Operator: Good day, and welcome to the ALLETE second quarter 2014 financial results conference call. Today's call is being recorded. Certain statements contained in this conference call that are not descriptions of historical facts are forward-looking statements, terms defined in the Private Securities Litigation Reform Act of 1995.

Because such statements can include risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause results to differ materially from those expressed or implied from such forward-looking statements include, but are not limited to, those discussed in filings made by the Company with the Securities and Exchange Commission.

Many of the factors that will determine the Company's results are beyond the ability of management to control or predict. Listeners should not place undue reliance on forward-looking statements which reflect the management's views only as of the date hereof. The Company undertakes no obligation to revise or update any forward-looking statements or to make any other forward-looking statements, whether as a result of new information, future events, or otherwise. For opening remarks and introductions, I would like now to turn the call over to ALLETE President and Chief Executive Officer, Al Hodnik. Please go ahead.

Alan Hodnik: Good morning everyone, and you'll forgive me this morning, I picked up a summertime cold, so I'll do my best. With me today is our Chief Financial
Officer, Steve Devinck. We released our second quarter financial results this morning. Quarterly earnings per share were $0.40, and included a $0.06 non-recurring aftertax charge. Second quarter operating revenue increased by 11 percent over last year, primarily from rider recovery and ALLETE Clean Energy’s new wind energy facility. This marks the eighth consecutive quarter of year-over-year revenue growth. In a few moments, Steve will go through all of the financials, but suffice it to say we are well satisfied with our year-over-year results. Yesterday, we filed an 8-K regarding large power taconite customer nominations for the remainder of this year.

These customers again nominated at full production levels, which speaks to the current strength of domestic steel production, our year-to-date financial performance, and the nominations are consistent with expectations, so we are well on track to meet our 2014 earnings guidance range of $2.75 to $2.95 per share, excluding two items, transaction costs incurred during the first quarter for ALLETE Clean Energy’s acquisition of three wind energy facilities, and a non-recurring charge associated with a settlement agreement with the United States Environmental Protection Agency. The settlement agreement resolves alleged violations of new source review provisions of the Clean Air Act. The Company had been in discussions with the EPA since 2008 to settle these matters and avoid costly litigation.

During the second quarter, ALLETE recorded an aftertax charge of $2.5 million, or $0.06 per share to reflect a liability associated with conservation and Clean Energy projects, which are due over the next five years. Due to its non-recurring nature, the charge will be excluded from our 2014 earnings guidance. We continue to make progress on our capital investment plans during the quarter. This year will mark our largest annual capital spend ever, an estimated $640 million. We have successfully raised both equity and debt during the year, and our external financing remains on track. Construction is proceeding very effectively on our two large projects, the Boswell Unit 4 environmental retrofit, and the Bison 4 wind energy center.

To-date, we have spent approximately $350 million combined on these two cost recovery eligible projects, and I’m pleased to say they are progressing on time and on budget. On July 2nd, the Minnesota Public Utilities Commission
approved customer billing rates for the Boswell 4 project, which will be completed by 2016. The Bison 4 project is expected to be completed by year-end. Work is also ongoing at the Thomson Energy Center hydro facility, which was damaged during record rainfall and flooding in 2012. Minnesota Power expects partial generation at Thomson during the third quarter, and is working towards returning to normal generation patterns by late this year.

Total project investment is estimated to be $90 million, of which $76 million was spent through the end of June. On July 3rd, we filed a request with the Minnesota Public Utilities Commission seeking current cost recoveries of capital expenditures related to this project under the Minnesota renewable rider. I'm pleased with our construction, operational and financial progress thus far here in 2014. At this point, I will turn the call over to Steve who will go through the financials, and I will update you on our new industrial customer projects before we take your questions. Steve.

Steve DeVinck: Thanks Al, and good morning everyone. I would like to remind you that we filed our 10-Q this morning, and I encourage you to refer to it for more details on the quarter. Led by strong revenue growth, ALLETE reported second quarter earnings of $0.40 per share, on net income of $16.8 million, and operating revenue of $260.7 million, compared to $0.35 per share on net income of $14 million, and operating revenue of $235.6 million in 2013.

Included in this year's quarter was the $2.5 million aftertax, or $0.06 per share non-recurring charge that Al spoke of earlier. In addition, earnings per share for the second quarter of 2014 were diluted by $0.02, due to an increase in the amount of common shares outstanding year-over-year. Consolidated revenue grew by $25.1 million, or about 11 percent compared to the same period last year. Earnings from ALLETE's regulated operations segment, which includes Minnesota Power, Superior Water, Light and Power, and our investment in the American Transmission Company, were $17.5 million compared to $16.3 million in 2013, despite the inclusion of the non-recurring charge in this quarter's results.

Quarter-over-quarter, this represents an increase of approximately seven percent. Operating revenue from this segment increased $13.8 million, or six
percent from 2013 due to higher cost recovery rider revenue, fuel adjustment clause recoveries, and transmission revenue. Revenue from regulated operation kilowatt hour sales was comparable to the same period in 2013 as electricity sales remain strong. The decrease in sales to our municipals reflects a wholesale customer contract that expired at the end of last year. Cost recovery rider revenue grew $6.8 million over 2013 with higher capital investment balances related to our Bison Wind Energy Center and the Boswell Unit 4 environmental upgrade.

Fuel adjustment clause recoveries increased $3.9 million, due to higher purchased power costs attributable to our retail and municipal customers. Transmission revenue rose by $1.8 million, primarily due to higher MISO related revenue. Going to the expense side. Regulated operations operating expenses increased $13.6 million, or seven percent over the same quarter in 2013. Fuel and purchase power expense rose $4.9 million, primarily due to lower Company generation, and an outage at Square Butte resulting in increased purchased power expense.

Operating and maintenance expense increased $6.2 million, or seven percent from 2013. $4.2 million of this increase was the non-recurring pre-tax charge to reflect the liability associated with the EPA settlement. In addition, MISO related transmission expense increased from the same period a year ago. Depreciation expense rose by $2.5 million for the quarter, directly attributable to the capital investment program at our regulated operation. The lease investment and other segment, which includes results from BNI Coal, ALLETE Clean Energy, ALLETE Properties, and other corporate income and expenditures reported a net loss of $700,000 for the quarter, compared to a net loss of $2.3 million in 2013. ALLETE Clean Energy profited from its newly-acquired wind energy facilities in Minnesota, Iowa, and Oregon, while BNI Coal and ALLETE Properties reported similar results as last year for the quarter.

Revenue at this segment grew by $11.3 million, or 57 percent compared to the same period last year, primarily due to ALLETE Clean Energy's new facilities which were acquired in January. Our effective tax rate in the second quarter of 2014 was 22.5 percent, similar to the same period last year. We anticipate
the effective tax rate for 2014 will be approximately 21 percent. ALLETE’s cash flow continues to be strong. Year-to-date, we generated $126 million of cash from operating activities, and we carried a 48 percent debt-to capital ratio at quarter-end. Given our year-to-date results in the outlook for the remainder of 2014, we reiterate our full-year earnings guidance range of $2.75 to $2.95 per share, excluding the ALLETE Clean Energy transaction costs recorded in the first quarter, and the non-recurring charge from the EPA settlement this quarter. Al?

Alan Hodnik: Thank you Steve. Before we take your questions, let me give you some updates regarding new industrial customer projects here in our region. We and our investors have been closely following the construction progress of the new Essar Steel Minnesota facility. Essar, which will be served by one of Minnesota Power’s municipal customers, the Nashwauk Public Utilities Commission, will require 110 megawatts of load at full production levels. According to its own Web site, Essar continues to forecast it will begin commissioning activities in the second quarter of 2015, and ramp up to full capacity levels by the first quarter of 2016.

This is the first taconite facility to be constructed in our region in decades, and we do not have any recent history to serve as a precedent for construction timing, nor the pace of ramping up towards full production once construction is completed. However, we have experienced with short and long-term fluctuations in our large power energy supply obligations, and the steps necessary to mitigate any cost impacts in the wholesale energy market. Similarly, we have taken proactive steps to mitigate the financial impact of any potential delays in the Essar startup, and our obligations to serve the city of Nashwauk requirements. These steps include a recently negotiated contract for the sale of forward energy in 2015.

Regarding PolyMet. The Minnesota Department of Natural Resources is continuing its review of public comments received during the 90-day supplemental draft environmental impact statement comment period earlier this year. As most you know, PolyMet intends to start a copper nickel and precious metal mining operation in northeastern Minnesota, and has signed a long-term contract with Minnesota Power. We expect the review process to
be completed around the end of this year and assuming successful completion and issuance of a record of decision by the Department of Natural Resources, permits could be issued soon after. Construction could commence immediately after the issuance of permits, and Minnesota Power could begin to supply between 45 and 50 megawatts of initial new load as early as 2016. This through a 10-year contract that begins upon start-up of mining operations.

Magnetation has successfully grown its business over the past couple of years, and is currently constructing another facility what has anticipated to begin production around the end of this year. Earlier this year, Minnesota Power and Magnetation entered into a new 10-year elective service agreement which was approved by the Minnesota Public Utilities Commission on May 1st. Minnesota Power expects to supply approximately 20 megawatts of power to this new facility, making it a large power customer.

Minnesota Power currently supplies electricity to two other Magnetation facilities in the region. Magnetation and PolyMet are examples of new mineral processing activities that are transforming Minnesota's Iron Range away from exclusively taconite mining. As I mentioned earlier, we are pleased with our results year-to-date, and look forward to continued progress as the remainder of this year unfolds. At this time, I will ask the operator to please open up the lines for your questions.

Operator: Thank you. Ladies and gentlemen, if you would like to ask a question, please press the star then the number one key on your touchtone telephone. If your question is answered or you wish to remove yourself from the queue, you may press the pound key.

The first question is from Brian Russo with Ladenburg Thalmann. Please go ahead.

Brian Russo: Hi, good morning.

Alan Hodnik: Good morning, Brian.
Brian Russo: Just a question on Essar taconite mine developments. If I heard you correctly, you cited their Web site. Does that mean you have not actually spoken to them to get an update on the resumption of the construction?

Alan Hodnik: We've had incremental conversations with both their executive management during their financing periods here, as they have gone along and also spent some time at the mine site. We've had conversations with them along the way. As you know, Brian, with all of our large industrial customers, we have a very close working relationship with them, and have folks typically embedded right inside of their operations. We've had conversations along the way, but again sticking to their information provided on their Web site, I cite that.

Brian Russo: OK. Do you know if construction has resumed on the site?

Alan Hodnik: Not in a very large way has construction ensued there. There is some small incremental work being done here and there, but we do not at this point in time see large construction activity on the site.

Brian Russo: OK. But there is activity on the site, I guess?

Alan Hodnik: Some activity, yes.

Brian Russo: OK, great. Despite you guys hedging your forward capacity, contingent on a slowdown or shift in the Essar ramp up, you're still comfortable with kind of the outlook there?

Alan Hodnik: Again, they've invested, at this point in time nearly $1 billion, and all of the other sort of auxiliaries and equipment that would go with that taconite facility are there on the ground. So from a materials delivery prospective, it's all there. Their financing continues to being worked through, I guess is the way I would characterize it. We have hedged our 2015 position with forward sales. We typically are working with a large power customers in this customer as these cycles come and as they go, we're very experienced with that.

Probably most recently in the 2008-2009 recession where the taconite industry shut down for a very brief period of time, but in a substantial way, and in that particular case we made up 80 percent of lost margins during that period of
time and managed the business differently. So the Company is very adroit, very experienced in dealing with these sorts of starts and stops, if you will, of a large mining industry. We have a very strong working relationship with our customers, both those that are active today and those that are constructing. Including Magnetation, who is constructing a facility, and its always difficult to predict the ebbs and flows of construction, but I'm comfortable that the project will materialize, and any under circumstance in 2015, we're hedged for any modest delay that might occur.

Brian Russo: So you're assuming it's a roughly $19 a KW a month charge to Essar, that equates to whatever megawatt hour power price you've locked into. I would assume it's a mid-C price?

Steve Devinck: We don't disclose those kind of terms. So I will leave it there.

Brian Russo: OK. Assuming Essar is delayed hypothetically, at what point would you have to evaluate the need for a rate case? Maybe secondly, without Essar Steel, can you talk about your earned ROE trends?

Steve Devinck: Sure. As you know our last rate case proceeding was in 2010, and other Minnesota utilities certainly have filed more recently than that. Since that rate case in 2010, we have benefited from the recovery tools available in Minnesota. For current cost recovery riders for environmental renewable and transmission investments that we've made. Certainly, we are evaluating our rate case strategy, considering many factors, including the deferral and variability of our industrial load. It's also likely that the Commission would probably like to see us sooner rather than later, so we're continuing to review all of those things as we kind of reassess our rate case strategy. That's our thinking. I don't have an exact date to give you at this time.

Brian Russo: OK. Could you talk about any ALLETE Clean Energy opportunities in the Bakken, and maybe comment on the option of purchase AES' wind farm in mid-2015?

Alan Hodnik: ALLETE Clean Energy continues to really develop both fronts of those questions that you raised. We continue to evaluate with ALLETE Clean Energy the option to purchase the Armenia wind farm from AES, that is
evolving, and as I said in a call previous, we'll have more to say about that by the end of this year. With regards to other sort of clean energy prospects that exist out there, the deal flow sheet looks very, very strong, and ALLETE's Clean Energy continues to sift from opportunities that we think are fit for the Company, and we'll have more to say about how those are transpiring as the year progresses, but suffice it to say the deal flow looks good.

With respect to the state of North Dakota, and the energy corridor concept, we continue to work with the state of North Dakota regulators, the Governor, and other industry participants on the concept, both in terms of the regulatory proceedings and the other things that might be necessary, or enablers if you will, legislatively to bring something like that about. And also possible business arrangements that could be contrived, I guess, to deliver that excess gas that's currently being burned off and wasted, or frankly further the ease of shipping of the oil on the pipeline system, versus maybe exclusively the take up now happening with rail. We don't have anything to say specifically about it at this point in time. It remains a work in progress.

Brian Russo: OK, thank you.

Alan Hodnik: Thank you, Brian.

Operator: Next questioner is Paul Ridzon with KeyBanc. Please go ahead.

Paul Ridzon: This hedge contract is for only in 2015?

Steve Devinck: Yes, that is correct.

Paul Ridzon: And can you just give like the megawatts size and the duration?

Steve Devinck: We don't disclose those terms.

Paul Ridzon: Kind of designed to offset what you thought Essar would take?

Steve Devinck: Yes.

Paul Ridzon: What is the status of Essar's financing? What are the next steps?
Steve Devinck: So we only know probably what you know. We know what they have
publicly disclosed on their debt offering, and the need to infuse some equity in
order to get that debt capital, so really we don't know any more than what
they're publicly stating.

Paul Ridzon: So we're waiting on the equity piece as the trigger for the debt?

Steve Devinck: Yes, that's what we know.

Paul Ridzon: OK, thank you very much.

Alan Hodnik: Thanks, Paul.

Operator: As a reminder, if you would like to ask a question, please press the star then
the number one key on your touchtone telephone.

The next question is from Mike Bates with Wunderlich Securities. Please go
ahead.

Mike Bates: Good morning, guys.

Alan Hodnik: Good morning, Mike.

Mike Bates: Since we don't have any real updates on Essar, curious given Al's relationship
at PolyMet, I'm curious, you said for a couple of quarters now that potentially
we could see that project up and running as early as 2016. Would it be too
aggressive to expect that to be online early in 2016? Wouldn't it likely be
later on in the year?

Alan Hodnik: I appreciate your commentary about my serving on the Board, so I need to be
a little bit careful about that sort of disclosure from a public company
standpoint. But I would just say that we again continue to look at public
information that the state agencies and federal agencies issue regarding
schedule, and would expect I think, or the Company expects the Department
of Natural Resources to issue updates on where they're at with the SDEIS
comment period process, and their record of decision plans, if you will,
around that to the extent that that is issued at the end of the year, early next
year, which they have suggested is possible, then PolyMet could begin the final permitting on the project. There are a lot of factors like, of course, weather, and other things that go into it, so it's difficult to predict when it would start up.

The real beauty again of the PolyMet circumstance as you know, is that PolyMet acquired the LTV concentrating crushing and grinding assets during the bankruptcy of LTV, so the type of construction is a little less complicated than say for example Essar Steel, but I wouldn't want to predict, necessarily, a front end or a back end. There are so many variables that go into that, I just go by what the agencies have said at this point in time.

Mike Bates: All right, great. Can you talk to us a little bit about what the regulatory timeline looks like with regards to Great Northern Transmission at this point? What are the next milestones we should be watching for?

Alan Hodnik: The next milestone would be considerable activity around filing a certificate of need in the state, going through contested case hearings with the state of Minnesota, so that's kind of the next action really that you'll see as we go off into the fall, and off into the early winter with the Public Utilities Commission, other stakeholders, and the line. How that goes and how that evolves, I'm not exactly sure, but what the schedule will be with regard to that, but the next real action will be around a Certificate of Need with the state of Minnesota Public Utilities Commission.

Mike Bates: Great. Then finally, any updates as it relates to potential needs for new generation, and what not? Are we still thinking probably around the 2020 timeframe, or has that shifted?

Alan Hodnik: Broadly we're continuing to execute our EnergyForward strategy, which is a third, a third, and a third, so a third renewable, a third gas, and a third coal. Of course, Boswell 4 construction continues, and that will be the largest share of the coal going forward. Bison 4 of course is being built and that's another big chunk of the renewable portion. With respect to additional generation, part of what the consideration is of course now that the Clean power regulation has been issued by the EPA, we're continuing to evaluate it, and will with the
State of Minnesota as we prepare comments on the rule, and as the State of Minnesota prepares a filing back to the EPA, with intent to how they're going to execute that regulation.

That of course is a final disposition one way or the other, in terms of whether we would repower or remission or repurpose or retire additional small coal units, those decisions are probably out a ways just yet. Of course, the last consideration and an important one for us, is the continued apacing of our load growth in the region. We're one of the few utilities with load growth, sizeable load growth, but as you know it's complicated at times by permitting, and construction finance, and things like that, but ultimately, both mineral bodies, the non-ferrous and the taconite ore bodies continue to grow, and how those things pace themselves also factor into how much supply we'll need.

Mike Bates: Thank you very much.

Alan Hodnik: You're welcome.

Operator: Our next question is from Bernard Horn with Polaris Capital.

Bernard Horn: Good morning.

Alan Hodnik: Good morning, Bernie.

Bernard Horn: Just another kind of follow-up question on Essar. I think it's, unless they get the equity financing, it seems like nothing is going to happen, or somebody takes the project over or something, but I guess my question is more focused on what are the implications for your capital spending? You indicated that you have a very large capital spending program going on. How much of that is dependent on Essar's off-take, and if for some reason they do not come up and complete that project, or somebody else has to take it over, then what are your plans with respect to that capital spending? Do you expect to continue to go forward with that, and then if so, what will you do with the electricity that you need to generate from that in order to pay for the CAPEX?

Alan Hodnik: Well, first of all, both projects, Boswell Units 4, the environmental retrofit there, and Bison 4 are the largest percentage, or largest take above that $640
million that I had articulated earlier. Bison 4 is very relatable to the Minnesota renewable 25 by 2025 mandate, and also our latest integrated resource plan, said differently the State of Minnesota ordered that to be done, and has provided cost recovery for that. In that respect, it's somewhat indifferent to the Essar outcome. The same is true in Boswell Unit 4. Boswell Unit 4 is being scrubbed under two regulations. One is the Minnesota Mercury statute, and the second, of course, is the Mercury statute from the EPA. Both of those statutes combined at the end of the day for the Commission also to order Boswell 4 to be scrubbed. It was a justified decision economically and made by the regulators last year.

Boswell Unit 4 is the workhorse unit of the coal fleet, and serves the existing taconite and paper operations, frankly serves all of our customers, so it is also indifferent to Essar Steel, so we have some decisions to make, and I said again on the coal and what happens to the small coal units relatable probably to the Clean power regulations, much more so even than the Essar outcome, to the extent that Essar is delayed modestly or starts up early, we have always accounted for those, as I suggested earlier, in either power sales or by running our units differently in the interim, so that's how that's accounted for. I don't have any concerns at all about the $640 million, either on the finance side, which is already done, and on the construction side, which is well underway, or on the regulatory front in terms of cost recovery from the Commission, or from customers here in Northeastern Minnesota.

Bernard Horn: Thanks, that's very helpful. Appreciate it.

Alan Hodnik: You're welcome, Bernie.

Operator: I am showing no further questions in the queue, and would like to turn the call back to Mr. Al Hodnik for any further remarks.

Alan Hodnik: Thank you, Janine, and thanks to all of you for putting up with the frog in my throat this morning. I do hope you enjoy the rest of the summer, and Steve and I look forward to interacting with you out on the trail when we come out to speak about our Company. And again, hopefully you will enjoy your summer. Thank you very much.
Operator: Ladies and gentlemen, thank you for participating in today's program. This does conclude the meeting, and you may all disconnect. Everyone have a great day.

Alan Hodnik: Thank you.

Operator: Thank you too.

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