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NEWS

Minnesota Power outlines its *EnergyForward* resource strategy *A better-balanced power supply for future generations.*

Duluth, Minn.— Minnesota Power, a division of ALLETE (NYSE:ALE), today outlined next steps in its resource strategy to meet the energy needs of its customers with a balanced energy mix that preserves reliability, protects affordability and further improves environmental performance.

“Minnesota Power’s *EnergyForward* resource strategy is our road map to a cleaner energy future,” said ALLETE Chairman, President and CEO Al Hodnik. “Our plan keeps pace with a dynamic energy landscape in a sensible and sustainable manner. *EnergyForward* builds upon renewable energy investments already completed. It further diversifies our generation mix, balancing coal, renewables and natural gas and builds upon significant emission reductions at our existing power plants, all while preserving the reliable and affordable power Minnesota Power’s customers expect.”

Components of Minnesota Power’s *EnergyForward* resource strategy:

- Renewable energy investments
- Sustained energy conservation programs
- Construction of a major transmission line to facilitate delivery of carbon free hydropower
- Investments to reduce emissions at existing facilities and improve efficiencies
- Fleet transition of small coal units
- Addition of natural gas resources

“The resource decisions we are announcing today are the result of changing energy policy, technology developments, economic factors and input from many stakeholder groups, and our own commitment toward a competitive, environmentally compliant, socially responsible regional power supply,” Hodnik said.

Significant renewable carbon free energy investments

Now that it’s completed three phases of the Bison Wind Project in North Dakota, Minnesota Power is delivering more than 400 megawatts of clean, renewable wind energy to customers. With the recent extension of the federal production tax credit on wind generation equipment, the company is analyzing adding more wind to its energy mix.

Minnesota Power will further leverage its renewable resources through a power purchase agreement with Manitoba Hydro for 250 megawatts of hydropower beginning in 2020. The company is proposing to deliver the carbon free energy on a new 500-kilovolt transmission line stretching from the Canadian border to northeastern Minnesota, expected to be completed by 2020.

“Our plan builds on the tremendous progress we’ve made to achieve a more balanced and sustainable energy mix in a cost competitive manner,” Hodnik said. “Our North Dakota wind

operations have more than tripled the amount of renewable energy on our system in a short time, moving our power supply from 5 percent renewable energy in 2005, to 20 percent this year.”

As part of its *EnergyForward* plan, Minnesota Power will upgrade the largest hydroelectric system in the state, by increasing efficiencies at its Thomson and Fond du Lac hydroelectric stations. At the same time, the company will continue its leading-edge *Power of One*® conservation program which has exceeded state conservation goals by providing customers with tools to lower their energy usage.

Reducing emissions and improving efficiencies through technology investments

Minnesota Power plans to invest approximately \$350 million in additional environmental upgrades at its largest electric generator, Boswell Energy Center Unit 4, to comply with the EPA Mercury Air Toxics Standard (MATS) and the Minnesota Mercury Emission Reduction Act, resulting in at least a 90 percent reduction in mercury emissions. These upgrades, combined with other emission reduction investments made since 2006, will result in system-wide emission reductions of more than 85 percent by 2016. Boswell 4 in 2010 made major nitrogen oxide emission reductions and increased its operating efficiency with new turbine rotor investments.

Fleet transition

Over the last year, the company explored alternatives for its small coal units including retrofitting, refueling and retirement against the backdrop of environmental regulations and historically low natural gas prices. Careful consideration of power supply options led to the decision to refuel or remove from service one-third of its coal energy conversion units. These plans include:

- Investing \$15 million to convert the company’s 110-megawatt (MW) Laskin Energy Center in Hoyt Lakes to a natural gas peaking facility in 2015, thereby transforming Laskin into the company’s first all-natural gas fueled facility.
- Retire one of three coal-fired units at Minnesota Power’s 225-MW Taconite Harbor facility in Schroeder while maintaining Units 1 and 2, which both comply with current and pending environmental regulations.

“We believe re-fueling Laskin and retiring one generating unit at our Taconite Harbor facility are the most cost effective solutions for our small coal units to comply with state and federal regulations,” said Minnesota Power Vice President of Strategy and Planning Al Rudeck.

“The Laskin and Taconite Harbor facilities have provided reliable service and proven their value for customers over many decades, operated by talented and dedicated employees,” Hodnik said. “Like many employers in our region, Minnesota Power is experiencing a significant workforce transition now and for several years ahead,” Hodnik said. “Every effort will be made to redeploy skilled employees from affected facilities across our system, as *EnergyForward* evolves.”

Natural gas additions

As part of its *EnergyForward* plan, the company expects to add natural gas to its long-term power supply beyond the Laskin conversion to natural gas fuel. “We expect this next resource addition to occur sometime in 2020 or beyond,” Rudeck said. He said Minnesota Power’s energy mix in the future would consist of approximately one-third renewable energy, one-third natural gas and one-third coal-fired generation.

“For more than a century, Minnesota Power has been called upon to make the critical decisions that power our region’s communities, businesses and industry reliably and economically,” Hodnik said. “We recognize our responsibility to this region’s security, comfort and quality of life and that commitment will continue under our *EnergyForward* plan.”

Minnesota Power’s energy resource decisions and ongoing plans for fleet transition are subject to review and approval by the Minnesota Public Utilities Commission. As part of its *EnergyForward* plan, Minnesota Power will file its next Integrated Resource Plan (IRP) with the Minnesota Public Utilities Commission on March 1. The MPUC is anticipated to make a decision on the IRP by year end.

To learn more about Minnesota Power’s *EnergyForward* Plan [click here](#) to view an interview with ALLETE Chairman, President and CEO, Al Hodnik. Or visit our website at mnpower.com.

Minnesota Power, a division of ALLETE, Inc., supplies electric service to 144,000 residents, 16 municipalities and some of the largest industrial customers in the United States.

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