

EXCERPT FROM THE MINUTES OF A
BOARD OF DIRECTORS MEETING OF
ALLETE, INC.

HELD
January 22, 2015

I, Deborah A. Amberg, Secretary of ALLETE, Inc., a corporation organized under the laws of the State of Minnesota, hereby certify that the following is a true and correct copy of a resolution duly adopted at a meeting of the Board of Directors of said Company held on January 22, 2015, at which meeting a quorum was present and voting throughout, and that the same is in full force and effect as of the date hereof:

MPUC CAPITAL STRUCTURE PETITION

Ms. Amberg described the annual report required to be provided to the Minnesota Public Utilities Commission describing the Company's capital structure. Upon motion duly made and seconded, the following resolution was adopted:

RESOLVED, that the officers of the Company be and each of them hereby is authorized to take any and all action deemed necessary or desirable by the officer taking such action with respect to the approval by the Minnesota Public Utilities Commission ("MPUC") of the Company's authorized capital structure, so that the issuance and sale of securities shall be deemed authorized by the MPUC.

IN WITNESS WHEREOF, I have hereunto set my hand this 16 day of February, 2015.


Secretary



Deborah A. Amberg
Senior Vice President,
General Counsel, and Secretary

February 6, 2015

ALLETE, Inc.
30 West Superior Street
Duluth, MN 55802

Attention: Donald Stellmaker
Vice President – Corporate Treasurer

I am an attorney in good standing and admitted to practice before the Supreme Court of the State of Minnesota, and, as General Counsel to the Company, render the following opinion concerning the Petition to be filed by Minnesota Power on or about February 16, 2015 (Petition), with the Minnesota Public Utilities Commission (Commission) for an order approving the Company's consolidated capital structure for the Authorization Period requested therein. The Petition describes the Company's expected and potential issuances during the Authorization Period of Common Stock, warrants, long-term debt, guarantees, short-term unsecured debt, all of which are hereafter sometimes collectively called "Securities" or "Security".

I.

All requisite action necessary to make valid the proposed issuance or sale of Securities will be taken when:

- (a) An order or orders have been entered by the Commission under the provisions of the Minnesota Public Utilities Act approving the Company's capital structure for purposes of the issuance of the Securities in accordance with Company's Petition;
- (b) The Company's respective Registration Statement pertaining to each respective Security, if any, as required pursuant to the Securities Act of 1933, is filed with the Securities and Exchange Commission pursuant to the aforementioned Act and a listing application is made with the appropriate stock exchange;
- (c) Each of the Securities shall have been issued pursuant to the terms and conditions of the necessary approvals;
- (d) The resolutions, if necessary, approving the issuance, sale and pricing of each of the Securities are adopted by the Board of Directors of the Company, or, if permitted under state law, by the Executive Committee of the Board of Directors;
- (e) With respect to any new public offering of Common Stock, the passage of a resolution, if necessary, of the Company's Board of Directors indicating that new Common Stock is authorized to be issued;

(f) With respect to any exchange of Common Stock for the assets or capital stock of certain businesses, when any regulatory agency having jurisdiction over such business authorizes the acquisition; and

(g) The necessary filings have been accomplished under relevant state "blue sky laws" with regard to the offering and issuance of the Securities.

II.

No Commission or agency other than those alluded to or mentioned above currently has jurisdiction to authorize or approve the proposed issuance or sale of Securities as described above. However, the proposed issuance or sale of Securities is or may be subject to the broad discretionary powers vested in various securities commissions and/or other administrative bodies or officials, which may authorize, among other things, the withdrawal of exempt status accorded to particular classes of Securities or certain transactions therein, and which may have imposed or may in the future impose special requirements with respect to any offering of such Securities.

III.

The Company is a corporation validly organized and existing under the laws of the State of Minnesota and duly qualified and in good standing to do business and is doing business in that state.

IV.

Each of the Securities, when issued in accordance with the approved agreements and terms and conditions against receipt of the proceeds thereof, will be a valid and binding obligation of the Company in accordance with their terms and the terms of all necessary agreements, except as limited by bankruptcy, insolvency, reorganization and other laws affecting the enforcement of creditor's rights.

V.

When the steps outlined above shall have been taken with respect to each of the Securities, the proposed transactions will not violate the legal rights of any class of investors in the Securities of the Company.

Sincerely,

A handwritten signature in blue ink that reads "Deborah A. Amberg". The signature is fluid and cursive, with the first name being the most prominent.

Deborah A. Amberg

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ALLETE, Inc.
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2014 AND PRO FORMA
 Thousands - Unaudited

	<u>December 31, 2014</u>	<u>Adjustments</u>	<u>Pro Forma</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$145,765		\$145,765
Accounts Receivable	97,356		97,356
Notes and Other Receivables	5,650		5,650
Fuel Inventory	28,985		28,985
Materials and Supplies	51,538		51,538
Prepayments and Other	89,449		89,449
Total Current Assets	<u>418,743</u>		<u>418,743</u>
Property, Plant and Equipment - Net	3,286,365		3,286,365
Investments	235,497		235,497
Other Assets	420,161		420,161
Sub Total Assets	<u>4,360,766</u>		<u>4,360,766</u>
Net Change in Assets		745,992	745,992
TOTAL ASSETS	<u><u>\$4,360,766</u></u>	<u><u>\$745,992</u></u>	<u><u>\$5,106,758</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Current Liabilities			
Accounts Payable	\$134,040		\$134,040
Accrued Taxes	38,712		38,712
Accrued Interest	18,021		18,021
Long-Term Debt Due Within One Year	100,702		100,702
Notes Payable	3,744		3,744
Other Current Liabilities	120,798		120,798
Total Current Liabilities	<u>416,017</u>		<u>416,017</u>
Long-Term Debt	1,272,756	408,000	1,680,756
Deferred Investment Tax Credits	10,303		10,303
Accumulated Deferred Income Taxes	500,450		500,450
Other Liabilities	550,040		550,040
Total Liabilities	<u>2,749,566</u>	<u>408,000</u>	<u>3,157,566</u>
SHAREHOLDERS' EQUITY			
ALLETE's Equity			
Common Stock	1,107,631	365,000	1,472,631
Unearned ESOP Shares	(7,195)		(7,195)
Accumulated Other Comprehensive Loss	(21,079)		(21,079)
Retained Earnings	530,051	(27,008)	503,043
Total ALLETE Equity	<u>1,609,408</u>	<u>337,992</u>	<u>1,947,400</u>
Non-controlling Interest in Subsidiaries	1,792		1,792
Total Equity	<u>1,611,200</u>	<u>337,992</u>	<u>1,949,192</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>\$4,360,766</u></u>	<u><u>\$745,992</u></u>	<u><u>\$5,106,758</u></u>

ALLETE, Inc.
Entries Giving Effect To The Proposed
Transactions On The Balance Sheet

	Thousands	
Asset Additions	\$745,992	
Cash		\$745,992
To record the increase in asset additions.		
Cash	\$365,000	
Common stock		\$365,000
To record the sale of an estimated 7,448,980 shares of common stock at \$49.00 per share.		
Retained earnings	\$15,047	
Cash		\$15,047
To record additional dividends on common stock at the current annual rate of \$2.02.		
Cash	\$408,000	
Long-term debt		\$408,000
To record the sale of \$408,000,000 of long-term debt, consisting of long-term bonds and bank loans at an estimated rate of 5.00%.		
Retained earnings	\$11,961	
Cash		\$11,961
To record the decrease in net income by the adjustments shown on the income statement.		

Note: Any interest or dividend rate expressed in the pro forma data is for illustrative purposes only and is NOT intended to represent the actual dividend or interest rate that Company's Securities will bear when issued.

ALLETE, Inc.
CONSOLIDATED STATEMENT OF INCOME
TWELVE MONTHS ENDED
DECEMBER 31, 2014 AND PRO FORMA
 In Thousands - Unaudited

	<u>December 31,</u> <u>2014</u>	<u>Adjustments</u>	<u>Pro Forma</u>
OPERATING REVENUE			
Regulated Utility	\$1,003,500		\$1,003,500
Investments and Other	133,268		133,268
Total Operating Revenue	<u>1,136,768</u>		<u>1,136,768</u>
OPERATING EXPENSES			
Fuel and Purchased Power	356,121		356,121
Operating and Maintenance	409,921		409,921
Depreciation	135,723		135,723
Taxes Other than Income	46,236		46,236
Total Operating Expenses	<u>948,001</u>		<u>948,001</u>
OPERATING INCOME	188,767		188,767
OTHER INCOME (EXPENSE)			
Interest Expense	(54,775)	(20,400)	(75,175)
Other	28,184		28,184
Total Other Income (Expense)	<u>(26,591)</u>	<u>(20,400)</u>	<u>(46,991)</u>
INCOME BEFORE			
NON-CONTROLLING INTEREST AND INCOME TAXES	162,176	(20,400)	141,776
LESS: INCOME TAX EXPENSE	<u>36,720</u>	<u>(8,439)</u>	<u>28,281</u>
NET INCOME	125,456	(11,961)	113,495
LESS: NON-CONTROLLING INTEREST IN SUBSIDIARIES	<u>691</u>		<u>691</u>
NET INCOME ATTRIBUTABLE TO ALLETE	<u>\$124,765</u>	<u>(\$11,961)</u>	<u>\$112,804</u>

ALLETE, Inc.
Entries Giving Effect To The Proposed
Transactions On The Income Statement

	<u>Thousands</u>
Interest Expense	(\$20,400)
Interest on an estimated \$408,000,000 of long-term borrowing at an estimated 5.00% rate.	
Income Tax Credit	\$6,440
Decrease in federal income taxes as a result of increase in interest charges calculated at a 31.57% tax rate.	
Income Tax Credit	\$1,999
Decrease in state income taxes as a result of increase in interest charges calculated at a 9.8% tax rate.	
Net adjustment (decrease)	<u>(\$11,961)</u>

Note: Any interest or dividend rate expressed in the pro forma data is for illustrative purposes only and is NOT intended to represent the actual dividend or interest rate that Company's Securities will bear when issued.

ALLETE, Inc.
CONSOLIDATED STATEMENT OF CASH FLOWS
TWELVE MONTHS ENDED
DECEMBER 31, 2014 AND PRO FORMA
Thousands - Unaudited

	December 31, 2014	Adjustments	Pro Forma
OPERATING ACTIVITIES			
Net Income	\$125,456	(\$11,961)	\$113,495
Allowance for Funds Used During Construction - Equity	(7,813)		(7,813)
Loss (Income) from Equity Investments, Net of Dividends	(2,437)		(2,437)
Gain on Sale of Available-for-sale Securities	(190)		(190)
Depreciation Expense	135,723		135,723
Other Amortization	636		636
Amortization of Power Purchase Agreements	(12,703)		(12,703)
Deferred Income Tax Expense	32,693		32,693
Share-Based Compensation Expense	2,300		2,300
ESOP Compensation Expense	9,093		9,093
Defined Benefit Pension and Other Postretirement Benefit Expense	12,776		12,776
Bad Debt Expense	1,778		1,778
Changes in Operating Assets and Liabilities			
Accounts Receivable	(3,476)		(3,476)
Inventories	(17,502)		(17,502)
Prepayments and Other Current Assets	4,816		4,816
Accounts Payable	10,910		10,910
Other Current Liabilities	(3,450)		(3,450)
Other Assets	(21,316)		(21,316)
Other Liabilities	2,538		2,538
Cash from Operating Activities	<u>269,832</u>	<u>(11,961)</u>	<u>257,871</u>
INVESTING ACTIVITIES			
Proceeds from Sale of Available-for-sale Securities	3,561		3,561
Payments for Purchase of Available-for-sale Securities	(4,999)		(4,999)
Acquisition of Subsidiaries - Net of Cash Acquired	(60,286)		(60,286)
Investment in ATC	(3,883)		(3,883)
Changes to Other Investments	32,980		32,980
Additions to Property, Plant and Equipment	(572,848)		(572,848)
Construction Costs for Development Project	(25,718)		(25,718)
Cash in Escrow for Acquisition	5,400		5,400
Proceeds from Sale of Assets	2		2
Asset Additions	0	(745,992)	(745,992)
Cash for Investing Activities	<u>(625,791)</u>	<u>(745,992)</u>	<u>(1,371,783)</u>
FINANCING ACTIVITIES			
Proceeds from Issuance of Common Stock	200,609	365,000	565,609
Proceeds from Issuance of Long-Term Debt	375,000	408,000	783,000
Changes in Restricted Cash	(1,766)		(1,766)
Changes in Notes Payable	3,744		3,744
Reductions of Long-Term Debt	(134,507)		(134,507)
Acquisitions Non-Controlling Interest	(6,000)		(6,000)
Construction Deposits for Development Project	54,334		54,334
Debt Issuance Costs	(3,126)		(3,126)
Dividends on Common Stock	(83,841)	(15,047)	(98,888)
Cash from Financing Activities	<u>404,447</u>	<u>757,953</u>	<u>1,162,400</u>
CHANGE IN CASH AND CASH EQUIVALENTS	48,488	0	48,488
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>97,276</u>		<u>97,276</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$145,764</u>	<u>\$0</u>	<u>\$145,764</u>

ALLETE, Inc.
Entries Giving Effect To The Proposed
Transactions On The Statement of Cash Flows

	<u>Thousands</u>
Net Income	(\$11,961)
To record the decrease in net income by the adjustments shown on the income statement.	
Asset Additions	(\$745,992)
To record additions to assets.	
Issuance of Common Stock	\$365,000
To record the sale of an estimated 7,448,980 shares of common stock at \$49.00 per share.	
Issuance of Long-Term Debt	\$408,000
To record the sale of \$408,000,000 of long-term debt, consisting of long-term bonds and bank loans at an estimated rate of 5.00%.	
Dividends on Common Stock	(\$15,047)
To record additional dividends on common stock at the current annual rate of \$2.02.	

Note: Any interest or dividend rate expressed in the pro forma data is for illustrative purposes only and is NOT intended to represent the actual dividend or interest rate that Company's Securities will bear when issued.

ALLETE, Inc.
FUNDED DEBT
As of DECEMBER 31, 2014

Class and Series	Date of Issue	Date of Maturity	Par Value	Secured By	Rate (%)	12 Months Ended Interest	Amount Outstanding
First Mortgage Bonds							
Series due 08/01/20	08/01/05	08/01/20	\$35,000,000	MP Utility Property	5.28	\$1,848,000	\$35,000,000
Series due 03/01/36	03/01/06	03/01/36	50,000,000	MP Utility Property	5.69	2,845,000	50,000,000
Series due 02/01/27	02/01/07	02/01/27	60,000,000	MP Utility Property	5.99	3,594,000	60,000,000
Series due 05/01/23	05/14/08	05/01/23	75,000,000	MP Utility Property	6.02	4,515,000	75,000,000
Series due 01/15/14	12/15/08	01/15/14	18,000,000	MP Utility Property	6.94	47,011	0
Series due 01/15/16	12/15/08	01/15/16	20,000,000	MP Utility Property	7.70	1,539,987	20,000,000
Series due 01/15/19	01/15/09	01/15/19	42,000,000	MP Utility Property	8.17	3,431,415	42,000,000
Series due 04/15/21	02/17/10	04/15/21	15,000,000	MP Utility Property	4.85	727,500	15,000,000
Series due 04/15/25	02/17/10	04/15/25	30,000,000	MP Utility Property	5.10	1,530,000	30,000,000
Series due 04/15/40	02/17/10	04/15/40	35,000,000	MP Utility Property	6.00	2,100,000	35,000,000
Series due 10/15/25	08/17/10	10/15/25	30,000,000	MP Utility Property	4.90	1,470,000	30,000,000
Series due 04/15/40	08/17/10	04/15/40	45,000,000	MP Utility Property	5.82	2,619,000	45,000,000
Series due 07/15/26	07/02/12	07/15/26	75,000,000	MP Utility Property	3.20	2,400,000	75,000,000
Series due 07/15/42	07/02/12	07/15/42	85,000,000	MP Utility Property	4.08	3,468,000	85,000,000
Series due 04/15/18	04/02/13	04/15/18	50,000,000	MP Utility Property	1.83	915,000	50,000,000
Series due 10/15/28	04/02/13	10/15/28	40,000,000	MP Utility Property	3.30	1,320,000	40,000,000
Series due 10/15/43	04/02/13	10/15/43	60,000,000	MP Utility Property	4.21	2,526,000	60,000,000
Series due 03/15/24	03/04/14	03/15/24	60,000,000	MP Utility Property	3.69	1,821,194	60,000,000
Series due 03/15/44	03/04/14	03/15/44	40,000,000	MP Utility Property	4.95	1,628,710	40,000,000
Series due 07/15/44	06/26/14	07/15/44	40,000,000	MP Utility Property	5.05	1,038,056	40,000,000
Series due 07/15/22	06/26/14	07/15/22	75,000,000	MP Utility Property	3.40	1,310,417	75,000,000
Series due 09/15/21	09/16/14	09/15/21	60,000,000	MP Utility Property	3.02	523,467	60,000,000
Series due 09/15/29	09/16/14	09/15/29	50,000,000	MP Utility Property	3.74	540,222	50,000,000
Series due 09/15/44	09/16/14	09/15/44	50,000,000	MP Utility Property	4.39	634,111	50,000,000
Pollution Control Series F (Cohasset) ¹	08/01/04	07/01/22	111,000,000	MP Utility Property	4.95	2,747,250	0
Variable Demand Revenue Refunding Bonds							
Series 1997 A due 06/01/20	06/24/97	12/01/15-06/01/20	24,630,000	Unsecured	Variable	23,145	24,630,000
Pollution Control Revenue Bonds							
City of Cohasset, MN	06/22/00	12/01/15	4,550,000	Unsecured	Variable	6,334	4,550,000
Industrial Revenue Bonds							
Collier County	07/05/06	10/1/25	27,800,000	Unsecured	Variable	29,057	27,800,000
Senior Unsecured							
Series due 06/01/17	06/08/07	06/01/17	50,000,000	Unsecured	5.99	2,995,000	50,000,000
Term Loan ²	08/25/11	08/25/15	75,000,000	Unsecured	1.63	1,273,646	75,000,000
Subsidiary and Other Obligations						3,308,598	69,478,466
Less due within one year							(100,702,131)
Total Funded Debt - Continuing Operations						<u>\$54,775,118</u>	<u>\$1,272,756,335</u>
Total Interest Paid January 1, 2014 to December 31, 2014 ³						\$51,321,394	

¹ Bonds redeemed at par on July 1, 2014.

² Interest rate reported as fixed rate because actual interest payments are fixed due to interest rate swap.

³ Different from amount above due to timing of interest payments.

BRIEF DESCRIPTION OF COMPANY'S MORTGAGE AND DEED OF TRUST,
INCLUDING THE FIRST THROUGH THIRTY-SEVENTH SUPPLEMENTAL INDENTURES:

Company's Mortgage and Deed of Trust was executed on September 20, 1945, as of September 1, 1945, by and between Minnesota Power & Light Company and The Bank of New York Mellon (formerly the Irving Trust Company), the corporate trustee, and Richard H. West, the individual trustee (J. A. Austin, E. J. McCabe, D. W. May, J. A. Vaughn, W. T. Cunningham, Douglas J. MacInnes, Ming Ryan, and Philip L. Watson respective successor trustees).

The Mortgage and Deed of Trust has been supplemented and amended by the First through Thirty-fourth Supplemental Indentures (collectively the "Mortgage"). The First Supplemental Indenture was dated as of March 1, 1949, the Second Supplemental Indenture was dated as of July 1, 1951, the Third Supplemental Indenture was dated as of March 1, 1957, the Fourth Supplemental Indenture was dated as of January 1, 1968, the Fifth Supplemental Indenture was dated as of April 1, 1971, the Sixth Supplemental Indenture was dated as of August 1, 1975, the Seventh Supplemental Indenture was dated as of September 1, 1976, the Eighth Supplemental Indenture was dated as of August 1, 1977, the Ninth Supplemental Indenture was dated as of April 1, 1978, the Tenth Supplemental Indenture was dated as of August 1, 1978, the Eleventh Supplemental Indenture was dated as of December 1, 1982, the Twelfth Supplemental Indenture was dated as of April 1, 1987, the Thirteenth Supplemental Indenture was dated as of March 1, 1992, the Fourteenth Supplemental Indenture was dated as of June 1, 1992, the Fifteenth Supplemental Indenture was dated as of July 1, 1992, the Sixteenth Supplemental Indenture was dated as of July 1, 1992, the Seventeenth Supplemental Indenture was dated as of February 1, 1993, the Eighteenth Supplemental Indenture was dated as of July 1, 1993, the Nineteenth Supplemental Indenture was dated as of February 1, 1997, the Twentieth Supplemental Indenture was dated as of November 1, 1997, the Twenty-first Supplemental Indenture was dated as of October 1, 2000, the Twenty-second Supplemental Indenture was dated as of July 1, 2003; the Twenty-third Supplemental Indenture was dated as of August 1, 2004, the Twenty-fourth Supplemental Indenture was dated as of March 1, 2005, the Twenty-fifth Supplemental Indenture was dated as of December 1, 2005; the Twenty-sixth Supplemental Indenture was dated as of October 1, 2006; the Twenty-seventh Supplemental Indenture was dated as of February 1, 2008, the Twenty-eighth Supplemental Indenture was dated as of May 1, 2008, the Twenty-ninth Supplemental Indenture was dated as of November 1, 2008, the Thirtieth Supplemental Indenture was dated as of January 1, 2009, the Thirty-first Supplemental Indenture was dated as of February 1, 2010, the Thirty-second Supplemental Indenture was dated as of August 1, 2010, the Thirty-third Supplemental Indenture was dated as of July 1, 2012, the Thirty-fourth supplemental indenture was dated as of April 1, 2013, the Thirty-fifth Supplemental Indenture was dated as of March 1, 2014, the Thirty-sixth Supplemental Indenture was dated as of June 1, 2014, and the Thirty-seventh Supplemental Indenture was dated as of September 1, 2014.

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Company has heretofore issued, in accordance with the provisions of the Mortgage, the following series of First Mortgage Bonds:

Series	Issued as of	Principal Amount Issued or Authorized	Principal Amount Outstanding
3 1/8% Series due 1975	September 1, 1945	\$26,000,000	-\$0-
3 1/8% Series due 1979	March 1, 1949	4,000,000	-0-
3 5/8% Series due 1981	July 1, 1951	10,000,000	-0-
4 3/4% Series due 1987	March 1, 1957	12,000,000	-0-
6 1/2% Series due 1998	January 1, 1968	18,000,000	-0-
8 1/8% Series due 2001	April 1, 1971	23,000,000	-0-
10 1/2% Series due 2005	August 1, 1975	35,000,000	-0-
8.7% Series due 2006	September 1, 1976	35,000,000	-0-
8.35% Series due 2007	September 1, 1977	50,000,000	-0-
9.25% Series due 2008	April 1, 1978	50,000,000	-0-
7% Pollution Control Series A	August 1, 1978	111,000,000	-0-
7 3/4% Series due 1994	April 1, 1987	55,000,000	-0-
7 3/8% Series due 1997	March 1, 1992	60,000,000	-0-
7 3/4% Series due 2007	June 1, 1992	55,000,000	-0-
7 1/2% Series due 2007	July 1, 1992	35,000,000	-0-
Pollution Control Series E due 2022	July 15, 1992	111,000,000	-0-
7 % Series due 2008	February 25, 1993	50,000,000	-0-
6 1/4% Series due 2003	July 1, 1993	25,000,000	-0-
7% Series due 2007	February 15, 1997	60,000,000	-0-
6.68% Series due 2007	November 15, 1997	20,000,000	-0-
Floating Rate First Mortgage Bonds due 2003	October 20, 2000	250,000,000	-0-
Floating Rate First Mortgage Bonds due 2004	July 1, 2003	250,000,000	-0-
4.95% Pollution Control Series F due 2022	August 1, 2004	111,000,000	-0-
5.28% Series due 2020	August 1, 2005	35,000,000	35,000,000
5.69% Series due 2036	March 1, 2006	50,000,000	50,000,000
5.99% Series due 2027	February 1, 2007	60,000,000	60,000,000
4.86% Series due 2013	February 1, 2008	60,000,000	-0-
6.02% Series Due 2023	May 1, 2008	75,000,000	75,000,000
6.94% Series Due 2014	December 15, 2008	18,000,000	-0-
7.70% Series Due 2016	December 15, 2008	20,000,000	20,000,000
8.17% Series Due 2019	January 15, 2009	42,000,000	42,000,000
4.85% Series Due 2021	February 17, 2010	15,000,000	15,000,000
5.10% Series Due 2025	February 17, 2010	30,000,000	30,000,000
6.00% Series due 2040	February 17, 2010	35,000,000	35,000,000
4.90% Series due 2025	August 17, 2010	30,000,000	30,000,000
5.82% Series due 2040	August 17, 2010	45,000,000	45,000,000
3.20% Series due 2026	July 2, 2012	75,000,000	75,000,000
4.08% Series due 2042	July 2, 2012	85,000,000	85,000,000
1.83% Series due 2018	April 2, 2013	50,000,000	50,000,000
3.30% Series due 2028	April 2, 2013	40,000,000	40,000,000
4.21% Series due 2043	April 2, 2013	60,000,000	60,000,000
3.69% Series due 2024	March 4, 2014	60,000,000	60,000,000
4.95% Series due 2044	March 4, 2014	40,000,000	40,000,000
3.40% Series due 2022	June 26, 2014	75,000,000	75,000,000
5.05% Series due 2044	June 26, 2014	40,000,000	40,000,000
3.02% Series due 2021	September 16, 2014	60,000,000	60,000,000
3.74% Series due 2029	September 16, 2014	50,000,000	50,000,000
4.39% Series due 2044	September 16, 2014	50,000,000	50,000,000

The amount of Bonds authorized to be issued by the Mortgage is unlimited. Bonds of any Series may be issued from time to time on the basis of (1) 60 percent of property additions after adjustments to offset retirements; (2) retirement of Bonds or certain prior lien Bonds; and (3) deposit of cash with the Trustee.

With certain exceptions, in case of (2), the issuance of Bonds required adjusted net earnings before income taxes for 12 out of the preceding 15 months of at least twice the annual interest requirements on all Bonds at the time outstanding, including the proposed additional issue, and on all indebtedness of prior rank.

STATEMENT DESCRIBING THE AMOUNT AND KINDS OF STOCK AUTHORIZED BY
THE COMPANY'S ARTICLES OF INCORPORATION INCLUDING
TERMS OF PREFERENCE AS OF THE DATE OF THE FILING OF THIS PETITION

The Company is authorized by its Articles of Incorporation, as amended, to issue 80,000,000 shares of Common Stock, without par value, of which 45,929,026 shares were outstanding as December 31, 2014.

The Company is also authorized to issue 116,000 shares of 5% Preferred Stock of the par value of \$100 each, 1,000,000 shares of Serial Preferred Stock without par value, and 2,500,000 shares of Serial Preferred Stock A, without par value. The Serial Preferred Stock and the Serial Preferred Stock A are hereinafter sometimes referred to collectively as the "Serial Stocks." There are no outstanding shares of the 5% Preferred or the Serial Preferred Stocks. Nonetheless, their terms are described below.

The 5% Preferred Stock and all series of the Serial Stocks are entitled equally, but only when and as declared by the Board of Directors, out of funds legally available for the payment of dividends and in preference to the Common Stock, to dividends at the rate of five percentum (5%) per annum as to the 5% Preferred Stock and at a rate as fixed by resolution of the Board of Directors in establishing the respective series of the Serial Stocks. Dividends as to the 5% Preferred Stock are cumulative as of July 1, 1945, and such dividends, as to each series of the Serial Stocks are cumulative from the first day of the current dividend period within which such shares of Serial Stocks are issued. The 5% Preferred Stock and the Serial Stocks, equally, shall also have a preference over the Common Stock upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, or upon any distribution of assets, other than profits, until there shall have been paid, by dividends or distribution, on the 5% Preferred Stock, the full par value thereof and five percentum thereon from July 1, 1945, and on such series of the Serial Preferred Stock, One Hundred Dollars per share plus an amount equal to dividends upon the shares of such series at the rate or rates fixed by the Board of Directors from the date or dates on which dividends on such shares become cumulative and on each series of Serial Preferred Stock A, as stated and expressed in the resolution or resolutions providing for the issue of each such series adopted by the Board of Directors. Neither the 5% Preferred Stock nor the Serial Preferred Stock shall receive any share in any voluntary or involuntary liquidation, dissolution or winding up of this Corporation, of in any distribution of assets in excess of the amounts stated in this paragraph or in the case of the Serial Preferred Stock A, in excess of the amounts stated in the resolution or resolutions providing for the issue of shares of Serial Preferred Stock A.

If and when dividends payable on any of the Preferred Stock shall be in default in any amount equal to four full quarterly payments or more per share, and thereafter until all dividends on any of the preferred stock in default shall have been paid, the holders of all of the then outstanding preferred stocks, voting as a class, shall be entitled to elect the smallest number of directors necessary to constitute a majority of the full Board of Directors, and the holders of the Common Stock, voting as a class, shall be entitled to elect the remaining directors of the Corporation. If and when all dividends then in default on the preferred stocks then outstanding shall be paid (and such dividends shall be declared and paid out of any funds legally available therefore as soon as reasonably practicable), the holders of the preferred stocks shall be divested of any special right with respect to the election of directors and the voting power of the holders of the preferred stocks and the holders of the Common Stock shall revert to the status existing before the first dividend payment date on which dividends on any of the preferred stocks were not paid in full; but always subject to the same provisions for vesting such special rights in the holders of the preferred stock in case of further like defaults on dividends thereon.

ALLETE, Inc.
DIVIDENDS PAID IN LAST FIVE YEARS

	<u>CALENDAR 2014</u>	<u>CALENDAR 2013</u>	<u>CALENDAR 2012</u>	<u>CALENDAR 2011</u>	<u>CALENDAR 2010</u>
COMMON DIVIDENDS	\$83,840,812	\$75,146,332	\$69,054,495	\$62,058,985	\$60,769,415
Paid Per Share	\$1.9600	\$1.9000	\$1.8400	\$1.7800	\$1.7600
PREFERRED DIVIDENDS (1)					

(1) No preferred stock outstanding.

ALLETE, Inc.
CONSOLIDATED CASH FLOW - 2014 Actuals
 Thousands - Unaudited

	Q1 2014	Q2 2014	Q3 2014	Q4 2014	2014
Cash Flows from Operating Activities					
Net Income	\$33,793	\$16,908	\$41,544	\$33,211	\$125,456
AFUDC Equity	(1,844)	(1,943)	(2,174)	(1,852)	(7,813)
Loss (Income) from Equity Investments, Net of Dividends	(719)	(999)	(1,105)	386	(2,437)
Depreciation Expense	32,240	33,800	33,441	36,242	135,723
Deferred Income Tax Expense	8,804	4,810	11,567	7,512	32,693
<u>Working Capital & Other Assets / Liabilities</u>	<u>2,732</u>	<u>(1,382)</u>	<u>2,670</u>	<u>(17,810)</u>	<u>(13,790)</u>
Net Cash Provided by Operations	75,006	51,194	85,943	57,689	269,832
Cash Flows from Investing Activities					
Capital Expenditures	(\$238,130)	(\$90,765)	(\$143,234)	(\$119,548)	(\$591,677)
AFUDC Debt	(665)	(701)	(800)	(671)	(2,837)
Construction Payables	22,571	(26,203)	10,171	15,127	21,666
Construction Development Costs	0	0	0	(25,718)	(25,718)
Acquisition of Subsidiaries, Net of Cash Acquired	(23,146)	(4)	0	(37,136)	(60,286)
Changes to Other Investments	30,010	631	423	1,916	32,980
<u>Other Investing Activities</u>	<u>4,757</u>	<u>(1,780)</u>	<u>(1,649)</u>	<u>(1,247)</u>	<u>81</u>
Net Cash Used for Investing Activities	(204,603)	(118,822)	(135,089)	(167,277)	(625,791)
Cash Flows from Financing Activities					
Debt Proceeds (Net)	\$79,234	\$113,108	\$45,531	(\$506)	\$237,367
Common Stock Proceeds	24,807	14,112	89,977	71,713	200,609
Acquisition of Non-Controlling Interest	(6,000)	0	0	0	(6,000)
Dividends on Common Stock	(21,165)	(20,516)	(20,747)	(21,413)	(83,841)
Construction Deposits for Development Project	0	0	0	54,334	54,334
<u>Other Financing Activities</u>	<u>50</u>	<u>(31)</u>	<u>1,241</u>	<u>718</u>	<u>1,978</u>
Net Cash provided by (used for) Financing Activities	76,926	106,673	116,002	104,846	404,447
Net Increase (Decrease) in Cash	(\$52,671)	\$39,045	\$66,856	(\$4,742)	\$48,488

ALLETE, Inc.
CONSOLIDATED CASH FLOW - 2015 Forecasted
Thousands - Unaudited

JANUARY FEBRUARY MARCH APRIL MAY JUNE JULY AUGUST SEPTEMBER OCTOBER NOVEMBER DECEMBER 2015

TRADE SECRET DATA EXCISED

Cash Flows from Operating Activities

Net Income
Depreciation and Amortization
Deferred Income Taxes and ITC
AFUDC Equity
Equity Investments Loss (Income) Net of Dividends
Working Capital & Other Assets / Liabilities
Net Cash Provided by Operations

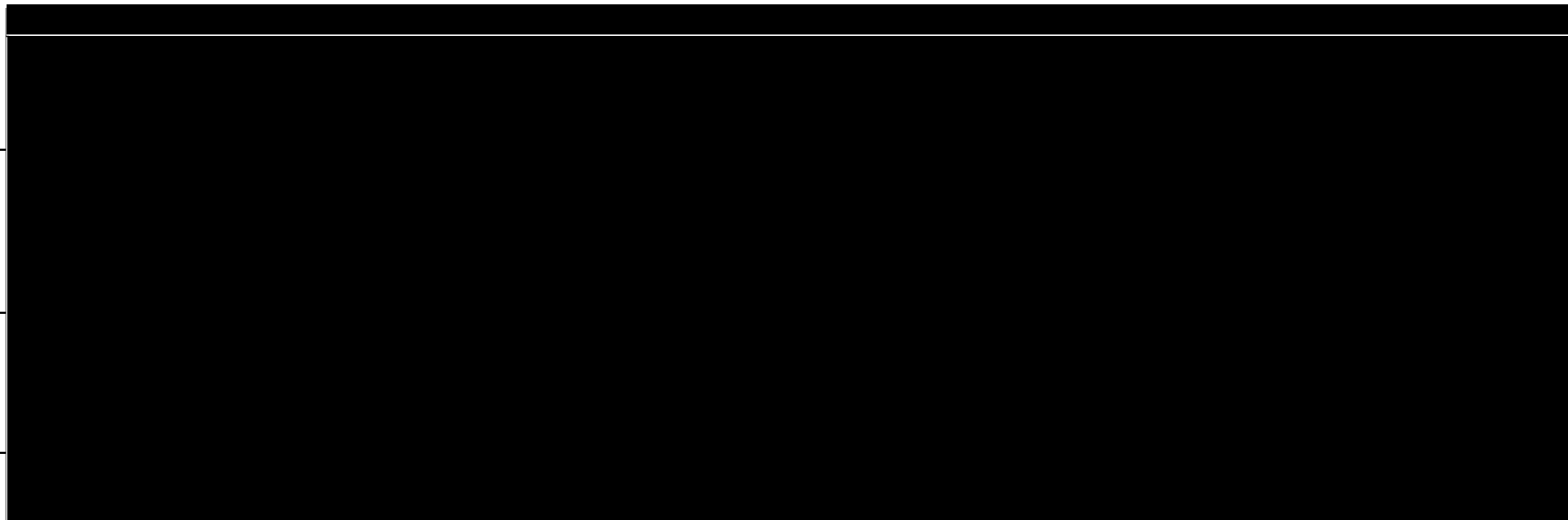
Cash Flows from Investing Activities

Capital Expenditures
AFUDC Debt
Construction Payables
Other Investing Activities
Net Cash Used for Investing Activities

Cash Flows from Financing Activities

Debt Proceeds (Net)
Common Stock Proceeds
Dividends
Net Cash provided by (used for) Financing Activities

Net Increase (Decrease) in Cash



ALLETE, Inc.
CONSOLIDATED CASH FLOW - 2016 Forecasted
 Thousands - Unaudited

JANUARY FEBRUARY MARCH APRIL MAY JUNE 2016 YTD

TRADE SECRET DATA EXCISED

Cash Flows from Operating Activities

Net Income
 Depreciation and Amortization
 Deferred Income Taxes and ITC
 AFUDC Equity
 Equity Investments Loss (Income) Net of Dividends
 Working Capital & Other Assets / Liabilities

Net Cash Provided by Operations

Cash Flows from Investing Activities

Capital Expenditures
 AFUDC Debt
 Construction Payables
 Other Investing Activities

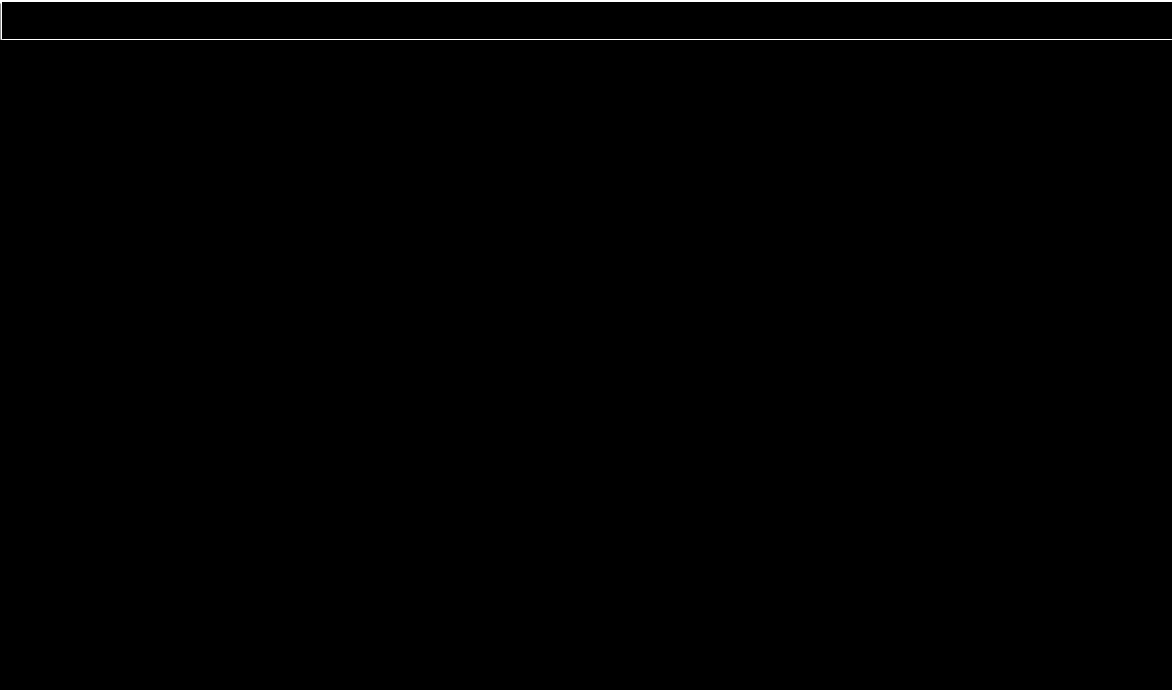
Net Cash Used for Investing Activities

Cash Flows from Financing Activities

Debt Proceeds (Net)
 Common Stock Proceeds
 Dividends

Net Cash provided by (used for) Financing Activities

Net Increase (Decrease) in Cash



ALLETE, Inc.
Projected Consolidated Sources and Uses of Funds
 January 1, 2015 - June 30, 2016
 (\$ Millions)

Sources of Funds:	2015 Total	6 Months Ending June 30, 2016
	[TRADE SECRET DATA EXCISED]	
Debt Issuances ¹		
Equity Issuances ²		
Internal Cash Generation		
Decrease (Increase) in Cash Balances		
Total		
Uses of Funds:		
<u>Regulated Utility Capital Expenditures</u>		
Generation	\$166	\$42
Transmission	46	44
Distribution/Customer Service/Other	38	18
Total Regulated Utility Operations	\$250	\$104
	[TRADE SECRET DATA EXCISED]	
Non-Regulated Capital Expenditures ³		
Total Capital Expenditures		
Construction Payables (Increase) Decrease	\$67	\$10
Debt Maturities	102	20
Common Dividends ⁴	103	57
	[TRADE SECRET DATA EXCISED]	
Total		

¹ Reflects planned change in net debt issuances.

² Common equity will be issued to maintain capital structure ratios.

³ Includes capital expenditures at ALLETE affiliates.

⁴ Dividends shown assume the current quarterly dividend rate of 50.5 cents per share and are not intended to represent the actual dividends paid.

ALLETE Inc.
Non-Recurring Security Issuances
 January 1, 2014 - December 31, 2014

Docket Number	Date	Type of Security	Amount of Issuance	Purpose
E015/S-13-126	February 18, 2014	ALLETE Common Stock ¹	\$19,500,000 Included estimated issuance cost of \$25,000.	To fund a portion of ALLETE's minimum funding obligations under its Master Pension Plan.
E015/S-13-126	February 27, 2014	ALLETE Common Stock ²	\$160,200,000 Included estimated issuance cost of \$6 million.	To fund capital investments, redeem outstanding indebtedness, and for general corporate purposes.
E015/S-13-126	March 4, 2014	ALLETE First Mortgage Bonds ³	\$100,000,000 from two series: \$60,000,000 @ 3.69% due 2024 \$40,000,000 @ 4.95% due 2044 Included estimated issuance cost of \$800,000.	To finance utility capital expenditures, redeem outstanding indebtedness, and for general corporate purposes.
E015/S-14-145	June 26, 2014	ALLETE First Mortgage Bonds ³	\$115,000,000 from two series: \$75,000,000 @ 3.40% due 2022 \$40,000,000 @ 5.05% due 2044 Included estimated issuance cost of \$700,000.	To finance utility capital expenditures, redeem outstanding indebtedness, and for general corporate purposes.
E015/S-14-145	September 16, 2014	ALLETE First Mortgage Bonds ⁴	\$160,000,000 from three series: \$60,000,000 @ 3.02% due 2021 \$50,000,000 @ 3.74% due 2029 \$50,000,000 @ 4.39% due 2044 Included estimated issuance cost of \$1.3 million.	To fund utility capital investment and/or for general corporate purposes.

¹ On January 10, 2014, ALLETE contributed 0.4 million shares of ALLETE common stock to its pension plan. The compliance filings for non-recurring security issuances contain estimated issuance costs.

² On February 26, 2014, ALLETE entered into a confirmation of forward sale agreement with a forward counterparty in connection with a public offering of 2.8 million shares of ALLETE common stock. In connection with the public offering, ALLETE granted the underwriters an option to purchase up to an additional 0.4 million shares of ALLETE common stock. The compliance filing for non-recurring security issuances contain estimated issuance costs. Actual issuance costs for the common stock were \$6,083,129.

³ The compliance filings for non-recurring security issuances contain estimated issuance costs. Actual issuance costs for these first mortgage bonds were \$1,857,030.

⁴ The compliance filings for non-recurring security issuances contain estimated issuance costs. Actual issuance costs for these first mortgage bonds were \$1,283,714.

ALLETE, Inc.
Consolidated Projected Capital Expenditures
 (\$, millions rounded)

	2014 Projections ^b	2014 Actuals	Variance	Projections as of February 17, 2015 ^a				
				2015	2016	2017	2018	2019
Generation								
Bison 4	285	278	(7)	-	-	-	-	-
Boswell 4 Environmental	115	84	(31)	91	8	-	1	-
Other ^c	95	111	16	75	75	64	102	89
Generation Total	495	473	(22)	166	83	64	103	89
Transmission								
CapX2020	14	29	15	3	-	-	-	-
Other Transmission Rider/Rider-Eligible ^d	16	3	(13)	13	27	72	104	118
Other ^e	46	49	3	30	61	57	67	4
Transmission Total	76	81	5	46	88	129	171	122
Distribution/Customer Service/Other ^f								
Distribution Total	36	30	(6)	38	36	39	36	34
Total Regulated Utility Operations	607	584	(23)	250	207	232	310	245
[TRADE SECRET DATA EXCISED]								
Non-Regulated Capital Expenditures ^g								
Total Capital Expenditures								

- a** Amounts include AFUDC
- b** 2014 Projection amounts as reported in Minnesota Power's 2014 Capital Structure Filing (Docket No. E015/S-14-145)
- c** Includes costs related to hydro system flood repairs and ongoing generation upkeep
- d** Includes costs related to construction of the Great Northern Transmission Line
- e** Includes capital costs to comply with NERC reliability standards and ongoing transmission upkeep
- f** Includes capital expenditures at Superior Water, Light & Power and ongoing distribution upkeep
- g** Includes capital expenditures and investments at ALLETE's affiliates

Consolidated Projected Capital Expenditures

Capital expenditures included in the table above are consolidated capital expenditures for ALLETE and its subsidiaries; however, specific references are made to Minnesota Power's capital investments because the Company continues to operate its electric operations under the name of Minnesota Power (refer to Section III.C of this Petition for further detail on the Petitioner's Name). Discussion related to several significant projects is included below. Due to the proprietary nature of the expenditures, the Company has designated as trade secret the Non-Regulated Capital Expenditures and Total Capital Expenditures.

Generation

Minnesota Power's capital investment plan includes investments to meet safety, environmental, regulatory, and system reliability objectives, as well as to meet the Company's Renewable Plan for obtaining 25 percent of its electricity for its retail customers from renewable energy sources by the year 2025. In addition, these expenditures include costs associated with repairs at Minnesota Power's St. Louis River hydro system which was damaged by flooding in June 2012. When comparing the 2014 Projected Generation Capital Expenditures to the 2014 actual investment, the Company experienced variances due to a reduction of costs for the Boswell 4 environmental project and an increase of costs for repairs at the St. Louis River hydro system.

Bison 4: Bison 4 is a 204.8 MW wind project in North Dakota. The project was started in 2013 in order to qualify for federal production tax credits and was placed in service on December 21, 2014. Bison 4 includes 64 wind turbines and was approved by the Minnesota Public Utilities Commission (MPUC) in January 2014. Total project costs in 2014 were \$278 million.

Boswell 4 Environmental: Minnesota Power is implementing a mercury emissions reduction project for Boswell Unit 4 in order to comply with the Minnesota Mercury Emissions Reductions Act (MERA) and the Federal Mercury and Air Toxics (MATS) rule. In August 2012, Minnesota Power filed its mercury reduction plan for Boswell Unit 4 with the MPUC and the MPCA. The plan proposed that Minnesota Power install pollution controls to address both the requirements of the MERA and the MATS rule. This plan was approved by the MPUC in November 2013. Minnesota Power's share of the total project costs is estimated to be approximately \$250 million.

Transmission

Additional investment is planned for Minnesota Power's existing facilities to maintain and expand its system to address reliability and load growth. The Company also plans to invest in transmission opportunities that strengthen or enhance the transmission grid or take advantage of our geographical location between sources of renewable energy and end users. When comparing the 2014 Projected Transmission Capital Expenditures to the 2014 actual investment, the Company did not experience any significant variances.

Minnesota Power is a participant in the CapX2020 initiative which represents an effort to ensure electric transmission and distribution reliability in Minnesota and the surrounding region for the future. Minnesota Power is currently participating in the construction of one

CapX2020 transmission line project. In June 2011, the MPUC approved the route permit for the Minnesota portion of the Fargo to St. Cloud project, of which the final phase is currently under construction and expected to be in service in the second quarter of 2015. The North Dakota permitting process was completed in August 2012. Minnesota Power also participated in two CapX2020 projects which were previously completed and placed into service in 2011 and 2012. Minnesota Power plans to invest approximately \$3 million in the CapX2020 initiative in 2015. As future CapX2020 projects are identified, Minnesota Power may elect to participate on a project-by-project basis.

Other Transmission Rider/Rider-Eligible expenditures include construction costs for the Great Northern Transmission Line (GNTL) proposed by Minnesota Power and Manitoba Hydro in February 2012. The GNTL is planned to be an approximately 220-mile, 500 kV transmission line between Manitoba and Minnesota's Iron Range. A Certificate of Need application for the GNTL was filed with the MPUC on October 21, 2013. In an order dated January 8, 2014, the MPUC determined the Certificate of Need application was complete and referred the docket to an administrative law judge for a contested case proceeding. On April 15, 2014, Minnesota Power filed a route permit application with the MPUC and a request for a presidential permit to cross the U.S.-Canadian border with the U.S. Department of Energy. In an order dated July 2, 2014, the MPUC determined the route permit application to be complete. Upon receipt of all applicable permits and approvals, construction is anticipated to begin in 2016, and to be completed in 2020. Total project cost in the U.S. is estimated to be between \$560 million and \$710 million, depending on the final route of the line. Minnesota Power is expected to have majority ownership of the transmission line.

Distribution

Additional investment is planned for Minnesota Power's existing facilities to maintain and expand its system to address reliability. When comparing the 2014 Projected Distribution Capital Expenditures to the 2014 actual investment, the Company did not experience any significant variances.

Non-Regulated Capital Expenditures

When comparing the 2014 Projected Non-Regulated Capital Expenditures to the 2014 actual investment, the Company experienced a variance due to the deferral of initiatives.