

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 September 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**

(State or other jurisdiction of incorporation or organization)

**41-0418150**

(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
<b>Common Stock, without par value</b>	<b>ALE</b>	<b>New York Stock Exchange</b>

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,  
57,477,405 shares outstanding  
as of September 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.

<u>Abbreviation or Acronym</u>	<u>Term</u>
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
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 <sub>x</sub>	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
PPA / PSA	Power Purchase Agreement / Power Sales Agreement

<b><u>Abbreviation or Acronym</u></b>	<b><u>Term</u></b>
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 <sub>2</sub>	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**

	September 30, 2023	December 31, 2022
<b>Millions</b>		
<b>Assets</b>		
Current Assets		
Cash and Cash Equivalents	\$125.5	\$36.4
Accounts Receivable (Less Allowance of \$1.5 and \$1.6)	119.6	137.9
Inventories – Net	180.3	455.9
Prepayments and Other	77.8	87.8
Total Current Assets	503.2	718.0
Property, Plant and Equipment – Net	4,996.8	5,004.0
Regulatory Assets	443.3	441.0
Equity Investments	329.7	322.7
Goodwill and Intangible Assets – Net	155.5	155.6
Other Non-Current Assets	216.3	204.3
<b>Total Assets</b>	<b>\$6,644.8</b>	<b>\$6,845.6</b>
<b>Liabilities and Equity</b>		
<b>Liabilities</b>		
Current Liabilities		
Accounts Payable	\$112.3	\$103.0
Accrued Taxes	63.5	69.1
Accrued Interest	16.2	20.5
Long-Term Debt Due Within One Year	111.0	272.6
Other	110.5	251.0
Total Current Liabilities	413.5	716.2
Long-Term Debt	1,686.1	1,648.2
Deferred Income Taxes	171.2	158.1
Regulatory Liabilities	549.3	526.1
Defined Benefit Pension and Other Postretirement Benefit Plans	164.2	179.7
Other Non-Current Liabilities	263.8	269.0
Total Liabilities	3,248.1	3,497.3
<b>Commitments, Guarantees and Contingencies (Note 6)</b>		
<b>Equity</b>		
ALLETE Equity		
Common Stock Without Par Value, 80.0 Shares Authorized, 57.5 and 57.2 Shares Issued and Outstanding	1,797.2	1,781.5
Accumulated Other Comprehensive Loss	(24.5)	(24.4)
Retained Earnings	1,013.9	934.8
Total ALLETE Equity	2,786.6	2,691.9
Non-Controlling Interest in Subsidiaries	610.1	656.4
Total Equity	3,396.7	3,348.3
<b>Total Liabilities and Equity</b>	<b>\$6,644.8</b>	<b>\$6,845.6</b>

The accompanying notes are an integral part of these statements.

**ALLETE**  
**CONSOLIDATED STATEMENT OF INCOME**  
**Unaudited**

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Millions Except Per Share Amounts</b>				
<b>Operating Revenue</b>				
Contracts with Customers – Utility	\$314.3	\$322.6	\$919.1	\$960.3
Contracts with Customers – Non-utility	63.2	64.5	554.1	178.3
Other – Non-utility	1.3	1.2	3.9	6.3
<b>Total Operating Revenue</b>	<b>378.8</b>	<b>388.3</b>	<b>1,477.1</b>	<b>1,144.9</b>
<b>Operating Expenses</b>				
Fuel, Purchased Power and Gas – Utility	124.9	136.8	350.8	417.4
Transmission Services – Utility	22.7	19.3	66.3	57.5
Cost of Sales – Non-utility	33.0	38.4	436.7	96.9
Operating and Maintenance	83.6	83.2	254.2	238.1
Depreciation and Amortization	63.1	58.7	188.2	181.4
Taxes Other than Income Taxes	15.5	18.5	43.1	53.1
<b>Total Operating Expenses</b>	<b>342.8</b>	<b>354.9</b>	<b>1,339.3</b>	<b>1,044.4</b>
<b>Operating Income</b>	<b>36.0</b>	<b>33.4</b>	<b>137.8</b>	<b>100.5</b>
<b>Other Income (Expense)</b>				
Interest Expense	(20.5)	(18.4)	(60.9)	(55.3)
Equity Earnings	4.7	2.3	16.1	13.1
Other	68.7	2.3	75.3	16.4
<b>Total Other Income (Expense)</b>	<b>52.9</b>	<b>(13.8)</b>	<b>30.5</b>	<b>(25.8)</b>
<b>Income Before Income Taxes</b>	<b>88.9</b>	<b>19.6</b>	<b>168.3</b>	<b>74.7</b>
<b>Income Tax Expense (Benefit)</b>	<b>19.3</b>	<b>(7.2)</b>	<b>20.4</b>	<b>(19.4)</b>
<b>Net Income</b>	<b>69.6</b>	<b>26.8</b>	<b>147.9</b>	<b>94.1</b>
Net Loss Attributable to Non-Controlling Interest	(16.3)	(6.9)	(47.7)	(43.5)
<b>Net Income Attributable to ALLETE</b>	<b>\$85.9</b>	<b>\$33.7</b>	<b>\$195.6</b>	<b>\$137.6</b>
<b>Average Shares of Common Stock</b>				
Basic	57.4	57.1	57.3	55.5
Diluted	57.5	57.2	57.4	55.6
<b>Basic Earnings Per Share of Common Stock</b>	<b>\$1.50</b>	<b>\$0.59</b>	<b>\$3.41</b>	<b>\$2.48</b>
<b>Diluted Earnings Per Share of Common Stock</b>	<b>\$1.49</b>	<b>\$0.59</b>	<b>\$3.41</b>	<b>\$2.48</b>

The accompanying notes are an integral part of these statements.

**ALLETE**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**Unaudited**

	Quarter Ended		Nine Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
<b>Millions</b>				
<b>Net Income</b>	\$69.6	\$26.8	\$147.9	\$94.1
<b>Other Comprehensive Income (Loss)</b>				
Unrealized Gain (Loss) on Securities				
Net of Income Tax Expense (Benefit) of \$—, \$—, \$0.1 and \$(0.2)	—	—	0.1	(0.4)
Defined Benefit Pension and Other Postretirement Benefit Plans				
Net of Income Tax Expense (Benefit) of \$—, \$0.1, \$(0.1) and \$0.2	(0.1)	0.1	(0.2)	0.4
<b>Total Other Comprehensive Income (Loss)</b>	<b>(0.1)</b>	<b>0.1</b>	<b>(0.1)</b>	<b>—</b>
<b>Total Comprehensive Income</b>	<b>69.5</b>	<b>26.9</b>	<b>147.8</b>	<b>94.1</b>
Net Loss Attributable to Non-Controlling Interest	(16.3)	(6.9)	(47.7)	(43.5)
<b>Total Comprehensive Income Attributable to ALLETE</b>	<b>\$85.8</b>	<b>\$33.8</b>	<b>\$195.5</b>	<b>\$137.6</b>

The accompanying notes are an integral part of these statements.



**ALLETE**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**Unaudited**

**Nine Months Ended**  
**September 30,**  
**2023                      2022**

<b>Millions</b>		
<b>Operating Activities</b>		
Net Income	\$147.9	\$94.1
Adjustments to Reconcile Net Income to Cash provided by (used in) Operating Activities:		
AFUDC – Equity	(2.5)	(2.4)
Income from Equity Investments – Net of Dividends	0.6	3.8
Loss on Investments and Property, Plant and Equipment	0.6	2.1
Depreciation Expense	188.2	181.3
Amortization of PSAs	(3.9)	(6.3)
Amortization of Other Intangible Assets and Other Assets	5.3	6.3
Deferred Income Tax Benefit	1.3	(19.7)
Share-Based and ESOP Compensation Expense	4.3	4.2
Defined Benefit Pension and Postretirement Benefit	(2.5)	(2.2)
Fuel Adjustment Clause	53.8	(3.5)
Bad Debt Expense	1.2	1.4
Provision for Interim Rate Refund	21.0	—
Residential Interim Rate Adjustment	—	(5.9)
Changes in Operating Assets and Liabilities		
Accounts Receivable	17.2	3.2
Inventories	275.6	(261.4)
Prepayments and Other	0.6	(7.7)
Accounts Payable	(8.0)	8.0
Other Current Liabilities	(167.9)	63.5
Cash Contributions to Defined Benefit Pension Plans	(17.3)	—
Changes in Regulatory and Other Non-Current Assets	4.1	28.0
Changes in Regulatory and Other Non-Current Liabilities	0.4	(5.6)
Cash provided by Operating Activities	520.0	81.2
<b>Investing Activities</b>		
Proceeds from Sale of Available-for-sale Securities	0.5	1.7
Payments for Purchase of Available-for-sale Securities	(0.8)	(1.7)
Acquisition of Subsidiaries - Net of Cash & Restricted Cash Acquired	—	(155.0)
Payments for Equity Method Investments	(6.6)	(5.1)
Additions to Property, Plant and Equipment	(184.1)	(153.5)
Other Investing Activities	(9.6)	2.5
Cash used in Investing Activities	(200.6)	(311.1)
<b>Financing Activities</b>		
Proceeds from Issuance of Common Stock	11.4	244.4
Equity Issuance Costs	—	(8.1)
Proceeds from Issuance of Short-Term and Long-Term Debt	409.8	710.5
Repayments of Short-Term and Long-Term Debt	(533.4)	(761.0)
Proceeds from Non-Controlling Interest in Subsidiaries – Net	9.9	155.7
Distributions to Non-Controlling Interest	(8.5)	—
Dividends on Common Stock	(116.5)	(108.6)
Other Financing Activities	(1.1)	(2.1)
Cash provided by (used in) Financing Activities	(228.4)	230.8
<b>Change in Cash, Cash Equivalents and Restricted Cash</b>	<b>91.0</b>	<b>0.9</b>
<b>Cash, Cash Equivalents and Restricted Cash at Beginning of Period</b>	<b>40.2</b>	<b>47.7</b>
<b>Cash, Cash Equivalents and Restricted Cash at End of Period</b>	<b>\$131.2</b>	<b>\$48.6</b>

The accompanying notes are an integral part of these statements.

**ALLETE**  
**CONSOLIDATED STATEMENT OF EQUITY**  
**Unaudited**

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Millions Except Per Share Amounts</b>				
<b>Common Stock</b>				
Balance, Beginning of Period	\$1,791.6	\$1,771.7	\$1,781.5	\$1,536.7
Common Stock Issued	5.6	5.5	15.7	240.5
Balance, End of Period	1,797.2	1,777.2	1,797.2	1,777.2
<b>Accumulated Other Comprehensive Loss</b>				
Balance, Beginning of Period	(24.4)	(23.9)	(24.4)	(23.8)
Other Comprehensive Income – Net of Income Taxes				
Unrealized Gain (Loss) on Debt Securities	—	—	0.1	(0.4)
Defined Benefit Pension and Other Postretirement Plans	(0.1)	0.1	(0.2)	0.4
Balance, End of Period	(24.5)	(23.8)	(24.5)	(23.8)
<b>Retained Earnings</b>				
Balance, Beginning of Period	966.9	932.6	934.8	900.2
Net Income Attributable to ALLETE	85.9	33.7	195.6	137.6
Common Stock Dividends	(38.9)	(37.1)	(116.5)	(108.6)
Balance, End of Period	1,013.9	929.2	1,013.9	929.2
<b>Non-Controlling Interest in Subsidiaries</b>				
Balance, Beginning of Period	634.4	678.5	656.4	533.2
Proceeds from Non-Controlling Interest in Subsidiaries – Net	—	—	9.9	182.9
Net Loss Attributable to Non-Controlling Interest	(16.3)	(6.9)	(47.7)	(43.5)
Distributions to Non-Controlling Interest	(8.0)	(0.3)	(8.5)	(1.3)
Balance, End of Period	610.1	671.3	610.1	671.3
Total Equity	\$3,396.7	\$3,353.9	\$3,396.7	\$3,353.9
Dividends Per Share of Common Stock	\$0.6775	\$0.65	\$2.0325	\$1.95

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 pursuant to such rules and regulations. 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 nine months ended September 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

**Subsequent Events.** The Company performed an evaluation of subsequent events for potential recognition and disclosure through the date of the financial statements issuance.

**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 September 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	September 30, 2023	December 31, 2022	September 30, 2022	December 31, 2021
<b>Millions</b>				
Cash and Cash Equivalents	\$125.5	\$36.4	\$42.1	\$45.1
Restricted Cash included in Prepayments and Other	3.3	1.5	4.2	0.3
Restricted Cash included in Other Non-Current Assets	2.4	2.3	2.3	2.3
Cash, Cash Equivalents and Restricted Cash on the Consolidated Statement of Cash Flows	\$131.2	\$40.2	\$48.6	\$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	September 30, 2023	December 31, 2022
<b>Millions</b>		
Fuel (a)	\$33.0	\$33.4
Materials and Supplies	115.4	75.1
Renewable Energy Facilities Under Development (b)	31.9	347.4
Total Inventories – Net	\$180.3	\$455.9

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

(b) Renewable Energy Facilities Under Development as of September 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 September 30, 2023 (\$154.9 million as of December 31, 2022). There have been no changes to goodwill by reportable segment for the quarter and nine months ended September 30, 2023.

**NOTE 1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

<b>Other Non-Current Assets</b>	<b>September 30, 2023</b>	<b>December 31, 2022</b>
<b>Millions</b>		
Contract Assets (a)	\$19.1	\$21.0
Operating Lease Right-of-use Assets	11.6	12.7
Finance Lease Right-of-use Assets	2.1	—
ALLETE Properties	19.4	19.1
Restricted Cash	2.4	2.3
Other Postretirement Benefit Plans	60.2	58.8
Other	101.5	90.4
<b>Total Other Non-Current Assets</b>	<b>\$216.3</b>	<b>\$204.3</b>

(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.

<b>Other Current Liabilities</b>	<b>September 30, 2023</b>	<b>December 31, 2022</b>
<b>Millions</b>		
Customer Deposits (a)	\$6.0	\$150.7
PSAs	6.0	6.1
Provision for Interim Rate Refund	39.4	18.4
Manufactured Gas Plant (b)	3.4	14.7
Operating Lease Liabilities	3.0	3.2
Finance Lease Liabilities	0.4	—
Other	52.3	57.9
<b>Total Other Current Liabilities</b>	<b>\$110.5</b>	<b>\$251.0</b>

(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.

<b>Other Non-Current Liabilities</b>	<b>September 30, 2023</b>	<b>December 31, 2022</b>
<b>Millions</b>		
Asset Retirement Obligation (a)	\$200.8	\$200.4
PSAs	22.4	26.9
Operating Lease Liabilities	8.5	9.3
Finance Lease Liabilities	1.7	—
Other	30.4	32.4
<b>Total Other Non-Current Liabilities</b>	<b>\$263.8</b>	<b>\$269.0</b>

(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 September 30, 2023 (\$32.4 million as of December 31, 2022).

**NOTE 1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

<b>Other Income</b>	<b>Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>	<b>September 30,</b>	<b>September 30,</b>	<b>September 30,</b>
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Millions</b>				
Pension and Other Postretirement Benefit Plan Non-Service Credits (a)	\$1.8	\$1.9	\$5.5	\$7.2
Interest and Investment Income (b)	6.6	(0.4)	8.7	(1.3)
AFUDC - Equity	1.1	0.7	2.5	2.4
PSA Liability (c)	—	—	—	10.2
Gain on Arbitration Award (d)	58.4	—	58.4	—
Other	0.8	0.1	0.2	(2.1)
<b>Total Other Income</b>	<b>\$68.7</b>	<b>\$2.3</b>	<b>\$75.3</b>	<b>\$16.4</b>

(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) Interest and Investment Income for the quarter and nine months ended September 30, 2023, reflects \$5.1 million of interest income related to interest awarded as part of an arbitration ruling involving a subsidiary of ALLETE Clean Energy. (See Note 6. Commitments, Guarantees, and Contingencies.)

(c) 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.

(d) This reflects a gain recognized for the favorable outcome of an arbitration ruling involving a subsidiary of ALLETE Clean Energy. (See Note 6. Commitments, Guarantees, and Contingencies.)

**Supplemental Statement of Cash Flows Information.**

<b>Nine Months Ended September 30,</b>	<b>2023</b>	<b>2022</b>
<b>Millions</b>		
Cash Paid for Interest – Net of Amounts Capitalized	\$64.8	\$60.5
Cash Paid for Income Taxes – Net	\$14.1	\$1.1
<b>Noncash Investing and Financing Activities</b>		
Increase in Accounts Payable for Capital Additions to Property, Plant and Equipment	\$11.8	\$2.4
Reclassification of Property, Plant and Equipment to Inventory (a)	—	\$99.8
Capitalized Asset Retirement Costs	\$2.4	\$9.0
AFUDC–Equity	\$2.5	\$2.4

(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.

In the third quarter of 2023, we recognized a \$5.7 million increase in Net Loss Attributable to Non-Controlling Interest on the Consolidated Statement of Income for the correction of an error related to the calculation of non-controlling interest in subsidiaries under the hypothetical liquidation at book value method, of which \$3.6 million related to 2022. We have evaluated the effect of this out-of-period adjustment on the quarter and nine months ended September 30, 2023, as well as on the previous interim and annual periods in which they should have been recognized and concluded that this adjustment is not material to any of the periods affected.

## 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 \$44.9 million for the nine months ended September 30, 2023 (\$19.5 million for the nine months ended September 30, 2022).

*2024 Minnesota General Rate Case.* On November 1, 2023, Minnesota Power filed a retail rate increase request with the MPUC seeking an average increase of approximately 12.00 percent for retail customers, net of rider revenue incorporated into base rates. The rate filing seeks a return on equity of 10.30 percent and a 53.00 percent equity ratio. On an annualized basis, the requested final rate increase would generate approximately \$89 million in additional revenue. Once the filing is accepted as complete, an annual interim rate increase of approximately \$64 million, net of rider revenue incorporated into base rates and subject to refund, is expected to be implemented within 60 days, subject to MPUC adjustment and authorization. We cannot predict the level of interim or final rates that may be authorized by the MPUC.

*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. 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.

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.

In an order dated September 29, 2023, the MPUC approved Minnesota Power's final rates, which were implemented beginning on October 1, 2023. The MPUC order also approved Minnesota Power's interim rate refund plan. Interim rates were collected through the third quarter with reserves recorded as necessary. Minnesota Power has recorded a reserve for an interim rate refund of \$39.4 million pre-tax as of September 30, 2023 (\$18.4 million as of December 31, 2022). The reserve will be refunded to customers beginning in the fourth quarter of 2023.

*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 cost recovery rider factor filing, which the MPUC approved in an order dated October 3, 2023. Updated billing rates were included on customer bills starting in the fourth quarter of 2023.

*Solar Cost Recovery Rider.* Minnesota Power has an approved cost recovery rider in place to charge retail customers on a current basis for solar costs related to investments and expenditures for meeting the state of Minnesota's solar energy standard. Current customer billing rates for the solar cost recovery rider were approved by the MPUC in an August 2022 order. On August 23, 2023, Minnesota Power submitted its latest solar cost recovery rider factor filing to the MPUC. Upon approval of the filing, Minnesota Power would be authorized to include updated billing rates on customer bills.

## NOTE 2. REGULATORY MATTERS (Continued)

*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 began 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 a \$28.3 million regulatory liability as of September 30, 2023. On August 30, 2023, Minnesota Power submitted a filing with the MPUC requesting to refund a portion of over-collected fuel adjustment clause recoveries for 2023 from October 2023 through December 2023. No parties objected to the request and lower rates were implemented in October 2023 to refund the over-collection of fuel adjustment clause recoveries, subject to final approval by the MPUC which is expected in 2024.

**Energy Conservation and Optimization (ECO) Plan.** On April 3, 2023, Minnesota Power submitted its 2022 ECO, formerly 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 July 21, 2023. As a result, Minnesota Power recognized revenue of \$2.2 million for the approved financial incentive 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.

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.

**NOTE 2. REGULATORY MATTERS (Continued)**

<b>Regulatory Assets and Liabilities</b>	<b>September 30, 2023</b>	<b>December 31, 2022</b>
<b>Millions</b>		
<b>Current Regulatory Assets (a)</b>		
Fuel Adjustment Clause	\$12.1	\$25.6
Other	1.8	—
Total Current Regulatory Assets	\$13.9	\$25.6
<b>Non-Current Regulatory Assets</b>		
Defined Benefit Pension and Other Postretirement Plans	\$223.6	\$225.9
Income Taxes	91.4	97.6
Cost Recovery Riders	40.8	41.2
Asset Retirement Obligations	37.1	35.6
Taconite Harbor (b)	24.2	—
Manufactured Gas Plant	14.1	15.1
Fuel Adjustment Clause	4.1	14.5
PPACA Income Tax Deferral	4.0	4.1
Other	4.0	7.0
Total Non-Current Regulatory Assets	\$443.3	\$441.0
<b>Current Regulatory Liabilities (c)</b>		
Provision for Interim Rate Refund (d)	\$39.4	\$18.4
Transmission Formula Rates Refund	1.2	4.9
Other	1.3	0.1
Total Current Regulatory Liabilities	\$41.9	\$23.4
<b>Non-Current Regulatory Liabilities</b>		
Income Taxes	\$315.7	\$332.5
Wholesale and Retail Contra AFUDC	78.6	80.7
Plant Removal Obligations	65.9	60.0
Fuel Adjustment Clause	28.3	—
Non-Jurisdictional Land Sales	20.7	7.5
North Dakota Investment Tax Credits	16.4	16.9
Defined Benefit Pension and Other Postretirement Benefit Plans	11.8	17.6
Boswell Units 1 and 2 Net Plant and Equipment	6.7	6.7
Other	5.2	4.2
Total Non-Current Regulatory Liabilities	\$549.3	\$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	6.6
Equity in ATC Earnings	17.3
Distributed ATC Earnings	(13.8)
Amortization of the Remeasurement of Deferred Income Taxes	1.0
Equity Investment Balance as of September 30, 2023	\$176.5

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 0.50 percent 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)	(1.2)
Distributed Nobles 2 Earnings	(2.9)
Equity Investment Balance as of September 30, 2023	\$153.2

(a) The Company also recorded earnings from net loss attributable to non-controlling interest of \$7.2 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 September 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.

Recurring Fair Value Measures	Fair Value as of September 30, 2023			Total
	Level 1	Level 2	Level 3	
<b>Millions</b>				
<b>Assets</b>				
Investments (a)				
Available-for-sale – Equity Securities	\$8.1	—	—	\$8.1
Available-for-sale – Corporate and Governmental Debt Securities (b)	—	\$5.8	—	5.8
Cash Equivalents	5.8	—	—	5.8
Total Fair Value of Assets	\$13.9	\$5.8	—	\$19.7
<b>Liabilities</b>				
Deferred Compensation (c)	—	\$15.9	—	\$15.9
Total Fair Value of Liabilities	—	\$15.9	—	\$15.9

Recurring Fair Value Measures	Fair Value as of December 31, 2022			Total
	Level 1	Level 2	Level 3	
<b>Millions</b>				
<b>Assets</b>				
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
<b>Liabilities</b>				
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 September 30, 2023, the aggregate amount of available-for-sale corporate and governmental debt securities maturing in one year or less was \$1.6 million, in one year to less than three years was \$2.9 million, in three years to less than five years was \$0.9 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
<b>Millions</b>		
Short-Term and Long-Term Debt (a)		
September 30, 2023	\$1,805.5	\$1,582.5
December 31, 2022	\$1,929.1	\$1,782.7

(a) Excludes unamortized debt issuance costs.

**NOTE 4. FAIR VALUE (Continued)**

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

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 September 30, 2023, and December 31, 2022:

<b>September 30, 2023</b>	<b>Principal</b>	<b>Unamortized Debt Issuance Costs</b>	<b>Total</b>
<b>Millions</b>			
Short-Term Debt	\$111.1	\$(0.1)	\$111.0
Long-Term Debt	1,694.4	(8.3)	1,686.1
<b>Total Debt</b>	<b>\$1,805.5</b>	<b>\$(8.4)</b>	<b>\$1,797.1</b>

  

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

We had \$19.8 million outstanding in standby letters of credit and \$33.3 million outstanding draws under our lines of credit as of September 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 October 17, 2023, ALLETE amended its \$400 million credit facility (Credit Agreement), which was scheduled to expire in January 2026, to \$355 million and extended the expiration date to January 10, 2027. The amended Credit Agreement is unsecured and has a variable interest rate. ALLETE may request a single, one-year extension to the maturity date. Advances may be used by ALLETE for general corporate purposes, to provide liquidity in support of ALLETE's commercial paper program and to issue up to \$80 million in letters of credit.

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.

## NOTE 5. SHORT-TERM AND LONG-TERM DEBT (Continued)

**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 September 30, 2023, our ratio was approximately 0.36 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 September 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 September 30, 2023, Square Butte had total debt outstanding of \$176.9 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 nine months ended September 30, 2023, was \$64.8 million (\$63.8 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 \$4.1 million (\$3.7 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.

## NOTE 6. COMMITMENTS, GUARANTEES AND CONTINGENCIES (Continued)

### Environmental Matters (Continued)

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<sub>x</sub> technologies. Under currently applicable environmental regulations, these facilities are substantially compliant with emission requirements.

*Cross-State Air Pollution Rule (CSAPR).* The CSAPR requires certain states, 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. Minnesota Power continues to monitor ongoing CSAPR rulemakings and compliance implementation, including the EPA's Good Neighbor Plan published June 5, 2023, modifying 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<sub>x</sub> and SO<sub>2</sub>, 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. The rule was advanced to the White House Office of Management and Budget (OMB) on September 22, 2023 and a final rule is tentatively expected by the end of the year. 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. Subsequently on August 21, 2023, the EPA announced it would cease reconsideration of the Ozone NAAQS and initiate a new review instead. This new NAAQS review is expected to take several years, during which time the existing 2020 ozone NAAQS will remain in place. Anticipated timelines and 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 Federal Implementation Plan (FIP) rule in the Federal Register, the Good Neighbor Plan, to address regional ozone transport for the 2015 Ozone NAAQS by reducing NO<sub>x</sub> 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<sub>x</sub> reduction strategies, including federal implementation plan requirements, NO<sub>x</sub> emission limitations, and ozone season allowance program requirements, beginning with the 2023 ozone season. 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.

## NOTE 6. COMMITMENTS, GUARANTEES AND CONTINGENCIES (Continued)

### Environmental Matters (Continued)

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.

On September 29, 2023, the EPA issued an updated final interim rule addressing the stays in Minnesota and five other states, formally staying the effectiveness of the final FIP for states with active stays in place. The state of Minnesota was therefore not subject to compliance obligations for the 2023 ozone season, which would have gone into effect on August 4, 2023. Future compliance obligations will depend on the eventual resolution of the stay and appeal. Additionally, challenges have been filed against the final SIP rule by the Minnesota coalition parties and other entities. Anticipated compliance costs related to final Good Neighbor Plan compliance cannot yet be estimated due to uncertainties about SIP approval status, implementation timing, and allowance costs and facility emissions during the ozone season. However, the costs could be material, including costs of additional NO<sub>x</sub> controls, emission allowance program participation, or operational changes, if any are required. Minnesota Power would seek recovery of additional costs through a rate proceeding.

*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.

## NOTE 6. COMMITMENTS, GUARANTEES AND CONTINGENCIES (Continued)

### Environmental Matters (Continued)

**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 also proposed in this action to officially repeal the predecessor regulation "Affordable Clean Energy Rule", first issued in 2019 and later vacated in 2021. The draft rules were 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. The Company will continue to monitor this GHG rulemaking and analyze potential impacts to our existing and proposed thermal generating facilities from the draft Section 111 rules, which would apply to several Company assets including existing EGUs at the Boswell and Laskin facilities as well as the proposed combined cycle natural gas-fired generating facility, NTEC. Minnesota Power continues implementing its *EnergyForward* 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 desulfurization (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 policies 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.

## NOTE 6. COMMITMENTS, GUARANTEES AND CONTINGENCIES (Continued)

### Environmental Matters (Continued)

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 judgment. 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.

*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.



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

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, a 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.

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 September 30, 2023, we have recorded a liability of approximately \$4 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.

## NOTE 6. COMMITMENTS, GUARANTEES AND CONTINGENCIES (Continued)

### 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 September 30, 2023, we had \$163.6 million of outstanding letters of credit issued, including those issued under our revolving credit facility.

*Regulated Operations.* As of September 30, 2023, we had \$24.2 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 September 30, 2023, ALLETE Clean Energy has \$105.3 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 September 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 September 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 September 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.

#### *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, and a final arbitration ruling was issued in favor of ALLETE Clean Energy's subsidiary in September 2023. The final arbitration ruling awarded \$68.3 million to ALLETE Clean Energy's subsidiary, which included prejudgment interest of \$5.1 million, recovery of \$3.6 million of arbitration-related costs, and resulted in the recognition of a \$58.4 million pre-tax gain in the third quarter of 2023. The arbitration ruling also resulted in the receipt of approximately \$60 million of cash, net of distribution to non-controlling interest, in the third quarter of 2023.

**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.

Reconciliation of Basic and Diluted Earnings Per Share	2023			2022		
	Basic	Dilutive Securities	Diluted	Basic	Dilutive Securities	Diluted
<b>Millions Except Per Share Amounts</b>						
<b>Quarter ended September 30,</b>						
Net Income Attributable to ALLETE	\$85.9		\$85.9	\$33.7		\$33.7
Average Common Shares	57.4	0.1	57.5	57.1	0.1	57.2
Earnings Per Share	\$1.50		\$1.49	\$0.59		\$0.59
<b>Nine Months Ended September 30,</b>						
Net Income Attributable to ALLETE	\$195.6		\$195.6	\$137.6		\$137.6
Average Common Shares	57.3	0.1	57.4	55.5	0.1	55.6
Earnings Per Share	\$3.41		\$3.41	\$2.48		\$2.48

**NOTE 8. INCOME TAX EXPENSE**

Millions	Quarter Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Current Income Tax Expense (a)</b>				
Federal	\$4.0	—	\$12.6	—
State	1.1	\$0.2	6.5	\$0.3
Total Current Income Tax Expense	\$5.1	\$0.2	\$19.1	\$0.3
<b>Deferred Income Tax Expense (Benefit)</b>				
Federal (b)	\$5.2	\$(8.4)	\$(10.9)	\$(20.7)
State	9.1	1.1	12.5	1.4
Investment Tax Credit Amortization	(0.1)	(0.1)	(0.3)	(0.4)
Total Deferred Income Tax Expense (Benefit)	\$14.2	\$(7.4)	\$1.3	\$(19.7)
Total Income Tax Expense (Benefit)	\$19.3	\$(7.2)	\$20.4	\$(19.4)

(a) For the quarter and nine months ended September 30, 2023, the federal current tax expense was partially offset by production tax credits. For the quarter and nine months ended September 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.

(b) For the quarter ended September 30, 2023, the federal deferred tax expense was due to higher pre-tax income at ALLETE Clean Energy, partially offset by production tax credits. For the nine months ended September 30, 2023 and 2022, and the quarter ended September 30, 2022, the federal deferred 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.

<b>Reconciliation of Taxes from Federal Statutory Rate to Total Income Tax Expense</b>	<b>Quarter Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Millions</b>				
Income Before Income Taxes	\$88.9	\$19.6	\$168.3	\$74.7
Statutory Federal Income Tax Rate	21 %	21 %	21 %	21 %
Income Taxes Computed at Statutory Federal Rate	\$18.7	\$4.1	\$35.3	\$15.7
Increase (Decrease) in Income Tax Due to:				
State Income Taxes – Net of Federal Income Tax Benefit	8.0	1.1	15.0	6.6
Deferred Revaluation – Net of Federal Income Tax Benefit	—	—	—	(5.2)
Production Tax Credits <i>(a)</i>	(7.7)	(9.7)	(28.3)	(34.4)
Investment Tax Credits <i>(a)</i>	(1.6)	(3.2)	(5.2)	(3.2)
Regulatory Differences – Excess Deferred Tax	(2.3)	(1.5)	(7.5)	(6.7)
Non-Controlling Interest in Subsidiaries	3.0	1.4	8.9	8.4
Other	1.2	0.6	2.2	(0.6)
<b>Total Income Tax Expense (Benefit)</b>	<b>\$19.3</b>	<b>\$(7.2)</b>	<b>\$20.4</b>	<b>\$(19.4)</b>

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

For the nine months ended September 30, 2023, the effective tax rate was an expense of 12.1 percent (benefit of 26.0 percent for the nine months ended September 30, 2022). The effective tax rates for 2023 and 2022 were primarily impacted by production tax credits.

**Uncertain Tax Positions.** As of September 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**

<b>Components of Net Periodic Benefit Cost (Credit)</b>	<b>Pension</b>		<b>Other Postretirement</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Millions</b>				
<b>Quarter Ended September 30,</b>				
Service Cost	\$1.7	\$2.1	\$0.6	\$0.8
Non-Service Cost Components (a)				
Interest Cost	10.2	6.9	1.6	1.1
Expected Return on Plan Assets	(10.9)	(10.4)	(2.9)	(2.4)
Amortization of Prior Service Credits	(0.1)	—	(1.8)	(1.8)
Amortization of Net Loss	1.4	2.8	(0.6)	0.1
<b>Net Periodic Benefit Cost (Credit)</b>	<b>\$2.3</b>	<b>\$1.4</b>	<b>\$(3.1)</b>	<b>\$(2.2)</b>
<b>Nine Months Ended September 30,</b>				
Service Cost	\$4.9	\$6.9	\$1.7	\$2.3
Non-Service Cost Components (a)				
Interest Cost	30.4	20.4	4.6	3.3
Expected Return on Plan Assets	(32.8)	(31.1)	(8.5)	(7.2)
Amortization of Prior Service Credits	(0.1)	(0.1)	(5.3)	(5.6)
Amortization of Net Loss	4.3	8.6	(1.7)	0.3
<b>Net Periodic Benefit Cost (Credit)</b>	<b>\$6.7</b>	<b>\$4.7</b>	<b>\$(9.2)</b>	<b>\$(6.9)</b>

(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 nine months ended September 30, 2023, we contributed \$17.3 million in cash to the defined benefit pension plans (none for the nine months ended September 30, 2022); we do not expect to make additional contributions to our defined benefit pension plans in 2023. For the nine months ended September 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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Millions</b>				
<b>Operating Revenue</b>				
Regulated Operations				
Residential	\$37.9	\$40.1	\$123.3	\$136.7
Commercial	49.2	49.0	140.9	141.7
Municipal	8.7	9.8	25.2	31.9
Industrial	154.3	147.3	439.4	445.7
Other Power Suppliers	31.0	46.7	103.2	124.6
Other	33.2	29.7	87.1	79.7
<b>Total Regulated Operations</b>	<b>314.3</b>	<b>322.6</b>	<b>919.1</b>	<b>960.3</b>
ALLETE Clean Energy				
Long-term PSA	12.9	14.4	44.5	58.7
Sale of Wind Energy Facilities	—	—	348.4	—
Other	1.3	1.2	3.9	6.3
<b>Total ALLETE Clean Energy</b>	<b>14.2</b>	<b>15.6</b>	<b>396.8</b>	<b>65.0</b>
Corporate and Other				
Long-term Contract	24.6	23.5	74.0	67.5
Sale of Renewable Development Projects	20.8	22.1	73.2	36.6
Other	4.9	4.5	14.0	15.5
<b>Total Corporate and Other</b>	<b>50.3</b>	<b>50.1</b>	<b>161.2</b>	<b>119.6</b>
<b>Total Operating Revenue</b>	<b>\$378.8</b>	<b>\$388.3</b>	<b>\$1,477.1</b>	<b>\$1,144.9</b>
<b>Net Income (Loss) Attributable to ALLETE</b>				
Regulated Operations	\$34.0	\$38.3	\$112.4	\$119.4
ALLETE Clean Energy (a)	54.8	(7.3)	66.4	15.0
Corporate and Other (b)	(2.9)	2.7	16.8	3.2
<b>Total Net Income Attributable to ALLETE</b>	<b>\$85.9</b>	<b>\$33.7</b>	<b>\$195.6</b>	<b>\$137.6</b>

- (a) Net income in 2023 includes a \$44.3 million after-tax gain recognized for a favorable arbitration ruling. (See Note 6. Commitments, Guarantees and Contingencies.)
- (b) Net income in 2023 includes a \$3.8 million after-tax expense recognized for the consolidated income tax impact of the gain on arbitration. (See Note 6. Commitments, Guarantees and Contingencies.) Net Income in 2022 includes a \$5.7 million after-tax expense as a result of purchase price accounting related to projects under development at the time of acquisition and \$2.6 million after-tax of transaction costs related to the acquisition of New Energy.

	September 30, 2023	December 31, 2022
<b>Millions</b>		
<b>Assets</b>		
Regulated Operations	\$4,272.4	\$4,291.4
ALLETE Clean Energy	1,599.7	1,873.3
Corporate and Other	772.7	680.9
<b>Total Assets</b>	<b>\$6,644.8</b>	<b>\$6,845.6</b>

## 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 September 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 nine months ended September 30, 2023, to the nine months ended September 30, 2022.

Net income attributable to ALLETE for the nine months ended September 30, 2023, was \$195.6 million, or \$3.41 per diluted share, compared to \$137.6 million, or \$2.48 per diluted share, for the same period in 2022. Net income in 2023 included a \$40.5 million, or \$0.71 per share, after-tax gain recognized for a favorable arbitration ruling involving a subsidiary of ALLETE Clean Energy. (See Note 6. Commitments, Guarantees and Contingencies.) This increase was partially offset by the impact of unusually low wind resources at ALLETE Clean Energy in 2023 and lower earnings at Minnesota Power reflecting the timing of interim rate reserves in 2023 compared to 2022. Earnings per share dilution in 2023 was \$0.11 due to additional average shares of common stock outstanding in 2023 compared to 2022.

**ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS (Continued)**

**Regulated Operations** net income attributable to ALLETE was \$112.4 million for the nine months ended September 30, 2023, compared to \$119.4 million for the same period in 2022. Net income at Minnesota Power was lower than 2022 primarily due to the timing of interim rate 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. Higher operating and maintenance, depreciation and interest expenses also contributed to lower net income in 2023 compared to 2022. These decreases were partially offset by higher kWh sales to industrial customers in 2023 and lower property tax expense resulting from the favorable impact of an updated estimate for property taxes payable in 2023. Net income at SWL&P was similar to 2022. Our after-tax equity earnings in ATC were higher than 2022 due to period over period changes in ATC’s estimate of a refund liability related to the appeals court decision on MISO return on equity complaints in 2022. (See Note 3. Equity Investments.)

**ALLETE Clean Energy** net income attributable to ALLETE was \$66.4 million for the nine months ended September 30, 2023, compared to \$15.0 million for the same period in 2022. Net income in 2023 reflected a \$44.3 million after-tax gain recognized for a favorable arbitration ruling involving a subsidiary of ALLETE Clean Energy. Net income in 2023 also included the gain on sale of the Red Barn project in 2023 of \$4.3 million after-tax and higher interest income related to interest awarded as part of the arbitration ruling. These increases were partially offset by lower wind resources and availability at its wind energy facilities in 2023 resulting in lower revenue as well as lower income from net losses attributable to non-controlling interests for tax equity financed wind energy facilities. Net income in 2022 included a reserve for an anticipated loss on sale of ALLETE Clean Energy’s project to repower and sell its Northern Wind project as well as earnings from the legacy Northern Wind facilities, which were decommissioned in April 2022 as part of the project.

**Corporate and Other** net income attributable to ALLETE was \$16.8 million for the nine months ended September 30, 2023, compared to \$3.2 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 \$12.0 million. Net income from New Energy in 2022 was \$0.2 million, which included a \$5.7 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, and a \$3.8 million after-tax expense for the consolidated income tax impact of the gain on the favorable arbitration ruling. Net income in 2022 included transaction costs of \$2.6 million after-tax related to the acquisition of New Energy in April 2022.

**COMPARISON OF THE QUARTER ENDED SEPTEMBER 30, 2023 AND 2022**

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

**Regulated Operations**

<b>Quarter Ended September 30,</b>	<b>2023</b>	<b>2022</b>
<b>Millions</b>		
Operating Revenue – Utility	\$314.3	\$322.6
Fuel, Purchased Power and Gas – Utility	125.6	136.8
Transmission Services – Utility	22.7	19.3
Operating and Maintenance	61.4	62.2
Depreciation and Amortization	44.9	41.5
Taxes Other than Income Taxes	12.3	15.1
Operating Income	47.4	47.7
Interest Expense	(16.2)	(14.3)
Equity Earnings	5.7	3.1
Other Income	2.8	2.3
Income Before Income Taxes	39.7	38.8
Income Tax Expense	5.7	0.5
Net Income Attributable to ALLETE	\$34.0	\$38.3

**Operating Revenue – Utility** decreased \$8.3 million from 2022 primarily due to lower kWh sales and interim rate revenue, net of reserves, partially offset by higher fuel adjustment clause recoveries, cost recovery rider revenue, transmission revenue and FERC formula-based rates as well as timing of financial incentives under Minnesota Power’s energy conservation and optimization plan.



**COMPARISON OF THE QUARTER ENDED SEPTEMBER 30, 2023 AND 2022 (Continued)**  
**Regulated Operations (Continued)**

Lower kWh sales decreased revenue by \$16.8 million from 2022 reflecting lower sales to municipal customers and other power suppliers, partially offset by higher sales to industrial customers. 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 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. Sales to industrial customers increased primarily due to higher sales to taconite customers reflecting Cliffs' Northshore mine being idled in 2022 and resuming partial pellet plant production in April 2023 (see *Outlook – Regulated Operations – Northshore Mining*), sales to ST Paper in 2023, which became a large power customer in 2023 (see *Outlook – Regulated Operations – ST Paper*), and higher sales to pipeline and other customers in 2023.

Kilowatt-hours Sold Quarter Ended September 30, Millions	2023	2022	Variance	
			Quantity	%
<b>Regulated Utility</b>				
Retail and Municipal				
Residential	250	251	(1)	(0.4)%
Commercial	355	353	2	0.6 %
Industrial	1,742	1,665	77	4.6 %
Municipal	112	130	(18)	(13.8)%
Total Retail and Municipal	2,459	2,399	60	2.5 %
Other Power Suppliers	526	769	(243)	(31.6)%
<b>Total Regulated Utility Kilowatt-hours Sold</b>	<b>2,985</b>	<b>3,168</b>	<b>(183)</b>	<b>(5.8)%</b>

Revenue from electric sales to taconite customers accounted for 34 percent of regulated operating revenue in 2023 (31 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 (6 percent in 2022). Revenue from electric sales to pipelines and other industrial customers accounted for 10 percent of regulated operating revenue in 2023 (9 percent in 2022).

Interim retail rate revenue, net of reserves, for Minnesota Power decreased \$7.3 million from 2022 primarily due to interim refund reserves recognized during 2023 as a result of Minnesota Power's 2022 general rate case. Interim refund reserves in 2022 were not recognized until the fourth quarter. (See Note 2. Regulatory Matters.)

Fuel adjustment clause revenue increased \$6.5 million due to higher recoveries of fuel and purchased power costs attributable to retail and municipal customers reflecting higher kWh sales to retail customers.

Cost recovery rider revenue increased \$5.8 million primarily due to fewer production tax credits generated by Minnesota Power and a difference between production tax credits reflected in retail base rates in 2023 compared to 2022. 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.

Revenue from wholesale customers under FERC formula-based rates increased \$4.4 million primarily due to higher rates.

Financial incentives under Minnesota Power's energy conservation and optimization plan were \$2.2 million higher than 2022 due to the timing of MPUC approval in 2023 and 2022. (See Note 2. Regulatory Matters.)

Transmission revenue increased \$1.9 million primarily due to higher MISO-related revenue.

**Operating Expenses** decreased \$8.0 million, or 3 percent, from 2022.

*Fuel, Purchased Power and Gas – Utility* expense decreased \$11.2 million, or 8 percent, from 2022 primarily due to lower kWh sales to other power suppliers as well as lower purchased power prices and fuel costs, partially offset by higher kWh sales to retail customers.

**COMPARISON OF THE QUARTER ENDED SEPTEMBER 30, 2023 AND 2022 (Continued)**  
**Regulated Operations (Continued)**

*Transmission Services – Utility* expense increased \$3.4 million, or 18 percent, from 2022 primarily due to higher MISO-related expense.

*Depreciation and Amortization* expense increased \$3.4 million, or 8 percent, from 2022 reflecting a higher plant in service balance in 2023.

*Taxes Other than Income Taxes* decreased \$2.8 million, or 19 percent, from 2022 primarily due to lower property tax expense resulting from the favorable impact of an updated estimate for 2023 property tax expense recorded during the third quarter of 2023.

*Interest Expense* increased \$1.9 million, or 13 percent, from 2022 primarily due to higher interest rates and interest on Minnesota Power’s reserve for interim rate refunds in 2023.

*Equity earnings* increased \$2.6 million from 2022 primarily due to period over period changes in ATC’s estimate of a refund liability related to the appeals court decision on MISO return on equity complaints in 2022. (See Note 3. Equity Investments).

*Income Tax Expense* increased \$5.2 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**

Quarter Ended September 30,	2023	2022
<b>Millions</b>		
Operating Revenue		
Contracts with Customers – Non-utility	\$12.9	\$14.4
Other – Non-utility (a)	1.3	1.2
Cost of Sales – Non-utility	—	4.0
Operating and Maintenance	10.6	12.7
Depreciation and Amortization	14.4	14.3
Taxes Other than Income Taxes	2.6	2.9
Operating Loss	(13.4)	(18.3)
Interest Expense	(0.2)	(0.2)
Other Income	65.2	0.2
Income (Loss) Before Income Taxes	51.6	(18.3)
Income Tax Expense (Benefit)	11.7	(5.4)
Net Income (Loss)	39.9	(12.9)
Net Loss Attributable to Non-Controlling Interest	(14.9)	(5.6)
Net Income (Loss) Attributable to ALLETE	\$54.8	\$(7.3)

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

*Operating Revenue* decreased \$1.4 million compared to 2022 primarily due to lower wind resources at wind energy facilities in most regions except the South region, which had slightly higher wind resources, in 2023 compared to 2022.

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

Production and Operating Revenue	Quarter Ended September 30,			
	2023		2022	
	kWh	Revenue	kWh	Revenue
<b>Millions</b>				
Wind Energy Regions				
East	31.4	\$2.9	38.8	\$3.5
Midwest	89.5	3.6	100.9	4.3
South	392.5	5.0	373.3	4.4
West	142.3	2.7	151.7	3.4
Total Production and Operating Revenue	655.7	\$14.2	664.7	\$15.6

**Cost of Sales – Non-utility** decreased \$4.0 million from 2022 reflecting a reserve in 2022 for an anticipated loss on sale of ALLETE Clean Energy’s project to repower and sell its Northern Wind project.

**Operating and Maintenance** expense decreased \$2.1 million from 2022 primarily due to lower contract and professional services in 2023 reflecting the recovery of \$3.6 million for arbitration-related costs incurred in 2023 that were awarded as part of a favorable arbitration ruling involving a subsidiary of ALLETE Clean Energy. (See Note 6. Commitments, Guarantees and Contingencies.)

**Other Income** increased \$65.0 million from 2022 primarily due to a \$58.4 million gain recognized for a favorable arbitration ruling involving a subsidiary of ALLETE Clean Energy and higher interest income related to \$5.1 million of interest awarded as part of the favorable arbitration ruling. (See Note 6. Commitments, Guarantees and Contingencies.)

**Income Tax Expense** increased \$17.1 million from 2022 primarily due to higher pre-tax income in 2023 compared to 2022.

**Net Loss Attributable to Non-Controlling Interest** increased \$9.3 million from 2022 reflecting a higher production tax credit rate, as determined by the Internal Revenue Service, in 2023 compared to 2022, and higher wind resources at tax equity financed wind energy facilities in 2023.

**Corporate and Other**

**Operating Revenue** was similar to 2022.

**Net Loss Attributable to ALLETE** of \$2.9 million in 2023 compared to net income of \$2.7 million in 2022. Net income in 2023 reflects higher income tax expense, including a \$3.8 million after-tax expense for the consolidated income tax impact of the gain on the favorable arbitration ruling. Net income in 2023 also reflects lower earnings from New Energy in 2023 compared to 2022. Net income from New Energy in 2023 was \$0.5 million. Net income from New Energy in 2022 was \$1.3 million, which included a \$1.7 million after-tax expense as a result of purchase price accounting related to projects under development at the time of acquisition.

**Income Taxes – Consolidated**

For the quarter ended September 30, 2023, the effective tax rate was an expense of 21.7 percent (benefit of 36.7 percent for the quarter ended September 30, 2022). The effective tax rate for 2023 is 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.)

## COMPARISON OF THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

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

### Regulated Operations

Nine Months Ended September 30,	2023	2022
<b>Millions</b>		
Operating Revenue – Utility	\$919.1	\$960.3
Fuel, Purchased Power and Gas – Utility	351.8	417.4
Transmission Services – Utility	66.3	57.5
Operating and Maintenance	184.8	177.7
Depreciation and Amortization	134.0	128.5
Taxes Other than Income Taxes	33.8	42.2
Operating Income	148.4	137.0
Interest Expense	(47.9)	(42.6)
Equity Earnings	17.3	13.8
Other Income	7.9	6.9
Income Before Income Taxes	125.7	115.1
Income Tax Expense (Benefit)	13.3	(4.3)
Net Income Attributable to ALLETE	\$112.4	\$119.4

**Operating Revenue – Utility** decreased \$41.2 million from 2022 primarily due to lower kWh sales, fuel adjustment clause recoveries and interim rate revenue, net of reserves, partially offset by higher cost recovery rider revenue, transmission revenue and FERC formula-based rates.

Lower kWh sales reduced revenue by \$33.2 million from 2022 reflecting lower sales to residential, commercial and municipal customers as well as lower sales to other power suppliers, partially offset by higher sales to industrial customers. 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 taconite customers, sales to ST Paper, which became a large power customer in 2023 (see *Outlook – Regulated Operations – ST Paper*), and higher sales to pipeline and other customers. 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			
Nine Months Ended September 30,	2023	2022	Quantity	%
<b>Millions</b>				
<b>Regulated Utility</b>				
Retail and Municipal				
Residential	812	851	(39)	(4.6)%
Commercial	1,022	1,027	(5)	(0.5)%
Industrial	5,178	5,047	131	2.6 %
Municipal	350	419	(69)	(16.5)%
Total Retail and Municipal	7,362	7,344	18	0.2 %
Other Power Suppliers	2,008	2,544	(536)	(21.1)%
<b>Total Regulated Utility Kilowatt-hours Sold</b>	<b>9,370</b>	<b>9,888</b>	<b>(518)</b>	<b>(5.2)%</b>

Revenue from electric sales to taconite customers accounted for 32 percent of regulated operating revenue in 2023 (32 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).

Fuel adjustment clause revenue decreased \$23.8 million due to lower fuel and purchased power costs attributable to retail and municipal customers. (See *Fuel, Purchased Power and Gas – Utility*.)

## COMPARISON OF THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022 (Continued)

### Regulated Operations (Continued)

Interim retail rate revenue, net of reserves, for Minnesota Power decreased \$20.4 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.)

Cost recovery rider revenue increased \$25.4 million primarily due to fewer production tax credits generated by Minnesota Power and a difference between production tax credits reflected in retail base rates in 2023 compared to 2022. 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.

Revenue from wholesale customers under FERC formula-based rates increased \$8.5 million primarily due to higher rates.

Transmission revenue increased \$8.0 million primarily due to higher MISO-related revenue.

**Operating Expenses** decreased \$52.6 million, or 6 percent, from 2022.

*Fuel, Purchased Power and Gas – Utility* expense decreased \$65.6 million, or 16 percent, from 2022 primarily due to lower kWh sales, purchased power prices and fuel costs.

*Transmission Services – Utility* expense increased \$8.8 million, or 15 percent, from 2022 primarily due to higher MISO-related expense.

*Operating and Maintenance* expense increased \$7.1 million, or 4 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 \$5.5 million, or 4 percent, from 2022 primarily due to a higher plant in service balance in 2023.

*Taxes Other than Income Taxes* decreased \$8.4 million, or 20 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.

**Interest Expense** increased \$5.3 million, or 12 percent, from 2022 primarily due to higher interest rates and interest on Minnesota Power's reserve for interim rate refunds in 2023.

**Equity earnings** increased \$3.5 million, or 25 percent, from 2022 primarily due to period over period changes in ATC's estimate of a refund liability related to the appeals court decision on MISO return on equity complaints in 2022. (See Note 3. Equity Investments.)

**Income Tax Expense** increased \$17.6 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.

COMPARISON OF THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022 (Continued)

ALLETE Clean Energy

Nine Months Ended September 30,	2023	2022
<b>Millions</b>		
Operating Revenue		
Contracts with Customers – Non-utility	\$392.9	\$58.7
Other – Non-utility (a)	3.9	6.3
Cost of Sales – Non-utility	342.3	14.2
Operating and Maintenance	39.2	36.6
Depreciation and Amortization	43.1	44.2
Taxes Other than Income Taxes	7.4	9.0
Operating Loss	(35.2)	(39.0)
Interest Expense	(0.7)	(2.0)
Other Income	66.4	10.6
Income (Loss) Before Income Taxes	30.5	(30.4)
Income Tax Expense (Benefit)	4.5	(9.4)
Net Income (Loss)	26.0	(21.0)
Net Loss Attributable to Non-Controlling Interest	(40.4)	(36.0)
Net Income Attributable to ALLETE	\$66.4	\$15.0

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

**Operating Revenue** increased \$331.8 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 much of the year 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.

Production and Operating Revenue	Nine Months Ended September 30,			
	2023		2022	
	kWh	Revenue	kWh	Revenue
<b>Millions</b>				
Wind Energy Regions				
East	152.6	\$14.8	184.1	\$16.7
Midwest	393.4	13.1	592.0	21.2
South	1389.1	10.9	1,550.9	12.9
West	495.4	9.6	624.4	14.2
Sale of Wind Energy Facility	—	348.4	—	—
Total Production and Operating Revenue	2,430.5	\$396.8	2,951.4	\$65.0

## COMPARISON OF THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022 (Continued)

### ALLETE Clean Energy (Continued)

**Cost of Sales – Non-utility** increased \$328.1 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 reserve in the third quarter for an anticipated loss on sale of ALLETE Clean Energy’s project to repower and sell its Northern Wind project. In addition, 2022 included 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*.)

**Operating and Maintenance** expense increased \$2.6 million, or 7 percent, from 2022 primarily due to higher contract and professional services in 2023. Arbitration-related costs incurred in 2023 for arbitration proceedings involving a subsidiary of ALLETE Clean Energy were fully offset by the recovery of \$3.6 million for arbitration-related costs that were awarded as part of a favorable arbitration ruling. (See Note 6. Commitments, Guarantees and Contingencies.)

**Other Income** increased \$55.8 million from 2022 primarily due to a \$58.4 million gain recognized for a favorable arbitration ruling involving a subsidiary of ALLETE Clean Energy and higher interest income related to \$5.1 million of interest awarded as part of the favorable arbitration ruling. (See Note 6. Commitments, Guarantees and Contingencies.) Other Income in 2022 reflected 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*.)

**Income Tax Expense (Benefit)** increased \$13.9 million from 2022 primarily due to a higher pre-tax income in 2023 compared to 2022.

**Net Loss Attributable to Non-Controlling Interest** decreased \$4.4 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 rate, as determined by the Internal Revenue Service, in 2023 compared to 2022.

### Corporate and Other

**Operating Revenue** increased \$41.6 million, or 35 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 \$16.8 million in 2023 compared to \$3.2 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 closed during 2023 and the impact of purchase price accounting in 2022. Net income from New Energy in 2023 was \$12.0 million. Net income from New Energy in 2022 was \$0.2 million, which included a \$5.7 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, and a \$3.8 million after-tax expense for the consolidated income tax impact of the gain on the favorable arbitration ruling. Net income in 2022 included transaction costs of \$2.6 million after-tax related to the acquisition of New Energy in April 2022.

### Income Taxes – Consolidated

For the nine months ended September 30, 2023, the effective tax rate was an expense of 12.1 percent (benefit of 26.0 percent for the nine months ended September 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 60 percent of total consolidated net income in 2023, which reflects the impact of ALLETE Clean Energy's arbitration award. 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.

*2024 Minnesota General Rate Case.* On November 1, 2023, Minnesota Power filed a retail rate increase request with the MPUC seeking an average increase of approximately 12.00 percent for retail customers, net of rider revenue incorporated into base rates. The rate filing seeks a return on equity of 10.30 percent and a 53.00 percent equity ratio. On an annualized basis, the requested final rate increase would generate approximately \$89 million in additional revenue. Once the filing is accepted as complete, an annual interim rate increase of approximately \$64 million, net of rider revenue incorporated into base rates and subject to refund, is expected to be implemented within 60 days, subject to MPUC adjustment and authorization. We cannot predict the level of interim or final rates that may be authorized by the MPUC.

*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 seeks 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.

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.

In an order dated September 29, 2023, the MPUC approved Minnesota Power's final rates, which were implemented beginning on October 1, 2023. The MPUC order also approved Minnesota Power's interim rate refund plan. Interim rates were collected through the third quarter of 2023 with reserves recorded as necessary. Minnesota Power has recorded a reserve for an interim rate refund of \$39.4 million pre-tax as of September 30, 2023 (\$18.4 million as of December 31, 2022). The reserve will be refunded to customers beginning in the fourth quarter of 2023.

*Solar Energy Request For Proposals.* On October 2, 2023, Minnesota Power issued a notice with the MPUC of its intent to issue a request for proposals for up to 300 MW of solar energy resources. Minnesota Power anticipates issuing the request for proposals in the fourth quarter of 2023.

***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 55 percent of our regulated utility kWh sales in the nine months ended September 30, 2023, were made to our industrial customers (51 percent in the nine months ended September 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.

In the third quarter of 2023, USS Corporation disclosed it had commenced a formal review process to evaluate strategic alternatives for the company after receiving multiple unsolicited proposals that ranged from the acquisition of certain production assets to consideration for the whole company.

*Hibbing Taconite.* On May 25, 2023, the Minnesota Executive Council approved state mineral leases near Nashwauk, Minnesota, with Cliffs, the majority owner of Hibbing Taconite. Cliffs has stated that these leases will provide Hibbing Taconite 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.

**OUTLOOK (Continued)**  
**Industrial and Municipal Customers and Prospective Additional Load (Continued)**

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 completed start-up of operations and is now a large power customer as of the first quarter of 2023.

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.**

*Investment in ATC.* ATC's most recent 10-year transmission assessment, which covers the years 2023 through 2032, identifies a need for between \$6.6 billion and \$8.1 billion in transmission system investments. These investments by ATC, if undertaken, are expected to be funded through a combination of internally generated cash, debt and investor contributions. As opportunities arise, we plan to make additional investments in ATC through general capital calls based upon our pro rata ownership interest in ATC.

*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. On October 18, 2023, the U.S. Department of Energy awarded a \$50 million grant to Minnesota Power for this project, which will be used to prepare the HVDC transmission system for future expansion and help reduce project costs to customers.

*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 to \$1,350 million transmission line 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.

**OUTLOOK (Continued)**  
**Transmission (Continued)**

*Big Stone South Transmission Project.* Northern States Power, Great River Energy, Minnesota Power, Otter Tail Power Company, and Missouri River Energy Resources (Project Developers) announced in July 2022 their intent to build a 150-mile, 345-kV transmission line to improve reliability in North Dakota and South Dakota, and western and central Minnesota. 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. A Notice of Intent to Construct, Own and Maintain the transmission line was filed with the MPUC in October 2022. On September 29, 2023, the Project Developers submitted an application for a certificate of need and route permit with the MPUC. The project is in its early stages and is expected to cost between \$600 million and \$700 million. The MPUC will determine the final route for the Minnesota portion as well as cost recovery for Minnesota Power's approximately \$20 million estimated share of the project. Subject to regulatory approvals, the transmission line is expected to be in service in 2027.

**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.

Since September 20, 2023, a substation and the transmission lines feeding that substation located near ALLETE Clean Energy's Caddo wind energy facility, and operated by another party, have experienced a forced outage. This forced outage has increased congestion experienced by the Caddo wind energy facility and is expected to have a negative impact on ALLETE Clean Energy's results of approximately \$7.5 million pre-tax through the remainder of 2023. We will continue to monitor this recent development for timing of repairs and impact going forward.

**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 September 30, 2023, we had cash and cash equivalents of \$125.5 million, \$370.1 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.

## LIQUIDITY AND CAPITAL RESOURCES (Continued)

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

	September 30, 2023	%	December 31, 2022	%
<b>Millions</b>				
ALLETE Equity	\$2,786.6	53	\$2,691.9	51
Non-Controlling Interest in Subsidiaries	610.1	12	656.4	12
Short-Term and Long-Term Debt (a)	1,805.5	35	1,929.1	37
	\$5,202.2	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 Nine Months Ended September 30,	2023	2022
<b>Millions</b>		
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	\$40.2	\$47.7
Cash Flows provided by (used in)		
Operating Activities	520.0	81.2
Investing Activities	(200.6)	(311.1)
Financing Activities	(228.4)	230.8
Change in Cash, Cash Equivalents and Restricted Cash	91.0	0.9
Cash, Cash Equivalents and Restricted Cash at End of Period	\$131.2	\$48.6

**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, cash received from the favorable arbitration award by a subsidiary of ALLETE Clean Energy, and 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; 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.

**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 September 30, 2023, we had consolidated bank lines of credit aggregating \$423.1 million (\$475.7 million as of December 31, 2022), the majority of which expire in January 2027, reflecting the October 2023 amendment to our largest credit facility. (See Note 5. Short-Term and Long-Term Debt.) We had \$19.8 million outstanding in standby letters of credit and \$33.3 million outstanding draws under our lines of credit as of September 30, 2023 (\$32.8 million in standby letters of credit and \$31.3 million outstanding draws as of December 31, 2022). As of September 30, 2023, we also had \$143.8 million outstanding in standby letters of credit under other credit facility agreements.

In addition, as of September 30, 2023, we had 2.7 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 nine months ended September 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 \$11.4 million (0.2 million shares were issued for the nine months ended September 30, 2022, resulting in net proceeds of \$12.6 million).

## LIQUIDITY AND CAPITAL RESOURCES (Continued)

**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 nine months ended September 30, 2023, capital expenditures totaled \$182.0 million (\$155.3 million for the nine months ended September 30, 2022). The expenditures were primarily made in the Regulated Operations segment. In addition, we incurred costs of approximately \$26 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 September 30, 2023, ALLETE had 1,556 employees, of which 1,509 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 181 employees, of which 131 are subject to a labor agreement with IBEW Local 1593. The current labor agreement with IBEW Local 1593 expires on March 31, 2026.

## **OTHER (Continued)**

### **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 September 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.

#### **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 September 30, 2023, an increase of 100 basis points in interest rates would impact the amount of pre-tax interest expense by \$0.5 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 September 30, 2023.

## ITEM 4. CONTROLS AND PROCEDURES

**Evaluation of Disclosure Controls and Procedures.** As of September 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, USE OF PROCEEDS, AND ISSUER PURCHASES OF EQUITY SECURITIES

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

**Trading Plans.** During the quarter ended September 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

<b>Exhibit Number</b>	
<a href="#">10</a>	<a href="#">Third Amendment to Credit Agreement dated as of October 17, 2023, among ALLETE, as Borrower, the Lenders party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent.</a>
<a href="#">31(a)</a>	<a href="#">Rule 13a-14(a)/15d-14(a) Certification by the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
<a href="#">31(b)</a>	<a href="#">Rule 13a-14(a)/15d-14(a) Certification by the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
<a href="#">32</a>	<a href="#">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.</a>
<a href="#">95</a>	<a href="#">Mine Safety.</a>
<a href="#">99</a>	<a href="#">ALLETE News Release dated November 2, 2023, announcing 2023 third 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.)</a>
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.**

November 2, 2023

*/s/ Steven W. Morris*

---

Steven W. Morris

Senior Vice President and Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)

## THIRD AMENDMENT TO CREDIT AGREEMENT

THIS THIRD AMENDMENT TO CREDIT AGREEMENT dated as of October 17, 2023 (this "Amendment") is among ALLETE, INC., as Borrower, the Lenders party hereto, and JPMORGAN CHASE BANK, N.A., as Administrative Agent. Capitalized terms used but not defined herein have the respective meanings set forth in the Credit Agreement (as defined below).

WHEREAS, the Borrower, the Administrative Agent, and the Lenders party thereto have entered into the Amended and Restated Credit Agreement dated as of January 10, 2019 (as previously amended, the "Existing Credit Agreement", and the Existing Credit Agreement, as amended by this Amendment is referred to herein as the "Credit Agreement"); and

WHEREAS, the Borrower has requested to extend the maturity of the credit facility and the Administrative Agent and the undersigned Lenders (other than the Exiting Lender) are willing to so extend the maturity date under the Existing Credit Agreement on the terms set forth below;

WHEREAS, the Borrower and the undersigned Lenders desire to amend the Existing Credit Agreement in certain other respects; and

WHEREAS, the parties hereto have agreed that KeyBank National Association (the "Exiting Lender") shall cease to be a Lender under the Credit Agreement;

NOW, THEREFORE, in consideration of the premises herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1 AMENDMENTS. Subject to the satisfaction of the conditions precedent set forth in Section 3 below, the Existing Credit Agreement is hereby amended as follows:

1.a Section 1.1 is hereby amended to amend the definitions of "Declining Lender" and "Maturity Date" in their entireties to read as follows:

"Declining Lender" has the meaning assigned to such term in Section 2.8

"Maturity Date" means January 10, 2027.

1.b Section 1.1. is hereby amended to delete the definition of "Second Amendment Declining Lender" where it appears therein.

1.c Section 2.5(a) is hereby amended in its entirety to read as follows:

(a) Unless previously terminated, the Commitments shall terminate on the Maturity Date.

1.d Section 2.6(a) is hereby amended in its entirety to read as follows:

(a) The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Loan on the Maturity Date.

1.e Section 2.8 is hereby amended in its entirety to read as follows:

2.8. Extension of Maturity Date.

After October 17, 2023, the Borrower may, on one occasion during the term of this Agreement, request an extension of the Maturity Date for an additional one-year

period by submitting a request for extension (an “Extension Request”) to the Administrative Agent (which shall promptly advise each Lender) not more than 75 days or less than 30 days prior to the effective date of the proposed extension (the “Extension Effective Date”). In response to such request, each Lender shall, not later than 20 days prior to the applicable Extension Effective Date, notify the Administrative Agent whether it is willing (in its sole and complete discretion) to extend the scheduled Maturity Date for an additional one-year period (and any Lender that fails to give such notice to the Administrative Agent shall be deemed to have elected not to extend the scheduled Maturity Date). The Administrative Agent will notify the Borrower of the Lenders’ decisions no later than 15 days prior to such Extension Effective Date. If Lenders holding more than 50% of the Commitments elect to extend the scheduled Maturity Date, then on such Extension Effective Date the Commitments of such Lenders shall be extended for an additional one-year period; provided that (i) no Default exists on such Extension Effective Date and (ii) all representations and warranties are true and correct on such Extension Effective Date, as though made as of such Extension Effective Date (or, if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date). No Lender shall be required to consent to any Extension Request and any Lender that elects, or is deemed to have elected, not to extend the scheduled Maturity Date (a “Declining Lender”) will have its Commitment terminated on the then existing scheduled Maturity Date (without regard to any extension by other Lenders). The Borrower may, at its sole expense and effort, upon notice to any Declining Lender and the Administrative Agent, require any Declining Lender to assign and delegate its rights and obligations under this Agreement to an Eligible Assignee selected by the Borrower and willing to accept such assignment (in accordance with, and subject to, the restrictions and consents otherwise required for assignments generally).

1.f Section 2.9(a) is hereby amended to add the following sentence to the end thereof:

(a) Notwithstanding the foregoing or anything in any Loan Document to the contrary, no more than 15 Letters of Credit may be issued and outstanding under this Agreement at any time.

1.g The first two sentences of Schedule 1 are hereby replaced with the following:

The Applicable Margin for Term Benchmark Borrowings, ABR Borrowings, Letter of Credit fees and facility fees shall be determined in accordance with the table below based on the Senior Debt Ratings. If the Senior Debt Ratings shall be changed, such change shall be effective as of the date that is three Business Days after the date on which it is first announced by the applicable Rating Agency, irrespective of when notice of such change shall have been furnished by the Borrower to the Administrative Agent and the Lenders pursuant to this Agreement or otherwise. Each change in the Applicable Margin shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change.

1.h Schedule 2.1 is hereby replaced with Schedule 2.1 attached hereto

SECTION 2 REPRESENTATIONS AND WARRANTIES. The Borrower represents and warrants to the Lenders that, immediately before and upon the effectiveness hereof:

1.a Representations and Warranties. The representations and warranties of the Borrower set forth in the Loan Documents are and will be true and correct with the same effect as though made on and as of the date hereof except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties shall have been true and correct on and as of such earlier date.

1.b Default. No Default has occurred and is continuing.

1.c Authorization; Validity. The execution, delivery and performance by the Borrower of this Amendment is within the corporate powers of the Borrower and has been duly authorized by all necessary corporate action. This Amendment has been duly executed and delivered by the Borrower and constitutes a legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general principles of equity.

1.d Government Approval, Regulation, etc. The execution, delivery and performance by the Borrower of this Amendment does not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except for (i) information filings to be made in the ordinary course of business, which filings are not a condition to the Borrower's performance under the Loan Documents and (ii) such as have been obtained or made and are in full force and effect and not subject to any appeals period.

SECTION 3 EFFECTIVENESS. This Amendment shall become effective as of the date first written above when the Administrative Agent has received, or shall be satisfied that it will substantially concurrently receive:

1.a counterparts hereof signed by the Borrower and the Lenders;

1.b a certificate of the secretary of the Borrower (i) attaching resolutions approving this Amendment (either specifically or by general resolution), (ii) certifying that neither such Borrower's certificate of incorporation, nor its bylaws has been amended, supplemented or otherwise modified since January 10, 2019 or, if so, attaching true, complete and correct copies of any such amendment, supplement or modification and (iii) certifying that the individuals listed on the Secretary's Certificate delivered to the Administrative Agent on January 10, 2019 remain duly elected or appointed, as the case may be, and qualified authorized officers of the Borrower, in each case having the title set forth opposite their respective names or certifying as to the incumbency of authorized persons of the Borrower executing this Amendment;

1.c favorable written opinions from counsel to the Borrower, in form and substance satisfactory to the Administrative Agent;

1.d payment of an upfront fee as set forth in that certain Fee Letter, dated as of the date hereof, between the Administrative Agent and the Borrower;

1.e payment for the account of the Exiting Lender, all principal, accrued interest and fees owing to such Exiting Lender; and

1.f payment of all other fees and other amounts due and payable by the Borrower on or prior to the date hereof, including, to the extent invoiced, reimbursement or payment of all reasonable out-of-pocket costs and expenses required to be reimbursed or paid by the Borrower hereunder.

#### SECTION 4 MISCELLANEOUS.

1.a Exiting Lender. The Borrower and the Lenders agree that upon the effectiveness of this Amendment, the Exiting Lender shall cease to be a party to the Credit Agreement and shall have no further rights or obligations thereunder; provided that the Exiting Lender shall continue to have all rights and obligations under any provision of the Credit Agreement that by its terms would survive termination of the Credit Agreement.

1.b Ratifications. The terms and provisions set forth in this Amendment shall modify and supersede all inconsistent terms and provisions set forth in the Credit Agreement and except as expressly modified and superseded by this Amendment, the terms and provisions of the Credit Agreement and the other Loan Documents are ratified and confirmed and shall continue in full force and effect.

1.c Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Amendment by electronic transmission (including .PDF) shall be effective as delivery of a manually executed counterpart of this Amendment.

1.d Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York.

1.e Incorporation of Credit Agreement Provisions. The provisions of Section 10.7 (Severability) and Section 10.10 (Waiver of Jury Trial) of the Credit Agreement are incorporated by reference as if fully set forth herein, mutatis mutandis.

1.f References. All references in any of the Loan Documents to the “Agreement” or the “Credit Agreement” shall mean the Agreement or Credit Agreement, as applicable, as amended by this Amendment.

1.g Headings. The headings, captions, and arrangements used in this Amendment are for convenience only and shall not affect the interpretation of this Amendment.

1.h Successors and Assigns. This Amendment is binding upon and shall inure to the benefit of the Administrative Agent, the Lenders, the Borrower and their respective successors and assigns as provided in the Credit Agreement.

1.i Loan Document. The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Administrative Agent under any of the Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents. This Amendment shall for all purposes constitute a Loan Document.

*[Signature Pages Follow]*

IN WITNESS WHEREOF, this Amendment has been duly executed and delivered as of the day and year first above written.

ALLETE, INC., as Borrower

By: \_\_\_\_\_  
Name:  
Title:

756569245 11074672

ALLETE 3<sup>rd</sup> Amendment

to Credit Agreement

JPMORGAN CHASE BANK, N.A., as a Lender, as an Issuing Bank, and as Administrative Agent

By: \_\_\_  
Name: \_\_\_  
Title: \_\_\_

ALLETE 3<sup>rd</sup> Amendment  
to Credit Agreement

ROYAL BANK OF CANADA, as a Lender

By: \_\_\_  
Name: \_\_\_  
Title: \_\_\_

ALLETE 3<sup>rd</sup> Amendment  
to Credit Agreement



U.S. BANK NATIONAL ASSOCIATION, as a Lender

By: \_\_\_  
Name: \_\_\_  
Title: \_\_\_

ALLETE 3<sup>rd</sup> Amendment  
to Credit Agreement

WELLS FARGO BANK, NATIONAL ASSOCIATION, as a Lender

By: \_\_\_  
Name: \_\_\_  
Title: \_\_\_

ALLETE 3<sup>rd</sup> Amendment  
to Credit Agreement

BANK OF AMERICA, N.A., as a Lender

By: \_\_\_  
Name: \_\_\_  
Title: \_\_\_

ALLETE 3<sup>rd</sup> Amendment  
to Credit Agreement

COBANK, ACB, as a Lender and as an Issuing Bank

By: \_\_\_  
Name: \_\_\_  
Title: \_\_\_

ALLETE 3<sup>rd</sup> Amendment  
to Credit Agreement

KEYBANK NATIONAL ASSOCIATION, as Exiting Lender

By: \_\_\_  
Name: \_\_\_  
Title: \_\_\_

ALLETE 3<sup>rd</sup> Amendment  
to Credit Agreement

**SCHEDULE 2.1**  
**LIST OF COMMITMENTS**

<b><u>Lender</u></b>	<b><u>Commitment</u></b>
JPMorgan Chase Bank, N.A.	\$70,000,000
U.S. Bank National Association	\$60,000,000
Wells Fargo Bank, National Association	\$60,000,000
Royal Bank of Canada	\$60,000,000
Bank of America, N.A.	\$60,000,000
CoBank, ACB	\$45,000,000
<b>Total</b>	<b>\$355,000,000</b>

ALLETE 3<sup>rd</sup> Amendment  
to Credit Agreement

**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 September 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.

November 2, 2023

/s/ Bethany M. Owen

Bethany M. Owen

Chair, President and Chief Executive Officer

**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 September 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.

November 2, 2023

/s/ Steven W. Morris

Steven W. Morris

Senior Vice President and Chief Financial Officer



**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 September 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.

November 2, 2023

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

November 2, 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.

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 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	—	—	—	—	—	—	—	No	No	—	—	—

For the quarter ended September 30, 2023, BNI Energy, owner of Center Mine, received no citations under Section 104(a) of the Mine Safety Act. For the quarter ended September 30, 2023, BNI Energy paid \$143 in penalties for citations closed during the period. For the quarter ended September 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.



# NEWS

Exhibit 99  
For Release: November 2, 2023

Investor Contact: Vince Meyer  
218-723-3952  
vmeyer@allete.com

## **ALLETE, Inc. reports third quarter earnings of \$1.49 per share; raises full-year 2023 earnings guidance to a range of \$4.30 to \$4.40 per share reflecting increased earnings from ALLETE Clean Energy**

DULUTH, Minn. - ALLETE, Inc. (NYSE: ALE) today reported third quarter 2023 earnings of \$1.49 per share on net income of \$85.9 million. Last year's third quarter results were 59 cents per share on net income of \$33.7 million.

"We are pleased with our solid financial results this quarter and the positive momentum going into the end of the year," said ALLETE Chair, President, and Chief Executive Officer Bethany Owen. "We continue to deliver on our Sustainability in Action strategy, including our most recent announcement that Minnesota Power has been awarded a \$50 million grant by the U.S. Department of Energy to modernize its high-voltage direct current transmission system. As planned, Minnesota Power also filed a rate case yesterday in support of its *EnergyForward* strategy, to align investments and our work force with the state of Minnesota legislation requiring 100% carbon-free energy by 2040. In addition, New Energy Equity has a robust pipeline of renewable energy projects, which is expected to result in strong financial results in the fourth quarter and beyond. Together, these key steps forward demonstrate the significant progress we are making in advancing a sustainable clean-energy future."

"Our results for the third quarter of 2023 reflect a favorable arbitration award for a subsidiary of ALLETE Clean Energy," said ALLETE Senior Vice President and Chief Financial Officer Steve Morris. "Our regulated operations results were lower in the quarter, reflecting timing of interim rate reserves in 2023 compared to 2022. We continue to expect New Energy Equity to achieve or slightly exceed our original full-year earnings projections. Considering a number of factors occurring during the year, as well as our expectations for the fourth quarter, we have raised ALLETE's 2023 full-year earnings guidance to a range of \$4.30 to \$4.40 per share."

"Specific items affecting ALLETE's updated guidance include the third quarter arbitration award, a third-party network outage expected to negatively impact the Caddo wind facility in the fourth quarter, and historically low wind across much of the nation affecting earnings at ALLETE Clean Energy wind facilities throughout the year. These items in total had a net positive impact on our updated guidance of approximately 30 cents per share," said Morris.

ALLETE's Regulated Operations segment, which includes Minnesota Power, Superior Water, Light and Power and the Company's investment in the American Transmission Co., recorded third quarter 2023 net income of \$34.0 million, compared to \$38.3 million in the third quarter a year ago. Earnings at Minnesota Power were lower this year compared to 2022, primarily due to interim rate refund reserves recognized in 2023, resulting from Minnesota Power's 2022 general rate case outcome; the full interim rate reserve was recorded in the fourth quarter of 2022. These decreases were partially offset by increased sales to industrial customers.

ALLETE Clean Energy recorded third quarter 2023 net income of \$54.8 million, which reflects the gain recognized for the favorable arbitration award, compared to a net loss of \$7.3 million in 2022. Net income in 2022 included a \$2.9 million after-tax reserve for an anticipated loss on the sale of ALLETE Clean Energy's Northern Wind project.

Corporate and Other businesses, which include New Energy Equity, BNI Energy, ALLETE Properties and investments in renewable energy facilities, recorded a net loss of \$2.9 million in the third quarter of 2023, compared to net income of \$2.7 million in 2022. Third quarter net income in 2023 reflects increased income tax expense, partially offset by earnings from Minnesota solar projects. New Energy's earnings in this quarter were slightly below 2022, primarily due to the timing of project closings, now expected in the fourth quarter, and higher operating and maintenance expense as compared to last year.

**Live webcast on November 2, 2023; 2023 third quarter slides posted on company website.**

ALLETE's earnings conference call will be at 10:00 a.m. (EST), November 2, 2023, at which time management will discuss the third quarter of 2023 financial results. Interested parties may participate live by registering for the call at [www.allete.com/earningscall](http://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](http://investor.allete.com/events-presentations). The webcast will be accessible for one year at [allete.com](http://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](http://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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Operating Revenue</b>				
Contracts with Customers – Utility	\$314.3	\$322.6	\$919.1	\$960.3
Contracts with Customers – Non-utility	63.2	64.5	554.1	178.3
Other – Non-utility	1.3	1.2	3.9	6.3
Total Operating Revenue	378.8	388.3	1,477.1	1,144.9
<b>Operating Expenses</b>				
Fuel, Purchased Power and Gas – Utility	124.9	136.8	350.8	417.4
Transmission Services – Utility	22.7	19.3	66.3	57.5
Cost of Sales – Non-utility	33.0	38.4	436.7	96.9
Operating and Maintenance	83.6	83.2	254.2	238.1
Depreciation and Amortization	63.1	58.7	188.2	181.4
Taxes Other than Income Taxes	15.5	18.5	43.1	53.1
Total Operating Expenses	342.8	354.9	1,339.3	1,044.4
<b>Operating Income</b>	<b>36.0</b>	<b>33.4</b>	<b>137.8</b>	<b>100.5</b>
<b>Other Income (Expense)</b>				
Interest Expense	(20.5)	(18.4)	(60.9)	(55.3)
Equity Earnings	4.7	2.3	16.1	13.1
Other	68.7	2.3	75.3	16.4
Total Other Income (Expense)	52.9	(13.8)	30.5	(25.8)
<b>Income Before Income Taxes</b>	<b>88.9</b>	<b>19.6</b>	<b>168.3</b>	<b>74.7</b>
<b>Income Tax Expense (Benefit)</b>	<b>19.3</b>	<b>(7.2)</b>	<b>20.4</b>	<b>(19.4)</b>
<b>Net Income</b>	<b>69.6</b>	<b>26.8</b>	<b>147.9</b>	<b>94.1</b>
Net Loss Attributable to Non-Controlling Interest	(16.3)	(6.9)	(47.7)	(43.5)
<b>Net Income Attributable to ALLETE</b>	<b>\$85.9</b>	<b>\$33.7</b>	<b>\$195.6</b>	<b>\$137.6</b>
<b>Average Shares of Common Stock</b>				
Basic	57.4	57.1	57.3	55.5
Diluted	57.5	57.2	57.4	55.6
<b>Basic Earnings Per Share of Common Stock</b>	<b>\$1.50</b>	<b>\$0.59</b>	<b>\$3.41</b>	<b>\$2.48</b>
<b>Diluted Earnings Per Share of Common Stock</b>	<b>\$1.49</b>	<b>\$0.59</b>	<b>\$3.41</b>	<b>\$2.48</b>
<b>Dividends Per Share of Common Stock</b>	<b>\$0.6775</b>	<b>\$0.65</b>	<b>\$2.0325</b>	<b>\$1.95</b>

**Consolidated Balance Sheet**  
Millions - Unaudited

	Sep. 30, 2023	Dec. 31, 2022		Sep. 30, 2023	Dec. 31, 2022
<b>Assets</b>			<b>Liabilities and Equity</b>		
Cash and Cash Equivalents	\$125.5	\$36.4	Current Liabilities	\$413.5	\$716.2
Other Current Assets	377.7	681.6	Long-Term Debt	1,686.1	1,648.2
Property, Plant and Equipment – Net	4,996.8	5,004.0	Deferred Income Taxes	171.2	158.1
Regulatory Assets	443.3	441.0	Regulatory Liabilities	549.3	526.1
Equity Investments	329.7	322.7	Defined Benefit Pension and Other Postretirement Benefit Plans	164.2	179.7
Goodwill and Intangibles – Net	155.5	155.6	Other Non-Current Liabilities	263.8	269.0
Other Non-Current Assets	216.3	204.3	Equity	3,396.7	3,348.3
<b>Total Assets</b>	<b>\$6,644.8</b>	<b>\$6,845.6</b>	<b>Total Liabilities and Equity</b>	<b>\$6,644.8</b>	<b>\$6,845.6</b>

ALLETE, Inc. Income (Loss)	Quarter Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Millions				
Regulated Operations	\$34.0	\$38.3	\$112.4	\$119.4
ALLETE Clean Energy	54.8	(7.3)	66.4	15.0
Corporate and Other	(2.9)	2.7	16.8	3.2
Net Income Attributable to ALLETE	\$85.9	\$33.7	\$195.6	\$137.6
<b>Diluted Earnings Per Share</b>	<b>\$1.49</b>	<b>\$0.59</b>	<b>\$3.41</b>	<b>\$2.48</b>

#### Statistical Data

Corporate				
Common Stock				
High	\$59.22	\$63.81	\$66.69	\$68.61
Low	\$52.30	\$49.89	\$52.30	\$49.89
Close	\$52.80	\$50.05	\$52.80	\$50.05
Book Value	\$48.48	\$46.93	\$48.48	\$46.93

#### Kilowatt-hours Sold

Millions				
Regulated Utility				
Retail and Municipal				
Residential	250	251	812	851
Commercial	355	353	1,022	1,027
Industrial	1,742	1,665	5,178	5,047
Municipal	112	130	350	419
Total Retail and Municipal	2,459	2,399	7,362	7,344
Other Power Suppliers	526	769	2,008	2,544
Total Regulated Utility Kilowatt-hours Sold	2,985	3,168	9,370	9,888

#### Regulated Utility Revenue

Millions				
Regulated Utility Revenue				
Retail and Municipal Electric Revenue				
Residential	\$36.0	\$37.7	\$111.6	\$123.3
Commercial	48.6	47.8	135.5	135.8
Industrial	153.8	146.8	436.9	443.5
Municipal	8.7	9.8	25.2	31.9
Total Retail and Municipal Electric Revenue	247.1	242.1	709.2	734.5
Other Power Suppliers	31.0	46.7	103.2	124.6
Other (Includes Water and Gas Revenue)	36.2	33.8	106.7	101.2
Total Regulated Utility Revenue	\$314.3	\$322.6	\$919.1	\$960.3

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.