implementation of the rule will occur in part through changes to the existing CSAPR program for power plants.

Minnesota Power previously submitted public comments to the EPA on the April 2022 proposed Good Neighbor Plan. Concerns noted by Minnesota Power and other entities included the technical accuracy of the EPA's assumptions and methods used to identify Minnesota as a significant contributor state, as well as the proposed rule's intended timeline. On February 13, 2023, the EPA also published its final rule to partially disapprove the Good Neighbor State Implementation Plans (SIPs) for the states of Minnesota and Wisconsin, and to disapprove 19 other SIP submissions. The SIP final action subjects Minnesota to the final Good Neighbor Plan and associated compliance costs will be known when the final SIP rule evaluation and implementation has been completed. On April 14, 2023, Minnesota Power and a coalition of other Minnesota utilities and industry (the parties) co-filed challenges to the EPA's final Minnesota SIP disapproval, submitting a petition for reconsideration and stay to the EPA and a petition for judicial review to the U. S. Court of Appeals for the Eighth Circuit (Eighth Circuit Court). The parties are challenging and requesting reconsideration of certain technical components of the EPA's review and subsequent partial disapproval of the state of Minnesota's SIP, including the rulemaking process, air modeling practices and other emissions inventory aspects. On May 31, 2023, the parties filed a motion to stay the SIP disapproval with the Eighth Circuit Court, which granted the stay on July 5, 2023, which prevents the Good Neighbor Plan from taking effect in Minnesota while the stay remains in effect. The Company therefore does not currently anticipate that the state of Minnesota will be subject to compliance obligations for the 2023 ozone season, which would have went into effect on August 4, 2023. Future compliance obligations will depend on the eventual resolution of the stay and appeal. Anticipated compliance costs related to final Good Neighbor Plan compliance cannot yet be estimated due to uncertainties about SIP approval status, implementation timing, allowance costs and facility emissions during the ozone season; however, the costs could be material, including costs of additional NO_x controls, emission allowance program participation, or operational changes, if any are required. Minnesota Power would seek recovery of additional costs through a rate proceeding.

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

EPA National Emission Standards for Hazardous Air Pollutants for Major Sources: Industrial, Commercial and Institutional Boilers and Process Heaters (Industrial Boiler MACT) Rule. A final rule issued by the EPA for Industrial Boiler MACT became effective in 2013 with compliance required at major existing sources in 2016. Minnesota Power's Hibbard Renewable Energy Center and Rapids Energy Center are subject to this rule. Compliance with the Industrial Boiler MACT Rule consisted largely of adjustments to fuels and operating practices and compliance costs were not material. Subsequent to this initial rulemaking, litigation from 2016 through 2018 resulted in court orders directing that the EPA reconsider certain aspects of the regulation including the basis for and numerical value of several different emission limits. On October 6, 2022, the EPA published a final rule in the Federal Register incorporating these changes. The rule became effective on December 5, 2022, imposing a compliance deadline of October 6, 2025. Minnesota Power's review of this new rule indicates that the revisions should not significantly impact its affected units. As such, compliance costs associated with the new Industrial Boiler MACT Rule are not currently expected to be material; however, Minnesota Power would seek recovery of additional costs through a rate proceeding.

EPA Mercury and Air Toxics Standards (MATS) Rule. On April 24, 2023, the EPA published a proposed revision to the existing MATS Rule as part of its mandatory 2020 MATS review. In this proposed rule, the EPA is proposing to alter certain compliance and operational requirements, and to lower several emission limits including filterable particulate matter as well as mercury for lignite units. Compliance would be due in the 2026 to 2027 timeframe. The MATS regulation applies at Minnesota Power's Boswell facility, which is currently well-controlled for these emissions and is in full compliance with existing requirements. Initial review of this draft regulation indicates that compliance costs should not be material based on the proposed revision. The EPA expects to issue the final rule in March 2024. Compliance costs cannot yet be estimated; however, recovery of any additional costs would be sought through a rate proceeding.

Climate Change. The scientific community generally accepts that emissions of GHGs 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; increased or other changes in temperatures; increased risk of wildfires; 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 May 23, 2023, the EPA published in the Federal Register a proposal for five separate regulatory actions under Section 111 of the Clean Air Act (CAA) addressing greenhouse gas (GHG) emissions from fossil fuel-fired electric generating units (EGUs). The EPA is proposing revised new source performance standards (NSPS) for new, modified and reconstructed EGUs (Section 111(b) of the CAA) as well as emission guidelines for certain existing (Section 111(d) of the CAA) EGUs. The EPA is also proposing in this action to officially repeal the predecessor regulation "Affordable Clean Energy Rule", first issued in 2019 and later vacated in 2021. We are analyzing the proposed new regulations to assess potential impacts of the draft Section 111 rules, which would apply to several Company assets including existing EGUs at the Boswell and Laskin as well as the proposed combined cycle natural gas-fired generating facility, NTEC. The draft rules are open for public comment until August 8, 2023, and the EPA's Spring 2023 unified agenda identifies the EPA's goal of issuing final regulations in April 2024. We will continue to monitor this GHG rulemaking and analyze its potential impacts to our existing and proposed thermal generating facilities, and may submit comments on the proposed rules. Minnesota Power continues implementing its Energy*Forward* strategic plan that provides for significant emissions reductions and diversifying its electricity generation mix to include more renewable and natural gas energy. We are unable to predict compliance costs due to the draft status of the rules and the need for a state implementation plan for Section 111(d) existing units; however, the costs could be material. Minnesota Power would seek recovery of additional costs through a rate proceeding.

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 (BATW) 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, 2025, or December 31, 2028, in some specific cases. The rule also established new subcategories for retiring high-flow and low-utilization units, and established a voluntary incentives program for FGD wastewater. In accordance with the January 2021 Executive Order 13990, the EPA was mandated to conduct a review of actions and polices taken during the prior administration, including the 2020 ELG Rule. On September 14, 2021, the EPA published a notice of availability for its preliminary effluent guidelines program plan. In the plan, the EPA confirmed the agency is initiating a rulemaking process to strengthen wastewater pollution limitations from FGD and bottom ash transport water discharges while the 2020 ELG Rule remains in effect.

On March 29, 2023, the EPA published a proposed new ELG rule in the Federal Register to update the 2020 ELGs; the public comment period was open until May 30, 2023. In the proposed rule, the EPA is revising ELGs for existing sources, including establishing zero discharge limitations for BATW and FGD wastewater; new limits for combustion residual leachate; and allowing states to set discharge limits for legacy wastewater in surface impoundments based on best professional judgement. The rule proposes to preserve flexibility and maintain exemptions for units permanently ceasing coal combustion by 2028, and adds a new category for units that have already complied with the 2020 ELG rule and which will retire by 2032. Additionally, the EPA is encouraging state permitting authorities to conduct functional equivalency tests for facilities with landfills or CCR surface impoundments to identify groundwater to surface water point source discharges. More stringent limitations would apply where point source discharges occur.

Bottom ash transport and FGD wastewater ELGs are not expected to have a significant impact on Minnesota Power operations. Boswell, where these ELGs are applicable, completed conversion to dry bottom ash handling and installed a FGD dewatering system in September 2022. The dry conversion projects eliminated bottom ash transport water and minimized wastewater from the FGD system. Re-use and onsite consumption is planned for the remaining FGD waste stream and for dewatering legacy wastewater from Boswell's existing impoundments.

The EPA's reconsideration of legacy wastewater and leachate discharge requirements has the potential to impact dewatering associated with the closed impoundment at Laskin and the closed Taconite Harbor dry ash landfill.

At this time, we estimate no additional material compliance costs for ELG bottom ash water and FGD requirements. Compliance costs we might incur related to other ELG waste streams (e.g., leachate) or other potential future water discharge regulations at Minnesota Power facilities 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.

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

Permitted Water Discharges – Sulfate. In 2017, the MPCA released a draft water quality standard in an attempt to update Minnesota's existing 10 mg/L sulfate limit for waters used for the production of wild rice with the proposed rulemaking heard before an administrative law judge (ALJ). In 2018, the ALJ rejected significant portions of the proposed rulemaking and the MPCA subsequently withdrew the rulemaking. The existing 10 mg/L limit remains in place, but the MPCA is currently prohibited under state law from listing wild rice waters as impaired or requiring sulfate reduction technology.

In April 2021, the MPCA's proposed list of impaired waters submitted pursuant to the Clean Water Act was partially rejected by the EPA due to the absence of wild rice waters listed for sulfate impairment. The EPA transmitted a final list of 32 EPA-added wild rice waters to the MPCA in November 2021. This list could subsequently be used to set sulfate limits in discharge permits for power generation facilities and municipal and industrial customers, including paper and pulp facilities, and mining operations. At this time we are unable to determine the specific impacts these developments may have on Minnesota Power operations, if any. 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 produces the majority of its coal ash at Boswell, with small amounts of ash generated at Hibbard Renewable Energy Center. Ash storage and disposal methods include 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 (2015 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 be incurred primarily over the next 12 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.

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 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 2018, the U.S. District Court for the District of Columbia decision vacated specific provisions of the CCR rule. The court decision resulted in a change to the status of three existing clay-lined impoundments at Boswell that must now be considered unlined. The EPA proposed additional rule revisions in 2019 to address outstanding issues from litigation and closure timelines for unlined impoundments, respectively. The first of these rules, CCR Part A Rule, was finalized in September 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. Upon completion of dry ash conversion activities, Boswell ceased disposal in both impoundments in September 2022. Both impoundments are now inactive and have initiated closure.

On May 17, 2023, the EPA released a proposed rule for CCR legacy surface impoundments. The proposal expands the scope of units regulated under the CCR rule to include legacy ponds (inactive surface impoundments at inactive facilities) and creates a new category of units called CCR management units, which includes inactive and closed impoundments and landfills as well as other non-containerized accumulations of CCR. The proposed rule was published in the Federal Register on May 18, 2023, and the 60-day public comment period ended on July 17, 2023. The EPA is proposing to require that all generating facilities evaluate and identify all past deposits of CCR materials on their sites and close or re-close existing CCR units to meet current closure standards, as well as install groundwater monitoring systems, conduct groundwater monitoring and implement groundwater corrective actions as necessary. This rule has the potential to impact Boswell and Laskin. Compliance costs for Minnesota Power facilities cannot be estimated at this time; 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)

Additionally, the EPA released a proposed CCR Part B rulemaking in February 2020 addressing options for beneficial reuse of CCR materials, alternative liner demonstrations and other CCR regulatory revisions. Portions of the Part B rule addressing alternative liner equivalency standards were finalized in November 2020. According to the EPA’s updated spring 2023 regulatory agenda, finalization of the remainder of the proposed Part B rule has been moved to the agency’s long-term agenda. The final federal permit rule is still expected in late-2023. The final federal permit rule will finalize procedures for implementing a CCR federal permit program.

Other Environmental Matters.

Manufactured Gas Plant Site. SWL&P continues working with the Wisconsin Department of Natural Resources (WDNR) to address and remediate environmental conditions at a former manufactured gas plant site located in Superior, Wisconsin, and formerly operated by SWL&P. As of June 30, 2023, we have recorded a liability of approximately $9 million for remediation costs at this site. 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 2025.

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 contractual security requirements across our businesses. As of June 30, 2023, we had $161.9 million of outstanding letters of credit issued, including those issued under our revolving credit facility.

Regulated Operations. As of June 30, 2023, we had $22.2 million outstanding in standby letters of credit at our Regulated Operations which are pledged as security to MISO, the NDPSC and a state agency.

ALLETE Clean Energy. ALLETE Clean Energy’s wind energy facilities have various PSAs in place for some or all of their output that expire in various years between 2024 and 2039. As of June 30, 2023, ALLETE Clean Energy has $105.6 million outstanding in standby letters of credit, the majority of which are pledged as security under these PSAs and PSAs for wind energy facilities developed for others. ALLETE Clean Energy does not believe it is likely that any of these outstanding letters of credit will be drawn upon.

Corporate and Other.

BNI Energy. As of June 30, 2023, BNI Energy had surety bonds outstanding of $82.4 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 $82.1 million. BNI Energy does not believe it is likely that any of these outstanding surety bonds will be drawn upon.

Investment in Nobles 2. The Nobles 2 wind energy facility requires standby letters of credit as security for certain contractual obligations. As of June 30, 2023, ALLETE South Wind has $10.1 million outstanding in standby letters of credit, related to its portion of the security requirements relative to its ownership in Nobles 2. We do not believe it is likely that any of these outstanding letters of credit will be drawn upon.

South Shore Energy. As of June 30, 2023, South Shore Energy had $23.9 million outstanding in standby letters of credit pledged as security in connection with the development of NTEC. South Shore Energy does not believe it is likely that any of these outstanding letters of credit will be drawn upon.

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

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.

In the first quarter of 2023, an ALLETE Clean Energy subsidiary initiated arbitration proceedings seeking damages against a counterparty for non-performance under a contract. Arbitration hearings were held in June and July 2023 with a decision expected in the third quarter of 2023. We are unable to predict the outcome of the arbitration proceedings.

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.

	2023			2022		
Reconciliation of Basic and Diluted Earnings Per Share	**Basic**	**Dilutive Securities**	**Diluted**	**Basic**	**Dilutive Securities**	**Diluted**
Millions Except Per Share Amounts						
Quarter ended June 30,						
Net Income Attributable to ALLETE	$51.5		$51.5	$37.6		$37.6
Average Common Shares	57.3	0.1	57.4	56.1	—	56.1
Earnings Per Share	$0.90		$0.90	$0.67		$0.67
Six Months Ended June 30,						
Net Income Attributable to ALLETE	$109.7		$109.7	$103.9		$103.9
Average Common Shares	57.3	0.1	57.4	54.9	—	54.9
Earnings Per Share	$1.91		$1.91	$1.89		$1.89

NOTE 8. INCOME TAX EXPENSE

	Quarter Ended June 30		Six Months Ended June 30	
	2023	**2022**	**2023**	**2022**
Millions				
Current Income Tax Expense *(a)*				
Federal	$3.0	—	$8.6	—
State	3.2	—	5.4	$0.1
Total Current Income Tax Expense	$6.2	—	$14.0	$0.1
Deferred Income Tax Expense (Benefit)				
Federal *(b)*	$(7.8)	$(3.7)	$(16.1)	$(12.3)
State	1.3	(4.5)	3.4	0.3
Investment Tax Credit Amortization	(0.1)	(0.1)	(0.2)	(0.3)
Total Deferred Income Tax Benefit	$(6.6)	$(8.3)	$(12.9)	$(12.3)
Total Income Tax Expense (Benefit)	($0.4)	$(8.3)	$1.1	$(12.2)

(a) *For the quarter and six months ended June 30, 2022, the federal and state current tax expense was minimal due to NOLs which resulted from the bonus depreciation provisions of certain tax legislation. For the quarter and six months ended June 30, 2023, the federal current tax expense was partially offset by production tax credits.*

(b) *For the quarter and six months ended June 30, 2023 and 2022, the federal income tax benefit is primarily due to production tax credits.*

NOTE 8. INCOME TAX EXPENSE (Continued)

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 June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Millions				
Income Before Income Taxes	$40.3	$12.5	$79.4	$55.1
Statutory Federal Income Tax Rate	21 %	21 %	21 %	21 %
Income Taxes Computed at Statutory Federal Rate	$8.5	$2.6	$16.7	$11.6
Increase (Decrease) in Income Tax Due to:				
State Income Taxes – Net of Federal Income Tax Benefit	3.6	1.6	7.0	5.5
Deferred Revaluation – Net of Federal Income Tax Benefit	—	(5.2)	—	(5.2)
Production Tax Credits *(a)*	(10.2)	(7.1)	(20.6)	(24.7)
Investment Tax Credits *(a)*	(1.4)	—	(3.6)	—
Regulatory Differences – Excess Deferred Tax	(2.4)	(1.4)	(5.2)	(5.2)
Non-Controlling Interest in Subsidiaries	2.1	3.2	5.9	7.0
Other	(0.6)	(2.0)	0.9	(1.2)
Total Income Tax Expense (Benefit)	$(0.4)	$(8.3)	$1.1	$(12.2)

(a) For the quarter and six months ended June 30, 2023, the credits are presented net of any estimated discount on the sale of certain credits.

For the six months ended June 30, 2023, the effective tax rate was an expense of 1.4 percent (benefit of 22.1 percent for the six months ended June 30, 2022). The effective tax rates for 2023 and 2022 were primarily impacted by production tax credits.

Uncertain Tax Positions. As of June 30, 2023, we had gross unrecognized tax benefits of $1.1 million ($1.3 million as of December 31, 2022). 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 an increase to the net deferred tax liability on the Consolidated Balance Sheet.

ALLETE and its subsidiaries file a consolidated federal income tax return as well as combined and separate state income tax returns in various jurisdictions. The examination by the state of Wisconsin for the tax years 2018 through 2020 has been closed with no findings. ALLETE has no open federal or state audits, and is no longer subject to federal examination for years before 2019, or state examination for years before 2018. Additionally, the statute of limitations related to the federal tax credit carryforwards will remain open until those credits are utilized in subsequent returns.

NOTE 9. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

Components of Net Periodic Benefit Cost (Credit)	Pension 2023	Pension 2022	Other Postretirement 2023	Other Postretirement 2022
Millions				
Quarter Ended June 30,				
Service Cost	$1.6	$2.4	$0.5	$0.7
Non-Service Cost Components *(a)*				
Interest Cost	10.1	6.8	1.5	1.1
Expected Return on Plan Assets	(11.0)	(10.3)	(2.8)	(2.4)
Amortization of Prior Service Credits	—	(0.1)	(1.7)	(1.9)
Amortization of Net Loss	1.5	2.6	(0.6)	0.1
Net Periodic Benefit Cost (Credit)	$2.2	$1.4	$(3.1)	$(2.4)
Six Months Ended June 30,				
Service Cost	$3.2	$4.8	$1.1	$1.5
Non-Service Cost Components *(a)*				
Interest Cost	20.2	13.5	3.0	2.2
Expected Return on Plan Assets	(21.9)	(20.7)	(5.6)	(4.8)
Amortization of Prior Service Credits	—	(0.1)	(3.5)	(3.8)
Amortization of Net Loss	2.9	5.8	(1.1)	0.2
Net Periodic Benefit Cost (Credit)	$4.4	$3.3	$(6.1)	$(4.7)

(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 six months ended June 30, 2023, we contributed $6.5 million in cash to the defined benefit pension plans (none for the six months ended June 30, 2022); we expect to contribute an additional approximately $10 million to our defined benefit pension plans in 2023. For the six months ended June 30, 2023 and 2022, 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 2023.

NOTE 10. BUSINESS SEGMENTS

We present two reportable segments: Regulated Operations and ALLETE Clean Energy. 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. We also present Corporate and Other which includes New Energy, a renewable energy development company, BNI Energy, our coal mining operations in North Dakota, ALLETE Properties, our legacy Florida real estate investment, along with our investment in Nobles 2, South Shore Energy, our non-rate regulated, Wisconsin subsidiary developing NTEC, other business development and corporate expenditures, unallocated interest expense, a small amount of non-rate base generation, land holdings in Minnesota, and earnings on cash and investments.

NOTE 10. BUSINESS SEGMENTS (Continued)

	Quarter Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Millions				
Operating Revenue				
Regulated Operations				
Residential	$36.0	$40.6	$85.4	$96.6
Commercial	44.0	44.4	91.7	92.7
Municipal	7.6	10.0	16.5	22.1
Industrial	140.2	150.6	285.1	298.4
Other Power Suppliers	36.3	36.9	72.2	77.9
Other	28.1	26.2	53.9	50.0
Total Regulated Operations	292.2	308.7	604.8	637.7
ALLETE Clean Energy				
Long-term PSA	13.2	18.9	31.6	44.3
Sale of Wind Energy Facilities	166.6	—	348.4	—
Other	1.3	2.3	2.6	5.1
Total ALLETE Clean Energy	181.1	21.2	382.6	49.4
Corporate and Other				
Long-term Contract	23.9	21.4	49.4	44.0
Sale of Renewable Development Projects	32.6	14.5	52.4	14.5
Other	3.6	7.3	9.1	11.0
Total Corporate and Other	60.1	43.2	110.9	69.5
Total Operating Revenue	$533.4	$373.1	$1,098.3	$756.6
Net Income Attributable to ALLETE				
Regulated Operations	$37.8	$29.6	$78.4	$81.1
ALLETE Clean Energy	3.1	5.8	11.6	22.3
Corporate and Other *(a)*	10.6	2.2	19.7	0.5
Total Net Income Attributable to ALLETE	$51.5	$37.6	$109.7	$103.9

(a) Net Income in 2022 includes a $4.0 million after-tax expense as a result of purchase price accounting related to projects under development at the time of acquisition and $3.0 million after-tax of transaction costs related to the acquisition of New Energy.

	June 30, 2023	December 31, 2022
Millions		
Assets		
Regulated Operations	$4,259.8	$4,291.4
ALLETE Clean Energy	1,557.9	1,873.3
Corporate and Other	750.2	680.9
Total Assets	$6,567.9	$6,845.6

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 2022 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 and our 2022 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 24 of our 2022 Form 10-K. The risks and uncertainties described in this Form 10-Q and our 2022 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.

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 150,000 retail customers. Minnesota Power also has 14 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 seven states, more than 1,200 MW of nameplate capacity wind energy generation with a majority contracted under PSAs of various durations. In addition, 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.

Corporate and Other is comprised of New Energy, a renewable development company; our investment in Nobles 2, an entity that owns and operates a 250 MW wind energy facility in southwestern Minnesota; South Shore Energy, our non-rate regulated, Wisconsin subsidiary developing NTEC, an approximately 600 MW proposed combined-cycle natural gas-fired generating facility; BNI Energy, our coal mining operations in North Dakota; 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; land holdings 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 June 30, 2023, 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 six months ended June 30, 2023, to the six months ended June 30, 2022.

Net income attributable to ALLETE for the six months ended June 30, 2023, was $109.7 million, or $1.91 per diluted share, compared to $103.9 million, or $1.89 per diluted share, for the same period in 2022. Earnings per share dilution in 2023 was $0.09 due to additional average shares of common stock outstanding in 2023 compared to 2022.

Regulated Operations net income attributable to ALLETE was $78.4 million for the six months ended June 30, 2023, compared to $81.1 million for the same period in 2022. Net income at Minnesota Power was lower than 2022 primarily due to interim rate refund reserves recognized during 2023 as a result of Minnesota Power's 2022 general rate case, and higher operating and maintenance expense. These decreases were partially offset by higher kWh sales to industrial customers and lower property tax expense resulting from the favorable impact of an updated estimate for 2022 property tax expense recorded in 2023. Net income at SWL&P and our after-tax equity earnings in ATC were similar to 2022. (See Note 3. Equity Investments.)

ALLETE Clean Energy net income attributable to ALLETE was $11.6 million for the six months ended June 30, 2023, compared to $22.3 million for the same period in 2022. Net income in 2023 reflected lower wind resources and availability at its wind energy facilities resulting in lower revenue as well as the impact of net losses attributable to non-controlling interests for tax equity financed wind energy facilities. These decreases were partially offset by the gain on sale of the Red Barn project in 2023 of $4.3 million after-tax. Net income in 2022 included earnings from the legacy Northern Wind facilities, which were decommissioned in April 2022 as part of ALLETE Clean Energy's project to repower and sell the Northern Wind project.

Corporate and Other net income attributable to ALLETE was $19.7 million for the six months ended June 30, 2023, compared to $0.5 million for the same period in 2022. Net income in 2023 reflects higher earnings from New Energy in 2023 compared to 2022 as a result of more renewable development projects closed during 2023 and the impact of purchase price accounting in 2022. Net income from New Energy in 2023 was $11.5 million. The net loss from New Energy in 2022 was $1.1 million, which included a $4.0 million after-tax expense as a result of purchase price accounting related to projects under development at the time of acquisition. Net income in 2023 also reflects earnings from Minnesota solar projects placed into service in the fourth quarter of 2022 and second quarter of 2023. Net income in 2022 included transaction costs of $3.0 million after-tax related to the acquisition of New Energy in April 2022.

COMPARISON OF THE QUARTER ENDED JUNE 30, 2023 AND 2022

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

Regulated Operations

Quarter Ended June 30,	2023	2022
Millions		
Operating Revenue – Utility	$292.2	$308.7
Fuel, Purchased Power and Gas – Utility	107.6	143.2
Transmission Services – Utility	23.5	18.3
Operating and Maintenance	61.5	57.1
Depreciation and Amortization	44.6	43.6
Taxes Other than Income Taxes	5.6	11.9
Operating Income	49.4	34.6
Interest Expense	(16.2)	(14.4)
Equity Earnings	5.6	5.3
Other Income	2.6	2.8
Income Before Income Taxes	41.4	28.3
Income Tax Expense (Benefit)	3.6	(1.3)
Net Income Attributable to ALLETE	$37.8	$29.6

Operating Revenue – Utility decreased $16.5 million from 2022 primarily due to lower fuel adjustment clause recoveries and interim rate revenue, net of reserves, as well as timing of financial incentives under Minnesota Power's energy conservation and optimization plan, partially offset by higher cost recovery rider revenue, transmission revenue, kWh sales and FERC formula-based rates.

Fuel adjustment clause revenue decreased $25.7 million due to lower fuel and purchased power costs attributable to retail and municipal customers. (See *Fuel, Purchased Power and Gas – Utility.*)

Interim retail rate revenue, net of reserves, for Minnesota Power decreased $6.6 million from 2022 primarily due to interim refund reserves recognized during 2023 as a result of Minnesota Power's 2022 general rate case. (See Note 2. Regulatory Matters.)

Financial incentives under Minnesota Power's energy conservation and optimization plan were $1.9 million lower than 2022 due to the timing of MPUC approval in 2022. (See Note 2. Regulatory Matters.)

Cost recovery rider revenue increased $9.8 million primarily due to fewer production tax credits generated by Minnesota Power. If production tax credits are generated at a level below those assumed in Minnesota Power's retail rates, an increase in cost recovery rider revenue is recognized to offset the impact of lower production tax credits on income tax expense.

Transmission revenue increased $4.5 million primarily due to higher MISO-related revenue.

Higher kWh sales increased revenue by $3.9 million from 2022 reflecting higher sales to industrial customers. Sales to industrial customers increased primarily due to higher sales to taconite customers reflecting Cliffs' Northshore mine being idled in 2022 and resumed partial pellet plant production in April 2023 (see *Outlook – Customers – Northshore Mining*) as well as sales to ST Paper, which became a large power customer in 2023 (see *Outlook – Customers – ST Paper*), and higher sales to pipeline and other customers.

Kilowatt-hours Sold			**Variance**	
Quarter Ended June 30,	**2023**	**2022**	**Quantity**	**%**
Millions				
Regulated Utility				
Retail and Municipal				
Residential	241	245	(4)	(1.6)%
Commercial	320	314	6	1.9 %
Industrial	1,778	1,616	162	10.0 %
Municipal	110	131	(21)	(16.0)%
Total Retail and Municipal	2,449	2,306	143	6.2 %
Other Power Suppliers	786	794	(8)	(1.0)%
Total Regulated Utility Kilowatt-hours Sold	3,235	3,100	135	4.4 %

Revenue from electric sales to taconite customers accounted for 32 percent of regulated operating revenue in 2023 (34 percent in 2022). Revenue from electric sales to paper, pulp and secondary wood product customers accounted for 5 percent of regulated operating revenue in 2023 (5 percent in 2022). Revenue from electric sales to pipelines and other industrial customers accounted for 11 percent of regulated operating revenue in 2023 (9 percent in 2022).

Revenue from wholesale customers under FERC formula-based rates increased $2.1 million primarily due to higher rates.

Operating Expenses decreased $31.3 million, or 11 percent, from 2022.

Fuel, Purchased Power and Gas – Utility expense decreased $35.6 million, or 25 percent, from 2022 primarily due to lower purchased power prices and fuel costs.

Transmission Services – Utility expense increased $5.2 million, or 28 percent, from 2022 primarily due to higher MISO-related expense.

Operating and Maintenance expense increased $4.4 million, or 8 percent, from 2022 primarily due to higher salaries and wages, vegetation management costs and materials purchased for use in generation facilities.

Taxes Other than Income Taxes decreased $6.3 million, or 53 percent, from 2022 primarily due to lower property tax expense resulting from the favorable impact of an updated estimate for 2022 property tax expense recorded in 2023.

Income Tax Expense increased $4.9 million from 2022 primarily due to higher pre-tax income. We expect our annual effective tax rate in 2023 to be an income tax expense compared to a benefit in 2022 primarily due to lower production tax credits.

COMPARISON OF THE QUARTER ENDED JUNE 30, 2023 AND 2022 (Continued)

ALLETE Clean Energy

Quarter Ended June 30,	**2023**	**2022**
Millions		
Operating Revenue		
Contracts with Customers – Non-utility	$179.8	$18.9
Other – Non-utility *(a)*	1.3	2.3
Cost of Sales – Non-utility	160.7	10.2
Operating and Maintenance	14.3	12.5
Depreciation and Amortization	14.3	14.5
Taxes Other than Income Taxes	1.9	3.1
Operating Loss	(10.1)	(19.1)
Interest Expense	(0.2)	(0.7)
Other Income	1.0	10.3
Loss Before Income Taxes	(9.3)	(9.5)
Income Tax Benefit	(4.2)	(1.5)
Net Loss	(5.1)	(8.0)
Net Loss Attributable to Non-Controlling Interest	(8.2)	(13.8)
Net Income Attributable to ALLETE	$3.1	$5.8

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

Operating Revenue increased $159.9 million compared to 2022 primarily due to the sale of ALLETE Clean Energy's Red Barn project in 2023. This increase was partially offset by lower wind resources at wind energy facilities in all regions in 2023 compared to 2022. Wind availability was down across the nation in 2023 and consequently ALLETE Clean Energy revenue was negatively impacted during the quarter. In 2022, operating revenue also included revenue from the legacy Northern Wind facilities, which were decommissioned in April 2022 as part of ALLETE Clean Energy's Northern Wind project.

	Quarter Ended June 30,			
	2023		**2022**	
Production and Operating Revenue	**kWh**	**Revenue**	**kWh**	**Revenue**
Millions				
Wind Energy Regions				
East	41.8	$4.5	58.0	$5.2
Midwest	148.7	4.6	203.5	7.3
South	377.7	2.5	574.8	3.9
West	156.0	2.9	214.4	4.8
Sale of Wind Energy Facility	—	166.6	—	—
Total Production and Operating Revenue	724.2	$181.1	1,050.7	$21.2

Cost of Sales – Non-utility increased $150.5 million from 2022 reflecting the sale of ALLETE Clean Energy's Red Barn project in 2023. Cost of Sales – Non-utility in 2022 reflected a $10.2 million reserve in the second quarter related to the sale of the Northern Wind project, which was fully offset by a gain on removal of the PSA liability for the Northern Wind project upon decommissioning of the wind energy facilities. (See *Other Income* and Outlook – ALLETE Clean Energy.)

Operating and Maintenance expense increased $1.8 million from 2022 primarily due to higher contract and professional services in 2023.

Other Income decreased $9.3 million from 2022 primarily due to a gain on removal of the PSA liability for the Northern Wind project upon decommissioning of the wind energy facilities in 2022. (See *Cost of Sales – Non-utility* and Outlook – ALLETE Clean Energy.)

Income Tax Benefit increased $2.7 million from 2022 primarily due to lower income from net losses attributable to non-controlling interests for tax equity financed wind energy facilities.

COMPARISON OF THE QUARTER ENDED JUNE 30, 2023 AND 2022 (Continued)
ALLETE Clean Energy (Continued)

Net Loss Attributable to Non-Controlling Interest decreased $5.6 million from 2022 reflecting lower wind resources at our tax equity financed wind energy facilities. This decrease was partially offset by a higher production tax credit value per MWh, as determined by the Internal Revenue Service, in 2023 compared to 2022.

Corporate and Other

Operating Revenue increased $16.9 million from 2022 reflecting higher revenue from New Energy, which was acquired in April 2022, and higher revenue at BNI Energy, which operates under cost-plus fixed fee contracts, as a result of higher expenses in 2023 compared to 2022.

Net Income Attributable to ALLETE of $10.6 million in 2023 compared to $2.2 million in 2022. Net income in 2023 reflects higher earnings from New Energy in 2023 compared to 2022 as a result of more renewable development projects sold and fewer impacts from purchase price accounting in 2023 compared to 2022. Net income from New Energy in 2023 was $7.4 million. The net loss from New Energy in 2022 was $1.1 million, which included a $4.0 million after-tax expense as a result of purchase price accounting related to projects under development at the time of acquisition. This increase was partially offset by higher income taxes in 2023. Net income in 2022 included transaction costs of $1.6 million after-tax related to the acquisition of New Energy in April 2022.

Income Taxes – Consolidated

For the quarter ended June 30, 2023, the effective tax rate was an benefit of 1.0 percent (benefit of 66.4 percent for the quarter ended June 30, 2022). The effective tax rate for 2023 was a lower benefit primarily due to higher pre-tax income and lower production tax credits.

We expect our annual effective tax rate in 2023 to be an expense primarily due to lower production tax credits and higher estimated pre-tax income. 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. (See Note 8. Income Tax Expense.)

COMPARISON OF THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022

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

Regulated Operations

Six Months Ended June 30,	**2023**	**2022**
Millions		
Operating Revenue – Utility	$604.8	$637.7
Fuel, Purchased Power and Gas – Utility	226.2	280.6
Transmission Services – Utility	43.6	38.2
Operating and Maintenance	123.4	115.5
Depreciation and Amortization	89.1	87.0
Taxes Other than Income Taxes	21.5	27.1
Operating Income	101.0	89.3
Interest Expense	(31.7)	(28.3)
Equity Earnings	11.6	10.7
Other Income	5.1	4.6
Income Before Income Taxes	86.0	76.3
Income Tax Expense (Benefit)	7.6	(4.8)
Net Income Attributable to ALLETE	$78.4	$81.1

Operating Revenue – Utility decreased $32.9 million from 2022 primarily due to lower fuel adjustment clause recoveries, kWh sales and interim rate revenue, net of reserves, as well as timing of financial incentives under Minnesota Power's energy conservation and optimization plan, partially offset by higher cost recovery rider revenue, transmission revenue and FERC formula-based rates.

Fuel adjustment clause revenue decreased $30.4 million due to lower fuel and purchased power costs attributable to retail and municipal customers. (See *Fuel, Purchased Power and Gas – Utility.*)

Lower kWh sales reduced revenue by $16.0 million from 2022 reflecting lower sales to residential, commercial and municipal customers as well as lower sales to other power suppliers. Sales to residential, commercial and municipal customers decreased from 2022 primarily due to milder weather in 2023 compared to 2022. Sales to municipal customers also decreased as a result of a new contract entered into with Hibbing Public Utilities in 2022 with sales under the new contract now classified under other power suppliers. Sales to industrial customers increased primarily due to higher sales to most taconite customers, sales to ST Paper, which became a large power customer in 2023 (see *Outlook – Customers – ST Paper*), and higher sales to pipeline and other customers, partially offset by lower sales to Cliffs' Northshore mine as it was idled beginning in the second quarter of 2022 until it resumed partial pellet plant production in April 2023. (See *Outlook – Customers – Northshore Mining.*) Sales to other power suppliers, which are sold at market-based prices into the MISO market on a daily basis or through PSAs of various durations, decreased in 2023 compared to 2022 primarily due to fewer market sales and lower market prices in 2023 compared to 2022.

Kilowatt-hours Sold			**Variance**	
Six Months Ended June 30,	**2023**	**2022**	**Quantity**	**%**
Millions				
Regulated Utility				
Retail and Municipal				
Residential	562	600	(38)	(6.3)%
Commercial	667	674	(7)	(1.0)%
Industrial	3,436	3,382	54	1.6 %
Municipal	238	289	(51)	(17.6)%
Total Retail and Municipal	4,903	4,945	(42)	(0.8)%
Other Power Suppliers	1,482	1,775	(293)	(16.5)%
Total Regulated Utility Kilowatt-hours Sold	6,385	6,720	(335)	(5.0)%

Revenue from electric sales to taconite customers accounted for 31 percent of regulated operating revenue in 2023 (33 percent in 2022). Revenue from electric sales to paper, pulp and secondary wood product customers accounted for 5 percent of regulated operating revenue in 2023 (5 percent in 2022). Revenue from electric sales to pipelines and other industrial customers accounted for 11 percent of regulated operating revenue in 2023 (9 percent in 2022).

Interim retail rate revenue, net of reserves, for Minnesota Power decreased $13.2 million from 2022 primarily due to interim refund reserves recognized during 2023 as a result of Minnesota Power's 2022 general rate case. Interim rate refund reserves in 2022 were not recognized until the fourth quarter. (See Note 2. Regulatory Matters.)

Financial incentives under Minnesota Power's energy conservation and optimization plan were $1.9 million lower than 2022 due to the timing of MPUC approval in 2022. (See Note 2. Regulatory Matters.)

Cost recovery rider revenue increased $19.6 million primarily due to fewer production tax credits generated by Minnesota Power. If production tax credits are generated at a level below those assumed in Minnesota Power's retail rates, an increase in cost recovery rider revenue is recognized to offset the impact of lower production tax credits on income tax expense.

Transmission revenue increased $6.1 million primarily due to higher MISO-related revenue.

Revenue from wholesale customers under FERC formula-based rates increased $3.5 million primarily due to higher rates.

Operating Expenses decreased $44.6 million, or 8 percent, from 2022.

Fuel, Purchased Power and Gas – Utility expense decreased $54.4 million, or 19 percent, from 2022 primarily due to lower kWh sales, purchased power prices and fuel costs.

Transmission Services – Utility expense increased $5.4 million, or 14 percent, from 2022 primarily due to higher MISO-related expense.

COMPARISON OF THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022 (Continued)
Regulated Operations (Continued)

Operating and Maintenance expense increased $7.9 million, or 7 percent, from 2022 primarily due to higher salaries and wages, vegetation management costs, and materials purchased for use in generation facilities. These increases were partially offset by lower benefit costs.

Depreciation and Amortization expense increased $2.1 million, or 2 percent, from 2022 primarily due to a higher plant in service balance in 2023.

Taxes Other than Income Taxes decreased $5.6 million, or 21 percent, from 2022 primarily due to lower property tax expense resulting from the favorable impact of an updated estimate for 2022 property tax expense recorded in 2023.

Income Tax Expense increased $12.4 million from 2022 primarily due to lower production tax credits. We expect our annual effective tax rate in 2023 to be an income tax expense compared to a benefit in 2022 primarily due to lower production tax credits.

ALLETE Clean Energy

Six Months Ended June 30,	2023	2022
Millions		
Operating Revenue		
Contracts with Customers – Non-utility	$380.0	$44.3
Other – Non-utility *(a)*	2.6	5.1
Cost of Sales – Non-utility	342.3	10.2
Operating and Maintenance	28.6	23.9
Depreciation and Amortization	28.7	29.9
Taxes Other than Income Taxes	4.8	6.1
Operating Loss	(21.8)	(20.7)
Interest Expense	(0.5)	(1.8)
Other Income	1.2	10.4
Loss Before Income Taxes	(21.1)	(12.1)
Income Tax Benefit	(7.2)	(4.0)
Net Loss	(13.9)	(8.1)
Net Loss Attributable to Non-Controlling Interest	(25.5)	(30.4)
Net Income Attributable to ALLETE	$11.6	$22.3

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

Operating Revenue increased $333.2 million from 2022 primarily due to the sales of ALLETE Clean Energy's Northern Wind and Red Barn projects in 2023. This increase was partially offset by lower wind resources and availability at wind energy facilities in all regions in 2023 compared to 2022. Wind availability was down across the nation during the second quarter of 2023 and consequently, ALLETE Clean Energy revenue was negatively impacted in 2023. In 2022, operating revenue also included revenue from the legacy Northern Wind facilities, which were decommissioned in April 2022 as part of ALLETE Clean Energy's Northern Wind project.

	Six Months Ended June 30,			
	2023		2022	
Production and Operating Revenue	kWh	Revenue	kWh	Revenue
Millions				
Wind Energy Regions				
East	121.2	$11.9	145.3	$13.2
Midwest	303.9	9.5	491.1	16.9
South	996.6	5.9	1,177.7	8.5
West	353.1	6.9	472.7	10.8
Sale of Wind Energy Facility	—	348.4	—	—
Total Production and Operating Revenue	1,774.8	$382.6	2,286.8	$49.4

Cost of Sales – Non-utility increased $332.1 million from 2022 reflecting the sales of ALLETE Clean Energy's Northern Wind and Red Barn projects in 2023. Cost of Sales – Non-utility in 2022 reflected a $10.2 million reserve in the second quarter related to the sale of the Northern Wind project, which was fully offset by a gain on removal of the PSA liability for the Northern Wind project upon decommissioning of the wind energy facilities. (See *Other Income* and Outlook – ALLETE Clean Energy.)

Operating and Maintenance expense increased $4.7 million, or 20 percent, from 2022 primarily due to higher contract and professional services in 2023.

Other Income decreased $9.2 million from 2022 primarily due to a gain on removal of the PSA liability for the Northern Wind project upon decommissioning of the wind energy facilities in 2022. (See *Cost of Sales – Non-utility* and Outlook – ALLETE Clean Energy.)

Income Tax Benefit increased $3.2 million from 2022 primarily due to a higher pre-tax loss in 2023 compared to 2022.

Net Loss Attributable to Non-Controlling Interest decreased $4.9 million from 2022 reflecting lower wind resources at our tax equity financed wind energy facilities. This decrease was partially offset by a higher production tax credit value per MWh, as determined by the Internal Revenue Service, in 2023 compared to 2022.

Corporate and Other

Operating Revenue increased $41.4 million, or 60 percent, from 2022 reflecting higher revenue from New Energy, which was acquired in April 2022, and higher revenue at BNI Energy, which operates under cost-plus fixed fee contracts, as a result of higher expenses in 2023 compared to 2022.

Net Income Attributable to ALLETE was $19.7 million in 2023 compared to $0.5 million in 2022. Net income in 2023 reflects higher earnings from New Energy in 2023 compared to 2022 as a result of more renewable development projects closed during 2023 and the impact of purchase price accounting in 2022. Net income from New Energy in 2023 was $11.5 million. The net loss from New Energy in 2022 was $1.1 million, which included a $4.0 million after-tax expense as a result of purchase price accounting related to projects under development at the time of acquisition. Net income in 2023 also reflects earnings from Minnesota solar projects placed into service in the fourth quarter of 2022 and second quarter of 2023. Net income in 2022 included transaction costs of $3.0 million after-tax related to the acquisition of New Energy in April 2022.

Income Taxes – Consolidated

For the six months ended June 30, 2023, the effective tax rate was an expense of 1.4 percent (benefit of 22.1 percent for the six months ended June 30, 2022). The effective tax rate for 2023 was an expense primarily due to higher pre-tax income and lower production tax credits.

We expect our annual effective tax rate in 2023 to be an expense primarily due to lower production tax credits and higher estimated pre-tax income. 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. (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, goodwill, 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 2022 Form 10-K.

OUTLOOK

For additional information see our 2022 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 objective of achieving consolidated earnings per share growth within a range of 5 percent to 7 percent.

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 New Energy and its 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 75 percent of total consolidated net income in 2023. ALLETE expects its businesses to generally provide regulated, contracted or recurring revenues, and to support sustained growth in net income and cash flow.

Minnesota Carbon-Free Legislation. On February 7, 2023, the Minnesota Governor signed into law legislation that updates the state's renewable energy standard and requires Minnesota electric utilities to source retail sales with 100 percent carbon-free energy by 2040. The law increases the renewable energy standard from 25 percent renewable by 2025 to 55 percent renewable by 2035, and requires investor-owned Minnesota utilities to provide 80 percent carbon-free energy by 2030, 90 percent carbon-free energy by 2035 and 100 percent carbon-free energy by 2040. The law utilizes renewable energy credits as the means to demonstrate compliance with both the carbon-free and renewable standards, includes an off-ramp provision that enables the MPUC to protect reliability and customer costs through modification or delay of either the renewable energy standard, the carbon-free standard, or both, and streamlines development and construction of wind energy projects and transmission in Minnesota. The Company is evaluating the law to identify challenges and opportunities it could present.

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. In 2021, Minnesota Power announced its vision of delivering 100 percent carbon-free energy by 2050. 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. Minnesota Power plans to file its next rate case in the fourth quarter of 2023.

2022 Minnesota General Rate Case. On November 1, 2021, Minnesota Power filed a retail rate increase request with the MPUC seeking an average increase of approximately 18 percent for retail customers. The rate filing sought a return on equity of 10.25 percent and a 53.81 percent equity ratio. On an annualized basis, the requested final rate increase would have generated approximately $108 million in additional revenue.

OUTLOOK (Continued)
Regulated Operations (Continued)

In an order dated February 28, 2023, the MPUC made determinations regarding Minnesota Power's general rate case including allowing a return on common equity of 9.65 percent and a 52.50 percent equity ratio. Upon commencement of final rates, we expect additional revenue from base rates of approximately $60 million and an additional $10 million in revenue recognized under cost recovery riders on an annualized basis. On March 20, 2023, Minnesota Power filed a petition for reconsideration with the MPUC requesting reconsideration and clarification of certain decisions in the MPUC's order. Minnesota Power's petition included requesting reconsideration of the ratemaking treatment of Taconite Harbor and Minnesota Power's prepaid pension asset as well as clarification on interim rate treatment for sales to certain customers that did not operate during 2022. The MPUC denied the requests for reconsideration in an order dated May 15, 2023, and provided clarification in support of the interim rate refund treatment for sales to certain customers that did not operate during 2022.

Final rates are expected to commence in the third quarter of 2023; interim rates will be collected through this period with reserves recorded as necessary. Minnesota Power has recorded a reserve for an interim rate refund of $31.8 million pre-tax as of June 30, 2023 ($18.4 million as of December 31, 2022), which is subject to MPUC approval of Minnesota Power's compliance filing and interim rate refund calculation that was submitted to the MPUC on June 14, 2023.

On June 14, 2023, Minnesota Power filed notice with the Minnesota Court of Appeals (Court) to appeal specific aspects of the MPUC's rate case orders. Minnesota Power is appealing the ratemaking treatment of Taconite Harbor and Minnesota Power's prepaid pension asset. We are unable to predict the outcome of this proceeding.

Industrial and Municipal 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 54 percent of our regulated utility kWh sales in the six months ended June 30, 2023, were made to our industrial customers (50 percent in the six months ended June 30, 2022).

Taconite.

Northshore Mining. Cliffs idled all production at its Northshore mine in 2022. Northshore Mining resumed partial pellet plant production in April 2023. Cliffs indicated it will continue to utilize Northshore Mining as a swing facility and does not expect it to operate at full production in 2023. 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.

USS Corporation. USS Corporation has announced plans to invest approximately $150 million to construct a system dedicated to producing direct reduced-grade (DR-grade) pellets at its Keetac plant. USS Corporation broke ground on the project in the third quarter of 2022, which is expected to be completed in late 2023. This will enable the existing pelletizing plant to not only create DR-grade pellets for use as a feedstock for a direct reduced iron (DRI) or hot briquetted iron (HBI) process that ultimately supplies electric arc furnace steelmaking but also maintains the optionality to continue producing blast furnace-grade pellets. USS Corporation's Minntac and Keetac plants are large power industrial customers of Minnesota Power. USS Corporation has the capability to produce approximately 15 million and 5 million tons annually at its Minntac and Keetac plants, respectively.

Hibbing Taconite. On May 25, 2023, the Minnesota Executive Council approved state mineral leases near Nashwauk, Minnesota, with Hibbing Taconite providing the mine with more than two decades of additional mineral reserves. Prior to the leases being awarded, Hibbing Taconite had proven mineral reserves to support its operations through 2026. Hibbing Taconite has the capability of producing 8 million tons of taconite annually.

Paper, Pulp and Secondary Wood Products.

ST Paper. In May 2021, ST Paper announced it had completed the purchase of the Duluth Mill from Verso Corporation. ST Paper completed a project at the Duluth Mill to produce tissue and began production early in 2023. In January 2022, Minnesota Power entered into an electric service agreement with ST Paper that would begin large power customer service with a minimum term of six years upon start-up of operations. ST Paper has completed start-up of operations and is now a large power customer.

Pipeline and Other Industries.

Cenovus Energy. In 2018, a fire at Cenovus Energy's refinery in Superior, Wisconsin, which was owned by Husky Energy at that time, disrupted operations at the facility. Under normal operating conditions, SWL&P provides approximately 14 MW of average monthly demand to the refinery in addition to water service. Cenovus Energy announced in April 2023 that it had commenced restart of the facility, and the refinery is expected to resume normal operations in 2023.

Transmission.

Duluth Loop Reliability Project. In October 2021, Minnesota Power submitted an application for a certificate of need for the Duluth Loop Reliability Project. This transmission project was proposed to enhance reliability in and around Duluth, Minnesota. The project includes the construction of a new 115-kV transmission line; construction of an approximately one-mile extension of an existing 230-kV transmission line; and upgrades to several substations. A certificate of need was granted and a route permit was issued by the MPUC on April 3, 2023. The Duluth Loop Reliability Project is expected to be completed and in service by 2025, with an estimated cost of $50 million to $70 million.

HVDC Transmission System Project. On June 1, 2023, Minnesota Power submitted an application for a certificate of need and route permit with the MPUC to replace aging critical infrastructure and modernize the terminal stations of its HVDC transmission line. Minnesota Power uses the 465-mile, 250-kV HVDC 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. The HVDC transmission system project is expected to improve reliability of the transmission system, improve system resiliency, expand the operating capacity of the HVDC terminals, and replace critical infrastructure. Pending regulatory approvals in Minnesota and North Dakota, construction could begin as early as 2024, with an in-service date expected between 2028 and 2030. The project is estimated to cost between $800 million and $900 million.

Northland Reliability Project. Minnesota Power and Great River Energy announced in July 2022, their intent to build a 150-mile, 345-kV transmission line, connecting northern Minnesota to central Minnesota to support continued reliability in the Upper Midwest. Great River Energy, a wholesale electric power cooperative, and Minnesota Power filed a Notice of Intent to Construct, Own and Maintain the transmission line with the MPUC in August 2022. This joint project is part of a portfolio of transmission projects approved in July 2022 by MISO as part of the first phase of its Long Range Transmission Plan. Planning for the approximately $970 million transmission line, as initially estimated through the MISO planning process, is in its early stages with the route anticipated to generally follow existing rights of way in an established power line corridor. The MPUC will determine the final route as well as cost recovery for Minnesota Power's approximately 50 percent estimated share of the project. On August 4, 2023, Minnesota Power and Great River Energy submitted an application for a certificate of need and route permit with the MPUC. Subject to regulatory approvals, the transmission line is expected to be in service in 2030.

ALLETE Clean Energy.

ALLETE Clean Energy will pursue growth through acquisitions or project development. ALLETE Clean Energy is targeting acquisitions of existing operating portfolios which have a mix of long-term PSAs in place and/or available for repowering and recontracting. Further, ALLETE Clean Energy will evaluate actions that will lead to the addition of complimentary clean energy products and services. At this time, ALLETE Clean Energy is focused on actions that will optimize its clean energy project portfolio of operating and development projects, which may include recontracting, repowering, entering into partnerships and divestitures along with continued acquisitions or development of new projects including wind, solar, energy storage or storage ready facilities across North America.

ALLETE Clean Energy signed an asset sale agreement for the Red Barn wind project with Wisconsin Public Service Corporation and Madison Gas and Electric Company in 2021. The sale of the Red Barn wind project closed in the second quarter of 2023 at which time ALLETE Clean Energy received cash proceeds of approximately $160 million and recorded a gain on sale of $4.3 million after-tax.

OUTLOOK (Continued)

Corporate and Other.

Corporate and Other includes New Energy, a renewable energy development company, 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, South Shore Energy, our non-rate regulated, Wisconsin subsidiary developing NTEC, other business development and corporate expenditures, unallocated interest expense, a small amount of non-rate base generation, land in Minnesota, and earnings on cash and investments.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity Position. ALLETE is well-positioned to meet the Company's liquidity needs. As of June 30, 2023, we had cash and cash equivalents of $47.9 million, $421.0 million in available consolidated lines of credit, 2.1 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 35 percent.

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

	June 30, 2023	%	December 31, 2022	%
Millions				
ALLETE Equity	$2,734.1	53	$2,691.9	51
Non-Controlling Interest in Subsidiaries	634.4	12	656.4	12
Short-Term and Long-Term Debt *(a)*	1,801.3	35	1,929.1	37
	$5,169.8	100	$5,277.4	100

(a) Excludes unamortized debt issuance costs.

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

For the Six Months Ended June 30	2023	2022
Millions		
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	$40.2	$47.7
Cash Flows provided by (used in)		
Operating Activities	331.6	(7.9)
Investing Activities	(131.3)	(247.2)
Financing Activities	(189.4)	289.1
Change in Cash, Cash Equivalents and Restricted Cash	10.9	34.0
Cash, Cash Equivalents and Restricted Cash at End of Period	$51.1	$81.7

Operating Activities. Cash provided by operating activities was higher in 2023 compared to 2022. Cash provided by operating activities in 2023 reflected cash proceeds from the sales of ALLETE Clean Energy's Northern Wind and Red Barn projects which were sold to third parties in 2023, as well as lower payments for inventories compared to 2022 primarily related to the Northern Wind and Red Barn projects. Cash provided by operating activities in 2023 also increased due to the timing of recovery under Minnesota Power's fuel adjustment clause.

Investing Activities. Cash used in investing activities was lower in 2023 compared to 2022. Cash used in investing activities in 2022 reflected cash payments for the acquisition of New Energy.

Financing Activities. Cash used in financing activities in 2023 reflected lower proceeds from the issuance of common stock and the issuance of long-term debt, and lower proceeds from the issuance of non-controlling interest in subsidiaries compared to 2022.

LIQUIDITY AND CAPITAL RESOURCES (Continued)

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 June 30, 2023, we had consolidated bank lines of credit aggregating $468.1 million ($475.7 million as of December 31, 2022), the majority of which expire in January 2026. We had $17.8 million outstanding in standby letters of credit and $29.4 million outstanding draws under our lines of credit as of June 30, 2023 ($32.8 million in standby letters of credit and $31.3 million outstanding draws as of December 31, 2022). As of June 30, 2023, we also had $144.1 million outstanding in standby letters of credit under other credit facility agreements.

In addition, as of June 30, 2023, we had 2.8 million original issue shares of our common stock available for issuance through Invest Direct, our direct stock purchase and dividend reinvestment plan, and 2.1 million original issue shares of common stock available for issuance through a distribution agreement with Lampert Capital Markets. (See *Securities*.) The amount and timing of future sales of our securities will depend upon market conditions and our specific needs.

Securities. During the six months ended June 30, 2023, we issued 0.2 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 $7.7 million (0.2 million shares were issued for the six months ended June 30, 2022, resulting in net proceeds of $8.3 million).

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 2022 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.

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. For the six months ended June 30, 2023, capital expenditures totaled $110.6 million ($94.0 million for the six months ended June 30, 2022). The expenditures were primarily made in the Regulated Operations segment. In addition, we incurred costs of approximately $25 million in 2023 related to ALLETE Clean Energy's projects to develop and sell wind energy facilities.

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.)

Employees.

As of June 30, 2023, ALLETE had 1,559 employees, of which 1,495 were full-time.

Minnesota Power and SWL&P have an aggregate of 479 employees covered under collective bargaining agreements, of which most are members of International Brotherhood of Electrical Workers (IBEW) Local 31. The current labor agreements with IBEW Local 31 expire on April 30, 2026, for Minnesota Power and January 31, 2024, for SWL&P.

BNI Energy has 179 employees, of which 129 are subject to a labor agreement with IBEW Local 1593. The current labor agreement with IBEW Local 1593 expires on March 31, 2026.

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 June 30, 2023, 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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK (Continued)

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 June 30, 2023, an increase of 100 basis points in interest rates would impact the amount of pre-tax interest expense by $0.4 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 June 30, 2023.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. As of June 30, 2023, 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 2022 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

There have been no material changes from the risk factors disclosed in Part I, Item 1A. Risk Factors of our 2022 Form 10-K.

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

Submission of Matters to a Vote of Security Holders. At its meeting on July 28, 2023, our Board of Directors determined to hold future non-binding shareholder advisory votes on executive compensation on an annual basis until the next non-binding advisory vote on the frequency of shareholder votes on executive compensation. Such determination is consistent with the previous recommendation of the Board of Directors and the preference of Company shareholders, as represented by their votes at the annual meeting of shareholders on May 9, 2023.

Trading Plans. During the quarter ended June 30, 2023, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

ITEM 6. EXHIBITS

Exhibit Number	
4	Forty-Fourth Supplemental Indenture, dated as of April 27, 2023, between ALLETE, Inc. and The Bank of New York Mellon, as corporate trustee, and Janet Lee, 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 August 8, 2023, announcing 2023 second 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.

August 8, 2023	/s/ Steven W. Morris
	Steven W. Morris Senior Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

Exhibit 4

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

JANET LEE
(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, Philip L. Watson, Andres Serrano and Eva Waite)

As Trustees under ALLETE, Inc.'s Mortgage and Deed of Trust dated as of September 1, 1945

Forty-fourth Supplemental Indenture
Providing, among other things, for

First Mortgage Bonds, 4.98% Series due April 27, 2033
(Sixty-third Series),

Dated as of April 1, 2023

FORTY-FOURTH SUPPLEMENTAL INDENTURE

THIS INDENTURE, dated as of April 1, 2023, 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 Janet Lee (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, Philip L. Watson, Andres Serrano and Eva Waite), whose post office address is c/o The Bank of New York Mellon, 240 Greenwich Street, New York, New York 10286 (said Janet Lee 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-fourth 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 the State of North Dakota; 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 the State of North Dakota; and

Whereas, an instrument, dated as of July 29, 2021, was executed and delivered under which Eva Waite in turn succeeded Andres Serrano as Co-Trustee under the Mortgage effective at the close of business on July 29, 2021, and such instrument was filed and recorded in various official records in the State of Minnesota and the State of North Dakota; and

Whereas, an instrument, dated as of April 27, 2022, was executed and delivered under which Janet Lee in turn succeeded Eva Waite as Co-Trustee under the Mortgage effective at the close of business on April 27, 2022, and such instrument was filed and recorded in various official records in the State of Minnesota and the State of North Dakota; 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
Forty-first Supplemental Indenture	August 1, 2020
Forty-second Supplemental Indenture	September 1, 2021
Forty-third Supplemental Indenture	August 1, 2022

which supplemental indentures were filed and recorded in various official records in the State of Minnesota and the State of North Dakota; 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	None
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	None
5.05% Series due July 15, 2044	40,000,000	40,000,000
3.02% Series due September 15, 2021	60,000,000	None
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	None
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
2.50% Series due August 1, 2030	46,000,000	46,000,000
3.30% Series due August 1, 2050	94,000,000	94,000,000
2.79% Series due September 1, 2031	100,000,000	100,000,000
4.54% Series due August 9, 2032	75,000,000	75,000,000

which bonds are also hereinafter sometimes called bonds of the First through Sixty-third 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 one 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-fourth Supplemental Indenture, and the terms of the bonds of the Sixty-fourth 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 Janet Lee, 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-fourth 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-fourth 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-fourth 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-fourth 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
Sixty-fourth Series of Bonds

Section 1. There shall be a series of bonds designated “4.98% Series due April 27, 2033” (herein sometimes referred to as the “Sixty-fourth 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-fourth Series shall be dated as in Section 10 of the Mortgage provided, mature on April 27, 2033 (the “Sixty-fourth 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 April 27, 2023 (computed on the basis of a 360-day year of twelve thirty-day months) at the rate of 4.98% per annum, payable semi-annually on May 1 and November 1 of each year, commencing November 1, 2023, 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-fourth 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-fourth 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 January 27, 2033 (three months prior to the Sixty-fourth 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-fourth 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-fourth 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-fourth 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-fourth 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 January 27, 2033, the bonds of the Sixty-fourth 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-fourth Series to be redeemed, plus accrued and unpaid interest thereon to the Settlement Date.

The bonds of the Sixty-fourth 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-fourth Series, the principal amount of the bonds of the Sixty-fourth Series to be prepaid shall be allocated by the Company among all of the bonds of the Sixty-fourth 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-fourth 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-fourth 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-fourth 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-fourth 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-fourth 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-fourth 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-fourth 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-fourth 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-fourth 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-fourth 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-fourth 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-fourth 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-fourth 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-fourth 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-fourth 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-fourth 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-fourth Series for a period of ten (10) days next preceding any interest payment date for bonds of such series, or 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-fourth 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-fourth Series.

After the delivery of this Forty-fourth 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-fourth Series for the aggregate principal amount of $125,000,000.

ARTICLE II
Consent to Amendments

Section 1. Consent to Amendments Each initial and future holder of bonds of the Sixty-fourth 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, and Article III of this Forty-fourth Supplemental Indenture, 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 III
Reservation of Right to Amend Sections 35(a), 99, 101 and 102 of the Mortgage

Section 1. The Company reserves the right, without any vote, consent or other action by the holders of bonds of the Sixty-fourth Series, or any subsequent series, to amend the Mortgage, as herein or heretofore supplemented as follows:

(A) to amend Section 35(a) to delete 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; and

(B) to amend Sections 99, 101 and 102 to remove all requirements for the publishing of notices of the resignation, removal or appointment of any Trustee and to delete all references to the publication of such notices in the Mortgage, as herein or heretofore supplemented, including deletion of words “the first publication of notice of” in the last sentence of the first paragraph of Section 102.

ARTICLE IV
Miscellaneous Provisions

Section 1. Section 126 of the Mortgage, as heretofore amended, is hereby further amended by adding the words “and April 27, 2033” after the words “and August 9, 2032”.

Section 2. Subject to the amendments provided for in this Forty-fourth Supplemental Indenture, the terms defined in the Mortgage, as heretofore supplemented, shall, for all purposes of this Forty-fourth Supplemental Indenture, have the meanings specified in the Mortgage, as heretofore supplemented.

Section 3. The holders of bonds of the Sixty-fourth 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 Sixty-fourth 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-fourth 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-fourth 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-fourth Supplemental Indenture.

Section 5. Whenever in this Forty-fourth 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-fourth 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-fourth 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-fourth Supplemental Indenture or any covenant, condition, stipulation, promise or agreement hereof, and all the covenants, conditions, stipulations, promises and agreements in this Forty-fourth 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-fourth 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-fourth 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 Janet Lee has hereunto set her 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__

Francine Kincaid
Vice President

Forty-fourth Supplemental Indenture dated as of April 1, 2023
to Mortgage and Deed of Trust dated as of September 1, 1945

Corporate Trustee's Signature Page

JANET LEE

Forty-fourth Supplemental Indenture dated as of April 1, 2023
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 April, 2023, the foregoing instrument was acknowledged before me by Patrick L. Cutshall , Vice President and Corporate Treasurer of ALLETE, Inc., a Minnesota corporation, behalf of the Company.

NOTARIAL STAMP OR SEAL

____
Jodi Nash

STATE OF MINNESOTA)
) SS
COUNTY OF ST. LOUIS)

On this ______ day of April, 2023, 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 _____ day of April, 2023, the foregoing instrument was acknowledged before me by Francine Kincaid, 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 ______ day of April, 2023.

____
Edward Cofie
Notary Public, State of New York
No. 01CO6440109
Qualified in New York County
Commission Expires September 6, 2026

State of New York)
) ss:
County of New York)

On this _______ day of April, 2023, the foregoing instrument was acknowledged before me by Janet Lee, the person described in and who executed the foregoing instrument.

Given under my hand and notarial seal this ______ day of April, 2023.

____
Edward Cofie
Notary Public, State of New York
No. 01CO6440109
Qualified in New York County
Commission Expires September 6, 2026

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 June 30, 2023, 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.

August 8, 2023

/s/ Bethany M. Owen
Bethany M. Owen
Chair, 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, Steven W. Morris, of ALLETE, Inc. (ALLETE), certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended June 30, 2023, 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.

August 8, 2023	/s/ Steven W. Morris
	Steven W. Morris
	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 June 30, 2023, (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.

August 8, 2023

/s/ Bethany M. Owen
Bethany M. Owen
Chair, President and Chief Executive Officer

August 8, 2023

/s/ Steven W. Morris
Steven W. Morris
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	—	—	—	—	—	143	—	No	No	—	—	—

For the quarter ended June 30, 2023, BNI Energy, owner of Center Mine, received one citations under Section 104(a) of the Mine Safety Act. For the quarter ended June 30, 2023, BNI Energy paid no penalties for citations closed during the period. For the quarter ended June 30, 2023, 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.

Exhibit 99

For Release: August 8, 2023

Investor Contact: Vince Meyer
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NEWS

ALLETE, Inc. reports second quarter earnings of 90 cents per share; reaffirms 2023 earnings guidance range of $3.55 to $3.85 per share

DULUTH, Minn. - ALLETE, Inc. (NYSE: ALE) today reported second quarter 2023 earnings of 90 cents per share on net income of $51.5 million. Last year's second quarter results were 67 cents per share on net income of $37.6 million. Included in this year's results were earnings from another strong quarter of financial results at New Energy, which was acquired in April 2022.

"We are very pleased with this quarter's solid results," said ALLETE Chair, President, and Chief Executive Officer Bethany Owen. "Through the first half of this year, we have also made significant progress in executing our Sustainability in Action strategy – working with our diverse stakeholders as we advance the transition to a clean-energy future. Minnesota Power recently filed certificates of need and route permit applications for the modernization of its 465-mile HVDC transmission line, and for the Northland Reliability Project. In addition, New Energy Equity has maintained a robust pipeline of projects and disciplined project execution as reflected in another strong quarter of financial results, and ALLETE Clean Energy successfully closed on its Red Barn project in April."

"Our results for the second quarter 2023 were higher than prior year due to New Energy Equity having another outstanding quarter of project closings, with attractive margins and entry into a new market, and is firmly on track to achieve or slightly exceed full-year earnings projections." said ALLETE Senior Vice President and Chief Financial Officer Steve Morris. "Our regulated operations were also higher due to increased retail sales and lower property taxes this year, partially offset by reserves for interim rates resulting from Minnesota Power's February rate case order. Wind resources were down across much of the nation and consequently, results at ALLETE Clean Energy were below our expectations for the quarter, partially offset by the profitable sale of the Red Barn project. We are pleased to reaffirm our 2023 guidance, as we remain confident in our earnings range of $3.55 to $3.85 per share."

ALLETE's Regulated Operations segment, which includes Minnesota Power, Superior Water, Light and Power (SWL&P) and the Company's investment in the American Transmission Company, recorded second quarter 2023 net income of $37.8 million, compared to $29.6 million in the second quarter a year ago. Earnings at Minnesota Power were higher this year compared to 2022, primarily due to lower property taxes and increased sales to retail customers. These increases were partially offset by interim rate refund reserves recognized in 2023, as a result of Minnesota Power's 2022 general rate case outcome; the full interim rate reserve was recorded in the fourth quarter of 2022. Also reflected in the second quarter of 2023 was higher operating and maintenance expense. Net income at SWL&P was higher during the second quarter of 2023 primarily due to the implementation of new customer rates effective the beginning of this year.

ALLETE Clean Energy recorded second quarter 2023 net income of $3.1 million compared to $5.8 million in 2022. Earnings in 2023 reflect lower wind resources across the nation negatively impacting the entire fleet, which was partially offset by the sale of the Red Barn project in April of this year. Net income in 2022 also included earnings from the Northern Wind facilities which were decommissioned in April 2022 as part of ALLETE Clean Energy's project to repower and sell the Northern Wind project.

Corporate and Other businesses, which include New Energy Equity, BNI Energy, ALLETE Properties and our investments in renewable energy facilities, recorded net income of $10.6 million in the second quarter of 2023, compared to net income of $2.2 million in 2022. Second quarter net income in 2023 reflects New Energy’s earnings of $7.4 million; 2022 net income included purchase price accounting adjustments and transaction costs related to the New Energy acquisition which closed in April last year.

Earnings per share dilution in 2023 was approximately 2 cents due to additional shares of common stock outstanding as of June 30, 2023.

Live Webcast on August 8, 2023; 2023 second quarter slides posted on company website.

ALLETE’s earnings conference call will be at 10:00 a.m. (EST), August 8, 2023, at which time management will discuss the second quarter of 2023 financial results. Interested parties may participate live by registering for the call at www.allete.com/earningscall, or may listen to the live audio-only webcast accompanied by supporting slides, which will be available on ALLETE’s Investor Relations website investor.allete.com/events-presentations. The webcast will be accessible for one year at 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., New Energy Equity headquartered in Annapolis, MD, 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. Management believes that the presentation of the 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.

ALLETE, Inc.
Consolidated Statement of Income
Millions Except Per Share Amounts - Unaudited

	Quarter Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Operating Revenue				
Contracts with Customers – Utility	$292.2	$308.7	$604.8	$637.7
Contracts with Customers – Non-utility	239.9	62.1	490.9	113.8
Other – Non-utility	1.3	2.3	2.6	5.1
Total Operating Revenue	533.4	373.1	1,098.3	756.6
Operating Expenses				
Fuel, Purchased Power and Gas – Utility	107.3	143.2	225.9	280.6
Transmission Services – Utility	23.5	18.3	43.6	38.2
Cost of Sales – Non-utility	193.2	41.5	403.7	58.5
Operating and Maintenance	84.9	79.6	170.6	154.9
Depreciation and Amortization	62.8	61.0	125.1	122.7
Taxes Other than Income Taxes	8.2	15.8	27.6	34.6
Total Operating Expenses	479.9	359.4	996.5	689.5
Operating Income	53.5	13.7	101.8	67.1
Other Income (Expense)				
Interest Expense	(21.1)	(18.6)	(40.4)	(36.9)
Equity Earnings	5.4	5.3	11.4	10.8
Other	2.5	12.1	6.6	14.1
Total Other Expense	(13.2)	(1.2)	(22.4)	(12.0)
Income Before Income Taxes	40.3	12.5	79.4	55.1
Income Tax Expense (Benefit)	(0.4)	(8.3)	1.1	(12.2)
Net Income	40.7	20.8	78.3	67.3
Net Loss Attributable to Non-Controlling Interest	(10.8)	(16.8)	(31.4)	(36.6)
Net Income Attributable to ALLETE	$51.5	$37.6	$109.7	$103.9
Average Shares of Common Stock				
Basic	57.3	56.1	57.3	54.9
Diluted	57.4	56.1	57.4	54.9
Basic Earnings Per Share of Common Stock	$0.90	$0.67	$1.91	$1.89
Diluted Earnings Per Share of Common Stock	$0.90	$0.67	$1.91	$1.89
Dividends Per Share of Common Stock	$0.6775	$0.65	$1.355	$1.30

Consolidated Balance Sheet
Millions - Unaudited

	Jun. 30 2023	Dec. 31, 2022		Jun. 30 2023	Dec. 31, 2022
Assets			**Liabilities and Equity**		
Cash and Cash Equivalents	$47.9	$36.4	Current Liabilities	$380.3	$716.2
Other Current Assets	398.3	681.6	Long-Term Debt	1,685.9	1,648.2
Property, Plant and Equipment – Net	4,973.9	5,004.0	Deferred Income Taxes	153.6	158.1
Regulatory Assets	454.5	441.0	Regulatory Liabilities	538.0	526.1
Equity Investments	327.5	322.7	Defined Benefit Pension and Other Postretirement Benefit Plans	173.6	179.7
Goodwill and Intangibles – Net	155.5	155.6	Other Non-Current Liabilities	268.0	269.0
Other Non-Current Assets	210.3	204.3	Equity	3,368.5	3,348.3
Total Assets	$6,567.9	$6,845.6	**Total Liabilities and Equity**	$6,567.9	$6,845.6

ALLETE, Inc. **Income (Loss)**	**Quarter Ended June 30** **2023**	**2022**	**Six Months Ended June 30** **2023**	**2022**
Millions				
Regulated Operations	$37.8	$29.6	$78.4	$81.1
ALLETE Clean Energy	3.1	5.8	11.6	22.3
Corporate and Other	10.6	2.2	19.7	0.5
Net Income Attributable to ALLETE	$51.5	$37.6	$109.7	$103.9
Diluted Earnings Per Share	$0.90	$0.67	$1.91	$1.89

Statistical Data				
Corporate				
Common Stock				
High	$66.69	$66.02	$66.69	$68.61
Low	$56.68	$56.55	$56.68	$56.55
Close	$57.97	$58.78	$57.97	$58.78
Book Value	$47.63	$46.97	$47.63	$46.97

Kilowatt-hours Sold				
Millions				
Regulated Utility				
Retail and Municipal				
Residential	241	245	562	600
Commercial	320	314	667	674
Industrial	1,778	1,616	3,436	3,382
Municipal	110	131	238	289
Total Retail and Municipal	2,449	2,306	4,903	4,945
Other Power Suppliers	786	794	1,482	1,775
Total Regulated Utility Kilowatt-hours Sold	3,235	3,100	6,385	6,720

Regulated Utility Revenue				
Millions				
Regulated Utility Revenue				
Retail and Municipal Electric Revenue				
Residential	$33.2	$37.1	$75.6	$85.6
Commercial	42.9	42.6	86.9	88.0
Industrial	139.7	150.2	283.1	296.7
Municipal	7.6	10.0	16.5	22.1
Total Retail and Municipal Electric Revenue	223.4	239.9	462.1	492.4
Other Power Suppliers	36.3	36.9	72.2	77.9
Other (Includes Water and Gas Revenue)	32.5	31.9	70.5	67.4
Total Regulated Utility Revenue	$292.2	$308.7	$604.8	$637.7

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.