



Site Preparation Begins at ALLETE's Town Center Project in Palm Coast, Fla.

Palm Coast, Fla.--Site preparation has begun at Town Center in Palm Coast, Fla., a 1,550-acre mixed-use development spearheaded by ALLETE Properties, a subsidiary of ALLETE, Inc. (NYSE: ALE) Laura A. Holquist, President of ALLETE Properties, said that mobilization of equipment to the Town Center area began this week. Major infrastructure improvements will be made on the property, which will be transformed into a neo-traditional downtown featuring residential units, commercial and office space and a new town hall.

"ALLETE Properties staff has successfully navigated the land use approval and permitting process to create this new integrated mixed-use urban area," Holquist said. "We are extremely pleased that construction has begun." Infrastructure will include 3.6 miles of roads, decorative intersections, bicycle and pedestrian paths, a storm water management system and underground utilities.

Development costs will be financed in part with \$26 million of special assessment revenue bonds issued by the Town Center at Palm Coast Community Development District. Additional development costs, estimated at approximately \$26 million, (\$11 million of which are reimbursable) will be financed with debt at a subsidiary of ALLETE Properties.

The Town Center at Palm Coast Community Development District is an independent unit of local government created and established in accordance with Florida's Uniform Community Development District Act of 1980. The Act provides legal authority for a community development district (CDD) to finance the construction of major infrastructure for community development with general obligation, revenue and special assessment revenue debt obligations.

Community development districts have the power to assess property within their boundaries to pay the principal and interest on debt obligations. Bonds issued by the Palm Coast CDD are non-recourse to ALLETE Properties. The assessments will be included in the annual property tax bills of land owners beginning in November, 2006.

"The Town Center project is the first of three major planned developments within our northeast Florida real estate holdings" said Donald J. Shippar, ALLETE President and Chief Executive Officer. "We expect these projects to drive significant earnings for our real estate business."

ALLETE Properties is headquartered in Fort Myers, Fla. ALLETE's corporate headquarters are located in Duluth, Minn. ALLETE provides energy services in the upper Midwest and has significant real estate holdings in Florida. More information about the company is available on ALLETE's Web site at www.allete.com.

The statements contained in this release and statements that ALLETE may make orally in connection with this release that are not historical facts, are forward-looking statements. Actual results may differ materially from those projected in the forward-looking statements. These forward-looking statements involve risks and uncertainties and investors are directed to the risks discussed in documents filed by ALLETE with the Securities and Exchange Commission.

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