



Guggenheim Partners, LLC  
June 17, 2021



# Forward looking statement

Any statements contained in this presentation and statements that ALLETE, Inc. representatives may make orally in connection with this presentation that are not historical facts are forward-looking statements. Actual results may differ materially from those projected in the forward-looking statements. These forward-looking statements involve risks and uncertainties and investors are directed to the risks discussed in documents filed by ALLETE, Inc. with the Securities and Exchange Commission.

ALLETE's presentation and other communications may include certain non-Generally Accepted Accounting Principles (GAAP) financial measures. A "non-GAAP financial measure" is defined as a numerical measure of a company's financial performance, financial position or cash flows that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP in the company's financial statements.

Non-GAAP financial measures utilized by the Company may include a presentation of earnings (loss) per share and earnings. ALLETE's management believes that non-GAAP financial measures provide useful information to investors by removing the effect of variances in GAAP reported results of operations that are not indicative of changes in the fundamental earnings power of the Company's operations. Management believes that the presentation of the non-GAAP financial measures is appropriate and enables investors and analysts to more accurately compare the company's ongoing financial performance over the periods presented. Non-GAAP measures to the most directly comparable GAAP measure, if presented, is included in the appendix.

This presentation was prepared as of June 17, 2021, and ALLETE, Inc. assumes no obligation to update the information or the forward-looking statements contained herein. The 2021 outlook contained herein was provided, and is as of May 6, 2021.

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# ALLETE's sustainability in action strategy delivers growth



## Expand renewable sources of energy

- Currently ranked second among investor-owned utilities for investment in renewable energy based on market capitalization
- Minnesota Power #1 in Minnesota, and #2 in Midwest as a renewable energy provider



## Strengthen the electric grid

- Investing in infrastructure for managing the delivery of increasing amounts of renewable energy, and enhancing the resiliency and reliability of the grid



## Reduce overall carbon emissions

- Minnesota Power
  - Retired/ided seven of nine coal facilities
  - Renewable goals of 50% at end of 2020, and 70% by 2030
  - Coal-free by 2035 and 100% carbon-free by 2050
- ALLETE Clean Energy
  - 1,500 MW helping utilities and C&I customers achieve sustainability goals nationwide



## Adopt innovative solutions

- Reducing water use, investing in more weather resistant infrastructure, identify alternative low-or zero-carbon fuels and carbon capture and sequestration technology

### Workplace

- 2020 Women on Board Winner for Board Gender Diversity
- Minnesota Power & ALLETE Clean Energy named Yellow Ribbon Companies
- Commitment to advancing DE&I
- Proactive and deliberate COVID-19 response

### Community

- Partnering with diverse suppliers
- Corporate funding and employee volunteerism to those in need – and addressing the opportunity gap
- Full commitment to regional economies and host communities

### Customers

- Well positioned to serve the C&I customer segment
- Strong focus on customer ESG & competitiveness needs
- Donating Level 2 electric vehicle charging stations to business customers

# ALLETE is uniquely positioned to leverage clean energy trends – setting the stage for future growth

## Key Macro Drivers

- Policy
- ESG
- Regulation
- Technology
- Markets

## New Opportunities

- Significant increase in decarbonization program/technology investment
- Grid hardening and renewable enabling investments
- Beneficial electrification



Our size is an advantage that allows nimbleness; small opportunities move the needle

Ability to leverage vast experience with industrial customers; C&I customers are at the forefront of the cleaner energy movement

Creative, adaptive and innovative human capital is a differentiator that enables targeted returns

Strong and respected reputation with key stakeholder groups, including broad industry reach and expanding investment partnerships

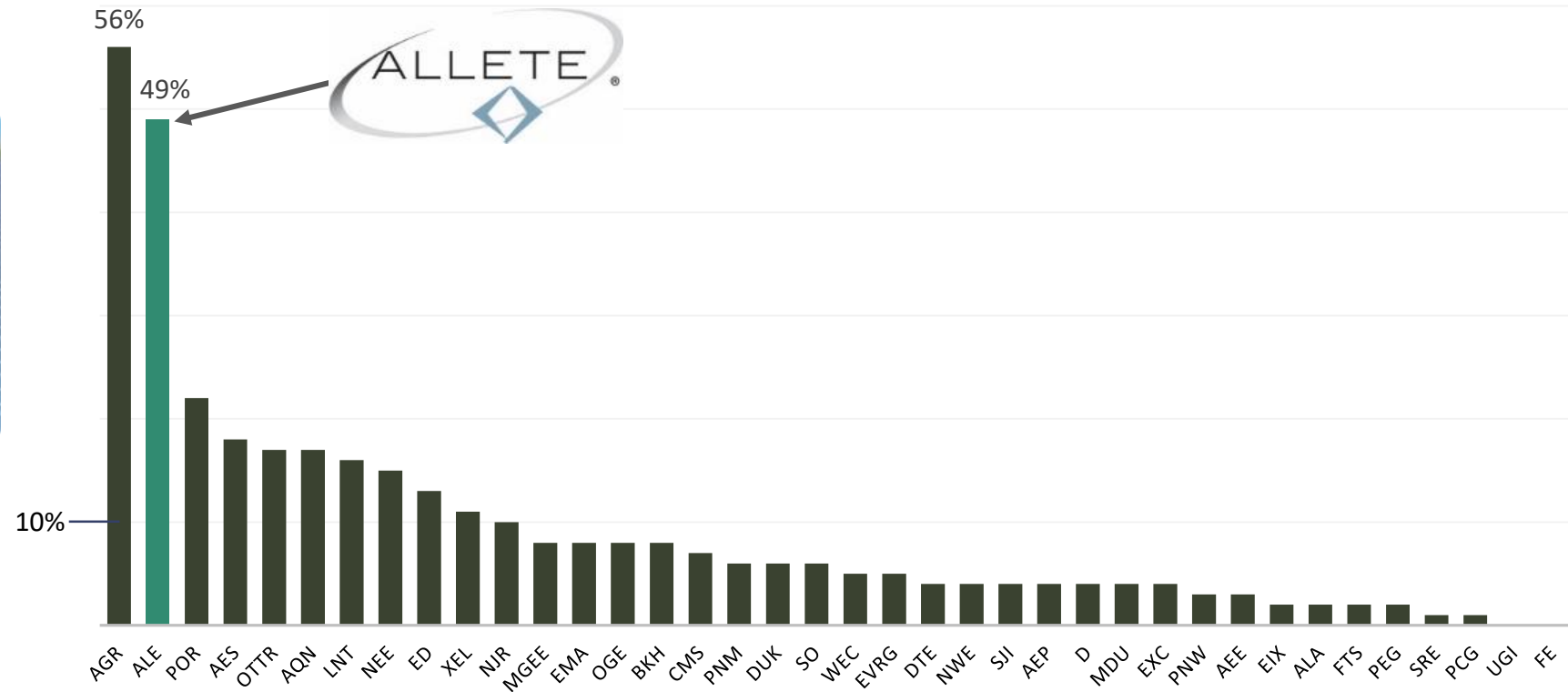
Capabilities include large renewable project execution, as well as platform asset ownership and optimization

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

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



ALLETE continues to evolve as a market leader, retaining its #2 ranking in renewable investment



Source: Company public filings, SNL, Press Releases, Bloomberg market data as of 26-Feb-21

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

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



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

## ALLETE is well positioned for sustainable success

- Strategic geographic positioning; renewables, transmission and distribution
- Proven track record of large scale clean energy projects
- Investment in PTC qualified turbines for new wind projects
- Substantial liquidity to deploy with minimal equity issuance needed

### Regulated growth 4-5%

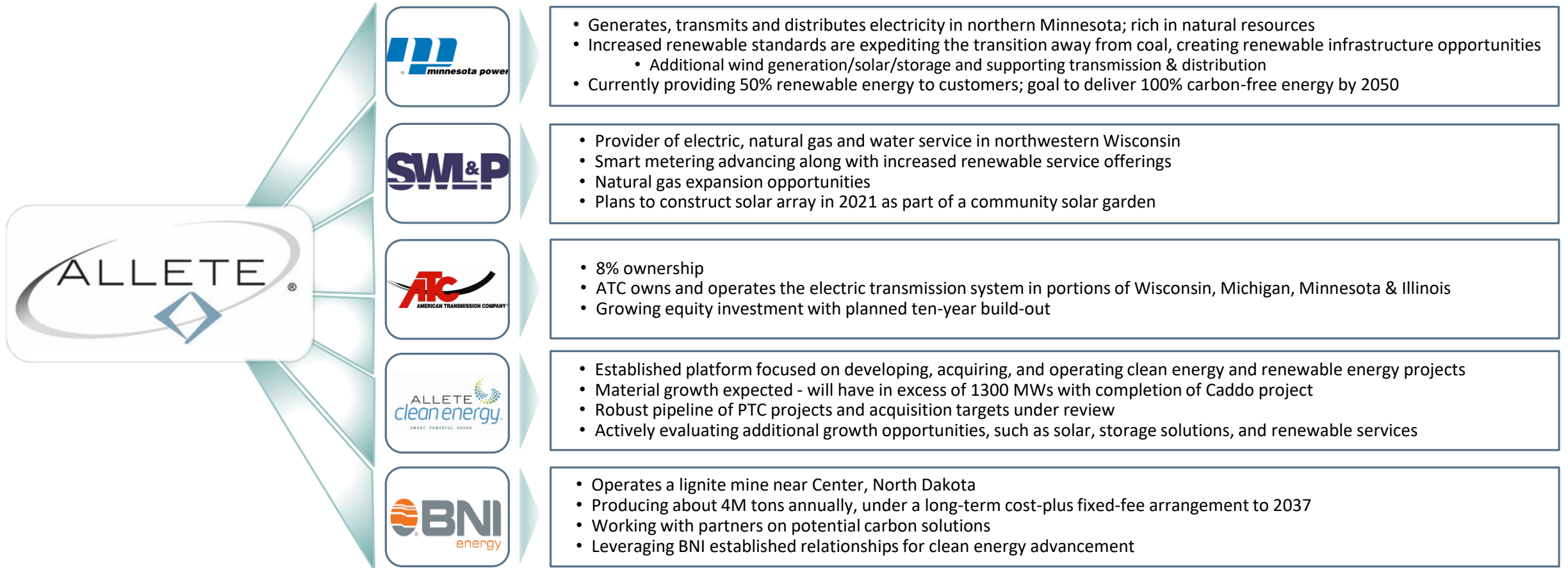
- Improving ROE
- Minnesota Power IRP – generation, transmission and distribution investments
- Superior Water, Light & Power, ATC investments, and other regulated opportunities

### ALLETE Clean Energy / Corp. & Other minimum growth of at least 15%

- Leverage existing platform
- Portfolio optimization
- Expanding products and services
- New customers and geography



# ALLETE business mix provides diverse clean energy growth opportunities



Our family of businesses is well positioned to support societal expectations, regulation and resource scarcity requiring sustainable energy solutions.

# ALLETE delivers an attractive value proposition

	Financial Targets
Annual total shareholder return*	9 - 10%
Consolidated average annual earnings growth	5 - 7%
Consolidated payout ratio	60 - 70%
Long-term dividend growth	align with earnings

Sustainable energy solutions

Multi-faceted earnings growth potential

Regulated, contracted or recurring energy revenues

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

Attractive and growing dividend

\* Defined as earnings growth plus dividend yield



# Base 5-year CapX plan of ~\$1.6B predominantly in support of clean energy initiatives

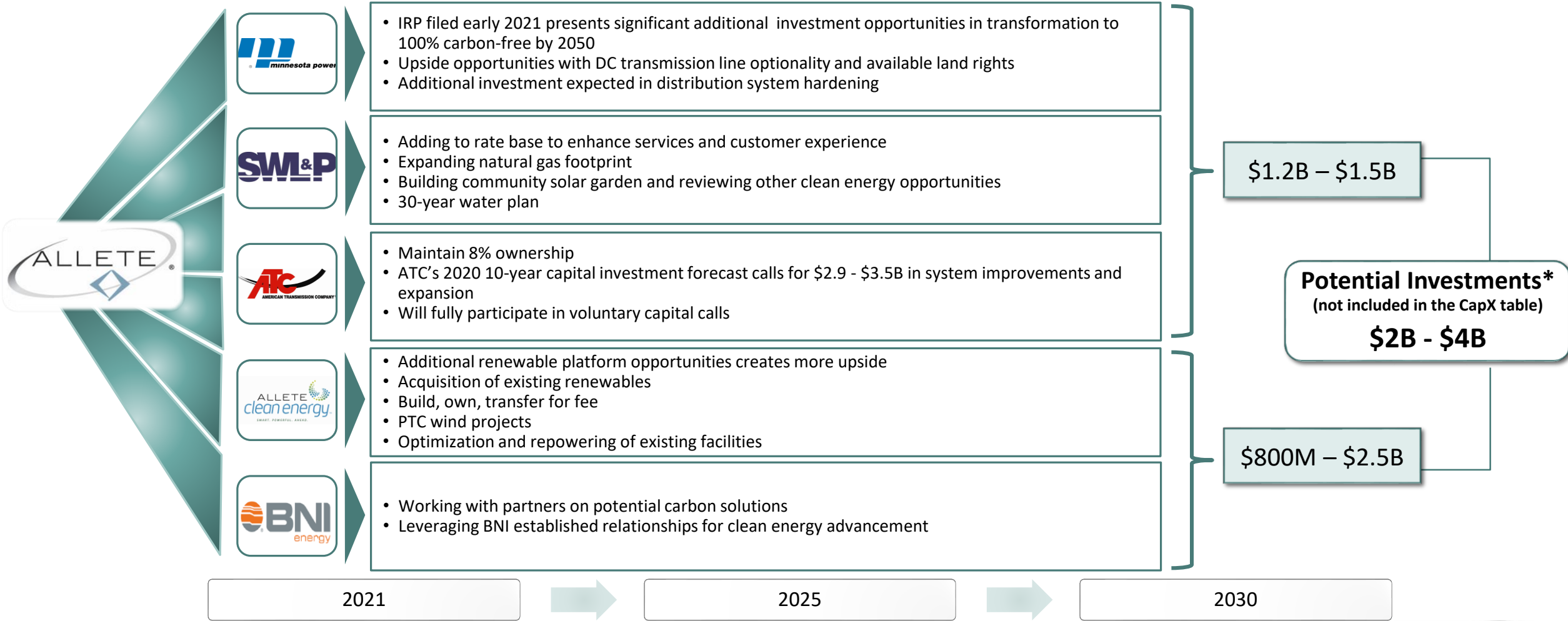
<i>Estimated amounts in millions</i>	Spent through 2020	2021	2022	2023	2024	2025	Total 2021-2025	Total project	Est. COD
<b>Regulated Operations</b>									
DC Line Modernization & Upgrade	-	5	5	45	60	85	200	305*	Potential rider/AFUDC
Nemadji Trail Energy Center	10	15	50	150	115	15	345	355	2025
Base and Other	N/A	155	115	115	160	120	665	665	
<b>Energy Infrastructure / Related Services</b>									
<b>ALLETE Clean Energy</b>									
Caddo	180	240	-	-	-	-	240	420	Late 2021
Base and Other	N/A	15	5	10	10	10	50	50	
<b>Corporate and Other</b>									
	N/A	60	20	15	15	10	120	120	
<b>Total Known Projects</b>	<b>\$190</b>	<b>\$490</b>	<b>\$195</b>	<b>\$335</b>	<b>\$360</b>	<b>\$240</b>	<b>\$1,620</b>	<b>\$1,915*</b>	

\*Includes CapX beyond 2025

ALLETE is traditionally conservative with CapX projections, including only well defined projects that are firmly in progress or have agreements in place... there continues to be an abundance of emerging opportunities that may translate to significant future investments



# ALLETE business mix provides diverse clean energy growth opportunities



\*Investments due to environmental mandates, new technology, maintaining competitive rates, reliability, competitiveness, etc. Accelerated implementation of clean energy transformation would result in additional investment opportunities; subject to normal regulatory and other approval requirements.



# Significant transmission & distribution investment opportunities – longer term

## Platforms for additional investment growth

- GNTL – 200 mile line completed January 2020 - is connected to significant Canadian hydro generation
- DC transmission line expansion – increasing capacity from current 550 MW to 750 MW, potentially 900 MW
- Distribution grid hardening – 2019 Integrated Distribution Plan (IDP) filed November 1, 2019; approved by MPUC Feb. 27, 2020; second filing planned for November 1, 2021
- Additional ATC build-out – \$2.9 - \$3.5B plan through 2030
- Minnesota Power filed 15-year Integrated Resource Plan (IRP) February 1, 2021

## Developing opportunities

- NERC / RTO requirements related to carbon/baseload transformations
- Integration and delivery of clean energy sources
- Grid North Partners formed to build off CapX2020 regional investments
- ALLETE Clean Energy interconnections / delivery systems – strategic acquisitions
- Innovative customer services

Minnesota Power's region of operations has a high degree of grid complexity and enhancement needs, which will provide future investment opportunities

## Key investment drivers

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

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



# Base CapX financing plan has limited new equity issuance needs

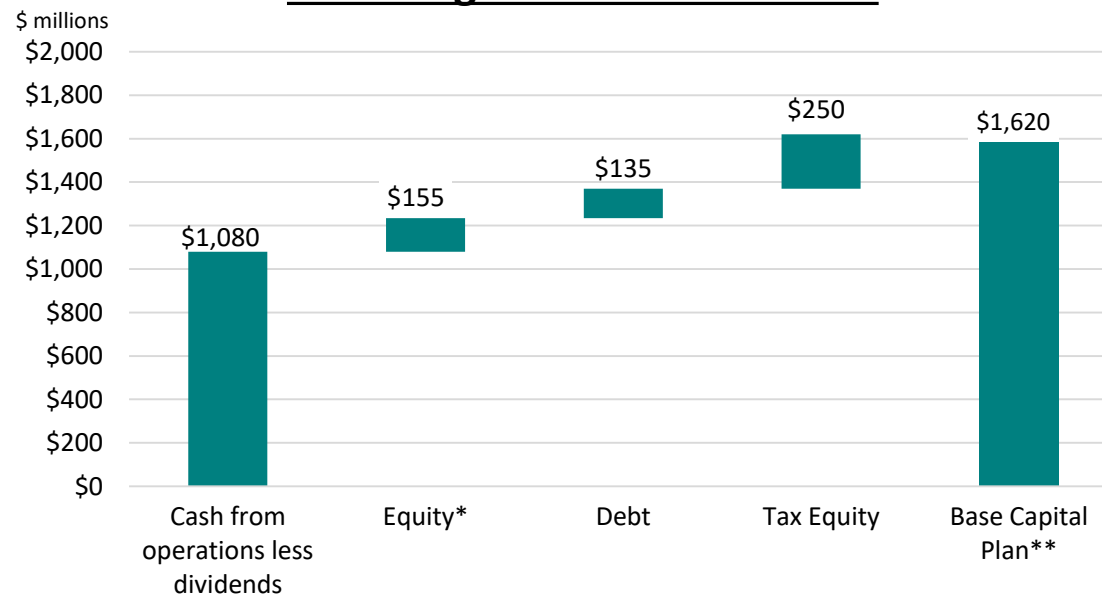
Strong cash flow from operations

Line of credit \$400M

Access to tax equity partners

Limited equity needs

## Financing sources 2021 - 2025



## Additional Financing Activities

+ Cash from new operations

+ Tax equity

+ Potential PIE (existing at-market program)

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

\*\*Supports capital expenditure table on previous page



# REGULATED UTILITY BUSINESSES



# Substantial regulated business optionality –

## location matters!

Seek renewable opportunities to expand scale, and diversify

### EnergyForward



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

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



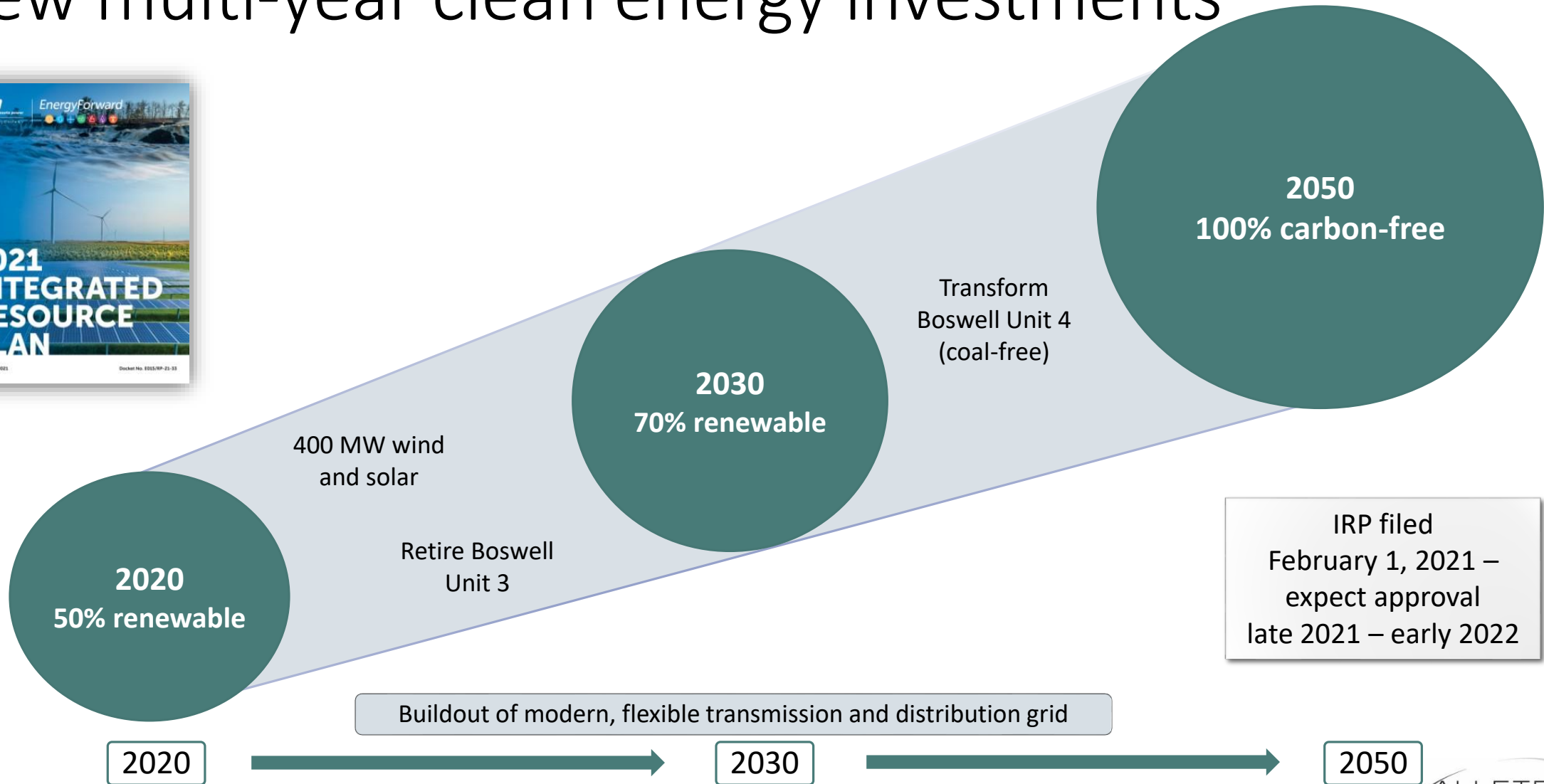
#### Natural Resource Rich Minnesota

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

Clean energy economy is dependent on steel and precious metals



# Integrated Resource Plan has potential for new multi-year clean energy investments



**2020**  
50% renewable

400 MW wind and solar

Retire Boswell Unit 3

**2030**  
70% renewable

Transform Boswell Unit 4 (coal-free)

**2050**  
100% carbon-free

IRP filed February 1, 2021 – expect approval late 2021 – early 2022

Buildout of modern, flexible transmission and distribution grid

2020

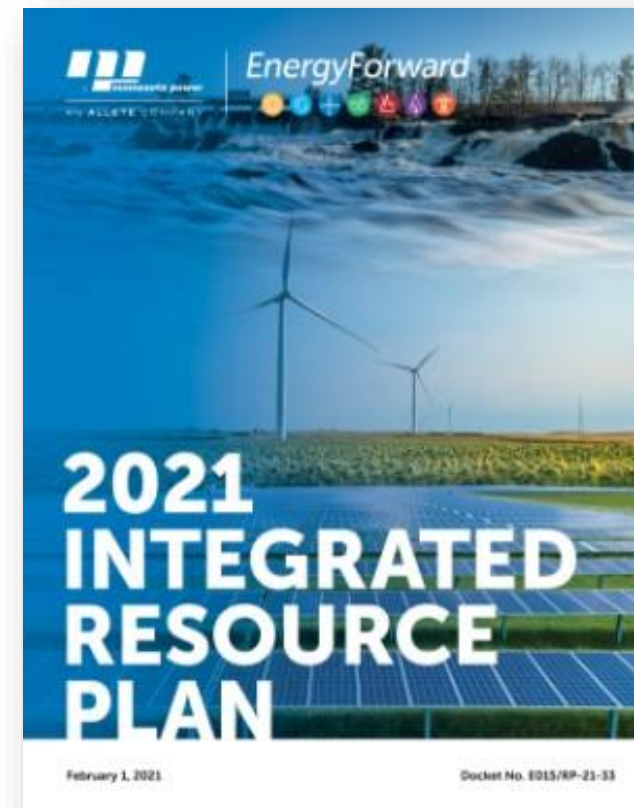
2030

2050



# Integrated Resource Plan regulatory timeline

Date(s)	Event
February 1, 2021	IRP Filed with Minnesota Public Utilities Commission
February 25, 2021	MPUC Hearing on Public Hearings
February to June 2021	Ongoing Discovery
May 2021	Virtual Public Hearings before an ALJ
June 2021	Initial Comments Due
August 2021	Reply Comments Due
Fall 2021	Additional Comments
Winter 2021	MPUC Agenda Hearing





# Minnesota Power regulatory positioning

## Constructive Outcomes

- 2020 rate case settlement demonstrates supportive Minnesota regulatory compact
  - Resulted in reasonable rate case outcome, during COVID-19 pandemic environment
  - Outcome addressed risk mitigation efforts on power market margins set in rates to FAC
  - Delayed any future rate proposal until at least March 1, 2021
- Capital structure petition approved
- Commission support for EITE
- Supportive reception in advance of IRP filing
- Supportive of electrification process
- Positive Commission engagement with our large power customers
- MPUC approved tracking incremental COVID-19 costs for possible deferred accounting

## Constructive regulatory framework

- Forward test year
- Interim rates
- Current cost recovery riders
- Fuel adjustment clause
- Exceeding conservation goals for over a decade, with revenue recovery

## General rate case filing anticipated November 2021

- Test year 2022 - is assumed to be “post-COVID”
- In process of determining revenue requirements
- Drivers include:
  - Costs related to Manitoba Hydro PPA
  - Aligning sales forecast
  - Loss of wholesale customer
  - Inflationary increase of expenses

Company	Year	Requested ROE	Allowed ROE
Minnesota Power	2017	10.25	9.25
Northern States Power	2016	10.00	9.20
Ottertail Power	2016	10.40	9.50
Minnesota Power	2020	10.05	–
Northern States Power	2021	10.00	TBD
Ottertail Power	2021	10.20	TBD

Minnesota Public Utilities Commission (MPUC)			
Name	Party	Began Serving	Term Ends
Katie Sieben - (Chair)	D	Jan. 2017	Jan. 2023
Joe Sullivan	D	Apr. 2020	Jan. 2026
Valerie Means	D	Apr. 2019	Jan. 2025
Matt Schuerger	I	Feb. 2016	Jan. 2022
John Tuma	R	Mar. 2021	Jan. 2027

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

## Wisconsin Public Service Commission regulated

- Constructive regulatory environment

## Significant rate base investment growth

- 12/31/2020 YE rate base \$89M
- ~\$13M in 2021, ~\$50M estimated spend 2021 through 2025

## 2020 rate filing impacted by COVID-19

- 2022 filing more likely, filing required by December 2022
- Current rates based on 55% equity and 10.4% allowed ROE

Natural gas footprint expansion potential

Community solar investment proposed



Superior Water, Light & Power will offer a new renewable energy option for customers through a community solar garden that is expected to be generating power by 2021

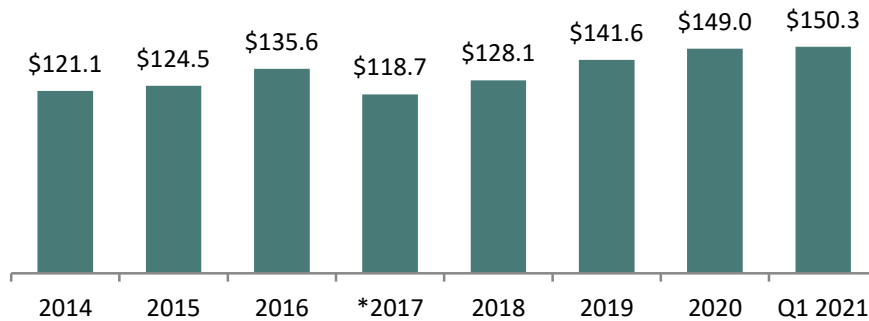
**SUPERIOR WATER, LIGHT & POWER CUSTOMERS**  
15,000 electric, 13,000 natural gas, 10,000 water

# ALLETE's investment in ATC continues to grow

- Wisconsin-based transmission company
  - Owns and operates electric transmission system in portions of Wisconsin, Michigan, Minnesota and Illinois
- 8% ownership delivers steady earnings and cash flow
- FERC regulated – FERC recently approved 10.52% ROE (includes 50 bps adder)
- ATC's 2020 10-year capital investment forecast calls for \$2.9-\$3.5B in system improvements

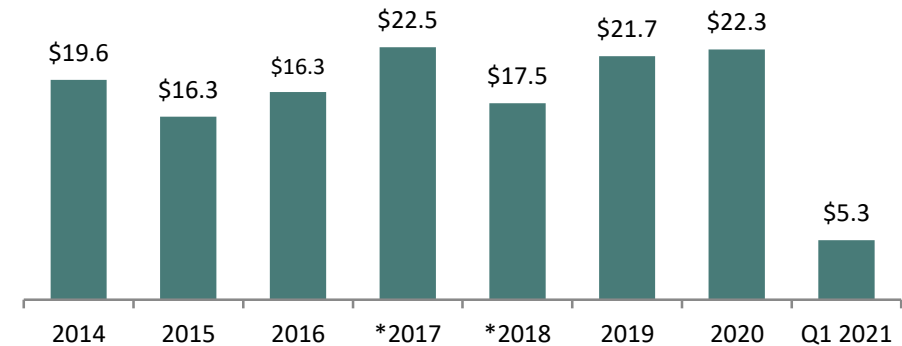


Equity Investment Balance



(\$ in millions)

Equity Earnings (pre-tax)



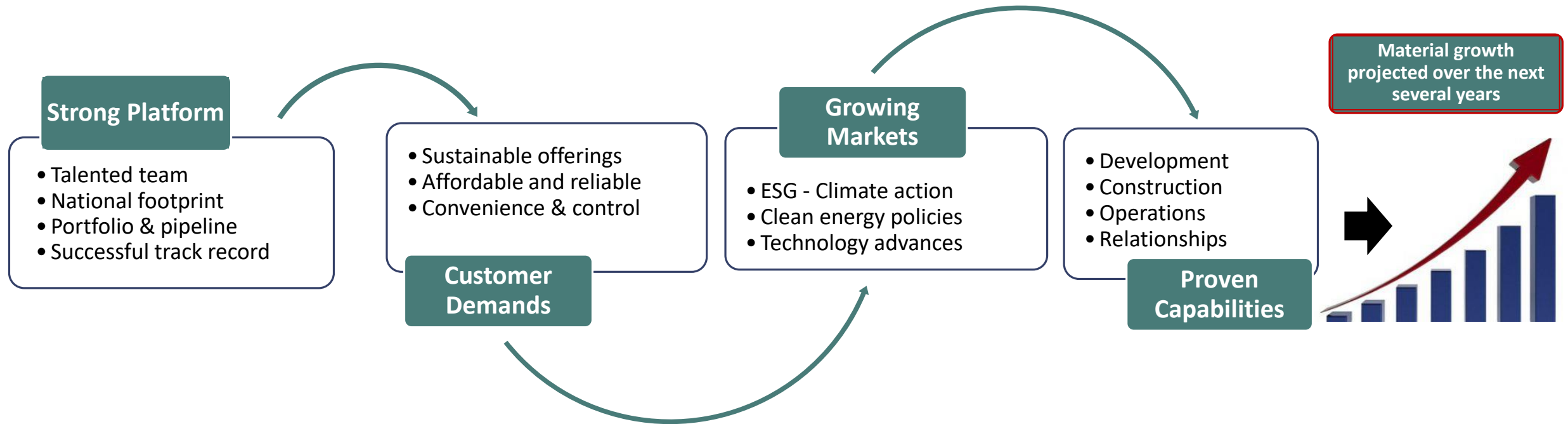
.... and is a meaningful contributor to earnings

\* Impacted by the remeasurement of deferred income tax assets & liabilities resulting from tax reform

# ALLETE CLEAN ENERGY



# Driving growth while delivering clean energy solutions



Strong customer and industry relationships, capabilities and nationwide clean energy platform position the company well to provide more comprehensive clean energy solutions.

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

Owns and has built-transferred over 1,500 MW of operating/under construction capacity in five major energy markets across the United States



## Existing platform optimization

- Recontract
- Repower
- Build transfer
- Partnerships
- Optimization
- HLBV benefits annual earnings growth

## Value drivers of various assets

- Transmission rights
- Landowner and customer relationships
- Project permits
- Multi-technology co-location potential
- Partnerships
- High quality wind resources

# Customer focused growth strategy in expanding markets - more comprehensive solutions

Strategically bundling new opportunities increases returns and growth potential



Wind 10-year view  
Market = \$65-115B  
CAGR = 3-5%



Solar 10-year view  
Market = \$120-135B  
CAGR = 12-13%



Storage 10-year view  
Market = \$30-65B  
CAGR = 35-50%

NEAR  
TERM

- Caddo 303 MW project
- Northern Wind Repower 120 MW
- Red Barn wind project 92 MW
- Additional PTC qualified turbines
- Portfolio optimization
- Build, own, transfer projects

LONG  
TERM

- Focused on expanding into markets with accelerating clean energy transformation
- More comprehensive clean energy solutions for utilities, community, commercial – industrial customers
- Expanding technologies - solar and energy storage plus renewable investment
- Acquisitions to provide complementary products and services

# ALLETE Clean Energy highlights



Positioned to benefit from the accelerating global transition to clean energy

Material projects already in operation and development, with ~1,600 MW of carbon-free generation by 2022

Premier geographic footprint in wind rich regions diversified across seven states

Long duration contracts with solid counterparty credit

Proven stand-alone management team with strong customer relationships and industry reputations

Broadening business model and core competencies beyond wind to include storage and solar, and other technologies

Walmart



## Corporate Customers

Smithfield  
*Good food. Responsibly.*

McDonald's



MONTANA-DAKOTA  
UTILITIES CO.  
A Division of MDU Resources Group, Inc.



## Utility Customers

NorthWestern  
Energy



ALLETE Clean Energy has multiple avenues by which to raise and reallocate capital into energy transition opportunities



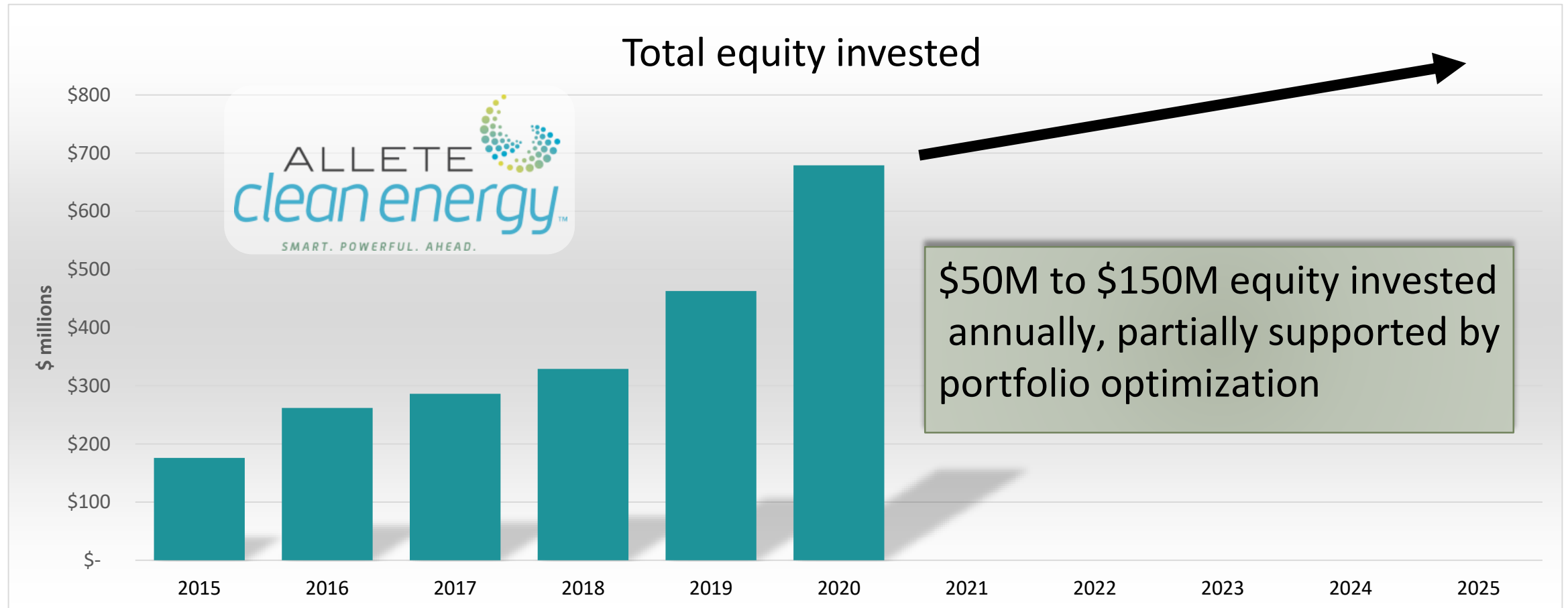


# Differentiated and proven ability to serve large sustainability companies



ALLETE Clean Energy has multiple avenues by which to serve the increasing numbers of large customers with their own sustainability goals

# Demonstrated record of investment growth continues



# BNI Energy is a well established business



Self-descent safety training



BNI using drones as a survey tool



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

## Overview

- Lignite mining operations and other energy service solutions
- Long established presence in energy rich and business friendly North Dakota
- Advancing CO2 capture and storage solutions
- Contracted revenues, cost-plus contracts through 2037
- 2020 net income \$7.2M

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



# APPENDIX

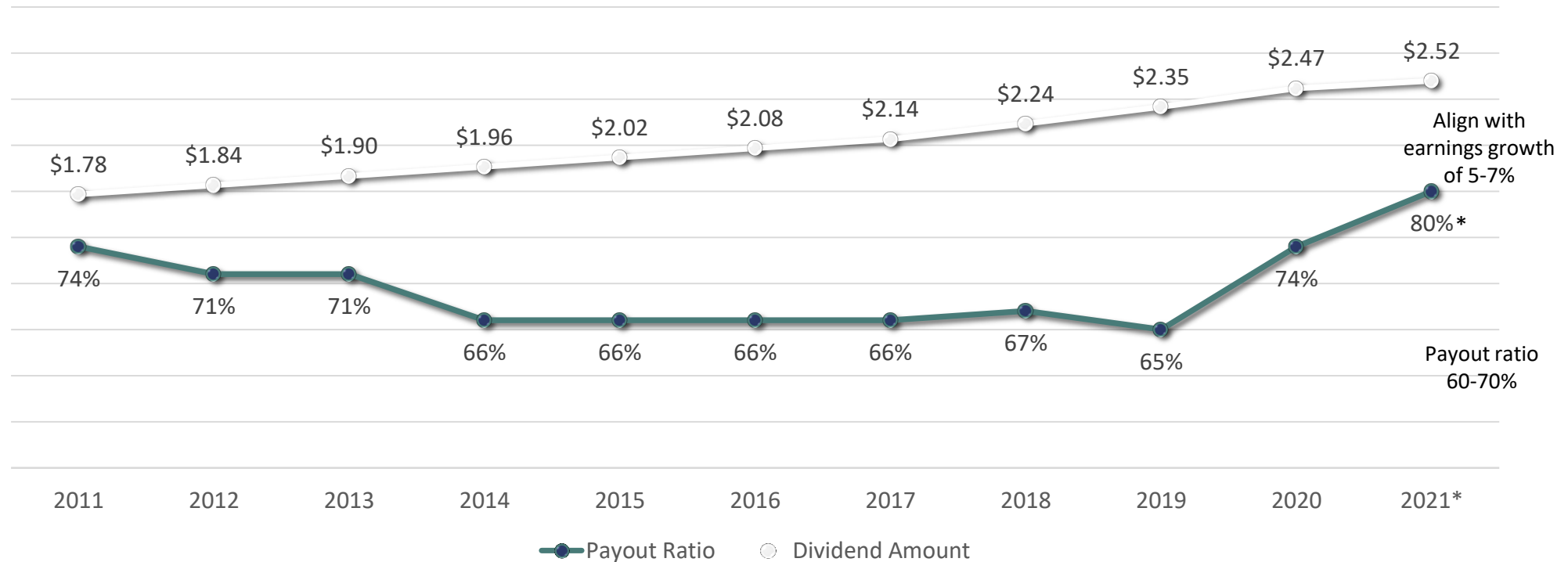
June 17, 2021



# ALLETE anticipates long-term dividend growth

In February of 2021, the ALLETE Board of Directors increased the annualized common stock dividend from \$2.47 to \$2.52 per share.

ALLETE has paid common stock dividends consecutively since 1950.



\*based on midpoint of 2021 earnings guidance

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

## Financial Discipline in Action

- ✓ ALLETE companies carry appropriate capital structures to support consolidated investment grade credit ratings
- ✓ Maintain a solid investment grade credit rating
- ✓ 60-70% dividend payout ratio
- ✓ Business segments must achieve their targeted rates of return and support the dividend

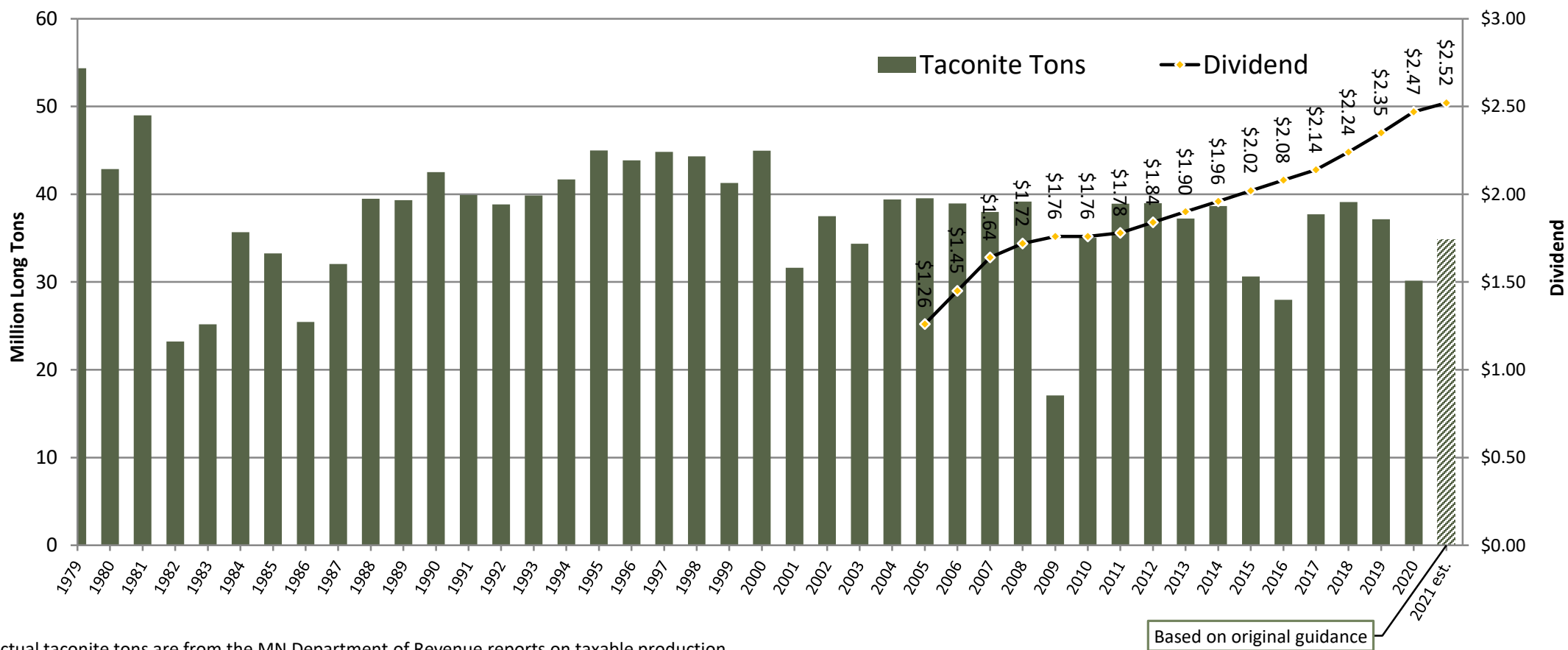
## Credit Ratings

	Issuer Credit Rating	Commercial Paper	First Mortgage Bonds
S&P Global Ratings	BBB+	A-2	N/A
Moody's	Baa1	P-2	A2

Debt to Capital Ratio = 41%

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

# Dividend growth through business cycles



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

# Significant steps taken toward a carbon-free future with more to come

50% renewable in 2021; targeting more than 70% renewable by 2030



## Wind – 875 MW

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

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



## Hydro – 370 MW

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

Moved faster and further in renewables than other Midwestern utilities



## Solar – 30 MW

- Minnesota Power three solar projects, 20 MW
- Camp Ripley, 10 MW



## Coal – 800 MW

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

7 of 9 coal facilities retired / idled

Coal-free by 2035

Vision to deliver 100% carbon-free energy by 2050 reflects commitment to climate, customers and communities

**Minnesota Power Integrated Resource Plan filed February 1, 2021**  
**Addresses resource needs for next 15 years providing growth while ensuring reliability and affordability**

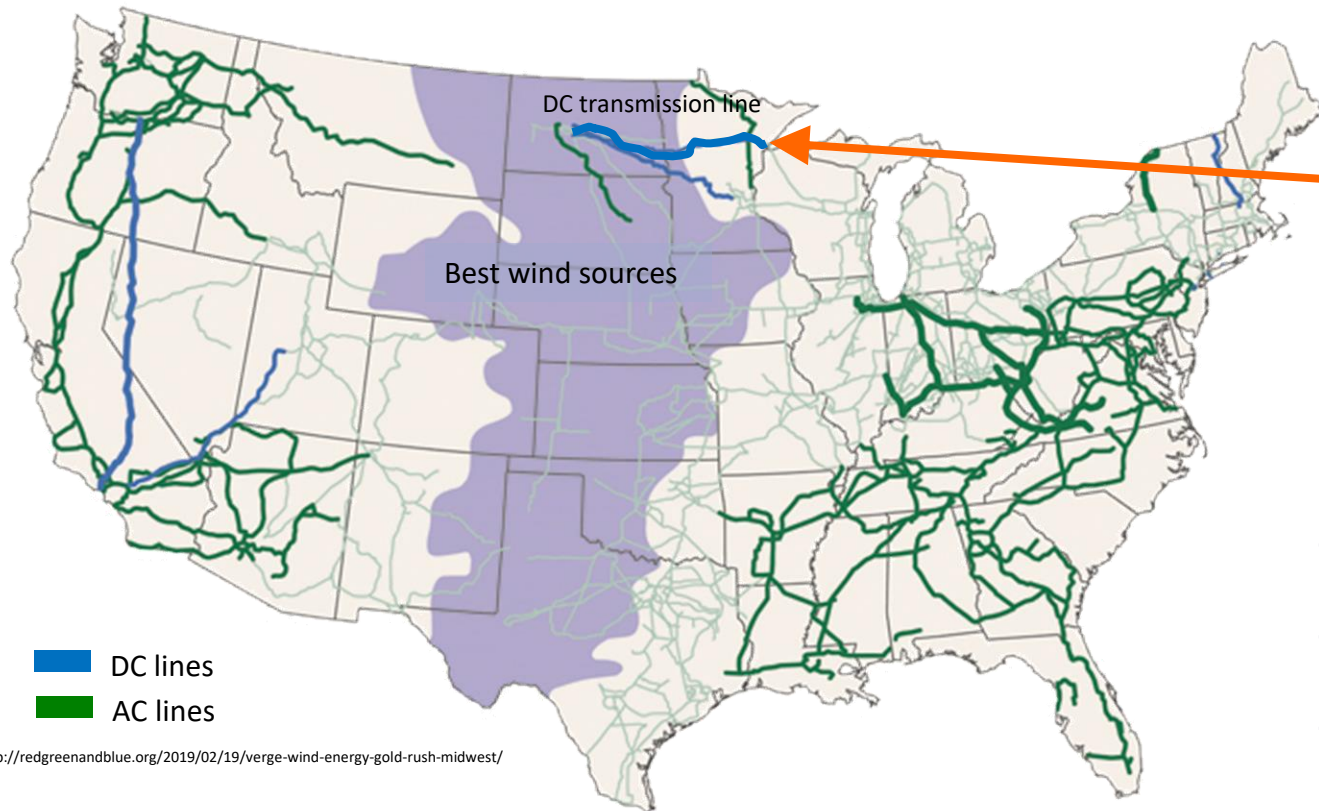


# DC transmission system upgrades – enables significant potential growth



“Through 2030, RPS states need approximately 160 terawatt hours of additional renewable energy generation to meet wind-eligible RPS requirements. This is equivalent to roughly 52.336 gigawatts of wind capacity.”

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



■ DC lines  
■ AC lines

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



## Upgrades for reliability, flexibility and optionality

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

We are upgrading existing 550 MW capacity by up to 350 MW which would be significant incremental CapX

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

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

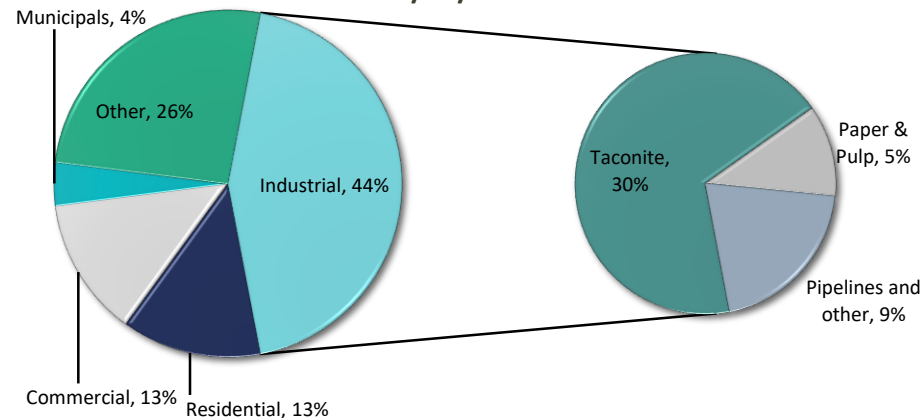


# Domestic steel industry is highly dependent on Minnesota taconite

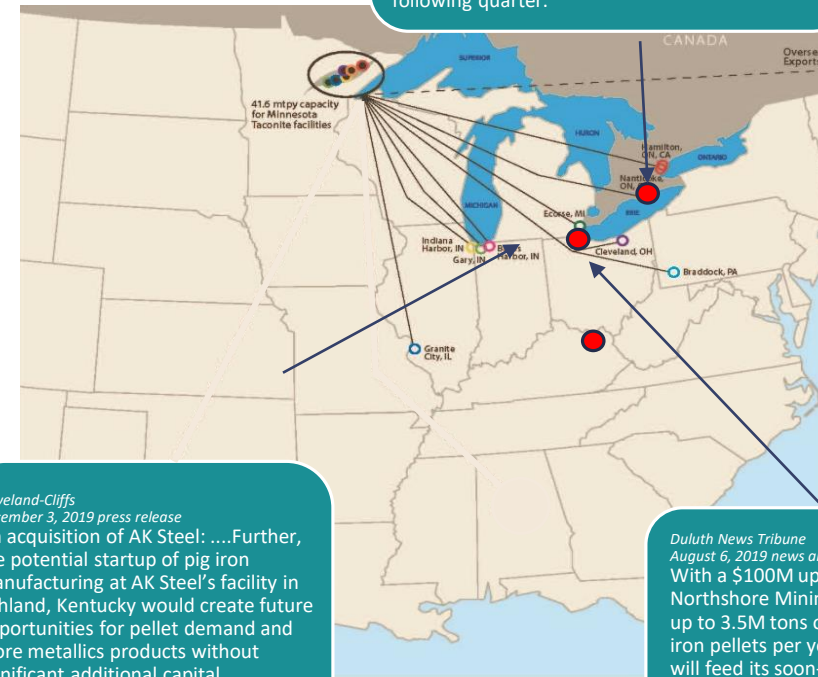
Taconite mine	Approximate Annual Capacity (million tons)
<b>Hibbing Taconite Co.</b>	<b>8.0</b>
<b>Cliffs</b>	
– United Taconite, LLC	5.2
– NorthShore Mining	5.7
– Minorca Mine	2.6
<b>USS Corp.</b>	
– Keewatin	5.2
– Minntac	14.7
<b>Total annual capacity</b>	<b>41.4</b>

1M ton change = ~4 cents/share

Regulated Utility Revenue  
12/31/20



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



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

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

Traditional shipping destination points of Minnesota taconite.

# Sustainability of the American Steel Industry



## Vital to U.S. economy

- >\$520 billion in economic output and nearly 2 million jobs



## Steel is most recyclable material on the planet

- Recycling steel reduces GHG emissions: Single car recycled = consuming more than 300 gallons of gasoline, Single refrigerator recycled reduces GHG emissions by 225 pounds of CO<sub>2</sub>



## American steel industry is cleanest and most energy-efficient of leading steel industries in the world

- Of the 7 largest steel producing countries, the U.S. has the lowest CO<sub>2</sub> emissions per ton of steel produced and lowest energy intensity



## Steel is critical in continued development of clean energy technologies

- Vital to industries like solar power, biofuels, wind energy, green construction, low-carbon transportation, sea-water purification and surgical equipment



## Steel products can help reduce energy consumption and CO<sub>2</sub> emissions throughout the economy

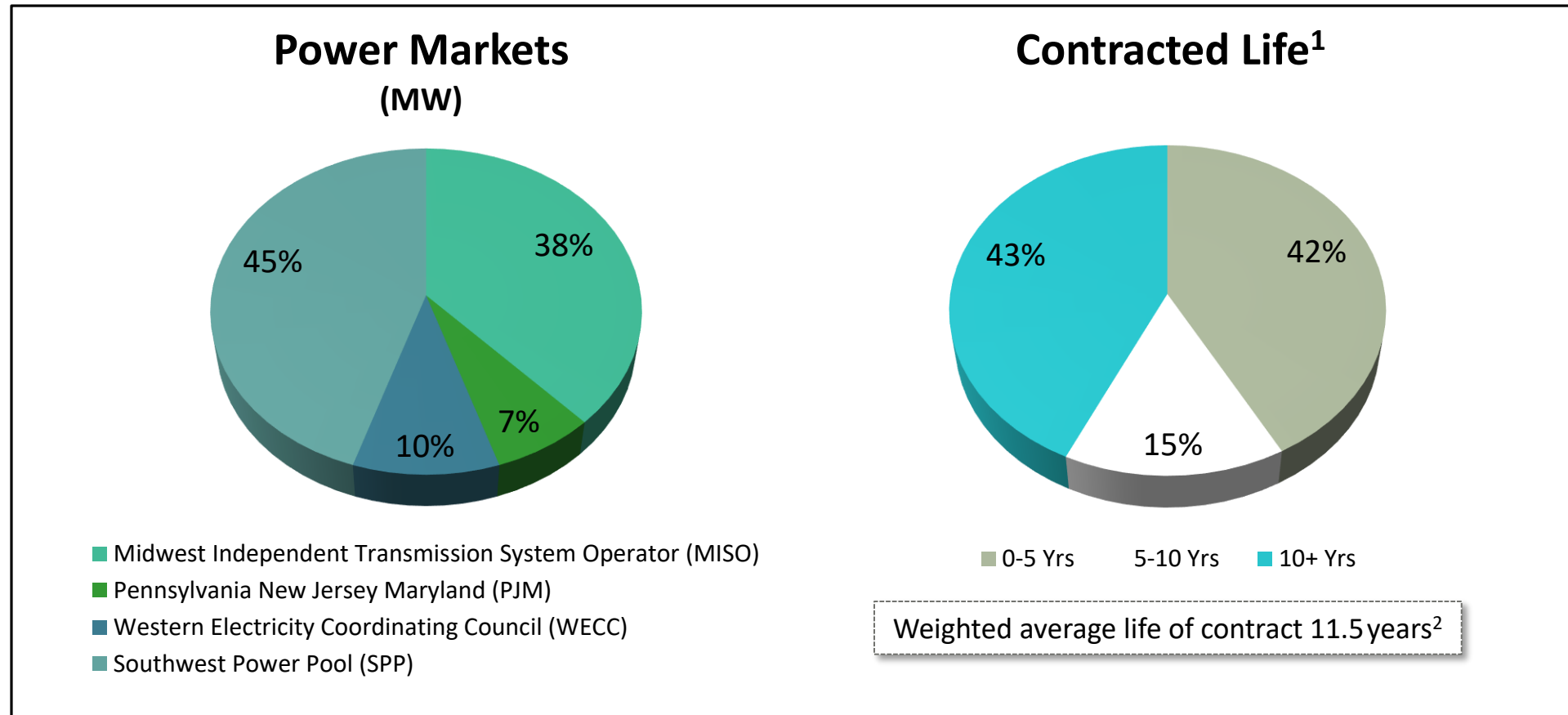
- Helps auto manufacturers by increasing fuel economy and emissions, and vital in infrastructure construction; bridges, roadways, guiderails, and utility structures



## Committed to strong safety standards

- Reduced workplace incidents significantly over time

# Facilities have diverse power markets and balanced contract expiration



<sup>1</sup>Includes Diamond Spring and Caddo which will be constructed in 2020 and 2021, respectively.

<sup>2</sup>Based on project book value / investment size

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



Project	Technology	MW Capacity	Net Capacity Factor	Region	Customer	S&P	Moody's	In-Service	Power Sale Agreement Term End
Armenia Mountain Pennsylvania	GE	100.5	~30%	PJM	Delmarva Power & Old Dominion Electric Co-op	A-/Stable & A+/Stable	Baa1/Stable & A1/Stable	2009	2024
Chanarambie/Viking Minnesota	GE	97.5	30-35%	MISO	Northern States Power- Repower and Sale in 2022	A-/Stable	A2/Stable	2003	2023
Condon Oregon	Mitsubishi	50	20-25%	BPA	Bonneville Power	AA-/Stable	Aa2/Stable	2002	2022
Lake Benton * Minnesota	Zond	104	25-30%	MISO	Northern States Power	A-/Stable	A2/Stable	1998	2028
Storm Lake 1 * Iowa	Zond	108	25-30%	MISO	MidAmerican Energy	A/Stable	A1/Stable	1999	2027
Storm Lake 2 * Iowa	Zond	77	25-30%	MISO	Alliant Energy	A-/Stable	Baa1/Stable	1999	Mid-2022-90% 2032-10%
Glen Ullin EC North Dakota	GE	106	~45%	MISO	Northern States Power	A-/Stable	A2/Stable	2019	2039
South Peak Montana	GE	80	~40%	NWE	NorthWestern Corp	BBB/Stable	Baa2/Stable	2020	2035
Diamond Spring Oklahoma	GE	303	~45%	SPP	Walmart Starbucks Smithfield	AA/Stable BBB+/Stable BBB-/Stable	Aa2/Stable Baa1/Stable BBB(Fitch)	2020	2035-175 MW 2035-50 MW 2032-75 MW
Caddo Wind Oklahoma	TBD	303	~45%	SPP	McDonalds Hormel Oshkosh Corp	BBB+/Stable A/Negative BBB/Stable	Baa1/Stable A1/Stable Baa3/Stable	Build: 2021	2033-200 MW 2033-80 MW 2033-20 MW
<b>Build, own, transfer projects</b>									
Thunder Spirit I	Nordex	107		MISO	Montana-Dakota Utilities	A-/Stable	N/A	Sale: 2015	\$198M sale
Thunder Spirit II	Nordex	48		MISO	Montana-Dakota Utilities	A-/Stable	N/A	Sale: 2018	\$81M sale

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

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



# ALLETE Clean Energy with investment in PTC qualified turbines



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

Proxy for new 100% qualified PTC project earnings

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

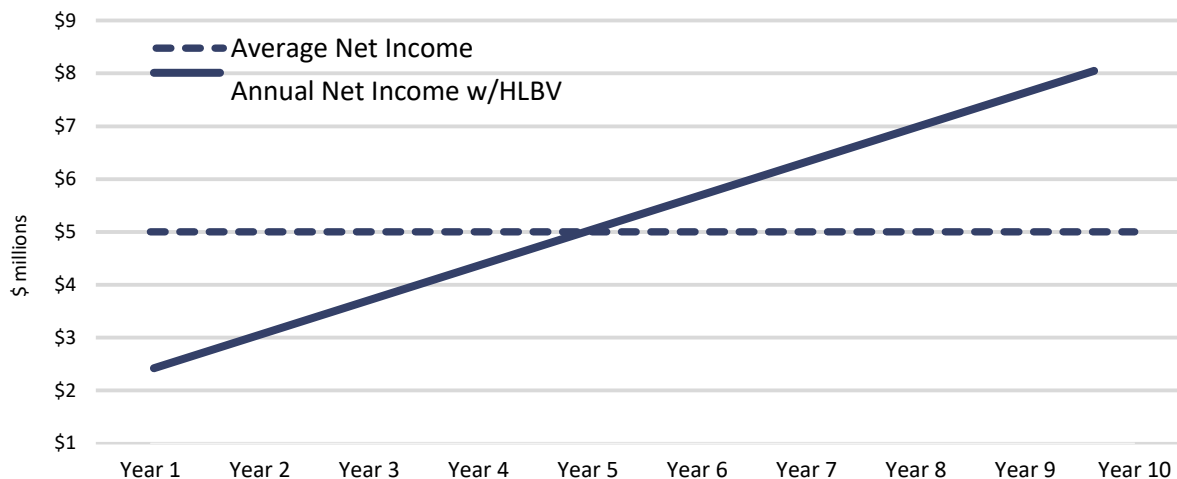
Proxy for new 80% qualified PTC project earnings

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

Initial Investment Date By:	COD Deadline	Wind PTC
2016	12/31/2021	100%
2017	12/31/2022	80%
2018	12/31/2022	60%
2019	12/31/2023	40%
2020	12/31/2024	60%
2021	12/31/2025	60%

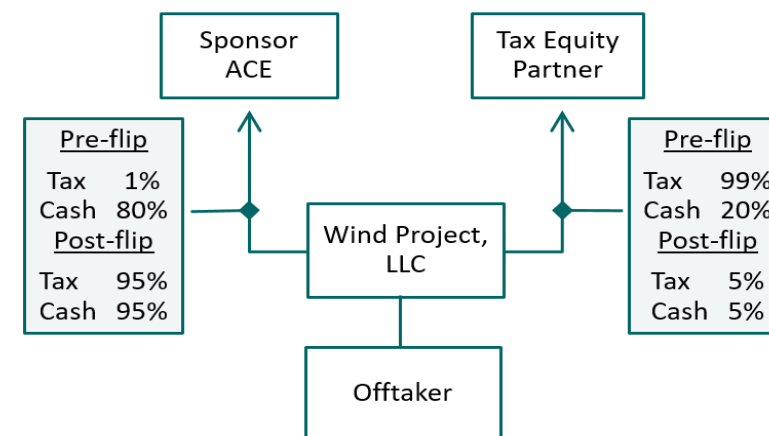
# Tax equity arrangement - illustration

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



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

**Tax Equity Structure**



Pre-Flip Period - 9.5-10 Years  
 Investor Pre-Flip Yield – 5.75-6.5%  
 Partners tax, cash, & PTC allocation percentages will change over the course of the deal

## HLBV method of accounting for allocation of GAAP earnings

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

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

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

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

# ALLETE Earnings (\$ millions)

## First Quarter 2021

	Quarter Ended March 31,	
	2021	2020
Regulated Operations	\$45.0 <sup>1)</sup>	\$57.5 <sup>3)</sup>
ALLETE Clean Energy	7.4 <sup>2)</sup>	11.7
Corporate and Other	(0.6)	(2.9)
Net Income Attributable to ALLETE	\$51.8	\$66.3
Diluted Earnings Per Share of Common Stock	\$0.99	\$1.28

See slide on page 41 for earnings per share impacts related to:

- 1) 2021 included the negative impact of timing of income taxes and operating and maintenance expense expected to reverse during the remainder of the year.
- 2) 2021 included an approximately \$5 million dollars negative impact related to ALLETE Clean Energy's Diamond Spring wind energy facility due to an extreme winter storm event in the southern United States in February 2021.
- 3) 2020 included sales under a 100 MW power sales contract which expired in April 2020.





# ALLETE Earnings Per Share

## First Quarter 2021

	Quarter Ended March 31,	
	2021	2020
Earnings Per Share - GAAP	<u>\$0.99</u>	<u>\$1.28</u>
Impacts on Earnings Per Share		
Regulated Operations		
Timing of Income Taxes and O&M	(0.12)	
ALLETE Clean Energy		
February 2021 Polar Vortex – Diamond Spring	(0.10)	
Lower Wind Resources – Other Facilities	(0.07)	
Timing of Income Taxes	(0.03)	

# 2021 Guidance Highlights; 2022 Preliminary Guidance

**2021 Guidance Range \$3.00 - \$3.30 per share - reaffirmed May 6, 2021**

Regulated Operations	\$2.30 - \$2.50
ALLETE Clean Energy, Corporate and Other	\$0.70 - \$0.80

## Key Factors, Expectations, Considerations and Assumptions

- **Regulated Operations**
  - Reflects a full year of Minnesota Power rate increase for the 2020 rate case settlement (eight months in 2020).
  - 2021 industrial sales of approximately 6.0 million to 6.5 million megawatt-hours (MWh), which reflects anticipated production from our taconite customers of approximately 35 million tons in 2021.
  - Continued impact from the COVID-19 pandemic impacting commercial, other industrial and municipal sales.
  - Lower revenue due to an expiring power sales agreement in April 2020.
  - Higher operating and maintenance expense of approximately 3 percent as compared to 2020.
  - Assumes that we will achieve reasonable outcomes in regulatory proceedings.
  - Excludes any favorable outcome of our deferred accounting filing for lost sales in 2020 and anticipated in 2021.
- **ALLETE Clean Energy**
  - ALLETE Clean Energy expects approximately 3.2 million MWh in 2021 (2.1 million MWh in 2020) in total wind generation, with the expectation of normal wind patterns.
  - South Peak and Diamond Spring in-service full year (in-service April and December of 2020, respectively).
  - Caddo in service by end of 2021 with no impact to earnings in 2021.
  - PTCs are estimated to be approximately \$21 million in 2021.
  - Higher depreciation expense due to additional plant in-service.
- **Corporate and Other**
  - Similar results at BNI Energy, Inc. and ALLETE Properties, LLC.
  - Nobles 2 Power Partners, LLC wind energy facility in-service full year (in-service fourth quarter of 2020).
- **Minimal equity issuances**
- **Guidance excludes the impact, if any, of possible acquisitions or additional development projects**

**2022 Preliminary Guidance Range \$3.70 - \$4.00 per share**



# Find ESG information at ALLETE.com

ALLETE Profile

- <https://www.allete.com/Content/Documents/Profile/2019-ale-profile.pdf>

2020 Corporate Sustainability Report

- <https://www.allete.com/Sustainability>

100% Carbon-Free Energy by 2050

- <https://www.mnpower.com/carbonfreeenergyvision>

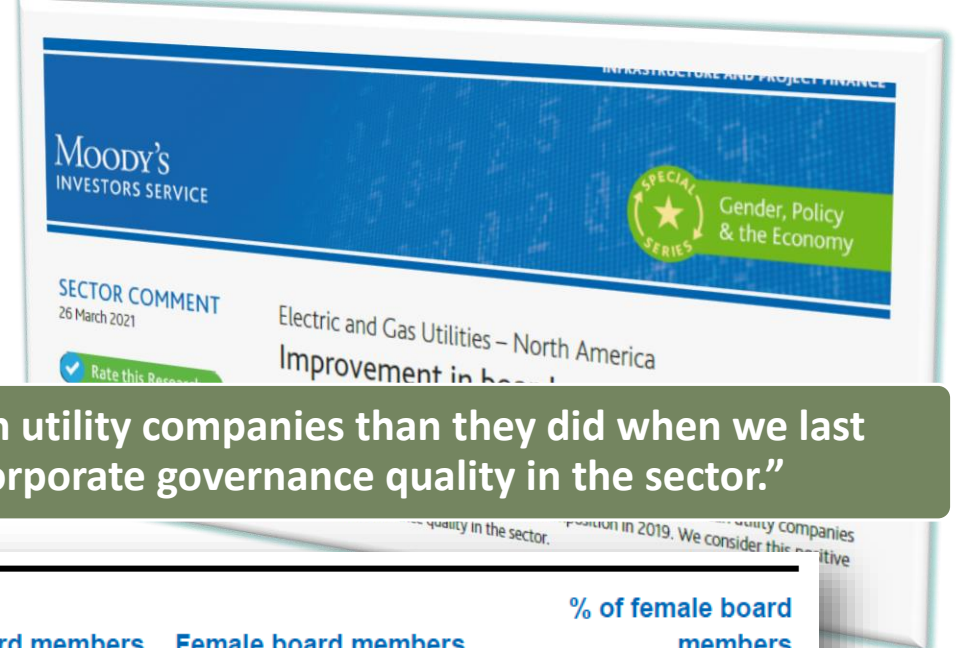
Environmental Stewardship at  
Minnesota Power

- <https://www.mnpower.com/Environment>

Serving Our Community

- <https://www.mnpower.com/Community>

# ALLETE positively recognized for it's gender-diverse board



“Women hold more seats on the boards of publicly traded North American utility companies than they did when we last examined board composition in 2019. We consider this positive for corporate governance quality in the sector.”

Company name	Long-term rating	Total board members	Female board members	% of female board members
ALLETE, Inc.	Baa1	11	6	55
Hawaiian Electric Industries, Inc.*	P-3	10	5	50
NorthWestern Corporation	Baa2	9	4	44
Spire Inc.	Baa2	9	4	44
Emera Inc.	Baa3	12	5	42
IDACORP, Inc.	Baa1	12	5	42
AES Corporation, (The)	Ba1	10	4	40
Fortis Inc.	Baa3	10	4	40
PNM Resources, Inc.**	Baa3	10	4	40
Sempra Energy	Baa2	13	5	38

ALLETE, Inc. has the highest proportion of women on their board out of the 45 publicly traded North American utility companies rated by Moody's.



