

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

HELD  
January 23, 2018

I, Bethany M. Owen, 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 23, 2018, 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:

MINNESOTA PUBLIC UTILITIES COMMISSION CAPITAL STRUCTURE PETITION

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 5<sup>th</sup> day of February, 2018.

  
Secretary



February 5, 2018

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

Attention: Patrick Cutshall  
Treasurer

I am an attorney in good standing and admitted to practice before the Supreme Court of the State of Minnesota, and, as Secretary, Chief Legal & Administrative Officer of the Company, render the following opinion concerning the Petition to be filed by Minnesota Power on or about February 15, 2018 (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 collectively called "Securities" or individually, "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 has 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 creditors' rights.

V.

When the steps outlined above 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,



Bethany M. Owen

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**ALLETE, Inc.**  
**CONSOLIDATED BALANCE SHEET**  
**DECEMBER 31, 2017 AND PRO FORMA**  
Thousands - Unaudited

	<u>December 31, 2017</u>	<u>Adjustments</u>	<u>Pro Forma</u>
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents	\$98,915		\$98,915
Accounts Receivable (Less Allowance)	135,065		135,065
Inventories - Net	95,932		95,932
Prepayments and Other	37,576		37,576
Total Current Assets	<u>367,488</u>		<u>367,488</u>
Property, Plant and Equipment - Net	3,822,434		3,822,434
Investments	171,791		171,791
Other Assets	718,306		718,306
Sub Total Assets	<u>5,080,019</u>		<u>5,080,019</u>
Net Change in Assets		692,817	692,817
<b>TOTAL ASSETS</b>	<u><u>\$5,080,019</u></u>	<u><u>\$692,817</u></u>	<u><u>\$5,772,836</u></u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	\$136,313		\$136,313
Accrued Taxes	50,030		50,030
Accrued Interest	17,593		17,593
Long-Term Debt Due Within One Year	64,098		64,098
Other Current Liabilities	83,232		83,232
Total Current Liabilities	<u>351,266</u>		<u>351,266</u>
Long-Term Debt	1,439,152	376,000	1,815,152
Deferred Income Taxes	230,526		230,526
Other Liabilities	990,833		990,833
Total Liabilities	<u>3,011,777</u>	<u>376,000</u>	<u>3,387,777</u>
<b>SHAREHOLDERS' EQUITY</b>			
Common Stock	1,401,381	342,000	1,743,381
Accumulated Other Comprehensive Loss	(22,554)	0	(22,554)
Retained Earnings	689,415	(25,183)	664,232
Total Shareholders' Equity	<u>2,068,242</u>	<u>316,817</u>	<u>2,385,059</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><u>\$5,080,019</u></u>	<u><u>\$692,817</u></u>	<u><u>\$5,772,836</u></u>

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

	Thousands	
Asset Additions	\$692,817	
Cash		\$692,817
To record the increase in asset additions.		
Cash	\$342,000	
Common stock		\$342,000
To record the sale of an estimated 5,261,538 shares of common stock at \$65.00 per share.		
Retained earnings	\$11,786	
Cash		\$11,786
To record additional dividends on common stock at the current annual rate of \$2.24.		
Cash	\$376,000	
Long-term debt		\$376,000
To record the sale of \$376,000,000 of long-term debt, consisting of long-term bonds and bank loans at an estimated rate of 5.00%.		
Retained earnings	\$13,397	
Cash		\$13,397
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, 2017 AND PRO FORMA**  
 In Thousands - Unaudited

	<u>December 31,</u> <u>2017</u>	<u>Adjustments</u>	<u>Pro Forma</u>
<b>OPERATING REVENUE</b>	\$1,419,258		\$1,419,258
<b>OPERATING EXPENSES</b>			
Fuel, Purchased Power and Gas - Utility	396,841		396,841
Transmission Services - Utility	71,230		71,230
Cost of Sales - Non-utility	147,772		147,772
Operating and Maintenance	339,870		339,870
Depreciation and Amortization	177,488		177,488
Taxes Other than Income	56,923		56,923
Other	(663)		(663)
Total Operating Expenses	<u>1,189,461</u>		<u>1,189,461</u>
<b>OPERATING INCOME</b>	229,797		229,797
<b>OTHER INCOME (EXPENSE)</b>			
Interest Expense	(67,840)	(18,800)	(86,640)
Other	24,937		24,937
Total Other Income (Expense)	<u>(42,903)</u>	<u>(18,800)</u>	<u>(61,703)</u>
<b>INCOME BEFORE</b>			
<b>NON-CONTROLLING INTEREST AND INCOME TAXES</b>	186,894	(18,800)	168,094
<b>LESS: INCOME TAX EXPENSE</b>	<u>14,688</u>	<u>(5,403)</u>	<u>9,285</u>
<b>NET INCOME</b>	172,206	(13,397)	158,809
<b>LESS: NON-CONTROLLING INTEREST IN SUBSIDIARIES</b>	<u>0</u>		<u>0</u>
<b>NET INCOME ATTRIBUTABLE TO ALLETE</b>	<u>\$172,206</u>	<u>(\$13,397)</u>	<u>\$158,809</u>

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

	<u>Thousands</u>
Interest Expense	(\$18,800)
Interest on an estimated \$376,000,000 of long-term borrowing at an estimated 5.00% rate.	
Income Tax Credit	\$3,561
Decrease in federal income taxes as a result of increase in interest charges calculated at a 18.94% tax rate.	
Income Tax Credit	\$1,842
Decrease in state income taxes as a result of increase in interest charges calculated at a 9.8% tax rate.	
Net adjustment (decrease)	<u>(\$13,397)</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, 2017 AND PRO FORMA**  
Thousands - Unaudited

	<u>December 31,</u> <u>2017</u>	<u>Adjustments</u>	<u>Pro Forma</u>
<b>OPERATING ACTIVITIES</b>			
Net Income	\$172,206	(\$13,397)	\$158,809
Allowance for Funds Used During Construction - Equity	(1,153)		(1,153)
Loss (Income) from Equity Investments, Net of Dividends	(3,247)		(3,247)
Change in Fair Value of Contingent Consideration	(663)		(663)
Deferred Fuel Adjustment Clause Write-off	19,504		19,504
Loss (Gain) on Sale of Investments and Property, Plant and Equipment	407		407
Depreciation Expense	171,909		171,909
Amortization of Power Purchase Agreements	(23,614)		(23,614)
Amortization of Other Intangible Assets and Other Assets	10,191		10,191
Deferred Income Tax Expense	14,356		14,356
Share-Based and ESOP Compensation Expense	6,596		6,596
Defined Benefit Pension and Other Postretirement Benefit Expense	10,066		10,066
Bad Debt Expense	782		782
Provision for Interim Rate Refund	32,300		32,300
Changes in Operating Assets and Liabilities			0
Accounts Receivable	(7,953)		(7,953)
Inventories	11,922		11,922
Prepayments and Other Current Assets	(5,294)		(5,294)
Accounts Payable	(7,535)		(7,535)
Other Current Liabilities	1,797		1,797
Cash Contributions to Defined Benefit Pension Plans	(1,649)		(1,649)
Other Assets	33,728		33,728
Other Liabilities	(31,721)		(31,721)
Cash from Operating Activities	<u>402,935</u>	<u>(13,397)</u>	<u>389,538</u>
<b>INVESTING ACTIVITIES</b>			
Proceeds from Sale of Available-for-sale Securities	10,111		10,111
Payments for Purchase of Available-for-sale Securities	(8,600)		(8,600)
Acquisition of Subsidiaries - Net of Cash Acquired	(18,458)		(18,458)
Investment in ATC	(7,758)		(7,758)
Changes to Other Investments	2,917		2,917
Additions to Property, Plant and Equipment	(208,495)		(208,495)
Proceeds from Sale of Property, Plant and Equipment	1,317		1,317
Asset Additions	0	(692,817)	(692,817)
Cash for Investing Activities	<u>(228,966)</u>	<u>(692,817)</u>	<u>(921,783)</u>
<b>FINANCING ACTIVITIES</b>			
Proceeds from Issuance of Common Stock	85,907	342,000	427,907
Proceeds from Issuance of Long-Term Debt	131,514	376,000	507,514
Changes in Restricted Cash	(426)		(426)
Changes in Notes Payable	0		0
Repayments of Long-Term Debt	(189,580)		(189,580)
Acquisition of Non-Controlling Interest	0		0
Acquisition-Related Contingent Consideration Payments	(19,753)		(19,753)
Other Financing Activities	(1,565)		(1,565)
Dividends on Common Stock	(108,661)	(11,786)	(120,447)
Cash for Financing Activities	<u>(102,564)</u>	<u>706,214</u>	<u>603,650</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>71,405</u>	<u>0</u>	<u>71,405</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>27,509</u>		<u>27,509</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>\$98,914</u>	<u>\$0</u>	<u>\$98,914</u>



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

	<u>Thousands</u>
Net Income	(\$13,397)
To record the decrease in net income by the adjustments shown on the income statement.	
Asset Additions	(\$692,817)
To record additions to assets.	
Issuance of Common Stock	\$342,000
To record the sale of an estimated 5,261,538 shares of common stock at \$65.00 per share.	
Issuance of Long-Term Debt	\$376,000
To record the sale of \$376,000,000 of long-term debt, consisting of long-term bonds and bank loans at an estimated rate of 5.00%.	
Dividends on Common Stock	(\$11,786)
To record additional dividends on common stock at the current annual rate of \$2.24.	

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, 2017*

Class and Series	Date of Issue	Date of Maturity	Par Value	Secured By	Rate (%)	12 Months Ended Interest	Amount Outstanding
<b>First Mortgage Bonds</b>							
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 01/15/19	01/15/09	01/15/19	42,000,000	MP Utility Property	8.17	3,431,400	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	2,214,000	60,000,000
Series due 03/15/44	03/04/14	03/15/44	40,000,000	MP Utility Property	4.95	1,980,000	40,000,000
Series due 07/15/44	06/26/14	07/15/44	40,000,000	MP Utility Property	5.05	2,020,000	40,000,000
Series due 07/15/22	06/26/14	07/15/22	75,000,000	MP Utility Property	3.40	2,550,000	75,000,000
Series due 09/15/21	09/16/14	09/15/21	60,000,000	MP Utility Property	3.02	1,812,000	60,000,000
Series due 09/15/29	09/16/14	09/15/29	50,000,000	MP Utility Property	3.74	1,870,000	50,000,000
Series due 09/15/44	09/16/14	09/15/44	50,000,000	MP Utility Property	4.39	2,195,000	50,000,000
Series due 09/15/20	09/24/15	09/15/20	40,000,000	MP Utility Property	2.80	1,120,000	40,000,000
Series due 09/16/30	09/24/15	09/16/30	60,000,000	MP Utility Property	3.86	2,316,000	60,000,000
<b>Variable Demand Revenue Refunding Bonds</b>							
Series 1997 A due 06/01/20	06/24/97	6/01/20	13,500,000	Unsecured	Variable	122,846	13,500,000
<b>Industrial Revenue Bonds</b>							
Collier County	07/05/06	10/1/25	27,800,000	Unsecured	Variable	243,261	27,800,000
<b>Senior Unsecured</b>							
Series due 06/01/17	06/08/07	06/01/17	50,000,000	Unsecured	5.99	1,189,681	-
Term Loan	08/25/17	08/25/17	125,000,000	Unsecured	Variable	932,260	-
Series due 06/01/27	06/01/17	06/01/27	80,000,000	Unsecured	3.11	1,451,333	80,000,000
Term Loan	08/25/17	08/25/20	40,000,000	Unsecured	Variable	398,383	40,000,000
<b>Subsidiary and Other Obligations</b>							
						6,398,365	139,950,522
<b>Total Funded Debt - Continuing Operations</b>						\$64,122,029	\$1,503,250,522
Total Interest Paid January 1, 2017 to December 31, 2017 <sup>1</sup>						\$64,490,267	

<sup>1</sup> 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-EIGHTH 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, Philip L. Watson, and Andres Serrano respective successor trustees).

The Mortgage and Deed of Trust has been supplemented and amended by the First through Thirty-eighth 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, the Thirty-seventh Supplemental Indenture was dated as of September 1, 2014, and the Thirty-eighth Supplemental Indenture was dated as of September 1, 2015.

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

<b>Series</b>	<b>Issued as of</b>	<b>Principal Amount Issued or Authorized</b>	<b>Principal Amount Outstanding</b>
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	-0-
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
2.80% Series due 2020	September 24, 2015	40,000,000	40,000,000
3.86% Series due 2030	September 24, 2015	60,000,000	60,000,000

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.

### **Brief Description of Other Security Agreements**

On June 1, 2017, Minnesota Power, an operating division of ALLETE, Inc., signed a Guaranty with Dairyland Power Cooperative in connection with the proposed construction of a 525 MW to 550 MW combined-cycle natural gas-fired generating facility, which will be jointly owned by Dairyland Power Cooperative and South Shore Energy, LLC, a subsidiary of ALLETE. Minnesota Power addresses Dairyland Power Cooperative's entering into an Operating Agreement, the Construction Management Agreement and each other Project Agreement (as defined in the Ownership and Operating Agreement) (collectively, the "Guaranteed Agreements"), and addresses South Shore Energy, LLC's capacity as the Operating Agent as the Construction Agent in the Guaranteed Agreements. Minnesota Power has agreed to guarantee the obligations of South Shore Energy, LLC, in its capacity as the Operating Agent and in its capacity as the Construction Agent on the terms and conditions set forth in the Guaranty.

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 51,117,335 shares were outstanding as December 31, 2017.

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 2017</u>	<u>CALENDAR 2016</u>	<u>CALENDAR 2015</u>	<u>CALENDAR 2014</u>	<u>CALENDAR 2013</u>
<b>COMMON DIVIDENDS</b>	\$108,661,464	\$102,662,259	\$97,895,561	\$83,840,812	\$75,146,332
Paid Per Share	\$2.1400	\$2.0800	\$2.0200	\$1.9600	\$1.9000
<b>PREFERRED DIVIDENDS (1)</b>	-				

(1) No preferred stock outstanding.



**ALLETE, Inc.**  
**CONSOLIDATED CASH FLOW - 2017 Actuals**  
Thousands - Unaudited

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	2017
<b>Cash Flows from Operating Activities</b>					
Net Income	\$48,950	\$36,992	\$44,855	\$41,409	\$172,206
AFUDC Equity	(177)	(259)	(302)	(415)	(1,153)
Loss (Income) from Equity Investments, Net of Dividends	(1,554)	(950)	(1,353)	610	(3,247)
Depreciation Expense	49,169	48,688	49,519	24,533	171,909
Deferred Income Tax Expense	13,096	7,115	14,117	(19,972)	14,356
Working Capital & Other Assets / Liabilities	(10,749)	(5,951)	15,938	49,626	48,864
Net Cash Provided by Operations	98,735	85,635	122,774	95,791	402,935
<b>Cash Flows from Investing Activities</b>					
Capital Expenditures	(\$33,185)	(\$47,241)	(\$50,828)	(\$144,123)	(\$275,377)
AFUDC Debt	(52)	(80)	(94)	(122)	(348)
Construction Payables	(3,526)	3,122	1,650	65,984	67,230
Acquisition of Subsidiaries, Net of Cash Acquired	0	0	(17,449)	(1,009)	(18,458)
Changes to Other Investments	(1,164)	2,485	822	774	2,917
Other Investing Activities	(3,203)	(1,785)	(1,168)	1,226	(4,930)
Net Cash Used for Investing Activities	(41,130)	(43,499)	(67,067)	(77,270)	(228,966)
<b>Cash Flows from Financing Activities</b>					
Debt Proceeds (Net)	\$0	(\$41,112)	(\$11,454)	(\$6,065)	(\$58,631)
Common Stock Proceeds	70,532	3,757	6,057	5,561	85,907
Dividends on Common Stock	(26,808)	(27,238)	(27,288)	(27,327)	(108,661)
Other Financing Activities	(47,007)	24,776	(2,815)	3,867	(21,179)
Net Cash provided by (used for) Financing Activities	(3,283)	(39,817)	(35,500)	(23,964)	(102,564)
<b>Net Increase (Decrease) in Cash</b>	<b>\$54,322</b>	<b>\$2,319</b>	<b>\$20,207</b>	<b>(\$5,443)</b>	<b>\$71,405</b>



**ALLETE, Inc.**  
**CONSOLIDATED CASH FLOW - 2019 Forecasted**  
 Thousands - Unaudited

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	2019 YTD
<b>TRADE SECRET DATA EXCISED</b>							
<b>Cash Flows from Operating Activities</b>							
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							
<b>Cash Flows from Investing Activities</b>							
Capital Expenditures							
AFUDC Debt							
Construction Payables							
Other Investing Activities							
Net Cash Used for Investing Activities							
<b>Cash Flows from Financing Activities</b>							
Debt Proceeds (Net)							
Common Stock Proceeds							
Dividends							
Net Cash provided by (used for) Financing Activities							
<b>Net Increase (Decrease) in Cash</b>							

**ALLETE, Inc.**  
**Projected Consolidated Sources and Uses of Funds**  
 January 1, 2018 - June 30, 2019  
 (\$ Millions)

<b>Sources of Funds:</b>	<b>2018 Total</b>	<b>6 Months Ending June 30, 2019</b>
Debt Issuances <sup>1</sup>	TRADE SECRET DATA EXCISED	
Equity Issuances <sup>2</sup>	TRADE SECRET DATA EXCISED	
Internal Cash Generation	TRADE SECRET DATA EXCISED	
Decrease (Increase) in Cash Balances	TRADE SECRET DATA EXCISED	
<b>Total</b>	TRADE SECRET DATA EXCISED	
<b>Uses of Funds:</b>		
<u>Regulated Utility Capital Expenditures</u>		
Generation	\$32	\$22
Transmission	155	95
Distribution/Customer Service/Other	52	21
<b>Total Regulated Utility Operations</b>	<b>\$239</b>	<b>\$138</b>
<u>Non-Regulated Capital Expenditures<sup>3</sup></u>		
<b>Total Capital Expenditures</b>	TRADE SECRET DATA EXCISED	
Construction Payables (Increase) Decrease	\$68	(\$5)
Debt Maturities	64	57
Common Dividends <sup>4</sup>	119	63
<b>Total</b>	TRADE SECRET DATA EXCISED	

<sup>1</sup> Reflects planned change in net debt issuances.

<sup>2</sup> Common equity will be issued to maintain capital structure ratios.

<sup>3</sup> Includes capital expenditures at ALLETE affiliates.

<sup>4</sup> Dividends shown assume the current quarterly dividend rate of 56 cents per share and are not intended to represent the actual dividends paid.

**ALLETE Inc.**  
**Non-Recurring Security Issuances**  
 January 1, 2017 - December 31, 2017

Docket Number	Date	Type of Security	Amount of Issuance	Purpose
E015/S-16-165	June 1, 2017	ALLETE Senior Notes <sup>1</sup>	\$80,000,000 Included estimated issuance costs of \$525,000	Proceeds of the sale of the Notes are to fund corporate growth opportunities and for general corporate purposes
E015/S-17-142	August 25, 2017	Term Loan <sup>2</sup>	\$40,000,000 Included estimated issuance costs of \$50,000	Proceeds from the Term Loan will be used for general corporate purposes, including the refinancing of the \$75 million Term Loan Agreement dated as of August 25, 2015

<sup>1</sup> The compliance filings for non-recurring security issuances contain estimated issuance costs. Actual issuance costs for the Senior Notes were \$511,655.

<sup>2</sup> The compliance filings for non-recurring security issuances contain estimated issuance costs. Actual issuance costs for the Term Loan were \$52,913.

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

	2017 Projections <sup>b</sup>	2017 Actuals	Variance	Projections as of February 15, 2018 <sup>a</sup>				
				2018	2019	2020	2021	2022
<b>Generation<sup>c</sup></b>	39	33	(6)	32	43	47	35	29
<b>Generation Total</b>	<b>39</b>	<b>33</b>	<b>(6)</b>	<b>32</b>	<b>43</b>	<b>47</b>	<b>35</b>	<b>29</b>
<b>Transmission</b>								
Other Transmission Rider/Rider-Eligible <sup>d</sup>	120	56	(64)	109	84	50	-	-
Other <sup>e</sup>	33	38	5	46	106	48	101	105
<b>Transmission Total</b>	<b>153</b>	<b>94</b>	<b>(59)</b>	<b>155</b>	<b>190</b>	<b>98</b>	<b>101</b>	<b>105</b>
<b>Distribution/Customer Service/Other<sup>f</sup></b>								
<b>Distribution Total</b>	<b>51</b>	<b>50</b>	<b>(1)</b>	<b>52</b>	<b>41</b>	<b>36</b>	<b>34</b>	<b>33</b>
<b>Total Regulated Utility Operations</b>	<b>243</b>	<b>177</b>	<b>(66)</b>	<b>239</b>	<b>274</b>	<b>181</b>	<b>170</b>	<b>167</b>
<b>TRADE SECRET DATA EXCISED</b>								
<b>Non-Regulated Capital Expenditures<sup>g</sup></b>								
<b>Total Capital Expenditures</b>								

- a** Amounts include AFUDC
- b** 2017 Projection amounts as reported in Minnesota Power's 2017 Capital Structure Filing (Docket No. E015/S-17-142)
- 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, acquisitions, 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. 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 2017 Projected Generation Capital Expenditures to the 2017 actual investment, the Company experienced variances due to reduced costs for base generation projects.

#### **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 2017 Projected Transmission Capital Expenditures to the 2017 actual investment, the Company experienced variances mainly due to a shift in costs related to the Great Northern Transmission Line, slightly offset by increased costs for base transmission projects.

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. In 2015, a certificate of need was approved by the MPUC. Based on this approval, Minnesota Power's portion of the investments and expenditures for the project are eligible for cost recovery under its existing transmission cost recovery rider and are anticipated to be included in future transmission cost recovery filings. Also in 2015, the FERC approved our request to recover on construction work in progress related to the GNTL from Minnesota Power's wholesale customers. In an April 2016 order, the MPUC approved the route permit for the GNTL which largely follows Minnesota Power's preferred route, including the international border crossing, and in November 2016, the U.S. Department of Energy issued a presidential permit to cross the U.S.-Canadian border, which was the final major regulatory approval needed before construction in the U.S. could begin. Site clearing and pre-construction activities commenced in the first quarter of 2017 with construction expected to be completed in 2020. Total project cost in the U.S., including substation work, is estimated to be between \$560 million and \$710 million, of which Minnesota Power's portion is expected to be between \$300 million and \$350 million.

**Distribution**

Additional investment is planned for Minnesota Power's existing facilities to maintain and expand its system to address reliability. When comparing the 2017 Projected Distribution Capital Expenditures to the 2017 actual investment, the Company did not experience any significant variances.

**Non-Regulated Capital Expenditures**

When comparing the 2017 Projected Non-Regulated Capital Expenditures to the 2017 actual investment, the Company experienced a variance due to the deferral of initiatives.