Operator: Good day and welcome to the ALLETE fourth-quarter 2013 financial results conference 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, (and the) terms defined in the Private Securities Litigation Reform Act of 1995. Because such statements can include risk 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 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 the Management's views only as of 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 call over to ALLETE President and Chief Executive Officer, Al Hodnik. Please go ahead.
Al Hodnik: Well thank you and good morning, everyone.

Joining me today are Mark Schober, ALLETE's current Chief Financial Officer, and Steve Devinck, who will become ALLETE's Chief Financial Officer in March. Steve is a seasoned veteran and brings a wealth of business expertise, financial acumen and leadership skills to the CFO role. The transition has been very thoughtful and orderly, which is an ALLETE hallmark and a testament I think to the type of individuals Steve and Mark are.

Before getting into our year-end results, I wish to recognize Mark Schober who will be retiring in the later spring. Mark has left an indelible mark on both the financial health and corporate culture of ALLETE through his leadership, integrity and strategic positioning. His career has spanned the days when the Company was a pure play electric utility, to active execution of ALLETE's highly successful diversification strategy, and into this era, where ALLETE is now wholly focused on energy.

Through it all, Mark navigated challenges, championed opportunities and has been an outstanding leader of his team of employees, all to the continued success of our Company and its shareholders. Mark, your leadership of audit, finance, accounting and investor relations over the past seven years as CFO, and in support of me as I transitioned to CEO several years ago, was and is very much appreciated by the ALLETE Board and by me. As your planned retirement draws near in the spring, a wish for many happy adventures on the trails ahead.

This morning, we released our year-end financial results and I am pleased to report to you that in 2013 ALLETE earned $2.63 per share. As we indicated in our press release, the 2013 results include about $1 million after-tax, or $0.03 per share of acquisition costs related to the recent ALLETE Clean Energy purchase of three wind generating facilities.

I will ask Mark to give you the financial details in a moment, but before he does let me say that I am very well pleased with our 2013 financial and operational performance. ALLETE achieved a number of significant milestones during 2013 and they are very important landmarks as we execute
our multi-year and multi-faceted strategy designed to grow earnings and deliver a solid return on your investment in our Company.

In the past year, we unveiled our energy strategy, which we call Energy Forward. The plan provides the foundation for various capital investments we will be making related to environmental upgrade, renewable energy and transmission reliability. Our Energy Forward initiatives were included in the Minnesota Power 2013 integrated resource plan that was approved by the Minnesota Public Utilities Commission in November.

Also, in 2013 we announced our plans to build the 205-megawatt Bison 4 wind facility in North Dakota. This $345 million expansion is part of our Energy Forward vision, and construction has already commenced. We anticipate it will be in service by the end of this year. Additionally, the Minnesota Public Utilities Commission approved our environmental upgrade proposal for the Boswell unit 4 generating station. Work continues on this $310 million project, with an anticipated completion date in early 2016.

On the transmission infrastructure front, Minnesota Power filed a certificate of need with the Minnesota Public Utilities Commission for the approximately 240-mile, 500kV Great Northern Transmission line. This international transmission line will be used to carry renewable hydroelectric power from Manitoba Hydro to Minnesota Power service territory in the Iron Range.

Minnesota Power's capital expenditures for this project are expected to be approximately 51 percent of the total project cost of the U.S. portion of the line. We expect to invest about $300 million, depending on the final route of this line.

A couple weeks ago, we announced the completion of a transaction in which ALLETE Clean Energy acquired 231 megawatts of wind generation at three facilities. This acquisition establishes an important foundation upon which ALLETE Clean Energy can build while positioning ACE in new markets.

And lastly, Minnesota Power in Boise recently finalized an amendment to Boise's electric service agreement which extends that contract by a full 10 years, or through 2023. Boise was recently acquired by Packaging
Corporation of America. PCA, like other paper makers in the U.S., recently shed less efficient operating capacity at the Boise mill. The Boise mill is, however, now very well positioned to compete in both the packaging and office paper markets.

It was an active and very successful year for our Company. We believe the milestones achieved help set the stage for future growth at ALLETE. Our Board of Directors' recent action to increase the common stock dividend reflects its confidence in our financial outlook going forward. At this time, I will turn the call over to Mark Schober for the financial wrap up and then Steve Devinck will make some comments about our expectations for 2014. I will have some concluding comments before we take your questions. Mark?

Mark Schober: Thanks, Al, and thank you very much for the nice comments.

Good morning, everyone. I would like to remind you that we filed our 10-K this morning and I encourage you to refer to it for more details for our 2013 results. For the year, ALLETE earned $2.63 per share on net income of about $105 million and operating revenue of a little over $1 billion, compared to $2.58 per share on net income of $97 million and operating revenue of $961 million in 2012.

As Al mentioned earlier, included in the 2013 results were $1 million, or $0.03 per share of after-tax costs related to ALLETE Clean Energy's acquisition of three wind farms. Income from ALLETE's regulated operation segment, which includes Minnesota Power, Superior Water, Light and Power and our investment in the American Transmission Company was $105 million in 2013 compared to $96 million in 2012.

Operating revenue for this segment increased $51 million, or 6 percent from 2012, primarily due to a 1.2 percent increase in total regulated utility kilowatt hour sales and higher fuel adjustment clause recoveries. Transmission, cost recovery rider, gas and municipal revenues were also up.

Fuel adjustment clause recoveries were $14 million more than last year due to higher fuel and purchased power costs attributable to our retail and municipal customers. Transmission revenue rose $6 million, primarily due to recovery
of our transmission system upgrade to support Essar's project and higher
MISO revenue related to our investment in CapEx 2020 projects. Cost
recovery rider revenue increased $5 million primarily due to higher capital
expenditures related to our Bison wind energy, CapEx 2020 projects and the
Boswell Unit 4 environmental upgrade.

Revenue from gas sales at Superior Water, Light and Power grew by $5
million, due to colder weather in 2013 and also from higher purchased gas
expenses. Revenue from our municipal customers rose $4 million from 2012
as a result of higher rates under the cost base methodology due to higher
capital expenditures, as well as the annual true up to actual costs.

Total regulated utility kilowatt hour sales were up 1.2 percent over last year
resulting in a $14 million revenue increase. Kilowatt hour sales to other
power suppliers increased 14 percent, while sales to industrial customers
decreased 2.2 percent from 2012, primarily due to a 2012 short-term fixed-
price contract. Heating degree days in Duluth were approximately 22 percent
higher in 2013 than in 2012.

I will now highlight a few items on the expense side of the business.
Regulated operating and maintenance expense increased $12 million, or 4
percent from 2012 primarily due to higher property tax expenses as a result of
higher taxable plant and mill rates.

Higher MISO transmission expenses and higher operating and maintenance
expenses related to our Bison Wind Energy Center which was in service all of
2013. Purchased gas expenses increased due to higher sales and prices at
Superior Water, Light and Power in 2013 as heating degree days in 2013 were
higher than in 2012.

Fuel and purchased power expense rose $26 million, or 8 percent from 2012
primarily due to higher Company generation and higher purchased power
prices. A scheduled major outage in 2013 increased cost under the Square
Butte purchased power contract. Depreciation expense increased $16 million,
or 17 percent from 2012. And interest expense was up $2 million attributable
to the significant capital investment program at our regulated operations.
Earnings from our investment in ATC were slightly higher than in 2012. Income tax expense decreased $14 million from 2012 primarily due to higher federal production tax credits in 2013, related to the Bison Wind Energy Center. ALLETE’s Investment and Other segment, which includes results from BNI Coal, ALLETE Properties, ALLETE Clean Energy and other corporate income and expenditures, reported a slight loss of $200,000 in 2013, compared to net income of $1 million in 2012.

Included in the results for 2013 were acquisition costs of $1 million after-tax associated with the ALLETE Clean Energy acquisition of wind farms in Minnesota, Iowa and Oregon. Excluding these expenses, the segment recorded similar earnings year over year.

Our effective tax rate in 2013 was 21.5 percent compared to 28.1 percent in 2012, primarily from increased federal production tax credits related to additional wind generation during 2013. Earnings per share for 2013 were diluted by $0.15 due to the issuance of common shares to fund investments in renewable energy, environmental upgrades and energy transmission infrastructure.

In summary, we are very satisfied with our financial results in 2013. ALLETE generated approximately $240 million in cash from operating activities, and ended the year with cash and cash equivalents of around $97 million and carried a 45 percent debt to capital ratio. I would like to turn the call over to Steve DeVinck who will provide some details regarding our 2014 financial expectations. Steve?

Steve DeVinck: Thank you, Mark, and good morning, everybody.

In December, we initiated our 2014 earnings guidance at a range of $2.75 to $2.95 per share on net income of $120 million to $130 million. This guidance excludes any acquisition costs related to the ALLETE Clean Energy wind facilities purchased that closed in January. The midpoint of our 2014 earnings guidance would represent year-over-year earnings per share growth of 8 percent and net income growth of 19 percent.
With regard to 2014 revenue, we anticipate higher cost recovery revenue as a result of our Bison 4 and Boswell Unit 4 projects, as well as our continued participation in CapEx 2020 transmission projects. Our planned capital expenditures for 2014 are $640 million. And of that amount, about $430 million is expected to qualify for current cost recovery treatment. In addition, we expect the continuation of strong electricity sales to our current industrial customers.

As we have previously indicated, Essar has stated that they expect their operations to begin ramping up in early 2015. Therefore, we do not anticipate any material electric sales to Essar in 2014. We also expect increased power marketing sales in 2014 as we begin to sell a portion of our output from Square Butte to Minnkota Power Cooperative under a power sales agreement reached in connection with the 2009 purchase of the 465-mile DC transmission line from North Dakota to Duluth.

On the expense side, operating and maintenance expense will be higher in 2014, primarily due to increased transmission expense and property taxes, as well as the addition of operating costs related to the ALLETE Clean Energy acquisition. The majority of the increase in transmission expense will be offset by higher transmission revenue. Operating and maintenance expenses will also grow in 2014, due to general inflationary increases in labor, maintenance and material expenses.

Depreciation and interest expenses will also be higher this year, resulting from the recent capital additions we’ve made. You may recall that late last year we agreed to sell $215 million in bonds in the private placement market at favorable rates. The bonds are scheduled to be issued in March and June.

We also expect earnings per share dilution of between $0.25 and $0.35 due to share issuances in 2013 and 2014 to fund our capital expenditure program. We generally expect earnings performance from BNI Coal and ALLETE Properties to be similar in 2014 compared to 2013. This guidance does not include an assumption of any material land sales at ALLETE Properties. Because of federal production tax credits relating to our wind generation, we forecast a 2014 effective tax rate of about 22 percent.
I would like to close my remarks by saying we are very pleased about Moody's recent upgrade of ALLETE's credit rating to A3, reflecting a more favorable view of the relative credit supportiveness of the U.S. regulatory framework. Al?

Al Hodnik: Thank you, Steve.

ALLETE is an Energy Company executing a strategy that provides for multi-year, multi-faceted earnings growth opportunities that stretch through the end of this decade. In my opinion, these opportunities differentiate our Company from others within the industry. We have already mentioned our various capital investment projects, so I would like to give you some updates on organic sales or top line growth prospects within our service territory.

Let me begin with PolyMet, which was the first planned copper, nickel and precious metals mining operation in Minnesota Power's service territory. PolyMet's long-awaited Supplemental Draft Environmental Impact Statement was released in December. The SDEIS addresses environmental issues that are key to the mine site development. The release triggered a 90-day public comment period, and the three scheduled public meetings have been completed.

Assuming successful completion of the SDEIS process, permits could be issued during the latter part of this year. Construction could commence immediately upon issuance of permits and Minnesota Power could begin to supply between 45 and 50 megawatts of load initially as early as 2016; this through a 10-year power supply contract that would begin at the start up of mining operations.

Construction progress continues at the Essar Steel Minnesota taconite facility in Nashwauk, Minnesota. Essar is a customer of the Nashwauk Public Utilities Commission with which Minnesota Power has an electric sales contract that is effective through June of 2024. This facility will result in up to 110 megawatts of new additional load to Minnesota Power.
Essar has indicated plans for start up in early 2015 and a move towards full production capacity levels during 2015. Essar already has a 10-year pellet off-take agreement to supply ArcelorMittal with between three and four million tons of pellets annually beginning with the Essar start up in 2015.

Also under construction is Magnetation's newest iron concentrate facility near Coleraine, Minnesota. Magnetation, which produces iron ore concentrate from low-grade natural tailings basins, already mines stockpiles and newly mined iron formations, already has two other facilities that consume about 15 megawatts of power from Minnesota Power. Production at their newest facility is expected to commence by the end of this year and we will supply it with about 20 megawatts of power. I'm pleased to announce that Magnetation has just signed a 10-year all requirements large power contract with Minnesota Power, the first new large power customer in seven years.

We are very excited about these new projects and the potential for still others, such as a direct reduced iron and/or steel mill at the Essar site, additional facilities for Magnetation and other copper, nickel and precious metal mines in mineral rich Northeastern Minnesota. These opportunities combined with additional potential regulated capital and energy centric investments truly make ALLETE a unique Company now and going forward.

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 followed by the number one key on your touchtone telephone. If your question has been answered, or if you’d like to remove your line from the queue, please press the pound key.

Our first question comes from the line of Paul Ridzon from KeyBanc.

Paul Ridzon: When you purchased the wind assets at ACE, I think you had an option on more turbines. What's the status of that option and when can you exercise it?

Mark Schober: What you're referring to, Paul, is the Pennsylvania assets that we can take. That option exists and that will be a 2015 event. So that's something we'll be
looking at as we move into early 2015. So, nothing has changed since the last time we met.

Paul Ridzon: OK, thank you very much.

Operator: Our next question comes from the line of Bernard Horn from Polaris.

Bernard Horn: A quick question, I noticed on the kilowatt hours sold year over year in the fourth quarter was down slightly. And I'm curious, obviously, it's been a very cold winter, I assume it's been that way as well. So I'm wondering if you might comment on either heating, degree days.

And secondly, I'm also noticing that on the operating income level if you look at the percentage of operating income to sales, it declined in the fourth quarter and for the year. And I'm wondering if you might comment on what's going on there. Are you possibly having to pay up or purchase power in the spot market while you don't have the past (year's) yet in revenue line? Those two questions.

Mark Schober: Bernie, this is Mark. I'll touch first on the kilowatt hours sold. So if you look at the quarter, you're correct total kilowatt hours sales are down. But you look at our residential, our commercial, they're up a bit and those are the ones that are weather sensitive. So we did experience a colder, or a more normal, Q4 in 2013 versus what we did in 2012.

The total sales are down a bit and that's primarily in the industrial, and that's the contractor I referred to, that was a one-time contract but not one of our large power customers that took some energy last year that did not take energy in 2013, so that's the primary driver in the decrease in kilowatt hour sales.

As far as operating income, I don't think there's anything unusual in the quarter. As I mentioned, if you look at it in total there's some ACE expenditures that are in there – that may be driving it a little bit. A few on purchased power expenses are up but those are deferred and we match those as we run them through – those incremental costs through to our customers. So there's really nothing unusual in the quarter that jumps out at me.
Bernard Horn: OK, thanks that's all I had.

Operator: Our next question comes from the line of Brian Russo from Ladenburg Thalmann.

Brian Russo: In the 10-K you indicated a property sale of 293 acres for a total of $4.4 million of revenue, could you elaborate a little bit on that?

Mark Schober: Yes, we've talked a little bit about that already when we closed the Q3, Brian. So that was some land that we sold obviously down in Florida for a bit of a gain, so it's one of those indicators that the market is starting to pick up. So we continue to see people looking, more activity at our three primary sites down in Florida, and hopefully that will continue into 2014.

So the sale that we had at margins that we expected and that margins that we had back in the early 2000s before we had the run up in prices in 2006, 2007, 2008 and 2009.

Brian Russo: OK, so it was up some sort of multiple to book value?

Mark Schober: Yes, it's typical what we sell our real estate down there in the past, it's multiples of 2 to 4 times book, yes.

Brian Russo: 2 to 4 times book, OK great. And then, could you also talk about ALLETE Clean Energy's positioning in the DC corridor between North Dakota and Minnesota, and maybe your ability to get involved in the infrastructure build out in the Bakken?

Al Hodnik: This is Al, Brian, yes, we continue to work closely with the state of North Dakota of course on the notion of permitting that entire corridor for a multi-purpose energy pipeline and energy delivery thesis. We continue to also try to talk and work with other partners out there. Our Company's had a rich history of partnering with people not only in North Dakota but in energy in general.

And so at this point in time, it's still background work that we're doing. And certainly the Bakken continues to, of course, discover more gas. And, certainly, the railroad issues in and out of the Bakken with train derailments...
by the Burlington Northern and whatever else has certainly caught attention. And so we continue to work on it, we don't have anything specifically more to talk about directly with you right now, but ALLETE Clean Energy continues to work very diligently on it.

Brian Russo: OK so you're – the DC line that moves from North Dakota and wheels wind into Minnesota, you also have the rights of way that you could conceptually lay pipe next to that line, is that accurate?

Al Hodnik: We have a right-of-way that the line sits on right now that's a regulated asset of Minnesota Power. Our thesis is to expand that right-of-way, acquiring additional land, work with the North Dakota Public Service Commission to have that right-of-way designated a route of choice, if you will, for multiple energy routes, if you will, or multiple pipelines, gas, oil, perhaps carbon one day, who knows what else.

But is to get it declared by the PSC as more if you call suitable right-of-way for multiple use, reduce landowner fatigue, reduce the multiple permitting processes and so on and so forth. So we would acquire additional land along an additional – or existing right-of-way. The whole idea of co-location, if you will, of putting everything in one area, that is already, if you will, designated as an energy corridor broadly.

Brian Russo: OK, great. And then the 101-megawatt Armenia Mountain wind project that you have the option to purchase in June of 2015, should we assume a similar price to the recently concluded wind asset acquisitions?

Mark Schober: Probably not. As we look at the Armenia Mountain acquisition, that's a newer asset in a different market. So that's something that's under negotiation, so that the pricing on that will probably be a bit different than the three wind farms we already took.

Brian Russo: OK, probably something higher than that?

Mark Schober: Probably, yes.
Brian Russo: Yes, OK. And then lastly, any outlook on the demand nominations, you're at 100 percent through April of this year, but any anecdotal evidence that we should feel comfortable with the 100 percent demand nominations throughout 2014?

Al Hodnik: Well, of course, those will be made on March 1 for the summer months. But at this point, Brian, we're really not seen anything both locally here or macro in the U.S. that would suggest it would be anything less than full nominations on both the paper side and also on the mineral side.

Certainly auto demand, steel, appliance, the rebound in housing, all bode well for additional steel consumption in the U.S. And, of course, Minnesota taconite all stays primarily U.S. So, we see prospects for a strong operating summer for our large industrials.

Brian Russo: OK, great. Thank you very much, and best of luck, Mark. A pleasure working with you.

Mark Schober: Thanks, Brian.

Operator: Thank you. And again, if you do have a question, please press star followed by the number one key on your touchtone telephone. Our next question comes from the line of Chris Ellinghaus from Williams Capital.

Chris Ellinghaus: Congratulations on the retirement, Mark, we'll miss you.

Mark Schober: I'm sure you will. Thank you.

Chris Ellinghaus: Not that much, don't get too excited.

Mark Schober: That sounds more like the Chris I know.

Chris Ellinghaus: There you go. Can you give us a little flavor for real estate? You had some sales in the year, what kind of results real estate put out in 2013?

Mark Schober: As we look at real estate, they came in pretty much as we expected. So they came in at a loss – $4 million? Yes, $2 million – $2 million to $3 million.
And that's really what we anticipate going into next year. So we continue, as I mentioned already, to see an increase in the traffic down there.

We're optimistic that we'll be able to close some transactions next year, but we're not anticipating anything significant. So, as Steve went through the (2014) expectations, there's no material land sales in there. So again I continue to get more comfortable with the business, there's more activity, there's more focus on site. But hopefully we'll close more, so we'll continue to update you, Chris, as we go quarter to quarter on the activity in the Palm Coast area.

Chris Ellinghaus: OK, let me make sure I understand that. You did have some sales in 2013, which still led to a loss, but you're expecting similar results for 2014? Does that mean you're expecting some more immaterial sales and you're calling what you did in 2013 immaterial?

Mark Schober: Correct.

Chris Ellinghaus: OK. As far as – can you give us a little color on the ACE acquisition and maybe some thoughts on what kind of returns and equity investment? I'm trying to think about what's embedded in guidance in terms of the ACE acquisition?

Mark Schober: Yes, we can give – as we close out of the ACE transaction here – we just closed in January, so the numbers that we've already shared with you, it's about an equity investment for ACE of about $27 million. So it fits right in with the ACE strategy that we've already communicated to you. Clean Energy, we like the geographic diversity, we like the market diversity that it gives us.

The three wind farms that we're taking already have long-term PPAs in place. So for your modeling purposes, Chris, I would treat it very similar to what we do with the regulated utility – $27 million, use our cap structure and probably returns a little bit higher than we get with the regulated utility.

Chris Ellinghaus: And the PTCs are largely expired on all those projects, is that correct?
Mark Schober: That's correct.

Chris Ellinghaus: OK, so that's not going to be a needle mover on the tax rate or anything?

Mark Schober: No, but again I want to reiterate that it will be accretive to earnings in 2014.

Chris Ellinghaus: OK. Will that acquisition get ACE to break even?

Al Hodnik: Steve?

Steve DeVinck: Yes. We believe it will.

Chris Ellinghaus: OK. And, given what's happened with Congress and wind tax issues, can you give us a little thought about – obviously, ACE has a great deal of wind potential still left to develop in North of Dakota, what are they doing, what are their thoughts in terms of future wind development, given the current tax situation?

Al Hodnik: Well, ACE's strategy, of course, is multi-faceted on the clean energy side, so not just wind but solar, biomass, clean energy, natural gas, and, of course, the corridor, which I spoke about earlier. So they think about their investment prospects broadly. With respect to the PTC or ITC, of course we're watching that very closely, both at an industry level and EEI level.

And also in terms of tax reform and Congress in general, I don't know what the appetite of Congress will be for tax reform, but we're certainly watching that very, very closely. Some have a view that the PTC and ITC are somehow going to be extended at some point in time for one last time. Of course, others view it's off and going to stay off.

But certainly ALLETE Clean Energy has been busy, as has Minnesota Power been busy acquiring additional real estate in North Dakota, at least in a lease sense. We have excellent landowner relationships in North Dakota, that is the currency value of relationship in North Dakota whether you're talking oil, gas, or renewables. And, of course, we have the outlet, the DC line, which also is a beneficial in the sense that we don't have to build, necessarily, new transmission infrastructure, at least right away.
So, that's how it's thought about broadly in the upper plains. Certainly our partnership with Minnesota Power and Manitoba Hydro in terms of exportive Canadian hydro into the U.S. or a marriage of wind and hydro is certainly on the minds of not only Minnesota Power but certainly ALLETE Clean Energy as well.

So all sorts of those kinds of things are possible and we are looking for a carbon outcome from the Federal Government sometime this summer on existing coal – on existing carbon from the EPA that will also potentially then provide another market signal, if you will, with respect to where carbon might be going longer term. That's how it's thought about broadly, Chris.

Chris Ellinghaus: OK, great. Thank you very much, I appreciate the feedback.

Operator: Thank you, and I have no further questions at this time. I would like to turn the conference back to management for any concluding comments.

Al Hodnik: Well, very good. Thank you, again, for taking the time to be with us this morning on your investment, if that's the case. We look forward to seeing many of you at our Analyst Meeting in New York, upcoming near the end of the month, or somewhere else throughout the year. Thank you very much and have a good day.

Operator: Ladies and gentlemen, thank you for your participation in today's conference. This does conclude the program and you may now disconnect. Everyone, have a good day.

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