Operator: Good day and welcome to the ALLETE first quarter 2014 financial results call. Today's call is being recorded.

Certain statements contained in this conference call that are not descriptions of historical facts are forward-looking statements, such as terms defined in the Private Securities Litigation Reform Act of 1995. Because such statements can include risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause results to differ materially from those expressed or implied by such forward-looking statements include, but are not limited to, those discussed in the filings made by the Company with the Securities and Exchange Commission.

Many of the factors that will determine the Company's future results are beyond the ability of management to control or predict. Listeners should not place undue reliance on forward-looking statements, which reflect management's views only as the date hereof. The Company undertakes no obligation to revise or update any forward-looking statements or to make any other forward-looking statements, whether as a result of new information, future events, or otherwise.

For opening remarks and introductions, I'd now like to turn the conference over to ALLETE President and Chief Executive Officer, Alan Hodnik. Please go ahead, sir.
Thank you and good morning, everyone. With me on today's call is Steve DeVinck, ALLETE's Chief Financial Officer.

ALLETE released its first-quarter earnings this morning. Reported earnings per share for the quarter were $0.80. Included in the results were $0.03 per share of acquisition costs related to an ALLETE Clean Energy transaction. Based on our quarterly earnings performance and expectations for the remainder of 2014, we are reaffirming our earnings guidance of between $2.75 and $2.95 per share, excluding ALLETE Clean Energy acquisition costs. Steve will provide a quarterly financial recap in a few moments.

For 2014, ALLETE is off to a good start financially, operationally, and strategically. Since the beginning of the year, we have made progress on a number of fronts. Let me give you some updates before I turn the call over to Steve.

The Great Northern Transmission Line reached a couple of important milestones since our last conference call. In January, the Minnesota Public Utilities Commission determined the Certificate of Need application for this project was complete. Additionally, in April, Minnesota Power filed a route permit application with the Minnesota Public Utilities Commission and also a request for a Presidential permit with the U.S. Department of Energy to cross the U.S.-Canadian border. Our partner in this project, Manitoba Hydro, is working to obtain regulatory and governmental approvals for development on their side of the border. Upon receipt of all applicable permits and approvals, we anticipate construction will begin in 2016 and be completed in 2020.

We estimate the total project cost for the U.S. portion of this project to be between $500 million and $650 million. Of this, we estimate our portion of the investment to be around $300 million. Minnesota Power will have majority ownership of the U.S. portion of the line.

Construction of the 205-megawatt Bison 4 wind energy project is also progressing. Through the first quarter, we have spent $187 million on a total estimated project investment of $345 million. In January, the Minnesota Public Utilities Commission approved Minnesota Power's petition seeking
cost recovery for investments and expenditures related to Bison 4. Minnesota Power included Bison 4 as part of its renewable resources rider factor filing, along with the Company's other renewable projects, in a broader filing submitted on April 29, which upon approval, will authorize updated rates to be included on customers' bills.

The Boswell 4 environmental upgrade to reduce mercury emissions is also progressing and on track. Total costs for this project which, like the Bison 4 project, qualifies for current cost recovery, are estimated to be approximately $310 million. Through the first quarter of 2014, $77 million has been spent.

Magnetation is a relatively new customer of Minnesota Power's, which has been successfully growing its business of producing iron ore concentrate from low-grade natural ore tailings basins, already mined stockpiles, and newly mined iron formations. Construction is underway at their newest facility near Coleraine, Minnesota, with production expected to commence by the end of this year. Just last week, the Minnesota Public Service Commission approved a new electric service agreement for the Coleraine facility, which will be effective June 1, 2014, through at least December 31, 2025. We expect to supply about 20 megawatts of power to this facility, making it a large power customer.

In early March, we announced that Minnesota Power's taconite customers demand nominations indicated they expect to operate at full demand levels for the May through August period. Our guidance is seeing strong electricity usage from our industrial customers for the entire year.

On the potential new customer front, I would like to now update you on PolyMet Mining at Essar Steel Minnesota. For approximately three years, PolyMet has worked on a Supplemental Draft Environmental Impact Statement with the Department of Natural Resources and four other co-lead agencies designed to address environmental issues. Last December, the Minnesota Department of Natural Resources released PolyMet's SDEIS. That began a 90-day comment period, which ended on March 13, 2014. The Minnesota Department of Natural Resources is currently reviewing the public
comments it received, and they expect to update the SDEIS timeline early this summer.

Of equal importance, the Environmental Protection Agency recently issued their rating of the project. The EPA issued a EC2 rating for the PolyMet SDEIS. The EPA EC2 rating was significantly higher than a previous rating and generally reflects the highest rating a project such as PolyMet can expect to receive from the agency. PolyMet has stated that upon successful completion of the SDEIS process, permits could be issued allowing heavy construction to commence in the spring of 2015.

PolyMet plans for about a 15-month construction cycle and a six-month ramp-up and commissioning process, after which Minnesota Power could begin to supply between 45 megawatts and 50 megawatts of load. Minnesota Power's 10-year power supply contract with PolyMet will begin upon startup of PolyMet's operations.

Let me now turn to the Essar Steel Minnesota project. Essar is a customer of the Nashwauk Public Utilities Commission, which is one of Minnesota Power's municipal customers. In April, Minnesota Power extended the term of its electric sales agreement with the Nashwauk Public Utilities Commission for all of its electric service requirements, including service to Essar, to June 30, 2026. At completion of construction of the 7-million-ton pellet facility, Minnesota Power will supply about 110 megawatts to the Nashwauk Public Utilities Commission for its service to Essar. In April, Essar updated its plans for startup, indicating that initial commissioning is expected to begin in the second quarter of 2015, with transition to full production of 7 million tons of taconite pellet by the first quarter of 2016.

BNI Coal celebrated a milestone also in April, when it reached agreements with Minnkota Power Cooperative and Square Butte Electric Cooperative to extend their coal supply agreements by 10 years to 2037. The cost-plus-fixed-fee agreements were set to expire in 2027. The extension also includes the option to extend the agreements an additional five years to 2042.
With respect to our energy-centric initiatives, on January 30, ALLETE Clean Energy closed the acquisition of three wind energy facilities for $27 million from the AES Corporation. ALLETE Clean Energy has an option to acquire a fourth facility by June of 2015. Our first-quarter earnings include two months of operations at these facilities. Excluding acquisition costs, these facilities were accretive to ALLETE’s earnings.

I’m very pleased with our progress to date, and I look forward to another year of earnings growth in 2014. At this time, I will turn the call over to Steve DeVinck.

Steve DeVinck: Thanks, Al, and good morning, everyone. I would like to remind you that we filed our 10-Q this morning, and I encourage you to refer to it for more details on the quarter.

For the first quarter, ALLETE earned $0.80 per share on net income of $33.5 million and operating revenue of $296.5 million, compared to $0.83 per share on net income of $32.5 million and operating revenue of $263.8 million in 2013. Included in this year’s quarter was $1.4 million after tax, or $0.03 per share, of acquisition costs related to ALLETE Clean Energy’s January acquisition. In addition, earnings per share for the first quarter of 2014 were diluted by $0.06 due to an increase in the amount of common shares outstanding.

Earnings from ALLETE’s regulated operations segment, which includes Minnesota Power, Superior Water, Light & Power, and our investment in the American Transmission Company, rose from $32.1 million in 2013 to $33.9 million in 2014, an increase of about 6 percent. Operating revenue from this segment increased $22.8 million, or 9 percent, over the first quarter of 2013. A large portion of the revenue increase was due to a 3.2 percent increase in kilowatt-hour sales.

Unseasonably cold temperatures during the first quarter of this year compared to 2013 positively impacted sales to our residential and commercial customers. Heating degree days in Duluth, Minnesota, were approximately 16 percent higher in 2014. Similarly, gas sales at Superior Water, Light & Power rose by $4.5 million from 2013.
Another contributing factor for increased kilowatt-hour sales was an 18 percent increase in sales to other power suppliers, largely due to having more energy available for sale compared to last year. Cost recovery rider revenue grew $1.7 million over 2013, with higher capital investment balances related to our Bison Wind Energy Center and the Boswell Unit 4 environmental upgrade.

Turning to the expense side, regulated operations operating expenses increased $19.7 million, or 10 percent, over the same quarter in 2013. Fuel and purchased power expense increased $9.7 million, primarily due to higher kilowatt-hour sales and higher purchased power prices. Operating and maintenance expense increased $8 million, or 10 percent from 2013, primarily due to higher purchased gas and transmission expense. Purchased gas expenses increased with higher sales at Superior Water, Light & Power due to the cold temperatures in the quarter. Transmission expense increased primarily due to higher regional MISO expense.

Depreciation expense increased $2 million for the quarter, directly attributable to the capital investment program at our regulated operations. Income tax expense increased $1.1 million over the same quarter of 2013, primarily due to higher pre-tax income.

ALLETE’s investment and other segments, which include results from BNI Coal, ALLETE Properties, ALLETE Clean Energy, and other corporate income and expenditures, reported a net loss of $400,000 for the quarter compared to $400,000 of net income in 2013. Last year's net income included about $600,000 after tax, or $0.02 per share, from the sale of investments. The net loss in 2014 included $1.4 million after tax, or $0.03 per share, of acquisition costs for ALLETE Clean Energy's wind acquisition completed in the first quarter. BNI Coal and ALLETE Properties reported similar results from 2013. Our effective tax rate in the first quarter of 2014 was 21 percent compared to 19 percent for the same period last year.

Our cash flow was strong again this quarter. We generated $75 million in cash from operating activities and carried a 46 percent debt-to-capital ratio at quarter end. On the financing front, we are very pleased with the results of
our equity forward offering in late February. Proceeds from the offering, which was significantly over-subscribed, will help fund the largest capital spending year ever at our Company. Al?

Alan Hodnik: Thank you, Steve. As I mentioned earlier, we are pleased with our first-quarter results, and we are comfortably on track to meet our full-year earnings guidance. ALLETE is an energy company with current operations that deliver stable earnings to investors. Our balance sheet is healthy, and the strong cash flow generated from operations helps support our growth and our dividend.

Going forward, the successful execution of our strategy will provide both organic and investment growth opportunities. Our goal is to achieve a minimum average earnings per share growth rate of 5 percent annually while maintaining a competitive dividend payout. We look forward to reporting our continued progress as the year unfolds.

At this time, I will ask the operator to open up the lines for your questions.

Operator: Thank you. Ladies and gentlemen, if you have a question at this time, please press star and the number one key on your touchtone telephone. If your question has been answered, or you wish to remove yourself from the queue, please press the pound key. Once again, to ask a question, please press star and then one.

And our first question comes from Paul Ridzon from KeyBanc. Your line is open.

Paul Ridzon: Steve, you indicated that off-system sales rose on the fact you had more energy to sell. What drove that dynamic?

Steve DeVinck: Yes, good morning, Paul. It was primarily our production at our wind facilities. We had a very good quarter of wind production at our Bison facility.

Paul Ridzon: Do you have the capacity factor?

Steve DeVinck: I don't off-hand. I'll have Tim connect with you later and provide that.
Paul Ridzon: Can you also bookend what the year-over-year impact of the weather was on an EPS basis?

Steve DeVinck: I do not have that handy. As you know Paul, our weather-sensitive classes are really our residential and commercial classes, which make up about 20 percent of our sales, roughly. So I don't have the number, but that gives you some context.

Paul Ridzon: So a penny or two wouldn't be unreasonable?

Steve DeVinck: Sorry?

Paul Ridzon: Maybe a penny or two wouldn't be unreasonable?

Steve DeVinck: It's in the cents-per-share category.

Paul Ridzon: Then lastly, it looks like some decent fundamental strength in the quarter was masked by O&M timing. Can you give more color around that?

Steve DeVinck: Yes, I can talk specifically about our O&M. In total, it was up $15 million. And there was really three large components. First of all, it includes the ACE acquisition, the operating expenses from two months related to the ACE acquisition. It also includes the purchased gas for Superior Water, Light & Power. They had significantly higher gas sales because of the colder weather. And it also did include some higher transmission expense, primarily related to some MISO-related expenses. I want to note that all of these have a comparable revenue number.

Paul Ridzon: Got it, got it. Thank you very much.

Operator: Our next question comes from Brian Russo from Ladenburg. Your line is now open.

Brian Russo: There's been a lot of news and press on Essar and the stage of completion of their taconite mine and when they might ramp up. How confident are you in their latest update, and how does that compare to a prior update?
Alan Hodnik: We only go by what they say, and we have a reasonable on-the-ground presence in all of our mining operations, as you know. We have a close dialogue with Essar on a regular basis and with the City of Nashwauk. So I want to start there first.

Of course, they've been out in the markets raising debt financing, if you will, to continue the project. They took that project from 4 million tons to 7 million tons, so it's a larger project than they originally planned for. And so they've been working through that as well.

They came through a difficult winter in construction, where not a lot was done around here in northeastern Minnesota from a winter perspective, as you can imagine. And they are hopeful to stick to the schedule that they announced, the one I described here, where they'd be up and operating in the 2015 timeframe and ramping up that production facility.

They've got about $900 million in the ground at this point in time, on the way to about $1.6 billion or $1.7 billion. And so they've got a fair amount. All of their auxiliaries are on the ground right now, much of the equipment and so on and so forth that they had ordered with long lead times. And so it's in effect installing all of that. So I'd go by their schedule, Brian, and reasonably confident that they can achieve what they're outlining.

Brian Russo: So was there activity on the site, meaning more construction is being conducted as we speak?

Alan Hodnik: There isn't a lot of activity right now. They've been out, again, raising funds, if you will, and closing out debt financing for the next round. They would hope, I suppose, in the spring here now, as winter finally gives way to summer, to begin engaging in construction. But there's only a limited amount of activity at the site right now.

Brian Russo: OK. So maybe if you can provide just a little help from a modeling perspective, because there is quite a bit of earnings sensitivity to the ramp-up in full production. Should we maybe say maybe a quarter delay in the ramp-up in 2015, but full production starting the beginning of 2016? Is that how we should model it?
Steve DeVinck:  Good morning.  This is Steve.  I guess the best way I can answer that is to say what they are saying publicly, which is they're going to begin commissioning in the second quarter of 2015, with a transitional ramp-up from there, with full production at 7 million tons by the first quarter of 2016.

Brian Russo:  OK, and that full production of 7 million tons, that equates to 110 megawatts of demand?

Steve DeVinck:  Yes, it does.

Alan Hodnik:  That's correct.

Brian Russo:  OK.  And any opportunities that you could talk about at ALLETE Clean Energy and its positioning near the Bakken shale play and the need for infrastructure build-out there?

Alan Hodnik:  A couple of observations.  First of all, we're very pleased with ALLETE Clean Energy.  We're very pleased with the integration of the assets that we purchased, or they purchased, from AES.  So that's gone very, very well, and so we're pleased about that.

Secondly, they continue to sift other renewable opportunities.  As you know we believe cleaner energy forms are in vogue and are going to continue to be in vogue, certainly with the Obama Administration coming out yesterday on carbon and greenhouse gas again, that we see that as real prospects for ALLETE Clean Energy.  So they continue to sift acquisition opportunities and also development opportunities with partners and have real credibility in the market that way.

With regards to the Bakken, we continue to, and they do work closely with our partners in North Dakota.  We don't have any business deal of any type at this point in time to share.  We continue to work with the State, both the EmPower Commission established by the State, the Industrial Commission, which includes the constitutional officers, and other stakeholders on the whole idea of corridor development, the whole idea of permitting around it if the Public Service Commission is likely to do that.  And we'll have more to say
about that corridor project, probably later this fall, Brian, and off into early
next year.

Brian Russo: OK. And then just lastly, any update on the property segment? I know you
sold a few acres of property in the fourth quarter of last year. I was just
wondering if there's any update.

Steve DeVinck: No. We continue to hold to our strategy. There continues to be interest, some
revitalized interest around it. But we don't have any updates.

Brian Russo: OK, great. Thank you.

Operator: Thank you. And again, ladies and gentlemen, to ask a question, please press
star and then one. And our next question comes from Mike Bates from
Wunderlich. Your line is now open.

Mike Bates: I was wondering, can you refresh us with a roadmap and a timeline in
securing the approvals for the Great Northern Transmission Line?

Alan Hodnik: At this point in time, the Certificate of Need has been deemed complete by the
Public Utilities Commission. We would expect the Public Utilities
Commission to take that docket up some time later this year – in the fourth
quarter, perhaps – and have some sort of an outcome, we're hoping, in early
2015 from the Public Utilities Commission, one way or the other. And then as
we say, we'd begin construction, hopefully, in the 2016 timeframe and have an
in-service date of 2020. That would be a macro schedule at the moment. Of
course, it's always subject to further debate at the Public Utilities Commission.

Mike Bates: All right, excellent. And then can you give us any color on the timing of
when you would expect to take additional proceeds from your forward equity
sale over the course of this year?

Steve DeVinck: As you know that financing was for our largest-ever capital program,
approximately $640 million. So as we spend that money, we'll begin to draw
down on that equity forward.
Mike Bates: All right. It will just coincide with the timing of your CapEx, then. All right. And then if we could come back to ALLETE Clean Energy for a minute. What is it that's going to drive your thought process as you consider the acquisition of that fourth wind farm from AES? And when would you expect to announce your decision to acquire or not acquire?

Alan Hodnik: We are going to evaluate where we're at with that potential acquisition throughout the rest of this year and up into early next year. We would make some determination, I suspect, some time around the first quarter of next year. With regard to the asset factors that go along with it, of course, the markets, the conditions in the PJM market, the other sorts of contractual items that I don't want to get into right now with regards to it. But we're excited about the prospects of that acquisition. We have more work to do on it at this point in time.

Mike Bates: All right. And can you talk to us a little bit about where ACE is in the process of evaluating additional opportunities, given what's out there in the market right now and what you've looked at recently? Are you hopeful that there might be something else worth announcing in the next 12 to 18 months?

Alan Hodnik: I won't get into specific timeframes, but there's certainly a lot of deal flow. There's a lot of opportunities. There's a lot of renewable assets, both existing that are for sale or desire to maybe be repositioned or repackaged in various forms. There's a variety of partners that we have good standing with that we've had dialogues with. And frankly, there's been a lot of growth in the solar space, as you know around the country. There's been a continued interest in wind, and we have decent locations for that already ourselves. And so there's a lot of deal flow. I can't give you a next 12- to 18-month snapshot in that regard, but certainly, ALLETE Clean Energy is in the middle of a good dialogue on a variety of different opportunities.

Mike Bates: All right, thank you very much.

Operator: And our next question comes from Bernard Horn from Polaris Capital. Your line is now open.
Bernard Horn: I have a, hopefully, not too complicated question on coal assets. We were meeting with a vendor of some emission control equipment who make claims that they can retrofit, at relatively low cost, some rather impressive emission control equipment that could make those assets, kind of clean up the emissions quite substantially, very much like you can do with cars and trucks. And so I guess my question is whether you have evaluated or looked at any of that. Because clearly, you've made a commitment to change your generation mix.

But to the degree that you could potentially clean up the emissions such that they were quite compliant – and I know most coal-generating assets have yet to do that, at least in terms of what the new emission requirements are. I'm just curious, given that you've got some stranded assets there, fully depreciated, and then you compare that to the cost of acquiring and spending money on new assets, could you give us any thoughts on the alternatives you've looked at with respect to that?

Alan Hodnik: Sure. As you know we've applied a variety of techniques to clean up emissions at our coal-fired power plants. So, for example, at our Taconite Harbor generating facility, which is a 1950s/1960s vintage station, and that is because there we led the nation in some respects with experimental reagent technology. And so there we used the Mobotec process to reduce nitrous oxide, sulfur dioxide, and mercury by 70 percent, 80 percent, and 90 percent. And so in that regard, we use some of those reagent technologies, Bernie, that some are talking about.

In other cases, though, it gets to be more unit-specific. And so, for example, if some of these new reagent technologies are declared Best Available Retrofit Technologies by the EPA or by the State Pollution Control Agency, then they can be used. Because if a unit's declared Best Available Retrofit eligible, or a BART unit, you're driven in certain ways by what that technology dictates in terms of the PCA or by EPA in terms of what you can and cannot use.

And so in the case of Boswell 3, we put on tried-and-true technology, if you will, because that was a Best Available Retrofit unit. So it depends on the unit. But at the end of the day, Boswell 3 and Boswell 4, our largest coal
units, will have deployed on them state-of-the-art technology that will make them good to go for 35 years. And the largest remaining issue with any coal unit after that, of course, is CO2. And there aren't a lot of immediate solutions for carbon capture and carbon sequestration.

So I think most of the criteria pollutants have been controlled in a very cost-efficient manner here at Minnesota Power. We do look at the reagent technologies as they evolve. Frankly, Boswell 4 will have some activated carbon injected into the system as well. And so our systems will be able to adapt, I think, to other reagent technologies as they come along, because each of the big units will have baghouses on the back. And baghouses can make a material difference as far as what you can add to the front end with regards to reagents or sorbents or sprays.

That would be my broad answer to that question, Bernie.

Bernard Horn: OK. And then does that in any way – if you can meet all the most stringent emission requirements, and I know you've singled out the CO2 stuff, would it influence you in any way to maybe not spend more capital on, let's say, a combined-cycle gas unit or something else, or even for that matter, solar or wind? Notwithstanding the fact that there are some requirements to get to a certain percentage level of generation from those sources, but if you can – if all of a sudden coal can become perfectly clean and so forth, would you be able to continue to use those low-cost assets rather than spend money on new assets?

Alan Hodnik: First of all, I think the Company, going forward, in terms of its strategy, values fuel diversity. So I think the idea of some natural gas in the mix over a period of time still makes sense for the Company. We wouldn't want to get imbalanced on any fuel source anymore, where we were somewhat imbalanced on coal, 90 percent or more. So I think long term strategically, we value fuel diversity and so do our customers. And so I think there would still be room out over time to add gas.

With respect to coal and keeping coal in the game, we probably, with the Taconite Harbor assets and maybe the Boswell assets – Boswell 1 and 2, the
smaller assets – those would be more eligible for that discussion around further reagent technologies, other changes in technology by 2020 or something like that, that you might want to apply to a unit of that nature. Because at the end of the day, you also get to a point where some of these units nationwide just get to an age factor, Bernie, where you might want to just time them out and move on to something more efficient. And so you get into efficiency arguments.

And I do believe the EPA, at the end of the day in their 111b, 111c, and 111d outcomes for either new source carbon or existing carbon, are going to require certain efficiency outcomes that may not allow certain older units to continue to run. I don't know that for a fact, but I surmise that's where that could go at the end of the day. And carbon will be the largest driver of whether older coal units stay in the game.

Bernard Horn: Thanks very much. That's very helpful.

Operator: Thank you. And I'd now like to turn the call back over to your host, Mr. Hodnik, for any further remarks.

Alan Hodnik: Well, thank you again, everyone, for your interest in ALLETE. And we look forward to visiting with you throughout the summer and fall as we continue to execute our strategy. Good morning.

Operator: Ladies and gentlemen, thank you for participating in today's conference. This does conclude your program. You may all disconnect.

END