



## **ALLETE Reports Third Quarter 2009 Earnings**

DULUTH, Minn. - ALLETE (NYSE: ALE) today reported third quarter 2009 earnings of 49 cents per share, compared with 85 cents in the same period a year ago.

Net income in the third quarter of 2009 was \$16.0 million on operating revenue of \$178.8 million, compared with net income of \$24.7 million and revenue of \$201.7 million in the third quarter of 2008. Last year's results were boosted by a \$4.9 million, or 15 cents per share, non-recurring item.

Net income from ALLETE's Regulated Operations segment was \$16.6 million compared to \$19.2 million in the third quarter 2008. Total kilowatt-hour sales declined approximately 10 percent from year-ago levels due to economic conditions that impacted all classes of retail electric customers. The lower retail sales were partially offset by sales to other power suppliers. In addition, currently authorized interim electric rates are lower compared with the third quarter of 2008, resulting in reduced revenue year-over-year.

"The first eight months of the year have been difficult for our taconite customers," said Chairman and CEO Don Shippar. "However, we are encouraged that they have begun to increase their production."

ALLETE's Investments and Other segment reported a loss of \$600,000 in the third quarter of 2009, compared to net income of \$5.5 million in the comparable period a year ago. The difference is mainly due to the aforementioned non-recurring item: a positive resolution of two outstanding tax issues in the third quarter of 2008. Also included this quarter was a \$1.5 million net loss at ALLETE Properties. The company now anticipates recording a net loss for ALLETE Properties for the entire year.

Also affecting the quarterly comparison from 2008 to 2009 was the 6 cents per share dilutive impact of a higher common share balance than a year ago. ALLETE has issued equity over the past year to fund significant capital investments in its regulated operations.

Because of lowered expectations for ALLETE Properties, the company now expects its 2009 earnings will fall within a range of \$1.95 to \$2.05, excluding rate refunds related to 2008 that were recorded earlier this year.

ALLETE provides regulated energy services in Minnesota and Wisconsin, owns BNI Coal in North Dakota and maintains investments in the American Transmission Company and Florida real estate. More information about the company is available at [www.allete.com](http://www.allete.com).

*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, Inc.**  
**Consolidated Statement of Income**  
**For the Periods Ended September 30, 2009 and 2008**  
Millions Except Per Share Amounts – Unaudited

	Quarter Ended		Year to Date	
	2009	2008	2009	2008
<b>Operating Revenue</b>				
Operating Revenue	\$178.8	\$201.7	\$550.7	\$604.9
Prior Year Rate Refunds	–	–	(7.6)	–
<b>Total Operating Revenue</b>	<b>178.8</b>	<b>201.7</b>	<b>543.1</b>	<b>604.9</b>
<b>Operating Expenses</b>				
Fuel and Purchased Power	69.8	81.0	199.4	242.3
Operating and Maintenance	67.5	74.0	224.7	241.5
Depreciation	16.1	13.5	46.8	39.1
<b>Total Operating Expenses</b>	<b>153.4</b>	<b>168.5</b>	<b>470.9</b>	<b>522.9</b>
<b>Operating Income</b>	<b>25.4</b>	<b>33.2</b>	<b>72.2</b>	<b>82.0</b>
<b>Other Income (Expense)</b>				
Interest Expense	(8.3)	(6.9)	(25.4)	(19.5)
Equity Earnings in ATC	4.4	4.2	12.9	11.2
Other	0.8	2.8	3.8	13.9
<b>Total Other Income (Expense)</b>	<b>(3.1)</b>	<b>0.1</b>	<b>(8.7)</b>	<b>5.6</b>
<b>Income Before Non-Controlling Interest and Income Taxes</b>	<b>22.3</b>	<b>33.3</b>	<b>63.5</b>	<b>87.6</b>
<b>Income Tax Expense</b>	<b>6.5</b>	<b>8.4</b>	<b>21.5</b>	<b>28.3</b>
<b>Net Income</b>	<b>15.8</b>	<b>24.9</b>	<b>42.0</b>	<b>59.3</b>
Less: Non-Controlling Interest in Subsidiaries	(0.2)	0.2	(0.3)	0.3
<b>Net Income Attributable to ALLETE</b>	<b>\$16.0</b>	<b>\$24.7</b>	<b>\$42.3</b>	<b>\$59.0</b>
<b>Average Shares of Common Stock</b>				
Basic	32.8	29.1	31.8	28.9
Diluted	32.9	29.3	31.9	29.0
<b>Basic and Diluted Earnings Per Share of Common Stock</b>	<b>\$0.49</b>	<b>\$0.85</b>	<b>\$1.33</b>	<b>\$2.04</b>
<b>Dividends Per Share of Common Stock</b>	<b>\$0.44</b>	<b>\$0.43</b>	<b>\$1.32</b>	<b>\$1.29</b>

**Consolidated Balance Sheet**  
Millions – Unaudited

	Sep. 30, 2009	Dec. 31, 2008		Sep. 30, 2009	Dec. 31, 2008
<b>Assets</b>			<b>Liabilities and Equity</b>		
Cash and Short-Term Investments	\$54.3	\$102.0	Current Liabilities	\$142.1	\$150.7
Other Current Assets	158.2	150.3	Long-Term Debt	628.4	588.3
Property, Plant and Equipment	1,530.5	1,387.3	Other Liabilities	352.0	389.3
Investment in ATC	85.1	76.9	Deferred Income Taxes & Investment Tax Credits	217.5	169.6
Investments	138.8	136.9	Equity	915.1	836.9
Other	288.2	281.4			
<b>Total Assets</b>	<b>\$2,255.1</b>	<b>\$2,134.8</b>	<b>Total Liabilities and Equity</b>	<b>\$2,255.1</b>	<b>\$2,134.8</b>

ALLETE, Inc. Income (Loss) Millions	Quarter Ended September 30,		Year to Date September 30,	
	2009	2008	2009	2008
Regulated Operations	\$16.6	\$19.2	\$45.0	\$46.5
Investments and Other	(0.6)	5.5	(2.7)	12.5
<b>Net Income Attributable to ALLETE</b>	<b>\$16.0</b>	<b>\$24.7</b>	<b>\$42.3</b>	<b>\$59.0</b>
<b>Diluted Earnings Per Share</b>	<b>\$0.49</b>	<b>\$0.85</b>	<b>\$1.33</b>	<b>\$2.04</b>
<b>Statistical Data</b>				
Corporate				
Common Stock				
High	\$34.57	\$49.00	\$34.57	\$49.00
Low	\$27.75	\$38.05	\$23.35	\$33.76
Close	\$33.57	\$44.50	\$33.57	\$44.50
Book Value	\$25.95	\$25.32	\$25.95	\$25.32
<b>Kilowatt-hours Sold</b>				
Millions				
Regulated Utility				
Retail and Municipals				
Residential	240	252	857	854
Commercial	352	381	1,061	1,090
Municipals	243	243	729	742
Industrial	984	1,854	3,182	5,466
<b>Total Retail and Municipal</b>	<b>1,819</b>	<b>2,730</b>	<b>5,829</b>	<b>8,152</b>
Other Power Suppliers	1,051	465	3,075	1,244
<b>Total Regulated Utility</b>	<b>2,870</b>	<b>3,195</b>	<b>8,904</b>	<b>9,396</b>
Non-regulated Energy Operations	56	61	162	169
<b>Total Kilowatt-hours Sold</b>	<b>2,926</b>	<b>3,256</b>	<b>9,066</b>	<b>9,565</b>

*Investor Contact:*  
Tim Thorp  
218-723-3953  
[tthorp@allete.com](mailto:tthorp@allete.com)

*Media Contact:*  
Amy Rutledge  
218-723-7400  
218-348-2961  
[arutledge@mnpower.com](mailto:arutledge@mnpower.com)