

A photograph of a wind farm with several white three-bladed wind turbines. A vibrant rainbow is visible in the sky, arching between the turbines. The turbines are situated in a green field with a line of trees in the background. The sky is overcast with grey clouds.

# INVESTOR PRESENTATION

JUNE 9, 2020

# 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.

ALLETE's presentation 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. See page 43 in this report for a reconciliation of GAAP results to pro forma, and 2019 guidance to pro forma.

Non-GAAP financial measures utilized by the Company may include presentations of earnings (loss) per share and earnings before interest, taxes, depreciation and amortization. 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.

This presentation was prepared as of June 9, 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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# ALLETE is an energy company providing sustainable solutions for future growth

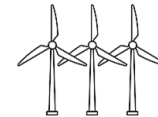


Societal expectations, regulation and environmental changing policy are requiring sustainable energy solutions

- Demands for cleaner and more sustainable energy forms are accelerating; over 29 states already have Renewable Portfolio Standards (RPS)
- Expect over 44 GWs of near term wind power development
- Many business sectors are increasing focus on being environmentally responsible; the C&I sector with the highest customer demand for renewables
- Significant, growing need for investments in hardening and expanding transmission and distribution systems



29+ States



>44 GWs



Customer Demand



T&D

At ALLETE, we recognize that impacts from human activity, including climate change, are **real, complex, and interrelated**. We are committed to answer the call to **transform** the nation's energy landscape.

# ALLETE business mix – uniquely positioned to leverage clean energy trends



- Generates, transmits and distributes electricity in northern Minnesota; rich in natural resources
- Increased renewable standards are expediting the transition away from coal, creating renewable infrastructure opportunities
  - Additional wind generation/solar/storage and supporting transmission & distribution



- Provider of electric, natural gas and water service in northwestern Wisconsin
- Smart metering advancing along with increased renewable service offerings
- Natural gas expansion opportunities
- Anticipates community solar garden in service late 2020



- 8% ownership: ATC owns and operates the electric transmission system in portions of Wisconsin, Michigan, Minnesota & Illinois
- Growing equity investment with planned ten-year build-out



- Specializes in developing, acquiring, constructing, managing and optimizing clean and renewable energy projects for growth across North America
- Material growth expected - will have in excess of 1500 MWs of carbon-free generation by 2022
- Robust pipeline of PTC projects and acquisition targets under review



- Operates a lignite mine near Center, North Dakota, producing about 4M tons annually, under a long-term cost-plus fixed-fee arrangement to 2037
- Working with partners on potential carbon solutions
- Leveraging BNI established relationships for clean energy advancement



# Clean energy trends are driving ALLETE's 5-7% growth outlook

## ALLETE is well positioned for success and sustainability

- Strategic geographic positioning; renewables, transmission and distribution
- Proven track record of large scale clean energy projects
- Investment in PTC qualified turbines for new wind projects
- Recent Treasury guidance extends project construction safe harbor – 100% PTC to the end of 2021 and 80% PTC to the end of 2022
- Substantial liquidity to deploy with minimal equity issuance needed



**Regulated growth 4-5%**

2021 ~50% renewable goal  
& T&D investment

**Energy Infrastructure  
minimum growth of at least 15%**

ALLETE Clean Energy 30% - 40%  
earnings growth over next two years



# Major progress evolving our generation mix, providing growth while ensuring reliability and affordability



~50% renewable by 2021



Wind – 875 MW

- Bison 1-4, 500 MW
- Nobles 2, 250 MW
- Taconite Ridge, 25 MW
- Oliver, 100 MW (PPA)

Moved faster and further in renewables than other Midwestern utilities



Hydro – 370 MW

- Minnesota Power, 120 MW
- Manitoba Hydro, 250 MW (PPA)

Minnesota Power significantly ahead of Minnesota's 25% by 2025 requirement



Solar – 20 MW

- Camp Ripley, 10 MW
- Other potential



Coal – 800 MW

- Boswell Units 3-4, 800 MW
- Environmentally compliant

7 of 9 coal facilities retired / idled

Minnesota Power is #1 renewable energy provider to customers in the state of Minnesota; #2 in Midwest

Potential for higher and accelerated renewables

Governor of Minnesota favors proposals that could lead to 100% clean energy by 2050

**Minnesota Power Integrated Resource Plan currently due October 2020**

**Requested extension to April 2021 (COVID-19 implications) – will address resource needs for next 15 years**

# EnergyForward projects fuel significant earnings growth and optionality

## Generation

## Transmission / Distribution



### Nobles 2

- 250 MW wind energy facility
- ALLETE partnership agreement with Tenaska to purchase 49% equity interest, pursuant to a 20-year PPA with Minnesota Power
- ALLETE's portion of project ~\$170M of which \$60 - \$70M will be an equity investment
- MPUC approved the project Dec. 20, 2018
- Anticipate completion in late 2020, full year earnings impact in 2021



### Nemadji Trail Energy Center

- 525 MW to 550 MW combined-cycle natural gas-fired generating facility
- Jointly owned with Dairyland Power Cooperative
- ~\$335M investment by subsidiary of ALLETE
- MPUC approved project Oct. 29, 2018; MN Court of Appeals remanded back to MPUC Dec. 2019; March 2020, MP filed petition with MN Supreme Court, who has agreed to hear this case.
- WI PSC approved Jan. 2020, subject to obtaining other necessary permits
- Anticipate completion in 2025



### Great Northern Transmission Line

- Line energized connecting Manitoba-Minnesota Transmission Project to Great Northern Transmission Line June 1, 2020
- 220-mile 500-kV transmission line between Manitoba and Minnesota
- 250 MW long-term PPA with Manitoba Hydro
- ~\$325M Minnesota Power investment



### DC Line

- Up to 350 MW upgrade
- Increasing renewable capacity and optionality potential
- Strategically positioned to transport additional renewable energy
- Up to ~\$425M investment
- Could provide link to new market opportunities



### Distribution System Hardening

- Integrated Distribution Plan (IDP) approved by MPUC Feb. 27, 2020
- More than \$150M increase in asset upgrades and grid resiliency through 2029
- Anticipate comment period and hearing on IDP will get underway spring 2020
- Additional details regarding Distributed Energy Resources (DER) spending to be filed April 2021 with Integrated Resource Plan

## Renewable Superhighways

Ongoing investments in smart meters, NERC operations and reliability standards, and security and grid infrastructure

# Significant transmission & distribution investment opportunities – longer term

## Key investment drivers

- Grid reliability and resiliency
- Cyber and physical security
- Renewable adoption
- Strategic interconnections

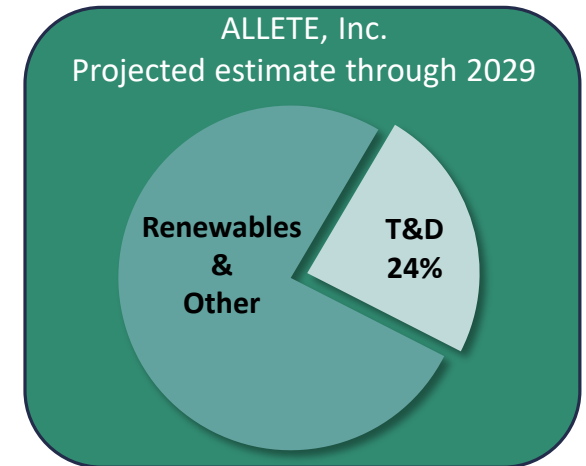
## Platforms for additional investment growth

### Confirmed projects

- GNTL – 200 mile line connecting to significant Canadian hydro generation completed January 2020
- DC transmission line expansion – increasing capacity from current 550 MW to 750 MW, increased to 900 MW
- Distribution grid hardening – 2019 Integrated Distribution Plan (IDP) filed November 1, 2019; approved by MPUC Feb. 27, 2020
- Additional ATC build-out – \$2.9 - \$3.6B plan through 2028
- Minnesota Power plans to file updated Integrated Resource Plan (IRP)

### Developing opportunities

- NERC / RTO requirements related to carbon/baseload transformations
- CapX 2050 Transmission Vision Report issued March 5, 2020
- ALLETE Clean Energy interconnections / delivery systems – strategic acquisitions
- Innovative customer services
- Distributed Energy Resources – expansion of regulated solar and launching storage platform pilots



Anticipate T&D to be the 2<sup>nd</sup> fastest growing segment for ALLETE!





# ALLETE provides an attractive value proposition

Financial Targets	
Annual total shareholder return*	9 - 10%
Consolidated average annual earnings growth	5 - 7%
Consolidated payout ratio	60 - 65%
Long-term dividend growth	align with earnings

Sustainable energy  
solutions

Multi-faceted  
earnings growth  
potential

Regulated,  
contracted or  
recurring energy  
revenues

Solid balance sheet  
and credit ratings  
with growing cash  
flow from operations

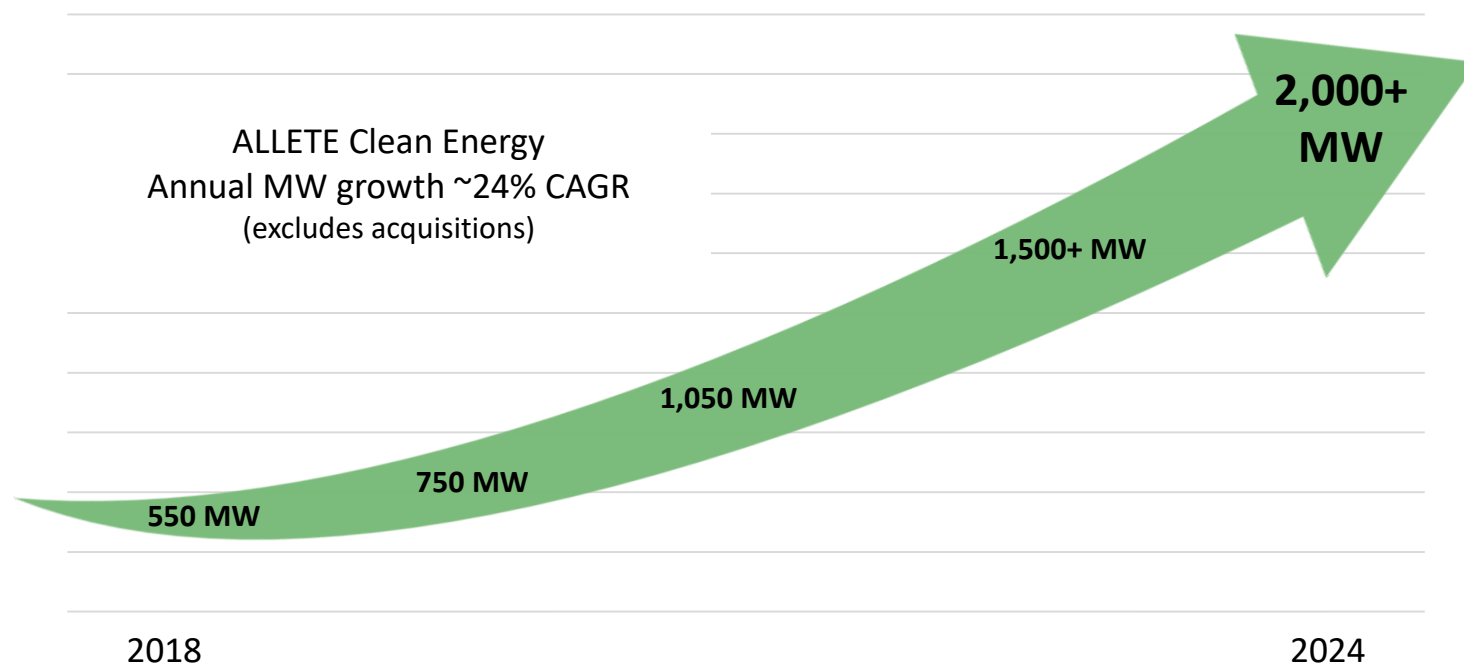
Attractive and  
growing dividend

*Increased 5%  
on Jan. 31, 2020*

\* Defined as earnings growth plus dividend yield



# Multi-year growth expected from ALLETE Clean Energy



## 2019-2021 (30% to 40% earnings growth)

- Glen Ullin contributing full year in 2020
- South Peak contributing three quarters year in 2020
- Refurbishment project contributing full potential in 2021
- Diamond Spring contributing full year earnings in 2021

## 2021-2024 (double-digit earnings growth)

- Caddo built by end of 2021; full earnings in 2022
- Deployment of remaining 100%, 80% and 60% PTC turbines
- Acquisition opportunities of operating facilities creates more upside

# Base 5-year CapX plan of ~\$2.4B predominantly in support of clean energy initiatives

<i>Estimated amounts in millions</i>	Spent through 2019	2020	2021	2022	2023	2024	Total 2020-2024	Total project	Est. COD
<b>Regulated Operations</b>									
Great Northern Transmission Line	\$295	\$25	-	-	-	-	\$25	\$320	Rider
DC Line Modernization & Upgrade	-	10	110	190	115	-	425	425	Potential rider/AFUDC
Nemadji Trail Energy Center	5	10	65	70	165	25	335	340	2025
Base and Other	N/A	135	135	110	120	130	630	630	
<b>Energy Infrastructure / Related Services</b>									
<b>ALLETE Clean Energy</b>									
South Peak	105	20	-	-	-	-	20	125	Early 2020
Diamond Spring	160	290	-	-	-	-	290	450	Late 2020
Caddo	20	130	265	-	-	-	395	415	Late 2021
Base and Other	N/A	30	10	5	5	10	60	60	
<b>Utility-like Projects</b>									
Nobles 2 Investment	55	115	-	-	-	-	115	170	Late 2020
<b>Corporate and Other</b>									
	N/A	15	15	25	30	15	100	100	
<b>(1) Total Known Projects</b>	<b>\$640</b>	<b>\$780</b>	<b>\$600</b>	<b>\$400</b>	<b>\$435</b>	<b>\$180</b>	<b>\$2,395</b>	<b>\$3,035</b>	

(1) 2020 – 2024 reflects the capital expenditures per the 2019 Form 10-K, and also includes ALLETE's investment in the Nobles 2 project and the ALLETE Clean Energy Caddo project

## Over \$1B in potential opportunities not included in the table above

- 2-3 PTC projects per year, 100-200 MW, ~\$50-\$100M equity investment, \$5-\$10M earnings
- 500-600 MW = \$750M - \$900M CapX
- Acquisition of existing renewables
- Build, own, transfer for fee

- Maintain 8% ownership;
- ATC's 2019 10-year capital investment forecast calls for \$2.9 - \$3.6B in system improvements and expansion

- Upside opportunities with DC transmission line optionality and available land rights
- Additional investment expected in distribution system hardening; >\$150M through 2029

- Adding to rate base to enhance services and customer experience
- Expanding natural gas footprint
- Building community solar garden and reviewing other clean energy opportunities



# Base CapX financing plan has limited new equity issuance needs

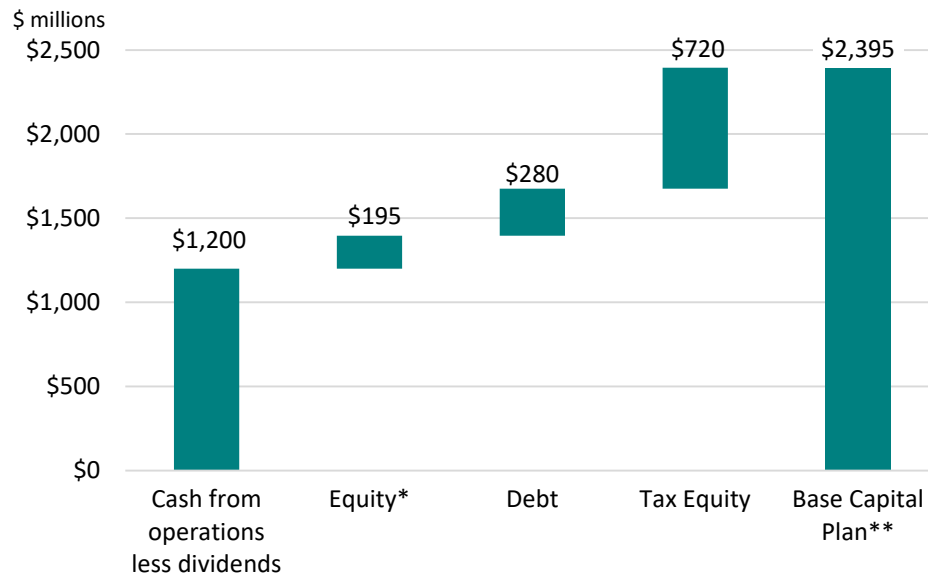
Strong cash flow  
from operations

Line of credit  
\$400M

Access to tax  
equity partners

Limited equity  
needs

## Financing sources 2020 - 2024



## Additional Financing Activities

+ Cash from new operations

+ Tax equity

+ Potential PIE (existing at-market program)

\* Assumes DRIP new share issuances ~\$20M annually

\*\*Supports capital expenditure table on previous page

# 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



# ALLETE first quarter 2020 update

**At this time, we are unable to provide a sufficiently reliable update to 2020 earnings guidance; and accordingly, we have temporarily suspended 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 1<sup>st</sup> demand nominations expect to be known
- Possibly able to quantify COVID-19 impacts on remainder of 2020
- Minnesota Power rate case settlement approved June 4, 2020

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

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**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**

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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

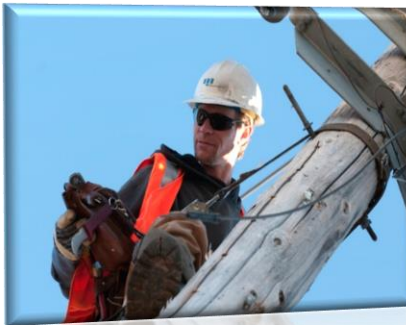
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# ALLETE has ample liquidity

As of May 4, 2020 (\$ millions)	
Cash on hand	~ \$133
Revolving credit	\$400 / \$332 available credit facility with \$150 accordion
<b><u>Recent Financing Activity</u></b>	
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

Available liquidity ~\$625

# REGULATED UTILITY BUSINESSES



# Substantial regulated business optionality – location matters!

Seek renewable opportunities to expand scale, and diversify



## Natural Resource Rich Minnesota

- Largest producer of iron ore in the United States
- 17 million acres of forestland
- One of the largest undeveloped copper, nickel and precious metal deposits in the world
- 5th largest producer of mineral value in the United States

*EnergyForward*



**Clean energy transformation –**  
DC line - a strategic asset with optionality

- Grid reliability investments
- Gas infrastructure investments
- Market expansion
- Bi-directional opportunity
- Additional renewables

Clean energy economy is dependent on steel and precious metals





# 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 30, 2020, the MPUC approved Minnesota Power's proposal to reduce the interim rate effective May 1, 2020; on June 4, 2020, the MPUC approved remaining provisions

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

## Very constructive outcome:

- Resulted in reasonable rate case outcome, during COVID-19 pandemic environment
- Outcome addresses risk mitigation efforts to move power market margins set in rates to FAC
- Demonstrates supportive regulatory compact in Minnesota

## Constructive regulatory framework

- Forward test year
- Interim rates
- Current cost recovery riders
- Fuel adjustment clause
- Conservation Improvement Program (CIP)
- MPUC recently approved deferral accounting for incremental related COVID-19 costs

### Minnesota Public Utilities Commission (MPUC)

Name	Party	Began Serving	Term Ends
Katie Sieben (Chair)	D	Jan. 2017	Jan. 2023
Joe Sullivan	D	Apr. 6, 2020	Jan. 2026
Valerie Means	D	Apr. 22, 2019	Jan. 6, 2025
Matt Schuerger	I	Feb. 1, 2016	Jan. 3, 2022
John Tuma	R	Feb. 2, 2015	Jan. 4, 2021

**SWL&P** is our regulated electric, natural gas and water distribution company in Wisconsin

## Overview

Wisconsin Public Service Commission regulated

- Constructive regulatory environment

Significant rate base investment growth

- 12/31/2019 YE rate base \$84M
- ~\$14M in 2020, ~\$50M estimated spend 2020 through 2024

Rate filing required in 2020

- Filing date could be impacted by COVID-19, 2021 filing more likely
- Current rates based on 55% equity and 10.4% allowed ROE

Natural gas footprint expansion potential

Community solar investment proposed



Superior Water, Light & Power will offer a new renewable energy option for customers through a community solar garden that is expected to be generating power by late 2020

**SUPERIOR WATER, LIGHT & POWER CUSTOMERS**

15,000 electric, 13,000 natural gas, 10,000 water

# ALLETE Clean Energy growth vision

## A premier, growing, world-class clean energy company

Known for its high integrity, innovative and tailored customer solutions and ability to develop, operate, build and deliver multifaceted clean energy projects and clean energy solutions across North America

### Grow portfolio

- Add 2-3 projects/year, supporting a transforming North American electric sector to be less carbon intense, sources from cleaner energy forms

### New customers, more diversity

- New utility, food and beverage, retail customers
- Additional growth anticipated with sustainability-minded customers
- Expanding into new markets/RTOs

### Expanding products and services

- Strategic developer, constructor and operator of wind assets selling capacity, renewable energy attributes
- Increasingly providing asset management and other value-added renewable industry services



Material expansion and scaling in next 24 to 36 months

# Competitive advantages - size, creativity and partnering are key strategic differentiators

With the South Peak and Diamond Spring wind sites coming online in 2020, operating portfolio will expand to over 1,000 MWs of installed capacity

ALLETE Clean Energy broke the 500 MW barrier for record energy production on January 8, 2020, just five years from producing first MW of carbon free generation

In 2020 announced the 303 MW Caddo project and have 100%, 80%, and 60% PTC qualified turbines remaining to deploy in additional projects



Recent Treasury guidance extends project construction safe harbor – 100% PTC out to the end of 2021 and 80% PTC out to the end of 2022

# ALLETE Clean Energy is strategically positioned as demands for clean energy accelerate

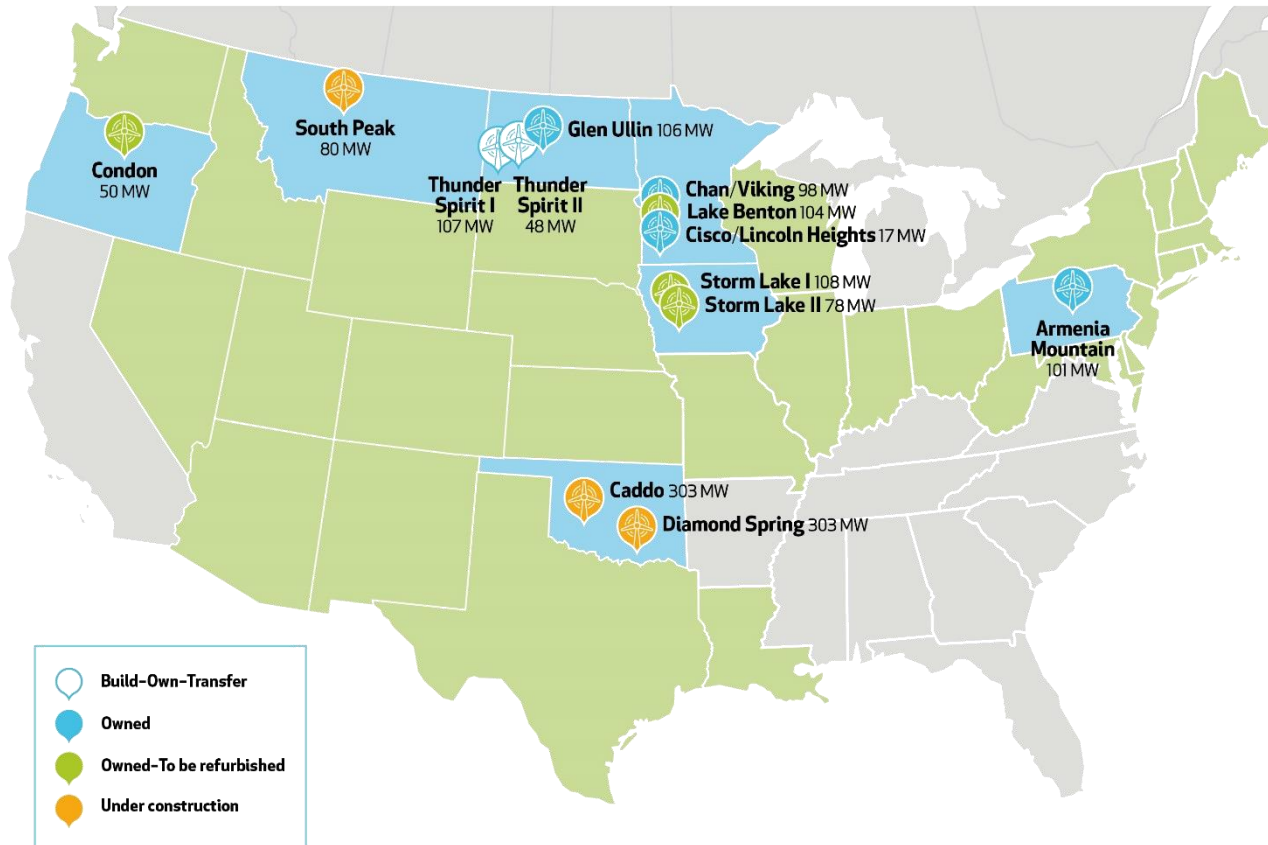
## GROWTH OPPORTUNITIES

### Near-term

- Diamond Spring 303 MW project
- Caddo 303 MW project
- Additional PTC qualified turbines

### Long-term

- Operating facilities (post tax benefit) totaling over 23,000 MWs presents acquisition opportunities
- Build, own, transfer projects
- Industry demands expanding products and services
- 2-3 projects per year





# A company on the move...

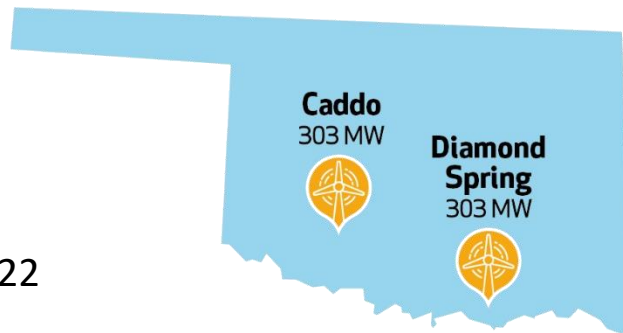
Caddo – a south-central Oklahoma wind project expands presence in C&I market

## Strategy in Action

- ✓ Helps customers reach renewable sustainability goals
- ✓ Increases geographic and customer demographic presence
- ✓ Enhances portfolio, diversity and performance
- ✓ Brings economic development – tax base, jobs to Caddo county
- ✓ Leveraging strong reputation and brand in the industry

## Project Details

- Second large project announcement in 12 months
- Partnering with Apex Clean Energy
- Total of 303 MW
  - Two C&I Fortune 500 customers signed for 100 MW; in advanced discussion with 3<sup>rd</sup> for remaining output
  - Long-term PSAs
- Expected COD late-2021
- 80% PTC qualified project
- Tax Equity partnership
- Full earnings impact in 2022



# BNI Energy is a well established business

Recognized for best in class reclamation with  
**PSC's Award for Excellence in Surface Coal  
Mining and Reclamation**



## Overview

- Lignite mining operations and other energy service solutions
- Long established presence in energy rich and business friendly North Dakota
- Advancing CO2 capture and storage solutions
- Contracted revenues, cost-plus contracts through 2037
- 2019 net income \$7.4M

BNI's location, reputation and track record in North Dakota provide an ideal platform to grow ALLETE in energy rich and policy friendly North Dakota



# APPENDIX

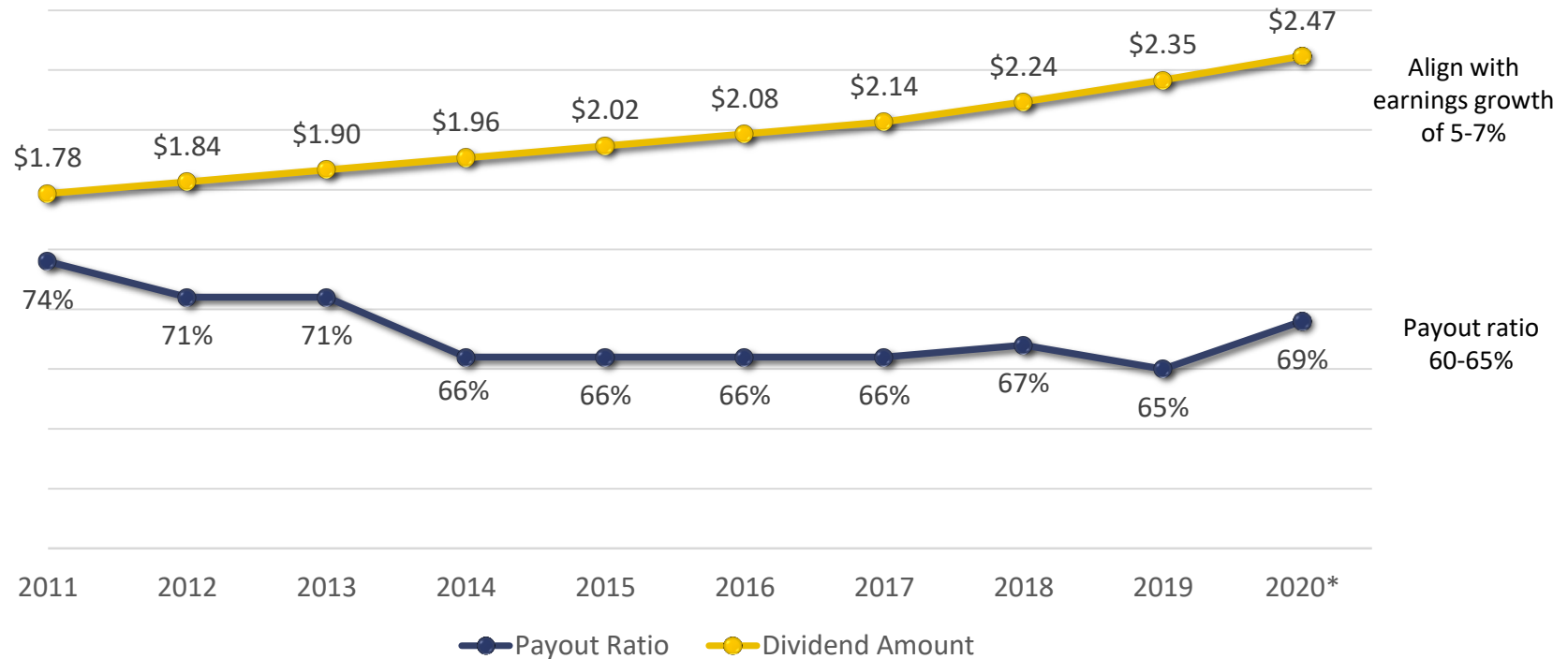
June 9, 2020



# ALLETE anticipates long-term dividend growth

In January of 2020, the ALLETE Board of Directors increased the annualized common stock dividend by ~5%, from \$2.35 to \$2.47 per share.

ALLETE has paid common stock dividends consecutively since 1950.



\*based on midpoint of 2020 earnings guidance



# ALLETE will maintain its financial discipline as it executes on its strategy

## Financial Discipline in Action

- ✓ ALLETE companies carry appropriate capital structures to support consolidated investment grade credit ratings
- ✓ Maintain a solid investment grade credit rating
- ✓ 60-65% dividend payout ratio
- ✓ Business segments must achieve their targeted rates of return and support the dividend

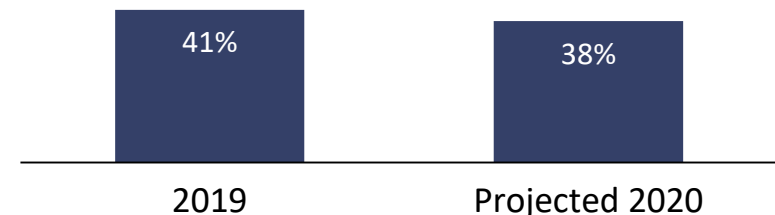
## Credit Ratings

	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

\*On April 22, 2020, S&P downgraded the long-term ratings from ALLETE from BBB+ to BBB

## Debt to Capital Ratio



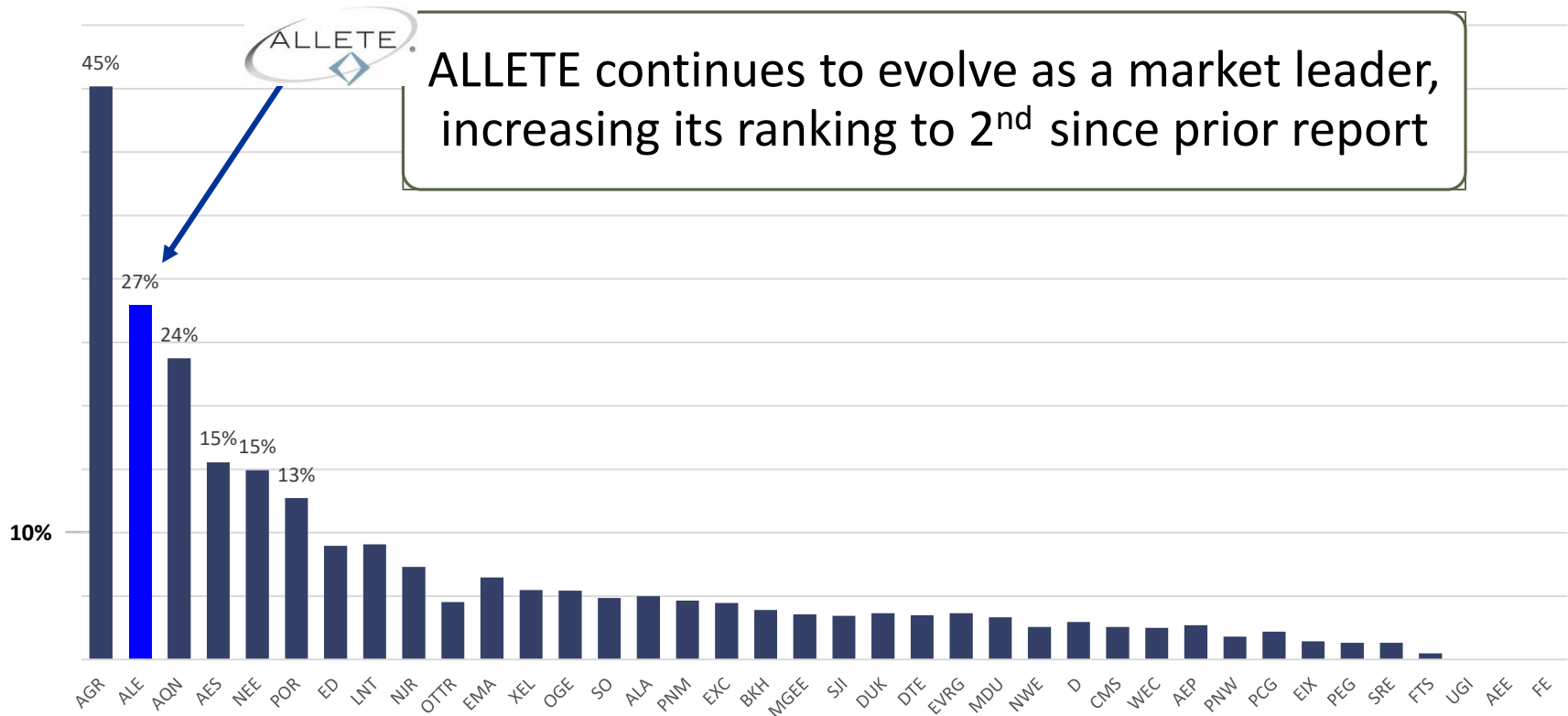
*Regulated, contracted or recurring revenues are consistent with our risk profile and business investment thesis*





# Relative to size, ALLETE is one of the largest investors in renewables

Solar and Wind Capacity as a Percent of Market Cap (MW / US\$ Market Cap)<sup>1</sup>

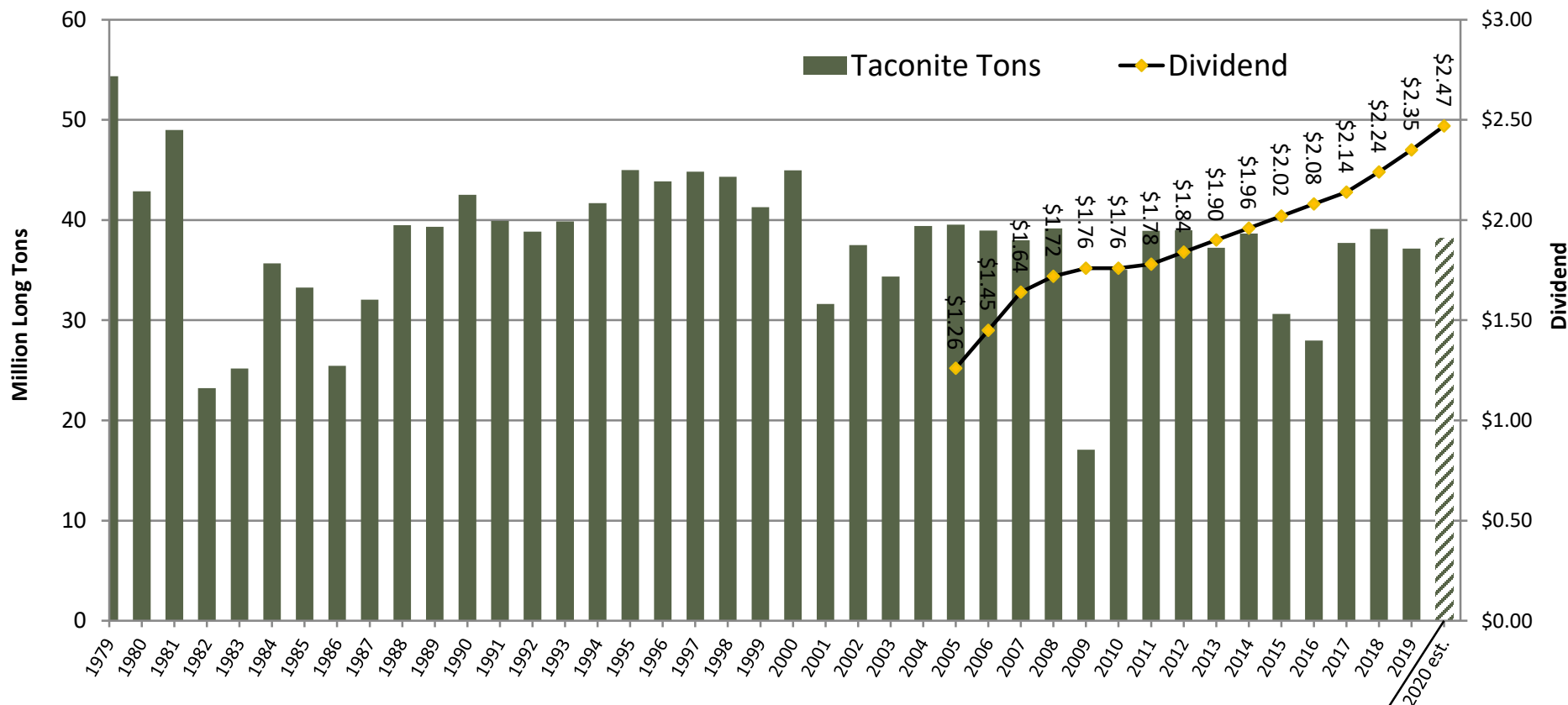


Source: Company public filings, SNL, Press Releases, Bloomberg market data as of 03-Feb-20

Note: Includes both regulated and unregulated wind and solar net generation capacity.

<sup>1</sup> Calculated as solar and wind net owned operating capacity / market cap. Excludes development pipelines.

# Dividend growth through business cycles



Actual taconite tons are from the MN Department of Revenue reports on taxable production.

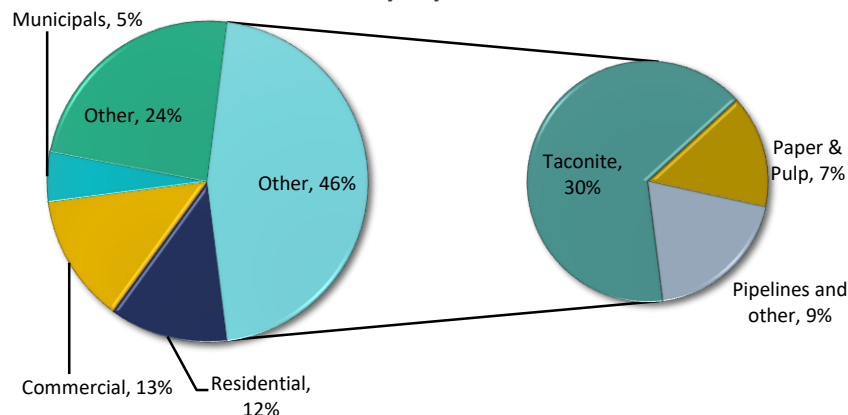
Based on original guidance

# Domestic steel industry is highly dependent on Minnesota taconite

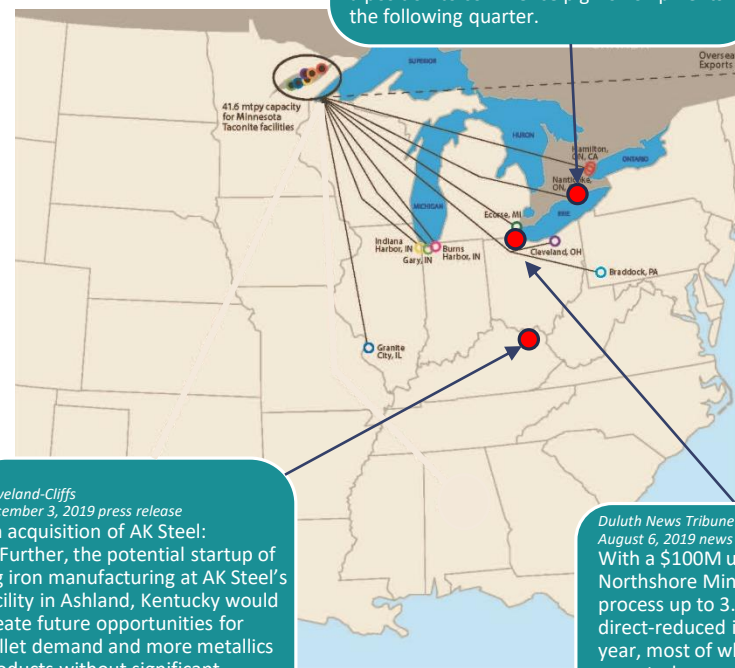
Taconite mine	Approximate Annual Capacity (million tons)
ArcelorMittal, Inc. – Minorca	2.6
Hibbing Taconite Co.	8.0
Cliffs – United Taconite, LLC	5.2
– NorthShore Mining	5.7
USS Corp. – Keewatin	5.2
– Minntac	14.7
<b>Total annual capacity</b>	<b>41.4</b>

1M ton change = ~4 cents/share

## Regulated Utility Revenue 12/31/19



Stelco  
November 13, 2019 press release:  
...the installation of a new pig iron making facility to be constructed at our Lake Erie Works facility. We currently plan to complete the construction of the new facility to coincide with our blast furnace reline scheduled for Q2 of 2020, and to be in a position to commence pig iron shipments the following quarter.



Cleveland-Cliffs  
December 3, 2019 press release  
On acquisition of AK Steel:  
....Further, the potential startup of pig iron manufacturing at AK Steel's facility in Ashland, Kentucky would create future opportunities for pellet demand and more metallics products without significant additional capital expenditures.

Duluth News Tribune  
August 6, 2019 news article:  
With a \$100M upgrade, Cliff's Northshore Mining is set to process up to 3.5M tons of direct-reduced iron pellets per year, most of which will feed its soon-to-be completed HBI plant in Toledo, Ohio

Traditional shipping destination points of Minnesota taconite.

# Taconite industry COVID-19 update

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**April 13** – 470 of 570 employees at **Cleveland Cliffs’ Northshore Mining** laid off until late summer

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**April 16** – at total of 375 employees to be laid off at **U.S. Steel’s Keetac** plant idled indefinitely, also idled two of its blast furnaces in Indiana

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**April 20** – 650 employees laid off at **ArcelorMittal’s Hibbing Taconite** until at least early July

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**May 1** – 260 workers laid off at **U.S. Steel’s Mountain Iron** facilities for approximately 8 weeks

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**May 12** announcement - The “Big Three” automakers are preparing to restart manufacturing middle of May

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**May 18** – **U.S. Steel Minntac** announced purchase agreement to supply Algoma Steel with pellets, 2021-2024

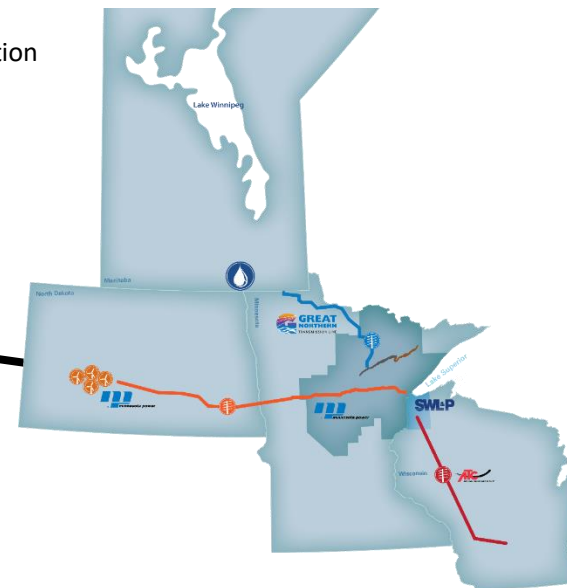
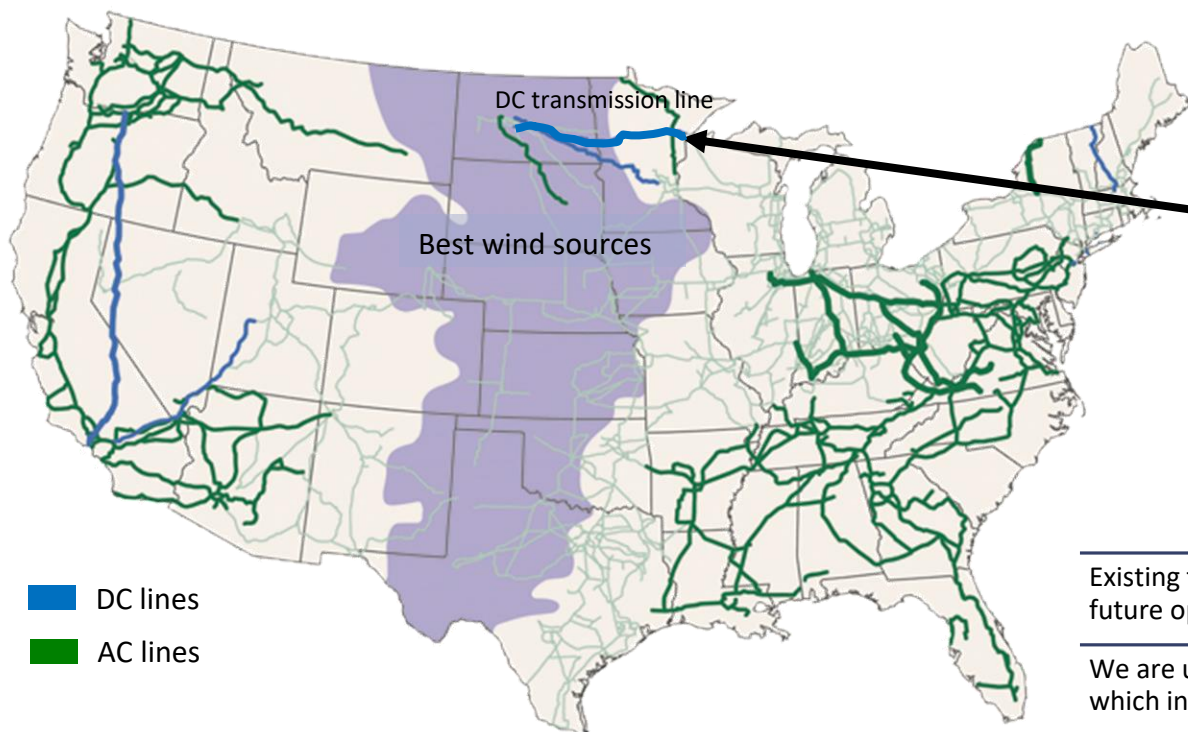
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**May 18** – The Detroit Three automakers and their suppliers began restarting assembly lines after a two-month coronavirus lockdown; electric car maker Tesla, Inc. also reopened

# DC transmission system upgrades – enables significant potential growth

“Through 2030, RPS states need approximately 160 terawatt hours of additional renewable energy generation to meet wind-eligible RPS requirements. This is equivalent to roughly 52.6 gigawatts of wind capacity.”

Source: American Wind Energy Association | State RPS Market Assessment 2019



Upgrades for reliability, flexibility and optionality

Existing footprint with 465-mile DC transmission line creates future optionality for value and expansion

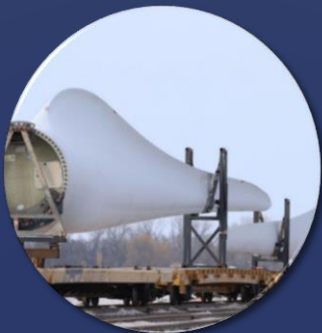
We are upgrading existing 550 MW capacity by up to 350 MW which includes up to ~\$425M planned CapX

Additional interconnections to other power markets is possible, as is greater investment and access to new renewable enabling infrastructure

<http://redgreenandblue.org/2019/02/19/verge-wind-energy-gold-rush-midwest/>

The Company has reserved queue positions for DC line upgrades and holds ~36,000 acres of land under option to support additional renewables

# Record construction is resulting in material earnings growth in 2020-2022



## Glen Ullin Energy Center

- 20-year, 106 MW PSA with Xcel Energy
- In service December 2019
- 100% PTC qualified
- Full year earnings impact in 2020



## South Peak

- 15-year, 80 MW PSA with NorthWestern Energy
- In service Q1 2020
- Expands ALLETE Clean Energy portfolio across high quality northern wind corridor
- 100% PTC qualified
- ¾ year earnings impact in 2020



## Refurbishments

- Storm Lake I & II
- Lake Benton
- Condon
- These projects on track for completion in 2020
- 100% PTC qualified
- \$20M in PTCs in 2020
- Full year impact in 2021



## Diamond Spring

- Acquired project from Apex Clean Energy May 3, 2019
- Total of 303 MW, 15-year PSAs with Walmart and Starbucks, and 12-year PSA with Smithfield
- Expands customer & geographic presence
- 100% PTC qualified
- Full year earnings impact in 2021



## Caddo

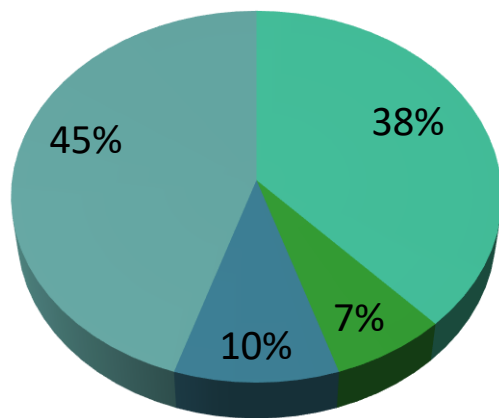
- 303 MWs using 80% PTC turbines
- Expect long-term PSAs with Fortune 500 customers for entire output
- Expect to be completed in 2021
- Expect full year earnings impact in 2022

**With the completion of the South Peak, Glen Ullin, Diamond Spring and Caddo ALLETE Clean Energy will own and operate over 1,300 MWs of wind generation capacity in seven states while adding new long-term PSAs to its generation portfolio**

Additional PTC opportunities  
and acquisitions of existing renewable projects are being pursued

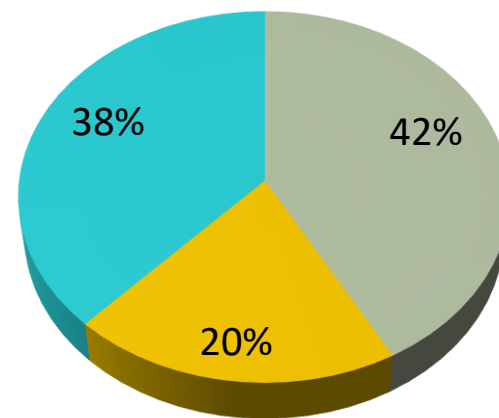
# Facilities have diverse power markets and balanced contract expiration

Power Markets  
(MW)



- Midwest Independent Transmission System Operator (MISO)
- Pennsylvania New Jersey Maryland (PJM)
- Western Electricity Coordinating Council (WECC)
- Southwest Power Pool (SPP)

Contract Lives\*  
(Revenue)



- 0-5 Yrs
- 5-10 Yrs
- 10+ Yrs

*\*Includes Diamond Spring and Caddo which will be constructed in 2020 and 2021, respectively.*



# ALLETE Clean Energy's significant and growing portfolio of renewable assets

	Technology	MW Capacity	Net Capacity Factor	Region	Customer	S&P	Moody's	In-Service	Power Sale Agreement Term End
Armenia Mountain Pennsylvania	GE	100.5	~30%	PJM	Delmarva Power & Old Dominion Electric Co-op	BBB+/Stable & A/Stable	Baa1/Stable & A2/Stable	2009	2024
Chanarambie/Viking Minnesota	GE	97.5	30-35%	MISO	Northern States Power	A-/Stable	A3/Stable	2003	2023
Condon Oregon	Mitsubishi	50	20-25%	BPA	Bonneville Power	AA-/Stable	Aa3/Negative	2002	2022
Lake Benton * Minnesota	Zond	104	25-30%	MISO	Northern States Power	A-/Stable	A3/Stable	1998	2028
Storm Lake 1 * Iowa	Zond	108	25-30%	MISO	MidAmerican Energy	AA/Stable	Aa2/Stable	1999	2027
Storm Lake 2 * Iowa	Zond	77	25-30%	MISO	Alliant Energy	A-/Stable	A3/Stable	1999	Mid-2020-90% 2032-10%
Glen Ullin EC North Dakota	GE	106	~45%	MISO	Northern States Power	A-/Stable	A3/Stable	2019	2039
South Peak Montana	GE	80	~40%	NWE	NorthWestern Corp	BBB/Stable	Baa2/Stable	Build: 2020	2034
Diamond Spring Oklahoma	GE	303	~45%	SPP	Walmart Starbucks Smithfield	AA BBB+ BBB	Aa2 Baa1 Baa2	Build: 2020	2035-175 MW 2035-50 MW 2032-75 MW
Caddo Wind Oklahoma	TBD	303	~45%	SPP	Fortune 500 Companies	Investment Grade	Investment Grade	Build: 2021	2033-200 MW 2033-80 MW 2033-20 MW
<b>Build, own, transfer projects</b>									
Thunder Spirit I	Nordex	107		MISO	Montana-Dakota Utilities	A-/Stable	N/A	Sale: 2015	\$198M sale
Thunder Spirit II	Nordex	48		MISO	Montana-Dakota Utilities	A-/Stable	N/A	Sale: Oct. 2018	\$81M sale

As part of wind energy facility acquisitions, ALLETE Clean Energy assumed various PSAs that were above or below estimated market prices at the time of acquisition; the resulting differences between contract prices and estimated market prices are amortized to revenue over the remaining PSA term. Non-cash amortization is expected to be approximately \$11.5 million annually in 2020 through 2023, \$5.5 million annually in 2024 through 2027, and decreasing thereafter through 2032.

\* Sites with on-going PTC qualifying refurbishment projects.

# ALLETE Clean Energy with investment in PTC qualified turbines

- ✓ Ample capacity to deploy turbines for 500-600 MW of total projects
- ✓ Safe harbor turbines provide differentiated ability to capture value with holdings of 100%, 80% and 60% PTC qualified turbines
- ✓ Demonstrated project and risk management capability to build safely and within budget and schedule

Proxy for new  
100% qualified  
PTC project  
earnings

- 100 MW project
- Total project cost \$150M
- Would include tax equity partner's investment of two-thirds of project
- Generally, ALLETE Clean Energy's investment of one-third of the project would be all equity and generate ~\$5M average annual earnings

Proxy for 80%  
qualified PTC  
project  
earnings

- Tax equity partner's investment 50-60%
- Generate ~\$4M average annual earnings



Initial Investment Date By:	COD Deadline	Wind PTC
2016	12/31/2021	100%
2017	12/31/2022	80%
2018	12/31/2022	60%
2020	12/31/2024	60%

Recent Treasury guidance extends project construction safe harbor – 100% PTC out to the end of 2021, 80% PTC out to the end of 2022

# Addressing customer and industry needs

- ✓ Expanding new carbon-free energy sources
- ✓ Repowering assets to extend operating lives
- ✓ Solving wind technician talent demands
- ✓ Driving O&M efficiency – service solutions
- ✓ Evaluating new technologies – solar, storage
- ✓ Exploring wind blade recycling/reuse

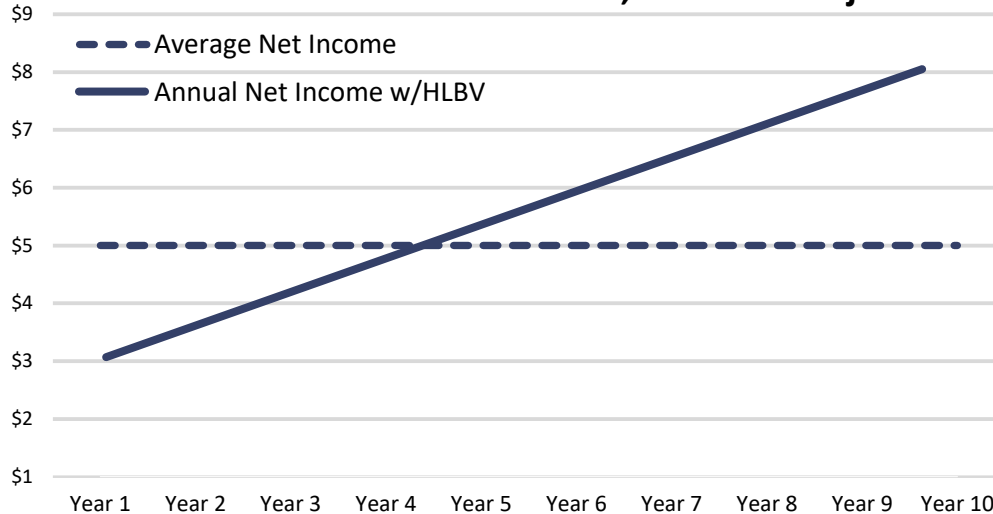


ALLETE Clean Energy is partnering with institutes in Minnesota and North Dakota to explore options that will keep blades out of a landfill.

<https://www.kfyrvtv.com/content/news/Researchers-are-developing-a-study-on-how-to-recycle-wind-turbines-in-North-Dakota-565299481.html>

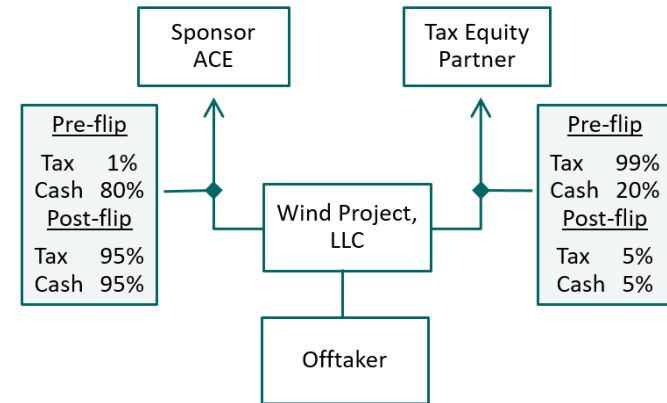
# Tax equity arrangement - illustration

**ACE Pre-Tax Profile: 100% PTC, 100 MW Project**



- Gradual slope upward as tax equity investor progresses toward achieving its yield
- Allocations of pre-tax gain are larger to tax equity in earlier periods and decrease as yield is achieved

**Tax Equity Structure**



Pre-Flip Period - 9.5-10 Years

Investor Pre-Flip Yield – 5.75-6.5%

Partners tax, cash, & PTC allocation percentages will change over the course of the deal

## HLBV method of accounting for allocation of GAAP earnings

Individual project structures and tax equity arrangement terms are unique, provided they comply with IRS regulations.

Allocations of income and loss and cash distributions are dependent on deal terms and structure agreed upon with tax equity investor including liquidation provisions. As with any wind facility, revenue and PTCs are dependent on wind resources.

Non-cash benefits (PTC and MACRS depreciation) allocated to the tax equity investor will be accretive to ACE over the yield term.

The tax equity partner is in a preferred position until its yield is achieved and there may be cash sweep mechanisms in certain periods to achieve or maintain the tax equity partner's yield.

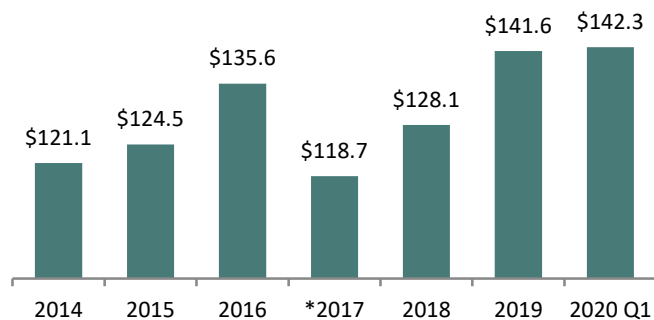
# ALLETE's investment in ATC continues to grow

- Wisconsin-based transmission company
  - Owns and operates electric transmission system in portions of Wisconsin, Michigan, Minnesota and Illinois
- 8% ownership delivers steady earnings and cash flow
- FERC regulated – FERC recently approved 10.52% ROE (includes 50 bps adder)
- ATC's 2019 10-year capital investment forecast calls for \$2.9-\$3.6B in system improvements

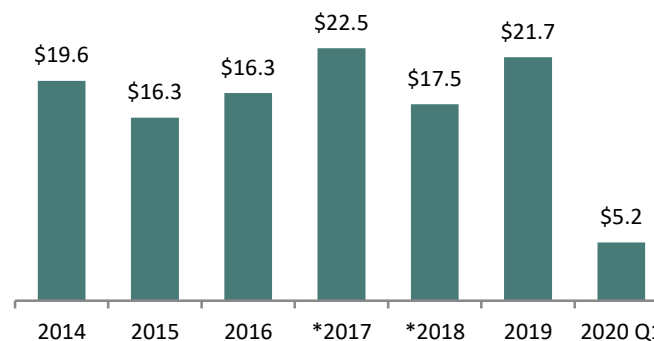


Equity Investment Balance

(\$ in millions)



Equity Earnings (pre-tax)



.... and is a meaningful contributor to earnings



# 2020 Guidance Highlights

*Temporarily suspended on May 6 earnings conference call*

**Guidance range \$3.40 - \$3.70 per share**

- |  |                 |
|--|-----------------|
| • Regulated Operations                     | \$2.75 - \$2.95 |
| • ALLETE Clean Energy, Corporate and Other | \$0.65 - \$0.75 |

## Key factors

### • Regulated Operations

- Interim rate revenue, subject to refund, of approximately \$36 million beginning January 1, 2020.
- 2020 industrial sales of approximately 7.0 million to 7.5 million megawatt-hours (MWh), which reflects anticipated production from our taconite customers of approximately 39 million tons in 2020.
- Lower revenue due to an expiring power sales agreement in April 2020, and a municipal customer contract that expired in mid-2019.
- Higher operating and maintenance expense as compared to 2019.
- Higher depreciation and property tax expenses due to additional plant in-service.
- 2020 guidance assumes that we will achieve reasonable outcomes in regulatory proceedings.

### • ALLETE Clean Energy

- ALLETE Clean Energy expects approximately 2.3 million MWh (1.1 million MWh in 2019) in total wind generation.
- Expectation of the return to normal wind patterns.
- Glen Ullin in-service full year and South Peak in the first quarter of 2020.
- Diamond Spring wind project commercial operation date anticipated in late 2020.
- PTCs are estimated to be approximately \$20 million in 2020.
- Higher depreciation expense due to additional plant in-service.
- Higher operating expenses compared to 2019 due to investments in growth initiatives.

### • Corporate and Other

- Similar results at BNI Energy, Inc. and ALLETE Properties, LLC.
- Nobles 2 Power Partners, LLC wind energy facility commercial operation date anticipated in late 2020.

*Guidance excludes the impact, if any, of possible acquisitions or additional development projects*



# ALLETE Earnings *(millions)*

## Year Ended December 2019

	2019	2018
Regulated Operations	\$154.4	\$131.0
ALLETE Clean Energy	12.4	33.7 <sup>1)</sup>
U.S. Water Services	(1.1)	3.2
Corporate and Other	19.9 <sup>3)</sup>	6.2 <sup>2)</sup>
Net Income Attributable to ALLETE	\$185.6	\$172.2
Diluted Earnings Per Share of Common Stock	\$3.59	\$3.38

See slide 53 for earnings per share impacts related to:

- 1) 2018 included the sale of a wind energy facility of \$10.2
- 2) 2018 included a benefit for the change in fair value of the contingent consideration liability of \$2.0
- 3) 2019 included the gain on sale of U.S. Water Services of \$13.2





# ALLETE Earnings Per Share

## Year Ended December 2019

GAAP Results to Pro Forma	2019	2018
<b>Earnings Per Share - GAAP</b>	<u>\$3.59</u>	<u>\$3.38</u>
Impacts on Earnings Per Share		
<b>Sale of Wind Energy Facility</b>		
ALLETE Clean Energy		0.20
<b>U.S. Water Services Net Income (Loss)</b>		
U.S. Water Services	(0.02)	0.06
<b>Benefit from Contingent Consideration Liability</b>		
Corporate and Other		0.04
<b>Gain on Sale of U.S. Water Services</b>		
Corporate and Other	0.26	
<b>Pro Forma EPS</b>	<u>\$3.35</u>	<u>\$3.08</u>