

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

HELD  
January 29, 2014

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 29, 2014, 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 12<sup>th</sup> day of February, 2014.

  
Secretary



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

February 13, 2014

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 14, 2014 (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,



Deborah A. Amberg

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**ALLETE, Inc.**  
**CONSOLIDATED BALANCE SHEET**  
**DECMEBER 31, 2013 AND PRO FORMA**  
 Thousands - Unaudited

	<u>December 31,</u> <u>2013</u>	<u>Adjustments</u>	<u>Pro Forma</u>
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents	\$97,276		\$97,276
Short Term Investments	0		0
Accounts Receivable	91,908		91,908
Notes and Other Receivables	4,399		4,399
Fuel Inventory	13,103		13,103
Materials and Supplies	46,178		46,178
Prepayments and Other	54,116		54,116
Total Current Assets	<u>306,980</u>		<u>306,980</u>
Property, Plant and Equipment	2,576,541		2,576,541
Investments	260,904		260,904
Other Assets	332,404		332,404
Sub Total Assets	<u>3,476,829</u>		<u>3,476,829</u>
Net Change in Assets		878,379	878,379
<b>TOTAL ASSETS</b>	<u><u>\$3,476,829</u></u>	<u><u>\$878,379</u></u>	<u><u>\$4,355,208</u></u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	\$99,851		\$99,851
Accrued Taxes	34,858		34,858
Accrued Dividends and Interest	15,676		15,676
Long-Term Debt Due Within One Year	27,228		27,228
Note Payable	0		0
Other Current Liabilities	52,557		52,557
Total Current Liabilities	<u>230,170</u>		<u>230,170</u>
Long-Term Debt	1,083,001	466,000	1,549,001
Deferred Investment Tax Credits	11,095		11,095
Accumulated Deferred Income Taxes	468,041		468,041
Other Liabilities	341,709		341,709
Total Liabilities	<u>2,134,016</u>	<u>466,000</u>	<u>2,600,016</u>
<b>SHAREHOLDERS' EQUITY</b>			
Common Stock	885,223	445,000	1,330,223
Unearned ESOP Shares	(14,387)		(14,387)
Accumulated Other Comprehensive Loss	(17,149)		(17,149)
Retained Earnings	489,126	(32,621)	456,505
Non-Controlling Interest in Subsidiaries	0		0
Total Shareholders' Equity	<u>1,342,813</u>	<u>412,379</u>	<u>1,755,192</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><u>\$3,476,829</u></u>	<u><u>\$878,379</u></u>	<u><u>\$4,355,208</u></u>

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

	<u>Thousands</u>	
Asset Additions	\$878,379	
Cash		\$878,379
To record the increase in asset additions.		
Cash	\$445,000	
Common stock		\$445,000
To record the sale of an estimated 9,673,913 shares of common stock at \$46.00 per share.		
Retained earnings	\$18,960	
Cash		\$18,960
To record additional dividends on common stock at the current annual rate of \$1.96.		
Cash	\$466,000	
Long-term debt		\$466,000
To record the sale of \$466,000,000 of long-term debt, consisting of long-term bonds and bank loans at an estimated rate of 5.00%.		
Retained earnings	\$13,661	
Cash		\$13,661
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, 2013 AND PRO FORMA**  
 In Thousands - Unaudited

	<b>December 31, 2013</b>	<b>Adjustments</b>	<b>Pro Forma</b>
<b>OPERATING REVENUE</b>			
Regulated Utility	\$925,456		\$925,456
Investments and Other	92,945		92,945
Total Operating Revenue	<u>1,018,401</u>		<u>1,018,401</u>
<b>OPERATING EXPENSES</b>			
Fuel and Purchased Power	334,763		334,763
Operating and Maintenance	371,147		371,147
Depreciation	116,635		116,635
Taxes Other than Income	41,798		41,798
Total Operating Expenses	<u>864,343</u>		<u>864,343</u>
<b>OPERATING INCOME</b>	154,058		154,058
<b>OTHER INCOME (EXPENSE)</b>			
Interest Expense	(50,285)	(23,300)	(73,585)
Other	29,565		29,565
Total Other Income (Expense)	<u>(20,720)</u>	<u>(23,300)</u>	<u>(44,020)</u>
<b>INCOME BEFORE NON-CONTROLLING INTEREST AND INCOME TAXES</b>	133,338	(23,300)	110,038
<b>LESS: INCOME TAX EXPENSE</b>	<u>28,669</u>	<u>(9,639)</u>	<u>19,030</u>
<b>NET INCOME</b>	104,669	(13,661)	91,008
<b>LESS: NON-CONTROLLING INTEREST IN SUBSIDIARIES</b>			
<b>NET INCOME ATTRIBUTABLE TO ALLETE</b>	<u>\$104,669</u>	<u>(\$13,661)</u>	<u>\$91,008</u>

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

	<u>Thousands</u>
Interest Expense	(\$23,300)
Interest on an estimated \$466,000,000 of long-term borrowing at an estimated 5.00% rate.	
Income Tax Credit	\$7,356
Decrease in federal income taxes as a result of increase in interest charges calculated at a 31.57% tax rate.	
Income Tax Credit	\$2,283
Decrease in state income taxes as a result of increase in interest charges calculated at a 9.8% tax rate.	
Net adjustment (decrease)	<u>(\$13,661)</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, 2013 AND PRO FORMA**  
Thousands - Unaudited

	December 31, 2013	Adjustments	Pro Forma
<b>OPERATING ACTIVITIES</b>			
Net Income	\$104,669	(\$13,661)	\$91,008
Allowance for Funds Used During Construction	(4,631)		(4,631)
Loss (Income) from Equity Investments, Net of Dividends	(4,127)		(4,127)
Gain on Real Estate Foreclosure	(446)		(446)
Gain on Sale of Available-for-sale Securities	(2,238)		(2,238)
Loss on Impairment of Investments	0		0
Depreciation Expense	116,635		116,635
Amortization of Debt Issuance Costs	1,015		1,015
Deferred Income Taxes	28,555		28,555
Stock Compensation Expense	2,401		2,401
ESOP Compensation Expense	8,379		8,379
Bad Debt Expense	1,290		1,290
Changes in Operating Assets and Liabilities			
Accounts Receivable	(8,595)		(8,595)
Inventories	10,475		10,475
Prepayments & Other Current Assets	(1,392)		(1,392)
Accounts Payable	1,089		1,089
Other Current Liabilities	1,431		1,431
Other Assets	(18,323)		(18,323)
Other Liabilities	3,186		3,186
Cash From (For) Operating Activities	<u>239,373</u>	<u>(13,661)</u>	<u>225,712</u>
<b>INVESTING ACTIVITIES</b>			
Proceeds from Sale of Available-for-sale Securities	16,076		16,076
Payments for Purchase of Available-for-sale Securities	(4,696)		(4,696)
Changes to Investments	(12,267)		(12,267)
Investment in ATC	(3,107)		(3,107)
Proceeds from Sale of Assets	1,315		1,315
Changes in Restricted Cash	(5,400)		(5,400)
Additions to Property, Plant and Equipment	(328,502)		(328,502)
Asset Additions	0	(878,378)	(878,378)
Other Investing Activities	0		0
Cash From (For) Investing Activities	<u>(336,581)</u>	<u>(878,378)</u>	<u>(1,214,959)</u>
<b>FINANCING ACTIVITIES</b>			
Issuance of Common Stock	98,115	445,000	543,115
Issuance of Long-Term Debt	169,836	466,000	635,836
Changes in Notes Payable	0		0
Debt Issuance Costs	(1,452)		(1,452)
Reductions of Long-Term Debt	(77,684)		(77,684)
Dividends on Common Stock	(75,146)	(18,961)	(94,107)
Cash from Financing Activities	<u>113,669</u>	<u>892,039</u>	<u>1,005,708</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	16,461	0	16,461
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>80,815</u>		<u>80,815</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>\$97,276</u>	<u>\$0</u>	<u>\$97,276</u>



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

	<u>Thousands</u>
Net Income	(\$13,661)
To record the decrease in net income by the adjustments shown on the income statement.	
Asset Additions	(\$878,378)
To record additions to assets.	
Issuance of Common Stock	\$445,000
To record the sale of an estimated 9,673,913 shares of common stock at \$46.00 per share.	
Issuance of Long-Term Debt	\$466,000
To record the sale of \$466,000,000 of long-term debt, consisting of long-term bonds and bank loans at an estimated rate of 5.00%.	
Dividends on Common Stock	(\$18,961)
To record additional dividends on common stock at the current annual rate of \$1.96.	

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, 2013*

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 04/01/13	02/01/08	04/01/13	60,000,000	MP Utility Property	4.86	729,000	0
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	1,249,180	18,000,000
Series due 01/15/16	12/15/08	01/15/16	20,000,000	MP Utility Property	7.70	1,540,008	20,000,000
Series due 01/15/19	01/15/09	01/15/19	42,000,000	MP Utility Property	8.17	3,431,412	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	681,167	50,000,000
Series due 04/15/28	04/02/13	04/15/28	40,000,000	MP Utility Property	3.30	982,667	40,000,000
Series due 04/15/43	04/02/13	10/15/43	60,000,000	MP Utility Property	4.21	1,880,467	60,000,000
Pollution Control Series F (Cohasset)	08/01/04	07/01/22	111,000,000	MP Utility Property	4.95	5,494,500	111,000,000
<b>Senior Unsecured</b>							
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*	08/25/11	08/25/15	75,000,000	Unsecured	1.70	1,355,990	75,000,000
<b>Variable Demand Revenue Refunding Bonds</b>							
Series 1997 A due 06/01/20	06/24/97	12/01/09-06/01/20	26,630,000	Unsecured	Variable	35,258	24,630,000
Series 1997 B due 06/01/13	07/09/97	06/01/09-06/01/13	8,415,000	Unsecured	Variable	1,074	0
Series 1997 C due 06/01/13	07/24/97	06/01/13	1,450,000	Unsecured	Variable	1,224	0
<b>Pollution Control Revenue Bonds</b>							
City of Cohasset, MN	06/22/00	12/01/15	4,550,000	Unsecured	Variable	8,580	4,550,000
<b>Industrial Revenue Bonds</b>							
Collier County	07/05/06	10/1/25	27,800,000	Unsecured	Variable	40,245	27,800,000
<b>Subsidiary and Other Obligations</b>						2,743,154	52,249,061
Less due within one year							(27,227,952)
<b>Total Funded Debt - Continuing Operations</b>						\$50,285,425	\$1,083,001,109
Total Interest Paid January 1, 2013 to December 31, 2013						\$47,507,316	**

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

\*\*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-FOURTH 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, and the Thirty-third Supplemental Indenture was dated as of July 1, 2012, and the Thirty-fourth supplemental indenture was dated as of April 1, 2013.

*Intentionally Left Blank*

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	111,000,000
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

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 41,400,828 shares were outstanding as December 31, 2013.

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 2013</u>	<u>CALENDAR 2012</u>	<u>CALENDAR 2011</u>	<u>CALENDAR 2010</u>	<u>CALENDAR 2009</u>
<b>COMMON DIVIDENDS</b>	\$75,146,332	\$69,054,495	\$62,058,985	\$60,769,415	\$56,497,956
Paid Per Share	\$1.9000	\$1.8400	\$1.7800	\$1.7600	\$1.7600
<b>PREFERRED DIVIDENDS (1)</b>					

(1) No preferred stock outstanding.

**ALLETE, Inc.**  
**CONSOLIDATED CASH FLOW - 2013 Actuals**  
 Thousands - Unaudited

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	2013
<b>Cash Flows from Operating Activities</b>					
Net Income	\$32,458	\$14,033	\$25,202	\$32,976	\$104,669
Depreciation and Amortization	28,271	28,620	29,373	30,371	116,635
Deferred Income Taxes and ITC	7,346	4,208	8,861	8,139	28,554
AFUDC Equity	(1,135)	(973)	(1,247)	(1,276)	(4,631)
Equity Investments Loss (Income) Net of Dividends	(1,228)	(1,039)	(781)	(1,079)	(4,127)
<u>Working Capital &amp; Other Assets / Liabilities</u>	<u>(7,399)</u>	<u>7,952</u>	<u>16,365</u>	<u>(18,645)</u>	<u>(1,727)</u>
Net Cash Provided by Operations	58,313	52,801	77,773	50,486	239,373
<b>Cash Flows from Investing Activities</b>					
Capital Expenditures	(\$95,472)	(\$60,477)	(\$48,073)	(\$114,339)	(\$318,361)
AFUDC Debt	(452)	(385)	(491)	(508)	(1,836)
Construction Payables	26,159	2,040	(18,157)	(18,347)	(\$8,305)
<u>Other Investing Activities</u>	<u>5,867</u>	<u>(2,568)</u>	<u>(2,944)</u>	<u>(8,434)</u>	<u>(8,079)</u>
Net Cash Used for Investing Activities	(63,898)	(61,390)	(69,665)	(141,628)	(336,581)
<b>Cash Flows from Financing Activities</b>					
Debt Proceeds (Net)	(\$1,713)	\$84,922	\$494	\$6,997	\$90,700
Common Stock Proceeds	23,290	10,025	29,976	34,824	98,115
<u>Dividends</u>	<u>(19,504)</u>	<u>(18,711)</u>	<u>(18,995)</u>	<u>(17,936)</u>	<u>(75,146)</u>
Net Cash provided by (used for) Financing Activities	2,073	76,236	11,475	23,885	113,669
<b>Net Increase (Decrease) in Cash</b>	<b>(\$3,512)</b>	<b>\$67,647</b>	<b>\$19,583</b>	<b>(\$67,257)</b>	<b>\$16,461</b>

**ALLETE, Inc.**  
**CONSOLIDATED CASH FLOW - 2014 Forecasted**  
Thousands - Unaudited

JANUARY      FEBRUARY      MARCH      APRIL      MAY      JUNE      JULY      AUGUST      SEPTEMBER      OCTOBER      NOVEMBER      DECEMBER      2014

[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

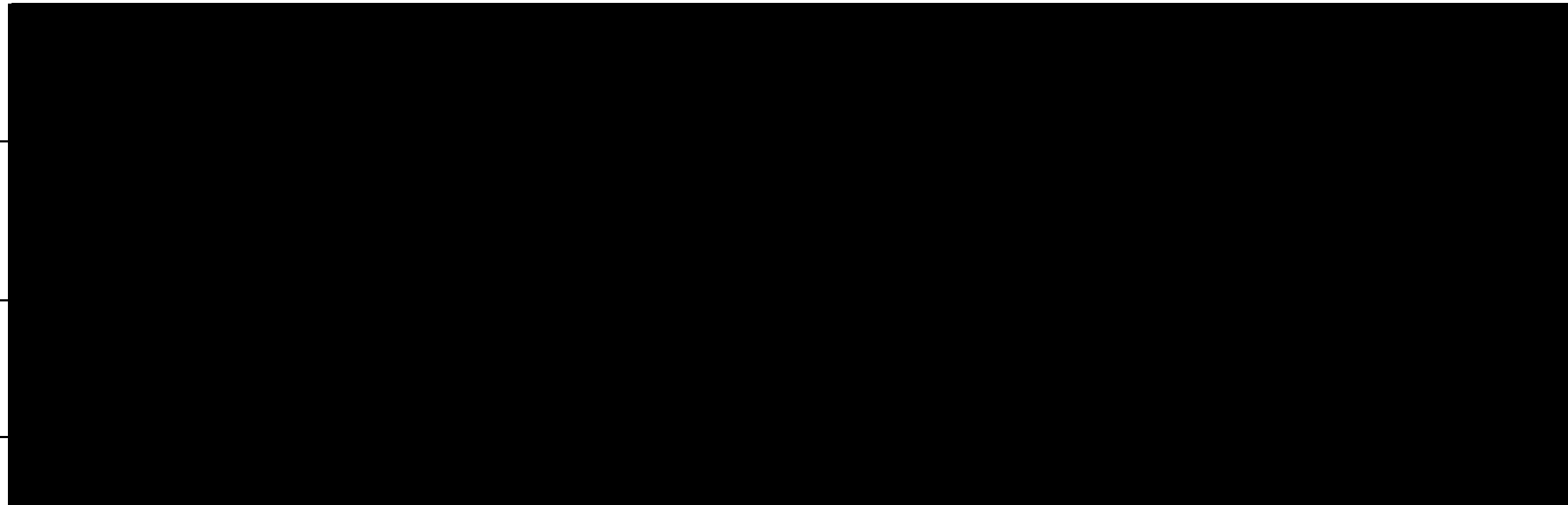
**Cash Flows from Investing Activities**

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 - 2015 Forecasted**  
Thousands - Unaudited

JANUARY                      FEBRUARY                      MARCH                      APRIL                      MAY                      JUNE                      2015 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  

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Net Cash Provided by Operations

**Cash Flows from Investing Activities**

Capital Expenditures  
AFUDC Debt  
Construction Payables  
Other Investing Activities  

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Net Cash Used for Investing Activities

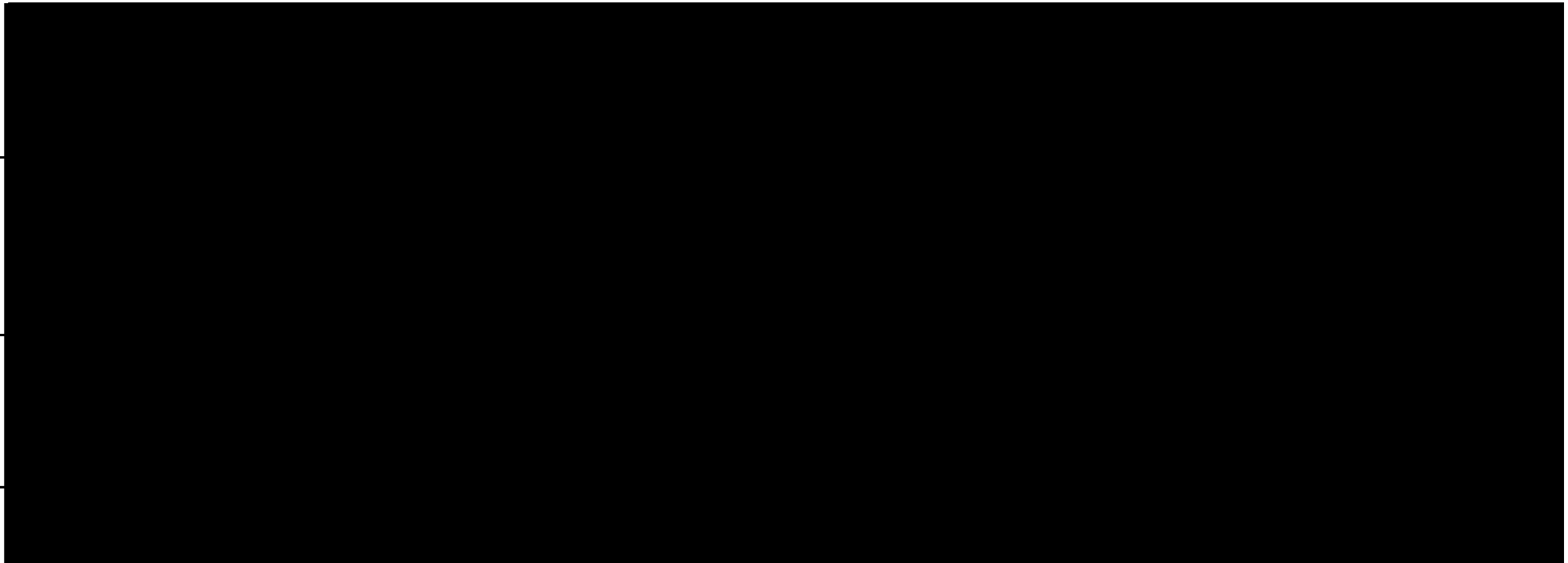
**Cash Flows from Financing Activities**

Debt Proceeds (Net)  
Common Stock Proceeds  
Dividends  

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Net Cash provided by (used for) Financing Activities

**Net Increase (Decrease) in Cash**



**ALLETE, Inc.**  
**Projected Consolidated Sources and Uses of Funds**  
 January 1, 2014 - June 30, 2015  
 (\$ Millions)

<b>Sources of Funds:</b>	<b>2014 Total</b>	<b>6 Months Ending June 30, 2015</b>
	[TRADE SECRET DATA EXCISED]	
Debt Issuances <sup>1</sup>		
Equity Issuances <sup>2</sup>		
Internal Cash Generation		
Decrease (Increase) in Cash Balances		
<b>Total</b>		
<b>Uses of Funds:</b>		
<u>Regulated Utility Capital Expenditures</u>		
Generation	\$495	\$92
Transmission	76	41
Distribution/Customer Service/Other	35	19
<b>Total Regulated Utility Operations</b>	<b>606</b>	<b>152</b>
	[TRADE SECRET DATA EXCISED]	
Non-Regulated Capital Expenditures <sup>3</sup>		
<b>Total Capital Expenditures</b>		
Construction Payables (Increase) Decrease	\$34	(\$2)
Debt Maturities	18	11
Common Dividends <sup>4</sup>	88	51
	[TRADE SECRET DATA EXCISED]	
<b>Total</b>		

<sup>1</sup> The Company expects to issue \$215 million of First Mortgage bonds during the first half of 2014. The timing of additional First Mortgage bond and other long-term debt issuances will depend on the actual timing of related capital expenditures.

<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 49.0 cents per share and are not intended to represent the actual dividends paid.

**ALLETE Inc.**  
**Non-Recurring Security Issuances<sup>1</sup>**  
 March 1, 2013 - March 1, 2014

Docket Number	Date	Type of Security	Amount of Issuance <sup>2</sup>	Purpose
E015/S-13-126	November 4, 2013	Syndicated Revolving Credit Facility	\$400,000,000 Included estimated issuance cost of \$1.2 million.	The Facility may be used as commercial paper back-up, allow up to \$60 million in letters of credit to be issued, provide for direct borrowings from banks that support the credit agreement, and for general corporate purposes.

<sup>1</sup>Per Docket No. E015/S-13-126, April 29, 2013 Order, Paragraph 6, the Company will notify the Commission within 20 days after each non-recurring issuance. On December 10, 2013, the Company entered into an agreement for \$215,000,000 First Mortgage Bonds with issuance dates expected in March and June of 2014.

<sup>2</sup>The compliance filings for non-recurring security issuances contain estimated issuance costs. Actual issuance costs for the syndicated revolving credit facility were \$1.2 million.

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

	2013 Projections <sup>b</sup>	2013 Actuals	Variance	Projections as of February 14, 2014 <sup>a</sup>				
				2014	2015	2016	2017	2018
<b>Generation</b>								
Bison 4	-	56	56	285	-	-	-	-
Rapids Optimization	2	-	(2)	-	-	-	-	-
Boswell 4 Environmental	93	41	(52)	115	125	3	-	-
Other <sup>c</sup>	93	109	16	95	58	74	88	94
<b>Generation Total</b>	<b>188</b>	<b>206</b>	<b>18</b>	<b>495</b>	<b>183</b>	<b>77</b>	<b>88</b>	<b>94</b>
<b>Transmission</b>								
CapX2020	25	36	11	14	4	-	-	-
Other Transmission Rider/Rider-Eligible <sup>d</sup>	5	1	(4)	16	7	37	83	104
Other <sup>e</sup>	46	49	3	46	71	36	16	16
<b>Transmission Total</b>	<b>76</b>	<b>86</b>	<b>10</b>	<b>76</b>	<b>82</b>	<b>73</b>	<b>99</b>	<b>120</b>
<b>Distribution/Customer Service/Other <sup>f</sup></b>								
<b>Distribution Total</b>	<b>32</b>	<b>35</b>	<b>3</b>	<b>36</b>	<b>39</b>	<b>38</b>	<b>36</b>	<b>33</b>
<b>Total Regulated Utility Operations</b>	<b>296</b>	<b>327</b>	<b>31</b>	<b>607</b>	<b>304</b>	<b>188</b>	<b>223</b>	<b>247</b>
<b>[TRADE SECRET DATA EXCISED]</b>								
Non-Regulated Capital Expenditures <sup>g</sup>								
<b>Total Capital Expenditures</b>								

[TRADE SECRET DATA EXCISED]

- a** Amounts include AFUDC
- b** 2013 Projection amounts as reported in Minnesota Power's 2013 Capital Structure Filing (Docket No. E015/S-13-126)
- 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 2013 Projected Generation Capital Expenditures to the 2013 actual investment, the Company experienced variances due to a reduction of expected costs for the Boswell 4 environmental project and an increase of spending due to adding the Bison 4 wind project.

**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 is expected to be completed by the end of 2014. Bison 4 includes 64 wind turbines and was approved by the Minnesota Public Utilities Commission (MPUC) in January 2014. Total project costs are expected to be approximately \$345 million.

**Boswell 4 Environmental:** Under the 2006 Minnesota Mercury Emissions Reduction Act (MERA), Minnesota Power is required to implement a mercury reduction project for Boswell Unit 4 by December 31, 2018. On August 31, 2012, Minnesota Power filed its mercury emission 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 Federal Mercury and Air Toxics (MATS) rule, which also regulates mercury. This plan was approved by the MPUC in November 2013. Minnesota Power's share of the total project costs is estimated to be approximately \$306 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 2013 Projected Transmission Capital Expenditures to the 2013 actual investment, the Company did not experience any significant variances.

Minnesota Power's participation in the CapX2020 initiative is primarily to meet load growth and improve reliability in Minnesota Power's service area and address regional transmission system reliability needs. Minnesota Power is participating in three CapX2020 projects: the Fargo to St. Cloud project, the Monticello to St. Cloud project, which together total a 238-mile, 345 kV line from Fargo to Monticello, and the 70-mile, 230 kV line between Bemidji and Minnesota Power's Boswell Energy Center near Grand Rapids, Minnesota. The 28-mile 345 kV line between Monticello and St. Cloud was placed into service in December 2011 and the 70-mile 230 kV line between Bemidji, Minnesota and Minnesota Power's Boswell Energy Center near Grand Rapids, Minnesota was placed into service in September 2012. In June 2011, the MPUC approved the route permit for the Minnesota portion of the Fargo to St. Cloud project. The North Dakota permitting process was completed in August 2012. The entire 238-mile, 345 kV line from Fargo to Monticello is expected to be in service by 2015. Based on projected costs of the three transmission lines and the percentage agreements among participating utilities, Minnesota Power plans to invest between \$100 million and \$110 million in the CapX2020 initiative through 2015. A total of \$80.5 million was invested through December 31, 2013, of which \$69.6 million related to the Fargo, North Dakota to Monticello, Minnesota projects and \$10.9 million related to the Bemidji, Minnesota to Minnesota Power's Boswell Energy Center project. 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 240-mile, 500 kV transmission line between Manitoba and Minnesota's Iron Range. A Certificate of Need for the GNTL was filed with the MPUC on October 21, 2013. On December 19, 2013, the MPUC determined the Certificate of Need application was complete and referred the docket to an administrative law judge for a contested case proceeding. Upon receipt of all applicable permits and approvals, construction is anticipated to begin in 2016, and to be completed in 2020. Minnesota Power's portion of capital expenditures for the GNTL will approximate 51 percent, which at this time is estimated to be approximately \$300 million, depending on the final route of the line.

### **Distribution**

Additional investment is planned for Minnesota Power's existing facilities to maintain and expand its system to address reliability. When comparing the 2013 Projected Distribution Capital Expenditures to the 2013 actual investment, the Company did not experience any significant variances.

### **Non-Regulated Capital Expenditures**

When comparing the 2013 Projected Non-Regulated Capital Expenditures to the 2013 actual investment, the Company experienced a variance due to the deferral of initiatives.