



First Quarter 2020 Earnings Conference Call

May 6, 2020



ALLETE is closely monitoring, proactively planning, and rapidly responding to the COVID-19 pandemic

Principles and priorities guiding our COVID-19 strategy, response and actions

Protecting the safety and health of our employees, families, customers, and communities

- Took action early-on
 - Suspended travel and group meetings
 - Working remotely whenever possible
 - Ensuring PPE supplies for our employees
- Will continue to take action promptly as the situation evolves

Continuing to provide safe and reliable essential energy services

- Customers and communities rely on the services our businesses provide – now more than ever
- Closely engaged with industry peers to ensure best practices
- Aligned with local, state, and federal requirements in all of the states where we operate, with a focus on safety

Ensuring ALLETE's continued financial health and ability to execute our strategy over the longer term

- Clearly and regularly communicating with stakeholders the importance of the financial health of our company
- Doing all we can to ensure that ALLETE remains financially healthy while our customers are facing challenges

Frequently communicating with employees, customers and all stakeholders

- Close and regular engagement with employees, customers, regulators, and legislators regarding our efforts
- Engagement with stakeholders on creative solutions to address challenges

Reprioritizing all that we do to ensure we accomplish all of the above

- Reprioritizing work and efforts to ensure that everyone stays safe and keeps focused on these objectives – and serving our customers with excellence

Status of ALLETE operations / COVID-19

States where we operate

Minnesota: Stay at home order issued March 13, extended to expire May 18

Wisconsin: Safer at home order issued March 25, to expire April 24, then extended until May 26

North Dakota: Has not issued a stay at home order

Oregon: Stay at home order issued March 23, in effect until ended by the Governor

Oklahoma: Stay at home order issued March 26, extended to May 6 for over 65 and vulnerable adults

Iowa: Has not issued a stay at home order

Pennsylvania: Stay at home order issued April 1, in effect until April 30, extended to May 8

All states that have an order indicate that it could be extended.

No material operational impacts on delivering essential services at this time.

Minnesota Power rate case - Creative solution to address challenges related to COVID-19

General rate case review filed November 1, 2019

- Major driver – power marketing contract expiration
- Interim rates effective January 1, 2020 - \$36M

Worked with key intervenors to address challenges associated with COVID-19

- Address logistical limitations of stakeholder participation
- Provide immediate rate relief to customers
- Support financial health of Minnesota Power

On April 23, 2020 Minnesota Power filed a request with the MPUC that proposed a resolution to settle the rate case

- Reduce the interim rate percentage from 5.8% to 4.1%, effective May 1
- Remove current power marketing margin credit in base rates
- Reflect actual power marketing margins the fuel adjustment clause, effective May 1
- Refund to customers interim rates collected through April of ~\$12M
- Delay any future rate proposal until at least March 1, 2021

On April 30, 2020, the MPUC approved the proposal to reduce the interim rate effective May 1, 2020, and is expected to decide in early June on the remaining provisions

ALLETE has ample liquidity

	As of May 4, 2020 (\$ millions)	
Cash on hand	~ \$133	}
Revolving credit	\$400 / \$332 available credit facility with \$150 accordion	
<u>Recent Financing Activity</u>		}
Unsecured term notes	\$200 / \$90 available \$115 / \$20 available	
First mortgage bonds	\$140 / \$50 available	
Tax equity financing received - South Peak	\$68	
Tax equity commitments - Nobles	\$116	
Tax equity proposals received – Diamond Spring	\$230-\$280	
DRIP expected	\$20-25	
PIE capacity	\$175	

ALLETE first quarter 2020 update

At this time, we are unable to provide a sufficiently reliable update to 2020 earnings guidance; and accordingly, we are temporarily suspending 2020 guidance

CONSIDERATIONS

Uncertainties with COVID-19 impacts result in a broad range of possible outcomes, especially on our regulated operations segment

- There is potential to fall outside our guidance range due to COVID-19 pandemic disruptions under our scenario planning considerations

May be able to better quantify such effects later in the year; potentially providing an update in our second quarter conference call

- August 1st demand nominations expect to be known
- Possibly able to quantify COVID-19 impacts on remainder of 2020
- Potential Minnesota Power proposed rate case settlement impacts expected to be known

Minnesota Power Large Power Customers:

- Demand nominations received through August 2020
- Currently idled – Cliffs’ Northshore, U.S. Steel’s Keetac & Minntac (partial), Hibbing Taconite: no significant impact thru August
- Total Large Power 750 MW (guidance assumes ~13m tons last 4 months)
- Taconites produce roughly 39 million tons, 650 MW: 1 million tons ~\$0.04 EPS

Other Regulated Customers:

- Commercial & Municipal ~400 MW
- Residential ~200 MW
- April sales experience: reductions in commercial and municipal, partially offset by increase in residential - ~\$.01 EPS

Company wide mitigation efforts underway

- Power marketing sales to offset potential load reduction
- O&M expense management efforts

No immediate disruptions in our supply chains



ALLETE is committed to its long-term financial objectives

Despite the COVID-19 crisis which may present challenges into 2021, we believe the long-term fundamentals of our businesses remain intact

- **Our business models are regulated or highly recurring in nature**
- **The industries we serve are critical to the economy and country (iron/steel, non-ferrous mining)**
- **Our primary growth engine in the renewables segment will see substantial demand as ESG trends continue beyond economic weakness**

We expect to achieve our long-term average annual growth objective of 5-7% over a five year period

- However, the timing of COVID-19 recovery may negatively impact near-term growth

Balance sheet and liquidity position are strong as we have already raised significant capital in 2020

Debt ratings are expected to remain investment grade

- S&P recently downgraded to BBB but our metrics place ALLETE on the high end of this rating, giving ample credit headroom
- Moody's recently maintained stable Baa1 rating, secured A2

Committed to long-term value proposition of 9-10%, which includes an assumption of dividends increasing in line with our broader annual earnings growth objective; at this time we expect to have the ability to sustain current dividend levels

Forward looking statement

Any statements contained in this presentation and statements that ALLETE, Inc. representatives may make orally in connection with this presentation 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, Inc. with the Securities and Exchange Commission.

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This presentation was prepared as of May 6, 2020, and ALLETE, Inc. assumes no obligation to update the information or the forward-looking statements contained herein. The 2020 outlook contained herein was provided, and is as of, May 6, 2020.

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