



2019 Year End
Earnings Report Presentation

February 13, 2020

ALLETE Earnings *(millions)*

Year Ended December 2019

	2019	2018
Regulated Operations	\$154.4	\$131.0
ALLETE Clean Energy	12.4	33.7 ¹⁾
U.S. Water Services	(1.1)	3.2
Corporate and Other	19.9 ³⁾	6.2 ²⁾
Net Income Attributable to ALLETE	\$185.6	\$174.1
Diluted Earnings Per Share of Common Stock	\$3.59	\$3.38

See slide on page 3 for earnings per share impacts related to:

- 1) 2018 included the sale of a wind energy facility of \$10.2
- 2) 2018 included a benefit for the change in fair value of the contingent consideration liability of \$2.0
- 3) 2019 included the gain on sale of U.S. Water Services of \$13.2



ALLETE Earnings Per Share

Year Ended December 2019

	2019	2018
Earnings Per Share	<u>\$3.59</u>	<u>\$3.38</u>
Impacts on Earnings Per Share		
Sale of Wind Energy Facility		
ALLETE Clean Energy		0.20
U.S. Water Services Net Income (Loss)		
U.S. Water Services	(0.02)	0.06
Benefit from Contingent Consideration Liability		
Corporate and Other		0.04
Gain on Sale of U.S. Water Services		
Corporate and Other	0.26	

Consolidated Earnings *(millions)*

Fourth Quarter December 2019

	2019	2018	
Regulated Operations	\$40.2	\$31.3	
ALLETE Clean Energy	5.9	17.8	1)
U.S. Water Services	-	2.7	
Corporate and Other	3.6	9.3	2)
Net Income Attributable to ALLETE	\$49.7	\$61.1	
Diluted Earnings Per Share of Common Stock	\$0.96	\$1.18	

See slide on page 5 for earnings per share impacts related to:

- 1) 2018 included the sale of a wind energy facility of \$10.2
- 2) 2018 included a benefit for the change in fair value of the contingent consideration liability of \$2.0
- 3) 2019 included the favorable settlement of U.S. Water Services patent infringement case resulting in an increase in the gain on sale of U.S. Water Services of \$2.1



ALLETE Earnings Per Share

Fourth Quarter December 2019

	2019	2018
Earnings Per Share	<u>\$0.96</u>	<u>\$1.18</u>
Impacts on Earnings Per Share		
Sale of Wind Energy Facility		
ALLETE Clean Energy		0.20
U.S. Water Services Net Income		
U.S. Water Services		0.05
Benefit from Contingent Consideration Liability		
Corporate and Other		0.04
Gain on Sale of U.S. Water Services		
Corporate and Other	0.04	



2020 Guidance Highlights

Guidance range \$3.40 - \$3.70 per share

- | | |
|--|-----------------|
| • Regulated Operations | \$2.75 - \$2.95 |
| • ALLETE Clean Energy, Corporate and Other | \$0.65 - \$0.75 |

Key factors

• Regulated Operations

- Interim rate revenue, subject to refund, of approximately \$36 million beginning January 1, 2020.
- 2020 industrial sales of approximately 7.0 million to 7.5 million megawatt-hours (MWh), which reflects anticipated production from our taconite customers of approximately 39 million tons in 2020.
- Lower revenue due to an expiring power sales agreement in April 2020, and a municipal customer contract that expired in mid-2019.
- Higher operating and maintenance expense as compared to 2019.
- Higher depreciation and property tax expenses due to additional plant in-service.
- 2020 guidance assumes that we will achieve reasonable outcomes in regulatory proceedings.

• ALLETE Clean Energy

- ALLETE Clean Energy expects approximately 2.3 million MWh (1.1 million MWh in 2019) in total wind generation.
- Expectation of the return to normal wind patterns.
- Glen Ullin in-service full year and South Peak in the first quarter of 2020.
- Diamond Spring wind project commercial operation date anticipated in late 2020.
- PTCs are estimated to be approximately \$20 million in 2020.
- Higher depreciation expense due to additional plant in-service.
- Higher operating expenses compared to 2019 due to investments in growth initiatives.

• Corporate and Other

- Similar results at BNI Energy, Inc. and ALLETE Properties, LLC.
 - Nobles 2 Power Partners, LLC wind energy facility commercial operation date anticipated in late 2020.
- **Guidance excludes the impact, if any, of possible acquisitions or additional development projects**

