

United States
Securities and Exchange Commission
Washington, D.C. 20549

Form 10-K

(Mark One)

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the year ended **December 31, 2020**

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission File Number **1-3548**

ALLETE, Inc.

(Exact name of registrant as specified in its charter)

Minnesota

(State or other jurisdiction of incorporation or organization)

41-0418150

(I.R.S. Employer Identification No.)

30 West Superior Street, Duluth, Minnesota 55802-2093

(Address of principal executive offices, including zip code)

(218) 279-5000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, without par value	ALE	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer
Non-Accelerated Filer Smaller Reporting Company
Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of voting stock held by nonaffiliates on June 30, 2020, was \$2,825,208,722.

As of February 1, 2021, there were 52,116,629 shares of ALLETE Common Stock, without par value, outstanding.

Documents Incorporated By Reference

Portions of the Proxy Statement for the 2021 Annual Meeting of Shareholders are incorporated by reference in Part III.

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Definitions

The following abbreviations or acronyms are used in the text. References in this report to “we,” “us” and “our” are to ALLETE, Inc. and its subsidiaries, collectively.

Abbreviation or Acronym	Term
AFUDC	Allowance for Funds Used During Construction - the cost of both debt and equity funds used to finance utility plant additions during construction periods
ALLETE	ALLETE, Inc.
ALLETE Clean Energy	ALLETE Clean Energy, Inc. and its subsidiaries
ALLETE Properties	ALLETE Properties, LLC and its subsidiaries
ALLETE South Wind	ALLETE South Wind, LLC
ALLETE Transmission Holdings	ALLETE Transmission Holdings, Inc.
ArcelorMittal	ArcelorMittal USA LLC
ATC	American Transmission Company LLC
Basin	Basin Electric Power Cooperative
Bison	Bison Wind Energy Center
BNI Energy	BNI Energy, Inc. and its subsidiary
Boswell	Boswell Energy Center
Camp Ripley	Camp Ripley Solar Array
CIP	Conservation Improvement Program
Cliffs	Cleveland-Cliffs Inc.
Company	ALLETE, Inc. and its subsidiaries
COVID-19	2019 novel coronavirus
DC	Direct Current
EIS	Environmental Impact Statement
EPA	United States Environmental Protection Agency
ESG	Environmental, Social and Governance
ESOP	Employee Stock Ownership Plan
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
Form 8-K	ALLETE Current Report on Form 8-K
Form 10-K	ALLETE Annual Report on Form 10-K
Form 10-Q	ALLETE Quarterly Report on Form 10-Q
GAAP	Generally Accepted Accounting Principles in the United States of America
GHG	Greenhouse Gases
GNTL	Great Northern Transmission Line
Hibbing Taconite	Hibbing Taconite Co.
Husky Energy	Husky Energy Inc.
Invest Direct	ALLETE’s Direct Stock Purchase and Dividend Reinvestment Plan
IRP	Integrated Resource Plan
Item ____	Item ____ of this Form 10-K
kV	Kilovolt(s)
kW / kWh	Kilowatt(s) / Kilowatt-hour(s)
Lampert Capital Markets	Lampert Capital Markets, Inc.
Laskin	Laskin Energy Center
Manitoba Hydro	Manitoba Hydro-Electric Board
MBtu	Million British thermal units

Definitions (continued)

<u>Abbreviation or Acronym</u>	<u>Term</u>
Minnesota Power	An operating division of ALLETE, Inc.
Minnkota Power	Minnkota Power Cooperative, Inc.
MISO	Midcontinent Independent System Operator, Inc.
MMTP	Manitoba-Minnesota Transmission Project
Montana-Dakota Utilities	Montana-Dakota Utilities Co., a subsidiary of MDU Resources Group, Inc.
Moody's	Moody's Investors Service, Inc.
MPCA	Minnesota Pollution Control Agency
MPUC	Minnesota Public Utilities Commission
MW / MWh	Megawatt(s) / Megawatt-hour(s)
NAAQS	National Ambient Air Quality Standards
NDPSC	North Dakota Public Service Commission
NERC	North American Electric Reliability Corporation
Nobles 2	Nobles 2 Power Partners, LLC
NOL	Net Operating Loss
NO _x	Nitrogen Oxides
Northshore Mining	Northshore Mining Company, a wholly-owned subsidiary of Cliffs
Note ____	Note ____ to the consolidated financial statements in this Form 10-K
NPDES	National Pollutant Discharge Elimination System
NTEC	Nemadji Trail Energy Center
NYSE	New York Stock Exchange
Oliver Wind I	Oliver Wind I Energy Center
Oliver Wind II	Oliver Wind II Energy Center
PolyMet	PolyMet Mining Corp.
PPA / PSA	Power Purchase Agreement / Power Sales Agreement
PPACA	Patient Protection and Affordable Care Act of 2010
PSCW	Public Service Commission of Wisconsin
RSOP	Retirement Savings and Stock Ownership Plan
SEC	Securities and Exchange Commission
S&P	S&P Global Ratings
Silver Bay Power	Silver Bay Power Company, a wholly-owned subsidiary of Cliffs
SO ₂	Sulfur Dioxide
Square Butte	Square Butte Electric Cooperative, a North Dakota cooperative corporation
SWL&P	Superior Water, Light and Power Company
Taconite Harbor	Taconite Harbor Energy Center
Taconite Ridge	Taconite Ridge Energy Center
TCJA	Tax Cuts and Jobs Act of 2017 (Public Law 115-97)
Town Center District	Town Center at Palm Coast Community Development District in Florida
United Taconite	United Taconite LLC, a wholly-owned subsidiary of Cliffs
UPM Blandin	UPM, Blandin paper mill owned by UPM-Kymmene Corporation
U.S.	United States of America
U.S. Water Services	U.S. Water Services, Inc. and its subsidiaries
USS Corporation	United States Steel Corporation
WTG	Wind Turbine Generator

Forward-Looking Statements

Statements in this report that are not statements of historical facts are considered “forward-looking” and, accordingly, involve risks and uncertainties that could cause actual results to differ materially from those discussed. Although such forward-looking statements have been made in good faith and are based on reasonable assumptions, there can be no assurance that the expected results will be achieved. Any statements that express, or involve discussions as to, future expectations, risks, beliefs, plans, objectives, assumptions, events, uncertainties, financial performance, or growth strategies (often, but not always, through the use of words or phrases such as “anticipates,” “believes,” “estimates,” “expects,” “intends,” “plans,” “projects,” “likely,” “will continue,” “could,” “may,” “potential,” “target,” “outlook” or words of similar meaning) are not statements of historical facts and may be forward-looking.

In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, we are providing this cautionary statement to identify important factors that could cause our actual results to differ materially from those indicated in forward-looking statements made by or on behalf of ALLETE in this Form 10-K, in presentations, on our website, in response to questions or otherwise. These statements are qualified in their entirety by reference to, and are accompanied by, the following important factors, in addition to any assumptions and other factors referred to specifically in connection with such forward-looking statements that could cause our actual results to differ materially from those indicated in the forward-looking statements:

- our ability to successfully implement our strategic objectives;
- global and domestic economic conditions affecting us or our customers;
- changes in and compliance with laws and regulations;
- changes in tax rates or policies or in rates of inflation;
- the outcome of legal and administrative proceedings (whether civil or criminal) and settlements;
- weather conditions, natural disasters and pandemic diseases, including the ongoing COVID-19 pandemic;
- our ability to access capital markets, bank financing and other financing sources;
- changes in interest rates and the performance of the financial markets;
- project delays or changes in project costs;
- changes in operating expenses and capital expenditures and our ability to raise revenues from our customers;
- the impacts of commodity prices on ALLETE and our customers;
- our ability to attract and retain qualified, skilled and experienced personnel;
- effects of emerging technology;
- war, acts of terrorism and cybersecurity attacks;
- our ability to manage expansion and integrate acquisitions;
- population growth rates and demographic patterns;
- wholesale power market conditions;
- federal and state regulatory and legislative actions that impact regulated utility economics, including our allowed rates of return, capital structure, ability to secure financing, industry and rate structure, acquisition and disposal of assets and facilities, operation and construction of plant facilities and utility infrastructure, recovery of purchased power, capital investments and other expenses, including present or prospective environmental matters;
- effects of competition, including competition for retail and wholesale customers;
- effects of restructuring initiatives in the electric industry;
- the impacts on our businesses of climate change and future regulation to restrict the emissions of GHG;
- effects of increased deployment of distributed low-carbon electricity generation resources;
- the impacts of laws and regulations related to renewable and distributed generation;
- pricing, availability and transportation of fuel and other commodities and the ability to recover the costs of such commodities;
- our current and potential industrial and municipal customers’ ability to execute announced expansion plans;
- real estate market conditions where our legacy Florida real estate investment is located may not improve; and
- the success of efforts to realize value from, invest in, and develop new opportunities.

Additional disclosures regarding factors that could cause our results or performance to differ from those anticipated by this report are discussed in Part 1, Item 1A under the heading “Risk Factors” of this Form 10-K. Any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which that statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all of these factors, nor can it assess the impact of each of these factors on the businesses of ALLETE or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. Readers are urged to carefully review and consider the various disclosures made by ALLETE in this Form 10-K and in other reports filed with the SEC that attempt to identify the risks and uncertainties that may affect ALLETE’s business.

Part I

Item 1. Business

Overview.

ALLETE is a clean-energy leader committed to answering the call to transform the nation's energy landscape through innovative and sustainable solutions. Our businesses deliver critical, quality-of-life services in ways that respect the environment, support communities and the people who live there, and provide value to customers and investors. Minnesota Power has a vision to deliver 100 percent carbon-free energy to customers by 2050, continuing its commitment to climate, customers and communities through its *EnergyForward* strategy. This vision builds on Minnesota Power's recent achievement of now providing 50 percent renewable energy to its customers. ALLETE Clean Energy also operates more than 1,000 MW of renewable wind energy generation in addition to approximately 300 MW currently under construction and 155 MW previously constructed and sold to others. Delivery of these sustainable energy solutions helps the customers and communities we serve achieve their sustainability goals.

On February 1, 2021, Minnesota Power filed its latest IRP with the MPUC, which outlines its clean-energy transition plans through 2035. These plans include expanding its renewable energy supply to 70 percent by 2030, achieving coal-free operations at its facilities by 2035, and investing in a resilient and flexible transmission and distribution grid. Minnesota Power has also set a target to achieve an 80 percent reduction in carbon emissions by 2035 compared to 2005 levels. As part of these plans, Minnesota Power anticipates adding approximately 400 MW of new wind and solar energy resources, retiring Boswell Unit 3 by 2030 and transforming Boswell Unit 4 to be coal-free by 2035. Minnesota Power's plans recognize that advances in technology will play a significant role in completing its transition to carbon-free energy supply, reliably and affordably. A final decision on the IRP is expected in late 2021.

In recent years, Minnesota Power has transformed its energy supply from more than a 95 percent reliance on coal to become a leader in the nation's clean-energy transformation. Since 2013, the company has closed or converted seven of its nine coal-fired units and added nearly 900 megawatts of renewable energy sources. Additionally, Minnesota Power has been a leader in energy conservation, surpassing the state's conservation goals each year for the past decade.

ALLETE is also committed to earning a financial return that rewards our shareholders, allows for reinvestment in our businesses, and sustains growth. ALLETE is predominately a regulated utility through Minnesota Power, SWL&P, and an investment in ATC. ALLETE's strategy is to remain predominately a regulated utility while also investing in ALLETE Clean Energy and our Corporate and Other businesses to complement its regulated businesses, balance exposure to the utility's industrial customers, and provide potential long-term earnings growth.

The ongoing COVID-19 pandemic has resulted in widespread impacts on the global economy and on our employees, customers, contractors, and suppliers. There is considerable uncertainty regarding the extent to which COVID-19 will spread and the extent and duration of measures to try to contain the virus, such as travel bans and restrictions, quarantines, shelter-in-place orders (including those in effect in areas our businesses operate), and business and government shutdowns. Additional disclosures in this Form 10-K regarding the impacts of the ongoing COVID-19 pandemic are located in Item 1A. Risk Factors and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Regulated Operations includes our regulated utilities, Minnesota Power and SWL&P, as well as our investment in ATC, a Wisconsin-based regulated utility that owns and maintains electric transmission assets in portions of Wisconsin, Michigan, Minnesota and Illinois. Minnesota Power provides regulated utility electric service in northeastern Minnesota to approximately 145,000 retail customers. Minnesota Power also has 15 non-affiliated municipal customers in Minnesota. SWL&P is a Wisconsin utility and a wholesale customer of Minnesota Power. SWL&P provides regulated utility electric, natural gas and water service in northwestern Wisconsin to approximately 15,000 electric customers, 13,000 natural gas customers and 10,000 water customers. Our regulated utility operations include retail and wholesale activities under the jurisdiction of state and federal regulatory authorities. (See Note 4. Regulatory Matters.)

ALLETE Clean Energy focuses on developing, acquiring, and operating clean and renewable energy projects. ALLETE Clean Energy currently owns and operates, in seven states, more than 1,000 MW of nameplate capacity wind energy generation that is contracted under PSAs of various durations. In addition, ALLETE Clean Energy currently has approximately 300 MW of wind energy facilities under construction. ALLETE Clean Energy also engages in the development of wind energy facilities to operate under long-term PSAs or for sale to others upon completion.

Overview (Continued)

U.S. Water Services provided integrated water management for industry by combining chemical, equipment, engineering and service for customized solutions to reduce water and energy usage, and improve efficiency. In March 2019, the Company sold U.S. Water Services to a subsidiary of Kurita Water Industries Ltd.

Corporate and Other is comprised of BNI Energy, our coal mining operations in North Dakota; our investment in Nobles 2, an entity that owns and operates a 250 MW wind energy facility in southwestern Minnesota; ALLETE Properties, our legacy Florida real estate investment; other business development and corporate expenditures; unallocated interest expense; a small amount of non-rate base generation; approximately 4,000 acres of land in Minnesota; and earnings on cash and investments.

ALLETE is incorporated under the laws of Minnesota. Our corporate headquarters are in Duluth, Minnesota. Statistical information is presented as of December 31, 2020, unless otherwise indicated. All subsidiaries are wholly-owned unless otherwise specifically indicated. References in this report to “we,” “us” and “our” are to ALLETE and its subsidiaries, collectively.

Year Ended December 31	2020	2019	2018
Consolidated Operating Revenue – Millions (a)(b)	\$1,169.1	\$1,240.5	\$1,498.6
Percentage of Consolidated Operating Revenue			
Regulated Operations	84 %	84 %	71 %
ALLETE Clean Energy (a)	7 %	5 %	11 %
U.S. Water Services (b)	—	3 %	11 %
Corporate and Other	9 %	8 %	7 %
	100 %	100 %	100 %

(a) Includes the sale of a wind energy facility to Montana-Dakota Utilities for \$81.1 million in 2018.

(b) ALLETE sold U.S. Water Services in the first quarter of 2019.

For a detailed discussion of results of operations and trends, see Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations. For business segment information, see Note 1. Operations and Significant Accounting Policies and Note 13. Business Segments.

REGULATED OPERATIONS

Electric Sales / Customers

Regulated Utility Kilowatt-hours Sold

Year Ended December 31	2020	%	2019	%	2018	%
Millions						
Retail and Municipal						
Residential	1,134	9	1,130	8	1,140	8
Commercial	1,306	10	1,390	10	1,426	10
Industrial	6,192	47	7,277	54	7,261	50
Municipal	584	4	672	5	798	5
Total Retail and Municipal	9,216	70	10,469	77	10,625	73
Other Power Suppliers	4,039	30	3,185	23	3,953	27
Total Regulated Utility Kilowatt-hours Sold	13,255	100	13,654	100	14,578	100

Industrial Customers. In 2020, industrial customers represented 47 percent of total regulated utility kWh sales. Our industrial customers are primarily in the taconite mining, paper, pulp and secondary wood products, and pipeline industries.

The ongoing COVID-19 pandemic and related governmental responses has led to a disruption of economic activity, and could result in an extended disruption of economic activity. This disruption has resulted in reduced sales and revenue from industrial customers as many industrial customers operated at reduced levels or were temporarily closed or idled during 2020. In addition, Verso Corporation indefinitely idled its paper mill in Duluth, Minnesota. (See Outlook – Regulated Operations – Industrial Customers and Prospective Additional Load – Paper, Pulp and Secondary Wood Products – Verso Corporation.) The current disruption of economic activity or an extended disruption of economic activity may lead to additional adverse impacts on our taconite and paper, pulp and secondary wood products, pipeline and other industrial customers’ operations including further reduced production or the temporary idling or indefinite shutdown of other facilities, which would result in lower sales and revenue from these customers.

Industrial Customer Kilowatt-hours Sold

Year Ended December 31	2020	%	2019	%	2018	%
Millions						
Taconite	4,296	69	5,039	69	5,039	69
Paper, Pulp and Secondary Wood Products	752	12	1,014	14	987	14
Pipelines and Other Industrial	1,144	19	1,224	17	1,235	17
Total Industrial Customer Kilowatt-hours Sold	6,192	100	7,277	100	7,261	100

Six taconite facilities served by Minnesota Power made up approximately 80 percent of 2019 iron ore pellet production in the U.S. according to data from the Minnesota Department of Revenue 2020 Mining Tax Guide. These taconite facilities were all owned by Cliffs and USS Corporation at the end of the 2020. (See *Large Power Customer Contracts*.) Sales to taconite customers represented 4,296 million kWh, or 69 percent of total industrial customer kWh sales in 2020. Taconite, an iron-bearing rock of relatively low iron content, is abundantly available in northern Minnesota and an important domestic source of raw material for the steel industry. Taconite processing plants use large quantities of electric power to grind the iron-bearing rock, and agglomerate and pelletize the iron particles into taconite pellets.

Minnesota Power’s taconite customers are capable of producing approximately 41 million tons of taconite pellets annually. Taconite pellets produced in Minnesota are primarily shipped to North American steel making facilities that are part of the integrated steel industry, which continues to lead the world in environmental performance among steelmaking countries. According to the U.S. Department of Energy, steel produced in the U.S. is the most energy efficient of any major steel producing country. Steel produced from these North American facilities is used primarily in the manufacture of automobiles, appliances, tubular applications for all industries, and in the construction industry. Steel is also a critical component of the clean energy transformation underway today. The demand for more renewable energy and the need for additional infrastructure to transport green energy from the point of generation to the end user all requires steel. Historically, less than 10 percent of Minnesota taconite production has been exported outside of North America.

REGULATED OPERATIONS (Continued)
Industrial Customers (Continued)

There has been a general historical correlation between U.S. steel production and Minnesota taconite production. The American Iron and Steel Institute, an association of North American steel producers, reported that U.S. raw steel production operated at approximately 68 percent of capacity in 2020 (80 percent in 2019 and 78 percent in 2018). The World Steel Association, an association of steel producers, national and regional steel industry associations, and steel research institutes representing approximately 85 percent of world steel production, projected U.S. steel consumption in 2021 will increase by approximately 7 percent compared to 2020.

The following table reflects Minnesota Power's taconite customers' production levels for the past ten years:

Minnesota Power Taconite Customer Production	
Year	Tons (Millions)
2020*	30
2019	37
2018	39
2017	38
2016	28
2015	31
2014	39
2013	37
2012	39
2011	39

Source: Minnesota Department of Revenue 2020 Mining Tax Guide for years 2011 - 2019.
** Preliminary data from the Minnesota Department of Revenue.*

Minnesota Power's taconite customers may experience annual variations in production levels due to such factors as economic conditions, short-term demand changes or maintenance outages. We estimate that a one million ton change in Minnesota Power's taconite customers' production would impact our annual earnings per share by approximately \$0.04, net of expected power marketing sales at current prices. Changes in wholesale electric prices or customer contractual demand nominations could impact this estimate. Minnesota Power proactively sells power in the wholesale power markets that is temporarily not required by industrial customers to optimize the value of its generating facilities. Long-term reductions in taconite production or a permanent shut down of a taconite customer may lead Minnesota Power to file a general rate case to recover lost revenue.

In addition to serving the taconite industry, Minnesota Power serves a number of customers in the paper, pulp and secondary wood products industry, which represented 752 million kWh, or 12 percent of total industrial customer kWh sales in 2020. Minnesota Power also has agreements to provide steam for two paper and pulp customers for use in the customers' operations. The four major paper and pulp mills we serve reported operating at lower levels in 2020 compared to 2019 resulting from the ongoing COVID-19 pandemic. In addition, Verso Corporation indefinitely idled its paper mill in Duluth, Minnesota. (See Outlook – Regulated Operations – Industrial Customers and Prospective Additional Load – Paper, Pulp and Secondary Wood Products – Verso Corporation.)

Large Power Customer Contracts. Minnesota Power has eight Large Power Customer contracts, each serving requirements of 10 MW or more of customer load. The customers consist of six taconite facilities owned by Cliffs and USS Corporation at the end of the 2020 as well as four paper and pulp mills. Certain facilities with common ownership are served under combined contracts.

REGULATED OPERATIONS (Continued)
Large Power Customer Contracts (Continued)

Large Power Customer contracts require Minnesota Power to have a certain amount of generating capacity available. In turn, each Large Power Customer is required to pay a minimum monthly demand charge that covers the fixed costs associated with having this capacity available to serve the customer, including a return on common equity. Most contracts allow customers to establish the level of megawatts subject to a demand charge on a three to four-month basis and require that a portion of their megawatt needs be committed on a take-or-pay basis for at least a portion of the term of the agreement. In addition to the demand charge, each Large Power Customer is billed an energy charge for each kWh used that recovers the variable costs incurred in generating electricity. Five of the Large Power Customer contracts have interruptible service which provides a discounted demand rate in exchange for the ability to interrupt the customers during system emergencies. Minnesota Power also provides incremental production service for customer demand levels above the contractual take-or-pay levels. There is no demand charge for this service and energy is priced at an increment above Minnesota Power's cost. Incremental production service is interruptible.

All contracts with Large Power Customers continue past the contract termination date unless the required advance notice of cancellation has been given. The required advance notice of cancellation varies from two to four years. Such contracts reduce the impact on earnings that otherwise would result from significant reductions in kWh sales to such customers. Large Power Customers are required to take all of their purchased electric service requirements from Minnesota Power for the duration of their contracts. The rates and corresponding revenue associated with capacity and energy provided under these contracts are subject to change through the same regulatory process governing all retail electric rates. (See *Regulatory Matters – Electric Rates*.)

Minnesota Power, as permitted by the MPUC, requires most of its Large Power Customers to pay weekly for electric usage based on monthly energy usage estimates. These customers receive estimated bills or make weekly prepayments based on Minnesota Power's estimate of the customer's energy usage, forecasted energy prices and fuel adjustment clause estimates. Minnesota Power's taconite-producing Large Power Customers have generally predictable energy usage on a week-to-week basis and any differences that occur are trued-up the following month.

Contract Status for Minnesota Power Large Power Customers
As of December 31, 2020

Customer	Industry	Location	Ownership	Earliest Termination Date
Cliffs – Minorca Mine (a)	Taconite	Virginia, MN	Cliffs	December 31, 2025
Hibbing Taconite (a)(b)	Taconite	Hibbing, MN	85.3% Cliffs 14.7% USS Corporation	December 31, 2024
United Taconite and Northshore Mining	Taconite	Eveleth, MN and Babbitt, MN	Cliffs	December 31, 2026
USS Corporation (USS – Minnesota Ore) (b)(c)	Taconite	Mtn. Iron, MN and Keewatin, MN	USS Corporation	December 31, 2024
Boise, Inc. (b)	Paper	International Falls, MN	Packaging Corporation of America	December 31, 2024
UPM Blandin	Paper	Grand Rapids, MN	UPM-Kymmene Corporation	December 31, 2029
Verso Duluth Mill (d)	Paper and Pulp	Duluth, MN	Verso Corporation	January 31, 2025
Sappi Cloquet LLC (b)	Paper and Pulp	Cloquet, MN	Sappi Limited	December 31, 2024

(a) In December 2020, Cliffs acquired substantially all of the operations of ArcelorMittal and its subsidiaries. The transaction included ArcelorMittal's Minorca mine in Virginia, Minnesota, and its ownership share of Hibbing Taconite in Hibbing, Minnesota. (See *Outlook – Regulated Operations – Industrial Customers and Prospective Additional Load – Cliffs Acquisition*.)

(b) The contract will terminate four years from the date of written notice from either Minnesota Power or the customer. No notice of contract cancellation has been given by either party. Thus, the earliest date of cancellation is December 31, 2024.

(c) USS Corporation owns both the Minntac Plant in Mountain Iron, MN, and the Keewatin Taconite Plant in Keewatin, MN.

(d) In June 2020, Verso Corporation indefinitely idled its paper mill in Duluth, Minnesota. On January 29, 2021, Verso Corporation provided notice of termination for its contract effective in January 2025. (See *Outlook – Regulated Operations – Industrial Customers and Prospective Additional Load – Paper, Pulp and Secondary Wood Products – Verso Corporation*.)

REGULATED OPERATIONS (Continued)

Residential and Commercial Customers. In 2020, residential and commercial customers represented 19 percent of total regulated utility kWh sales.

Municipal Customers. In 2020, municipal customers represented 4 percent of total regulated utility kWh sales. All of the municipal customer contracts include a termination clause requiring a three-year notice to terminate.

Minnesota Power's wholesale electric contracts with 15 non-affiliated municipal customers in Minnesota have termination dates ranging from 2024 through 2037, with a majority of contracts effective through 2024. All wholesale contracts include a termination clause requiring a three-year notice to terminate. (See Note 4. Regulatory Matters.)

The contract with a former municipal customer expired in June 2019. Minnesota Power historically provided approximately 29 MW of average monthly demand to this customer.

Other Power Suppliers. The Company also enters into off-system sales with Other Power Suppliers. These sales are at market-based prices into the MISO market on a daily basis or through bilateral agreements of various durations.

Our PSAs are detailed in Note 8. Commitments, Guarantees and Contingencies, with additional disclosure provided in the following paragraphs.

Basin PSAs. Minnesota Power had an agreement to sell 100 MW of capacity and energy to Basin for a ten-year period which expired in April 2020. Minnesota Power has two additional agreements to sell capacity to Basin at fixed prices. (See Note 8. Commitments, Guarantees and Contingencies.)

Minnkota Power PSA. Minnesota Power has a PSA with Minnkota Power where Minnesota Power is selling a portion of its entitlement from Square Butte to Minnkota Power, resulting in Minnkota Power's net entitlement increasing and Minnesota Power's net entitlement decreasing until Minnesota Power's share is eliminated at the end of 2025. Of Minnesota Power's 50 percent output entitlement, it sold approximately 28 percent to Minnkota Power in 2020 (28 percent in 2019 and in 2018). Minnkota Power's net entitlement increases to approximately 32 percent in 2022, 37 percent in 2023, 41 percent in 2024, 46 percent in 2025 and 50 percent in 2026. (See *Power Supply – Long-Term Purchased Power.*)

Silver Bay Power PSA. In 2016, Minnesota Power and Silver Bay Power entered into a PSA through 2031. Silver Bay Power supplies approximately 90 MW of load to Northshore Mining, an affiliate of Silver Bay Power, which had previously been served predominately through self-generation by Silver Bay Power. Starting in 2016, Minnesota Power supplied Silver Bay Power with at least 50 MW of energy and Silver Bay Power had the option to purchase additional energy from Minnesota Power as it transitioned away from self-generation. In the third quarter of 2019, Silver Bay Power ceased self-generation and Minnesota Power began supplying the full energy requirements for Silver Bay Power.

Seasonality

The operations of our industrial customers, which make up a large portion of our electric sales, are not typically subject to significant seasonal variations. (See *Electric Sales / Customers.*) As a result, Minnesota Power is generally not subject to significant seasonal fluctuations in electric sales; however, Minnesota Power and SWL&P electric and natural gas sales to other customers may be affected by seasonal differences in weather. In general, peak electric sales occur in the winter and summer months with fewer electric sales in the spring and fall months. Peak sales of natural gas generally occur in the winter months. Additionally, our regulated utilities have historically generated fewer sales and less revenue when weather conditions are milder in the winter and summer.

Power Supply

In order to meet its customers' electric requirements, Minnesota Power utilizes a mix of its own generation and purchased power. As of December 31, 2020, approximately 50 percent of Minnesota Power's power supply is expected to be provided by renewable energy sources with the completion of the 250 MW Nobles 2 wind energy facility in December 2020 and the GNTL in June 2020, which will be used to deliver 250 MW of hydroelectric energy from Manitoba Hydro. Minnesota Power's remaining operating coal-fired facilities are Boswell Units 3 and 4, which Minnesota Power proposed in its latest IRP to retire by 2030 and coal-free by 2035, respectively. (See *Regulatory Matters.*) The following table reflects Minnesota Power's generating capabilities as of December 31, 2020, and total electrical supply for 2020. Minnesota Power had an annual net peak load of 1,588 MW on February 14, 2020.

REGULATED OPERATIONS (Continued)
Power Supply (Continued)

Regulated Utility Power Supply	Unit No.	Year Installed	Net Capability MW	Year Ended December 31, 2020	
				Generation and Purchases MWh	%
Coal-Fired					
Boswell Energy Center (a) in Cohasset, MN	3	1973	355		
	4	1980	468 (b)		
			823	3,673,480	26.9
Taconite Harbor Energy Center in Schroeder, MN	1	1957	75		
	2	1957	75		
			150 (c)	—	—
Total Coal-Fired			973	3,673,480	26.9
Biomass Co-Fired / Natural Gas					
Hibbard Renewable Energy Center in Duluth, MN	3 & 4	1949, 1951	62	30,858	0.2
Laskin Energy Center in Hoyt Lakes, MN	1 & 2	1953	110	16,473	0.1
Total Biomass Co-Fired / Natural Gas			172	47,331	0.3
Hydro (d)					
Group consisting of ten stations in MN	Multiple	Multiple	120	546,847	4.0
Wind (e)					
Taconite Ridge Energy Center in Mt. Iron, MN	Multiple	2008	25	59,419	0.5
Bison Wind Energy Center in Oliver and Morton Counties, ND	Multiple	2010-2014	497	1,700,098	12.4
Total Wind			522	1,759,517	12.9
Solar (f)					
Group consisting of two solar arrays in MN	Multiple	Multiple	10	16,230	0.1
Total Generation			1,797	6,043,405	44.2
Long-Term Purchased Power					
Lignite Coal - Square Butte near Center, ND (g)				1,466,584	10.7
Wind - Oliver Wind I and II in Oliver County, ND				309,324	2.3
Wind - Nobles 2 in Nobles County, MN (h)				52,477	0.4
Hydro - Manitoba Hydro in Manitoba, Canada				1,052,539	7.7
Total Long-Term Purchased Power				2,880,924	21.1
Other Purchased Power (i)					
Total Purchased Power				4,749,729	34.7
Total Regulated Utility Power Supply				13,674,058	100.0

(a) Minnesota Power retired Boswell Units 1 and 2 in the fourth quarter of 2018. Minnesota Power proposed in its latest IRP to retire Boswell Unit 3 by 2030 and for Boswell Unit 4 to be coal-free by 2035. (See Regulatory Matters.)

(b) Boswell Unit 4 net capability shown above reflects Minnesota Power's ownership percentage of 80 percent. WPPI Energy owns 20 percent of Boswell Unit 4. (See Note 3. Jointly-Owned Facilities and Assets.)

(c) Taconite Harbor Units 1 and 2 were idled in 2016. (See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Outlook – EnergyForward.)

(d) Hydro consists of 10 stations with 34 generating units.

(e) Taconite Ridge consists of 10 WTGs and Bison consists of 165 WTGs.

(f) Solar includes the 10 MW Camp Ripley Solar Array near Little Falls, MN, and a 40 kW community solar garden in Duluth, MN.

(g) Minnesota Power has a PSA with Minnkota Power whereby Minnesota Power is selling a portion of its entitlement from Square Butte to Minnkota Power. (See Electric Sales / Customers – Minnkota Power PSA.)

(h) See Item 1. Business – Corporate and Other – Investment in Nobles 2.

(i) Includes short-term market purchases in the MISO market and from Other Power Suppliers.

REGULATED OPERATIONS (Continued)
Power Supply (Continued)

Fuel. Minnesota Power purchases low-sulfur, sub-bituminous coal from the Powder River Basin region located in Montana and Wyoming. Coal consumption in 2020 for electric generation at Minnesota Power's coal-fired generating stations was 2.2 million tons (2.5 million tons in 2019; 3.8 million tons in 2018). As of December 31, 2020, Minnesota Power had coal inventories of 0.8 million tons (0.9 million tons as of December 31, 2019). Minnesota Power has coal supply agreements providing for the purchase of a significant portion of its coal requirements through December 2021. In 2021, Minnesota Power expects to obtain coal under these coal supply agreements and in the spot market. Minnesota Power continues to explore other future coal supply options and believes that adequate supplies of low-sulfur, sub-bituminous coal will continue to be available.

Minnesota Power also has coal transportation agreements in place for the delivery of a significant portion of its coal requirements through December 2021. The costs of fuel and related transportation costs for Minnesota Power's generation are recoverable from Minnesota Power's utility customers through the fuel adjustment clause.

Coal Delivered to Minnesota Power

Year Ended December 31	2020	2019	2018
Average Price per Ton	\$34.94	\$35.31	\$38.89
Average Price per MBtu	\$1.93	\$1.94	\$2.10

Long-Term Purchased Power. Minnesota Power has contracts to purchase capacity and energy from various entities, including output from certain coal, wind, hydro and solar generating facilities.

Our PPAs are detailed in Note 8. Commitments, Guarantees and Contingencies, with additional disclosure provided in the following paragraph.

Square Butte PPA. Under the PPA with Square Butte that extends through 2026, Minnesota Power is entitled to 50 percent of the output of Square Butte's 455 MW coal-fired generating unit. (See Note 8. Commitments, Guarantees and Contingencies.) BNI Energy mines and sells lignite coal to Square Butte. This lignite supply is sufficient to provide fuel for the anticipated useful life of the generating unit. Square Butte's cost of lignite consumed in 2020 was approximately \$1.75 per MBtu (\$1.88 per MBtu in 2019; \$1.60 per MBtu in 2018). (See *Electric Sales / Customers – Minnesota Power PSA.*)

Manitoba Hydro. Minnesota Power has three long-term PPAs with Manitoba Hydro. Under the first PPA, Minnesota Power is purchasing surplus energy through April 2022. This energy-only agreement primarily consists of surplus hydro energy on Manitoba Hydro's system that is delivered to Minnesota Power on a non-firm basis. Under this agreement, Minnesota Power will purchase at least one million MWh of energy over the contract term. The second PPA provides for Minnesota Power to purchase 250 MW of capacity and energy from Manitoba Hydro through May 2035. The third PPA provides for Minnesota Power to purchase up to 133 MW of energy from Manitoba Hydro through June 2040.

Transmission and Distribution

We have electric transmission and distribution lines of 500 kV (232 miles), 345 kV (242 miles), 250 kV (465 miles), 230 kV (714 miles), 161 kV (43 miles), 138 kV (130 miles), 115 kV (1,252 miles) and less than 115 kV (6,369 miles). We own and operate 158 substations with a total capacity of 10,066 megavoltamperes. Some of our transmission and distribution lines interconnect with other utilities.

Great Northern Transmission Line. As a condition of the 250 MW long-term PPA entered into with Manitoba Hydro, construction of additional transmission capacity was required. As a result, Minnesota Power constructed the GNTL, an approximately 220-mile 500-kV transmission line between Manitoba and Minnesota's Iron Range that was proposed by Minnesota Power and Manitoba Hydro in order to strengthen the electric grid, enhance regional reliability and promote a greater exchange of sustainable energy. On June 1, 2020, Minnesota Power placed the GNTL into service with project costs of approximately \$310 million incurred by Minnesota Power. Total project costs, including those costs contributed by a subsidiary of Manitoba Hydro, totaled approximately \$660 million. Also on June 1, 2020, Manitoba Hydro placed the MMTP into service. The 250 MW PPA with Manitoba Hydro commenced when the GNTL was placed into service.

REGULATED OPERATIONS (Continued)

Investment in ATC

Our wholly-owned subsidiary, ALLETE Transmission Holdings, owns approximately 8 percent of ATC, a Wisconsin-based utility that owns and maintains electric transmission assets in portions of Wisconsin, Michigan, Minnesota and Illinois. We account for our investment in ATC under the equity method of accounting. As of December 31, 2020, our equity investment in ATC was \$149.0 million (\$141.6 million as of December 31, 2019). (See Note 5. Equity Investments.)

ATC's authorized return on equity is 10.02 percent, or 10.52 percent including an incentive adder for participation in a regional transmission organization, based on a May 21, 2020, FERC order that granted rehearing of a November 2019 FERC order. (See Note 4. Regulatory Matters.)

ATC's 10-year transmission assessment, which covers the years 2020 through 2029, identifies a need for between \$2.9 billion and \$3.5 billion in transmission system investments. These investments by ATC, if undertaken, are expected to be funded through a combination of internally generated cash, debt and investor contributions. As opportunities arise, we plan to make additional investments in ATC through general capital calls based upon our pro rata ownership interest in ATC.

Properties

Our Regulated Operations businesses own office and service buildings, an energy control center, repair shops, electric plants, transmission facilities and storerooms in various localities in Minnesota, Wisconsin and North Dakota. All of the electric plants are subject to mortgages, which collateralize the outstanding first mortgage bonds of Minnesota Power and SWL&P. Most of the generating plants and substations are located on real property owned by Minnesota Power or SWL&P, subject to the lien of a mortgage, whereas most of the transmission and distribution lines are located on real property owned by others with appropriate easement rights or necessary permits from governmental authorities. WPPI Energy owns 20 percent of Boswell Unit 4. WPPI Energy has the right to use our transmission line facilities to transport its share of Boswell generation. (See Note 3. Jointly-Owned Facilities and Assets.)

Regulatory Matters

We are subject to the jurisdiction of various regulatory authorities and other organizations. Regulatory matters and proceedings are detailed in Note 4. Regulatory Matters, with a summary included in the following paragraphs.

Electric Rates. All rates and contract terms in our Regulated Operations are subject to approval by applicable regulatory authorities. Minnesota Power and SWL&P design their retail electric service rates based on cost of service studies under which allocations are made to the various classes of customers as approved by the MPUC or the PSCW. Nearly all retail sales include billing adjustment clauses, which may adjust electric service rates for changes in the cost of fuel and purchased energy, recovery of current and deferred conservation improvement program expenditures and recovery of certain transmission, renewable and environmental investments.

Minnesota Public Utilities Commission. The MPUC has regulatory authority over Minnesota Power's retail service area in Minnesota, retail rates, retail services, capital structure, issuance of securities and other matters. Minnesota Power's current retail rates are based on a March 2018 MPUC retail rate order that allows for a 9.25 percent return on common equity and a 53.81 percent equity ratio. The resolution of Minnesota Power's 2020 general rate case did not change its allowed return on equity or equity ratio. (See *2020 Minnesota General Rate Case*.) As authorized by the MPUC, Minnesota Power also recognizes revenue under cost recovery riders for transmission, renewable and environmental investments.

2020 Minnesota General Rate Case. In November 2019, Minnesota Power filed a retail rate increase request with the MPUC seeking an average increase of approximately 10.6 percent for retail customers. The rate filing sought a return on equity of 10.05 percent and a 53.81 percent equity ratio. On an annualized basis, the requested final rate increase would have generated approximately \$66 million in additional revenue. In orders dated December 23, 2019, the MPUC accepted the filing as complete and authorized an annual interim rate increase of \$36.1 million beginning January 1, 2020.

REGULATED OPERATIONS (Continued)
Regulatory Matters (Continued)

On April 23, 2020, Minnesota Power filed a request with the MPUC that proposed a resolution of Minnesota Power's 2020 general rate case. Key components of our proposal included removing the power marketing margin credit in base rates and reflecting actual power marketing margins in the fuel adjustment clause effective May 1, 2020; refunding to customers interim rates collected through April 2020; increasing customer rates 4.1 percent compared to the 5.8 percent increase reflected in interim rates; and a provision that Minnesota Power would not file another rate case until at least November 1, 2021, unless certain events occur. In an order dated June 30, 2020, the MPUC approved Minnesota Power's petition and proposal to resolve and withdraw the general rate case. Effective May 1, 2020, customer rates were set at an increase of 4.1 percent with the removal of the power marketing margin credit from base rates. Actual power marketing margins will be reflected in the fuel adjustment clause on an ongoing basis. Reserves for interim rates of \$11.7 million were recorded in the second quarter of 2020 and refunded in the third and fourth quarters of 2020.

2021 Integrated Resource Plan. On February 1, 2021, Minnesota Power filed its latest IRP with the MPUC, which outlines its clean-energy transition plans through 2035. These plans include expanding its renewable energy supply to 70 percent by 2030, achieving coal-free operations at its facilities by 2035, and investing in a resilient and flexible transmission and distribution grid. Minnesota Power has also set a target to achieve an 80 percent reduction in carbon emissions by 2035 compared to 2005 levels. As part of these plans, Minnesota Power anticipates adding approximately 400 MW of new wind and solar energy resources, retiring Boswell Unit 3 by 2030 and transforming Boswell Unit 4 to be coal-free by 2035. Minnesota Power's plans recognize that advances in technology will play a significant role in completing its transition to carbon-free energy supply, reliably and affordably. A final decision on the IRP is expected in late 2021.

Minnesota Power has a vision to deliver 100 percent carbon-free energy to customers by 2050, continuing its commitment to climate, customers and communities through its *EnergyForward* strategy. This vision builds on Minnesota Power's recent achievement of now providing 50 percent renewable energy to its customers.

Public Service Commission of Wisconsin. The PSCW has regulatory authority over SWL&P's retail sales of electricity, natural gas and water, issuances of securities and other matters. SWL&P's current retail rates are based on a December 2018 order that allows for a return on equity of 10.4 percent and a 55.0 percent equity ratio. The PSCW had directed SWL&P to file its next general rate case in 2020; however, the PSCW granted an extension request made by SWL&P to delay filing its next general rate case until on or before December 20, 2022. SWL&P requested the extension primarily due to impacts of the COVID-19 pandemic.

North Dakota Public Service Commission. The NDPSC has jurisdiction over site and route permitting of generation and transmission facilities in North Dakota.

Federal Energy Regulatory Commission. The FERC has jurisdiction over the licensing of hydroelectric projects, the establishment of rates and charges for transmission of electricity in interstate commerce, electricity sold at wholesale (including the rates for Minnesota Power's municipal and wholesale customers), natural gas transportation, certain accounting and record-keeping practices, certain activities of our regulated utilities and the operations of ATC. FERC jurisdiction also includes enforcement of NERC mandatory electric reliability standards. Violations of FERC rules are subject to enforcement action by the FERC including financial penalties up to \$1 million per day per violation.

Regional Organizations

Midcontinent Independent System Operator, Inc. Minnesota Power, SWL&P and ATC are members of MISO, a regional transmission organization. While Minnesota Power and SWL&P retain ownership of their respective transmission assets, their transmission networks are under the regional operational control of MISO. Minnesota Power and SWL&P take and provide transmission service under the MISO open access transmission tariff. In cooperation with stakeholders, MISO manages the delivery of electric power across 15 states and the Canadian province of Manitoba.

North American Electric Reliability Corporation. The NERC has been certified by the FERC as the national electric reliability organization. The NERC ensures the reliability of the North American bulk power system. The NERC oversees six regional entities that establish requirements, approved by the FERC, for reliable operation and maintenance of power generation facilities and transmission systems. Minnesota Power is subject to these reliability requirements and can incur significant penalties for non-compliance.

REGULATED OPERATIONS (Continued)
Regional Organizations (Continued)

Midwest Reliability Organization (MRO). Minnesota Power and ATC are members of the MRO, one of the six regional entities overseen by the NERC. The MRO's primary responsibilities are to: ensure compliance with mandatory reliability standards by entities who own, operate or use the interconnected, international bulk power system; conduct assessments of the grid's ability to meet electricity demand in the region; and analyze regional system events. The MRO region spans the Canadian provinces of Saskatchewan and Manitoba, and all or parts of 16 states.

Minnesota Legislation

Renewable Energy. Minnesota law requires 25 percent of electric utilities' applicable retail and municipal energy sales in Minnesota to be from renewable energy sources by 2025. Minnesota law also requires Minnesota Power to meet interim milestones including 20 percent by 2020. The law allows the MPUC to modify or delay meeting a milestone if implementation will cause significant ratepayer cost or technical reliability issues. If a utility is not in compliance with a milestone, the MPUC may order the utility to construct facilities, purchase renewable energy or purchase renewable energy credits. Minnesota Power has exceeded the interim milestone requirements to date.

As of December 31, 2020, approximately 50 percent of Minnesota Power's power supply is expected to be provided by renewable energy sources. (See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Outlook – EnergyForward.)

Minnesota Solar Energy Standard. Minnesota law required at least 1.5 percent of total retail electric sales, excluding sales to certain customers, to be generated by solar energy by the end of 2020. At least 10 percent of the 1.5 percent mandate must be met by solar energy generated by or procured from solar photovoltaic devices with a nameplate capacity of 40 kW or less and community solar garden subscriptions. Minnesota Power has met both parts of the solar mandate.

Competition

Retail electric energy sales in Minnesota and Wisconsin are made to customers in assigned service territories. As a result, most retail electric customers in Minnesota do not have the ability to choose their electric supplier. Large energy users of 2 MW and above that are located outside of a municipality are allowed to choose a supplier upon MPUC approval. Minnesota Power serves 8 Large Power Customers under contracts of at least 10 MW, none of which have engaged in a competitive rate process. No other large commercial or small industrial customers in Minnesota Power's service territory have sought a provider outside Minnesota Power's service territory. Retail electric and natural gas customers in Wisconsin do not have the ability to choose their energy supplier. In both states, however, electricity may compete with other forms of energy. Customers may also choose to generate their own electricity, or substitute other forms of energy for their manufacturing processes.

In 2020, 4 percent of total regulated utility kWh sales were to municipal customers in Minnesota. These customers have the right to seek an energy supply from any wholesale electric service provider upon contract expiration. Minnesota Power's wholesale electric contract with the Nashwauk Public Utilities Commission was extended in October 2020 and is effective through December 31, 2037. Minnesota Power wholesale electric contracts with 14 municipal customers are effective through varying dates ranging from 2024 through 2029. The contract with a former municipal customer expired on June 30, 2019. (See *Electric Sales / Customers*.)

The FERC has continued with its efforts to promote a competitive wholesale market through open-access electric transmission and other means. As a result, our electric sales to Other Power Suppliers and our purchases to supply our retail and wholesale load are made in a competitive market.

Franchises

Minnesota Power holds franchises to construct and maintain an electric distribution and transmission system in 95 cities. The remaining cities, villages and towns served by Minnesota Power do not require a franchise to operate. SWL&P serves customers under electric, natural gas or water franchises in 1 city and 14 villages and towns.

ALLETE CLEAN ENERGY

ALLETE Clean Energy focuses on developing, acquiring, and operating clean and renewable energy projects. ALLETE Clean Energy currently owns and operates, in seven states, more than 1,000 MW of nameplate capacity wind energy generation that is contracted under PSAs of various durations. In addition, ALLETE Clean Energy currently has approximately 300 MW of wind energy facilities under construction. ALLETE Clean Energy also engages in the development of wind energy facilities to operate under long-term PSAs or for sale to others upon completion. (See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Outlook – ALLETE Clean Energy.)

ALLETE Clean Energy believes the market for renewable energy in North America is robust, driven by several factors including environmental regulation, tax incentives such as the extension of production tax credit and investment tax credits, societal expectations and continual technology advances. State renewable portfolio standards, state or federal regulations to limit GHG emissions and the extension of production tax credit and investment tax credits are examples of environmental regulation or public policy that we believe will drive renewable energy development.

ALLETE Clean Energy's strategy includes the safe, reliable, optimal and profitable operation of its existing facilities. This includes a strong safety culture, the continuous pursuit of operational efficiencies at existing facilities and cost controls. ALLETE Clean Energy generally acquires facilities in liquid power markets and its strategy includes the exploration of PSA extensions upon expiration of existing contracts, production tax credit requalification of existing facilities or the sale of facilities.

ALLETE Clean Energy manages risk by having a diverse portfolio of assets, which includes PSA expiration, technology and geographic diversity. The current operating portfolio is subject to typical variations in seasonal wind with higher wind resources typically available in the winter months. The majority of its planned maintenance leverages this seasonality and is performed during lower wind periods. ALLETE Clean Energy's current operating portfolio is as follows:

Region	Wind Energy Facility	Capacity MW	PSA MW	PSA Expiration
East	Armenia Mountain	101	100%	2024
Midwest	Chanarambie/Viking	98		
	PSA 1 (a)		12%	2023
	PSA 2		88%	2023
	Lake Benton	104	100%	2028
	Storm Lake I	108	100%	2027
	Storm Lake II	77		
	PSA 1		90%	2022
	PSA 2		10%	2032
	Other	17	100%	2028
South	Diamond Spring	303		
	PSA 1		58%	2035
	PSA 2		25%	2032
	PSA 3		16%	2035
West	Condon	50	100%	2022
	Glen Ullin	106	100%	2039
	South Peak	80	100%	2035

(a) The PSA expiration assumes the exercise of four one-year renewal options that ALLETE Clean Energy has the sole right to exercise.

The majority of ALLETE Clean Energy's wind operations are located on real property owned by others with easement rights or necessary consents of governmental authorities. One of ALLETE Clean Energy's wind energy facilities is encumbered by liens against its assets securing financing. ALLETE Clean Energy's Glen Ullin, South Peak, and Diamond Spring wind energy facilities are subject to tax equity financing structures. (See Note 1. Operations and Significant Accounting Policies.)

U.S. WATER SERVICES

U.S. Water Services provided integrated water management for industry by combining chemical, equipment, engineering and service for customized solutions to reduce water and energy usage, and improve efficiency. In March 2019, the Company sold U.S. Water Services to a subsidiary of Kurita Water Industries Ltd. pursuant to a stock purchase agreement for approximately \$270 million in cash, net of transaction costs and cash retained. The Company recognized a gain on the sale of U.S. Water Services of \$13.2 million after-tax in 2019. ALLETE used the proceeds from the sale of U.S. Water Services to reinvest in growth initiatives at our Regulated Operations and ALLETE Clean Energy.

CORPORATE AND OTHER

BNI Energy

BNI Energy is a supplier of lignite coal in North Dakota, producing approximately 4 million tons annually and has an estimated 650 million tons of lignite coal reserves. Two electric generating cooperatives, Minnkota Power and Square Butte, consume virtually all of BNI Energy's production of lignite under cost-plus fixed fee coal supply agreements extending through December 31, 2037. (See Item 1. Business – Regulated Operations – Power Supply – Long-Term Purchased Power and Note 8. Commitments, Guarantees and Contingencies.) The mining process disturbs and reclaims between 200 and 250 acres per year. Laws require that the reclaimed land be at least as productive as it was prior to mining. As of December 31, 2020, BNI Energy's total reclamation liability is estimated at \$67.3 million and is included in Other Non-Current Liabilities on the Consolidated Balance Sheet. These costs are included in the cost-plus fixed fee contract, for which an asset reclamation cost receivable was included in Other Non-Current Assets on the Consolidated Balance Sheet. The asset reclamation obligation is guaranteed by surety bonds and a letter of credit. (See Note 8. Commitments, Guarantees and Contingencies.)

Investment in Nobles 2

Our subsidiary, ALLETE South Wind, owns a 49 percent equity interest in Nobles 2, the entity that owns and operates the 250 MW wind energy facility in southwestern Minnesota pursuant to a 20-year PPA with Minnesota Power. Construction of the wind energy facility was completed and tax equity funding of \$116.3 million, net of issuance costs, was received in the fourth quarter of 2020. We account for our investment in Nobles 2 under the equity method of accounting. As of December 31, 2020, our equity investment in Nobles 2 was \$152.2 million (\$56.0 million at December 31, 2019). (See Note 5. Equity Investments.)

ALLETE Properties

ALLETE Properties represents our legacy Florida real estate investment. ALLETE Properties' major project in Florida is Town Center at Palm Coast, which consists of 639 acres of land as well as various residential units and non-residential square footage. In addition to the Town Center at Palm Coast project, ALLETE Properties has approximately 600 acres of other land available for sale. (See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Outlook – Corporate and Other – ALLETE Properties.)

Seller Financing. ALLETE Properties occasionally provides seller financing to qualified buyers. As of December 31, 2020, outstanding finance receivables were \$4.3 million, net of reserves, with maturities through 2025. These finance receivables accrue interest at market-based rates and are collateralized by the financed properties.

Regulation. A substantial portion of our development properties in Florida are subject to federal, state and local regulations, and restrictions that may impose significant costs or limitations on our ability to develop the properties. Much of our property is vacant land and some is located in areas where development may affect the natural habitats of various protected wildlife species or in sensitive environmental areas such as wetlands.

Non-Rate Base Generation and Miscellaneous

Corporate and Other also includes other business development and corporate expenditures, unallocated interest expense, a small amount of non-rate base generation, approximately 4,000 acres of land in Minnesota, and earnings on cash and investments.

As of December 31, 2020, non-rate base generation consists of 29 MW of natural gas and hydro generation at Rapids Energy Center in Grand Rapids, Minnesota, which is primarily dedicated to the needs of one customer, UPM Blandin.

ENVIRONMENTAL MATTERS

Our businesses are subject to regulation of environmental matters by various federal, state and local authorities. A number of regulatory changes to the Clean Air Act, the Clean Water Act and various waste management requirements have been promulgated by both the EPA and state authorities over the past several years. Minnesota Power's facilities are subject to additional requirements under many of these regulations. Minnesota Power is reshaping its generation portfolio, over time, to reduce its reliance on coal, has installed cost-effective emission control technology, and advocates for sound science and policy during rulemaking implementation.

We consider our businesses to be in substantial compliance with currently applicable environmental regulations and believe all necessary permits have been obtained. We anticipate that with many state and federal environmental regulations and requirements finalized, or to be finalized in the near future, potential expenditures for future environmental matters may be material and require significant capital investments. Minnesota Power has evaluated various environmental compliance scenarios using possible outcomes of environmental regulations to project power supply trends and impacts on customers.

We review environmental matters on a quarterly basis. Accruals for environmental matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on current law and existing technologies. Accruals are adjusted as assessment and remediation efforts progress, or as additional technical or legal information becomes available. Accruals for environmental liabilities are included in the Consolidated Balance Sheet at undiscounted amounts and exclude claims for recoveries from insurance or other third parties. Costs related to environmental contamination treatment and cleanup are expensed unless recoverable in rates from customers. (See Note 8. Commitments, Guarantees and Contingencies.)

HUMAN CAPITAL MANAGEMENT

The Company's key human capital management objectives are to attract, recognize and retain high quality talent, align with strategic business objectives and support the Company's values. To support these objectives, the Company's programs are designed to develop talent; reward and support employees through competitive compensation programs and benefit plans; enhance the Company's culture through efforts aimed at making the workplace more engaging, safe and inclusive; and acquire talent and leverage internal opportunities to create a high-performing, diverse workforce. Our management and Board of Directors play key roles in reviewing and overseeing our human capital practices.

As of December 31, 2020, ALLETE had 1,342 employees, of which 1,322 were full-time. Minnesota Power and SWL&P have an aggregate of 460 employees covered under collective bargaining agreements, of which most are members of the International Brotherhood of Electrical Workers (IBEW) Local 31. The current labor agreements with IBEW Local 31 expire on April 30, 2023 for Minnesota Power and expired on February 1, 2021 for SWL&P. Negotiations are proceeding between SWL&P and IBEW Local 31. SWL&P and IBEW Local 31 are operating under the expired labor agreements until new contracts are agreed upon. BNI Energy has 137 employees that are members of IBEW Local 1593. The current labor agreement with IBEW Local 1593 expires on March 31, 2023.

Integrity. Integrity is a foundational, shared value at ALLETE, is important to ALLETE's business and operations, and enables our success. The Company has a written Code of Ethics that applies to all of our employees.

Health and Safety. The success of our business is fundamentally connected to the well-being of our people. We are responding to the COVID-19 pandemic by taking steps to mitigate the potential risks to us posed by its transmission and have implemented company-wide business continuity plans in response to the pandemic. These plans guide our emergency response, business continuity, and the precautionary measures we are taking on behalf of employees and the public.

Zero Injury Culture. Our journey to Zero Injury starts with a culture that is open and transparent. We encourage all employees to report injuries, near misses, and good catches, so that we can learn and share with others throughout the Company in an effort to improve safety performance. Leaders have regular safety conversations with employees, where the data learned from the conversations is examined, shared with the ALLETE safety strategy team and used to improve the Company's safety programs.

Talent Development. We recognize and support the growth and development of our employees and offer opportunities to participate in internal and external learning programs. Our internal talent development programs provide employees with the resources they need to develop proficiency in their role, help achieve their career goals and build leadership skills. In addition to role specific training, targeted training also includes respect in the workplace, cyber awareness, safety, integrity and leadership development.

HUMAN CAPITAL MANAGEMENT (Continued)

Compensation and Benefits. Our competitive compensation package gives employees flexibility, choices and opportunities. Competitive compensation is important for the Company to attract and retain a qualified workforce to successfully manage our business and achieve our business objectives. We also strive to ensure pay equity amongst diverse employees performing equal or substantially similar work. Periodically, we review the median pay of our male and female employees as well as employees from diverse backgrounds.

Diversity, Equity and Inclusion. Increasing staff diversity enriches our workforce culture at ALLETE. Our employees are operating in an increasingly diverse society. In order to be accountable to our employees and stakeholders, we strive to have a workforce that reflects the diversity of the communities we serve, promotes inclusivity and is equitable.

At ALLETE, we want to ensure that we have a workplace culture where we treat each other with fairness, dignity and respect. The Company has a Respect in the Workplace initiative, which includes education as well as ongoing discussions focused on building respectful relationships and managing bias. In 2020, further efforts began in crafting a framework to strengthen ALLETE's diversity, equity and inclusion efforts in the areas of: workforce, supply chain and ALLETE as a community citizen.

Yellow Ribbon Program. ALLETE and its subsidiaries are dedicated to supporting veterans, military members and their families. An employee effort grew out of that spirit of commitment to veterans and led the state of Minnesota to designate ALLETE/Minnesota Power and ALLETE Clean Energy as Yellow Ribbon Companies. The mission of ALLETE's Yellow Ribbon Program is to contribute to the Company's unique culture by proactively recruiting and retaining the best and supporting an environment in which military-connected employees can thrive.

AVAILABILITY OF INFORMATION

ALLETE makes its SEC filings, including its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(e) or 15(d) of the Securities Exchange Act of 1934, available free of charge on ALLETE's website, www.allete.com, as soon as reasonably practicable after they are electronically filed with or furnished to the SEC.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

As of February 17, 2021, these are the executive officers of ALLETE:

Executive Officers	Initial Effective Date
Alan R. Hodnik, Age 61	
Executive Chairman <i>(a)</i>	February 3, 2020
Chairman and Chief Executive Officer	January 31, 2019
Chairman, President and Chief Executive Officer	May 10, 2011
Bethany M. Owen, Age 55	
President and Chief Executive Officer	February 3, 2020
President	January 31, 2019
Senior Vice President and Chief Legal and Administrative Officer	November 26, 2016
Robert J. Adams, Age 58	
Senior Vice President and Chief Financial Officer	March 4, 2017
Senior Vice President – Energy-Centric Businesses and Chief Risk Officer	November 14, 2015
Patrick L. Cutshall, Age 55	
Vice President and Corporate Treasurer	December 18, 2017
Treasurer	January 1, 2016
Nicole R. Johnson, Age 46	
Vice President and Chief Administrative Officer	June 28, 2019
Steven W. Morris, Age 59	
Vice President, Controller and Chief Accounting Officer	December 24, 2016
Controller	March 3, 2014
Margaret A. Thickens, Age 54	
Vice President, Chief Legal Officer and Corporate Secretary	February 13, 2019

(a) Alan R. Hodnik will retire in May 2021.

All of the executive officers have been employed by us for more than five years in executive or management positions. Prior to election to the position listed above, the following executives held other positions with the Company during the past five years.

Ms. Johnson was Vice President – Human Resources; Director – Compensation and Benefits.

Ms. Owen was Vice President – Information Technology Solutions and President – SWL&P.

Ms. Thickens was General Counsel and Director of Compliance – ALLETE Clean Energy; General Counsel and Secretary – ALLETE Clean Energy.

There are no family relationships between any of the executive officers. All officers and directors are elected or appointed annually.

The present term of office of the executive officers listed in the preceding table extends to the first meeting of our Board of Directors after the next annual meeting of shareholders. Both meetings are scheduled for May 11, 2021.

Item 1A. Risk Factors

The risks and uncertainties discussed below could materially affect our business operations, financial position, results of operations and cash flows, and should be carefully considered by stakeholders. The risks and uncertainties in this section are not the only ones we face; additional risks and uncertainties that we are not presently aware of, or that we currently consider immaterial, may also affect our business operations, financial position, results of operations and cash flows. Accordingly, the risks described below should be carefully considered together with other information set forth in this report and in future reports that we file with the SEC.

Regulated Operations Risks

Our results of operations could be negatively impacted if our taconite, paper and pipeline customers experience an economic downturn, incur work stoppages, fail to compete effectively, experience decreased demand, fail to economically obtain raw materials, fail to renew or obtain necessary permits, or experience a decline in prices for their product.

Minnesota Power's eight Large Power Customers, which consist of six taconite facilities and four paper and pulp mills, and Silver Bay Power accounted for 29 percent of our 2020 consolidated operating revenue (30 percent in 2019 and 24 percent in 2018) and 34 percent of Regulated Operations operating revenue (36 percent in 2019 and 34 percent in 2018). Minnesota Power's taconite customers, which are currently owned by only two entities at the end of 2020, accounted for approximately 25 percent of consolidated operating revenue and 29 percent of Regulated Operations operating revenue in 2020. These customers are involved in cyclical industries that by their nature are adversely impacted by economic downturns and are subject to strong competition in the marketplace. Additionally, the North American paper and pulp industry also faces declining demand due to the impact of electronic substitution for print and changing customer needs. As a result, certain paper and pulp customers have reduced their existing operations in recent years and have pursued or are pursuing product changes in response to declining demand.

Minnesota Power also serves two pipeline customers that accounted for 2 percent of our 2020 consolidated operating revenue (2 percent in 2019 and in 2018) and 3 percent of Regulated Operations revenue in 2020 (3 percent in 2019 and 2 percent in 2018). These customers are involved in an industry that is seeing increased environmental pressure for construction of new or expanded pipeline infrastructure for the transportation of fossil fuels. Changes in regulatory rulings or permit proceedings could result in changes to operations of the pipeline network in our service territory.

Accordingly, if our industrial customers experience an economic downturn, incur a work stoppage (including strikes, lock-outs or other events), fail to compete effectively, experience decreased demand, fail to economically obtain raw materials, fail to renew or obtain necessary permits, or experience a decline in prices for their product, there could be adverse effects on their operations and, consequently, this could have a negative impact on our results of operations if we are unable to remarket at similar prices the energy that would otherwise have been sold to such customers. In addition, these customers have been impacted by the ongoing COVID-19 pandemic. (See *Entity-wide Risks*.)

Our utility operations are subject to an extensive legal and regulatory framework under federal and state laws as well as regulations imposed by other organizations that may have a negative impact on our business and results of operations.

We are subject to an extensive legal and regulatory framework imposed under federal and state law including regulations administered by the FERC, MPUC, MPCA, PSCW, NDPSC and EPA as well as regulations administered by other organizations including the NERC. These laws and regulations relate to allowed rates of return, capital structure, financings, rate and cost structure, acquisition and disposal of assets and facilities, construction and operation of generation, transmission and distribution facilities (including the ongoing maintenance and reliable operation of such facilities), recovery of purchased power costs and capital investments, approval of integrated resource plans and present or prospective wholesale and retail competition, renewable portfolio standards that require utilities to obtain specified percentages of electric supply from eligible renewable generation sources, among other things. Energy policy initiatives at the state or federal level could increase renewable portfolio standards or incentives for distributed generation, municipal utility ownership, or local initiatives could introduce generation or distribution requirements that could change the current integrated utility model. Our transmission systems and electric generation facilities are subject to the NERC mandatory reliability standards, including cybersecurity standards. Compliance with these standards may lead to increased operating costs and capital expenditures which are subject to regulatory approval for recovery. If it was determined that we were not in compliance with these mandatory reliability standards or other statutes, rules and orders, we could incur substantial monetary penalties and other sanctions, which could adversely affect our results of operations.

Item 1A. Risk Factors (Continued)
Regulated Operations Risks (Continued)

These laws and regulations significantly influence our operations and may affect our ability to recover costs from our customers. We are required to have numerous permits, licenses, approvals and certificates from the agencies and other organizations that regulate our business. We believe we have obtained the necessary permits, licenses, approvals and certificates for our existing operations and that our business is conducted in accordance with applicable laws; however, we are unable to predict the impact on our operating results from the future regulatory activities of any of these agencies and other organizations. Changes in regulations, the adoption of new regulations or the expansion of jurisdiction by these agencies and other organizations could have an adverse impact on our business and results of operations.

Our ability to obtain rate adjustments to maintain reasonable rates of return depends upon regulatory action under applicable statutes and regulations, and we cannot provide assurance that rate adjustments will be obtained or reasonable authorized rates of return on capital will be earned. Minnesota Power and SWL&P, from time to time, file general rate cases with, or otherwise seek cost recovery authorization from, federal and state regulatory authorities. If Minnesota Power and SWL&P do not receive an adequate amount of rate relief in general rate cases, including if rates are reduced, if increased rates are not approved on a timely basis, if cost recovery is not granted at the requested level, or costs are otherwise unable to be recovered through rates, we may experience an adverse impact on our financial position, results of operations and cash flows. We are unable to predict the impact on our business and results of operations from future legislation or regulatory activities of any of these agencies or organizations.

Our regulated operations present certain environmental risks that could adversely affect our financial position and results of operations, including effects of environmental laws and regulations, physical risks associated with climate change and initiatives designed to reduce the impact of GHG emissions.

We are subject to extensive environmental laws and regulations affecting many aspects of our past, present and future operations, including air quality, water quality and usage, waste management, reclamation, hazardous wastes, avian mortality and natural resources. These laws and regulations, or new laws and regulations that may be passed, can result in increased capital expenditures and increased operating and other costs as a result of compliance, remediation, containment and monitoring obligations, particularly with regard to laws relating to emissions, coal ash and water discharge at generating facilities.

These laws and regulations could restrict the output of some existing facilities, limit the use of some fuels in the production of electricity, require the installation of additional pollution control equipment, require participation in environmental emission allowance trading, and lead to other environmental considerations and costs, which could have an adverse impact on our business, operations and results of operations.

These laws and regulations generally require us to obtain and comply with a wide variety of environmental licenses, permits, inspections and other approvals. Violations of these laws and regulations could expose us to regulatory and legal proceedings, disputes with, and legal challenges by, governmental authorities and private parties, as well as potential significant civil fines criminal penalties and other sanctions.

Existing environmental regulations may be revised and new environmental regulations may be adopted or become applicable to us. Revised or additional regulations which result in increased compliance costs or additional operating restrictions, particularly if those costs are not fully recoverable from customers, could have an adverse effect on our results of operations.

The scientific community generally accepts that emissions of GHG are linked to global climate change. Physical risks of climate change, such as more frequent or more extreme weather events, changes in temperature and precipitation patterns, changes to ground and surface water availability, and other related phenomena, could affect some, or all, of our operations. Severe weather or other natural disasters could be destructive, which could result in increased costs. An extreme weather event within our utility service areas can also directly affect our capital assets, causing disruption in service to customers due to downed wires and poles or damage to other operating equipment. These all have the potential to adversely affect our business and operations.

Item 1A. Risk Factors (Continued)
Regulated Operations Risks (Continued)

There is significant uncertainty regarding if and when new laws, regulations or administrative policies will be adopted to reduce or limit GHG and the impact any such laws or regulations would have on us. In 2020, our operating coal-fired generating facilities consisted of the 355 MW Boswell Unit 3 and the 468 MW Boswell Unit 4. (See Outlook – EnergyForward.) Any future limits on GHG emissions at the federal or state level, or action taken by regulators, before these facilities are retired or become coal-free may require us to incur significant capital expenditures and increases in operating costs, or could result in early closure of coal-fired generating facilities, an impairment of assets, or otherwise adversely affect our results of operations, particularly if resulting expenditures and costs are not fully recoverable from customers.

We cannot predict the amount or timing of all future expenditures related to environmental matters because of uncertainty as to applicable regulations or requirements. There is also uncertainty in quantifying liabilities under environmental laws that impose joint and several liability on all potentially responsible parties. Violations of certain environmental statutes, rules and regulations could expose ALLETE to third party disputes and potentially significant monetary penalties, as well as other sanctions for non-compliance.

The operation and maintenance of our regulated electric generation and transmission facilities are subject to operational risks that could adversely affect our financial position, results of operations and cash flows.

The operation of generating facilities involves many risks, including start-up operational risks, breakdown or failure of facilities, the dependence on a specific fuel source, inadequate fuel supply, availability of fuel transportation, and the impact of unusual or adverse weather conditions or other natural events, as well as the risk of performance below expected levels of output or efficiency. A significant portion of our facilities contain older generating equipment, which, even if maintained in accordance with good engineering practices, may require significant capital expenditures to continue operating at peak efficiency. Generation and transmission facilities and equipment are also likely to require periodic upgrades and improvements due to changing environmental standards and technological advances. We could be subject to costs associated with any unexpected failure to produce or deliver power, including failure caused by breakdown or forced outage, as well as repairing damage to facilities due to storms, natural disasters, wars, sabotage, terrorist acts and other catastrophic events.

Our ability to successfully and timely complete capital improvements to existing regulated facilities or other capital projects is contingent upon many variables.

We expect to incur significant capital expenditures in making capital improvements to our existing electric generation and transmission facilities and in the development and construction of new electric generation and transmission facilities. Should any such efforts be unsuccessful or not completed in a timely manner, we could be subject to additional costs or impairments which could have an adverse impact on our financial position, results of operation and cash flows.

Our regulated electric generating operations may not have access to adequate and reliable transmission and distribution facilities necessary to deliver electricity to our customers.

We depend on our own transmission and distribution facilities, as well as facilities owned by other utilities, to deliver the electricity produced and sold to our customers, and to other energy suppliers. If transmission capacity is inadequate, our ability to sell and deliver electricity may be limited. We may have to forgo sales or may have to buy more expensive wholesale electricity that is available in the capacity-constrained area. In addition, any infrastructure failure that interrupts or impairs delivery of electricity to our customers could negatively impact the satisfaction of our customers, which could have an adverse impact on our business and results of operations.

Our results of operations could be impacted by declining wholesale power prices.

Wholesale prices for electricity have declined in recent years primarily due to low natural gas prices, the extension of renewable tax credits and additional renewable generation commencing operations. If there are reductions in demand from customers, we lose retail customers, or we lose municipal customers that do not renew existing contracts, we will market any available power to Other Power Suppliers in an effort to mitigate any earnings impact. Sales to Other Power Suppliers are sold at market-based prices into the MISO market on a daily basis or through bilateral agreements of various durations. Due to the low wholesale prices for electricity, we do not expect that our power marketing efforts would fully offset the reduction in earnings resulting from the lower demand from existing customers or the loss of customers. (See Item 1. Business – Regulated Operations – Electric Sales / Customers.)

Item 1A. Risk Factors (Continued)
Regulated Operations Risks (Continued)

The price of electricity and fuel may be volatile.

Volatility in market prices for electricity and fuel could adversely impact our financial position and results of operations and may result from:

- severe or unexpected weather conditions and natural disasters;
- seasonality;
- changes in electricity usage;
- transmission or transportation constraints, inoperability or inefficiencies;
- availability of competitively priced alternative energy sources;
- changes in supply and demand for energy;
- changes in power production capacity;
- outages at our generating facilities or those of our competitors;
- availability of fuel transportation;
- changes in production and storage levels of natural gas, lignite, coal, crude oil and refined products;
- wars, sabotage, terrorist acts or other catastrophic events; and
- federal, state, local and foreign energy, environmental, or other regulation and legislation.

Fluctuations in our fuel and purchased power costs related to our retail and municipal customers are passed on to customers through the fuel adjustment clause. Volatility in market prices for our fuel and purchase power costs primarily impacts our sales to Other Power Suppliers.

Demand for energy may decrease.

Our results of operations are impacted by the demand for energy in our service territories, our municipal customers and other power suppliers. There could be lower demand for energy due to a loss of customers as a result of economic conditions, customers constructing or installing their own generation facilities, higher costs and rates charged to customers, eligible municipal and other power suppliers choosing an alternative energy provider, or loss of service territory or franchises. Further, energy conservation and technological advances that increased energy efficiency may temporarily or permanently reduce the demand for energy products. In addition, we are impacted by state and federal regulations requiring mandatory conservation measures, which reduce the demand for energy products. Continuing technology improvements and regulatory developments may make customer and third party-owned generation technologies such as rooftop solar systems, WTGs, microturbines and battery storage systems more cost effective and feasible for our customers. If customers utilize their own generation, demand for energy from us would decline. There may not be future economic growth opportunities that would enable us to replace the lost energy demand from these customers. Therefore, a decrease in demand for energy could adversely impact our financial position, results of operations and cash flows.

We may not be able to successfully implement our strategic objectives of growing load at our utilities if current or potential industrial or municipal customers are unable to successfully implement expansion plans, including the inability to obtain necessary governmental permits.

As part of our long-term strategy, we pursue new wholesale and retail loads in and around our service territories. Currently, there are several companies in northeastern Minnesota that are in the process of developing natural resource-based projects that represent long-term growth potential and load diversity for our Regulated Operations businesses. These projects may include construction of new facilities and restarts of old facilities, both of which require permitting and approvals to be obtained before the projects can be successfully implemented. If a project does not obtain any necessary governmental (including environmental) permits and approvals or if these customers are unable to successfully implement expansion plans, our long-term strategy and thus our results of operations could be adversely impacted.

Item 1A. Risk Factors (Continued)

ALLETE Clean Energy / Corporate and Other Risks

The inability to successfully manage and grow ALLETE Clean Energy and our Corporate and Other businesses could adversely affect our results of operations.

The Company's strategy for ALLETE Clean Energy includes adding customers, new geographies, and growth through acquisitions or project development with long-term PSAs in place for the output or to be sold upon completion. This strategy depends, in part, on the Company's ability to successfully identify and evaluate acquisition or development opportunities and consummate acquisitions on acceptable terms. The Company may compete with other companies for these acquisition and development opportunities, which may increase the Company's cost of making acquisitions and the Company may be unsuccessful in pursuing these acquisition opportunities. Other companies may be able to pay more for acquisitions and may be able to identify, evaluate, bid for and purchase a greater number of assets than the Company's financial or human resources permit. New laws and regulations promoting renewable energy generation may result in increased competition. Our ALLETE Clean Energy business is experiencing return pressures from increased competition, and lower forward price curves, as a growing amount of investment capital is being directed into wind generation opportunities. In addition, current and potential new project developments can be negatively affected by a lower ALLETE stock price, which may result in such projects not being accretive, or otherwise unable to satisfy our financial objectives criteria to proceed. Additionally, tax law changes may adversely impact the economic characteristics of potential acquisitions or investments. If the Company is unable to execute its strategy of growth through acquisitions, project development for others, or the addition of new customers and geographies, it may impede our long-term objectives and business strategy.

Acquisitions are subject to uncertainties. If we are unable to successfully integrate and manage future acquisitions or strategic investments, this could have an adverse impact on our results of operations. Our actual results may also differ from our expectations due to factors such as the ability to obtain timely regulatory or governmental approvals, integration and operational issues and the ability to retain management and other key personnel.

The generation of electricity from our wind energy facilities depends heavily on suitable meteorological conditions.

Although our wind energy facilities are located in diverse geographic regions to reduce the potential impact that may be caused by unfavorable weather in a particular region, suitable meteorological conditions are variable and difficult to predict. If wind conditions are unfavorable or meteorological conditions are unsuitable, our electricity generation and revenue from wind energy facilities may be substantially below our expectations. The electricity produced, production tax credits received, and revenues generated by a wind energy facility are highly dependent on suitable wind conditions and associated weather conditions, which are variable and beyond our control. We base our decisions about which wind projects to build or acquire as well as our electricity generation estimates, in part, on the findings of long-term wind and other meteorological studies conducted on the project site and its region; however, the unpredictable nature of wind conditions, weather and meteorological conditions can result in material deviations from these studies and our expectations. Furthermore, components of our systems could be damaged by severe weather, such as hailstorms, lightning or tornadoes. In addition, replacement and spare parts for key components of our diverse turbine portfolio may be difficult or costly to acquire or may be unavailable. Unfavorable wind conditions, weather or changes to meteorological patterns could impair the effectiveness of our wind energy facility assets, reduce their output beneath their rated capacity or require shutdown of key equipment, impeding operation of our wind energy facilities.

The construction, operation and maintenance of our electric generation facilities or investment in facilities are subject to operational risks that could adversely affect our financial position, results of operations and cash flows.

The construction and operation of generating facilities involves many risks, including the performance by key contracted suppliers and maintenance providers, start-up operations risks, breakdown or failure of facilities, the dependence on the availability of wind resources, or the impact of unusual, adverse weather conditions or other natural events, as well as the risk of performance below expected levels of output or efficiency. Some of our facilities contain older generating equipment, which even if maintained in accordance with good engineering practices, may require significant capital expenditures to continue operating at peak efficiency. We could be subject to costs associated with any unexpected failure to produce and deliver power, including failure caused by breakdown or forced outage, as well as repairing damage to facilities due to storms, natural disasters, wars, sabotage, terrorist acts and other catastrophic events.

Item 1A. Risk Factors (Continued)**ALLETE Clean Energy / Corporate and Other Risks (Continued)****As contracts with counterparties expire, we may not be able to replace them with agreements on similar terms.**

ALLETE Clean Energy is party to PSAs which expire in various years between 2022 and 2039. These PSA expirations are prior to the end of the estimated useful lives of the respective wind energy facilities. If, for any reason, ALLETE Clean Energy is unable to enter into new agreements with existing or new counterparties on similar terms once the current agreements expire, or sell energy in the wholesale market resulting in similar revenue, our financial position, results of operations and cash flows could be adversely affected, which includes potential impairment of property, plant and equipment.

Counterparties to turbine supply, service and maintenance, or power sale agreements may not fulfill their obligations.

ALLETE Clean Energy is party to turbine supply agreements, service and maintenance agreements, and PSAs under various durations with a limited number of creditworthy counterparties. If, for any reason, any of the counterparties under these agreements do not fulfill their related contractual obligations, and ALLETE Clean Energy is unable to mitigate non-performance by a key supplier or maintenance provider or remarket PSA energy resulting in similar revenue, our financial position, results of operations and cash flows could be adversely affected.

BNI Energy may be adversely impacted by its exposure to customer concentration, and environmental laws and regulations.

BNI Energy sells lignite coal to two electric generating cooperatives, Minnkota Power and Square Butte, and could be adversely impacted if these customers were unable or unwilling to fulfill their related contractual obligations, or change the way in which they operate their generating facilities. In addition, BNI Energy and its customers may be adversely impacted by existing or new environmental laws and regulations which could have an adverse effect on our financial position, results of operations and cash flows. In addition, insurance companies have decreased the available coverage for policy holders in the mining industry, impacting the availability of coverage, and leading to higher deductibles and premiums.

Real estate market conditions where our legacy Florida real estate investment is located may not improve.

The Company's strategy related to the real estate assets of ALLETE Properties incorporates the possibility of a bulk sale of its entire portfolio, in addition to sales over time, however, adverse market conditions could impact the timing of land sales, which could result in little to no sales, while still incurring operating expenses such as community development district assessments and property taxes, resulting in net operating losses at ALLETE Properties. Furthermore, weak market conditions could put the properties at risk for an impairment charge. An impairment charge would result in a non-cash charge to earnings that could have an adverse effect on our results of operations.

Item 1A. Risk Factors (Continued)

Entity-wide Risks

We could be materially adversely affected by the ongoing COVID-19 pandemic for which we are unable to predict the ultimate impact as the extent and duration of the COVID-19 pandemic is uncertain.

The ongoing COVID-19 pandemic has resulted in widespread impacts on the global economy and on our employees, customers, contractors, and suppliers. There is considerable uncertainty regarding the extent to which COVID-19 will spread and the extent and duration of measures to try to contain the virus, such as travel bans and restrictions, quarantines, shelter-in-place orders (including those in effect in areas our businesses operate), and business and government shutdowns. We are responding to the COVID-19 pandemic by taking steps to mitigate the potential risks to us posed by its transmission and have implemented company-wide business continuity plans in response to the pandemic. These plans guide our emergency response, business continuity, and the precautionary measures we are taking on behalf of employees and the public. We have taken additional precautions for our employees who work in the field and for employees who continue to work in our facilities, and we have implemented work from home policies where appropriate. We continue to implement physical and cyber-security measures to ensure that our systems remain functional in order to both serve our operational needs with a remote workforce and keep them running to ensure uninterrupted service to our customers.

The ongoing COVID-19 pandemic and related federal and state government responses has led to a disruption of economic activity, and could result in an extended disruption of economic activity. This disruption has resulted and is expected to continue to result in reduced sales and revenue from commercial, municipal and industrial customers as well as an increase in uncollectible accounts from residential and commercial customers. Many commercial and industrial customers were operating at reduced levels or were temporarily closed or idled during 2020. In addition, Verso Corporation indefinitely idled its paper mill in Duluth, Minnesota. (See Outlook – Regulated Operations – Industrial Customers and Prospective Additional Load – Paper, Pulp and Secondary Wood Products – Verso Corporation.) The current disruption of economic activity or an extended disruption of economic activity may lead to additional adverse impacts on our taconite, paper, pulp and secondary wood products, and pipeline customers' operations including further reduced production or the temporary idling or indefinite shutdown of other facilities, which would result in lower sales and revenue from these customers. In Minnesota Power's service territory, we have also voluntarily and as requested by state regulators extended Minnesota's cold weather rule as well as temporarily suspended disconnections for non-payment and waived late payment charges for residential and small business customers. In SWL&P's service territory, we have implemented state regulator requested customer service actions to further limit service disconnections and late payment charges for residential, commercial and industrial customers.

The Company is monitoring the capital markets and has access to liquidity to enable us to operate our businesses and fund capital projects; however, a disruption in capital markets could lead to increased borrowing costs or adversely impact our ability to access capital markets or other financing sources. If we are not able to access capital on acceptable terms in sufficient amounts and when needed, or at all, the ability to maintain our businesses or to implement our business plans would be adversely affected. In addition, the performance of capital markets impacts the values of the assets that are held in trust to satisfy future obligations under our pension and other postretirement benefit plans. A decline in the market value of these assets would increase the funding requirements under our benefit plans and future costs recognized for the benefit plans if the asset market values do not recover. The Company is also monitoring supply chains for key materials, supplies and services for our operations and large capital projects. We have received notices of force majeure from certain suppliers and the pandemic could result in a disruption to our supply chains which could adversely impact our operations and capital projects; however, there has been limited impact on our supply chains as to the availability of materials, supplies and services to date. In addition, disruptions in our supply chains or a lack of available financing could jeopardize our ability to complete certain capital projects in time to qualify them for production tax credits.

We will continue to monitor developments affecting our workforce, operations and customers, and we will take additional precautions that we determine are necessary in order to mitigate the impacts of the COVID-19 pandemic. Despite our efforts to manage these impacts to the Company, their ultimate impact also depends on factors beyond our control, including the duration and severity of this pandemic as well as governmental and third-party actions taken to contain its spread and mitigate its public health effects. As a result, we cannot predict the ultimate impact of the COVID-19 pandemic and whether it will have a material impact on our liquidity, financial position, results of operations and cash flows.

Item 1A. Risk Factors (Continued)
Entity-wide Risks (Continued)

We rely on access to financing sources and capital markets. If we do not have access to capital on acceptable terms or are unable to obtain capital when needed, our ability to execute our business plans, make capital expenditures or pursue other strategic actions that we may otherwise rely on for future growth would be adversely affected.

We rely on access to financing sources and the capital markets, on acceptable terms and at reasonable costs, as sources of liquidity for capital requirements not satisfied by our cash flows from operations. Market disruptions or a downgrade of our credit ratings may increase the cost of borrowing or adversely affect our ability to access and finance in the capital markets or to access other financing sources. Such disruptions or causes of a downgrade could include but are not limited to: the effects of the TCJA on the Company's cash flow metrics; a loss of, or a reduction in sales to, our taconite, paper and pipeline customers if we are unable to offset the related lost margins; weaker operating performance; adverse regulatory outcomes; disproportionate increase in the contribution to net income from ALLETE Clean Energy and our Corporate and Other businesses as compared to that from our Regulated Operations; deteriorating economic or capital market conditions; or volatility in commodity prices.

If we are not able to access capital on acceptable terms in sufficient amounts and when needed, or at all, the ability to maintain our businesses or to implement our business plans would be adversely affected.

A deterioration in general economic conditions may have adverse impacts on our financial position, results of operations and cash flows.

If economic conditions deteriorate on a national or regional level, it may have a negative impact on the Company's financial position, results of operations and cash flows as well as on our customers. This impact may include volatility and unpredictability in the demand for the products and services offered by our businesses, the loss of existing customers, tempered growth strategies, customer production cutbacks or customer bankruptcies. An uncertain economy could also adversely affect expenses including pension costs, interest costs, and uncollectible accounts, or lead to reductions in the value of certain real estate and other investments.

We are subject to extensive state and federal legislation and regulation, compliance with which could have an adverse effect on our businesses.

We are subject to, and affected by, extensive state and federal legislation and regulation. If it was determined that our businesses failed to comply with applicable laws and regulations, we could become subject to fines or penalties or be required to implement additional compliance measures or actions, the cost of which could be material. Adoption of new laws, rules, regulations, principles, or practices by federal and state agencies, or changes to or a failure to comply with current laws, rules, regulations, principles, or practices and their interpretations, could have an adverse effect on our financial position, results of operations and cash flows.

The inability to attract and retain a qualified workforce including, but not limited to, executive officers, key employees and employees with specialized skills, could have an adverse effect on our operations.

The success of our business heavily depends on the leadership of our executive officers and key employees to implement our business strategy. The inability to maintain a qualified workforce including, but not limited to, executive officers, key employees and employees with specialized skills, may negatively affect our ability to service our existing or new customers, or successfully manage our business or achieve our business objectives. Personnel costs may increase due to competitive pressures or terms of collective bargaining agreements with union employees.

Item 1A. Risk Factors (Continued)
Entity-wide Risks (Continued)

Market performance and other changes could decrease the value of pension and other postretirement benefit plan assets, which may result in significant additional funding requirements and increased annual expenses.

The performance of the capital markets impacts the values of the assets that are held in trust to satisfy future obligations under our pension and other postretirement benefit plans. We have significant obligations to these plans and the trusts hold significant assets. These assets are subject to market fluctuations and will yield uncertain returns, which may fall below our projected rates of return. A decline in the market value of the pension and other postretirement benefit plan assets would increase the funding requirements under our benefit plans if asset returns do not recover. Additionally, our pension and other postretirement benefit plan liabilities are sensitive to changes in interest rates. As interest rates decrease, the liabilities increase, potentially increasing benefit expense and funding requirements. Our pension and other postretirement benefit plan costs are generally recoverable in our electric rates as allowed by our regulators or through our cost-plus fixed fee coal supply agreements at BNI Energy; however, there is no certainty that regulators will continue to allow recovery of these rising costs in the future.

We are exposed to significant reputational risk.

The Company could suffer negative impacts to its reputation as a result of operational incidents, violations of corporate compliance policies, regulatory violations, or other events which may result in negative customer perception and increased regulatory oversight, each of which could have an adverse effect on our financial position, results of operations and cash flows.

Catastrophic events, such as natural disasters and acts of war, may adversely affect our operations.

Catastrophic events such as fires, including wildfires, earthquakes, explosions, and floods, severe weather, such as ice storms, hailstorms, or tornadoes or similar occurrences, as well as acts of war, could adversely affect the Company's facilities, operations, financial position, results of operations and cash flows. Although the Company has contingency plans and employs crisis management to respond and recover operations in the event of a severe disruption resulting from a catastrophic event, these measures may not be successful. Furthermore, despite these measures, if a catastrophic event were to occur, our financial position, results of operations and cash flows could be adversely affected.

We are vulnerable to acts of terrorism or cybersecurity attacks.

Our operations may be targets of terrorist activities or cybersecurity attacks, which could disrupt our ability to provide utility service at our regulated utilities, develop or operate our renewable energy projects at ALLETE Clean Energy, or operate our other businesses. The impacts may also impair the fulfillment of critical business functions, negatively impact our reputation, subject us to litigation or increased regulation, or compromise sensitive, confidential and other data.

There have been cybersecurity attacks on U.S. energy infrastructure in the past and there may be such attacks in the future. Our generation, transmission and distribution facilities, information technology systems and other infrastructure facilities and systems could be direct targets of, or otherwise be materially adversely affected by such activities. Hacking, computer viruses, terrorism, theft and sabotage could impact our systems and facilities, or those of third parties on which we rely, which may disrupt our operations.

Our businesses require the continued operation of sophisticated custom-developed, purchased, and leased information technology systems and network infrastructure as well as the collection and retention of personally identifiable information of our customers, shareholders and employees. Although we maintain security measures designed to prevent cybersecurity incidents and protect our information technology and control systems, network infrastructure and other assets, our technology systems, or those of third parties on which we rely, may be vulnerable to disability, failures or unauthorized access due to hacking, viruses, acts of war or terrorism as well as other causes. If those technology systems fail or are breached and not recovered in a timely manner, we may be unable to perform critical business functions including effectively maintaining certain internal controls over financial reporting, our reputation may be negatively impacted, we may become subject to litigation or increased regulation, and sensitive, confidential and other data could be compromised. If our business were impacted by terrorist activities or cybersecurity attacks, such impacts could have an adverse effect on our financial position, results of operations and cash flows.

Item 1A. Risk Factors (Continued)
Entity-wide Risks (Continued)

We maintain insurance against some, but not all, of the risks and uncertainties we face.

We maintain insurance against some, but not all, of the risks and uncertainties we face. The occurrence of these risks and uncertainties, if not fully covered by insurance, could have a material effect on our financial position, results of operations and cash flows.

Government challenges to our tax positions, as well as tax law changes and the inherent difficulty in quantifying potential tax effects of our operations and business decisions, could adversely affect our results of operations and liquidity.

We are required to make judgments regarding the potential tax effects of various financial transactions and our ongoing operations in order to estimate our obligations to taxing authorities. The obligations, which include income taxes and taxes other than income taxes, involve complex matters that ultimately could be litigated. We also estimate our ability to use tax benefits, including those in the form of carryforwards and tax credits that are recorded as deferred tax assets on our Consolidated Balance Sheet. A disallowance of these tax benefits could have an adverse impact on our financial position, results of operations and cash flows.

We are currently utilizing, and plan to utilize in the future, our carryforwards and tax credits to reduce our income tax obligations. If we cannot generate enough taxable income in the future to utilize all of our carryforwards and tax credits before they expire, we may incur adverse charges to earnings. If federal or state tax authorities deny any deductions or tax credits, our financial position, results of operations and cash flows may be adversely impacted.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

A discussion of our properties is included in Item 1. Business and is incorporated by reference herein.

Item 3. Legal Proceedings

Discussions of material regulatory and environmental proceedings are included in Note 4. Regulatory Matters and Note 8. Commitments, Guarantees and Contingencies, and are incorporated by reference herein.

We are involved in litigation arising in the normal course of business. Also in the normal course of business, we are involved in tax, regulatory and other governmental audits, inspections, investigations and other proceedings that involve state and federal taxes, safety, and compliance with regulations, rate base and cost of service issues, among other things. We do not expect the outcome of these matters to have a material effect on our financial position, results of operations or cash flows.

Item 4. Mine Safety Disclosures

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) requires issuers to include in periodic reports filed with the SEC certain information relating to citations or orders for violations of standards under the Federal Mine Safety and Health Act of 1977 (Mine Safety Act). Information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Act and this Item are included in Exhibit 95 to this Form 10-K.

Part II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

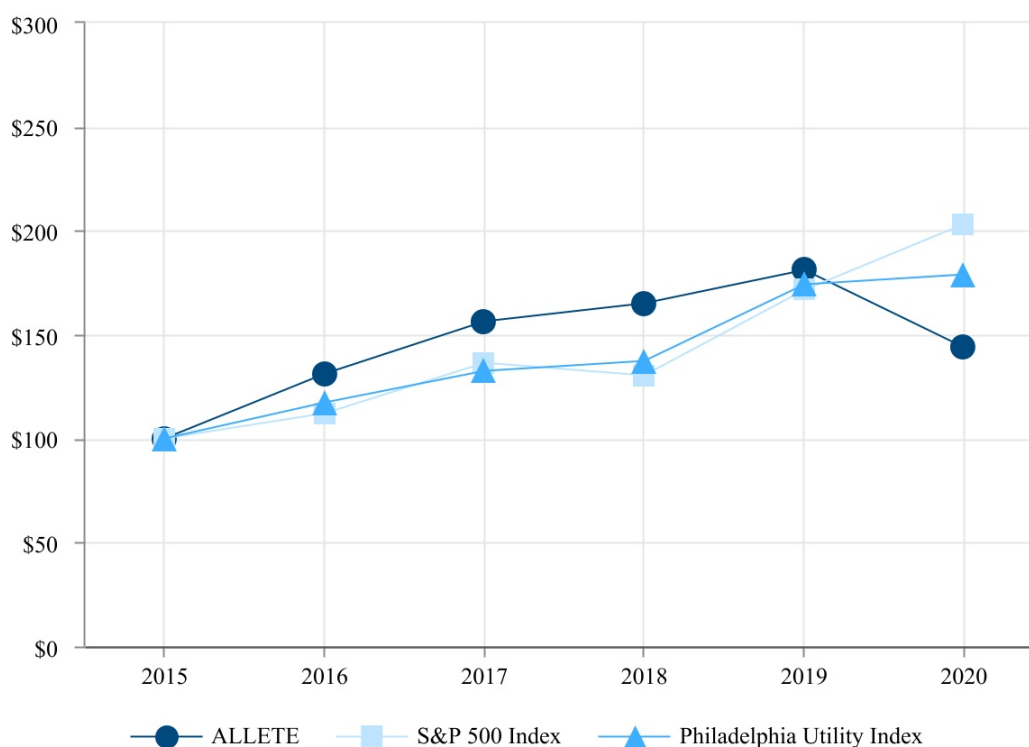
Our common stock is listed on the NYSE under the symbol ALE. We have paid dividends, without interruption, on our common stock since 1948. A quarterly dividend of \$0.63 per share on our common stock is payable on March 1, 2021, to the shareholders of record on February 16, 2021. The timing and amount of future dividends will depend upon earnings, cash requirements, the financial condition of the Company, applicable government regulations and other factors deemed relevant by the ALLETE Board of Directors. As of February 1, 2021, there were approximately 20,000 common stock shareholders of record.

Performance Graph.

The following graph compares ALLETE’s cumulative Total Shareholder Return on its common stock with the cumulative return of the S&P 500 Index and the Philadelphia Utility Index. The S&P 500 Index is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Because this composite index has a broad industry base, its performance may not closely track that of a composite index comprised solely of electric utilities. The Philadelphia Utility Index is a capitalization-weighted index of 20 utility companies involved in the generation of electricity.

The calculations assume a \$100 investment on December 31, 2015, and reinvestment of dividends.

Total Shareholder Return for the Five Years Ending December 31, 2020



	2015	2016	2017	2018	2019	2020
ALLETE	\$100	\$131	\$156	\$165	\$181	\$144
S&P 500 Index	\$100	\$112	\$136	\$130	\$171	\$203
Philadelphia Utility Index	\$100	\$117	\$132	\$137	\$174	\$179

Item 6. Selected Financial Data

Not Required.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our Consolidated Financial Statements and notes to those statements and the other financial information appearing elsewhere in this report. In addition to historical information, the following discussion and other parts of this Form 10-K contain forward-looking information that involves risks and uncertainties. Readers are cautioned that forward-looking statements should be read in conjunction with our disclosures in this Form 10-K under the headings: "Forward-Looking Statements" located on page 6 and "Risk Factors" located in Item 1A. The risks and uncertainties described in this Form 10-K are not the only risks facing our Company. Additional risks and uncertainties that we are not presently aware of, or that we currently consider immaterial, may also affect our business operations. Our business, financial condition or results of operations could suffer if the risks are realized.

The trends and results for the year ended December 31, 2020, may not be indicative of future results that may be expected due to uncertainty regarding the extent and duration of the COVID-19 pandemic. This pandemic has resulted in widespread impacts on the global economy and on our employees, customers, contractors, and suppliers. There is considerable uncertainty regarding the extent to which COVID-19 will spread and the extent and duration of measures to try to contain the virus, such as travel bans and restrictions, quarantines, shelter-in-place orders (including those in effect in areas our businesses operate), and business and government shutdowns. Additional disclosures in this Form 10-K regarding the impacts of the ongoing COVID-19 pandemic are located in Outlook – Regulated Operations – Industrial Customers and Prospective Additional Load, Liquidity and Capital Resources – Liquidity Position and Part I, Item 1A. Risk Factors.

Overview

Basis of Presentation. We present three reportable segments: Regulated Operations, ALLETE Clean Energy and U.S. Water Services. Our segments were determined in accordance with the guidance on segment reporting. We measure performance of our operations through budgeting and monitoring of contributions to consolidated net income by each business segment.

Regulated Operations includes our regulated utilities, Minnesota Power and SWL&P, as well as our investment in ATC, a Wisconsin-based regulated utility that owns and maintains electric transmission assets in portions of Wisconsin, Michigan, Minnesota and Illinois. Minnesota Power provides regulated utility electric service in northeastern Minnesota to approximately 145,000 retail customers. Minnesota Power also has 15 non-affiliated municipal customers in Minnesota. SWL&P is a Wisconsin utility and a wholesale customer of Minnesota Power. SWL&P provides regulated utility electric, natural gas and water service in northwestern Wisconsin to approximately 15,000 electric customers, 13,000 natural gas customers and 10,000 water customers. Our regulated utility operations include retail and wholesale activities under the jurisdiction of state and federal regulatory authorities. (See Note 4. Regulatory Matters.)

ALLETE Clean Energy focuses on developing, acquiring, and operating clean and renewable energy projects. ALLETE Clean Energy currently owns and operates, in seven states, more than 1,000 MW of nameplate capacity wind energy generation that is contracted under PSAs of various durations. In addition, ALLETE Clean Energy currently has approximately 300 MW of wind energy facilities under construction. ALLETE Clean Energy also engages in the development of wind energy facilities to operate under long-term PSAs or for sale to others upon completion.

U.S. Water Services provided integrated water management for industry by combining chemical, equipment, engineering and service for customized solutions to reduce water and energy usage, and improve efficiency. In March 2019, the Company sold U.S. Water Services to a subsidiary of Kurita Water Industries Ltd.

Corporate and Other is comprised of BNI Energy, our coal mining operations in North Dakota; our investment in Nobles 2, an entity that owns and operates a 250 MW wind energy facility in southwestern Minnesota; ALLETE Properties, our legacy Florida real estate investment; other business development and corporate expenditures; unallocated interest expense; a small amount of non-rate base generation; approximately 4,000 acres of land in Minnesota; and earnings on cash and investments.

Overview (Continued)

ALLETE is incorporated under the laws of Minnesota. Our corporate headquarters are in Duluth, Minnesota. Statistical information is presented as of December 31, 2020, unless otherwise indicated. All subsidiaries are wholly-owned unless otherwise specifically indicated. References in this report to “we,” “us” and “our” are to ALLETE and its subsidiaries, collectively.

2020 Financial Overview

The following net income discussion summarizes a comparison of the year ended December 31, 2020 to the year ended December 31, 2019. The trends and results for the year ended December 31, 2020 may not be indicative of future results due to uncertainty regarding the extent and duration of the COVID-19 pandemic. (See *Overview*.)

Net income attributable to ALLETE in 2020 was \$174.2 million, or \$3.35 per diluted share, compared to \$185.6 million, or \$3.59 per diluted share, in 2019. Net income in 2020 included reserves for interim rates of \$8.3 million after-tax, or \$0.16 per share, for the refund of interim rates collected through April 30, 2020, resulting from the MPUC’s approval of the resolution of Minnesota Power’s 2020 general rate case. (See Note 4. Regulatory Matters.) Net income in 2019 included the gain on sale of U.S. Water Services of \$13.2 million after-tax, or \$0.26 per share, and U.S. Water Services results of operations amounted to a net loss of \$1.1 million after-tax, or \$0.02 per share. Earnings per share dilution in 2020 was \$0.02 due to additional shares of common stock outstanding as of December 31, 2020.

Regulated Operations net income attributable to ALLETE was \$136.3 million in 2020, compared to \$154.4 million in 2019. Net income at Minnesota Power was lower than 2019 primarily due to: lower kWh sales to retail and municipal customers; lower revenue from Other Power Suppliers resulting from the expiration of a PSA; higher depreciation expense; and lower fuel adjustment clause recoveries in 2020 with the adoption of a new fuel adjustment clause methodology for Minnesota utilities this year. These decreases were partially offset by higher rates resulting from Minnesota Power’s rate case and increased earnings related to the GNTL. In addition, results for 2020 included reserves for interim rates of \$8.3 million after-tax for the refund of interim rates collected through April 30, 2020. Net income at SWL&P was similar to 2019. Our after-tax equity earnings in ATC were higher compared to 2019 primarily due to additional investments.

ALLETE Clean Energy net income attributable to ALLETE was \$29.9 million in 2020 compared to \$12.4 million in 2019. Net income in 2020 included \$9.1 million of additional production tax credits compared to 2019 as well as earnings from the Glen Ullin, South Peak and Diamond Spring wind energy facilities, which commenced full operations in December 2019, April 2020 and December 2020, respectively, and higher wind resources at other wind energy facilities.

U.S. Water Services net loss attributable to ALLETE was \$1.1 million in 2019. ALLETE completed the sale of U.S. Water Services in the first quarter of 2019.

Corporate and Other net income attributable to ALLETE was \$8.0 million in 2020 compared to \$19.9 million in 2019. Net income in 2019 included a gain on the sale of U.S. Water Services of \$13.2 million after-tax. Net income in 2020 included earnings from our investment in Nobles 2 which commenced operations in December 2020.

2020 Compared to 2019

(See Note 13. Business Segments for financial results by segment.)

Regulated Operations

Year Ended December 31	2020	2019
Millions		
Operating Revenue – Utility	\$987.3	\$1,042.4
Fuel, Purchased Power and Gas – Utility	358.6	390.7
Transmission Services – Utility	67.0	69.8
Operating and Maintenance	200.9	201.9
Depreciation and Amortization	166.9	159.4
Taxes Other than Income Taxes	50.7	48.4
Operating Income	143.2	172.2
Interest Expense	(58.5)	(58.9)
Equity Earnings	22.3	21.7
Other Income	9.9	12.3
Income Before Income Taxes	116.9	147.3
Income Tax Benefit	(19.4)	(7.1)
Net Income Attributable to ALLETE	\$136.3	\$154.4

Operating Revenue – Utility decreased \$55.1 million from 2019 primarily due to lower revenue from kWh sales, fuel adjustment clause recoveries and conservation improvement program recoveries, partially offset by higher rates resulting from Minnesota Power’s rate case and increased revenue related to the GNTL.

Revenue from kWh sales decreased \$68.5 million from 2019 reflecting lower sales to commercial, industrial and municipal customers as well as the expiration of a 100 MW PSA in April 2020. Sales to commercial and industrial customers decreased primarily due to the adverse impact of the COVID-19 pandemic on customer operations. Many commercial and industrial customers were operating at reduced levels or were temporarily closed or idled during 2020 as a result of the COVID-19 pandemic and related governmental responses. In addition, Verso Corporation indefinitely idled its paper mill in Duluth, Minnesota. (See Outlook – Regulated Operations – Industrial Customers and Prospective Additional Load – Paper, Pulp and Secondary Wood Products – Verso Corporation.) Sales to municipal customers decreased from 2019 as a result of the expiration of a contract with a municipal customer in June 2019. Sales to residential customers increased from 2019 primarily due to the impact of COVID-19, partially offset by warmer weather in 2020.

Kilowatt-hours Sold	2020	2019	Quantity Variance	% Variance
Millions				
Regulated Utility				
Retail and Municipal				
Residential	1,134	1,130	4	0.4
Commercial	1,306	1,390	(84)	(6.0)
Industrial	6,192	7,277	(1,085)	(14.9)
Municipal	584	672	(88)	(13.1)
Total Retail and Municipal	9,216	10,469	(1,253)	(12.0)
Other Power Suppliers	4,039	3,185	854	26.8
Total Regulated Utility Kilowatt-hours Sold	13,255	13,654	(399)	(2.9)

Revenue from electric sales to taconite customers accounted for 30 percent of regulated operating revenue in 2020 (30 percent in 2019). Revenue from electric sales to paper, pulp and secondary wood product customers accounted for 5 percent of regulated operating revenue in 2020 (7 percent in 2019). Revenue from electric sales to pipelines and other industrial customers accounted for 9 percent of regulated operating revenue in 2020 (9 percent in 2019).

Fuel adjustment clause revenue decreased \$14.4 million due to lower fuel and purchased power costs attributable to retail and municipal customers.

2020 Compared to 2019 (Continued)
Regulated Operations (Continued)

Conservation improvement program recoveries decreased \$4.9 million from 2019 primarily due to a decrease in related expenditures. (See Operating Expenses - Operating and Maintenance.)

Revenue increased \$19.4 million due to higher rates beginning in May 2020 resulting from the resolution of Minnesota Power's 2020 general rate case. As part of the resolution, interim rates collected from January 2020 through April 2020 were offset with reserves for interim rates which were refunded in the third and fourth quarters of 2020. (See Note 4. Regulatory Matters.)

Cost recovery rider and transmission revenue related to GNTL increased \$18.7 million primarily due to recovery of related expenses resulting from the GNTL being placed into service in June 2020 and additional expenditures for property, plant and equipment.

Operating Expenses decreased \$26.1 million, or 3 percent, from 2019.

Fuel, Purchased Power and Gas – Utility expense decreased \$32.1 million, or 8 percent, from 2019 primarily due to lower kWh sales, purchased power prices and fuel costs. Fuel and purchased power expense related to our retail and municipal customers is recovered through the fuel adjustment clause.

Transmission Services – Utility expense decreased \$2.8 million, or 4 percent, from 2019 primarily due to lower MISO-related expense.

Depreciation and Amortization expense increased \$7.5 million, or 5 percent, from 2019 primarily due to additional property, plant and equipment in service resulting from the GNTL being placed into service in June 2020.

Taxes Other than Income Taxes increased \$2.3 million, or 5 percent, from 2019 primarily due to higher property tax expense resulting from the GNTL being placed into service in June 2020.

Other Income decreased \$2.4 million from 2019 reflecting various individually immaterial items.

Income Tax Benefit increased \$12.3 million from 2019 primarily due to lower pre-tax income and additional production tax credits in 2020 compared to 2019.

ALLETE Clean Energy

Year Ended December 31	2020	2019
Millions		
Operating Revenue		
Contracts with Customers – Non-utility	\$68.3	\$48.0
Other – Non-utility (a)	11.3	11.6
Operating and Maintenance	37.4	29.5
Depreciation and Amortization	37.9	26.8
Taxes Other than Income Taxes	3.3	2.1
Operating Income	1.0	1.2
Interest Expense	(2.2)	(2.8)
Other Income	0.2	2.0
Income (Loss) Before Income Taxes	(1.0)	0.4
Income Tax Benefit	(19.1)	(11.9)
Net Income	18.1	12.3
Net Loss Attributable to Non-Controlling Interest (b)	(11.8)	(0.1)
Net Income Attributable to ALLETE	\$29.9	\$12.4

(a) Represents non-cash amortization of differences between contract prices and estimated market prices on assumed PSAs.

(b) See Note 1. Operations and Significant Accounting Policies.

Operating Revenue increased \$20.0 million from 2019 primarily due to revenue from the Glen Ullin, South Peak and Diamond Spring wind energy facilities which commenced full operations in December 2019, April 2020 and December 2020, respectively, as well as higher wind resources at other wind energy facilities.

2020 Compared to 2019 (Continued)
ALLETE Clean Energy (Continued)

	Year Ended December 31,			
	2020		2019	
Production and Operating Revenue	kWh	Revenue	kWh	Revenue
Millions				
Wind Energy Regions				
East	262.2	\$23.5	232.9	\$21.0
Midwest	902.0	32.2	805.8	32.4
South	169.1	3.9	—	—
West	777.5	20.0	87.8	6.2
Total Production and Operating Revenue	2,110.8	\$79.6	1,126.5	\$59.6

Operating and Maintenance expense increased \$7.9 million, or 27 percent, from 2019 primarily due to operating and maintenance expenses related to the Glen Ullin, South Peak and Diamond Spring wind energy facilities.

Depreciation and Amortization expense increased \$11.1 million, or 41 percent, from 2019 primarily due to additional property, plant and equipment in service related to the Glen Ullin, South Peak and Diamond Spring wind energy facilities.

Taxes Other Than Income Taxes increased \$1.2 million, or 57 percent, from 2019 primarily due to additional property, plant and equipment in service related to the Glen Ullin, South Peak and Diamond Spring wind energy facilities.

Other Income decreased \$1.8 million from 2019 reflecting various individually immaterial items.

Income Tax Benefit increased \$7.2 million from 2019 primarily due to additional production tax credits generated in 2020. The income tax benefit reflected production tax credits of \$20.6 million in 2020 and \$11.5 million in 2019.

Net Loss Attributable to Non-Controlling Interest increased \$11.7 million reflecting net losses attributable to non-controlling interests for the Glen Ullin, South Peak and Diamond Spring wind energy facilities.

U.S. Water Services

Year Ended December 31	2020	2019
Millions		
Operating Revenue	—	\$33.4
Net Loss Attributable to ALLETE	—	\$(1.1)

Operating Revenue decreased \$33.4 million from 2019. ALLETE sold U.S. Water Services in the first quarter of 2019. (See Note 1. Operations and Significant Accounting Policies.)

Corporate and Other

Operating Revenue decreased \$2.9 million, or 3 percent, from 2019 primarily due to lower land sales at ALLETE Properties, partially offset by higher revenue at BNI Energy, which operates under cost-plus fixed fee contracts, as a result of higher expenses in 2020 compared to 2019.

Net Income Attributable to ALLETE was \$8.0 million in 2020 compared to \$19.9 million in 2019. Net income in 2019 included a gain on the sale of U.S. Water Services of \$13.2 million after-tax. Net income in 2020 included earnings from our investment in Nobles 2 which commenced operations in December 2020. Net income at BNI Energy was \$7.3 million in 2020 compared to \$7.4 million in 2019. Net income at ALLETE Properties was \$0.4 million in 2020 compared to \$0.3 million in 2019.

Income Taxes – Consolidated

For the year ended December 31, 2020, the effective tax rate was a benefit of 32.4 percent (benefit of 3.7 percent for the year ended December 31, 2019). The effective tax rate for 2020 was a higher benefit primarily due to additional production tax credits generated in 2020 and lower pre-tax income. (See Note 10. Income Tax Expense.)

2019 Compared to 2018

The comparison of the results of operations for the years ended December 31, 2019 and 2018 is included in Management's Discussion in the Annual Report on Form 10-K for the year ended December 31, 2019.

Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with GAAP requires management to make various estimates and assumptions that affect amounts reported in the Consolidated Financial Statements. These estimates and assumptions may be revised, which may have a material effect on the Consolidated Financial Statements. Actual results may differ from these estimates and assumptions. These policies are discussed with the Audit Committee of our Board of Directors on a regular basis. We believe the following policies are most critical to our business and the understanding of our results of operations.

Regulatory Accounting. Our regulated utility operations are subject to accounting standards for the effects of certain types of regulation. These standards require us to reflect the effect of regulatory decisions in our financial statements. Regulatory assets represent incurred costs that have been deferred as they are probable for recovery in customer rates. Regulatory liabilities represent obligations to make refunds to customers and amounts collected in rates for which the related costs have not yet been incurred. The Company assesses quarterly whether regulatory assets and liabilities meet the criteria for probability of future recovery or deferral. This assessment considers factors such as, but not limited to, changes in the regulatory environment and recent rate orders to other regulated entities under the same jurisdiction. If future recovery or refund of costs becomes no longer probable, the assets and liabilities would be recognized in current period net income or other comprehensive income. (See Note 4. Regulatory Matters.)

Pension and Postretirement Health and Life Actuarial Assumptions. We account for our pension and other postretirement benefit obligations in accordance with the accounting standards for defined benefit pension and other postretirement plans. These standards require the use of several important assumptions, including the expected long-term rate of return on plan assets, the discount rate and mortality assumptions, among others, in determining our obligations and the annual cost of our pension and other postretirement benefits. In establishing the expected long-term rate of return on plan assets, we determine the long-term historical performance of each asset class and adjust these for current economic conditions while utilizing the target allocation of our plan assets to forecast the expected long-term rate of return. Our pension asset allocation as of December 31, 2020, was approximately 36 percent equity securities, 61 percent fixed income, 1 percent private equity and 2 percent real estate. Our postretirement health and life asset allocation as of December 31, 2020, was approximately 67 percent equity securities, 32 percent fixed income and 1 percent private equity. Equity securities consist of a mix of market capitalization sizes with domestic and international securities. In 2020, we used weighted average expected long-term rates of return of 6.75 percent in our actuarial determination of our pension expense and 6.08 percent in our actuarial determination of our other postretirement expense. The actuarial determination uses an asset smoothing methodology for actual returns to reduce the volatility of varying investment performance over time. We review our expected long-term rate of return assumption annually and will adjust it to respond to changing market conditions. A one-quarter percent decrease in the expected long-term rate of return would increase the annual expense for pension and other postretirement benefits by approximately \$1.9 million, pre-tax.

The discount rate is computed using a bond matching study which utilizes a portfolio of high quality bonds that produce cash flows similar to the projected costs of our pension and other postretirement plans. In 2020, we used weighted average discount rates of 3.52 percent and 3.45 percent in our actuarial determination of our pension and other postretirement expense, respectively. We review our discount rates annually and will adjust them to respond to changing market conditions. A one-quarter percent decrease in the discount rate would increase the annual expense for pension and other postretirement benefits by approximately \$1.3 million, pre-tax.

The mortality assumptions used to calculate our pension and other postretirement benefit obligations as of December 31, 2020, considered a modified PRI-2012 mortality table and mortality projection scale. (See Note 11. Pension and Other Postretirement Benefit Plans.)

Impairment of Long-Lived Assets. We review our long-lived assets, which include the legacy real estate assets of ALLETE Properties, for indicators of impairment in accordance with the accounting standards for property, plant and equipment on a quarterly basis.

Critical Accounting Policies (Continued)

In accordance with the accounting standards for property, plant and equipment, if indicators of impairment exist, we test our long-lived assets for recoverability by comparing the carrying amount of the asset to the undiscounted future net cash flows expected to be generated by the asset. Cash flows are assessed at the lowest level of identifiable cash flows. The undiscounted future net cash flows are impacted by trends and factors known to us at the time they are calculated and our expectations related to: management's best estimate of future sales prices; holding period and timing of sales; method of disposition; and future expenditures necessary to maintain the operations.

Taxation. We are required to make judgments regarding the potential tax effects of various financial transactions and our ongoing operations to estimate our obligations to taxing authorities. These tax obligations include income taxes and taxes other than income taxes. Judgments related to income taxes require the recognition in our financial statements of the largest tax benefit of a tax position that is "more-likely-than-not" to be sustained on audit. Tax positions that do not meet the "more-likely-than-not" criteria are reflected as a tax liability in accordance with the accounting standards for uncertainty in income taxes. We record a valuation allowance against our deferred tax assets to the extent it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized.

We are subject to income taxes in various jurisdictions. We make assumptions and judgments each reporting period to estimate our income tax assets, liabilities, benefits and expenses. Judgments and assumptions are supported by historical data and reasonable projections. Our assumptions and judgments include the application of tax statutes and regulations, and projections of future federal taxable income, state taxable income, and state apportionment to determine our ability to utilize NOL and credit carryforwards prior to their expiration. Significant changes in assumptions regarding future federal and state taxable income or a change in tax rates could require new or increased valuation allowances which could result in a material impact on our results of operations.

Outlook

ALLETE is an energy company committed to earning a financial return that rewards our shareholders, allows for reinvestment in our businesses, and sustains growth. The Company has a long-term objective of achieving consolidated average annual earnings per share growth of 5 percent to 7 percent; with a Regulated Operations growth objective of 4 percent to 5 percent, and an ALLETE Clean Energy and Corporate and Other businesses growth objective of at least 15 percent over the long-term. We have made steady progress over the past several quarters in the evolution of our ALLETE Clean Energy strategy as we position the business to provide more comprehensive clean energy solutions. We believe that the renewable energy industry continues to have tremendous potential driven by societal demands for climate action and fulfilling ESG commitments. ALLETE Clean Energy's existing platform provides a strong foundation for growth as we seek to expand our product offerings, further diversify our portfolio and deliver financial returns within our expected criteria over the long-term. Our efforts have resulted in an improvement in our long-term growth outlook above the 4 percent most recently reported. Our current projection of ALLETE's consolidated average annual earnings per share growth rate, using 2019 as a base year, is in line with our stated long-term (5-year) growth objective of 5 percent to 7 percent; with a Regulated Operations growth projection of approximately 3 percent, and an ALLETE Clean Energy and Corporate and Other businesses growth projection of approximately 30 percent to 40 percent.

Our earnings during the year ended December 31, 2020 were negatively impacted by the ongoing COVID-19 pandemic and related disruptions. COVID-19 has had a material impact on Minnesota Power's industrial customers and, as a result, our sales to these customers. Multiple taconite facilities were idled for portions of the year in 2020 and Verso Corporation idled its paper mill in Duluth, Minnesota. The Verso Corporation paper mill remains indefinitely idled; however, Verso Corporation has disclosed it is considering options for the paper mill, including marketing for a sale. In addition, many of our commercial, municipal, and small industrial customers are operating at reduced levels, or are temporarily closed. We expect our earnings to continue to be impacted in 2021 due to the ongoing COVID-19 pandemic, with lower sales to our industrial customers than historical levels, Verso Corporation remaining indefinitely idled, and some of our commercial, municipal, and small industrial customers operating at reduced levels throughout the year. Our 2021 consolidated ALLETE earnings are expected to be lower than 2020, primarily due to lower earnings at our Regulated Operations.

Outlook (Continued)

In response to these lower sales in 2020, and in anticipation of potentially lower sales in 2021, Minnesota Power submitted a petition in November 2020 to the MPUC requesting authority to track and record as a regulatory asset lost large industrial customer revenue resulting from the idling of USS Corporation's Keetac facility and Verso Corporation's paper mill in Duluth, Minnesota. Keetac and Verso represent revenue of approximately \$30 million annually, net of associated expense savings such as fuel costs. Minnesota Power proposed in this petition to defer any lost revenue related to the idling of the Keetac facility and the Verso paper mill to its next general rate case or other proceeding for review for recovery by the MPUC. (See Note 4. Regulatory Matters – COVID-19 Related Deferred Accounting.) Minnesota Power anticipates filing a general rate case in November 2021 with a 2022 test year.

Minnesota Power also submitted its IRP with the MPUC on February 1, 2021. The outcome of this IRP is likely to be instrumental in the evolution of our *EnergyForward* strategic plan that provides for significant emission reductions and diversifying our electricity generation mix to include more renewables, and is expected to provide potential earnings growth over the long-term. (See *EnergyForward*.)

Portions of our ALLETE Clean Energy business is experiencing return pressures on our earnings per share growth from increased competition, and lower forward price curves, as a growing amount of investment capital is being directed into wind generation opportunities. In addition, current and potential new project developments can be negatively affected by a lower ALLETE stock price, which may result in such projects not being accretive, or otherwise unable to satisfy our financial objectives criteria to proceed. In response to these market pressures, we are actively evaluating additional growth opportunities to deliver more comprehensive clean energy solutions for customers at ALLETE Clean Energy, which may include solar, storage solutions, and related energy infrastructure investments and services. We believe that the renewable energy industry is entering a new phase of growth and that we are well-positioned to serve customers and drive future growth at ALLETE. ALLETE Clean Energy will continue to optimize its existing wind energy facility portfolio, seek development of its remaining safe harbor inventory of tax credit qualified turbines, and explore other renewable energy opportunities to expand its service offerings to further enhance its growth and profitability.

ALLETE is predominately a regulated utility through Minnesota Power, SWL&P, and an investment in ATC. ALLETE's strategy is to remain predominately a regulated utility while investing in ALLETE Clean Energy and our Corporate and Other businesses to complement its regulated businesses, balance exposure to the utility's industrial customers, and provide potential long-term earnings growth. ALLETE expects net income from Regulated Operations to be approximately 80 percent of total consolidated net income in 2021. Over the next several years, the contribution of ALLETE Clean Energy and our Corporate and Other businesses to net income is expected to increase as ALLETE grows these operations. ALLETE expects its businesses to provide regulated, contracted or recurring revenues, and to support sustained growth in net income and cash flow.

Regulated Operations. Minnesota Power's long-term strategy is to be the leading electric energy provider in northeastern Minnesota by providing safe, reliable and cost-competitive electric energy, while complying with environmental permit conditions and renewable energy requirements. Keeping the cost of energy production competitive enables Minnesota Power to effectively compete in the wholesale power markets and minimizes retail rate increases to help maintain customer viability. As part of maintaining cost competitiveness, Minnesota Power intends to reduce its exposure to possible future carbon and GHG legislation by reshaping its generation portfolio, over time, to reduce its reliance on coal. Minnesota Power has a goal of delivering 100 percent carbon-free energy by 2050. (See *EnergyForward*.) We will monitor and review proposed environmental regulations and may challenge those that add considerable cost with limited environmental benefit. Minnesota Power will continue to pursue customer growth opportunities and cost recovery rider approvals for transmission, renewable and environmental investments, as well as work with regulators to earn a fair rate of return.

Regulatory Matters. Entities within our Regulated Operations segment are under the jurisdiction of the MPUC, FERC, PSCW and NDPS. See Note 4. Regulatory Matters for discussion of regulatory matters within these jurisdictions.

2020 Minnesota General Rate Case. In November 2019, Minnesota Power filed a retail rate increase request with the MPUC seeking an average increase of approximately 10.6 percent for retail customers. The rate filing sought a return on equity of 10.05 percent and a 53.81 percent equity ratio. On an annualized basis, the requested final rate increase would have generated approximately \$66 million in additional revenue. In orders dated December 23, 2019, the MPUC accepted the filing as complete and authorized an annual interim rate increase of \$36.1 million beginning January 1, 2020.

Outlook (Continued)
Regulatory Matters (Continued)

On April 23, 2020, Minnesota Power filed a request with the MPUC that proposed a resolution of Minnesota Power's 2020 general rate case. Key components of our proposal included removing the power marketing margin credit in base rates and reflecting actual power marketing margins in the fuel adjustment clause effective May 1, 2020; refunding to customers interim rates collected through April 2020; increasing customer rates 4.1 percent compared to the 5.8 percent increase reflected in interim rates; and a provision that Minnesota Power would not file another rate case until at least November 1, 2021, unless certain events occur. In an order dated June 30, 2020, the MPUC approved Minnesota Power's petition and proposal to resolve and withdraw the general rate case. Effective May 1, 2020, customer rates were set at an increase of 4.1 percent with the removal of the power marketing margin credit from base rates. Actual power marketing margins will be reflected in the fuel adjustment clause. Reserves for interim rates of \$11.7 million were recorded in the second quarter of 2020 and refunded in the third and fourth quarters of 2020.

2018 Wisconsin General Rate Case. SWL&P's current retail rates are based on a December 2018 PSCW order that allows for a return on equity of 10.4 percent and a 55.0 percent equity ratio. The PSCW had directed SWL&P to file its next general rate case in 2020; however, the PSCW granted an extension request made by SWL&P to delay filing its next general rate case until on or before December 20, 2022. SWL&P requested the extension primarily due to impacts of the COVID-19 pandemic.

Industrial Customers and Prospective Additional Load

Industrial Customers. Electric power is one of several key inputs in the taconite mining, paper, pulp and secondary wood products, pipeline and other industries. Approximately 47 percent of our regulated utility kWh sales in 2020 (54 percent in 2019 and 50 percent in 2018) were made to our industrial customers. We expect industrial sales of approximately 6.0 million to 6.5 million MWh in 2021 (6.2 million MWh in 2020 and 7.3 million in 2019). (See Item 1. Business – Regulated Operations – Electric Sales / Customers.)

The ongoing COVID-19 pandemic and related governmental responses has led to a disruption of economic activity, and could result in an extended disruption of economic activity. This disruption has resulted in reduced sales and revenue from industrial customers as many industrial customers operated at reduced levels or were temporarily closed or idled during 2020. In addition, Verso Corporation indefinitely idled its paper mill in Duluth, Minnesota. (See *Verso Corporation*.) The current disruption of economic activity or an extended disruption of economic activity may lead to additional adverse impacts on our taconite and paper, pulp and secondary wood products, pipeline and other industrial customers' operations including further reduced production or the temporary idling or indefinite shutdown of other facilities, which would result in lower sales and revenue from these customers.

Taconite. Minnesota Power's taconite customers are capable of producing up to approximately 41 million tons of taconite pellets annually. Taconite pellets produced in Minnesota are primarily shipped to North American steel making facilities that are part of the integrated steel industry, which continues to lead the world in environmental performance among steelmaking countries. According to the U.S. Department of Energy, steel produced in the U.S. is the most energy efficient of any major steel producing country. Steel produced from these North American facilities is used primarily in the manufacture of automobiles, appliances, tubular applications for all industries, and in the construction industry. Steel is also a critical component of the clean energy transformation underway today. The demand for more renewable energy and the need for additional infrastructure to transport green energy from the point of generation to the end user all requires steel. Historically, less than 10 percent of Minnesota taconite production has been exported outside of North America.

There has been a general historical correlation between U.S. steel production and Minnesota taconite production. The American Iron and Steel Institute, an association of North American steel producers, reported that U.S. raw steel production operated at approximately 68 percent of capacity in 2020 (80 percent in 2019 and 78 percent in 2018); however, the American Iron and Steel Institute also reported that U.S. raw steel production in January 2021 was approximately 76 percent of capacity. The World Steel Association, an association of steel producers, national and regional steel industry associations, and steel research institutes representing approximately 85 percent of world steel production, projected U.S. steel consumption in 2021 will increase by approximately 7 percent compared to 2020.

Outlook (Continued)
Industrial Customers and Prospective Additional Load (Continued)

Minnesota Power's taconite customers may experience annual variations in production levels due to such factors as economic conditions, short-term demand changes or maintenance outages. We estimate that a one million ton change in Minnesota Power's taconite customers' production would impact our annual earnings per share by approximately \$0.04, net of expected power marketing sales at current prices. Changes in wholesale electric prices or customer contractual demand nominations could impact this estimate. Minnesota Power proactively sells power in the wholesale power markets that is temporarily not required by industrial customers to optimize the value of its generating facilities. Long-term reductions in taconite production or a permanent shut down of a taconite customer may lead Minnesota Power to file a general rate case to recover lost revenue.

Northshore Mining. Cliffs completed construction of a hot briquetted iron production plant in Toledo, Ohio, in 2020, which utilizes direct reduced-grade pellets from Northshore Mining. In April 2020, Cliffs announced that, based on market conditions, it would be temporarily idling Northshore Mining. Cliffs idled production at Northshore Mining in April 2020 and resumed normal production at the facility in August 2020. Northshore Mining has the capability to produce approximately 6 million tons annually. Minnesota Power has a PSA through 2031 with Silver Bay Power, which provides the majority of the electric service requirements for Northshore Mining. (See *Silver Bay Power*.)

Silver Bay Power. In 2016, Minnesota Power and Silver Bay Power entered into a PSA through 2031. Silver Bay Power supplies approximately 90 MW of load to Northshore Mining, an affiliate of Silver Bay Power, which had previously been served predominately through self-generation by Silver Bay Power. Starting in 2016, Minnesota Power supplied Silver Bay Power with at least 50 MW of energy and Silver Bay Power had the option to purchase additional energy from Minnesota Power as it transitioned away from self-generation. In the third quarter of 2019, Silver Bay Power ceased self-generation and Minnesota Power began supplying the full energy requirements for Silver Bay Power.

USS Corporation. In April 2020, USS Corporation stated it would idle its Keetac facility in Keewatin, Minnesota, in response to the sudden and dramatic decline in business conditions resulting from the COVID-19 pandemic. In addition, in May 2020, USS Corporation announced that production was expected to be temporarily reduced at its Minntac Plant in Mountain Iron, Minnesota. USS Corporation resumed normal production at its Minntac Plant beginning in late July 2020 and resumed operations at its Keetac facility in December 2020. USS Corporation has the capability to produce approximately 15 million and 5 million tons annually at its Minntac and Keetac plants, respectively.

Hibbing Taconite. In April 2020, ArcelorMittal announced that Hibbing Taconite in Hibbing, Minnesota, would idle production due to the COVID-19 pandemic. Hibbing Taconite resumed normal production in August 2020. Hibbing Taconite's current mineable ore reserves are expected to be exhausted in 2025. Cliffs, who in December 2020 became majority owner and resumed management of Hibbing Taconite, has stated that it has a plan to extend the mine life of Hibbing Taconite with ore reserves already under control of Cliffs. There are ample ore reserves in northeastern Minnesota that could supply operations for decades to come, and Minnesota Power's taconite customers routinely develop and extend their mine plans to optimize assets. Hibbing Taconite has the capability to produce approximately 8 million tons annually.

Cliffs Acquisition. On December 9, 2020, Cliffs announced that it had completed the previously announced acquisition of substantially all of the operations of ArcelorMittal USA LLC and its subsidiaries. Cliffs had stated that upon closure Cliffs would be the largest flat-rolled steel producer and the largest iron ore pellet producer in North America. The transaction included ArcelorMittal's Minorca mine in Virginia, Minnesota, and its ownership share of Hibbing Taconite in Hibbing, Minnesota, which are both large industrial customers of Minnesota Power. Cliffs is now Minnesota Power's largest customer. The acquisition has increased customer concentration risk for the Company and could lead to further capacity consolidation for both steel blast furnaces and the related Minnesota iron ore production.

Paper, Pulp and Secondary Wood Products. The North American paper and pulp industry faces declining demand due to the impact of electronic substitution for print and changing customer needs. As a result, certain paper and pulp customers have reduced their existing operations in recent years and have pursued or are pursuing product changes in response to the declining demand. We expect operating levels in 2021 at the four major paper and pulp mills we serve to be lower than 2020 primarily due to the indefinite idling of Verso Corporation's paper mill in Duluth, Minnesota. (See *Verso Corporation*.)

Verso Corporation. In June 2020, Verso Corporation indefinitely idled its paper mill in Duluth, Minnesota (Duluth Mill). Verso Corporation stated the decision was due to the accelerated decline in graphic paper demand resulting from the COVID-19 pandemic and has disclosed it is considering options for the Duluth Mill, including marketing for a sale. On January 29, 2021, Verso Corporation provided notice of termination for its contract effective in January 2025, with no demand charge expected after February 2023 (minimal demand charge through January 2023).

Outlook (Continued)
Industrial Customers and Prospective Additional Load (Continued)

Pipeline and Other Industries.

Husky Energy. In April 2018, a fire at Husky Energy's refinery in Superior, Wisconsin, disrupted operations at the facility. Under normal operating conditions, SWL&P provides approximately 14 MW of average monthly demand to Husky Energy in addition to water service. In September 2019, Husky Energy announced that it had received the required permit approvals to begin reconstruction. In June 2020, Husky Energy announced that rebuild construction at the refinery had resumed following a suspension in March 2020 due to the COVID-19 pandemic. The facility remains at minimal operations, and the refinery is not expected to resume normal operations until 2022. On October 25, 2020, Husky Energy announced a transaction to combine with Cenovus Energy Inc., which closed in the first quarter of 2021.

Prospective Additional Load. Minnesota Power is pursuing new wholesale and retail loads in and around its service territory. Currently, several companies in northeastern Minnesota continue to progress in the development of natural resource-based projects that represent long-term growth potential and load diversity for Minnesota Power. We cannot predict the outcome of these projects.

PolyMet. PolyMet is planning to start a new copper-nickel and precious metal (non-ferrous) mining operation in northeastern Minnesota. In 2015, PolyMet announced the completion of the final EIS by state and federal agencies, which was subsequently published in the Federal Register and Minnesota Environmental Quality Board Monitor. The Minnesota Department of Natural Resources (DNR) and the U.S. Army Corps of Engineers have both issued final Records of Decision, finding the final EIS adequate.

In 2016, PolyMet submitted applications for water-related permits with the DNR and MPCA, an air quality permit with the MPCA, and a state permit to mine application with the DNR detailing its operational plans for the mine. In June 2018, the U.S. Forest Service and PolyMet closed on a land exchange, which resulted in PolyMet obtaining surface rights to land needed to develop its mining operation. In November 2018, the DNR issued PolyMet's permit to mine and certain water-related permits. In December 2018, the MPCA issued PolyMet's final state water and air quality permits. On March 21, 2019, the U.S. Army Corps of Engineers issued PolyMet's final federal permit. PolyMet was issued all necessary permits to construct and operate its new mining operation; however, on January 13, 2020, the Minnesota Court of Appeals reversed the DNR's decisions granting PolyMet's permit to mine and dam-safety permits, and remanded them back to the DNR to hold a contested-case hearing. Further, in March 2020, the Minnesota Court of Appeals remanded PolyMet's air permit. PolyMet filed petitions for further review with the Minnesota Supreme Court seeking to overturn the Minnesota Court of Appeals decisions, which were accepted for review by the Minnesota Supreme Court with oral arguments held in October and November 2020. Minnesota Power could supply between 45 MW and 50 MW of load under a 10-year power supply contract with PolyMet that would begin upon start-up of operations.

EnergyForward. Minnesota Power is executing *EnergyForward*, its strategy assuring reliability, protecting affordability and further improving environmental performance. The plan includes completed and planned investments in wind, solar, natural gas and hydroelectric power, construction of additional transmission capacity, the installation of emissions control technology and the idling and retirement of certain coal-fired generating facilities. Minnesota Power has a vision to deliver 100 percent carbon-free energy to customers by 2050, continuing its commitment to climate, customers and communities through its *EnergyForward* strategy. This vision builds on Minnesota Power's recent achievement of now providing 50 percent renewable energy to its customers.

2021 Integrated Resource Plan. On February 1, 2021, Minnesota Power filed its latest IRP with the MPUC, which outlines its clean-energy transition plans through 2035. These plans include expanding its renewable energy supply to 70 percent by 2030, achieving coal-free operations at its facilities by 2035, and investing in a resilient and flexible transmission and distribution grid. Minnesota Power has also set a target to achieve an 80 percent reduction in carbon emissions by 2035 compared to 2005 levels. As part of these plans, Minnesota Power anticipates adding approximately 400 MW of new wind and solar energy resources, retiring Boswell Unit 3 by 2030 and transforming Boswell Unit 4 to be coal-free by 2035. Minnesota Power's plans recognize that advances in technology will play a significant role in completing its transition to carbon-free energy supply, reliably and affordably. A final decision on the IRP is expected in late 2021.

In recent years, Minnesota Power has transformed its energy supply from more than a 95 percent reliance on coal to become a leader in the nation's clean-energy transformation. Since 2013, the company has closed or converted seven of its nine coal-fired units and added nearly 900 megawatts of renewable energy sources. Additionally, Minnesota Power has been a leader in energy conservation, surpassing the state's conservation goals each year for the past decade.

Outlook (Continued)
EnergyForward (Continued)

Nemadji Trail Energy Center. In 2017, Minnesota Power submitted a resource package to the MPUC which included requesting approval of a 250 MW natural gas capacity dedication and other affiliated-interest agreements for NTEC, a proposed 525 MW to 550 MW combined-cycle natural gas-fired generating facility which will be jointly owned by Dairyland Power Cooperative and a subsidiary of ALLETE. Minnesota Power would purchase approximately 50 percent of the facility's output starting in 2025. In a January 2019 order, the MPUC approved Minnesota Power's request for approval of the NTEC natural gas capacity dedication and other affiliated-interest agreements. In December 2019, the Minnesota Court of Appeals reversed and remanded the MPUC's decision to approve certain affiliated-interest agreements. The MPUC was ordered to determine whether NTEC may have the potential for significant environmental effects and, if so, to prepare an environmental assessment before reassessing the agreements. On January 22, 2020, Minnesota Power filed a petition for further review with the Minnesota Supreme Court requesting that it review and overturn the Minnesota Court of Appeals decision, which petition was accepted for review by the Minnesota Supreme Court with oral arguments held on October 6, 2020. There is no deadline for the Minnesota Supreme Court to issue a ruling. In January 2019, an application for a certificate of public convenience and necessity for NTEC was submitted to the PSCW, which was approved by the PSCW at a hearing on January 16, 2020. Construction of NTEC is subject to obtaining additional permits from local, state and federal authorities. The total project cost is estimated to be approximately \$700 million, of which ALLETE's portion is expected to be approximately \$350 million. ALLETE's portion of NTEC project costs incurred through December 31, 2020, is approximately \$15 million.

Renewable Energy. Minnesota Power continues to execute its renewable energy strategy and expects approximately 50 percent of its energy will be supplied by renewable energy sources in 2021. Minnesota Power also has a goal of delivering 100 percent carbon-free energy by 2050. (See *EnergyForward*.)

Wind Energy. Minnesota Power's wind energy facilities consist of Bison (497 MW) located in North Dakota, and Taconite Ridge (25 MW) located in northeastern Minnesota. Minnesota Power also has two long-term wind energy PPAs with an affiliate of NextEra Energy, Inc. to purchase the output from Oliver Wind I (50 MW) and Oliver Wind II (48 MW) located in North Dakota.

Minnesota Power uses the 465-mile, 250-kV DC transmission line that runs from Center, North Dakota, to Duluth, Minnesota, to transport wind energy from North Dakota while gradually phasing out coal-based electricity delivered to its system over this transmission line from Square Butte's lignite coal-fired generating unit. Minnesota Power is currently pursuing a modernization and capacity upgrade of its DC transmission system to continue providing reliable operations and additional system capabilities.

Minnesota Power has an approved cost recovery rider for certain renewable investments and expenditures. The cost recovery rider allows Minnesota Power to charge retail customers on a current basis for the costs of certain renewable investments plus a return on the capital invested. Updated customer billing rates were approved by the MPUC in an order dated December 10, 2020.

Nobles 2 PPA. Minnesota Power and Nobles 2 have a long-term PPA that provides for Minnesota Power to purchase the energy and associated capacity from a 250 MW wind energy facility in southwestern Minnesota through 2040. The agreement provides for the purchase of output from the facility at fixed energy prices. There are no fixed capacity charges, and Minnesota Power will only pay for energy as it is delivered. (See *Corporate and Other – Investment in Nobles 2*.)

Manitoba Hydro. Minnesota Power has three long-term PPAs with Manitoba Hydro. Under the first PPA, Minnesota Power is purchasing surplus energy through April 2022. This energy-only agreement primarily consists of surplus hydro energy on Manitoba Hydro's system that is delivered to Minnesota Power on a non-firm basis. Under this agreement, Minnesota Power will purchase at least one million MWh of energy over the contract term. The second PPA provides for Minnesota Power to purchase 250 MW of capacity and energy from Manitoba Hydro through May 2035. The third PPA provides for Minnesota Power to purchase up to 133 MW of energy from Manitoba Hydro through June 2040. (See Note 8. Commitments, Guarantees and Contingencies.)

Solar Energy. Minnesota Power's solar energy supply consists of Camp Ripley, a 10 MW solar energy facility at the Camp Ripley Minnesota Army National Guard base and training facility near Little Falls, Minnesota, and a community solar garden in northeastern Minnesota, which is comprised of a 1 MW solar array owned and operated by a third party with the output purchased by Minnesota Power and a 40 kW solar array that is owned and operated by Minnesota Power. SWL&P also plans to construct a 470 kW solar array in 2021 as part of a community solar garden in Superior, Wisconsin, which was approved by the PSCW on October 7, 2020.

Outlook (Continued)
EnergyForward (Continued)

On June 17, 2020, Minnesota Power filed a proposal with the MPUC to accelerate its plans for solar energy with an estimated \$40 million investment in approximately 20 MW of solar energy projects in Minnesota. (See Note 4. Regulatory Matters.)

Minnesota Power has approval for current cost recovery of investments and expenditures related to compliance with the Minnesota Solar Energy Standard. On June 30, 2020, Minnesota Power filed a petition seeking MPUC approval of a customer billing rate for solar costs related to investments and expenditures for meeting the state of Minnesota's solar energy standard.

Transmission. We continue to make investments 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. These include the GNTL, investments to enhance our own transmission facilities, investments in other transmission assets (individually or in combination with others) and our investment in ATC. See Item 1. Business – Regulated Operations and Note 8. Commitments, Guarantees and Contingencies.

ALLETE Clean Energy.

ALLETE Clean Energy will pursue growth through acquisitions or project development. ALLETE Clean Energy is targeting acquisitions of existing operating portfolios which have a mix of long-term PSAs in place and/or available for repowering and recontracting. Further, ALLETE Clean Energy will evaluate actions that will lead to the addition of complimentary clean energy products and services. At this time, ALLETE Clean Energy expects acquisitions or development of new facilities will be primarily wind, solar, energy storage or storage ready facilities across North America. ALLETE Clean Energy is also targeting the development of new facilities up to 300 MW each, which will have long-term PSAs in place for the output or may be sold upon completion.

Federal production tax credit qualification is important to the economics of project development, and ALLETE Clean Energy has invested in equipment to meet production tax credit safe harbor provisions which provides an opportunity to seek development of its remaining safe harbor production tax credit qualified equipment through 2024. ALLETE Clean Energy has invested approximately \$80 million through 2020 for production tax credit requalification of approximately 470 WTGs at its Storm Lake I, Storm Lake II, Lake Benton and Condon wind energy facilities. We anticipate annual production tax credits relating to these projects of approximately \$17 million to \$22 million annually through 2027 and decreasing thereafter through 2030. Disruptions in our supply chains or a lack of available financing resulting from the ongoing COVID-19 pandemic, if they occur, could jeopardize our ability to complete certain capital projects in time to qualify them for production tax credits. To date we have not experienced disruptions in our supply chains related to the COVID-19 pandemic. (See Item 1A. Risk Factors.)

In 2018, ALLETE Clean Energy announced that it would build, own and operate the South Peak wind project, an 80 MW wind energy facility in Montana, pursuant to a 15-year PSA with NorthWestern Corporation; construction was completed and tax equity funding of \$67.8 million in cash, net of issuance costs, was received in the second quarter of 2020.

In May 2019, ALLETE Clean Energy acquired the Diamond Spring wind project in Oklahoma from Apex Clean Energy. ALLETE Clean Energy owns and operates the approximately 300 MW wind energy facility. The Diamond Spring wind energy facility is fully contracted to sell wind power under long-term power sales agreements; construction was completed and tax equity funding of \$230.7 million in cash, net of issuance costs, was received in the fourth quarter of 2020.

On March 10, 2020, ALLETE Clean Energy acquired the rights to the approximately 300 MW Caddo wind development project in Oklahoma from Apex Clean Energy. The Caddo wind project is fully contracted to sell wind power under long-term power sales agreements. Construction is expected to be completed in late 2021.

On February 4, 2021, ALLETE Clean Energy entered into a purchase and sale agreement with a subsidiary of Xcel Energy Inc. to sell a 120 MW wind energy facility for approximately \$210 million. ALLETE Clean Energy will repower and expand its Northern Wind project, consisting of its 100 MW Chanarambie and Viking wind energy facilities located in southwest Minnesota, as part of the transaction. Construction is expected to begin in late 2021, and the Northern Wind project is expected to continue operating until early 2022. The sale is expected to close in late 2022, subject to regulatory approval by the MPUC and receipt of permits.

Outlook (Continued)**ALLETE Clean Energy (Continued)**

ALLETE Clean Energy manages risk by having a diverse portfolio of assets, which includes PSA expiration, technology and geographic diversity. The current operating portfolio is subject to typical variations in seasonal wind with higher wind resources typically available in the winter months. The majority of its planned maintenance leverages this seasonality and is performed during lower wind periods. ALLETE Clean Energy's current operating portfolio is as follows:

Region	Wind Energy Facility	Capacity MW	PSA MW	PSA Expiration
East	Armenia Mountain	101	100%	2024
Midwest	Chanarambie/Viking	98		
	PSA 1 (a)		12%	2023
	PSA 2		88%	2023
	Lake Benton	104	100%	2028
	Storm Lake I	108	100%	2027
	Storm Lake II	77		
	PSA 1		90%	2022
	PSA 2		10%	2032
	Other	17	100%	2028
South	Diamond Spring	303		
	PSA 1		58%	2035
	PSA 2		25%	2032
	PSA 3		16%	2035
West	Condon	50	100%	2022
	Glen Ullin	106	100%	2039
	South Peak	80	100%	2035

(a) The PSA expiration assumes the exercise of four one-year renewal options that ALLETE Clean Energy has the sole right to exercise.

Non-cash amortization to revenue recognized by ALLETE Clean Energy relates to the amortization of differences between contract prices and estimated market prices on assumed PSAs. 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 2021 through 2023, \$5.5 million annually in 2024 through 2027, and decreasing thereafter through 2032.

Corporate and Other.

BNI Energy. In 2020, BNI Energy sold 4.2 million tons of coal (4.1 million tons in 2019) and anticipates 2021 sales will be similar to 2020. BNI Energy operates under cost-plus fixed fee agreements extending through December 31, 2037.

Investment in Nobles 2. Our subsidiary, ALLETE South Wind, owns a 49 percent equity interest in Nobles 2, the entity that owns and operates the 250 MW wind energy facility in southwestern Minnesota pursuant to a 20-year PPA with Minnesota Power. Construction of the wind energy facility was completed and tax equity funding of \$116.3 million, net of issuance costs, was received in the fourth quarter of 2020. We account for our investment in Nobles 2 under the equity method of accounting. (See Note 5. Equity Investments.)

ALLETE Properties. Our strategy incorporates the possibility of a bulk sale of the entire ALLETE Properties portfolio. Proceeds from a bulk sale would be strategically deployed to support growth initiatives at our Regulated Operations and ALLETE Clean Energy. ALLETE Properties also continues to pursue sales of individual parcels over time and will continue to maintain key entitlements and infrastructure. Market conditions can impact land sales and could result in our inability to cover our cost basis and operating expenses including fixed carrying costs such as community development district assessments and property taxes.

Outlook (Continued)

Income Taxes

ALLETE's aggregate federal and multi-state statutory tax rate is approximately 28 percent for 2020. ALLETE also has tax credits and other tax adjustments that reduce the combined statutory rate to the effective tax rate. These tax credits and adjustments historically have included items such as investment tax credits, production tax credits, AFUDC-Equity, depletion, as well as other items. The annual effective rate can also be impacted by such items as changes in income before income taxes, state and federal tax law changes that become effective during the year, business combinations, tax planning initiatives and resolution of prior years' tax matters. We expect our effective tax rate to be a benefit of approximately 35 percent to 40 percent for 2021 primarily due to federal production tax credits as a result of wind energy generation. We also expect that our effective tax rate will be lower than the combined statutory rate over the next 10 years due to production tax credits attributable to our wind energy generation.

Liquidity and Capital Resources

Liquidity Position. ALLETE is well-positioned to meet its liquidity needs; however, the Company is monitoring capital markets and other financing sources in light of the ongoing COVID-19 pandemic. (See Item 1A. Risk Factors.) A disruption in capital markets could lead to increased borrowing costs or adversely impact our ability to access capital markets or other financing sources. If we are not able to access capital on acceptable terms in sufficient amounts and when needed, or at all, the ability to maintain our businesses or to implement our business plans would be adversely affected.

As of December 31, 2020, we had cash and cash equivalents of \$44.3 million, \$384.7 million in available consolidated lines of credit, 2.9 million original issue shares of common stock available for issuance through a distribution agreement with Lampert Capital Markets and a debt-to-capital ratio of 39 percent.

In 2020, ALLETE received \$414.5 million in cash, net of issuance costs, from third-party investors as part of tax equity financing for ALLETE Clean Energy's South Peak and Diamond Spring wind energy facilities as well as for our investment in Nobles 2. In addition, ALLETE issued \$140 million of the Company's first mortgage bonds in August 2020, sold \$150 million of senior unsecured notes in September 2020 and ALLETE Clean Energy borrowed \$65 million under a term loan agreement.

Capital Structure. ALLETE's capital structure for each of the last three years is as follows:

As of December 31	2020	%	2019	%	2018	%
Millions						
ALLETE Equity	\$2,294.6	50	\$2,231.9	56	\$2,155.8	59
Non-Controlling Interest in Subsidiaries	505.6	11	103.7	3	—	—
Short-Term and Long-Term Debt (a)	1,806.4	39	1,622.6	41	1,495.2	41
	\$4,606.6	100	\$3,958.2	100	\$3,651.0	100

(a) Excludes unamortized debt issuance costs.

Cash Flows. Selected information from ALLETE's Consolidated Statement of Cash Flows is as follows:

Year Ended December 31	2020	2019	2018
Millions			
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	\$92.5	\$79.0	\$110.1
Cash Flows from (used for)			
Operating Activities	299.8	246.9	431.3
Investing Activities	(812.8)	(342.7)	(347.2)
Financing Activities	485.7	109.3	(115.2)
Change in Cash, Cash Equivalents and Restricted Cash	(27.3)	13.5	(31.1)
Cash, Cash Equivalents and Restricted Cash at End of Period	\$65.2	\$92.5	\$79.0

Operating Activities. Cash from operating activities was higher in 2020 compared to 2019. Cash from operating activities in 2019 included the refund of Minnesota Power's provisions for interim rates and tax reform, and the impact of U.S. Water Services prior to its sale. Cash from operating activities in 2020 included lower collections of accounts receivable due to timing.

Liquidity and Capital Resources (Continued)
Cash Flows (Continued)

Cash from operating activities was lower in 2019 compared to 2018 primarily due to the refund of Minnesota Power's provisions for tax reform and interim rates to customers, fewer customer deposits received and lower recoveries from customers under cost recovery riders in 2019. These decreases were partially offset by the timing of collections of accounts receivable.

Investing Activities. Cash used for investing activities was higher in 2020 compared to 2019. Cash used for investing activities in 2020 included higher additions to property, plant and equipment and additional payments for equity method investments compared to 2019. Cash used for investing activities in 2019 included proceeds received from the sale of U.S. Water Services.

Cash used for investing activities in 2019 was similar to 2018 reflecting proceeds received from the sale of U.S. Water Services, mostly offset by higher additions to property, plant and equipment.

Financing Activities. Cash from financing activities was higher in 2020 compared to 2019 primarily due to higher proceeds from the issuance of long-term debt and proceeds from a tax equity financing (non-controlling interest in subsidiaries) in 2020. These increases were partially offset by higher repayments of long-term debt in 2020.

Cash from financing activities was higher in 2019 compared to 2018 primarily due to higher proceeds from the issuance of long-term debt and proceeds from a tax equity financing (non-controlling interest in subsidiaries), partially offset by higher dividends on common stock.

Working Capital. Additional working capital, if and when needed, generally is provided by consolidated bank lines of credit and the issuance of securities, including long-term debt, common stock and commercial paper. As of December 31, 2020, we had consolidated bank lines of credit aggregating \$407.0 million (\$407.0 million as of December 31, 2019), most of which expire in January 2024. We had \$22.3 million outstanding in standby letters of credit and no outstanding draws under our lines of credit as of December 31, 2020 (\$62.0 million in standby letters of credit and no outstanding draws as of December 31, 2019). We also have other credit facility agreements in place that provide the ability to issue up to \$100.0 million in standby letters of credit. As of December 31, 2020, we had \$82.9 million outstanding in standby letters of credit under these agreements.

In addition, as of December 31, 2020, we had 3.4 million original issue shares of our common stock available for issuance through Invest Direct and 2.9 million original issue shares of common stock available for issuance through a distribution agreement with Lampert Capital Markets. (See *Securities*.) The amount and timing of future sales of our securities will depend upon market conditions and our specific needs. In July 2019, we filed Registration Statement No. 333-232905, pursuant to which the remaining shares under this agreement will continue to be offered for sale, from time to time.

Securities. We entered into a distribution agreement with Lampert Capital Markets, in 2008, as amended most recently in 2020, with respect to the issuance and sale of up to an aggregate of 13.6 million shares of our common stock, without par value, of which 2.9 million shares remain available for issuance as of December 31, 2020. For the year ended December 31, 2020, no shares of common stock were issued under this agreement (none in 2019 and 2018). In July 2019, we filed Registration Statement No. 333-232905, pursuant to which the remaining shares will continue to be offered for sale, from time to time.

During the year ended December 31, 2020, we issued 0.4 million shares of common stock through Invest Direct, the Employee Stock Purchase Plan and the Retirement Savings and Stock Ownership Plan, resulting in net proceeds of \$18.1 million (0.2 million shares for net proceeds of \$1.9 million in 2019; 0.4 million shares for net proceeds of \$20.3 million in 2018). These shares of common stock were registered under Registration Statement Nos. 333-231030, 333-183051 and 333-162890. See Note 9. Common Stock and Earnings Per Share for additional detail regarding ALLETE's equity securities.

Financial Covenants. See Note 7. Short-Term and Long-Term Debt for information regarding our financial covenants.

Pension and Other Postretirement Benefit Plans. Management considers various factors when making funding decisions, such as regulatory requirements, actuarially determined minimum contribution requirements and contributions required to avoid benefit restrictions for the defined benefit pension plans. For the year ended December 31, 2020, we contributed \$10.7 million in cash to the defined benefit pension plans. On January 15, 2021, we contributed \$10.3 million in cash to the defined benefit pension plans. We do not expect to make any additional contributions to our defined benefit pension plans in 2021, and we do not expect to make any contributions to our other postretirement benefit plans in 2021. (See Note 9. Common Stock and Earnings Per Share and Note 11. Pension and Other Postretirement Benefit Plans.)

Liquidity and Capital Resources (Continued)

Off-Balance Sheet Arrangements. Off-balance sheet arrangements are discussed in Note 8. Commitments, Guarantees and Contingencies.

Contractual Obligations and Commercial Commitments. ALLETE has contractual obligations and other commitments that will need to be funded in the future, in addition to its capital expenditure programs. Material contractual obligations and other commitments are as follows:

Long-Term Debt. ALLETE has material long-term debt obligations, including long-term debt due within one year. These obligations include the principal amount of bonds, notes and loans which are recorded on the Consolidated Balance Sheet, plus interest. (See Note 7. Short-Term and Long-Term Debt.)

Pension and Other Postretirement Benefit Plans. Pension and other postretirement benefit plan obligations include the current estimate of future benefit payments. Pension contributions are dependent on several factors including realized asset performance, future discount rate and other actuarial assumptions, Internal Revenue Service and other regulatory requirements, and contributions required to avoid benefit restrictions for the pension plans. Funding for the other postretirement benefit plans is impacted by realized asset performance, future discount rate and other actuarial assumptions, and utility regulatory requirements. Our obligations are estimates and will change based on actual market performance, changes in interest rates and any changes in governmental regulations. (See Note 11. Pension and Other Postretirement Benefit Plans.)

Operating Lease Obligations. ALLETE has certain operating lease obligations for the minimum payments required under various lease agreements which are recorded on the Consolidated Balance Sheet. (See Note 1. Operations and Significant Accounting Policies.)

Easement Obligations. ALLETE has easement obligations for the minimum payments required under our land easement agreements at our wind energy facilities. (See Note 8. Commitments, Guarantees and Contingencies.)

PPA Obligations. PPA obligations represent our Square Butte, Manitoba Hydro and other PPAs. (See Note 8. Commitments, Guarantees and Contingencies.)

Other Purchase Obligations. ALLETE has other purchase obligations covering our minimum purchase commitments under coal supply and rail contracts, and long-term service agreements for wind energy facilities. (See Note 8. Commitments, Guarantees and Contingencies.)

Credit Ratings. Access to reasonably priced capital markets is dependent in part on credit and ratings. Our securities have been rated by S&P and by Moody's. Rating agencies use both quantitative and qualitative measures in determining a company's credit rating. These measures include business risk, liquidity risk, competitive position, capital mix, financial condition, predictability of cash flows, management strength and future direction. Some of the quantitative measures can be analyzed through a few key financial ratios, while the qualitative ones are more subjective. Our current credit ratings are listed in the following table:

Credit Ratings	S&P	Moody's
Issuer Credit Rating	BBB	Baa1
Commercial Paper	A-2	P-2
First Mortgage Bonds	(a)	A2

(a) Not rated by S&P.

On April 22, 2020, S&P Global Ratings downgraded ALLETE's long-term issuer credit rating to BBB stable from BBB+ outlook negative and affirmed its short-term rating at A-2. S&P Global Ratings noted the impacts of debt coverage ratios going forward along with the lack of a revenue decoupling mechanism at Minnesota Power combined with the large commercial and industrial presence in its service territory as its rationale for the downgrade.

The disclosure of these credit ratings is not a recommendation to buy, sell or hold our securities. Ratings are subject to revision or withdrawal at any time by the assigning rating organization. Each rating should be evaluated independently of any other rating.

Liquidity and Capital Resources (Continued)
Credit Ratings (Continued)

The Company believes it is well-positioned to meet its liquidity needs. As of December 31, 2020, we had cash and cash equivalents of \$44.3 million, \$384.7 million in available consolidated lines of credit and a debt-to-capital ratio of 39 percent. Our cash from operating activities for the year ended December 31, 2020 was \$299.8 million. In addition, as of December 31, 2020, we had 3.4 million original issue shares of our common stock available for issuance through Invest Direct and 2.9 million original issue shares of common stock available for issuance through a distribution agreement with Lampert Capital Markets.

Common Stock Dividends. ALLETE is committed to providing a competitive dividend to its shareholders while at the same time funding its growth. ALLETE's long-term objective is to maintain a dividend payout ratio similar to our peers and provide for future dividend increases. Our targeted payout range is between 60 percent and 70 percent. In 2020, we paid out 74 percent (65 percent in 2019; 66 percent in 2018) of our per share earnings in dividends. On February 4, 2021, our Board of Directors declared a dividend of \$0.63 per share, which is payable on March 1, 2021, to shareholders of record at the close of business on February 16, 2021.

Capital Requirements

ALLETE's projected capital expenditures for the years 2021 through 2025 are presented in the following table. Actual capital expenditures may vary from the projections due to changes in forecasted plant maintenance, regulatory decisions or approvals, future environmental requirements, base load growth, capital market conditions or executions of new business strategies.

Capital Expenditures	2021	2022	2023	2024	2025	Total
Millions						
Regulated Operations						
Base and Other	\$160	\$120	\$160	\$220	\$205	\$865
Nemadji Trail Energy Center (a)	15	50	150	115	15	345
Regulated Operations Capital Expenditures	175	170	310	335	220	1,210
ALLETE Clean Energy (b)	255	5	10	10	10	290
Corporate and Other	60	20	15	15	10	120
Total Capital Expenditures	\$490	\$195	\$335	\$360	\$240	\$1,620

- (a) Our portion of estimated capital expenditures for construction of NTEC, a proposed 525 MW to 550 MW combined-cycle natural gas-fired generating facility which will be jointly owned by Dairyland Power Cooperative and a subsidiary of ALLETE.
- (b) Capital expenditures in 2021 include construction of a 300 MW wind energy facility by ALLETE Clean Energy. These capital expenditures do not include the cost of safe harbor equipment purchased previously. (See Outlook – ALLETE Clean Energy.)

We are well positioned to meet our financing needs due to adequate operating cash flows, available additional working capital and access to capital markets. We will finance capital expenditures from a combination of internally generated funds, debt and equity issuance proceeds. We intend to maintain a capital structure with capital ratios near current levels. (See *Capital Structure*.)

Environmental and Other Matters

Our businesses are subject to regulation of environmental matters by various federal, state and local authorities. A number of regulatory changes to the Clean Air Act, the Clean Water Act and various waste management requirements have been promulgated by both the EPA and state authorities over the past several years. Minnesota Power's facilities are subject to additional requirements under many of these regulations. Minnesota Power is reshaping its generation portfolio, over time, to reduce its reliance on coal, has installed cost-effective emission control technology, and advocates for sound science and policy during rulemaking implementation. (See Note 8. Commitments, Guarantees and Contingencies.)

Market Risk

Securities Investments.

Available-for-Sale Securities. As of December 31, 2020, our available-for-sale securities portfolio consisted primarily of securities held in other postretirement plans to fund employee benefits.

INTEREST RATE RISK

We are exposed to risks resulting from changes in interest rates as a result of our issuance of variable rate debt. We manage our interest rate risk by varying the issuance and maturity dates of our fixed rate debt, limiting the amount of variable rate debt, and continually monitoring the effects of market changes in interest rates. We may also enter into derivative financial instruments, such as interest rate swaps, to mitigate interest rate exposure. The following table presents the long-term debt obligations and the corresponding weighted average interest rate as of December 31, 2020:

Interest Rate Sensitive Financial Instruments	Expected Maturity Date						Total	Fair Value
	2021	2022	2023	2024	2025	Thereafter		
Long-Term Debt								
Fixed Rate – Millions	\$99.0	\$89.2	\$89.1	\$73.9	\$213.3	\$1,109.1	\$1,673.6	\$1,989.2
Average Interest Rate – %	3.9	3.7	5.9	3.9	3.4	4.2	4.1	
Variable Rate – Millions	\$105.0	—	—	—	\$27.8	—	\$132.8	\$132.8
Average Interest Rate – %	1.5	—	—	—	0.1	—	1.2	

Interest rates on variable rate long-term debt are reset on a periodic basis reflecting prevailing market conditions. Based on the variable rate debt outstanding as of December 31, 2020, an increase of 100 basis points in interest rates would impact the amount of pre-tax interest expense by \$1.3 million. This amount was determined by considering the impact of a hypothetical 100 basis point increase to the average variable interest rate on the variable rate debt outstanding as of December 31, 2020.

COMMODITY PRICE RISK

Our regulated utility operations incur costs for power and fuel (primarily coal and related transportation) in Minnesota, and power and natural gas purchased for resale in our regulated service territory in Wisconsin. Minnesota Power's exposure to price risk for these commodities is significantly mitigated by the current ratemaking process and regulatory framework, which allows recovery of fuel costs in excess of those included in base rates or distribution of savings in fuel costs to ratepayers. SWL&P's exposure to price risk for natural gas is significantly mitigated by the current ratemaking process and regulatory framework, which allows the commodity cost to be passed through to customers. We seek to prudently manage our customers' exposure to price risk by entering into contracts of various durations and terms for the purchase of power and coal and related transportation costs (Minnesota Power) and natural gas (SWL&P).

POWER MARKETING

Minnesota Power's power marketing activities consist of: (1) purchasing energy in the wholesale market to serve its regulated service territory when energy requirements exceed generation output; and (2) selling excess available energy and purchased power. From time to time, Minnesota Power may have excess energy that is temporarily not required by retail and municipal customers in our regulated service territory. Minnesota Power actively sells any excess energy to the wholesale market to optimize the value of its generating facilities.

We are exposed to credit risk primarily through our power marketing activities. We use credit policies to manage credit risk, which includes utilizing an established credit approval process and monitoring counterparty limits.

Recently Adopted Accounting Pronouncements.

New accounting pronouncements are discussed in Note 1. Operations and Significant Accounting Policies of this Form 10-K.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Market Risk for information related to quantitative and qualitative disclosure about market risk.

Item 8. Financial Statements and Supplementary Data

See our Consolidated Financial Statements as of December 31, 2020 and 2019, and for the years ended December 31, 2020, 2019 and 2018, and supplementary data, which are indexed in Item 15(a).

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

As of December 31, 2020, evaluations were performed, under the supervision and with the participation of management, including our principal executive officer and principal financial officer, on the effectiveness of the design and operation of ALLETE's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (Exchange Act). Based upon those evaluations, our principal executive officer and principal financial officer have concluded that such disclosure controls and procedures are effective to provide assurance that information required to be disclosed in ALLETE's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f) or 15d-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the Internal Control – Integrated Framework (framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2020.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2020, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Changes in Internal Controls

There has been no change in our internal control over financial reporting that occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Not applicable.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

Unless otherwise stated, the information required by this Item is incorporated by reference herein from our Proxy Statement for the 2021 Annual Meeting of Shareholders (2021 Proxy Statement) under the following headings:

- **Directors.** The information regarding directors will be included in the “Election of Directors” section;
- **Audit Committee Financial Expert.** The information regarding the Audit Committee financial expert will be included in the “Corporate Governance” section and the “Audit Committee Report” section;
- **Audit Committee Members.** The identity of the Audit Committee members will be included in the “Corporate Governance” section and the “Audit Committee Report” section;
- **Executive Officers.** The information regarding executive officers is included in Part I of this Form 10-K; and
- **Section 16(a) Delinquency.** If applicable, information regarding Section 16(a) delinquencies will be included in a “Delinquent Section 16(a) Reports” section.

Our 2021 Proxy Statement will be filed with the SEC within 120 days after the end of our 2020 fiscal year.

Code of Ethics. We have adopted a written Code of Ethics that applies to all of our employees, including our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer. A copy of our Code of Ethics is available on our website at www.allete.com and print copies are available without charge upon request to ALLETE, Inc., Attention: Secretary, 30 West Superior St., Duluth, Minnesota 55802. Any amendment to the Code of Ethics or any waiver of the Code of Ethics will be disclosed on our website at www.allete.com promptly following the date of such amendment or waiver.

Corporate Governance. The following documents are available on our website at www.allete.com and print copies are available upon request:

- Corporate Governance Guidelines;
- Audit Committee Charter;
- Executive Compensation Committee Charter; and
- Corporate Governance and Nominating Committee Charter.

Any amendment to these documents will be disclosed on our website at www.allete.com promptly following the date of such amendment.

Item 11. Executive Compensation

The information required by this Item is incorporated by reference herein from the “Compensation Discussion and Analysis,” the “Compensation of Executive Officers,” the “Compensation Committee Report” and the “Director Compensation” sections in our 2021 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item is incorporated by reference herein from the “Ownership of ALLETE Common Stock – Securities Owned by Certain Beneficial Owners” and the “Ownership of ALLETE Common Stock – Securities Owned by Directors and Management” sections in our 2021 Proxy Statement.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth the shares of ALLETE common stock available for issuance under the Company's equity compensation plans as of December 31, 2020:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, and Rights ^(a)	Weighted-Average Exercise Price of Outstanding Options, Warrants, and Rights ^(b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans ^(c)
Equity Compensation Plans Approved by Security Holders	122,431	—	820,161
Equity Compensation Plans Not Approved by Security Holders	—	—	—
Total	122,431	—	820,161

(a) Includes the following as of December 31, 2020: (i) 51,909 securities representing the target number of performance share awards (including accrued dividends) granted under the executive long-term incentive compensation plan that were unvested; and (ii) 70,522 director deferred stock units (including accrued dividends) under the non-employee director compensation deferral plan. With respect to unvested performance share awards, the actual number of shares to be issued will vary from 0 percent to 200 percent of the target level depending upon the achievement of total shareholder return objectives established for such awards. For additional information about the performance shares, including payout calculations, see our 2021 Proxy Statement.

(b) Earned performance share awards are paid in shares of ALLETE common stock on a one-for-one basis. Accordingly, these awards do not have a weighted-average exercise price.

(c) Excludes the number of securities shown in the first column as to be issued upon exercise of outstanding options, warrants, and rights. The amount shown is comprised of: (i) 700,864 shares available for issuance under the executive long-term incentive compensation plan in the form of options, rights, restricted stock units, performance share awards, and other grants as approved by the Executive Compensation Committee of the Company's Board of Directors; (ii) 27,186 shares available for issuance under the Non-Employee Director Stock Plan as payment for a portion of the annual retainer payable to non-employee Directors; and (iii) 92,111 shares available for issuance under the ALLETE and Affiliated Companies Employee Stock Purchase Plan.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item is incorporated by reference herein from the “Corporate Governance” section in our 2021 Proxy Statement.

We have adopted a Related Person Transaction Policy which is available on our website at www.allete.com. Print copies are available without charge, upon request. Any amendment to this policy will be disclosed on our website at www.allete.com promptly following the date of such amendment.

Item 14. Principal Accounting Fees and Services

The information required by this Item is incorporated by reference herein from the “Audit Committee Report” section in our 2021 Proxy Statement.

Part IV

Item 15. Exhibits and Financial Statement Schedules

(a)	Certain Documents Filed as Part of this Form 10-K.	
(1)	Financial Statements	Page
	ALLETE	
	Report of Independent Registered Public Accounting Firm	64
	Consolidated Balance Sheet as of December 31, 2020 and 2019	66
	For the Years Ended December 31, 2020, 2019 and 2018	
	Consolidated Statement of Income	67
	Consolidated Statement of Comprehensive Income	68
	Consolidated Statement of Cash Flows	69
	Consolidated Statement of Equity	70
	Notes to Consolidated Financial Statements	71
(2)	Financial Statement Schedules	
	Schedule II – ALLETE Valuation and Qualifying Accounts and Reserves	119
	All other schedules have been omitted either because the information is not required to be reported by ALLETE or because the information is included in the Consolidated Financial Statements or the notes.	
(3)	Exhibits including those incorporated by reference.	

**Exhibit
Number**

*2	— Stock Purchase Agreement by and among Global Water Services Holding Company, Inc., ALLETE Enterprises, Inc., and Kurita American Holdings Inc., dated February 8, 2019 (filed as Exhibit 2 to the March 31, 2019, Form 10-Q, File No. 1-3548).		
*3(a)1	— Articles of Incorporation, amended and restated as of May 8, 2001 (filed as Exhibit 3(b) to the March 31, 2001, Form 10-Q, File No. 1-3548).		
*3(a)2	— Amendment to Articles of Incorporation, dated as of September 20, 2004 (filed as Exhibit 3 to the September 21, 2004, Form 8-K, File No. 1-3548).		
*3(a)3	— Amendment to Articles of Incorporation, dated as of May 12, 2009 (filed as Exhibit 3 to the June 30, 2009, Form 10-Q, File No. 1-3548).		
*3(a)4	— Amendment to Articles of Incorporation, dated as of May 11, 2010 (filed as Exhibit 3(a) to the May 14, 2010, Form 8-K, File No. 1-3548).		
*3(a)5	— Amendment to Certificate of Assumed Name, filed with the Minnesota Secretary of State on May 8, 2001 (filed as Exhibit 3(a) to the March 31, 2001, Form 10-Q, File No. 1-3548).		
*3(b)	— Bylaws, as amended effective April 13, 2020 (filed as Exhibit 3 to the April 14, 2020, Form 8-K, File No. 1-3548).		
*4(a)1	— Mortgage and Deed of Trust, dated as of September 1, 1945, between Minnesota Power & Light Company (now ALLETE) and The Bank of New York Mellon (formerly Irving Trust Company) and Andres Serrano (successor to Richard H. West), Trustees (filed as Exhibit 7(c), File No. 2-5865).		
*4(a)2	— Supplemental Indentures to ALLETE’s Mortgage and Deed of Trust:		
	Number	Dated as of	Reference File
	First	March 1, 1949	2-7826
	Second	July 1, 1951	2-9036
	Third	March 1, 1957	2-13075
	Fourth	January 1, 1968	2-27794
	Fifth	April 1, 1971	2-39537
	Sixth	August 1, 1975	2-54116
	Seventh	September 1, 1976	2-57014
	Eighth	September 1, 1977	2-59690
	Ninth	April 1, 1978	2-60866
	Tenth	August 1, 1978	2-62852
	Eleventh	December 1, 1982	2-56649
	Twelfth	April 1, 1987	33-30224
	Thirteenth	March 1, 1992	33-47438
	Fourteenth	June 1, 1992	33-55240
	Fifteenth	July 1, 1992	33-55240
	Sixteenth	July 1, 1992	33-55240
	Seventeenth	February 1, 1993	33-50143
	Eighteenth	July 1, 1993	33-50143
	Nineteenth	February 1, 1997	1-3548 (1996 Form 10-K)
	Twentieth	November 1, 1997	1-3548 (1997 Form 10-K)
	Twenty-first	October 1, 2000	333-54330
	Twenty-second	July 1, 2003	1-3548 (June 30, 2003, Form 10-Q)
	Twenty-third	August 1, 2004	1-3548 (Sept. 30, 2004, Form 10-Q)
	Twenty-fourth	March 1, 2005	1-3548 (March 31, 2005, Form 10-Q)
	Twenty-fifth	December 1, 2005	1-3548 (March 31, 2006, Form 10-Q)
	Twenty-sixth	October 1, 2006	1-3548 (2006 Form 10-K)
	Twenty-seventh	February 1, 2008	1-3548 (2007 Form 10-K)
	Twenty-eighth	May 1, 2008	1-3548 (June 30, 2008, Form 10-Q)
	Twenty-ninth	November 1, 2008	1-3548 (2008 Form 10-K)
	Thirtieth	January 1, 2009	1-3548 (2008 Form 10-K)
	Thirty-first	February 1, 2010	1-3548 (March 31, 2010, Form 10-Q)
	Thirty-second	August 1, 2010	1-3548 (Sept. 30, 2010, Form 10-Q)
	Thirty-third	July 1, 2012	1-3548 (July 2, 2012, Form 8-K)
	Thirty-fourth	April 1, 2013	1-3548 (April 2, 2013, Form 8-K)
	Thirty-fifth	March 1, 2014	1-3548 (March 31, 2014, Form 10-Q)

**Exhibit
Number**

	Thirty-sixth	June 1, 2014	1-3548 (June 30, 2014, Form 10-Q)	4
	Thirty-seventh	September 1, 2014	1-3548 (Sept. 30, 2014, Form 10-Q)	4
	Thirty-eighth	September 1, 2015	1-3548 (Sept. 30, 2015, Form 10-Q)	4(a)
	Thirty-ninth	April 1, 2018	1-3548 (March 31, 2018, Form 10-Q)	4
	Fortieth	March 1, 2019	1-3548 (March 31, 2019, Form 10-Q)	4(a)
	Forty-first	August 1, 2020	1-3548 (Sept. 30, 2020, Form 10-Q)	4(a)
*4(b)1	— Mortgage and Deed of Trust, dated as of March 1, 1943, between Superior Water, Light and Power Company and Chemical Bank & Trust Company and Howard B. Smith, as Trustees, both succeeded by U.S. Bank National Association, as Trustee (filed as Exhibit 7(c), File No. 2-8668).			
*4(b)2	— Supplemental Indentures to Superior Water, Light and Power Company's Mortgage and Deed of Trust:			
	Number	Dated as of	Reference File	Exhibit
	First	March 1, 1951	2-59690	2(d)(1)
	Second	March 1, 1962	2-27794	2(d)1
	Third	July 1, 1976	2-57478	2(e)1
	Fourth	March 1, 1985	2-78641	4(b)
	Fifth	December 1, 1992	1-3548 (1992 Form 10-K)	4(b)1
	Sixth	March 24, 1994	1-3548 (1996 Form 10-K)	4(b)1
	Seventh	November 1, 1994	1-3548 (1996 Form 10-K)	4(b)2
	Eighth	January 1, 1997	1-3548 (1996 Form 10-K)	4(b)3
	Ninth	October 1, 2007	1-3548 (2007 Form 10-K)	4(c)3
	Tenth	October 1, 2007	1-3548 (2007 Form 10-K)	4(c)4
	Eleventh	December 1, 2008	1-3548 (2008 Form 10-K)	4(c)3
	Twelfth	December 2, 2013	1-3548 (2013 Form 10-K)	4(c)3
	Thirteenth	May 29, 2018	1-3548 (June 30, 2018, Form 10-Q)	4
*4(c)	— Note Purchase and Guarantee Agreement dated as of November 5, 2015, among Armenia Mountain Wind LLC, AMW I Holding, LLC and the purchasers named therein (filed as Exhibit 4 to the November 12, 2015, Form 8-K, File No. 1-3548).			
*4(d)	— Note Purchase Agreement, dated December 8, 2016, between ALLETE and Hartford Investment Management Company, Northwestern Mutual Investment Management Company, The Northwestern Mutual Life Insurance Company and Nationwide Life Insurance Company (filed as Exhibit 4 to the December 12, 2016, Form 8-K, File No. 1-3548).			
*4(e)	— Amended and Restated Term Loan Agreement dated as of August 14, 2019 among ALLETE, Inc., as Borrower, the Lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and Bank of America, N.A., as Syndication Agent and JPMorgan Chase Bank, N.A., as Sole Lead Arranger and Sole Bookrunner (filed as Exhibit 4 to the September 30, 2019, Form 10-Q, File No. 1-3548).			
*4(f)	— Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 (filed as Exhibit 4(h) to the 2020 Form 10-K, File No. 1-3548).			
*4(g)	— Term Loan Agreement dated as of April 8, 2020, among ALLETE, Inc., as Borrower, the Lenders party thereto, U.S. Bank National Association, as Administrative Agent and CoBank, ACB, J.P. Morgan Chase Bank, N.A. and Bank of America, N.A., as Co-Documentation Agents, and U.S. Bank National Association, as Lead Arranger and Book Runner (filed as Exhibit 4 to the March 31, 2020, Form 10-Q, File No. 1-3548).			
*4(h)	— Note Purchase Agreement, dated September 10, 2020, between ALLETE and the purchasers named therein (filed as Exhibit 4 to the September 30, 2020, Form 10-Q, File No. 1-3548).			
4(i)	— Term Loan Agreement dated as of December 28, 2020, among Caddo Wind, LLC, as Borrower, ALLETE, Inc. and ALLETE Clean Energy, Inc., as Guarantors and Bank of America, N.A., as the Lender.			
*10(a)	— Power Purchase and Sale Agreement, dated as of May 29, 1998, between Minnesota Power, Inc. (now ALLETE) and Square Butte Electric Cooperative (filed as Exhibit 10 to the June 30, 1998, Form 10-Q, File No. 1-3548).			
*10(b)1	— Amended and Restated Credit Agreement dated as of January 10, 2019 among ALLETE, as Borrower, the lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and J.P. Morgan Chase Bank, N.A., as Sole Lead Arranger and Sole Book Runner (filed as Exhibit 10(b)2 to the 2018 Form 10-K, File No. 1-3548).			
*10(b)2	— First Amendment to Credit Agreement dated May 15, 2019, among ALLETE, as Borrower, the Lenders party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent (filed as Exhibit 4 to the June 30, 2019, Form 10-Q, File No. 1-3548).			
*10(c)1	— Financing Agreement between Collier County Industrial Development Authority and ALLETE dated as of July 1, 2006 (filed as Exhibit 10(b)1 to the June 30, 2006, Form 10-Q, File No. 1-3548).			
*10(c)2	— Amended and Restated Letter of Credit Agreement, dated as of June 3, 2011, among ALLETE, the participating banks and Wells Fargo Bank, National Association, as Administrative Agent and Issuing Bank (filed as Exhibit 10(b) to the June 30, 2011, Form 10-Q, File No. 1-3548).			

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- *10(c)3 — [First Amendment to Amended and Restated Letter of Credit Agreement, dated as of June 1, 2013, between ALLETE and Wells Fargo Bank, National Association, as Issuing Bank, Administrative Agent and Sole Participating Bank \(filed as Exhibit 10\(b\) to the June 30, 2013, Form 10-Q, File No. 1-3548\).](#)
- *10(d) — [Agreement dated December 16, 2005, among ALLETE, Wisconsin Public Service Corporation and WPS Investments, LLC \(filed as Exhibit 10\(g\) to the 2009 Form 10-K, File No. 1-3548\).](#)
- *+10(e)1 — [ALLETE Executive Annual Incentive Plan, as amended and restated, effective January 1, 2011 \(filed as Exhibit 10\(h\)1 to the 2010 Form 10-K, File No. 1-3548\).](#)
- *+10(e)2 — [ALLETE Executive Annual Incentive Plan Form of Award Effective 2017 \(filed as Exhibit 10\(e\)6 to the 2016 Form 10-K, File No. 1-3548\).](#)
- *+10(e)3 — [ALLETE Executive Annual Incentive Plan Form of Award Superior Water, Light and Power Effective 2017 \(filed as Exhibit 10\(e\)7 to the 2016 Form 10-K, File No. 1-3548\).](#)
- *+10(e)4 — [ALLETE Executive Annual Incentive Plan Form of Award Effective 2018 \(filed as Exhibit 10\(a\)1 to the March 31, 2018, Form 10-Q, File No. 1-3548\).](#)
- *+10(e)5 — [ALLETE Executive Annual Incentive Plan Form of Award Superior Water, Light and Power Effective 2018 \(filed as Exhibit 10\(a\)2 to the March 31, 2018, Form 10-Q, File No. 1-3548\).](#)
- *+10(e)6 — [ALLETE Executive Annual Incentive Plan Form of Award Effective 2019 \(filed as Exhibit 10\(e\)7 to the 2018 Form 10-K, File No. 1-3548\).](#)
- *+10(e)7 — [ALLETE Executive Annual Incentive Plan Form of Award Effective 2020 \(filed as Exhibit 10\(e\)8 to the 2019 Form 10-K, File No. 1-3548\).](#)
- *+10(e)8 — [ALLETE Executive Annual Incentive Plan Form of Award Effective 2021.](#)
- *+10(f)1 — [ALLETE and Affiliated Companies Supplemental Executive Retirement Plan \(SERP I\), as amended and restated, effective January 1, 2009 \(filed as Exhibit 10\(i\)4 to the 2008 Form 10-K, File No. 1-3548\).](#)
- *+10(f)2 — [Amendment to the ALLETE and Affiliated Companies Supplemental Executive Retirement Plan \(SERP I\), effective January 1, 2011 \(filed as Exhibit 10\(i\)2 to the 2010 Form 10-K, File No. 1-3548\).](#)
- *+10(f)3 — [ALLETE and Affiliated Companies Supplemental Executive Retirement Plan II \(SERP II\), as amended and restated, effective January 1, 2015 \(filed as Exhibit 10\(f\)3 to the 2014 Form 10-K, File No. 1-3548\).](#)
- *+10(f)4 — [ALLETE and Affiliated Companies Supplemental Executive Retirement Plan II \(SERP II\), as amended and restated, effective January 1, 2019 \(filed as Exhibit 10\(f\)4 to the 2018 Form 10-K, File No. 1-3548\).](#)
- *+10(g) — [ALLETE Deferred Compensation Trust Agreement, as amended and restated, effective December 15, 2012 \(filed as Exhibit 10\(j\) to the 2012 Form 10-K, File No. 1-3548\).](#)
- *+10(h)1 — [ALLETE Executive Long-Term Incentive Compensation Plan as amended and restated effective January 1, 2006 \(filed as Exhibit 10 to the May 16, 2005, Form 8-K, File No. 1-3548\).](#)
- *+10(h)2 — [Amendment to the ALLETE Executive Long-Term Incentive Compensation Plan, effective January 1, 2011 \(filed as Exhibit 10\(m\)2 to the 2010 Form 10-K, File No. 1-3548\).](#)
- *+10(h)3 — [Form of ALLETE Executive Long-Term Incentive Compensation Plan Performance Share Grant Effective 2015 \(filed as Exhibit 10\(j\)16 to the 2014 Form 10-K, File No. 1-3548\).](#)
- *+10(h)4 — [Form of ALLETE Executive Long-Term Incentive Compensation Plan Restricted Stock Unit Grant Effective 2015 \(filed as Exhibit 10\(j\)17 to the 2014 Form 10-K, File No. 1-3548\).](#)
- *+10(i)1 — [ALLETE Executive Long-Term Incentive Compensation Plan effective January 1, 2016 \(filed November 6, 2015, as Exhibit 99 to Form S-8, File No. 333-207846\).](#)
- *+10(i)2 — [Form of ALLETE Executive Long-Term Incentive Compensation Plan Restricted Stock Unit Grant Effective 2016 \(filed as Exhibit 10\(k\)3 to the 2015 Form 10-K, File No. 1-3548\).](#)
- *+10(i)3 — [Form of ALLETE Executive Long-Term Incentive Compensation Plan Performance Share Grant Effective 2016 \(filed as Exhibit 10\(k\)2 to the 2015 Form 10-K, File No. 1-3548\).](#)
- *+10(i)4 — [Form of ALLETE Executive Long-Term Incentive Compensation Plan Cash Award Effective 2017 \(filed as Exhibit 10\(i\)4 to the 2016 Form 10-K, File No. 1-3548\).](#)
- *+10(i)5 — [Form of ALLETE Executive Long-Term Incentive Compensation Plan Restricted Stock Unit Grant Effective 2017 \(filed as Exhibit 10\(i\)5 to the 2016 Form 10-K, File No. 1-3548\).](#)
- *+10(i)6 — [Form of ALLETE Executive Long-Term Incentive Compensation Plan Performance Share Grant Effective 2017 \(filed as Exhibit 10\(i\)6 to the 2016 Form 10-K, File No. 1-3548\).](#)
- *+10(i)7 — [Form of ALLETE Executive Long-Term Incentive Compensation Plan Cash Award Effective 2018 \(filed as Exhibit 10\(b\) to the March 31, 2018, Form 10-Q, File No. 1-3548\).](#)
- *+10(i)8 — [Form of ALLETE Executive Long-Term Incentive Compensation Plan Restricted Stock Unit Grant Effective 2018 \(filed as Exhibit 10\(i\)7 to the 2017 Form 10-K, File No. 1-3548\).](#)
- *+10(i)9 — [Form of ALLETE Executive Long-Term Incentive Compensation Plan Performance Share Grant Effective 2018 \(filed as Exhibit 10\(i\)8 to the 2017 Form 10-K, File No. 1-3548\).](#)
- *+10(i)10 — [Form of ALLETE Executive Long-Term Incentive Compensation Plan Restricted Stock Unit Grant Effective 2019 \(filed as Exhibit 10\(i\)10 to the 2018 Form 10-K, File No. 1-3548\).](#)

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*+10(i)11	— Form of ALLETE Executive Long-Term Incentive Compensation Plan Performance Share Grant Effective 2019 (filed as Exhibit 10(i)11 to the 2018 Form 10-K, File No. 1-3548).
*+10(i)12	— Form of ALLETE Executive Long-Term Incentive Compensation Plan Restricted Stock Unit Grant Effective 2020 (filed as Exhibit 10(i)12 to the 2019 Form 10-K, File No. 1-3548).
*+10(i)13	— Form of ALLETE Executive Long-Term Incentive Compensation Plan Performance Share Grant Effective 2020 (filed as Exhibit 10(i)13 to the 2019 Form 10-K, File No. 1-3548).
+10(i)14	— Form of ALLETE Executive Long-Term Incentive Compensation Plan Restricted Stock Unit Grant Effective 2021.
+10(i)15	— Form of ALLETE Executive Long-Term Incentive Compensation Plan Performance Share Grant Effective 2021.
*+10(i)16	— Description of Compensation Arrangement 2021 with respect to Alan R. Hodnik (incorporated by reference from the Form 8-K, dated January 30, 2020, File No. 1-3548).
*+10(j)1	— Amended and Restated ALLETE Non-Employee Director Stock Plan, effective May 15, 2013 (filed as Exhibit 10(a) to the June 30, 2013, Form 10-Q, File No. 1-3548).
*+10(k)1	— ALLETE Non-Employee Director Compensation Summary effective January 1, 2017 (filed as Exhibit 10(k)3 to the 2016 Form 10-K, File No. 1-3548).
*+10(k)2	— ALLETE Non-Employee Director Compensation Summary effective January 1, 2019 (filed as Exhibit 10(k)3 to the 2018 Form 10-K, File No. 1-3548).
+10(k)3	— ALLETE Non-Employee Director Compensation Summary effective January 1, 2020.
*+10(l)1	— Minnesota Power (now ALLETE) Non-Employee Director Compensation Deferral Plan Amended and Restated, effective January 1, 1990 (filed as Exhibit 10(ac) to the 2002 Form 10-K, File No. 1-3548).
*+10(l)2	— October 2003 Amendment to the Minnesota Power (now ALLETE) Non-Employee Director Compensation Deferral Plan (filed as Exhibit 10(aa)2 to the 2003 Form 10-K, File No. 1-3548).
*+10(l)3	— January 2005 Amendment to the ALLETE Non-Employee Director Compensation Deferral Plan (filed as Exhibit 10(c) to the March 31, 2005, Form 10-Q, File No. 1-3548).
*+10(l)4	— October 2006 Amendment to the ALLETE Non-Employee Director Compensation Deferral Plan (filed as Exhibit 10(d) to the September 30, 2006, Form 10-Q, File No. 1-3548).
*+10(l)5	— July 2012 Amendment to the ALLETE Non-Employee Director Compensation Deferral Plan (filed as Exhibit 10(n)5 to the 2012 Form 10-K, File No. 1-3548).
*+10(m)1	— ALLETE Non-Employee Director Compensation Deferral Plan II, effective May 1, 2009 (filed as Exhibit 10(a) to the June 30, 2009, Form 10-Q, File No. 1-3548).
*+10(m)2	— ALLETE Non-Employee Director Compensation Deferral Plan II, as amended and restated, effective July 24, 2012 (filed as Exhibit 10(o)2 to the 2012 Form 10-K, File No. 1-3548).
*+10(n)	— ALLETE Non-Employee Director Compensation Trust Agreement, as amended and restated, effective December 15, 2012 (filed as Exhibit 10(p)2 to the 2012 Form 10-K, File No. 1-3548).
*+10(o)1	— ALLETE and Affiliated Companies Change in Control Severance Plan, as amended and restated, effective January 19, 2011 (filed as Exhibit 10(q) to the 2010 Form 10-K, File No. 1-3548).
*+10(o)2	— ALLETE and Affiliated Companies Change in Control Severance Plan, as amended and restated, effective April 23, 2018 (filed as Exhibit 10(c) to the March 31, 2018, Form 10-Q, File No. 1-3548).
*+10(p)	— ALLETE Executive Separation Agreement effective November 29, 2018 (filed as Exhibit 10(p) to the 2018 Form 10-K, File No. 1-3548).

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21	— Subsidiaries of the Registrant.
23	— Consent of Independent Registered Public Accounting Firm.
31(a)	— Rule 13a-14(a)/15d-14(a) Certification by the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31(b)	— Rule 13a-14(a)/15d-14(a) Certification by the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	— Section 1350 Certification of Annual Report by the Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
95	— Mine Safety.
99	— ALLETE News Release dated February 17, 2021, announcing earnings for the year ended December 31, 2020. (This exhibit has been furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.)
101.INS	— XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	— XBRL Schema
101.CAL	— XBRL Calculation
101.DEF	— XBRL Definition
101.LAB	— XBRL Label
101.PRE	— XBRL Presentation
104	— Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

ALLETE or its subsidiaries are obligors under various long-term debt instruments including, but not limited to, the following:

- \$6,370,000 of City of Superior, Wisconsin, Collateralized Utility Revenue Refunding Bonds Series 2007A; and
- \$6,130,000 of City of Superior, Wisconsin, Collateralized Utility Revenue Bonds Series 2007B.

Pursuant to Item 601(b)(4)(iii) of Regulation S-K, these and other long-term debt instruments are not filed as exhibits because the total amount of debt authorized under each omitted instrument does not exceed 10 percent of our total consolidated assets. We will furnish copies of these instruments to the SEC upon its request.

* *Incorporated herein by reference as indicated.*

+ *Management contract or compensatory plan or arrangement pursuant to Item 15(b).*

Item 16. Form 10-K Summary

None.

Signatures (Continued)

Signature	Title	Date
<u>/s/ Kathryn W. Dindo</u> Kathryn W. Dindo	Director	February 17, 2021
<u>/s/ George G. Goldfarb</u> George G. Goldfarb	Director	February 17, 2021
<u>/s/ Alan R. Hodnik</u> Alan R. Hodnik	Executive Chairman and Director	February 17, 2021
<u>/s/ James J. Hoolihan</u> James J. Hoolihan	Director	February 17, 2021
<u>/s/ Heidi E. Jimmerson</u> Heidi E. Jimmerson	Director	February 17, 2021
<u>/s/ Madeleine W. Ludlow</u> Madeleine W. Ludlow	Director	February 17, 2021
<u>/s/ Susan K. Nestegard</u> Susan K. Nestegard	Director	February 17, 2021
<u>/s/ Douglas C. Neve</u> Douglas C. Neve	Director	February 17, 2021
<u>/s/ Barbara A. Nick</u> Barbara A. Nick	Director	February 17, 2021
<u>/s/ Robert P. Powers</u> Robert P. Powers	Director	February 17, 2021

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of ALLETE, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheet of ALLETE, Inc. and its subsidiaries (the “Company”) as of December 31, 2020 and 2019, and the related consolidated statements of income, of comprehensive income, of equity and of cash flows for each of the three years in the period ended December 31, 2020, including the related notes and financial statement schedule listed in the index appearing under Item 15(a)(2) (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Accounting for the Effects of Regulatory Matters

As described in Note 4 to the consolidated financial statements, the Company's regulated utility operations are subject to accounting standards for the effects of certain types of regulation. As of December 31, 2020, there was \$481 million of regulatory assets and \$532 million of regulatory liabilities recorded. Regulatory assets represent incurred costs that have been deferred as they are probable for recovery in customer rates. Regulatory liabilities represent obligations to make refunds to customers and amounts collected in rates for which the related costs have not yet been incurred. Management assesses quarterly whether regulatory assets and liabilities meet the criteria for probability of future recovery or deferral. As disclosed by management, these standards require the Company to reflect the effect of regulatory decisions in its financial statements. This assessment considers factors such as, but not limited to, changes in the regulatory environment and recent rate orders to other regulated entities under the same jurisdiction. If future recovery or refund of costs becomes no longer probable, the assets and liabilities would be recognized in current period net income or other comprehensive income. The principal consideration for our determination that performing procedures relating to the Company's accounting for the effects of regulatory matters is a critical audit matter is the significant judgment by management in determining the recoverability of costs; this in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence obtained related to the recoverability of costs.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's implementation of new regulatory orders, changes to existing regulatory orders, and assessing the recoverability of costs. These procedures also included, among others, evaluating (i) the reasonableness of management's assessment of impacts arising from correspondence with regulators and changes in laws and regulations, (ii) management's judgments related to the recoverability of regulatory assets and the establishment of regulatory liabilities, and (iii) the sufficiency of the disclosures in the consolidated financial statements. Testing the regulatory assets and liabilities involved considering the provisions and formulas outlined in rate orders, other regulatory correspondence, and application of relevant regulatory precedents.

/s/ PricewaterhouseCoopers LLP

Minneapolis, Minnesota

February 17, 2021

We have served as the Company's auditor since 1963.

CONSOLIDATED FINANCIAL STATEMENTS

ALLETE Consolidated Balance Sheet

As of December 31	2020	2019
Millions		
Assets		
Current Assets		
Cash and Cash Equivalents	\$44.3	\$69.3
Accounts Receivable (Less Allowance of \$2.5 and \$0.9)	111.9	96.4
Inventories – Net	74.2	72.8
Prepayments and Other	24.5	31.0
Total Current Assets	254.9	269.5
Property, Plant and Equipment – Net	4,840.8	4,377.0
Regulatory Assets	480.9	420.5
Equity Investments	301.2	197.6
Other Non-Current Assets	206.8	218.2
Total Assets	\$6,084.6	\$5,482.8
Liabilities and Equity		
Liabilities		
Current Liabilities		
Accounts Payable	\$110.0	\$165.2
Accrued Taxes	59.4	50.8
Accrued Interest	19.8	18.1
Long-Term Debt Due Within One Year	203.7	212.9
Other	66.7	60.4
Total Current Liabilities	459.6	507.4
Long-Term Debt	1,593.2	1,400.9
Deferred Income Taxes	195.7	212.8
Regulatory Liabilities	524.8	560.3
Defined Benefit Pension and Other Postretirement Benefit Plans	225.8	172.8
Other Non-Current Liabilities	285.3	293.0
Total Liabilities	3,284.4	3,147.2
Commitments, Guarantees and Contingencies (Note 8)		
Equity		
ALLETE Equity		
Common Stock Without Par Value, 80.0 Shares Authorized, 52.1 and 51.7 Shares Issued and Outstanding	1,460.9	1,436.7
Accumulated Other Comprehensive Loss	(31.1)	(23.6)
Retained Earnings	864.8	818.8
Total ALLETE Equity	2,294.6	2,231.9
Non-Controlling Interest in Subsidiaries	505.6	103.7
Total Equity	2,800.2	2,335.6
Total Liabilities and Equity	\$6,084.6	\$5,482.8

The accompanying notes are an integral part of these statements.

ALLETE Consolidated Statement of Income

Year Ended December 31	2020	2019	2018
Millions Except Per Share Amounts			
Operating Revenue			
Contracts with Customers – Utility	\$987.3	\$1,042.4	\$1,059.5
Contracts with Customers – Non-utility	170.5	186.5	415.5
Other – Non-utility	11.3	11.6	23.6
Total Operating Revenue	1,169.1	1,240.5	1,498.6
Operating Expenses			
Fuel, Purchased Power and Gas – Utility	358.6	390.7	407.5
Transmission Services – Utility	67.0	69.8	69.9
Cost of Sales – Non-utility	66.7	80.6	218.0
Operating and Maintenance	252.0	264.3	340.5
Depreciation and Amortization	217.8	202.0	205.6
Taxes Other than Income Taxes	56.1	53.3	57.9
Other	—	—	(2.0)
Total Operating Expenses	1,018.2	1,060.7	1,297.4
Operating Income	150.9	179.8	201.2
Other Income (Expense)			
Interest Expense	(65.6)	(64.9)	(67.9)
Equity Earnings	22.1	21.7	17.5
Gain on Sale of U.S. Water Services	—	23.6	—
Other	14.7	18.7	7.8
Total Other Expense	(28.8)	(0.9)	(42.6)
Income Before Non-Controlling Interest and Income Taxes	122.1	178.9	158.6
Income Tax Benefit	(39.5)	(6.6)	(15.5)
Net Income	161.6	185.5	174.1
Net Loss Attributable to Non-Controlling Interest	(12.6)	(0.1)	—
Net Income Attributable to ALLETE	\$174.2	\$185.6	\$174.1
Average Shares of Common Stock			
Basic	51.9	51.6	51.3
Diluted	51.9	51.7	51.5
Basic Earnings Per Share of Common Stock	\$3.36	\$3.59	\$3.39
Diluted Earnings Per Share of Common Stock	\$3.35	\$3.59	\$3.38

The accompanying notes are an integral part of these statements.

ALLETE Consolidated Statement of Comprehensive Income

Year Ended December 31	2020	2019	2018
Millions			
Net Income	\$161.6	\$185.5	\$174.1
Other Comprehensive Income (Loss)			
Unrealized Gain (Loss) on Securities			
Net of Income Tax Expense of \$0.1, \$0.1 and \$-	0.1	0.2	(0.1)
Defined Benefit Pension and Other Postretirement Benefit Plans			
Net of Income Tax (Benefit) Expense of \$(3.1), \$1.4 and \$0.3	(7.6)	3.5	1.0
Total Other Comprehensive Income (Loss)	(7.5)	3.7	0.9
Total Comprehensive Income	154.1	189.2	175.0
Net Loss Attributable to Non-Controlling Interest	(12.6)	(0.1)	—
Total Comprehensive Income Attributable to ALLETE	\$166.7	\$189.3	\$175.0

The accompanying notes are an integral part of these statements.

ALLETE Consolidated Statement of Cash Flows

Year Ended December 31	2020	2019	2018
Millions			
Operating Activities			
Net Income	\$161.6	\$185.5	\$174.1
AFUDC – Equity	(1.9)	(2.3)	(1.2)
Income from Equity Investments – Net of Dividends	(3.2)	(5.6)	(2.3)
Change in Fair Value of Contingent Consideration	—	—	(2.0)
Realized and Unrealized (Gain) / Loss on Investments and Property, Plant and Equipment	(1.3)	(1.6)	2.7
Depreciation Expense	217.7	200.6	200.1
Amortization of PSAs	(11.3)	(11.6)	(23.6)
Amortization of Other Intangible Assets and Other Assets	10.4	11.7	9.6
Deferred Income Tax Benefit	(39.5)	(6.7)	(15.8)
Share-Based and ESOP Compensation Expense	6.1	6.3	6.8
Defined Benefit Pension and Other Postretirement Benefit Expense	0.1	1.2	8.6
Bad Debt Expense	2.7	(0.1)	1.1
Provision (Payments) for Interim Rate Refund	—	(40.0)	16.3
Provision (Payments) for Tax Reform Refund	(0.2)	(10.4)	10.7
Gain on Sale of U.S. Water Services	—	(23.6)	—
Changes in Operating Assets and Liabilities			
Accounts Receivable	(18.2)	22.6	(10.7)
Inventories	(1.4)	(4.1)	55.5
Prepayments and Other	0.9	0.3	(4.0)
Accounts Payable	11.8	(8.8)	13.6
Other Current Liabilities	16.7	(13.7)	6.7
Cash Contributions to Defined Benefit Pension Plans	(10.7)	(10.4)	(15.0)
Changes in Regulatory and Other Non-Current Assets	(31.0)	(25.2)	5.0
Changes in Regulatory and Other Non-Current Liabilities	(9.5)	(17.2)	(4.9)
Cash from Operating Activities	299.8	246.9	431.3
Investing Activities			
Proceeds from Sale of Available-for-sale Securities	12.8	12.1	10.2
Payments for Purchase of Available-for-sale Securities	(8.7)	(12.2)	(13.3)
Payments for Equity Investments	(99.1)	(37.9)	(39.2)
Return of Capital from Equity Investments	—	8.3	—
Additions to Property, Plant and Equipment	(717.8)	(597.1)	(312.4)
Proceeds from Sale of U.S. Water Services – Net of Transaction Costs and Cash Retained	—	268.6	—
Other Investing Activities	—	15.5	7.5
Cash for Investing Activities	(812.8)	(342.7)	(347.2)
Financing Activities			
Proceeds from Issuance of Common Stock	18.1	1.9	20.3
Proceeds from Issuance of Long-Term Debt	672.4	201.9	75.6
Repayments of Long-Term Debt	(488.6)	(72.2)	(95.5)
Proceeds from Non-Controlling Interest in Subsidiaries – Net of Issuance Costs	414.5	103.8	—
Acquisition-Related Contingent Consideration Payments	—	(3.8)	—
Dividends on Common Stock	(128.2)	(121.4)	(115.0)
Other Financing Activities	(2.5)	(0.9)	(0.6)
Cash (for) from Financing Activities	485.7	109.3	(115.2)
Change in Cash, Cash Equivalents and Restricted Cash	(27.3)	13.5	(31.1)
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	92.5	79.0	110.1
Cash, Cash Equivalents and Restricted Cash at End of Period	\$65.2	\$92.5	\$79.0

The accompanying notes are an integral part of these statements.

ALLETE Consolidated Statement of Equity

	2020	2019	2018
Millions Except Per Share Amounts			
Common Stock			
Balance, Beginning of Period	\$1,436.7	\$1,428.5	\$1,401.4
Common Stock Issued	24.2	8.2	27.1
Balance, End of Period	1,460.9	1,436.7	1,428.5
Accumulated Other Comprehensive Loss			
Balance, Beginning of Period	(23.6)	(27.3)	(22.6)
Adjustments to Opening Balance – Net of Income Taxes <i>(a)</i>	—	—	(5.6)
Other Comprehensive Income – Net of Income Taxes			
Unrealized Gain (Loss) on Debt Securities	0.1	0.2	(0.1)
Defined Benefit Pension and Other Postretirement Plans	(7.6)	3.5	1.0
Balance, End of Period	(31.1)	(23.6)	(27.3)
Retained Earnings			
Balance, Beginning of Period	818.8	754.6	689.4
Adjustments to Opening Balance – Net of Income Taxes <i>(a)</i>	—	—	6.1
Net Income Attributable to ALLETE	174.2	185.6	174.1
Common Stock Dividends	(128.2)	(121.4)	(115.0)
Balance, End of Period	864.8	818.8	754.6
Non-Controlling Interest in Subsidiaries			
Balance, Beginning of Period	103.7	—	—
Proceeds from Non-Controlling Interest in Subsidiaries – Net of Issuance Costs	414.5	103.8	—
Net Loss Attributable to Non-Controlling Interest	(12.6)	(0.1)	—
Balance, End of Period	505.6	103.7	—
Total Equity	\$2,800.2	\$2,335.6	\$2,155.8
Dividends Per share of Common Stock	\$2.47	\$2.35	\$2.24

(a) Reflects the impacts associated with the adoption of accounting standards concerning Financial Instruments, Revenue from Contracts with Customers and the Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Preparation. References in this report to “we,” “us,” and “our” are to ALLETE and its subsidiaries, collectively. We prepare our financial statements in conformity with GAAP. These principles require management to make informed judgments, best estimates, and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Actual results could differ from those estimates.

Subsequent Events. The Company performed an evaluation of subsequent events for potential recognition and disclosure through the time of the financial statements issuance.

On February 4, 2021, ALLETE Clean Energy entered into a purchase and sale agreement with a subsidiary of Xcel Energy Inc. to sell a 120 MW wind energy facility for approximately \$210 million. ALLETE Clean Energy will repower and expand its Northern Wind project, consisting of its 100 MW Chanarambie and Viking wind energy facilities located in southwest Minnesota, as part of the transaction. Construction is expected to begin in late 2021, and the Northern Wind project is expected to continue operating until early 2022. The sale is expected to close in late 2022, subject to regulatory approval by the MPUC and receipt of permits.

Principles of Consolidation. Our Consolidated Financial Statements include the accounts of ALLETE, all of our majority-owned subsidiary companies and variable interest entities of which ALLETE is the primary beneficiary. All material intercompany balances and transactions have been eliminated in consolidation.

Variable Interest Entities. The accounting guidance for “Variable Interest Entities” (VIE) is a consolidation model that considers if a company has a variable interest in a VIE. A VIE is a legal entity that possesses any of the following conditions: the entity’s equity at risk is not sufficient to permit the legal entity to finance its activities without additional subordinated financial support, equity owners are unable to direct the activities that most significantly impact the legal entity’s economic performance (or they possess disproportionate voting rights in relation to the economic interest in the legal entity), or the equity owners lack the obligation to absorb the legal entity’s expected losses or the right to receive the legal entity’s expected residual returns. Entities are required to consolidate a VIE when it is determined that they have a controlling financial interest in a VIE and therefore, are the primary beneficiary of that VIE, as defined by the accounting guidance for “Variable Interest Entities.” In determining whether ALLETE is the primary beneficiary of a VIE, management considers whether ALLETE has the power to direct the most significant activities of the VIE and is obligated to absorb losses or receive the expected residual returns that are significant to the VIE. The accounting guidance for VIEs applies to certain ALLETE Clean Energy wind energy facilities and our investment in Nobles 2. (See *Tax Equity Financing*.)

Business Segments. We present three reportable segments: Regulated Operations, ALLETE Clean Energy and U.S. Water Services. Our segments were determined in accordance with the guidance on segment reporting. We measure performance of our operations through budgeting and monitoring of contributions to consolidated net income by each business segment.

Regulated Operations includes our regulated utilities, Minnesota Power and SWL&P, as well as our investment in ATC, a Wisconsin-based regulated utility that owns and maintains electric transmission assets in portions of Wisconsin, Michigan, Minnesota and Illinois. Minnesota Power provides regulated utility electric service in northeastern Minnesota to approximately 145,000 retail customers. Minnesota Power also has 15 non-affiliated municipal customers in Minnesota. SWL&P is a Wisconsin utility and a wholesale customer of Minnesota Power. SWL&P provides regulated utility electric, natural gas and water service in northwestern Wisconsin to approximately 15,000 electric customers, 13,000 natural gas customers and 10,000 water customers. Our regulated utility operations include retail and wholesale activities under the jurisdiction of state and federal regulatory authorities.

ALLETE Clean Energy focuses on developing, acquiring, and operating clean and renewable energy projects. ALLETE Clean Energy currently owns and operates, in seven states, more than 1,000 MW of nameplate capacity wind energy generation that is contracted under PSAs of various durations. In addition, ALLETE Clean Energy currently has approximately 300 MW of wind energy facilities under construction. ALLETE Clean Energy also engages in the development of wind energy facilities to operate under long-term PSAs or for sale to others upon completion.

U.S. Water Services provided integrated water management for industry by combining chemical, equipment, engineering and service for customized solutions to reduce water and energy usage, and improve efficiency. In March 2019, the Company sold U.S. Water Services to a subsidiary of Kurita Water Industries Ltd. pursuant to a stock purchase agreement for approximately \$270 million in cash, net of transaction costs and cash retained.

NOTE 1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Corporate and Other is comprised of BNI Energy, our investment in Nobles 2, ALLETE Properties, other business development and corporate expenditures, unallocated interest expense, a small amount of non-rate base generation, approximately 4,000 acres of land in Minnesota, and earnings on cash and investments.

BNI Energy mines and sells lignite coal to two North Dakota mine-mouth generating units, one of which is Square Butte. In 2020, Square Butte supplied 50 percent (227.5 MW) of its output to Minnesota Power under long-term contracts. (See Note 8. Commitments, Guarantees and Contingencies.)

Our investment in Nobles 2 represents a 49 percent equity interest in Nobles 2, the entity that owns and operates the 250 MW wind energy facility in southwestern Minnesota pursuant to a 20-year PPA with Minnesota Power.

ALLETE Properties represents our legacy Florida real estate investment. Our strategy incorporates the possibility of a bulk sale of the entire ALLETE Properties portfolio. Proceeds from a bulk sale would be strategically deployed to support growth at our Regulated Operations and ALLETE Clean Energy. ALLETE Properties continues to pursue sales of individual parcels over time and will continue to maintain key entitlements and infrastructure.

Cash, Cash Equivalents and Restricted Cash. We consider all investments purchased with original maturities of three months or less to be cash equivalents. As of December 31, 2020, restricted cash amounts included in Prepayments and Other on the Consolidated Balance Sheet include collateral deposits required under an ALLETE Clean Energy loan agreement. The December 31, 2019 amount also includes deposits required under tax equity financing agreements. The December 31, 2018 amount includes U.S. Water Services' standby letters of credit. The restricted cash amounts included in Other Non-Current Assets represent collateral deposits required under an ALLETE Clean Energy loan agreement and PSAs. The December 31, 2020 and 2019 amounts also include deposits required under tax equity financing agreements. The December 31, 2018 amount includes deposits from a SWL&P customer in aid of future capital expenditures. The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the Consolidated Balance Sheet that aggregate to the amounts presented in the Consolidated Statement of Cash Flows.

Cash, Cash Equivalents and Restricted Cash

As of December 31	2020	2019	2018
Millions			
Cash and Cash Equivalents	\$44.3	\$69.3	\$69.1
Restricted Cash included in Prepayments and Other	0.8	2.8	1.3
Restricted Cash included in Other Non-Current Assets	20.1	20.4	8.6
Cash, Cash Equivalents and Restricted Cash on the Consolidated Statement of Cash Flows	\$65.2	\$92.5	\$79.0

Supplemental Statement of Cash Flow Information.**Consolidated Statement of Cash Flows**

Year Ended December 31	2020	2019	2018
Millions			
Cash Paid During the Period for Interest – Net of Amounts Capitalized	\$62.0	\$63.5	\$66.0
Recognition of Right-of-use Assets and Lease Liabilities <i>(a)</i>	—	\$28.7	—
Noncash Investing and Financing Activities			
Increase (Decrease) in Accounts Payable for Capital Additions to Property, Plant and Equipment	\$(67.0)	\$33.9	\$(0.1)
Reclassification of Property, Plant and Equipment to Inventory <i>(b)</i>	—	—	\$46.3
Capitalized Asset Retirement Costs	\$4.1	\$20.7	\$14.2
AFUDC—Equity	\$1.9	\$2.3	\$1.2

(a) Amount of the right-of-use asset and lease liability recognized with the adoption of an accounting standards update for leases.

(b) In 2018, Montana-Dakota Utilities exercised its option to purchase the Thunder Spirit II wind energy facility upon completion, resulting in a reclassification from Property, Plant and Equipment – Net to Inventories – Net for project costs incurred in the prior year. On the Consolidated Statement of Cash Flows, the sale of the wind energy facility in 2018 resulted in Operating Activities – Inventories increasing by \$46.3 million in 2018 due to the project costs incurred in the prior year.

NOTE 1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable. Accounts receivable are reported on the Consolidated Balance Sheet net of an allowance for doubtful accounts. The allowance is based on our evaluation of the receivable portfolio under current conditions, overall portfolio quality, review of specific situations and such other factors that, in our judgment, deserve recognition in estimating losses.

Accounts Receivable

As of December 31	2020	2019
Millions		
Trade Accounts Receivable		
Billed	\$93.5	\$77.2
Unbilled	20.9	20.1
Less: Allowance for Doubtful Accounts	2.5	0.9
Total Accounts Receivable	\$111.9	\$96.4

Concentration of Credit Risk. We are subject to concentration of credit risk primarily as a result of accounts receivable. Minnesota Power sells electricity to eight Large Power Customers. Receivables from these customers totaled \$10.3 million as of December 31, 2020 (\$7.8 million as of December 31, 2019). Minnesota Power does not obtain collateral to support utility receivables, but monitors the credit standing of major customers. In addition, Minnesota Power, as permitted by the MPUC, requires its taconite-producing Large Power Customers to pay weekly for electric usage based on monthly energy usage estimates, which allows us to closely manage collection of amounts due. Minnesota Power's taconite customers, which are currently owned by two entities at the end of 2020, accounted for approximately 29 percent of Regulated Operations operating revenue and approximately 25 percent of consolidated operating revenue in 2020. In 2019 and 2018, a single entity accounted for approximately 12 percent and 10 percent, respectively, of consolidated operating revenue.

Long-Term Finance Receivables. Long-term finance receivables relating to our real estate operations are collateralized by property sold, accrue interest at market-based rates and are net of an allowance for doubtful accounts. We assess delinquent finance receivables by comparing the balance of such receivables to the estimated fair value of the collateralized property. If the fair value of the property is less than the finance receivable, we record a reserve for the difference. We estimate fair value based on recent property tax assessed values or current appraisals.

Available-for-Sale Securities. Available-for-sale debt and equity securities are recorded at fair value. Unrealized gains and losses on available-for-sale debt securities are included in accumulated other comprehensive income (loss), net of tax. Unrealized gains and losses on available-for-sale equity securities are recognized in earnings. We use the specific identification method as the basis for determining the cost of securities sold.

Inventories – Net. Inventories are stated at the lower of cost or net realizable value. Inventories in our Regulated Operations segment are carried at an average cost or first-in, first-out basis. Inventories in our ALLETE Clean Energy segment and Corporate and Other businesses are carried at an average cost, first-in, first-out or specific identification basis.

Inventories – Net

As of December 31	2020	2019
Millions		
Fuel (a)	\$23.1	\$25.9
Materials and Supplies	51.1	46.9
Total Inventories – Net	\$74.2	\$72.8

(a) Fuel consists primarily of coal inventory at Minnesota Power.

NOTE 1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment. Property, plant and equipment are recorded at original cost and are reported on the Consolidated Balance Sheet net of accumulated depreciation. Expenditures for additions, significant replacements, improvements and major plant overhauls are capitalized; maintenance and repair costs are expensed as incurred. Gains or losses on property, plant and equipment for Corporate and Other operations are recognized when they are retired or otherwise disposed. When property, plant and equipment in our Regulated Operations and ALLETE Clean Energy segments are retired or otherwise disposed, no gain or loss is recognized in accordance with the accounting standards for component depreciation except for certain circumstances where the retirement is unforeseen or unexpected. Our Regulated Operations capitalize AFUDC, which includes both an interest and equity component. AFUDC represents the cost of both debt and equity funds used to finance utility plant additions during construction periods. AFUDC amounts capitalized are included in rate base and are recovered from customers as the related property is depreciated. Upon MPUC approval of cost recovery, the recognition of AFUDC ceases. (See Note 2. Property, Plant and Equipment.)

We believe that long-standing ratemaking practices approved by applicable state and federal regulatory commissions allow for the recovery of the remaining book value of retired plant assets. Minnesota Power's 2015 IRP contained steps in Minnesota Power's *EnergyForward* plan including the economic idling of Taconite Harbor Units 1 and 2 in 2016, and the ceasing of coal-fired operations at Taconite Harbor in 2020. As of December 31, 2020, Taconite Harbor had a net book value of approximately \$50 million. The MPUC order for the 2015 IRP also directed Minnesota Power to retire Boswell Units 1 and 2, which occurred in the fourth quarter of 2018. As part of the 2016 general retail rate case, the MPUC allowed recovery of the remaining book value of Boswell Units 1 and 2 through 2022. In its latest IRP filing, Minnesota Power proposed retiring Boswell Unit 3 by 2030, which has a net book value of approximately \$255 million as of December 31, 2020. (See Note 4. Regulatory Matters.) We do not expect to record any impairment charge as a result of these operating changes at Taconite Harbor and Boswell. In addition, we expect to be able to continue depreciating these assets for at least their established remaining useful lives; however, we are unable to predict the impact of regulatory outcomes resulting in changes to their established remaining useful lives.

Impairment of Long-Lived Assets. We review our long-lived assets for indicators of impairment in accordance with the accounting standards for property, plant and equipment on a quarterly basis. This includes our property, plant and equipment (see *Property, Plant and Equipment*) and land inventory. Land inventory is accounted for as held for use and is recorded at cost, unless the carrying value is determined not to be recoverable in accordance with the accounting standards for property, plant and equipment, in which case the land inventory is written down to estimated fair value.

In accordance with the accounting standards for property, plant and equipment, if indicators of impairment exist, we test our long-lived assets for recoverability by comparing the carrying amount of the asset to the undiscounted future net cash flows expected to be generated by the asset. Cash flows are assessed at the lowest level of identifiable cash flows. The undiscounted future net cash flows are impacted by trends and factors known to us at the time they are calculated and our expectations related to: management's best estimate of future use; sales prices; holding period and timing of sales; method of disposition; and future expenditures necessary to maintain the operations.

In 2020, 2019, and 2018, there were no indicators of impairment for our property, plant, and equipment or land inventory. As a result, no impairment was recorded in 2020, 2019 or 2018.

Derivatives. ALLETE is exposed to certain risks relating to its business operations that can be managed through the use of derivative instruments. ALLETE may enter into derivative instruments to manage those risks including interest rate risk related to certain variable-rate borrowings.

Accounting for Stock-Based Compensation. We apply the fair value recognition guidance for share-based payments. Under this guidance, we recognize stock-based compensation expense for all share-based payments granted, net of an estimated forfeiture rate. (See Note 12. Employee Stock and Incentive Plans.)

NOTE 1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**Other Non-Current Assets**

As of December 31	2020	2019
Millions		
Contract Assets (a)	\$25.5	\$28.0
Operating Lease Right-of-use Assets	22.4	28.6
ALLETE Properties	18.2	21.9
Restricted Cash	20.1	20.4
Other Postretirement Benefit Plans	34.2	37.5
Other	86.4	81.8
Total Other Non-Current Assets	\$206.8	\$218.2

(a) Contract Assets include payments made to customers as an incentive to execute or extend service agreements. The contract payments are being amortized over the term of the respective agreements as a reduction to revenue.

Other Current Liabilities

As of December 31	2020	2019
Millions		
PSAs	\$12.5	\$12.3
Fuel Adjustment Clause (a)	3.7	—
Operating Lease Liabilities	5.9	6.9
Other	44.6	41.2
Total Other Current Liabilities	\$66.7	\$60.4

(a) See Note 4. Regulatory Matters.

Other Non-Current Liabilities

As of December 31	2020	2019
Millions		
Asset Retirement Obligation	\$166.6	\$160.3
PSAs	52.1	64.6
Operating Lease Liabilities	16.5	21.8
Other	50.1	46.3
Total Other Non-Current Liabilities	\$285.3	\$293.0

Leases.

We determine if a contract is, or contains, a lease at inception and recognize a right-of-use asset and lease liability for all leases with a term greater than 12 months. Our right-of-use assets and lease liabilities for operating leases are included in Other Non-Current Assets, Other Current Liabilities and Other Non-Current Liabilities, respectively, in our Consolidated Balance Sheet. We currently do not have any finance leases.

Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease right-of-use assets and lease liabilities are recognized at the commencement date based on the estimated present value of lease payments over the lease term. As our leases do not provide an explicit rate, we determine the present value of future lease payments based on our estimated incremental borrowing rate using information available at the lease commencement date. The operating lease right-of-use asset includes lease payments to be made during the lease term and any lease incentives, as applicable.

NOTE 1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**Leases (Continued)**

Our leases may include options to extend or buy out the lease at certain points throughout the term, and if it is reasonably certain at lease commencement that we will exercise that option, we include those rental payments in our calculation of the right-of-use asset and lease liability. Lease and rent expense is recognized on a straight-line basis over the lease term. Leases with a term of 12 months or less are not recognized on the Consolidated Balance Sheet.

The majority of our operating leases are for heavy equipment, vehicles and land with fixed monthly payments which we group into two categories: Vehicles and Equipment; and Land and Other. Our largest operating lease is for the dragline at BNI Energy which includes a termination payment at the end of the lease term if we do not exercise our purchase option. The amount of this payment is \$3 million and is included in our calculation of the right-of-use asset and lease liability recorded. None of our other leases contain residual value guarantees.

Additional information on the components of lease cost and presentation of cash flows were as follows:

As of December 31	2020	2019
Millions		
Operating Lease Cost	\$8.3	\$9.4
Other Information:		
Operating Cash Flows From Operating Leases	\$8.3	\$9.4

Additional information related to leases was as follows:

As of December 31	2020	2019
Millions		
Balance Sheet Information Related to Leases:		
Other Non-Current Assets	\$22.4	\$28.6
Total Operating Lease Right-of-use Assets	\$22.4	\$28.6
Other Current Liabilities	\$5.9	\$6.9
Other Non-Current Liabilities	16.5	21.8
Total Operating Lease Liabilities	\$22.4	\$28.7
Weighted Average Remaining Lease Term (Years):		
Operating Leases - Vehicles and Equipment	3	4
Operating Leases - Land and Other	27	28
Weighted Average Discount Rate:		
Operating Leases - Vehicles and Equipment	3.1 %	3.7 %
Operating Leases - Land and Other	4.1 %	4.1 %

NOTE 1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)
Leases (Continued)

Maturities of lease liabilities were as follows:

	December 31, 2020
Millions	
2021	\$6.0
2022	5.0
2023	3.2
2024	2.9
2025	2.9
Thereafter	8.6
Total Lease Payments Due	28.6
Less: Imputed Interest	6.2
Total Lease Obligations	22.4
Less: Current Lease Obligations	5.9
Total Long-term Lease Obligations	\$16.5

Environmental Liabilities. We review environmental matters on a quarterly basis. Accruals for environmental matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on current law and existing technologies. Accruals are adjusted as assessment and remediation efforts progress, or as additional technical or legal information becomes available. Accruals for environmental liabilities are included in the Consolidated Balance Sheet at undiscounted amounts and exclude claims for recoveries from insurance or other third parties. Costs related to environmental contamination treatment and cleanup are expensed unless recoverable in rates from customers. (See Note 8. Commitments, Guarantees and Contingencies.)

Revenue.

Contracts with Customers – Utility includes sales from our regulated operations for generation, transmission and distribution of electric service, and distribution of water and gas services to our customers. Also included is an immaterial amount of regulated steam generation that is used by customers in the production of paper and pulp.

Contracts with Customers – Non-utility includes sales of goods and services to customers from ALLETE Clean Energy, U.S. Water Services and our Corporate and Other businesses.

Other – Non-utility is the non-cash adjustments to revenue recognized by ALLETE Clean Energy for the amortization of differences between contract prices and estimated market prices for PSAs that were assumed during the acquisition of various wind energy facilities.

Revenue Recognition. Revenue is recognized upon transfer of control of promised goods or services to our customers in an amount that reflects the consideration we expect to receive in exchange for those products or services. Revenue is recognized net of allowance for returns and any taxes collected from customers, which are subsequently remitted to the appropriate governmental authorities. We account for shipping and handling activities that occur after the customer obtains control of goods as a cost rather than an additional performance obligation thereby recognizing revenue at time of shipment and accruing shipping and handling costs when control transfers to our customers. We have a right to consideration from our customers in an amount that corresponds directly with the value to the customer for our performance completed to date; therefore, we may recognize revenue in the amount to which we have a right to invoice.

NOTE 1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)
Revenue (Continued)

Nature of Revenue Streams

Utility

Residential and Commercial includes sales for electric, gas or water service to customers, who have implied contracts with the utility, under rates governed by the MPUC, PSCW or FERC. Customers are billed on a monthly cycle basis and revenue is recognized for electric, gas or water service delivered during the billing period. Revenue is accrued for service provided but not yet billed at period end. Performance obligations with these customers are satisfied at time of delivery to customer meters and simultaneously consumed.

Municipal includes sales to 15 non-affiliated municipal customers in Minnesota under long-term wholesale electric contracts. All wholesale electric contracts include a termination clause requiring a three-year notice to terminate. These contracts have termination dates ranging through 2037, with a majority of contracts effective through 2024. Performance obligations with these customers are satisfied at the time energy is delivered to an agreed upon municipal substation or meter.

Industrial includes sales recognized from contracts with customers in the taconite mining, paper, pulp and secondary wood products, pipeline and other industries. Industrial sales accounted for approximately 47 percent of total regulated utility kWh sales for the year ended December 31, 2020. Within industrial revenue, Minnesota Power has eight Large Power Customer contracts, each serving requirements of 10 MW or more of customer load. These contracts automatically renew past the contract term unless a four-year advanced written notice is given. Large Power Customer contracts have earliest termination dates ranging from 2024 through 2029. On January 29, 2021, Verso Corporation provided notice of termination for its contract effective in January 2025. We satisfy our performance obligations for these customers at the time energy is delivered to an agreed upon customer substation. Revenue is accrued for energy provided but not yet billed at period end. Based on current contracts with industrial customers, we expect to recognize minimum revenue for the fixed contract components of approximately \$55 million per annum in 2021 and 2022, \$50 million in 2023 and 2024, \$20 million in 2025, and \$50 million in total thereafter, which reflects the termination notice period in these contracts. When determining minimum revenue, we assume that customer contracts will continue under the contract renewal provision; however, if long-term contracts are renegotiated and subsequently approved by the MPUC or there are changes within our industrial customer class, these amounts may be impacted. Contracts with customers that contain variable pricing or quantity components are excluded from the expected minimum revenue amounts.

Other Power Suppliers includes the sale of energy under a long-term PSA with one customer as well as MISO market and liquidation sales. The expiration date of this PSA is 2028. Performance obligations with these customers are satisfied at the time energy is delivered to an agreed upon delivery point defined in the contract (generally the MISO pricing node). The current contract with one customer contains variable pricing components that prevent us from estimating future minimum revenue.

Other Revenue includes all remaining individually immaterial revenue streams for Minnesota Power and SWL&P, and is comprised of steam sales to paper and pulp mills, wheeling revenue and other sources. Revenue for steam sales to customers is recognized at the time steam is delivered and simultaneously consumed. Revenue is recognized at the time each performance obligation is satisfied.

CIP Financial Incentive reflects certain revenue that is a result of the achievement of certain objectives for our CIP financial incentives. This revenue is accounted for in accordance with the accounting standards for alternative revenue programs which allow for the recognition of revenue under an alternative revenue program if the program is established by an order from the utility's regulatory commission, the order allows for automatic adjustment of future rates, the amount of revenue recognized is objectively determinable and probable of recovery, and the revenue will be collected within 24 months following the end of the annual period in which it is recognized. CIP financial incentives are recognized in the period in which the MPUC approves the filing, which is typically mid-year.

NOTE 1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue (Continued)

Non-utility

ALLETE Clean Energy

Long-term PSA revenue includes all sales recognized under long-term contracts for production, curtailment, capacity and associated renewable energy credits from ALLETE Clean Energy wind energy facilities. Expiration dates of these PSAs range from 2022 through 2039. Performance obligations for these contracts are satisfied at the time energy is delivered to an agreed upon point, or production is curtailed at the request of the customer, at specified prices. Revenue from the sale of renewable energy credits is recognized at the same time the related energy is delivered to the customer when sold to the same party.

Sale of Wind Energy Facility includes revenue recognized for the design, development, construction, and sale of a wind energy facility to a customer. Performance obligations for these types of agreements are satisfied at the time the completed project is transferred to the customer at the commercial operation date. Revenue from the sale of a wind energy facility is recognized at the time of asset transfer.

Other is the non-cash adjustments to revenue recognized by ALLETE Clean Energy for the amortization of differences between contract prices and estimated market prices on assumed PSAs. 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.

U.S. Water Services

In March 2019, ALLETE completed the sale of U.S. Water Services. Prior to the sale, ALLETE recognized revenue under the point-in-time, contract and capital project streams. Point-in-time revenue was recognized for purchases by customers for chemicals, consumable equipment or related maintenance and repair services as the customer's usage and needs changed over time. Contract revenue included monthly revenue from contracts with customers to provide chemicals, consumable equipment and services to meet customer needs during the contract period at a fixed monthly price. Capital Project revenue was recognized at the time of sale when equipment and other components were assembled to create a water treatment system for a customer.

Corporate and Other

Long-term Contract encompasses the sale and delivery of coal to customer generation facilities. Revenue is recognized on a monthly basis at the cost of production plus a specified profit per ton of coal delivered to the customer. Coal sales are secured under long-term coal supply agreements extending through 2037. Performance obligations are satisfied during the period as coal is delivered to customer generation facilities.

Other primarily includes revenue from BNI Energy unrelated to coal, the sale of real estate from ALLETE Properties, and non-rate base steam generation that is sold for use during production of paper and pulp. Performance obligations are satisfied when control transfers to the customer.

Payment Terms

Payment terms and conditions vary across our businesses. Aside from taconite-producing Large Power Customers, payment terms generally require payment to be made within 15 to 30 days from the end of the period that the service has been rendered. In the case of its taconite-producing Large Power Customers, as permitted by the MPUC, Minnesota Power requires weekly payments for electric usage based on monthly energy usage estimates. These customers receive estimated bills based on Minnesota Power's estimate of the customers' energy usage, forecasted energy prices and fuel adjustment clause estimates. Minnesota Power's taconite-producing Large Power Customers have generally predictable energy usage on a weekly basis and any differences that occur are trued-up the following month. Due to the timing difference of revenue recognition from the timing of invoicing and payment, the taconite-producing Large Power Customers receive credit for the time value of money; however, we have determined that our contracts do not include a significant financing component as the period between when we transfer the service to the customer and when they pay for such service is minimal.

NOTE 1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)
Revenue (Continued)

Assets Recognized From the Costs to Obtain a Contract with a Customer

We recognize as an asset the incremental costs of obtaining a contract with a customer if we expect the benefit of those costs to be longer than one year. We expense incremental costs when the asset that would have resulted from capitalizing these costs would have been amortized in one year or less. As of December 31, 2020, we have \$25.5 million of assets recognized for costs incurred to obtain contracts with our customers (\$28.0 million as of December 31, 2019). Management determined the amount of costs to be recognized as assets based on actual costs incurred and paid to obtain and fulfill these contracts to provide goods and services to our customers. Assets recognized to obtain contracts are amortized on a straight-line basis over the contract term as a non-cash reduction to revenue. We recognized \$2.6 million of non-cash amortization for the years ended December 31, 2020 and 2019.

Operating Expenses - Other. In 2018, we recognized a \$2.0 million benefit in Operating Expenses - Other for the change in fair value of contingent consideration related to the earnings based payment resulting from the acquisition of U.S. Water Services in 2015.

Unamortized Discount and Premium on Debt. Discount and premium on debt are deferred and amortized over the terms of the related debt instruments using a method which approximates the effective interest method.

Tax Equity Financings. Certain subsidiaries of ALLETE have entered into tax equity financings that include forming limited liability companies (LLC) with third-party investors for certain wind projects. Tax equity financings have specific terms that dictate distributions of cash and the allocation of tax attributes among the LLC members, who are divided into two categories: the sponsor and third-party investors. ALLETE subsidiaries are the sponsors in these tax equity financings. The distributions of cash and allocation of tax attributes in these financings generally differ from the underlying percentage ownership interests in the related LLC, with a disproportionate share of tax attributes (including accelerated depreciation and production tax credits) allocated to third-party investors in order to achieve targeted after-tax rates of return, or target yield, from project operations, and a disproportionate share of cash distributions made to the sponsor.

The target yield and other terms vary by tax equity financing. Once the target yield has been achieved, a “flip point” is recognized. In addition, tax equity financings typically provide that cash distributions can be temporarily increased to the third-party investors in order to meet cumulative distribution thresholds. After the flip point, tax attributes and cash distributions are both typically disproportionately allocated to the sponsor.

Tax equity financings include affirmative and negative covenants that are similar to what a project lender would require in a project financing, such as financial reporting, insurance, maintenance and prudent operator standards. Most covenants are no longer applicable once the flip point occurs and any other obligations of the third-party investor have been eliminated.

The third-party investors’ portions of equity ownership in tax equity LLCs are recorded as non-controlling interest in subsidiaries on the Consolidated Balance Sheet and earnings allocated to third-party investors are recorded as net loss attributable to non-controlling interest on the Consolidated Statement of Income.

Non-Controlling Interest in Subsidiaries. Non-controlling interest in subsidiaries represents the portion of equity ownership, net income (loss), and comprehensive income (loss) in subsidiaries that is not attributable to equity holders of ALLETE. These amounts as of and for the year ended December 31, 2020, related to the tax equity financings for ALLETE Clean Energy’s 106 MW Glen Ullin, 80 MW South Peak and 303 MW Diamond Spring wind energy facilities as well as ALLETE’s equity investment in the 250 MW Nobles 2 wind energy facility.

For those wind projects with tax equity financings where the economic benefits are not allocated based on the underlying ownership percentage interests, we have determined that the appropriate methodology for calculating the non-controlling interest in subsidiaries balance is the hypothetical liquidation at book value (HLBV) method. The HLBV method is a balance sheet approach which reflects the substantive economic arrangements in the tax equity financing structures.

NOTE 1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)
Non-Controlling Interest in Subsidiaries (Continued)

Under the HLBV method, amounts reported as non-controlling interest in subsidiaries on the Consolidated Balance Sheet represent the amounts the third-party investors would hypothetically receive at each balance sheet reporting date under the liquidation provisions of the LLC agreements, assuming the net assets of the wind projects were liquidated at amounts determined in accordance with GAAP and distributed to the third-party investor and sponsor. The resulting non-controlling interest in subsidiaries balance in these projects is reported as a component of equity on the Consolidated Balance Sheet.

The results of operations for these projects attributable to non-controlling interest under the HLBV method is determined as the difference in non-controlling interest in subsidiaries on the Consolidated Balance Sheet at the start and end of each reporting period, after taking into account any capital transactions between the projects and the third-party investors.

Factors used in the HLBV calculation include GAAP income, taxable income (loss), tax attributes such as accelerated depreciation and production tax credits, capital contributions, cash distributions, and the target yield specified in the corresponding LLC agreement. Changes in these factors could have a significant impact on the amounts that third-party investors and sponsors would receive upon a hypothetical liquidation. The use of the HLBV method to allocate income to the non-controlling interest in subsidiaries may create variability in our results of operations as the application of the HLBV method can drive variability in net income or loss attributable to non-controlling interest in subsidiaries from period to period.

Other Income (Expense) - Other

Year Ended December 31	2020	2019	2018
Millions			
Pension and Other Postretirement Benefit Plan Non-Service Credit <i>(a)</i>	\$8.6	\$7.7	\$4.6
Interest and Investment Earnings	1.6	4.4	0.5
AFUDC - Equity	1.9	2.3	1.2
Gain on Land Sales	0.4	2.1	0.9
Other	2.2	2.2	0.6
Total Other Income (Expense) - Other	\$14.7	\$18.7	\$7.8

(a) These are components of net periodic pension and other postretirement benefit cost other than service cost. (See Note 11. Pension and Other Postretirement Benefit Plans.)

Income Taxes. ALLETE and its subsidiaries file a consolidated federal income tax return as well as combined and separate state income tax returns. We account for income taxes using the liability method in accordance with GAAP for income taxes. Under the liability method, deferred income tax assets and liabilities are established for all temporary differences in the book and tax basis of assets and liabilities, based upon enacted tax laws and rates applicable to the periods in which the taxes become payable.

Due to the effects of regulation on Minnesota Power and SWL&P, certain adjustments made to deferred income taxes are, in turn, recorded as regulatory assets or liabilities. Federal investment tax credits have been recorded as deferred credits and are being amortized to income tax expense over the service lives of the related property. In accordance with GAAP for uncertainty in income taxes, we are required to recognize in our financial statements the largest tax benefit of a tax position that is “more-likely-than-not” to be sustained on audit, based solely on the technical merits of the position as of the reporting date. The term “more-likely-than-not” means more than 50 percent likely. (See Note 10. Income Tax Expense.)

Excise Taxes. We collect excise taxes from our customers levied by governmental entities. These taxes are stated separately on the billing to the customer and recorded as a liability to be remitted to the governmental entity. We account for the collection and payment of these taxes on a net basis.

NOTE 1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**New Accounting Pronouncements.****Recently Adopted Pronouncements**

Credit Losses. In 2016, the FASB issued an accounting standard update that requires entities to recognize an allowance for expected credit losses for financial instruments within its scope. Examples of financial instruments within the scope include trade receivables, certain financial guarantees, and held-to-maturity debt securities. The allowance for expected credit losses should be based on historical information, current conditions and reasonable and supportable forecasts. The new standard also revises the other-than-temporary impairment model for available-for-sale debt securities. The new guidance became effective January 1, 2020, and was adopted by the Company in the first quarter of 2020. Adoption of this standard did not have a material impact on our Consolidated Financial Statements.

Reference Rate Reform. In March 2020, the FASB issued an accounting standards update which provides certain options to apply GAAP guidance on contract modifications and hedge accounting as entities transition from the London Inter Bank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates that are yet to be determined or finalized. The Company's contracts that reference LIBOR or other interbank offered rates relate to debt instruments. The standards update was effective upon issuance and can be applied prospectively through December 31, 2022. The Company will use contract modification relief expedients granted under the updated guidance with regard to its contracts that reference LIBOR as an interest rate benchmark. Adoption of this guidance did not have a material impact on the financial statements.

NOTE 2. PROPERTY, PLANT AND EQUIPMENT**Property, Plant and Equipment**

As of December 31	2020	2019
Millions		
Regulated Operations		
Property, Plant and Equipment in Service	\$4,972.3	\$4,555.8
Construction Work in Progress	79.4	383.6
Accumulated Depreciation	(1,758.0)	(1,635.3)
Regulated Operations – Net	3,293.7	3,304.1
ALLETE Clean Energy		
Property, Plant and Equipment in Service	1,275.4	686.0
Construction Work in Progress	261.0	351.3
Accumulated Depreciation	(112.9)	(86.8)
ALLETE Clean Energy – Net	1,423.5	950.5
Corporate and Other (a)		
Property, Plant and Equipment in Service	240.5	231.9
Construction Work in Progress	9.6	3.8
Accumulated Depreciation	(126.5)	(113.3)
Corporate and Other – Net	123.6	122.4
Property, Plant and Equipment – Net	\$4,840.8	\$4,377.0

(a) Primarily includes BNI Energy and a small amount of non-rate base generation.

Depreciation is computed using the straight-line method over the estimated useful lives of the various classes of assets.

Estimated Useful Lives of Property, Plant and Equipment (Years)

Regulated Operations			
Generation	3 to 50	ALLETE Clean Energy	5 to 35
Transmission	52 to 71	Corporate and Other	3 to 50
Distribution	19 to 68		

NOTE 2. PROPERTY, PLANT AND EQUIPMENT (Continued)

Asset Retirement Obligations. We recognize, at fair value, obligations associated with the retirement of certain tangible, long-lived assets that result from the acquisition, construction, development or normal operation of the asset. Asset retirement obligations (AROs) relate primarily to the decommissioning of our coal-fired and wind energy facilities, and land reclamation at BNI Energy. AROs are included in Other Non-Current Liabilities on the Consolidated Balance Sheet. The associated retirement costs are capitalized as part of the related long-lived asset and depreciated over the useful life of the asset. Removal costs associated with certain distribution and transmission assets have not been recognized, as these facilities have indeterminate useful lives.

Conditional asset retirement obligations have been identified for treated wood poles and remaining polychlorinated biphenyl and asbestos-containing assets; however, the period of remediation is indeterminable and removal liabilities have not been recognized.

Long-standing ratemaking practices approved by applicable state and federal regulatory authorities have allowed provisions for future plant removal costs in depreciation rates. These plant removal cost recoveries are classified either as AROs or as a regulatory liability for non-AROs. To the extent annual accruals for plant removal costs differ from accruals under approved depreciation rates, a regulatory asset has been established in accordance with GAAP for AROs. (See Note 4. Regulatory Matters.)

Asset Retirement Obligations

Millions	
Obligation as of December 31, 2018	\$138.6
Accretion	7.2
Liabilities Recognized	1.4
Liabilities Settled	(4.6)
Revisions in Estimated Cash Flows	17.7
Obligation as of December 31, 2019	160.3
Accretion	8.3
Liabilities Recognized	1.4
Liabilities Settled	(3.6)
Revisions in Estimated Cash Flows	0.2
Obligation as of December 31, 2020	\$166.6

NOTE 3. JOINTLY-OWNED FACILITIES AND ASSETS

Boswell Unit 4. Minnesota Power owns 80 percent of the 585 MW Boswell Unit 4. While Minnesota Power operates the plant, certain decisions about the operations of Boswell Unit 4 are subject to the oversight of a committee on which it and WPPI Energy, the owner of the remaining 20 percent, have equal representation and voting rights. Each owner must provide its own financing and is obligated to its ownership share of operating costs. Minnesota Power's share of operating expenses for Boswell Unit 4 is included in Operating Expenses on the Consolidated Statement of Income.

NOTE 3. JOINTLY-OWNED FACILITIES AND ASSETS (Continued)

CapX2020. The CapX2020 initiative, led by electric cooperatives and municipal and investor-owned utilities, represented an effort to ensure electric transmission and distribution reliability in Minnesota and the surrounding region based on projected growth in customer demand for electricity through 2020. Minnesota Power participated in certain CapX2020 projects which were completed and placed in service by 2015.

Minnesota Power's investments in jointly-owned facilities and assets and the related ownership percentages are as follows:

Regulated Utility Plant	Plant in Service	Accumulated Depreciation	Construction Work in Progress	% Ownership
Millions				
As of December 31, 2020				
Boswell Unit 4	\$663.8	\$288.8	\$15.0	80
CapX2020	101.0	16.0	—	9.3 - 14.7
Total	\$764.8	\$304.8	\$15.0	
As of December 31, 2019				
Boswell Unit 4	\$662.7	\$258.9	\$5.7	80
CapX2020	101.0	13.5	—	9.3 - 14.7
Total	\$763.7	\$272.4	\$5.7	

NOTE 4. REGULATORY MATTERS

Electric Rates. Entities within our Regulated Operations segment file for periodic rate revisions with the MPUC, PSCW or FERC. As authorized by the MPUC, Minnesota Power also recognizes revenue under cost recovery riders for transmission, renewable and environmental investments and expenditures. (See *Transmission Cost Recovery Rider*, *Renewable Cost Recovery Rider* and *Environmental Improvement Rider*.) Revenue from cost recovery riders was \$29.9 million in 2020 (\$31.8 million in 2019; \$103.8 million in 2018). With the implementation of final rates in Minnesota Power's 2016 general rate case in December 2018, certain revenue previously recognized under cost recovery riders was incorporated into base rates.

2020 Minnesota General Rate Case. In November 2019, Minnesota Power filed a retail rate increase request with the MPUC seeking an average increase of approximately 10.6 percent for retail customers. The rate filing sought a return on equity of 10.05 percent and a 53.81 percent equity ratio. On an annualized basis, the requested final rate increase would have generated approximately \$66 million in additional revenue. In orders dated December 23, 2019, the MPUC accepted the filing as complete and authorized an annual interim rate increase of \$36.1 million beginning January 1, 2020.

On April 23, 2020, Minnesota Power filed a request with the MPUC that proposed a resolution of Minnesota Power's 2020 general rate case. Key components of our proposal included removing the power marketing margin credit in base rates and reflecting actual power marketing margins in the fuel adjustment clause effective May 1, 2020; refunding to customers interim rates collected through April 2020; increasing customer rates 4.1 percent compared to the 5.8 percent increase reflected in interim rates; and a provision that Minnesota Power would not file another rate case until at least November 1, 2021, unless certain events occur. In an order dated June 30, 2020, the MPUC approved Minnesota Power's petition and proposal to resolve and withdraw the general rate case. Effective May 1, 2020, customer rates were set at an increase of 4.1 percent with the removal of the power marketing margin credit from base rates. Actual power marketing margins will be reflected in the fuel adjustment clause. Reserves for interim rates of \$11.7 million were recorded in the second quarter of 2020 and refunded in the third and fourth quarters of 2020.

FERC-Approved Wholesale Rates. Minnesota Power has 15 non-affiliated municipal customers in Minnesota. SWL&P is a Wisconsin utility and a wholesale customer of Minnesota Power. All wholesale contracts include a termination clause requiring a three-year notice to terminate.

NOTE 4. REGULATORY MATTERS (Continued)
Electric Rates (Continued)

Minnesota Power's wholesale electric contract with the Nashwauk Public Utilities Commission was extended in October 2020 and is effective through December 31, 2037. The wholesale electric service contract with SWL&P is effective through February 28, 2024. Under the agreement with SWL&P, no termination notice has been given. The rates included in these two contracts are set each July 1 based on a cost-based formula methodology, using estimated costs and a rate of return that is equal to Minnesota Power's authorized rate of return for Minnesota retail customers. The formula-based rate methodology also provides for a yearly true-up calculation for actual costs incurred.

Minnesota Power's wholesale electric contracts with 14 other municipal customers are effective through varying dates ranging from 2024 through 2029. No termination notices may be given prior to three years before maturity. These contracts had fixed capacity charges through 2018; beginning in 2019, the capacity charge is determined using a cost-based formula methodology with limits on the annual change from the previous year's capacity charge. The base energy charge for each year of the contract term is set each January 1, subject to monthly adjustment, and is determined using a cost-based formula methodology.

The contract with a former municipal customer expired in June 2019. Minnesota Power historically provided approximately 29 MW of average monthly demand to this customer.

Transmission Cost Recovery Rider. Minnesota Power has an approved cost recovery rider in place for certain transmission investments and expenditures. In an order dated December 3, 2020, the MPUC approved Minnesota Power's request filed in July 2019 for updated customer billing rates allowing Minnesota Power to charge retail customers on a current basis for the costs of constructing certain transmission facilities plus a return on the capital invested. On December 28, 2020, Minnesota Power filed a petition seeking MPUC approval to update customer billing rates for additional investments made for the GNTL.

Renewable Cost Recovery Rider. Minnesota Power has an approved cost recovery rider for certain renewable investments and expenditures. The cost recovery rider allows Minnesota Power to charge retail customers on a current basis for the costs of certain renewable investments plus a return on the capital invested. Updated customer billing rates for the renewable cost recovery rider were approved by the MPUC in a December 10, 2020 order.

Minnesota Power also has approval for current cost recovery of investments and expenditures related to compliance with the Minnesota Solar Energy Standard. (See *Minnesota Solar Energy Standard*.) On June 30, 2020, Minnesota Power filed a petition seeking MPUC approval of a customer billing rate for solar costs related to investments and expenditures for meeting the state of Minnesota's solar energy standard.

Environmental Improvement Rider. Minnesota Power has an approved environmental improvement rider for investments and expenditures related to the implementation of the Boswell Unit 4 mercury emissions reduction plan completed in 2015. Updated customer billing rates for the environmental improvement rider were approved by the MPUC in a November 2018 order. On January 19, 2021, Minnesota Power filed a petition seeking MPUC approval to end the environmental improvement rider.

Fuel Adjustment Clause Reform. In a 2017 order, the MPUC adopted a program to implement certain procedural reforms to Minnesota utilities' automatic fuel adjustment clause (FAC) for fuel and purchased power. With this order, the method of accounting for all Minnesota electric utilities changed to a monthly budgeted, forward-looking FAC with annual prudence review and true-up to actual allowed costs. On May 1, 2019, Minnesota Power filed its fuel adjustment forecast for 2020, which was accepted by the MPUC in an order dated November 14, 2019, for purposes of setting fuel adjustment clause rates for 2020, subject to a true-up filing in 2021. On May 1, 2020, Minnesota Power filed its fuel adjustment forecast for 2021, which was approved by the MPUC in an order dated December 22, 2020.

On March 2, 2020, Minnesota Power filed its fuel adjustment clause report covering the period July 2018 through December 2019. In an order dated September 16, 2020, the MPUC referred the review of Minnesota Power's forced outage costs during the period of the report, which totaled approximately \$8 million, to an administrative law judge for a contested case hearing to recommend to the MPUC if any of those costs should be returned to customers. A recommendation by the administrative law judge is expected in the third quarter of 2021. We cannot predict the outcome of this proceeding.

NOTE 4. REGULATORY MATTERS (Continued)
Electric Rates (Continued)

COVID-19 Related Deferred Accounting. In an order dated March 24, 2020, the PSCW authorized public utilities, including SWL&P, to defer expenditures incurred by the utility resulting from its compliance with state government or regulator orders during Wisconsin's declared public health emergency for COVID-19. On April 20, 2020, Minnesota Power along with other regulated electric and natural gas service providers in Minnesota filed a joint petition to request MPUC authorization to track incremental costs and expenses incurred as a result of the COVID-19 pandemic, and to defer and record such costs as a regulatory asset, subject to recovery in a future proceeding. In an order dated May 22, 2020, the MPUC approved the joint petition requiring the joint petitioners to track cost and revenue impacts resulting from the COVID-19 pandemic with review for recovery in a future rate proceeding. As of December 31, 2020, Minnesota Power has not deferred any costs or lost revenue, and SWL&P has deferred an immaterial amount of costs.

Minnesota Power submitted a petition in November 2020 to the MPUC requesting authority to track and record as a regulatory asset lost large industrial customer revenue resulting from the idling of USS Corporation's Keetac plant and Verso Corporation's paper mill in Duluth, Minnesota. Keetac and Verso represent revenue of approximately \$30 million annually, net of associated expense savings such as fuel costs. Minnesota Power proposed in this petition to defer any lost revenue related to the idling of the Keetac facility and the Verso paper mill to its next general rate case or other proceeding for review for recovery by the MPUC. Minnesota Power expects a final decision by the MPUC in mid-2021.

2018 Wisconsin General Rate Case. In a 2018 order, the PSCW approved a rate increase for SWL&P including a return on equity of 10.4 percent and a 55.0 percent equity ratio. Final rates went into effect January 1, 2019, which resulted in additional revenue of approximately \$3 million. The PSCW had directed SWL&P to file its next general rate case in 2020; however, the PSCW granted an extension request made by SWL&P to delay filing its next general rate case until on or before December 20, 2022. SWL&P requested the extension primarily due to impacts of the COVID-19 pandemic.

Integrated Resource Plan. In a 2016 order, the MPUC approved Minnesota Power's 2015 IRP with modifications. The order accepted Minnesota Power's plans for the economic idling of Taconite Harbor Units 1 and 2 and the ceasing of coal-fired operations at Taconite Harbor in 2020, directed Minnesota Power to retire Boswell Units 1 and 2, required an analysis of generation and demand response alternatives to be filed with a natural gas resource proposal, and required Minnesota Power to conduct requests for proposal for additional wind, solar and demand response resource additions. Minnesota Power retired Boswell Units 1 and 2 in the fourth quarter of 2018. The MPUC also required a baseload retirement study analyzing its existing fleet potential early retirement scenarios of Boswell Units 3 and 4, as well as a securitization plan.

2021 Integrated Resource Plan. On February 1, 2021, Minnesota Power filed its latest IRP with the MPUC, which outlines its clean-energy transition plans through 2035. These plans include expanding its renewable energy supply, achieving coal-free operations at its facilities by 2035, and investing in a resilient and flexible transmission and distribution grid. As part of these plans, Minnesota Power anticipates adding approximately 400 MW of new wind and solar energy resources, retiring Boswell Unit 3 by 2030 and transforming Boswell Unit 4 to be coal-free by 2035. Minnesota Power's plans recognize that advances in technology will play a significant role in completing its transition to carbon-free energy supply, reliably and affordably. A final decision on the IRP is expected in late 2021.

Nemadji Trail Energy Center. In 2017, Minnesota Power submitted a resource package to the MPUC which included requesting approval of a 250 MW natural gas capacity dedication and other affiliated-interest agreements for NTEC, a proposed 525 MW to 550 MW combined-cycle natural gas-fired generating facility which will be jointly owned by Dairyland Power Cooperative and a subsidiary of ALLETE. Minnesota Power would purchase approximately 50 percent of the facility's output starting in 2025. In a January 2019 order, the MPUC approved Minnesota Power's request for approval of the NTEC natural gas capacity dedication and other affiliated-interest agreements. In December 2019, the Minnesota Court of Appeals reversed and remanded the MPUC's decision to approve certain affiliated-interest agreements. The MPUC was ordered to determine whether NTEC may have the potential for significant environmental effects and, if so, to prepare an environmental assessment before reassessing the agreements. On January 22, 2020, Minnesota Power filed a petition for further review with the Minnesota Supreme Court requesting that it review and overturn the Minnesota Court of Appeals decision, which petition was accepted for review by the Minnesota Supreme Court with oral arguments held on October 6, 2020. There is no deadline for the Minnesota Supreme Court to issue a ruling. In January 2019, an application for a certificate of public convenience and necessity for NTEC was submitted to the PSCW, which was approved by the PSCW at a hearing on January 16, 2020. Construction of NTEC is subject to obtaining additional permits from local, state and federal authorities. The total project cost is estimated to be approximately \$700 million, of which ALLETE's portion is expected to be approximately \$350 million. ALLETE's portion of NTEC project costs incurred through December 31, 2020, is approximately \$15 million.

NOTE 4. REGULATORY MATTERS (Continued)

Conservation Improvement Program. Minnesota requires electric utilities to spend a minimum of 1.5 percent of gross operating revenues, excluding revenue received from exempt customers, from service provided in the state on energy CIPs each year.

On May 1, 2020, Minnesota Power submitted its 2019 consolidated filing detailing Minnesota Power's CIP program results and requesting a CIP financial incentive of \$2.4 million based upon MPUC procedures, which was recognized in the third quarter of 2020 upon approval by the MPUC in an order dated August 18, 2020. In 2019, the CIP financial incentive of \$2.8 million was recognized in the third quarter upon approval by the MPUC of Minnesota Power's 2018 CIP consolidated filing. CIP financial incentives are recognized in the period in which the MPUC approves the filing.

On July 1, 2020, Minnesota Power submitted its CIP triennial filing for 2021 through 2023 to the MPUC and Minnesota Department of Commerce, which outlines Minnesota Power's CIP spending and energy-saving goals for those years. Minnesota Power's CIP investment goals are \$10.5 million for 2021, \$10.7 million for 2022 and \$10.9 million for 2023, subject to MPUC and Minnesota Department of Commerce approval.

MISO Return on Equity Complaint. MISO transmission owners, including ALLETE and ATC, have an authorized return on equity of 10.02 percent, or 10.52 percent including an incentive adder for participation in a regional transmission organization based on a May 21, 2020, FERC order. That order granted rehearing of a November 2019 FERC order, which had reduced the base return on equity for regional transmission organizations to 9.88 percent, or 10.38 percent including an incentive adder, based on a return on equity complaint that had been filed against MISO transmission owners.

Minnesota Solar Energy Standard. Minnesota law required at least 1.5 percent of total retail electric sales, excluding sales to certain customers, to be generated by solar energy by the end of 2020. At least 10 percent of the 1.5 percent mandate must be met by solar energy generated by or procured from solar photovoltaic devices with a nameplate capacity of 40 kW or less and community solar garden subscriptions.

Minnesota Power's solar energy supply consists of Camp Ripley, a 10 MW solar energy facility at the Camp Ripley Minnesota Army National Guard base and training facility near Little Falls, Minnesota, and a community solar garden project in northeastern Minnesota, which is comprised of a 1 MW solar array owned and operated by a third party with the output purchased by Minnesota Power and a 40 kW solar array that is owned and operated by Minnesota Power. Minnesota Power has met both parts of the solar mandate.

On May 20, 2020, the MPUC issued a notice requesting all regulated gas and electric utilities provide a list of all ongoing, planned, or possible investments that support Minnesota's energy policy objectives and aid economic recovery in Minnesota, among other items. On June 17, 2020, Minnesota Power filed a response which included outlining a proposal to accelerate its plans for solar energy with an estimated \$40 million investment in approximately 20 MW of solar energy projects in Minnesota.

Regulatory Assets and Liabilities. Our regulated utility operations are subject to accounting standards for the effects of certain types of regulation. Regulatory assets represent incurred costs that have been deferred as they are probable for recovery in customer rates. Regulatory liabilities represent obligations to make refunds to customers and amounts collected in rates for which the related costs have not yet been incurred. The Company assesses quarterly whether regulatory assets and liabilities meet the criteria for probability of future recovery or deferral. With the exception of the regulatory asset for Boswell Units 1 and 2 net plant and equipment, no other regulatory assets are currently earning a return. The recovery, refund or credit to rates for these regulatory assets and liabilities will occur over the periods either specified by the applicable regulatory authority or over the corresponding period related to the asset or liability.

NOTE 4. REGULATORY MATTERS (Continued)**Regulatory Assets and Liabilities****As of December 31****2020****2019**

Millions	2020	2019
Non-Current Regulatory Assets		
Defined Benefit Pension and Other Postretirement Benefit Plans (a)	\$259.7	\$212.9
Income Taxes (b)	113.7	123.4
Asset Retirement Obligations (c)	31.6	32.0
Cost Recovery Riders (d)	54.0	24.7
Boswell Units 1 and 2 Net Plant and Equipment (e)	5.0	10.7
Manufactured Gas Plant (f)	8.8	8.2
PPACA Income Tax Deferral	4.5	4.8
Other	3.6	3.8
Total Non-Current Regulatory Assets	\$480.9	\$420.5
Current Regulatory Liabilities (g)		
Fuel Adjustment Clause (h)	\$3.7	—
Transmission Formula Rates	2.9	\$1.7
Other	1.0	0.2
Total Current Regulatory Liabilities	7.6	1.9
Non-Current Regulatory Liabilities		
Income Taxes (b)	375.3	407.2
Wholesale and Retail Contra AFUDC (i)	86.6	79.3
Plant Removal Obligations (j)	41.2	35.5
Defined Benefit Pension and Other Postretirement Benefit Plans (a)	4.4	17.0
North Dakota Investment Tax Credits (k)	12.0	12.3
Conservation Improvement Program (l)	1.5	5.4
Other	3.8	3.6
Total Non-Current Regulatory Liabilities	524.8	560.3
Total Regulatory Liabilities	\$532.4	\$562.2

(a) Defined benefit pension and other postretirement items included in our Regulated Operations, which are otherwise required to be recognized in accumulated other comprehensive income as actuarial gains and losses as well as prior service costs and credits, are recognized as regulatory assets or regulatory liabilities on the Consolidated Balance Sheet. The asset or liability will decrease as the deferred items are amortized and recognized as components of net periodic benefit cost. (See Note 11. Pension and Other Postretirement Benefit Plans.)

(b) These costs represent the difference between deferred income taxes recognized for financial reporting purposes and amounts previously billed to our customers. The balances will primarily decrease over the remaining life of the related temporary differences.

(c) Asset retirement obligations will accrete and be amortized over the lives of the related property with asset retirement obligations.

(d) The cost recovery rider regulatory assets and liabilities are revenue not yet collected from our customers and cash collections from our customers in excess of the revenue recognized, respectively, primarily due to capital expenditures related to Bison, investment in CapX2020 projects, the Boswell Unit 4 environmental upgrade and the GNTL. The cost recovery rider regulatory assets as of December 31, 2020, will be recovered within the next two years.

(e) In 2018, Minnesota Power retired Boswell Units 1 and 2 and reclassified the remaining net book value from property, plant and equipment to a regulatory asset on the Consolidated Balance Sheet. The remaining net book value is currently included in Minnesota Power's rate base and Minnesota Power is earning a return on the outstanding balance.

(f) The manufactured gas plant regulatory asset represents costs of remediation for a former manufactured gas plant site located in Superior, Wisconsin, and formerly operated by SWL&P. We expect recovery of these remediation costs to be allowed by the PSCW in rates over time.

(g) Current regulatory liabilities are presented within Other Current Liabilities on the Consolidated Balance Sheet.

(h) Fuel adjustment clause regulatory liability represents the amount expected to be refunded to customers for the over-collection of fuel adjustment clause recoveries. (See Fuel Adjustment Clause Reform.)

(i) Wholesale and retail contra AFUDC represents amortization to offset AFUDC Equity and Debt recorded during the construction period of our cost recovery rider projects prior to placing the projects in service. The regulatory liability will decrease over the remaining depreciable life of the related asset.

(j) Non-legal plant removal obligations included in retail customer rates that have not yet been incurred.

(k) North Dakota investment tax credits expected to be realized from Bison that will be credited to Minnesota Power's retail customers through future renewable cost recovery rider filings as the tax credits are utilized.

(l) The conservation improvement program regulatory liability represents CIP expenditures, any financial incentive earned for cost-effective program achievements and a carrying charge deferred for future refund over the next year following MPUC approval.

NOTE 5. EQUITY INVESTMENTS

Investment in ATC. Our wholly-owned subsidiary, ALLETE Transmission Holdings, owns approximately 8 percent of ATC, a Wisconsin-based utility that owns and maintains electric transmission assets in portions of Wisconsin, Michigan, Minnesota and Illinois. We account for our investment in ATC under the equity method of accounting. For the year ended December 31, 2020 we invested \$2.7 million in ATC. We expect to invest approximately \$2.0 million in 2021.

ALLETE's Investment in ATC

Year Ended December 31	2020	2019
Millions		
Equity Investment Beginning Balance	\$141.6	\$128.1
Cash Investments	2.7	6.6
Equity in ATC Earnings	22.3	21.7
Distributed ATC Earnings	(18.9)	(16.1)
Amortization of the Remeasurement of Deferred Income Taxes	1.3	1.3
Equity Investment Ending Balance	\$149.0	\$141.6

ATC Summarized Financial Data

Balance Sheet Data

As of December 31	2020	2019
Millions		
Current Assets	\$92.8	\$84.6
Non-Current Assets	5,400.5	5,244.3
Total Assets	\$5,493.3	\$5,328.9
Current Liabilities	\$310.8	\$502.6
Long-Term Debt	2,512.2	2,312.8
Other Non-Current Liabilities	378.2	298.9
Members' Equity	2,292.1	2,214.6
Total Liabilities and Members' Equity	\$5,493.3	\$5,328.9

Income Statement Data

Year Ended December 31	2020	2019	2018
Millions			
Revenue	\$758.1	\$744.4	\$690.5
Operating Expense	372.4	373.5	358.7
Other Expense	110.9	110.5	108.3
Net Income	\$274.8	\$260.4	\$223.5
ALLETE's Equity in Net Income	\$22.3	\$21.7	\$17.5

ATC's authorized return on equity is 10.02 percent, or 10.52 percent including an incentive adder for participation in a regional transmission organization, based on a May 21, 2020, FERC order that granted rehearing of a November 2019 FERC order. (See Note 4. Regulatory Matters.)

NOTE 5. EQUITY INVESTMENTS (Continued)

Investment in Nobles 2. Our subsidiary, ALLETE South Wind, owns a 49 percent equity interest in Nobles 2, the entity that owns and operates the 250 MW wind energy facility in southwestern Minnesota pursuant to a 20-year PPA with Minnesota Power. Construction of the wind energy facility was completed and tax equity funding of \$116.3 million, net of issuance costs, was received in the fourth quarter of 2020. We account for our investment in Nobles 2 under the equity method of accounting. As of December 31, 2020, our equity investment in Nobles 2 was \$152.2 million (\$56.0 million at December 31, 2019). For the year ended December 31, 2020, we invested \$96.4 million and results from operations were immaterial.

NOTE 6. FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). We utilize market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. We primarily apply the market approach for recurring fair value measurements and endeavor to utilize the best available information. Accordingly, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs, which are used to measure fair value, are prioritized through the fair value hierarchy. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are as follows:

Level 1 — Quoted prices are available in active markets for identical assets or liabilities as of the reported date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. This category includes primarily equity securities.

Level 2 — Pricing inputs are other than quoted prices in active markets, but are either directly or indirectly observable as of the reported date. The types of assets and liabilities included in Level 2 are typically either comparable to actively traded securities or contracts, such as treasury securities with pricing interpolated from recent trades of similar securities, or priced with models using highly observable inputs, such as commodity options priced using observable forward prices and volatilities. This category includes deferred compensation and fixed income securities.

Level 3 — Significant inputs that are generally less observable from objective sources. The types of assets and liabilities included in Level 3 are those with inputs requiring significant management judgment or estimation, such as the complex and subjective models and forecasts used to determine the fair value. This category included the U.S. Water Services contingent consideration liability.

NOTE 6. FAIR VALUE (Continued)

The following tables set forth by level within the fair value hierarchy, our assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2020, and December 31, 2019. Each asset and liability is classified based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment, which may affect the valuation of these assets and liabilities and their placement within the fair value hierarchy levels. The estimated fair value of Cash and Cash Equivalents listed on the Consolidated Balance Sheet approximates the carrying amount and therefore is excluded from the recurring fair value measures in the following tables.

Recurring Fair Value Measures	Fair Value as of December 31, 2020			Total
	Level 1	Level 2	Level 3	
Millions				
Assets:				
Investments (a)				
Available-for-sale – Equity Securities	\$7.2	—	—	\$7.2
Available-for-sale – Corporate and Governmental Debt Securities (b)	—	\$10.4	—	10.4
Cash Equivalents	5.5	—	—	5.5
Total Fair Value of Assets	\$12.7	\$10.4	—	\$23.1
Liabilities:				
Deferred Compensation (c)	—	\$21.0	—	\$21.0
Total Fair Value of Liabilities	—	\$21.0	—	\$21.0
Total Net Fair Value of Assets (Liabilities)	\$12.7	\$(10.6)	—	\$2.1

(a) Included in Other Non-Current Assets on the Consolidated Balance Sheet.

(b) As of December 31, 2020, the aggregate amount of available-for-sale corporate and governmental debt securities maturing in one year or less was \$1.8 million, in one year to less than three years was \$4.3 million, in three years to less than five years was \$4.0 million and in five or more years was \$0.3 million.

(c) Included in Other Non-Current Liabilities on the Consolidated Balance Sheet.

Recurring Fair Value Measures	Fair Value as of December 31, 2019			Total
	Level 1	Level 2	Level 3	
Millions				
Assets:				
Investments (a)				
Available-for-sale – Equity Securities	\$11.1	—	—	\$11.1
Available-for-sale – Corporate and Governmental Debt Securities	—	\$9.7	—	9.7
Cash Equivalents	0.9	—	—	0.9
Total Fair Value of Assets	\$12.0	\$9.7	—	\$21.7
Liabilities: (b)				
Deferred Compensation	—	\$21.2	—	\$21.2
Total Fair Value of Liabilities	—	\$21.2	—	\$21.2
Total Net Fair Value of Assets (Liabilities)	\$12.0	\$(11.5)	—	\$0.5

(a) Included in Other Non-Current Assets on the Consolidated Balance Sheet.

(b) Included in Other Non-Current Liabilities on the Consolidated Balance Sheet.

The Company's policy is to recognize transfers in and transfers out of Levels as of the actual date of the event or change in circumstances that caused the transfer. For the years ended December 31, 2020 and 2019, there were no transfers in or out of Levels 1, 2 or 3.

Fair Value of Financial Instruments. With the exception of the item listed in the following table, the estimated fair value of all financial instruments approximates the carrying amount. The fair value for the item listed in the following table was based on quoted market prices for the same or similar instruments (Level 2).

NOTE 6. FAIR VALUE (Continued)

Financial Instruments	Carrying Amount	Fair Value
Millions		
Short-Term and Long-Term Debt (a)		
December 31, 2020	\$1,806.4	\$2,122.0
December 31, 2019	\$1,622.6	\$1,791.8

(a) Excludes unamortized debt issuance costs.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis. Non-financial assets such as equity method investments, goodwill, intangible assets, and property, plant and equipment are measured at fair value when there is an indicator of impairment and recorded at fair value only when an impairment is recognized.

Equity Method Investments. The aggregate carrying amount of our equity investments was \$301.2 million as of December 31, 2020 (\$197.6 million as of December 31, 2019). The Company assesses our equity investments in ATC and Nobles 2 for impairment whenever events or changes in circumstances indicate that the carrying amount of our investments may not be recoverable. For the years ended December 31, 2020 and 2019, there were no indicators of impairment. (See Note 5. Equity Investments.)

Property, Plant and Equipment. The Company assesses the impairment of property, plant, and equipment whenever events or changes in circumstances indicate that the carrying amount of property, plant, and equipment assets may not be recoverable. (See Note 1. Operations and Significant Accounting Policies.) For the years ended December 31, 2020, and 2019, there was no impairment of property, plant, and equipment.

We believe that long-standing ratemaking practices approved by applicable state and federal regulatory commissions allow for the recovery of the remaining book value of retired plant assets. Minnesota Power's 2015 IRP contained steps in Minnesota Power's *EnergyForward* plan including the economic idling of Taconite Harbor Units 1 and 2 in 2016, and the ceasing of coal-fired operations at Taconite Harbor in 2020. As of December 31, 2020, Taconite Harbor had a net book value of approximately \$50 million. The MPUC order for the 2015 IRP also directed Minnesota Power to retire Boswell Units 1 and 2, which occurred in the fourth quarter of 2018. As part of the 2016 general retail rate case, the MPUC allowed recovery of the remaining book value of Boswell Units 1 and 2 through 2022. In its latest IRP filing, Minnesota Power proposed retiring Boswell Unit 3 by 2030, which has a net book value of approximately \$255 million as of December 31, 2020. (See Note 4. Regulatory Matters.) We do not expect to record any impairment charge as a result of these operating changes at Taconite Harbor and Boswell. In addition, we expect to be able to continue depreciating these assets for at least their established remaining useful lives; however, we are unable to predict the impact of regulatory outcomes resulting in changes to their established remaining useful lives.

We continue to monitor changes in the broader energy markets that could be indicators of impairment at ALLETE Clean Energy wind energy facilities upon contract expirations. A continued decline in energy prices could result in a future impairment.

NOTE 7. SHORT-TERM AND LONG-TERM DEBT

Short-Term Debt. As of December 31, 2020, total short-term debt outstanding was \$203.7 million (\$212.9 million as of December 31, 2019), and consisted of long-term debt due within one year and included \$0.3 million of unamortized debt issuance costs.

As of December 31, 2020, we had consolidated bank lines of credit aggregating \$407.0 million (\$407.0 million as of December 31, 2019), most of which expire in January 2024. We had \$22.3 million outstanding in standby letters of credit and no outstanding draws under our lines of credit as of December 31, 2020 (\$62.0 million in standby letters of credit and no outstanding draws as of December 31, 2019).

NOTE 7. SHORT-TERM AND LONG-TERM DEBT (Continued)

Long-Term Debt. As of December 31, 2020, total long-term debt outstanding was \$1,593.2 million (\$1,400.9 million as of December 31, 2019) and included \$9.2 million of unamortized debt issuance costs. The aggregate amount of long-term debt maturing in 2021 is \$204.0 million; \$89.2 million in 2022; \$89.1 million in 2023; \$73.9 million in 2024; \$241.1 million in 2025; and \$1,109.1 million thereafter. Substantially all of our regulated electric plant is subject to the lien of the mortgages collateralizing outstanding first mortgage bonds. The mortgages contain non-financial covenants customary in utility mortgages, including restrictions on our ability to incur liens, dispose of assets, and merge with other entities.

Minnesota Power is obligated to make financing payments for the Camp Ripley solar array totaling \$1.4 million annually during the financing term, which expires in 2027. Minnesota Power has the option at the end of the financing term to renew for a two-year term, or to purchase the solar array for approximately \$4 million. Minnesota Power anticipates exercising the purchase option when the term expires.

On January 10, 2020, ALLETE entered into a \$200 million unsecured term loan agreement (January 2020 Term Loan) of which the full amount was repaid in 2020. Interest was payable monthly at a rate per annum equal to LIBOR plus 0.55 percent. Proceeds from the January 2020 Term Loan were used for construction-related expenditures.

On April 8, 2020, ALLETE entered into a \$115 million unsecured term loan agreement (April 2020 Term Loan) of which \$40 million remains outstanding as of December 31, 2020. The April 2020 Term Loan is due April 7, 2021, and may be repaid at any time. Interest is payable monthly at a rate per annum equal to LIBOR plus 1.7 percent with a LIBOR floor of 0.75 percent. Proceeds from the April 2020 Term Loan were used for general corporate purposes.

On August 3, 2020, ALLETE issued first mortgage bonds (Bonds) to certain institutional buyers in the private placement market as follows:

Maturity Date	Principal Amount	Interest Rate
August 1, 2030	\$46 Million	2.50%
August 1, 2050	\$94 Million	3.30%

ALLETE has the option to prepay all or a portion of the Bonds at its discretion, subject to a make-whole provision. The Bonds are subject to additional terms and conditions which are customary for these types of transactions. ALLETE used the proceeds from the sale of the Bonds to fund utility capital investment and for general corporate purposes. The Bonds were sold in reliance on an exemption from registration under Section 4(a)(2) of the Securities Act of 1933, as amended, to institutional accredited investors.

On September 10, 2020, ALLETE sold \$150 million of the Company's senior unsecured notes (Notes) to certain institutional buyers in the private placement market. The Notes were sold in reliance on an exemption from registration under Section 4(a)(2) of the Securities Act of 1933, as amended, to institutional accredited investors. The Notes bear interest at a rate of 2.65 percent and mature on September 10, 2025.

Interest on the Notes is payable semi-annually on March 1 and September 1 of each year, commencing on March 1, 2021. The Company has the option to prepay all or a portion of the Notes at its discretion, subject to a make-whole provision. The Notes are subject to additional terms and conditions which are customary for these types of transactions. Proceeds from the sale of the Notes were used for construction-related expenditures and general corporate purposes.

On December 28, 2020, a subsidiary of ALLETE Clean Energy entered into a \$100.0 million unsecured term loan agreement (December 2020 Term Loan), with ALLETE Clean Energy and ALLETE as guarantors, and borrowed \$65 million upon execution. The additional draw of \$35 million provided under the December 2020 Term Loan was made in January 2021. The December 2020 Term Loan is due on December 27, 2021, and may be prepaid at any time. Interest on the December 2020 Term Loan is payable monthly at a rate per annum equal to LIBOR plus 1.125 percent. Proceeds from the December 2020 Term Loan were used for construction-related expenditures at the Caddo wind energy facility.

NOTE 7. SHORT-TERM AND LONG-TERM DEBT (Continued)
Long-Term Debt (Continued)

Long-Term Debt		
As of December 31	2020	2019
Millions		
First Mortgage Bonds		
5.28% Series Due 2020	—	\$35.0
2.80% Series Due 2020	—	40.0
4.85% Series Due 2021	\$15.0	15.0
3.02% Series Due 2021	60.0	60.0
3.40% Series Due 2022	75.0	75.0
6.02% Series Due 2023	75.0	75.0
3.69% Series Due 2024	60.0	60.0
4.90% Series Due 2025	30.0	30.0
5.10% Series Due 2025	30.0	30.0
3.20% Series Due 2026	75.0	75.0
5.99% Series Due 2027	60.0	60.0
3.30% Series Due 2028	40.0	40.0
4.08% Series Due 2029	70.0	70.0
3.74% Series Due 2029	50.0	50.0
2.50% Series Due 2030	46.0	—
3.86% Series Due 2030	60.0	60.0
5.69% Series Due 2036	50.0	50.0
6.00% Series Due 2040	35.0	35.0
5.82% Series Due 2040	45.0	45.0
4.08% Series Due 2042	85.0	85.0
4.21% Series Due 2043	60.0	60.0
4.95% Series Due 2044	40.0	40.0
5.05% Series Due 2044	40.0	40.0
4.39% Series Due 2044	50.0	50.0
4.07% Series Due 2048	60.0	60.0
4.47% Series Due 2049	30.0	30.0
3.30% Series Due 2050	94.0	—
Variable Demand Revenue Refunding Bonds Series 1997 A Due 2020	—	13.5
Unsecured Term Loan Variable Rate Due 2020	—	110.0
ALLETE Clean Energy Unsecured Term Loan Variable Rate Due 2021	65.0	—
Unsecured Term Loan Variable Rate Due 2021	40.0	—
Armenia Mountain Senior Secured Notes 3.26% Due 2024	38.6	47.8
Unsecured Senior Notes 2.65% Due 2025	150.0	—
Industrial Development Variable Rate Demand Refunding Revenue Bonds Series 2006, Due 2025	27.8	27.8
Senior Unsecured Notes 3.11% Due 2027	80.0	80.0
SWL&P First Mortgage Bonds 4.15% Series Due 2028	15.0	15.0
SWL&P First Mortgage Bonds 4.14% Series Due 2048	12.0	12.0
Other Long-Term Debt, 2.97% – 5.75% Due 2021 – 2037	43.0	46.5
Unamortized Debt Issuance Costs	(9.5)	(8.8)
Total Long-Term Debt	1,796.9	1,613.8
Less: Due Within One Year	203.7	212.9
Net Long-Term Debt	\$1,593.2	\$1,400.9

NOTE 7. SHORT-TERM AND LONG-TERM DEBT (Continued)**Long-Term Debt (Continued)**

Financial Covenants. Our long-term debt arrangements contain customary covenants. In addition, our lines of credit and letters of credit supporting certain long-term debt arrangements contain financial covenants. Our compliance with financial covenants is not dependent on debt ratings. The most restrictive financial covenant requires ALLETE to maintain a ratio of indebtedness to total capitalization (as the amounts are calculated in accordance with the respective long-term debt arrangements) of less than or equal to 0.65 to 1.00, measured quarterly. As of December 31, 2020, our ratio was approximately 0.40 to 1.00. Failure to meet this covenant would give rise to an event of default if not cured after notice from the lender, in which event ALLETE may need to pursue alternative sources of funding. Some of ALLETE's debt arrangements contain "cross-default" provisions that would result in an event of default if there is a failure under other financing arrangements to meet payment terms or to observe other covenants that would result in an acceleration of payments due. ALLETE has no significant restrictions on its ability to pay dividends from retained earnings or net income. As of December 31, 2020, ALLETE was in compliance with its financial covenants.

NOTE 8. COMMITMENTS, GUARANTEES AND CONTINGENCIES

The following table details the estimated minimum payments for certain long-term commitments:

As of December 31, 2020

Millions	2021	2022	2023	2024	2025	Thereafter
Capital Purchase Obligations	\$235.0	—	—	—	—	—
Easements (a)	\$5.8	\$6.0	\$6.1	\$6.1	\$6.2	\$175.9
PPAs (b)	\$130.8	\$143.7	\$143.8	\$136.7	\$134.6	\$1,215.6
Other Purchase Obligations (c)	\$40.1	—	—	—	—	—

(a) Easement obligations represent the minimum payments for our land easement agreements at our wind energy facilities.

(b) Does not include the agreement with Manitoba Hydro expiring in 2022, as this contract is for surplus energy only; or the Oliver Wind I, Oliver Wind II or Nobles 2 PPAs, as Minnesota Power only pays for energy as it is delivered. (See Power Purchase Agreements.)

(c) Consists of long-term service agreements for wind energy facilities and minimum purchase commitments under coal and rail contracts.

Power Purchase and Sales Agreements. Our long-term PPAs have been evaluated under the accounting guidance for variable interest entities. We have determined that either we have no variable interest in the PPAs, or where we do have variable interests, we are not the primary beneficiary; therefore, consolidation is not required. These conclusions are based on the fact that we do not have both control over activities that are most significant to the entity and an obligation to absorb losses or receive benefits from the entity's performance. Our financial exposure relating to these PPAs is limited to capacity and energy payments.

These agreements have also been evaluated under the accounting guidance for derivatives. We have determined that either these agreements are not derivatives, or, if they are derivatives, the agreements qualify for the normal purchases and normal sales exemption to the accounting guidance; therefore, derivative accounting is not required.

Square Butte PPA. Minnesota Power has a PPA with Square Butte that extends through 2026 (Agreement). Minnesota Power is obligated to pay its pro rata share of Square Butte's costs based on its entitlement to the output of Square Butte's 455 MW coal-fired generating unit. Minnesota Power's output entitlement under the Agreement is 50 percent for the remainder of the Agreement, subject to the provisions of the Minnkota Power PSA described in the following table. Minnesota Power's payment obligation will be suspended if Square Butte fails to deliver any power, whether produced or purchased, for a period of one year. Square Butte's costs consist primarily of debt service, operating and maintenance, depreciation and fuel expenses. As of December 31, 2020, Square Butte had total debt outstanding of \$268.6 million. Annual debt service for Square Butte is expected to be approximately \$45.5 million annually through 2023, \$30.5 million in 2024 and \$26.6 million in 2025, of which Minnesota Power's obligation is 50 percent. Fuel expenses are recoverable through Minnesota Power's fuel adjustment clause and include the cost of coal purchased from BNI Energy under a long-term contract.

NOTE 8. COMMITMENTS, GUARANTEES AND CONTINGENCIES (Continued)
Power Purchase and Sales Agreements (Continued)

Minnesota Power's cost of power purchased from Square Butte during 2020 was \$79.5 million (\$82.7 million in 2019; \$78.0 million in 2018). This reflects Minnesota Power's pro rata share of total Square Butte costs based on the 50 percent output entitlement. Included in this amount was Minnesota Power's pro rata share of interest expense of \$7.1 million in 2020 (\$8.3 million in 2019; \$9.1 million in 2018). Minnesota Power's payments to Square Butte are approved as a purchased power expense for ratemaking purposes by both the MPUC and the FERC.

Minnesota Power has also entered into the following long-term PPAs for the purchase of capacity and energy as of December 31, 2020:

Counterparty	Quantity	Product	Commencement	Expiration	Pricing
PPAs					
Calpine Corporation	25 MW	Capacity	June 2019	May 2026	Fixed
Manitoba Hydro					
PPA 1	(a)	Energy	May 2011	April 2022	Forward Market Prices
PPA 2	250 MW	Capacity / Energy	June 2020	May 2035	(b)
PPA 3	133 MW	Energy	June 2020	June 2040	Forward Market Prices
Nobles 2	250 MW	Capacity / Energy	December 2020	December 2040	Fixed
Oliver Wind I	(c)	Energy	December 2006	December 2040	Fixed
Oliver Wind II	(c)	Energy	December 2007	December 2040	Fixed

(a) The energy purchased consists primarily of surplus hydro energy on Manitoba Hydro's system and is delivered on a non-firm basis. Minnesota Power will purchase at least one million MWh of energy over the contract term.

(b) The capacity price was adjusted annually until 2020 by the change in a governmental inflationary index. The energy price is based on a formula that includes an annual fixed component adjusted for the change in a governmental inflationary index and a natural gas index, as well as market prices.

(c) The PPAs provide for the purchase of all output from the 50 MW Oliver Wind I and 48 MW Oliver Wind II wind energy facilities.

Minnesota Power has also entered into the following long-term PSAs for the sale of capacity and energy as of December 31, 2020:

Counterparty	Quantity	Product	Commencement	Expiration	Pricing
PSAs					
Basin					
PSA 1	(a)	Capacity	June 2022	May 2025	Fixed
PSA 2	100 MW	Capacity	June 2025	May 2028	Fixed
Great River Energy	100 MW	Capacity	June 2022	May 2025	Fixed
Minnkota Power	(b)	Capacity / Energy	June 2014	December 2026	(b)
Oconto Electric Cooperative	25 MW	Capacity / Energy	January 2019	May 2026	Fixed
Silver Bay Power	(c)	Energy	January 2017	December 2031	(d)

(a) The agreement provides for 75 MW of capacity from June 1, 2022, through May 31, 2023, and increases to 125 MW of capacity from June 1, 2023, through May 31, 2025.

(b) Minnesota Power is selling a portion of its entitlement from Square Butte to Minnkota Power, resulting in Minnkota Power's net entitlement increasing and Minnesota Power's net entitlement decreasing until Minnesota Power's share is eliminated at the end of 2025. Of Minnesota Power's 50 percent output entitlement, it sold to Minnkota Power approximately 28 percent in 2020 (28 percent in 2019 and in 2018). (See Square Butte PPA.)

(c) Silver Bay Power supplies approximately 90 MW of load to Northshore Mining, an affiliate of Silver Bay Power, which has been served predominately through self-generation by Silver Bay Power. Minnesota Power supplied Silver Bay Power with at least 50 MW of energy and Silver Bay Power had the option to purchase additional energy from Minnesota Power as it transitioned away from self-generation. In the third quarter of 2019, Silver Bay Power ceased self-generation and Minnesota Power began supplying the full energy requirements for Silver Bay Power.

(d) The energy pricing escalates at a fixed rate annually and is adjusted for changes in a natural gas index.

NOTE 8. COMMITMENTS, GUARANTEES AND CONTINGENCIES (Continued)

Coal, Rail and Shipping Contracts. Minnesota Power has coal supply agreements providing for the purchase of a significant portion of its coal requirements through December 2021. Minnesota Power also has coal transportation agreements in place for the delivery of a significant portion of its coal requirements through December 2021. The costs of fuel and related transportation costs for Minnesota Power's generation are recoverable from Minnesota Power's utility customers through the fuel adjustment clause.

Transmission. We continue to make investments 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. These include the GNTL, investments to enhance our own transmission facilities, investments in other transmission assets (individually or in combination with others) and our investment in ATC.

Great Northern Transmission Line. As a condition of the 250 MW long-term PPA entered into with Manitoba Hydro, construction of additional transmission capacity was required. As a result, Minnesota Power constructed the GNTL, an approximately 220-mile 500-kV transmission line between Manitoba and Minnesota's Iron Range that was proposed by Minnesota Power and Manitoba Hydro in order to strengthen the electric grid, enhance regional reliability and promote a greater exchange of sustainable energy. On June 1, 2020, Minnesota Power placed the GNTL into service with project costs of approximately \$310 million incurred by Minnesota Power. Total project costs, including those costs contributed by a subsidiary of Manitoba Hydro, totaled approximately \$660 million. Also on June 1, 2020, Manitoba Hydro placed the MMTP into service. The 250 MW PPA with Manitoba Hydro commenced when the GNTL was placed into service.

Environmental Matters.

Our businesses are subject to regulation of environmental matters by various federal, state and local authorities. A number of regulatory changes to the Clean Air Act, the Clean Water Act and various waste management requirements have been promulgated by both the EPA and state authorities over the past several years. Minnesota Power's facilities are subject to additional requirements under many of these regulations. Minnesota Power is reshaping its generation portfolio, over time, to reduce its reliance on coal, has installed cost-effective emission control technology, and advocates for sound science and policy during rulemaking implementation.

We consider our businesses to be in substantial compliance with currently applicable environmental regulations and believe all necessary permits have been obtained. We anticipate that with many state and federal environmental regulations and requirements finalized, or to be finalized in the near future, potential expenditures for future environmental matters may be material and require significant capital investments. Minnesota Power has evaluated various environmental compliance scenarios using possible outcomes of environmental regulations to project power supply trends and impacts on customers.

We review environmental matters on a quarterly basis. Accruals for environmental matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on current law and existing technologies. Accruals are adjusted as assessment and remediation efforts progress, or as additional technical or legal information becomes available. Accruals for environmental liabilities are included in the Consolidated Balance Sheet at undiscounted amounts and exclude claims for recoveries from insurance or other third parties. Costs related to environmental contamination treatment and cleanup are expensed unless recoverable in rates from customers.

Air. The electric utility industry is regulated both at the federal and state level to address air emissions. Minnesota Power's thermal generating facilities mainly burn low-sulfur western sub-bituminous coal. All of Minnesota Power's coal-fired generating facilities are equipped with pollution control equipment such as scrubbers, baghouses and low NO_x technologies. Under currently applicable environmental regulations, these facilities are substantially compliant with emission requirements.

NOTE 8. COMMITMENTS, GUARANTEES AND CONTINGENCIES (Continued)
Environmental Matters (Continued)

Cross-State Air Pollution Rule (CSAPR). The CSAPR requires certain states in the eastern half of the U.S., including Minnesota, to reduce power plant emissions that contribute to ozone or fine particulate pollution in other states. The CSAPR does not require installation of controls but does require facilities have sufficient allowances to cover their emissions on an annual basis. These allowances are allocated to facilities from each state's annual budget, and can be bought and sold. Based on our review of the NO_x and SO₂ allowances issued and pending issuance, we currently expect generation levels and emission rates will result in continued compliance with the CSAPR. The ongoing CSAPR "good neighbor" provision and interstate transport litigation is also not currently projected to affect Minnesota Power's CSAPR compliance. The State of Minnesota has not been identified by the downwind litigant states as a culpable upwind source, and previous EPA air quality modeling has demonstrated that Minnesota is not a significant contributor to downwind air quality attainment challenges. Minnesota Power also does not currently anticipate being affected by the EPA's recent and expected upcoming rulemakings to address the remand of certain CSAPR aspects. Minnesota Power will continue to monitor ongoing CSAPR litigation and associated rulemakings.

National Ambient Air Quality Standards (NAAQS). The EPA is required to review the NAAQS every five years. If the EPA determines that a state's air quality is not in compliance with the NAAQS, the state is required to adopt plans describing how it will reduce emissions to attain the NAAQS. Minnesota Power actively monitors NAAQS developments and compliance costs for existing standards or proposed NAAQS revisions are not expected to be material. Minnesota is not among the states expected to be impacted by the EPA's October 20, 2020 proposed rule to revise the 2016 CSAPR Update for the 2008 ozone NAAQS in response to the D.C. Circuit remand of the CSAPR Update Rule.

Climate Change. The scientific community generally accepts that emissions of GHG are linked to global climate change which creates physical and financial risks. Physical risks could include, but are not limited to: increased or decreased precipitation and water levels in lakes and rivers; increased or other changes in temperatures; and changes in the intensity and frequency of extreme weather events. These all have the potential to affect the Company's business and operations. We are addressing climate change by taking the following steps that also ensure reliable and environmentally compliant generation resources to meet our customers' requirements:

- Expanding renewable power supply for both our operations and the operations of others;
- Providing energy conservation initiatives for our customers and engaging in other demand side management efforts;
- Improving efficiency of our generating facilities;
- Supporting research of technologies to reduce carbon emissions from generating facilities and carbon sequestration efforts;
- Evaluating and developing less carbon intensive future generating assets such as efficient and flexible natural gas-fired generating facilities;
- Managing vegetation on right-of-way corridors to reduce potential wildfire or storm damage risks; and
- Practicing sound forestry management in our service territories to create landscapes more resilient to disruption from climate-related changes, including planting and managing long-lived conifer species.

EPA Regulation of GHG Emissions. In June 2019, the EPA finalized several separate rulemakings regarding regulating carbon emissions from electric utility generating units. These rulemakings included repealing the Clean Power Plan (CPP) and adopting the Affordable Clean Energy Rule under Section 111(d) of the Clean Air Act (CAA) to regulate CO₂ emissions at existing coal-fired power plants. The CPP was first announced as a proposed rule under Section 111(d) of the CAA for existing power plants entitled "Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Generating Units". The Affordable Clean Energy Rule established emissions guidelines for states to use when developing plans to limit CO₂ coal-fired power plants. The EPA also published regulations for the state implementation of the Affordable Clean Energy Rule and other Section 111(d) rules. Affected facilities for Minnesota Power included Boswell Units 3 and 4, and Taconite Harbor Units 1 and 2, which are currently economically idled.

On January 19, 2021, the U.S. Court of Appeals for the District of Columbia Circuit (D.C. Circuit) issued an opinion vacating the Affordable Clean Energy Rule and remanded the Affordable Clean Energy Rule back to the EPA for further consideration, consistent with the D.C. Circuit's finding that the EPA erred in interpreting the CAA, pending rehearing or appeal.

NOTE 8. COMMITMENTS, GUARANTEES AND CONTINGENCIES (Continued)
Environmental Matters (Continued)

Minnesota had already initiated several measures consistent with those called for under the now repealed CPP and vacated Affordable Clean Energy Rule. Minnesota Power continues implementing its *EnergyForward* strategic plan that provides for significant emission reductions and diversifying its electricity generation mix to include more renewable and natural gas energy. We are unable to predict the GHG emission compliance costs we might incur as a result of a replacement for the Affordable Clean Energy Rule or other future laws, regulations or administrative policies; however, the costs could be material. Minnesota Power would seek recovery of additional costs through a rate proceeding.

Additionally on January 13, 2021, the EPA issued a rulemaking to apply CO₂ emission New Source Performance Standards (NSPS) to new, modified and reconstructed fossil fuel-fired electric generating units under Section 111(b) of the CAA. Minnesota Power is monitoring the NSPS final rule and any further Section 111(b) developments including their potential impact to the Company. The Company's proposed combined-cycle natural gas-fired generating facility, NTEC, is expected to meet these NSPS requirements.

Water. The Clean Water Act requires NPDES permits be obtained from the EPA (or, when delegated, from individual state pollution control agencies) for any wastewater discharged into navigable waters. We have obtained all necessary NPDES permits, including NPDES storm water permits for applicable facilities, to conduct our operations.

Steam Electric Power Generating Effluent Limitations Guidelines. In 2015, the EPA issued revised federal effluent limitation guidelines (ELG) for steam electric power generating stations under the Clean Water Act. It set effluent limits and prescribed BACT for several wastewater streams, including flue gas desulfurization (FGD) water, bottom ash transport water and coal combustion landfill leachate. In 2017, the EPA announced a two-year postponement of the ELG compliance date of November 1, 2018, to November 1, 2020, while the agency reconsidered the bottom ash transport water and FGD wastewater provisions. On April 12, 2019, the U.S. Court of Appeals for the Fifth Circuit vacated and remanded back to the EPA portions of the ELG that allowed for continued discharge of legacy wastewater and leachate. On October 13, 2020, the EPA published a final ELG Rule allowing re-use of bottom ash transport water in FGD scrubber systems with limited discharges related to maintaining system water balance. The rule sets technology standards and numerical pollutant limits for discharges of bottom ash transport water and FGD wastewater. Compliance deadlines depend on subcategory, with compliance generally required as soon as possible, beginning after October 13, 2021, but no later than December 31, 2023, or December 31, 2028 in some specific cases. The rule also establishes new subcategories for retiring high-flow and low-utilization units, and establishes a voluntary incentives program for FGD wastewater.

The ELG's potential impact on Minnesota Power operations is primarily at Boswell. Boswell currently discharges bottom ash contact water through its NPDES permit, and also has a closed-loop FGD system that does not discharge to surface waters, but may do so in the future if additional water treatment measures are implemented. With Boswell's planned conversion to dry FGD handling and storage, ongoing FGD water generation will be reduced, and the majority of FGD waters will be legacy waters to be dewatered from existing impoundments. Re-use and onsite consumption for the majority of FGD waters is planned at Boswell.

Under the new ELG rule, most bottom ash transport water discharge to surface waters must cease no later than December 31, 2025, except for small discharges needed to retain water balance. The majority of bottom ash transport water will either need to be re-used in a closed-loop process or routed to a FGD scrubber. At Boswell, the bottom ash handling systems are planned to be converted to a dry process, which will eliminate bottom ash transport water.

The EPA's additional reconsideration of legacy wastewater discharge requirements have the potential to reduce timelines for dewatering Boswell's existing bottom ash pond. The timing of a draft rule addressing legacy wastewater and leachate is currently unknown.

NOTE 8. COMMITMENTS, GUARANTEES AND CONTINGENCIES (Continued)
Environmental Matters (Continued)

At this time, we estimate that the planned dry conversion of bottom ash handling and storage at Boswell in response to the CCR revisions requiring closure of clay-lined impoundments, as well as other water re-use practices, will reduce or eliminate the need for additional significant compliance costs for ELG bottom ash water and FGD requirements. Compliance costs we might incur related to other ELG waste streams (e.g. legacy leachate) or other potential future water discharge regulations cannot be estimated; however, the costs could be material, including costs associated with wastewater treatment and re-use. Minnesota Power would seek recovery of additional costs through a rate proceeding.

Solid and Hazardous Waste. The Resource Conservation and Recovery Act of 1976 regulates the management and disposal of solid and hazardous wastes. We are required to notify the EPA of hazardous waste activity and, consequently, routinely submit reports to the EPA.

Coal Ash Management Facilities. Minnesota Power produces the majority of its coal ash at Boswell, with small amounts of ash generated at Hibbard Renewable Energy Center. Ash storage and disposal methods include storing ash in clay-lined onsite impoundments (ash ponds), disposing of dry ash in a lined dry ash landfill, applying ash to land as an approved beneficial use, and trucking ash to state permitted landfills.

Coal Combustion Residuals from Electric Utilities (CCR). In 2015, the EPA published the final rule regulating CCR as nonhazardous waste under Subtitle D of the Resource Conservation and Recovery Act (RCRA) in the Federal Register. The rule includes additional requirements for new landfill and impoundment construction as well as closure activities related to certain existing impoundments. Costs of compliance for Boswell and Laskin are expected to occur primarily over the next 15 years and be between approximately \$65 million and \$120 million. Compliance costs for CCR at Taconite Harbor are not expected to be material. Minnesota Power would seek recovery of additional costs through a rate proceeding.

Minnesota Power continues to work on minimizing costs through evaluation of beneficial re-use and recycling of CCR and CCR-related waters. In 2017, the EPA announced its intention to formally reconsider the CCR rule under Subtitle D of the RCRA. In March 2018, the EPA published the first phase of the proposed rule revisions in the Federal Register. In July 2018, the EPA finalized revisions to elements of the CCR rule, including extending certain deadlines by two years, the establishment of alternative groundwater protection standards for certain constituents and the potential for risk-based management options at facilities based on site characteristics. In August 2018, a U.S. District Court for the District of Columbia decision vacated specific provisions of the CCR rule. The court decision resulted in a change to the status of three existing clay-lined impoundments at Boswell that must now be considered unlined. The EPA proposed additional rule revisions in August and December 2019 to address outstanding issues from litigation and closure timelines for unlined impoundments, respectively. The first of these rules, CCR Rule Part A, was finalized on September 28, 2020. The Part A Rule revision requires unlined impoundments to cease disposal of waste as soon as technically feasible but no later than April 11, 2021. Minnesota Power intends to seek EPA approval to extend the closure date for the two active Boswell impoundments. Additionally, the EPA released a proposed Part B rulemaking in February 2020 that addressed options for beneficial reuse of CCR materials, alternative liner demonstrations, and other CCR regulatory revisions. Portions of the Part B Rule addressing alternative liner equivalency standards were finalized on November 12, 2020. According to the EPA's current regulatory agenda, the remainder of the proposed Part B Rule is expected to be finalized in mid-2021. Expected compliance costs at Boswell due to the court decision and subsequent rule revisions are reflected in our estimate of compliance costs for the CCR rule noted previously. Minnesota Power would seek recovery of additional costs through a rate proceeding.

Other Environmental Matters

Manufactured Gas Plant Site. We are reviewing and addressing environmental conditions at a former manufactured gas plant site located in Superior, Wisconsin, and formerly operated by SWL&P. SWL&P has been working with the Wisconsin Department of Natural Resources (WDNR) in determining the extent and location of contamination at the site and surrounding properties. In January 2021, SWL&P submitted a final remedial actions options report to the WDNR with remedial site design expected to be completed in 2021. As of December 31, 2020, we have recorded a liability of approximately \$7 million for remediation costs at this site (approximately \$7 million as of December 31, 2019); however, SWL&P continues to work with the WDNR on the extent of contamination which may result in additional remediation costs being identified. SWL&P has also recorded an associated regulatory asset as we expect recovery of these remediation costs to be allowed by the PSCW. Remediation costs are expected to be incurred through 2023.

NOTE 8. COMMITMENTS, GUARANTEES AND CONTINGENCIES (Continued)

Other Matters

We have multiple credit facility agreements in place that provide the ability to issue standby letters of credit to satisfy our contractual security requirements across our businesses. As of December 31, 2020, we had \$117.2 million of outstanding letters of credit issued, including those issued under our revolving credit facility.

Regulated Operations. As of December 31, 2020, we had \$28.8 million outstanding in standby letters of credit at our Regulated Operations which are pledged as security for MISO and state agency agreements as well as energy facilities under development.

ALLETE Clean Energy. ALLETE Clean Energy's wind energy facilities have PSAs in place for their output and expire in various years between 2022 and 2039. As of December 31, 2020, ALLETE Clean Energy has \$74.4 million outstanding in standby letters of credit, the majority of which are pledged as security under these PSAs and PSAs for wind energy facilities under development.

Corporate and Other.

Investment in Nobles 2. Nobles 2 wind energy facility requires standby letters of credit as security for certain contractual obligations. As of December 31, 2020, ALLETE South Wind has \$14.0 million outstanding in standby letters of credit, related to our portion of the security requirements relative to our ownership in Nobles 2.

BNI Energy. As of December 31, 2020, BNI Energy had surety bonds outstanding of \$67.7 million related to the reclamation liability for closing costs associated with its mine and mine facilities. Although its coal supply agreements obligate the customers to provide for the closing costs, additional assurance is required by federal and state regulations. BNI Energy's total reclamation liability is currently estimated at \$67.3 million. BNI Energy does not believe it is likely that any of these outstanding surety bonds or the letter of credit will be drawn upon.

ALLETE Properties. As of December 31, 2020, ALLETE Properties had surety bonds outstanding and letters of credit to governmental entities totaling \$2.0 million primarily related to development and maintenance obligations for various projects. The estimated cost of the remaining development work is \$1.0 million. ALLETE Properties does not believe it is likely that any of these outstanding surety bonds or letters of credit will be drawn upon.

Community Development District Obligations. In 2005, the Town Center District issued \$26.4 million of tax-exempt, 6.0 percent capital improvement revenue bonds. The capital improvement revenue bonds are payable over 31 years (by May 1, 2036) and are secured by special assessments on the benefited land. To the extent that ALLETE Properties still owns land at the time of the assessment, it will incur the cost of its portion of these assessments, based upon its ownership of benefited property.

As of December 31, 2020, we owned 48 percent of the assessable land in the Town Center District (53 percent as of December 31, 2019). As of December 31, 2020, ownership levels, our annual assessments related to capital improvement and special assessment bonds for the ALLETE Properties project within the district is approximately \$1.8 million. As we sell property at this project, the obligation to pay special assessments will pass to the new landowners. In accordance with accounting guidance, these bonds are not reflected as debt on our Consolidated Balance Sheet.

Legal Proceedings.

We are involved in litigation arising in the normal course of business. Also in the normal course of business, we are involved in tax, regulatory and other governmental audits, inspections, investigations and other proceedings that involve state and federal taxes, safety, and compliance with regulations, rate base and cost of service issues, among other things. We do not expect the outcome of these matters to have a material effect on our financial position, results of operations or cash flows.

NOTE 9. COMMON STOCK AND EARNINGS PER SHARE**Summary of Common Stock**

	Shares Thousands	Equity Millions
Balance as of December 31, 2017	51,117	\$1,401.4
Employee Stock Purchase Plan	11	0.8
Invest Direct	277	20.7
Options and Stock Awards	57	2.1
Contributions to RSOP	47	3.5
Balance as of December 31, 2018	51,509	1,428.5
Employee Stock Purchase Plan	8	0.7
Invest Direct	38	3.0
Options and Stock Awards	85	1.3
Contributions to RSOP	39	3.2
Balance as of December 31, 2019	51,679	1,436.7
Employee Stock Purchase Plan	13	0.7
Invest Direct	309	18.3
Options and Stock Awards	35	2.2
Contributions to RSOP	49	3.0
Balance as of December 31, 2020	52,085	\$1,460.9

Equity Issuance Program. We entered into a distribution agreement with Lampert Capital Markets, in 2008, as amended most recently in 2020, with respect to the issuance and sale of up to an aggregate of 13.6 million shares of our common stock, without par value, of which 2.9 million shares remain available for issuance as of December 31, 2020. For the year ended December 31, 2020, no shares of common stock were issued under this agreement (none in 2019 and 2018). In July 2019, we filed Registration Statement No. 333-232905, pursuant to which the remaining shares will continue to be offered for sale, from time to time.

Contributions to Pension. For the year ended December 31, 2020, we contributed no shares of ALLETE common stock to our pension plan (none in 2019 and 2018).

Earnings Per Share. We compute basic earnings per share using the weighted average number of shares of common stock outstanding during each period. The difference between basic and diluted earnings per share, if any, arises from non-vested restricted stock units and performance share awards granted under our Executive Long-Term Incentive Compensation Plan.

Reconciliation of Basic and Diluted**Earnings Per Share**

Year Ended December 31	Basic	Dilutive Securities	Diluted
Millions Except Per Share Amounts			
2020			
Net Income Attributable to ALLETE	\$174.2		\$174.2
Average Common Shares	51.9	—	51.9
Earnings Per Share	\$3.36		\$3.35
2019			
Net Income Attributable to ALLETE	\$185.6		\$185.6
Average Common Shares	51.6	0.1	51.7
Earnings Per Share	\$3.59		\$3.59
2018			
Net Income Attributable to ALLETE	\$174.1		\$174.1
Average Common Shares	51.3	0.2	51.5
Earnings Per Share	\$3.39		\$3.38

NOTE 10. INCOME TAX EXPENSE

Income Tax Expense			
Year Ended December 31	2020	2019	2018
Millions			
Current Income Tax Expense (a)			
Federal	—	—	—
State	—	\$0.1	\$0.3
Total Current Income Tax Expense	—	\$0.1	\$0.3
Deferred Income Tax Expense (Benefit)			
Federal (b)	\$(48.8)	\$(27.8)	\$(26.2)
State	9.8	21.7	11.0
Investment Tax Credit Amortization	(0.5)	(0.6)	(0.6)
Total Deferred Income Tax Expense (Benefit)	\$(39.5)	\$(6.7)	\$(15.8)
Total Income Tax Expense (Benefit)	\$(39.5)	\$(6.6)	\$(15.5)

(a) For the years ended December 31, 2020, 2019 and 2018, the federal and state current tax expense was minimal due to NOLs which resulted from the bonus depreciation provisions of the Protecting Americans from Tax Hikes Act of 2015, the Tax Increase Prevention Act of 2014 and the American Taxpayer Relief Act of 2012. Federal and state NOLs are being carried forward to offset current and future taxable income.

(b) For the years ended December 31, 2020, 2019 and 2018, the federal tax benefit is primarily due to production tax credits.

Reconciliation of Taxes from Federal Statutory**Rate to Total Income Tax Expense**

Year Ended December 31	2020	2019	2018
Millions			
Income Before Non-Controlling Interest and Income Taxes	\$122.1	\$178.9	\$158.6
Statutory Federal Income Tax Rate	21 %	21 %	21 %
Income Taxes Computed at Statutory Federal Rate	\$25.6	\$37.6	\$33.3
Increase (Decrease) in Tax Due to:			
State Income Taxes – Net of Federal Income Tax Benefit	7.7	17.2	8.9
Production Tax Credits	(62.7)	(50.7)	(45.0)
Regulatory Differences – Excess Deferred Tax Benefit (a)	(9.9)	(8.8)	(8.2)
U.S. Water Services Sale of Stock Basis Difference	—	1.7	—
Change in Fair Value of Contingent Consideration	—	—	(0.4)
Non-Controlling Interest	2.7	—	—
Other	(2.9)	(3.6)	(4.1)
Total Income Tax Expense (Benefit)	\$(39.5)	\$(6.6)	\$(15.5)

(a) Excess deferred income taxes are being returned to customers under both the Average Rate Assumption Method and amortization periods as approved by regulators. (See Note 4. Regulatory Matters.)

The effective tax rate was a benefit of 32.4 percent for 2020 (benefit of 3.7 percent for 2019; benefit of 9.8 percent for 2018). The 2020 effective tax rate was primarily impacted by production tax credits. The 2019 effective tax rate was primarily impacted by production tax credits and the gain on sale of U.S. Water Services. The 2018 effective tax rate was primarily impacted by production tax credits.

NOTE 10. INCOME TAX EXPENSE (Continued)**Deferred Income Tax Assets and Liabilities**

As of December 31	2020	2019
Millions		
Deferred Income Tax Assets		
Employee Benefits and Compensation	\$67.6	\$49.9
Property-Related	61.4	76.9
NOL Carryforwards	60.7	63.2
Tax Credit Carryforwards	455.7	395.5
Power Sales Agreements	20.1	23.7
Regulatory Liabilities	107.7	116.9
Other	22.4	23.4
Gross Deferred Income Tax Assets	795.6	749.5
Deferred Income Tax Asset Valuation Allowance	(69.9)	(70.0)
Total Deferred Income Tax Assets	\$725.7	\$679.5
Deferred Income Tax Liabilities		
Property-Related	\$691.5	\$713.4
Regulatory Asset for Benefit Obligations	71.5	54.5
Unamortized Investment Tax Credits	31.1	31.6
Partnership Basis Differences	86.7	49.4
Regulatory Assets	32.6	35.4
Other	8.0	8.0
Total Deferred Income Tax Liabilities	\$921.4	\$892.3
Net Deferred Income Taxes (a)	\$195.7	\$212.8

(a) Recorded as a net long-term Deferred Income Tax liability on the Consolidated Balance Sheet.

NOL and Tax Credit Carryforwards

As of December 31	2020	2019
Millions		
Federal NOL Carryforwards (a)	\$197.5	\$211.3
Federal Tax Credit Carryforwards	\$362.9	\$302.5
State NOL Carryforwards (a)	\$270.1	\$274.8
State Tax Credit Carryforwards (b)	\$23.4	\$23.4

(a) Pre-tax amounts.

(b) Net of a \$69.4 million valuation allowance as of December 31, 2020 (\$69.6 million as of December 31, 2019).

The federal NOL and tax credit carryforward periods expire between 2029 and 2040. We expect to fully utilize the federal NOL and federal tax credit carryforwards; therefore, no federal valuation allowance has been recognized as of December 31, 2020. The state NOL and tax credit carryforward periods expire between 2024 and 2045. We have established a valuation allowance against certain state NOL and tax credits that we do not expect to utilize before their expiration.

Gross Unrecognized Income Tax Benefits	2020	2019	2018
Millions			
Balance at January 1	\$1.4	\$1.6	\$1.7
Additions for Tax Positions Related to the Current Year	0.1	0.1	0.1
Additions for Tax Positions Related to Prior Years	—	0.1	0.1
Reductions for Tax Positions Related to Prior Years	(0.1)	(0.4)	(0.2)
Lapse of Statute	—	—	(0.1)
Balance as of December 31	\$1.4	\$1.4	\$1.6

NOTE 10. INCOME TAX EXPENSE (Continued)

Unrecognized tax benefits are the differences between a tax position taken or expected to be taken in a tax return and the benefit recognized and measured pursuant to the “more-likely-than-not” criteria. The unrecognized tax benefit balance includes permanent tax positions which, if recognized would affect the annual effective income tax rate. In addition, the unrecognized tax benefit balance includes temporary tax positions for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. A change in the period of deductibility would not affect the effective tax rate but would accelerate the payment of cash to the taxing authority to an earlier period. The gross unrecognized tax benefits as of December 31, 2020, included \$0.6 million of net unrecognized tax benefits which, if recognized, would affect the annual effective income tax rate.

As of December 31, 2020, we had no accrued interest (none as of December 31, 2019, and 2018) related to unrecognized tax benefits included on the Consolidated Balance Sheet due to our NOL carryforwards. We classify interest related to unrecognized tax benefits as interest expense and tax-related penalties in operating expenses on the Consolidated Statement of Income. Interest expense related to unrecognized tax benefits on the Consolidated Statement of Income was immaterial in 2020, 2019 and 2018. There were no penalties recognized in 2020, 2019 or 2018. The unrecognized tax benefit amounts have been presented as reductions to the tax benefits associated with NOL and tax credit carryforwards on the Consolidated Balance Sheet.

No material changes to unrecognized tax benefits are expected during the next 12 months.

ALLETE and its subsidiaries file a consolidated federal income tax return as well as combined and separate state income tax returns in various jurisdictions. ALLETE has no open federal or state audits, and is no longer subject to federal examination for years before 2017 or state examination for years before 2016.

NOTE 11. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

We have noncontributory union, non-union and combined retiree defined benefit pension plans covering eligible employees. The combined retiree defined benefit pension plan was created in 2016, to include all union and non-union retirees from the existing plans as of January 1, 2016. The plans provide defined benefits based on years of service and final average pay. We contributed \$10.7 million in cash to the plans in 2020 (\$10.4 million in 2019; \$15.0 million in 2018). We contributed no shares of ALLETE common stock to the plans in 2020 (none in 2019; none in 2018). We also have a defined contribution RSOP covering substantially all employees. The 2020 plan year employer contributions, which are made through the employee stock ownership plan portion of the RSOP, totaled \$11.2 million (\$10.8 million for the 2019 plan year; \$11.4 million for the 2018 plan year). (See Note 9. Common Stock and Earnings Per Share and Note 12. Employee Stock and Incentive Plans.)

The non-union defined benefit pension plan was frozen in 2018, and does not allow further crediting of service or earnings to the plan. Further, it is closed to new participants. The Minnesota Power union defined benefit pension plan is also closed to new participants.

We have postretirement health care and life insurance plans covering eligible employees. In 2010, the postretirement health care plan was closed to employees hired after January 31, 2011, and the eligibility requirements were amended. In 2014, the postretirement life plan was amended to close the plan to non-union employees retiring after December 31, 2015, and in 2018, the postretirement life plan was amended to limit the benefit level for union employees retiring after December 31, 2018. The postretirement health and life plans are contributory with participant contributions adjusted annually. Postretirement health and life benefits are funded through a combination of Voluntary Employee Benefit Association trusts (VEBAs), established under section 501(c)(9) of the Internal Revenue Code, and irrevocable grantor trusts. In 2020, no contributions were made to the VEBAs (none in 2019; none in 2018) and no contributions were made to the grantor trusts (none in 2019; none in 2018).

Management considers various factors when making funding decisions such as regulatory requirements, actuarially determined minimum contribution requirements and contributions required to avoid benefit restrictions for the pension plans. Contributions are based on estimates and assumptions which are subject to change. On January 15, 2021, we contributed \$10.3 million in cash to the defined benefit pension plans. We do not expect to make any additional contributions to the defined benefit pension plans in 2021, and we do not expect to make any contributions to the defined benefit postretirement health and life plans in 2021.

NOTE 11. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

Accounting for defined benefit pension and other postretirement benefit plans requires that employers recognize on a prospective basis the funded status of their defined benefit pension and other postretirement plans on their balance sheet and recognize as a component of other comprehensive income, net of tax, the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost.

The defined benefit pension and postretirement health and life benefit expense (credit) recognized annually by our regulated utilities are expected to be recovered (refunded) through rates filed with our regulatory jurisdictions. As a result, these amounts that are required to otherwise be recognized in accumulated other comprehensive income have been recognized as a long-term regulatory asset (regulatory liability) on the Consolidated Balance Sheet, in accordance with the accounting standards for the effect of certain types of regulation applicable to our Regulated Operations. The defined benefit pension and postretirement health and life benefit expense (credits) associated with our other operations are recognized in accumulated other comprehensive income.

Pension Obligation and Funded Status

As of December 31	2020	2019
Millions		
Accumulated Benefit Obligation	\$931.2	\$812.0
Change in Benefit Obligation		
Obligation, Beginning of Year	\$854.0	\$747.0
Service Cost	10.7	9.3
Interest Cost	27.9	31.9
Actuarial Loss (a)	118.7	98.3
Benefits Paid	(54.4)	(53.4)
Participant Contributions	8.8	20.9
Obligation, End of Year	\$965.7	\$854.0
Change in Plan Assets		
Fair Value, Beginning of Year	\$699.6	\$598.0
Actual Return on Plan Assets	93.0	122.1
Employer Contribution (b)	21.2	32.9
Benefits Paid	(54.4)	(53.4)
Fair Value, End of Year	\$759.4	\$699.6
Funded Status, End of Year	\$(206.3)	\$(154.4)
Net Pension Amounts Recognized in Consolidated Balance Sheet Consist of:		
Current Liabilities	\$(2.2)	\$(1.6)
Non-Current Liabilities	\$(204.1)	\$(152.8)

(a) Actuarial loss was primarily the result of decreases in discount rates in 2020 and 2019.

(b) Includes Participant Contributions noted above.

The pension costs that are reported as a component within the Consolidated Balance Sheet, reflected in long-term regulatory assets or liabilities and accumulated other comprehensive income, consist of a net loss of \$299.0 million and prior service credit of \$1.1 million as of December 31, 2020 (net loss of \$243.4 million and prior service credit of \$1.3 million as of December 31, 2019).

NOTE 11. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)**Reconciliation of Net Pension Amounts Recognized in Consolidated Balance Sheet**

As of December 31	2020	2019
Millions		
Net Loss	\$(299.0)	\$(243.4)
Prior Service Credit	1.1	1.3
Accumulated Contributions in Excess of Net Periodic Benefit Cost (Prepaid Pension Asset)	91.6	87.7
Total Net Pension Amounts Recognized in Consolidated Balance Sheet	\$(206.3)	\$(154.4)

Components of Net Periodic Pension Cost

Year Ended December 31	2020	2019	2018
Millions			
Service Cost	\$10.7	\$9.3	\$11.0
Non-Service Cost Components (a)			
Interest Cost	27.9	31.9	29.6
Expected Return on Plan Assets	(42.7)	(44.2)	(44.4)
Amortization of Loss	12.8	7.5	11.4
Amortization of Prior Service Credit	(0.2)	(0.1)	(0.1)
Net Pension Cost	\$8.5	\$4.4	\$7.5

(a) These components of net periodic pension cost are included in the line item "Other" under Other Income (Expense) on the Consolidated Statement of Income.

Other Changes in Pension Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income and Regulatory Assets or Liabilities

Year Ended December 31	2020	2019
Millions		
Net Loss	\$68.4	\$20.4
Amortization of Prior Service Credit	0.2	0.1
Amortization of Loss	(12.8)	(7.5)
Total Recognized in Other Comprehensive Income and Regulatory Assets or Liabilities	\$55.8	\$13.0

Information for Pension Plans with an Accumulated Benefit Obligation in Excess of Plan Assets

As of December 31	2020	2019
Millions		
Projected Benefit Obligation	\$965.7	\$854.0
Accumulated Benefit Obligation	\$931.2	\$812.0
Fair Value of Plan Assets	\$759.4	\$699.6

NOTE 11. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)**Postretirement Health and Life Obligation and Funded Status**

As of December 31	2020	2019
Millions		
Change in Benefit Obligation		
Obligation, Beginning of Year	\$149.8	\$176.0
Service Cost	3.3	3.9
Interest Cost	5.0	7.3
Actuarial Loss (a)	19.2	10.5
Benefits Paid	(12.6)	(14.7)
Participant Contributions	3.2	3.5
Plan Amendments (b)	—	(34.6)
Plan Curtailments	(0.3)	(2.1)
Obligation, End of Year	\$167.6	\$149.8
Change in Plan Assets		
Fair Value, Beginning of Year	\$173.7	\$154.3
Actual Return on Plan Assets	20.9	29.5
Employer Contribution	0.8	1.1
Participant Contributions	3.2	3.5
Benefits Paid	(12.6)	(14.7)
Fair Value, End of Year	\$186.0	\$173.7
Funded Status, End of Year	\$18.4	\$23.9
Net Postretirement Health and Life Amounts Recognized in Consolidated Balance Sheet Consist of:		
Non-Current Assets	\$34.2	\$37.5
Current Liabilities	\$(0.6)	\$(0.7)
Non-Current Liabilities	\$(15.2)	\$(12.9)

(a) Actuarial loss was primarily the result of decreases in discount rates in 2020 and 2019.

(b) Plan design changes under the other postretirement benefit plans resulted in a decrease to the benefit obligation of \$34.6 million in 2019.

According to the accounting standards for retirement benefits, only assets in the VEBA's are treated as plan assets in the preceding table for the purpose of determining funded status. In addition to the postretirement health and life assets reported in the previous table, we had \$20.4 million in irrevocable grantor trusts included in Other Investments on the Consolidated Balance Sheet as of December 31, 2020 (\$19.1 million as of December 31, 2019).

The postretirement health and life costs that are reported as a component within the Consolidated Balance Sheet, reflected in regulatory long-term assets or liabilities and accumulated other comprehensive income, consist of the following:

Unrecognized Postretirement Health and Life Costs

As of December 31	2020	2019
Millions		
Net Loss	\$23.0	\$16.0
Prior Service Credit	(28.3)	(36.3)
Total Unrecognized Postretirement Health and Life Cost	\$(5.3)	\$(20.3)

NOTE 11. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)**Reconciliation of Net Postretirement Health and Life Amounts Recognized in Consolidated Balance Sheet**

As of December 31	2020	2019
Millions		
Net Loss (a)	\$(23.0)	\$(16.0)
Prior Service Credit	28.3	36.3
Accumulated Net Periodic Benefit Cost in Excess of Contributions (a)	13.1	3.6
Total Net Postretirement Health and Life Amounts Recognized in Consolidated Balance Sheet	\$18.4	\$23.9

(a) Excludes gains, losses and contributions associated with irrevocable grantor trusts.

Components of Net Periodic Postretirement Health and Life Cost

Year Ended December 31	2020	2019	2018
Millions			
Service Cost	\$3.3	\$3.9	\$4.7
Non-Service Cost Components (a)			
Interest Cost	5.0	7.3	7.1
Expected Return on Plan Assets	(9.7)	(10.5)	(10.9)
Amortization of Loss	1.0	0.5	0.8
Amortization of Prior Service Credit	(8.0)	(2.8)	(2.1)
Effect of Plan Curtailment	(0.3)	(2.1)	—
Net Postretirement Health and Life Credit	\$(8.7)	\$(3.7)	\$(0.4)

(a) These components of net periodic postretirement health and life cost are included in the line item "Other" under Other Income (Expense) on the Consolidated Statement of Income.

Other Changes in Postretirement Benefit Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income and Regulatory Assets or Liabilities

Year Ended December 31	2020	2019
Millions		
Net (Gain) Loss	\$8.1	\$(10.6)
Prior Service Credit Arising During the Period	—	(34.6)
Amortization of Prior Service Credit	8.0	2.8
Amortization of Loss	(1.0)	(0.5)
Total Recognized in Other Comprehensive Income and Regulatory Assets or Liabilities	\$15.1	\$(42.9)

Estimated Future Benefit Payments

	Pension	Postretirement Health and Life
Millions		
2021	\$54.9	\$8.7
2022	\$54.5	\$8.7
2023	\$54.2	\$8.5
2024	\$54.0	\$8.5
2025	\$53.4	\$8.5
Years 2026 – 2030	\$258.0	\$43.2

NOTE 11. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)**Weighted Average Assumptions Used to Determine Benefit Obligation**

As of December 31	2020	2019
Discount Rate		
Pension	2.62%	3.38%
Postretirement Health and Life	2.70%	3.45%
Rate of Compensation Increase	3.61%	4.07%
Health Care Trend Rates		
Trend Rate	5.81%	6.06%
Ultimate Trend Rate	4.50%	4.50%
Year Ultimate Trend Rate Effective	2038	2038

Weighted Average Assumptions Used to Determine Net Periodic Benefit Costs

Year Ended December 31	2020	2019	2018
Discount Rate			
Pension	3.52%	4.67%	4.05%
Postretirement Health and Life	3.45%	4.47%	3.86%
Expected Long-Term Return on Plan Assets (a)			
Pension	6.75%	7.25%	7.50%
Postretirement Health and Life	6.08%	6.51%	6.72%
Rate of Compensation Increase	4.06%	4.04%	4.03%

(a) The expected long-term rates of return used to determine net periodic benefit expense for 2021 have been reduced to 6.50 percent for pension expense and 5.20 percent to 6.50 percent for postretirement health and life expense.

In establishing the expected long-term rate of return on plan assets, we determine the long-term historical performance of each asset class, adjust these for current economic conditions, and utilizing the target allocation of our plan assets, forecast the expected long-term rate of return.

The discount rate is computed using a bond matching study which utilizes a portfolio of high quality bonds that produce cash flows similar to the projected costs of our pension and other postretirement plans.

The Company utilizes actuarial assumptions about mortality to calculate the pension and postretirement health and life benefit obligations. The mortality assumptions used to calculate our pension and other postretirement benefit obligations as of December 31, 2020, considered a modified PRI-2012 mortality table and mortality projection scale.

NOTE 11. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)**Actual Plan Asset Allocations**

	Pension		Postretirement Health and Life ^(a)	
	2020	2019	2020	2019
Equity Securities	36%	34%	67%	66%
Fixed Income Securities	61%	62%	32%	33%
Private Equity	1%	1%	1%	1%
Real Estate	2%	3%	—	—
	100%	100%	100%	100%

(a) Includes VEBA's and irrevocable grantor trusts.

There were no shares of ALLETE common stock included in pension plan equity securities as of December 31, 2020 (no shares as of December 31, 2019).

The defined benefit pension plans have adopted a dynamic asset allocation strategy (glide path) that increases the invested allocation to fixed income assets as the funding level of the plan increases to better match the sensitivity of the plan's assets and liabilities to changes in interest rates. This is expected to reduce the volatility of reported pension plan expenses. The postretirement health and life plans' assets are diversified to achieve strong returns within managed risk. Equity securities are diversified among domestic companies with large, mid and small market capitalizations, as well as investments in international companies. The majority of debt securities are made up of investment grade bonds.

Following are the current targeted allocations as of December 31, 2020:

Plan Asset Target Allocations

	Pension	Postretirement Health and Life ^(a)
Equity Securities	32 %	60 %
Fixed Income Securities	56 %	37 %
Private Equity	6 %	—
Real Estate	6 %	3 %
	100 %	100 %

(a) Includes VEBA's and irrevocable grantor trusts.

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). We utilize market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. We primarily apply the market approach for recurring fair value measurements and endeavor to utilize the best available information. Accordingly, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs, which are used to measure fair value, are prioritized through the fair value hierarchy. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). (See Note 6. Fair Value)

NOTE 11. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)
Fair Value (Continued)

Pension Fair Value

Recurring Fair Value Measures	Fair Value as of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Millions				
Assets:				
Equity Securities:				
U.S. Large-cap (a)	—	\$91.7	—	\$91.7
U.S. Mid-cap Growth (a)	—	40.0	—	40.0
U.S. Small-cap (a)	—	40.7	—	40.7
International	—	97.1	—	97.1
Fixed Income Securities (a)	—	461.7	—	461.7
Cash and Cash Equivalents	\$3.2	—	—	3.2
Private Equity Funds	—	—	\$7.0	7.0
Real Estate	—	—	18.0	18.0
Total Fair Value of Assets	\$3.2	\$731.2	\$25.0	\$759.4

(a) The underlying investments consist of actively-managed funds managed to achieve the returns of certain U.S. equity and fixed income securities indexes.

Recurring Fair Value Measures

Activity in Level 3	Private Equity Funds	Real Estate
Millions		
Balance as of December 31, 2019	\$8.0	\$18.0
Actual Return on Plan Assets	0.1	—
Purchases, Sales, and Settlements – Net	(1.1)	—
Balance as of December 31, 2020	\$7.0	\$18.0

Recurring Fair Value Measures	Fair Value as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Millions				
Assets:				
Equity Securities:				
U.S. Large-cap (a)	—	\$78.5	—	\$78.5
U.S. Mid-cap Growth (a)	—	35.9	—	35.9
U.S. Small-cap (a)	—	34.6	—	34.6
International	—	92.1	—	92.1
Fixed Income Securities (a)	—	425.4	—	425.4
Cash and Cash Equivalents	\$7.1	—	—	7.1
Private Equity Funds	—	—	\$8.0	8.0
Real Estate	—	—	18.0	18.0
Total Fair Value of Assets	\$7.1	\$666.5	\$26.0	\$699.6

(a) The underlying investments consist of actively-managed funds managed to achieve the returns of certain U.S. equity and fixed income securities indexes.

NOTE 11. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

Fair Value (Continued)

Recurring Fair Value Measures

Activity in Level 3

	Private Equity Funds	Real Estate
Millions		
Balance as of December 31, 2018	\$27.8	\$20.8
Actual Return on Plan Assets	0.4	(1.3)
Purchases, Sales, and Settlements – Net	(20.2)	(1.5)
Balance as of December 31, 2019	\$8.0	\$18.0

Postretirement Health and Life Fair Value

Recurring Fair Value Measures	Fair Value as of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Millions				
Assets:				
Equity Securities: (a)				
U.S. Large-cap	\$34.2	—	—	\$34.2
U.S. Mid-cap Growth	31.4	—	—	31.4
U.S. Small-cap	16.6	—	—	16.6
International	41.5	—	—	41.5
Fixed Income Securities:				
Mutual Funds	57.3	—	—	57.3
Debt Securities	—	\$2.2	—	2.2
Cash and Cash Equivalents	1.1	—	—	1.1
Private Equity Funds	—	—	\$1.7	1.7
Total Fair Value of Assets	\$182.1	\$2.2	\$1.7	\$186.0

(a) The underlying investments consist of mutual funds (Level 1).

Recurring Fair Value Measures

Activity in Level 3

	Private Equity Funds
Millions	
Balance as of December 31, 2019	\$1.7
Actual Return on Plan Assets	—
Purchases, Sales, and Settlements – Net	—
Balance as of December 31, 2020	\$1.7

NOTE 11. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)
Fair Value (Continued)

Recurring Fair Value Measures	Fair Value as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Millions				
Assets:				
Equity Securities: (a)				
U.S. Large-cap	\$33.6	—	—	\$33.6
U.S. Mid-cap Growth	27.7	—	—	27.7
U.S. Small-cap	14.3	—	—	14.3
International	37.8	—	—	37.8
Fixed Income Securities:				
Mutual Funds	53.4	—	—	53.4
Debt Securities	—	\$4.1	—	4.1
Cash and Cash Equivalents	1.1	—	—	1.1
Private Equity Funds	—	—	\$1.7	1.7
Total Fair Value of Assets	\$167.9	\$4.1	\$1.7	\$173.7

(a) The underlying investments consist of mutual funds (Level 1).

Recurring Fair Value Measures

Activity in Level 3	Private Equity Funds
Millions	
Balance as of December 31, 2018	\$6.5
Actual Return on Plan Assets	0.7
Purchases, Sales, and Settlements – Net	(5.5)
Balance as of December 31, 2019	\$1.7

Accounting and disclosure requirements for the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (Act) provide guidance for employers that sponsor postretirement health care plans that provide prescription drug benefits. We provide a fully insured postretirement health benefit, including a prescription drug benefit, which qualifies us for a federal subsidy under the Act. The federal subsidy is reflected in the premiums charged to us by the insurance company.

NOTE 12. EMPLOYEE STOCK AND INCENTIVE PLANS

Employee Stock Ownership Plan. We sponsor an ESOP within the RSOP. Eligible employees may contribute to the RSOP plan as of their date of hire. The dividends received by the ESOP are distributed to participants. Dividends on allocated ESOP shares are recorded as a reduction of retained earnings. ESOP employer allocations are funded with contributions paid in either cash or the issuance of ALLETE common stock at the Company's discretion. We record compensation expense equal to the cash or current market price of stock contributed. ESOP compensation expense was \$11.2 million in 2020 (\$10.8 million in 2019; \$11.4 million in 2018).

According to the accounting standards for stock compensation, unallocated shares of ALLETE common stock held and purchased by the ESOP were treated as unearned ESOP shares and not considered outstanding for earnings per share computations. All ESOP shares have been allocated to participants as of December 31, 2020, 2019 and 2018.

Stock-Based Compensation.

Stock Incentive Plan. Under our Executive Long-Term Incentive Compensation Plan (Executive Plan), share-based awards may be issued to key employees through a broad range of methods, including non-qualified and incentive stock options, performance shares, performance units, restricted stock, restricted stock units, stock appreciation rights and other awards. There are 0.8 million shares of ALLETE common stock reserved for issuance under the Executive Plan, of which 0.7 million of these shares remain available for issuance as of December 31, 2020.

NOTE 12. EMPLOYEE STOCK AND INCENTIVE PLANS (Continued)
Stock-Based Compensation (Continued)

The following types of share-based awards were outstanding in 2020, 2019 or 2018:

Performance Shares. Under the performance share awards, the number of shares earned is contingent upon attaining specific market and performance goals over a three-year performance period. Market goals are measured by total shareholder return relative to a group of peer companies while performance goals are measured by earnings per share growth. In the case of qualified retirement, death, or disability during a performance period, a pro rata portion of the award will be earned at the conclusion of the performance period based on the market goals achieved. In the case of termination of employment for any reason other than qualified retirement, death, or disability, no award will be earned. If there is a change in control, a pro rata portion of the award will be paid based on the greater of actual performance up to the date of the change in control or target performance. The fair value of these awards incorporates the probability of meeting the total shareholder return goals. Compensation cost is recognized over the three-year performance period based on our estimate of the number of shares which will be earned by the award recipients.

Restricted Stock Units. Under the restricted stock unit awards, shares for participants eligible for retirement vest monthly over a three-year period. For participants not eligible for retirement, shares vest at the end of the three-year period. In the case of qualified retirement, death or disability, a pro rata portion of the award will be earned. In the case of termination of employment for any reason other than qualified retirement, death or disability, no award will be earned. If there is a change in control, a pro rata portion of the award will be earned. The fair value of these awards is equal to the grant date fair value. Compensation cost is recognized over the three-year vesting period based on our estimate of the number of shares which will be earned by the award recipients.

Employee Stock Purchase Plan (ESPP). Under our ESPP, eligible employees may purchase ALLETE common stock at a 5 percent discount from the market price; we are not required to apply fair value accounting to these awards as the discount is not greater than 5 percent.

RSOP. The RSOP is a contributory defined contribution plan subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended, and qualifies as an employee stock ownership plan and profit sharing plan. The RSOP provides eligible employees an opportunity to save for retirement.

The following share-based compensation expense amounts were recognized in our Consolidated Statement of Income for the periods presented.

Share-Based Compensation Expense			
Year Ended December 31	2020	2019	2018
Millions			
Performance Shares	\$2.2	\$2.3	\$2.3
Restricted Stock Units	0.9	0.8	0.9
Total Share-Based Compensation Expense	\$3.1	\$3.1	\$3.2
Income Tax Benefit	\$0.9	\$0.9	\$0.9

There were no capitalized share-based compensation costs during the years ended December 31, 2020, 2019 or 2018.

As of December 31, 2020, the total unrecognized compensation cost for the performance share awards and restricted stock units not yet recognized in our Consolidated Statement of Income was \$1.7 million and \$0.9 million, respectively. These amounts are expected to be recognized over a weighted-average period of 1.6 years and 1.7 years, respectively.

NOTE 12. EMPLOYEE STOCK AND INCENTIVE PLANS (Continued)
Stock-Based Compensation (Continued)

Performance Shares. The following table presents information regarding our non-vested performance shares.

	2020		2019		2018	
	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Grant Date Fair Value
Non-vested as of January 1	99,585	\$72.78	129,693	\$66.12	127,898	\$58.23
Granted (a)	25,763	\$83.17	60,747	\$63.89	66,557	\$76.42
Awarded	(25,304)	\$62.03	(75,943)	\$53.44	(58,293)	\$59.82
Unearned Grant Award	(13,625)	\$62.03	—	—	—	—
Forfeited	(1,135)	\$79.81	(14,912)	\$77.14	(6,469)	\$72.99
Non-vested as of December 31	85,284	\$80.73	99,585	\$72.78	129,693	\$66.12

(a) *Shares granted include accrued dividends.*

There were approximately 30,000 performance shares granted in February 2021 for the three-year performance period ending in 2023. The ultimate issuance is contingent upon the attainment of certain goals of ALLETE during the performance periods. The grant date fair value of the performance shares granted was \$2.2 million. There were no performance shares awarded in February 2021.

Restricted Stock Units. The following table presents information regarding our available restricted stock units.

	2020		2019		2018	
	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Grant Date Fair Value
Available as of January 1	39,943	\$69.30	49,771	\$60.74	55,248	\$56.18
Granted (a)	15,169	\$83.48	13,927	\$74.93	16,573	\$71.11
Awarded	(17,193)	\$63.41	(21,110)	\$52.44	(18,881)	\$55.78
Forfeited	(437)	\$77.52	(2,645)	\$72.43	(3,169)	\$64.92
Available as of December 31	37,482	\$77.64	39,943	\$69.30	49,771	\$60.74

(a) *Shares granted include accrued dividends.*

There were approximately 14,000 restricted stock units granted in February 2021 for the vesting period ending in 2023. The grant date fair value of the restricted stock units granted was \$0.9 million. There were approximately 12,000 restricted stock units awarded in February 2021. The grant date fair value of the shares awarded was \$0.9 million.

NOTE 13. BUSINESS SEGMENTS

We present three reportable segments: Regulated Operations, ALLETE Clean Energy, and U.S. Water Services. We measure performance of our operations through budgeting and monitoring of contributions to consolidated net income by each business segment.

Regulated Operations includes three operating segments which consist of our regulated utilities, Minnesota Power and SWL&P, as well as our investment in ATC. ALLETE Clean Energy is our business focused on developing, acquiring and operating clean and renewable energy projects. U.S. Water Services was our integrated water management company, which reflects operating results until the sale in March 2019. We also present Corporate and Other which includes two operating segments, BNI Energy, our coal mining operations in North Dakota, and ALLETE Properties, our legacy Florida real estate investment, along with our investment in Nobles 2, other business development and corporate expenditures, unallocated interest expense, a small amount of non-rate base generation, approximately 4,000 acres of land in Minnesota, and earnings on cash and investments.

NOTE 13. BUSINESS SEGMENTS (Continued)

Year Ended December 31	2020	2019	2018
Millions			
Operating Revenue			
Residential	\$140.7	\$139.6	\$139.7
Commercial	139.5	145.7	147.9
Municipal	41.2	48.6	54.9
Industrial	432.8	476.4	469.5
Other Power Suppliers	138.8	153.7	170.3
CIP Financial Incentive (a)	2.4	2.8	3.0
Other	91.9	75.6	74.2
Total Regulated Operations	987.3	1,042.4	1,059.5
ALLETE Clean Energy			
Long-term PSA	68.3	48.0	55.2
Sale of Wind Energy Facility	—	—	81.1
Other	11.3	11.6	23.6
Total ALLETE Clean Energy	79.6	59.6	159.9
U.S. Water Services (b)			
Point-in-time	—	19.0	100.3
Contract	—	9.2	38.3
Capital Project	—	5.2	33.5
Total U.S. Water Services	—	33.4	172.1
Corporate and Other			
Long-term Contract	86.0	82.8	85.5
Other	16.2	22.3	21.6
Total Corporate and Other	102.2	105.1	107.1
Total Operating Revenue	\$1,169.1	\$1,240.5	\$1,498.6
Net Income (Loss) Attributable to ALLETE (c)			
Regulated Operations	\$136.3	\$154.4	\$131.0
ALLETE Clean Energy (d)	29.9	12.4	33.7
U.S. Water Services	—	(1.1)	3.2
Corporate and Other (b)	8.0	19.9	6.2
Total Net Income Attributable to ALLETE	\$174.2	\$185.6	\$174.1

(a) See Note 4. Regulatory Matters.

(b) In March 2019, ALLETE sold U.S. Water Services. The Company recognized a gain on the sale of \$13.2 million after-tax which is reflected in Corporate and Other. (See Note 1. Operations and Significant Accounting Policies.)

(c) Includes interest expense resulting from intercompany loan agreements and allocated to certain subsidiaries. The amounts are eliminated in consolidation.

(d) Net income in 2018 includes the recognition of profit for the sale of a wind energy facility to Montana-Dakota Utilities.

NOTE 13. BUSINESS SEGMENTS (Continued)

Year Ended December 31	2020	2019	2018
Millions			
Depreciation and Amortization			
Regulated Operations	\$166.9	\$159.4	\$158.0
ALLETE Clean Energy	37.9	26.8	24.4
U.S. Water Services	—	2.3	10.2
Corporate and Other	13.0	13.5	13.0
Total Depreciation and Amortization	\$217.8	\$202.0	\$205.6
Operating Expenses – Other (a)			
Corporate and Other	—	—	\$(2.0)
Interest Expense (b)			
Regulated Operations	\$58.5	\$58.9	\$60.2
ALLETE Clean Energy	2.2	2.8	3.6
U.S. Water Services	—	0.2	1.5
Corporate and Other	13.2	8.0	7.3
Eliminations	(8.3)	(5.0)	(4.7)
Total Interest Expense	\$65.6	\$64.9	\$67.9
Equity Earnings			
Regulated Operations	\$22.3	\$21.7	\$17.5
Corporate and Other	(0.2)	—	—
Total Equity Earnings	\$22.1	\$21.7	\$17.5
Income Tax Expense (Benefit)			
Regulated Operations	\$(19.4)	\$(7.1)	\$(15.5)
ALLETE Clean Energy	(19.1)	(11.9)	(1.0)
U.S. Water Services	—	(0.4)	1.0
Corporate and Other (c)	(1.0)	12.8	—
Total Income Tax Benefit	\$(39.5)	\$(6.6)	\$(15.5)

(a) See Note 1. Operations and Significant Accounting Policies.

(b) Includes interest expense resulting from intercompany loan agreements and allocated to certain subsidiaries. The amounts are eliminated in consolidation.

(c) In March 2019, ALLETE sold U.S. Water Services. The Company recognized income tax expense of \$10.4 million for the gain on sale of U.S. Water Services which is reflected in Corporate and Other. (See Note 1. Operations and Significant Accounting Policies.)

As of December 31	2020	2019
Millions		
Assets		
Regulated Operations	\$4,196.8	\$4,130.8
ALLETE Clean Energy	1,483.3	1,001.5
Corporate and Other	404.5	350.5
Total Assets	\$6,084.6	\$5,482.8
Capital Expenditures		
Regulated Operations	\$133.7	\$230.9
ALLETE Clean Energy	507.8	385.6
Corporate and Other	15.7	10.1
Total Capital Expenditures	\$657.2	\$626.6

NOTE 14. QUARTERLY FINANCIAL DATA (UNAUDITED)

Information for any one quarterly period is not necessarily indicative of the results which may be expected for the year.

Quarter Ended	Mar. 31	Jun. 30	Sept. 30	Dec. 31
Millions Except Earnings Per Share				
2020				
Operating Revenue	\$311.6	\$243.2	\$293.9	\$320.4
Operating Income	\$60.2	\$12.7	\$41.6	\$36.4
Net Income Attributable to ALLETE	\$66.3	\$20.1	\$40.7	\$47.1
Earnings Per Share of Common Stock				
Basic	\$1.28	\$0.39	\$0.78	\$0.91
Diluted	\$1.28	\$0.39	\$0.78	\$0.90
2019				
Operating Revenue	\$357.2	\$290.4	\$288.3	\$304.6
Operating Income	\$56.8	\$36.2	\$37.0	\$49.8
Net Income Attributable to ALLETE	\$70.5	\$34.2	\$31.2	\$49.7
Earnings Per Share of Common Stock				
Basic	\$1.37	\$0.66	\$0.60	\$0.96
Diluted	\$1.37	\$0.66	\$0.60	\$0.96
2018				
Operating Revenue	\$358.2	\$344.1	\$348.0	\$448.3
Operating Income	\$57.4	\$36.5	\$43.3	\$64.0
Net Income Attributable to ALLETE	\$51.0	\$31.3	\$30.7	\$61.1
Earnings Per Share of Common Stock				
Basic	\$1.00	\$0.61	\$0.59	\$1.19
Diluted	\$0.99	\$0.61	\$0.59	\$1.18

Schedule II
ALLETE
Valuation and Qualifying Accounts and Reserves

	Balance at Beginning of Period	Additions		Deductions from Reserves (a)	Balance at End of Period
		Charged to Income	Other Charges		
Millions					
Reserve Deducted from Related Assets					
Reserve For Uncollectible Accounts					
2018 Trade Accounts Receivable	\$2.1	\$0.9	—	\$1.3	\$1.7
Finance Receivables – Long-Term	—	—	—	—	—
2019 Trade Accounts Receivable	\$1.7	\$(0.1)	—	\$0.7	\$0.9
Finance Receivables – Long-Term	—	—	—	—	—
2020 Trade Accounts Receivable	\$0.9	\$2.7	—	\$1.1	\$2.5
Finance Receivables – Long-Term	—	—	—	—	—
Deferred Asset Valuation Allowance					
2018 Deferred Tax Assets	\$60.0	\$6.5	—	—	\$66.5
2019 Deferred Tax Assets	\$66.5	\$3.5	—	—	\$70.0
2020 Deferred Tax Assets	\$70.0	\$(0.1)	—	—	\$69.9

(a) Includes uncollectible accounts written-off.

TERM LOAN AGREEMENT

Dated as of December 28, 2020

among

CADDO WIND, LLC,

as the Borrower

ALLETE, INC.

and

ALLETE CLEAN ENERGY, INC.,

as Guarantors

and

BANK OF AMERICA, N.A.,

as the Lender

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Exhibit B Form of Loan Notice
Exhibit C Form of Notice of Loan Prepayment

TERM LOAN AGREEMENT

This TERM LOAN AGREEMENT is entered into as of December 28, 2020, among CADDOWIND, LLC, a Delaware limited liability company, as the Borrower, the Guarantors (as hereinafter defined) and BANK OF AMERICA, N.A., as the Lender.

PRELIMINARY STATEMENTS:

WHEREAS, the Loan Parties have requested that the Lender make loans and other financial accommodations to the Loan Parties.

WHEREAS, the Lender has agreed to make such loans and other financial accommodations to the Loan Parties on the terms and subject to the conditions set forth herein.

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

ARTICLE I.

DEFINITIONS AND ACCOUNTING TERMS

i. Defined Terms.

As used in this Agreement, the following terms shall have the meanings set forth below:

1. “Accountants” means PricewaterhouseCoopers, L.L.P. or another registered public accounting firm of recognized national standing.
2. “Affected Financial Institution” means (a) any EEA Financial Institution or (b) any UK Financial Institution.
3. “Affiliate” means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.
4. “Agreement” means this Term Loan Agreement.
5. “ALLETE” means ALLETE, Inc., a Minnesota corporation.
6. “ALLETE Clean Energy” means ALLETE Clean Energy, Inc., a Minnesota corporation.
7. “ALLETE Enterprises” means ALLETE Enterprises, Inc., a Minnesota corporation.
8. “ALLETE Financial Statements” has the meaning assigned to such term in Section 5.04(a).
9. “Anti-Corruption Laws” means all laws, rules, and regulations of any jurisdiction applicable to ALLETE or any of its Subsidiaries from time to time concerning or relating to bribery or corruption.

10. “Anti-Terrorism Laws” has the meaning assigned to such term in Section 5.13.
11. “Applicable Rate” means (a) with respect to Eurodollar Rate Loans, 1.125% per annum and (b) with respect to Base Rate Loans, 0.125% per annum.
12. “Availability Period” means the period from and including the Closing Date to the earlier of (a) the Maturity Date for the Term Facility and (b) the date of termination of the Term Commitment of the Lender to make Term Loans pursuant to Section 8.02.
13. “Bank of America” means Bank of America, N.A. and its successors.
14. “Base Rate” means for any day a fluctuating rate of interest per annum equal to the highest of (a) the Federal Funds Rate plus 0.50%, (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its “prime rate,” and (c) the Eurodollar Rate plus 1.125%, subject to the interest rate floors set forth therein. The “prime rate” is a rate set by Bank of America based upon various factors including Bank of America’s costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such prime rate announced by Bank of America shall take effect at the opening of business on the day specified in the public announcement of such change. If the Base Rate is being used as an alternate rate of interest pursuant to Section 3.03 hereof, then the Base Rate shall be the greater of clauses (a) and (b) above and shall be determined without reference to clause (c) above.
15. “Base Rate Loan” means a Term Loan that bears interest based on the Base Rate.
16. “Beneficial Ownership Certification” means a certification regarding beneficial ownership or control as required by the Beneficial Ownership Regulation.
17. “Beneficial Ownership Regulation” means 31 C.F.R. § 1010.230.
18. “Benefit Plan” means any of (a) an “employee benefit plan” (as defined in ERISA) that is subject to Title I of ERISA, (b) a “plan” as defined in and subject to Section 4975 of the Code or (c) any Person whose assets include (for purposes of ERISA Section 3(42) or otherwise for purposes of Title I of ERISA or Section 4975 of the Code) the assets of any such “employee benefit plan” or “plan”.
19. “Board” means the Board of Governors of the Federal Reserve System of the United States of America.
20. “Borrower” has the meaning specified in the introductory paragraph hereto.
21. “Business Day” means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the laws of, or are in fact closed in, the state where the Lender’s Office is located and, if such day relates to any Eurodollar Rate Loan, means any such day that is also a London Banking Day.
22. “Capital Lease Obligations” means with respect to any Person, obligations of such Person to pay rent or other amounts under any lease (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital lease obligations or finance lease obligations on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in

accordance with GAAP, provided that no power purchase agreement or operating lease shall constitute a Capital Lease Obligation.

23. “Change in Control” means the occurrence of any of the following: (a) the consummation of any transaction the result of which is that any “person” or “group” (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934 but excluding any employee benefit plan of ALLETE or its Subsidiaries, and any Person acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) becomes the “beneficial owner” (as such term is defined in Rule 13d-3 under the Securities Exchange Act of 1934) of more than 30% of the total voting power in the aggregate of all classes of the Voting Securities of ALLETE then outstanding, (b) during any period of two consecutive calendar years, individuals who at the beginning of such period constituted the board of directors of ALLETE cease for any reason to constitute a majority of the directors of ALLETE then in office unless (i) such new directors were elected or nominated by a majority of the directors of ALLETE who constituted the board of directors of ALLETE at the beginning of such period or (ii) the reason for such directors failing to constitute a majority is a result of retirement by directors due to age, death or disability; (c) any event or condition relating to a change of control of ALLETE shall occur which requires or permits the holder or holders of indebtedness of ALLETE in an aggregate principal amount of \$35,000,000 or more, or any agent or trustee for such holders, to require payment, purchase, redemption or defeasance of such indebtedness prior to its expressed maturity; (d) the failure of ALLETE to, directly or indirectly, own 100% of the Voting Securities of ALLETE Clean Energy; or (e) the failure of the Guarantors to, directly or indirectly, own 100% of the Equity Interests of the Borrower; provided, that, notwithstanding anything to the contrary in this clause (e), [REDACTED] shall be permitted to, directly or indirectly, own up to 30% of the Equity Interests of the Borrower so long as an Affiliate of a Guarantor continues to act as manager of the Borrower.

24. “Change in Law” means the occurrence, after the Closing Date, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (ii) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law”, regardless of the date enacted, adopted or issued.

25. “Closing Date” means the date hereof.

26. “CoBank Equities” means all of ALLETE’s cash patronage, stock and other equities in CoBank ACB acquired in connection with its patronage loan from CoBank ACB (or its Affiliate).

27. “Code” means the Internal Revenue Code of 1986.

28. “Compliance Certificate” means a certificate substantially in the form of Exhibit A.

29. “Consolidated Assets” means the total amount of assets shown on the consolidated balance sheet of ALLETE and its Subsidiaries, determined in accordance with GAAP and prepared as of

the end of the fiscal quarter then most recently ended for which financial statements have been filed with the SEC.

30. “Construction Loan Agreement” means a secured Construction Loan Agreement, to be entered into between the Borrower and ALLETE Enterprises, in an amount not to exceed \$250,000,000.

31. “Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. The terms “Controlling” and “Controlled” have meanings correlative thereto.

32. “Debtor Relief Laws” means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief laws of the United States or other applicable jurisdictions from time to time in effect.

33. “Default” means any event or condition that constitutes an Event of Default or that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

34. “Default Rate” means (a) with respect to any Obligation for which a rate is specified, a rate per annum equal to two percent (2%) in excess of the rate otherwise applicable thereto and (b) with respect to any Obligation for which a rate is not specified or available, a rate per annum equal to the Base Rate plus the Applicable Rate for Base Rate Loans plus two percent (2%), in each case, to the fullest extent permitted by applicable law.

35. “Disclosed Matters” means the actions, suits, proceedings and environmental matters disclosed in (a) Schedule 5.05/5.06, (b) the current and periodic reports filed by ALLETE from time to time with the SEC pursuant to the requirements of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder, or (c) disclosed by any Loan Party to the Lender in writing.

36. “Disqualified Stock” means any Equity Interest that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event, matures (excluding any maturity as a result of an optional redemption by the issuer thereof) or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the unconditional sole option of the holder thereof (other than solely for Equity Interests that do not constitute Disqualified Stock), in whole or in part, on or prior to the date that is 180 days after the Maturity Date.

37. “Dollar” and “\$” mean lawful money of the United States.

38. “EEA Financial Institution” means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

39. “EEA Member Country” means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

40. “EEA Resolution Authority” means any public administrative authority or any Person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

41. “Environmental Law” means any and all applicable present and future treaties, laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by or with any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources, the presence, management, release or threatened release of any Hazardous Material or to health and safety matters.

42. “Equity Interest” means (a) shares of corporate stock, partnership interests, limited liability company membership interests, and any other interest that confers on a Person the right to receive a share of the profits and losses of, or distribution of assets of, the issuing Person, and (b) all warrants, options or other rights to acquire any Equity Interest set forth in the foregoing clause (a).

43. “ERISA” means the Employee Retirement Income Security Act of 1974.

44. “ERISA Affiliate” means any trade or business (whether or not incorporated) that, together with ALLETE or any Subsidiary, is treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

45. “ERISA Event” means (a) any “reportable event”, as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30 day notice period is waived), (b) any failure to satisfy the minimum funding standards of Section 412 of the Code or Section 302 of ERISA with respect to any Plan, whether or not waived, (c) the incurrence by ALLETE, any Subsidiary or any ERISA Affiliate of any liability under Title IV of ERISA with respect to the termination of any Plan, (d) the receipt by ALLETE, any Subsidiary or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan, (e) the incurrence by ALLETE, any Subsidiary or any ERISA Affiliate of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan or (f) the receipt by ALLETE, any Subsidiary or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from ALLETE, any Subsidiary or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

46. “Eurodollar Rate” means:

a. for any Interest Period with respect to a Eurodollar Rate Loan, the rate per annum equal to the London Interbank Offered Rate as administered by ICE Benchmark Administration (or any other Person that takes over the administration of such rate for Dollars for a period equal in length to such Interest Period) (“LIBOR”), as published on the applicable Bloomberg screen page (or such other commercially available source providing such quotations as may be designated by the Lender from time to time) (in such case, the “LIBOR Rate”) at or about 11:00 a.m., London time, two (2) Business Days prior to the commencement of such Interest Period, for Dollar deposits (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period; and

b. for any interest calculation with respect to a Base Rate Loan on any date, the rate per annum equal to the LIBOR Rate, at or about 11:00 a.m., London time, two (2) London

Banking Days prior to such date for Dollar deposits with a term of one (1) month commencing that day;

provided that, if the Eurodollar Rate shall be less than zero, such rate shall be deemed zero for purposes of this Agreement.

47. “Eurodollar Rate Loan” means a Term Loan that bears interest at a rate based on clause (a) of the definition of “Eurodollar Rate.”

48. “Event of Default” has the meaning specified in Section 8.01.

49. “Excluded Taxes” means any taxes measured by net income (however denominated), franchise taxes, and branch profits taxes imposed on or with respect to the Lender or required to be withheld or deducted from a payment to the Lender, in each case, (a) imposed as a result of the lender being organized under the laws of, or having its principal office or its applicable lending office located in, the jurisdiction imposing such tax (or any political subdivision thereof) or (b) that are Other Connection Taxes.

50. “Facility Termination Date” means the date as of which all of the following shall have occurred: (a) the Term Commitment has terminated and (b) all Obligations have been paid in full (other than contingent indemnification obligations).

51. “Federal Funds Rate” means, for any day, the rate per annum calculated by the Federal Reserve Bank of New York based on such day’s federal funds transactions by depository institutions (as determined in such manner as the Federal Reserve Bank of New York shall set forth on its public website from time to time) and published on the next succeeding Business Day by the Federal Reserve Bank of New York as the federal funds effective rate; provided that if the Federal Funds Rate as so determined would be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement.

52. “Financial Officer” means the chief financial officer, principal accounting officer, treasurer or controller of the applicable Loan Party.

53. “Fitch” means Fitch Ratings, Inc. or any successor thereto.

54. “Funding Indemnity Letter” means a funding indemnity letter in form and substance reasonably acceptable to the Lender.

55. “GAAP” means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and in the statements and pronouncements of the Financial Accounting Standards Board or in such other statement by such other entity as may be approved by a significant segment of the accounting profession, which are applicable to the circumstances as of the date of determination, consistently applied; provided that in the event ALLETE converts to use the International Financial Reporting Standards by the International Accounting Standards Board or other method of accounting, as may hereafter be required or permitted by the SEC, then the term “GAAP” as used in this Agreement shall be deemed to mean and refer to such International Financial Reporting Standards or such other method of accounting instead, which are applicable to the circumstances as of the date of determination, consistently applied.

56. “Governmental Authority” means the government of the United States, any other nation or any political subdivision thereof, whether state or local, and any agency, commission, exchange, association, board, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including supranational bodies such as the European Union or European Central Bank).

57. “Guarantee” of or by any Person (the “guarantor”) means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the “primary obligor”) in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation, provided that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “Guaranteed” has a meaning correlative thereto. The amount of any Guarantee of a Person shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee is made (or, if less, the maximum amount of such primary obligation for which such Person may be liable pursuant to the terms of the instrument evidencing such Guarantee) or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by such Person in good faith, provided that, notwithstanding anything in this definition to the contrary, the amount of any Guarantee of a Person in respect of any Permitted Hedge Agreement by any other Person with a counterparty shall be deemed to be the maximum reasonably anticipated liability of such other Person, as determined in good faith by such Person, net of any obligation or liability of such counterparty in respect of any Permitted Hedge Agreement with such Person, provided further that the obligations of such other Person under such Permitted Hedge Agreement with such counterparty shall be terminable at the election of such other Person in the event of a default by such counterparty in its obligations to such other Person.

58. “Guaranteed Obligations” has the meaning set forth in Section 9.01.

59. “Guarantors” means, collectively, ALLETE and ALLETE Clean Energy.

60. “Guaranty” means, collectively, the Guarantees made by the Guarantors under Article IX in favor of the Lender.

61. “Hazardous Materials” means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

62. “Hedge Agreement” means any interest rate protection agreement, foreign currency exchange agreement, commodity price protection agreement or other interest rate, currency exchange rate or commodity price hedge, future, forward, swap, option, cap, floor, collar or similar agreement or arrangement (including both physical and financial settlement transactions).

63. “Immaterial Subsidiary” means a Subsidiary that (a) has consolidated total assets with a book value not exceeding 5% of Consolidated Assets as of the end of the most recent fiscal quarter for which financial statements have been filed with the SEC and (b) had total revenues not exceeding 5% of ALLETE’s consolidated total revenues for the period ending on the last day of such fiscal quarter.

64. “Immaterial Transaction” means any transaction or event described in Section 8.01(i) or Section 8.01(j), so long as, after giving effect to such transaction or event, all Subsidiaries that have become subject to such transactions or events during the 12-month period ending on the date of such transaction or event (a) had consolidated total assets with a fair market value not exceeding 5% of Consolidated Assets as of the end of the most recent fiscal quarter for which financial statements have been filed with the SEC and (b) had total revenues not exceeding 5% of ALLETE’s consolidated total revenues for the period ending on the last day of such fiscal quarter.

65. “Indebtedness” means as to any Person, at a particular time, all items which constitute, without duplication, (a) indebtedness for borrowed money or the deferred purchase price of property (excluding trade payables incurred in the ordinary course of business and excluding any such obligations payable solely through such Person’s issuance of Equity Interests (other than the Disqualified Stock and Equity Interests convertible into Disqualified Stock)), (b) indebtedness evidenced by notes, bonds, debentures or similar instruments, (c) obligations with respect to any conditional sale or title retention agreement, (d) indebtedness arising under acceptance facilities and the amount available to be drawn under all letters of credit issued for the account of such Person and, without duplication, all drafts drawn thereunder to the extent such Person shall not have reimbursed the issuer in respect of the issuer’s payment of such drafts, (e) all liabilities secured by any Lien on any property owned by such Person even though such Person has not assumed or otherwise become liable for the payment thereof, provided that the amount of such liabilities included for purposes of this definition will be the amount equal to the lesser of the fair market value of such property and the amount of the liabilities so secured, (f) indebtedness in respect of Disqualified Stock valued at the greater of its voluntary or involuntary maximum fixed repurchase price plus accrued dividends, (g) liabilities in respect of any obligation (contingent or otherwise) to purchase, redeem, retire, acquire or make any other payment in respect of any shares of equity securities or any option, warrant or other right to acquire any shares of equity securities, (h) obligations under Capital Lease Obligations, (i) Guarantees of such Person in respect of Indebtedness of others, and (j) to the extent not otherwise included, all net obligations of such Person under Permitted Hedge Agreements.

66. “Indemnified Taxes” means (a) taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of any Loan Party under any Loan Document and (b) to the extent not otherwise described in (a) hereof, Other Taxes.

67. “Indemnitees” has the meaning specified in Section 10.04(b).

68. “Information” has the meaning specified in Section 10.07.

69. “Intellectual Property” means all copyrights, trademarks, service marks, patents, trade names and service names.

70. “Interest Payment Date” means, (a) as to any Eurodollar Rate Loan, the last day of each Interest Period applicable to such Term Loan and the Maturity Date; provided, however, that if any Interest Period for a Eurodollar Rate Loan exceeds three (3) months, the respective dates that fall every three (3) months after the beginning of such Interest Period shall also be Interest Payment Dates; and

(b) as to any Base Rate Loan, the last Business Day of each March, June, September and December and the Maturity Date.

71. “Interest Period” means, as to each Eurodollar Rate Loan, the period commencing on the date such Eurodollar Rate Loan is disbursed or converted to or continued as a Eurodollar Rate Loan and ending on the date one (1), two (2), three (3) or six (6) months thereafter (in each case, subject to availability), as selected by the Borrower in its Loan Notice or such other period that is twelve months or less requested by the Borrower and consented to by the Lender; provided that:

a. any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

b. any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

c. no Interest Period shall extend beyond the Maturity Date.

72. “Investment Grade Rating” has the meaning assigned to such term in Section 7.02.

73. “ISDA Definitions” means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time by the International Swaps and Derivatives Association, Inc. or such successor thereto.

74. “Lender” means Bank of America, N.A. and its successors and assigns.

75. “Lender’s Office” means the Lender’s address and, as appropriate, account as set forth on Schedule 1.01(a), or such other address or account as the Lender may from time to time notify the Borrower; which office may include any Affiliate of the Lender or any domestic or foreign branch of the Lender or such Affiliate.

76. “LIBOR” has the meaning specified in clause (a) of the definition of Eurodollar Rate.

77. “LIBOR Replacement Date” has the meaning specified in Section 3.03(b).

78. “LIBOR Screen Rate” means the LIBOR quote on the applicable screen page the Lender designates to determine LIBOR (or such other commercially available source providing such quotations as may be designated by the Lender from time to time).

79. “LIBOR Successor Rate” has the meaning specified in Section 3.03(b).

80. “LIBOR Successor Rate Conforming Changes” means, with respect to any LIBOR Successor Rate, any conforming changes to this Agreement, including changes to the definition of Base Rate, Interest Period, timing and frequency of determining rates and making payments of interest and other technical, administrative or operational matters (including, for the avoidance of doubt, the definition of Business Day, timing of borrowing requests or prepayment, conversion or continuation notices and length of lookback periods) as may be appropriate, in the discretion of the Lender, to reflect the adoption

and implementation of such LIBOR Successor Rate and to permit the administration thereof by the Lender in a manner substantially consistent with market practice (or, if the Lender determines that adoption of any portion of such market practice is not administratively feasible or that no market practice for the administration of such LIBOR Successor Rate exists, in such other manner of administration as the Lender determines is reasonably necessary in connection with the administration of this Agreement and any other Loan Document).

81. “Lien” means, with respect to any asset, (a) any mortgage, deed of trust, lien (statutory or other), assignment, deposit arrangement, pledge, hypothecation, encumbrance or preference, priority, charge or other security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

82. “Loan Documents” means, collectively, this Agreement and all other certificates, agreements, documents and instruments executed and delivered, in each case, by or on behalf of any Loan Party pursuant to the foregoing.

83. “Loan Notice” means a notice of (a) a Term Borrowing, (b) a conversion of Term Loans from one Type to the other, or (c) a continuation of Eurodollar Rate Loans, pursuant to Section 2.02(a), which, if in writing, shall be substantially in the form of Exhibit B or such other form as may be approved by the Lender (including any form on an electronic platform or electronic transmission system as shall be approved by the Lender), appropriately completed and signed by a Responsible Officer of the Borrower

84. “Loan Party” means, collectively, the Borrower and each Guarantor.

85. “London Banking Day” means any day on which dealings in Dollar deposits are conducted by and between banks in the London interbank eurodollar market.

86. “Margin Stock” has the meaning assigned to such term in Regulation U.

87. “Material Adverse Change” means a material adverse change in (a) the financial condition, operations, business or property of (i) the Borrower or (ii) ALLETE and its Subsidiaries, taken as a whole, (b) the ability of any Loan Party to perform its obligations under the Loan Documents or (c) the ability of the Lender to enforce its rights and remedies under the Loan Documents.

88. “Material Adverse Effect” means a material adverse effect on (a) the financial condition, operations, business or property of (i) the Borrower or (ii) ALLETE and its Subsidiaries, taken as a whole, (b) the ability of any Loan Party to perform its obligations under the Loan Documents or (c) the ability of the Lender to enforce its rights and remedies under the Loan Documents.

89. “Material Obligations” means as of any date, Indebtedness (other than Indebtedness under the Loan Documents) or operating leases of any one or more of the Loan Parties or any Subsidiary or, in the case of the Loan Parties, any Guarantee, in an aggregate principal amount exceeding \$35,000,000. For purposes of determining Material Obligations, the “principal amount” of Indebtedness, operating leases or Guarantees at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that such Loan Party or such Subsidiary, as applicable, would be required to pay if such Indebtedness, operating leases or Guarantees became due and payable on such day.

90. “Maturity Date” means December 27, 2021; provided, however, that, if such date is not a Business Day, the Maturity Date shall be the next preceding Business Day.

91. “Moody’s” means Moody’s Investors Service, Inc. and any successor thereto.
92. “Mortgage” means the Mortgage and Deed of Trust, dated as of September 1, 1945, among ALLETE, The Bank of New York Mellon (formerly Irving Trust Company) and Andres Serrano (successor to Philip L. Watson), Trustees.
93. “MPUC” means the Minnesota Public Utilities Commission or any Governmental Authority succeeding to the functions thereof.
94. “Multiemployer Plan” means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.
95. “Notice of Loan Prepayment” means a notice of prepayment with respect to a Term Loan, which shall be substantially in the form of Exhibit C or such other form as may be approved by the Lender (including any form on an electronic platform or electronic transmission system as shall be approved by the Lender), appropriately completed and signed by a Responsible Officer of the Borrower.
96. “Obligations” means (a) all advances to, and debts, liabilities, obligations, covenants and duties of, any Loan Party arising under any Loan Document or otherwise with respect to any Term Loan and (b) all costs and expenses incurred in connection with enforcement and collection of the foregoing, including the fees, charges and disbursements of counsel, in each case whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest, expenses and fees that accrue after the commencement by or against any Loan Party or any Affiliate thereof pursuant to any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding, regardless of whether such interest, expenses and fees are allowed claims in such proceeding.
97. “OFAC” has the meaning assigned to such term in Section 5.15.
98. “Other Connection Taxes” means taxes imposed as a result of a present or former connection between the Lender and the jurisdiction imposing such tax (other than connections arising from the Lender having executed, delivered, become a party to, performed its obligations under, received payment under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Term Loan or Loan Document).
99. “Other Taxes” means all present or future stamp, court or documentary, intangible, recording, filing or similar taxes that arise from any payment made under, from the execution, delivery performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such taxes that are Other Connection Taxes imposed with respect to any assignment.
100. “PATRIOT Act” means the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)).
101. “PBGC” means the Pension Benefit Guaranty Corporation referred to and defined in ERISA.

102. “Permitted Encumbrances” means:

- a. Liens imposed by law for taxes, assessments or similar charges incurred in the ordinary course of business that are not yet due or are being contested in compliance with Section 6.04, provided that enforcement of such Liens is stayed pending such contest;
- b. landlords’, vendors’, carriers’, warehousemen’s, mechanics’, materialmen’s, contractors’, repairmen’s and other like Liens imposed by law, arising in the ordinary course of business and securing obligations which are not delinquent or are being contested, provided that enforcement of such Liens is stayed pending such contest;
- c. pledges and deposits made in the ordinary course of business in compliance with workers’ compensation, unemployment insurance and other social security laws or regulations (but not ERISA);
- d. pledges and deposits to secure the performance of bids, trade contracts, leases, purchase agreements, government contracts, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business, and other than promissory notes and contracts for the repayment of borrowed money;
- e. Liens (including contractual security interests) in favor of a financial institution (including securities firms) encumbering deposit accounts or checks or instruments for collection, commodity accounts or securities accounts (including the right of set-off) at or held by such financial institution in the ordinary course of its commercial business and which secure only liabilities owed to such financial institution arising out of or resulting from its maintenance of such account or otherwise are within the general parameters customary in the financial industry;
- f. judgment liens in respect of judgments that do not constitute an Event of Default under Section 8.01(k);
- g. any interest of a lessor or licensor in property under an operating lease under which any Loan Party or any Subsidiary is lessee or licensee, and any restriction or encumbrance to which the interest of such lessor or licensor is subject;
- h. Liens arising from filed UCC-1 financing statements relating solely to leases not prohibited by this Agreement;
- i. leases or subleases granted to others that do not materially interfere with the ordinary conduct of business of ALLETE and its Subsidiaries;
- j. licenses of Intellectual Property granted by any Loan Party or any Subsidiary in the ordinary course of business and not materially interfering with the ordinary conduct of the business of ALLETE and its Subsidiaries;
- k. easements, servitudes (contractual and legal), zoning restrictions, rights of way, encroachments, minor defects and irregularities in title and other similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not render title to such property unmarketable or materially interfere with the ability of ALLETE and its Subsidiaries, as the case may be, to utilize their respective properties for their intended purposes;

l. Liens securing obligations, neither assumed by any Loan Party or any Subsidiary nor on account of which any Loan Party or any Subsidiary customarily pays interest, upon real estate on which any Loan Party or any Subsidiary has a right-of-way, easement, franchise or other servitude or of which any Loan Party or any Subsidiary is the lessee, for the purpose of locating transmission and distribution lines and related support structures, pipe lines, substations, measuring stations, tanks, pumping or delivery equipment or similar equipment, or service buildings incidental to any of the foregoing;

m. Liens with respect to properties involved in the production of oil, gas and other minerals, unitization and pooling agreements and orders, operating agreements, royalties, reversionary interests, preferential purchase rights, farmout agreements, gas balancing agreements and other agreements, in each case that are customary in the oil, gas and mineral production business in the general area of such property and that are entered into in the ordinary course of business;

n. Liens in favor of Governmental Authorities encumbering assets acquired in connection with a government grant program, and the right reserved to, or vested in, any Governmental Authority by the terms of any right, power, franchise, grant, license, or permit, or by any provision of law, to purchase, condemn, recapture or designate a purchaser of any property;

o. Liens on Margin Stock to the extent that a prohibition on such Liens would violate Regulation U;

p. Liens on any cash collateral for letters of credit issued under ALLETE's primary revolving credit facility or under ALLETE's letter of credit agreements with CoBank ACB and Wells Fargo Bank, National Association, upon the occurrence of an event of default thereunder or to cover an issuing lender's credit exposure under any such facility or agreement with respect to a defaulting lender thereunder;

q. customary Liens for the fees and expenses of trustees and escrow agents pursuant to any indenture, escrow agreement or similar agreement establishing a trust or escrow arrangement;

r. agreements for and obligations (other than repayment of borrowed money) relating to the joint or common ownership, operation, and use of property, including Liens under joint venture or similar agreements securing obligations incurred in the conduct of operations or consisting of a purchase option, call or right of first refusal with respect to the Equity Interests in such jointly owned Person;

s. Liens granted on cash or invested funds constituting proceeds of any sale or disposition of property deposited into escrow accounts to secure indemnification, adjustment of purchase price or similar obligations incurred in connection with such sale or disposition, in an amount not to exceed the amount of gross proceeds received from such sale or disposition; and

t. Liens granted to secure obligations under the Construction Loan Agreement.

103. "Permitted Hedge Agreement" means any Hedge Agreement engaged in by a Person as part of its normal business operations with the purpose and effect of hedging and protecting such Person against fluctuations or adverse changes in the prices of electricity, gas, fuel or other commodities, interest

rates or currency exchange rates, which Hedge Agreement is part of a risk management strategy and not for purposes of speculation and not intended primarily as a borrowing of funds. For the sake of clarity, any power sales agreements entered into by the Borrower, to the extent they are deemed to be Hedge Agreements, shall be Permitted Hedge Agreements.

104. “Person” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

105. “Plan” means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which ALLETE, any Subsidiary or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an “employer” as defined in Section 3(5) of ERISA.

106. “Plan Asset Regulations” means 29 CFR § 2510.3-101 *et seq.*, as modified by Section 3(42) of ERISA, as amended from time to time.

107. “Pre-Adjustment Successor Rate” has the meaning specified in Section 3.03(b).

108. “Rating Agencies” means Fitch, Moody’s and S&P (or, if any of the foregoing ceases to provide Senior Debt Ratings as contemplated hereby, such other nationally recognized rating agency as shall be agreed by the Loan Parties and the Lender).

109. “Regulation T” means Regulation T of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

110. “Regulation U” means Regulation U of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

111. “Regulation W” means Regulation W of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

112. “Regulation X” means Regulation X of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

113. “Related Adjustment” means, in determining any LIBOR Successor Rate, the first relevant available alternative set forth in the order below that can be determined by the Lender applicable to such LIBOR Successor Rate:

a. the spread adjustment, or method for calculating or determining such spread adjustment, that has been selected or recommended by the Relevant Governmental Body for the relevant Pre-Adjustment Successor Rate (taking into account the interest period, interest payment date or payment period for interest calculated and/or tenor thereto) and which adjustment or method (x) is published on an information service as selected by the Lender from time to time in its reasonable discretion or (y) solely with respect to Term SOFR, if not currently published, which was previously so recommended for Term SOFR and published on an information service acceptable to the Lender; or

b. the spread adjustment that would apply (or has previously been applied) to the fallback rate for a derivative transaction referencing the ISDA Definitions (taking into account the

interest period, interest payment date or payment period for interest calculated and/or tenor thereto).

114. “Related Parties” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives of such Person and of such Person’s Affiliates.

115. “Relevant Governmental Body” means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York.

116. “Request for Term Borrowing” means, with respect to a Term Borrowing, conversion or continuation of Term Loans, a Loan Notice.

117. “Responsible Officer” means (a) the chief executive officer, president, chief financial officer, vice president, treasurer, assistant treasurer or controller of any Loan Party and (b) solely for purposes of the delivery of incumbency certificates pursuant to Section 4.01, the secretary or any assistant secretary of such Loan Party and (c) solely for purposes of notices given pursuant to Article II, any other officer or employee of the Borrower so designated by any of the foregoing officers of the Borrower in a notice to the Lender or any other officer or employee of the Borrower designated in or pursuant to an agreement between the Borrower and the Lender. Any document delivered hereunder that is signed by a Responsible Officer of a Loan Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Loan Party and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Loan Party. To the extent requested by the Lender, each Responsible Officer will provide an incumbency certificate and to the extent requested by the Lender, appropriate authorization documentation, in form and substance satisfactory to the Lender.

118. “Restricted Person” has the meaning assigned to such term in Section 5.15.

119. “S&P” means Standard & Poor’s Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., and any successor thereto.

120. “Scheduled Unavailability Date” has the meaning specified in Section 3.03(b).

121. “SEC” means the United States Securities and Exchange Commission or any Governmental Authority succeeding to the functions thereof.

122. “Senior Debt Rating” means, at any date, the credit rating identified by a Rating Agency as the credit rating that (a) it has assigned to long term unsecured senior debt of ALLETE or (b) would assign to long term unsecured senior debt of ALLETE were ALLETE to issue or have outstanding any long term unsecured senior debt on such date.

123. “SOFR” with respect to any Business Day means the secured overnight financing rate published for such day by the Federal Reserve Bank of New York, as the administrator of the benchmark (or a successor administrator) on the Federal Reserve Bank of New York’s website (or any successor source) at approximately 8:00 a.m. (New York City time) on the immediately succeeding Business Day and, in each case, that has been selected or recommended by the Relevant Governmental Body.

124. “Subsidiary” means, as to any Person, any corporation, association, partnership, limited liability company, joint venture or other business entity of which such Person or any Subsidiary of such Person, directly or indirectly, either (a) in respect of a corporation, owns or controls more than 50% of the outstanding Equity Interests having ordinary voting power to elect a majority of the board of directors or similar managing body, irrespective of whether a class or classes shall or might have voting power by reason of the happening of any contingency or (b) in respect of an association, partnership, joint venture or other business entity, is entitled to share in more than 50% of the profits and losses, however determined. Unless the context otherwise requires, any reference to a Subsidiary shall be deemed to refer to a Subsidiary of ALLETE.

125. “SWLP Mortgage” means the Mortgage and Deed of Trust, dated as of March 1, 1943, between Superior Water, Light and Power Company and U.S. Bank National Association (successor to First Bank (N.A.) as successor to Chemical Bank and Trust Company as Corporate Trustee and Howard B. Smith as Co-Trustee) as Trustee.

126. “Term Borrowing” means a borrowing consisting of simultaneous Term Loans of the same Type and, in the case of Eurodollar Rate Loans, having the same Interest Period made by the Lender pursuant to Section 2.01.

127. “Term Commitment” means the Lender’s obligation to make Term Loans to the Borrower pursuant to Section 2.01. The Term Commitment on the Closing Date shall be \$100,000,000.

128. “Term Facility” means (a) at any time during the Availability Period, the sum of (i) the aggregate amount of the Term Commitment at such time and (ii) the aggregate principal amount of the Term Loans outstanding at such time and (b) thereafter, the aggregate principal amount of the Term Loans outstanding at such time.

129. “Term Loan” means an advance made by the Lender under the Term Facility.

130. “Term SOFR” means the forward-looking term rate for any period that is approximately (as determined by the Lender) as long as any of the Interest Period options set forth in the definition of “Interest Period” and that is based on SOFR and that has been selected or recommended by the Relevant Governmental Body, in each case as published on an information service as selected by the Lender from time to time in its reasonable discretion.

131. “Total Capitalization” means, at any time, the difference between (a) the sum of each of the following at such time with respect to ALLETE and its Subsidiaries, determined on a consolidated basis in accordance with GAAP: (i) preferred Equity Interests, plus (ii) common Equity Interests and any premium on Equity Interests thereon (as such term is used in ALLETE Financial Statements), excluding accumulated other comprehensive income or loss, plus (iii) retained earnings, plus (iv) Total Indebtedness, and (b) (i) stock of ALLETE acquired by ALLETE and (ii) stock of a Subsidiary acquired by such Subsidiary, in each case at such time, as applicable, determined on a consolidated basis in accordance with GAAP.

132. “Total Indebtedness” means, at any time, all Indebtedness (net of unamortized premium and discount (as such term is used in ALLETE Financial Statements)) at such time of ALLETE and its Subsidiaries, determined on a consolidated basis in accordance with GAAP.

133. “Transactions” means (a) the execution, delivery and performance by each Loan Party of each Loan Document to which it is a party, (b) the borrowing of the Term Loans and (c) the use of the proceeds of the Term Loans.

134. “Type” means, with respect to a Term Loan, its character as a Base Rate Loan or a Eurodollar Rate Loan.

135. “UK Financial Institution” means any BRRD Undertaking (as such term is defined under the PRA Rulebook (as amended from time to time) promulgated by the United Kingdom Prudential Regulation Authority) or any person subject to IFPRU 11.6 of the FCA Handbook (as amended from time to time) promulgated by the United Kingdom Financial Conduct Authority, which includes certain credit institutions and investment firms, and certain affiliates of such credit institutions or investment firms.

136. “United States” and “U.S.” mean the United States of America.

137. “Voting Security” means a security which ordinarily has voting power for the election of the board of directors (or other governing body), whether at all times or only so long as no senior class of Equity Interests has such voting power by reason of any contingency.

138. “Withdrawal Liability” means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

139. “WPS” means the Public Service Commission of Wisconsin or any Governmental Authority succeeding to the functions thereof.

a. Other Interpretive Provisions.

With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

1. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation.” The word “will” shall be construed to have the same meaning and effect as the word “shall.” Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document (including the Loan Documents and any articles, bylaws, operation agreement or other organizational document) shall be construed as referring to such agreement, instrument or other document as from time to time amended, amended and restated, modified, extended, restated, replaced or supplemented from time to time (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Loan Document), (ii) any reference herein to any Person shall be construed to include such Person’s successors and assigns, (iii) the words “hereto,” “herein,” “hereof” and “hereunder,” and words of similar import when used in any Loan Document, shall be construed to refer to such Loan Document in its entirety and not to any particular provision thereof, (iv) all references in a Loan Document to Articles, Sections, Preliminary Statements, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Preliminary Statements, Exhibits and Schedules to, the Loan Document in which such references appear, (v) any reference to any law shall include all statutory and regulatory rules, regulations, orders and provisions consolidating, amending, replacing or interpreting such

law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified, extended, restated, replaced or supplemented from time to time, and (vi) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

2. In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including;” the words “to” and “until” each mean “to but excluding;” and the word “through” means “to and including.”

3. Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

b. Accounting Terms.

4. Except as otherwise expressly provided herein, as used in the Loan Documents and in any certificate, opinion or other document made or delivered pursuant thereto, accounting terms not defined in Section 1.01, and accounting terms partly defined in Section 1.01, to the extent not defined, shall have the respective meanings given to them under GAAP. If at any time any change in GAAP (including any change to the International Financial Reporting Standards by the International Accounting Standards Board or other method of accounting, as may hereafter be required or permitted by the SEC) would affect the computation of any financial requirement set forth in this Agreement, the Lender and the Borrower shall negotiate in good faith to amend such requirement to reflect such change in GAAP, provided that, until so amended, (i) such requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Borrower shall provide to the Lender financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such requirement made before and after giving effect to such change in GAAP.

5. Notwithstanding anything to the contrary contained in Section 1.03(a) or in the definition of “Capital Lease Obligations,” in the event of an accounting change requiring all leases to be capitalized, only those leases (assuming for purposes hereof that such leases were in existence on the date hereof) that would constitute capital leases in conformity with GAAP on the date hereof shall be considered capital leases, and all calculations and deliverables under this Agreement or any other Loan Document shall be made or delivered, as applicable, in accordance therewith.

c. Rounding.

Any financial ratios required to be maintained by ALLETE pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

d. Times of Day; Rates.

Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable).

The Lender does not warrant, nor accept responsibility, nor shall the Lender have any liability with respect to the administration, submission or any other matter related to the rates in the definition of “Eurodollar Rate” or with respect to any rate that is an alternative or replacement for or successor to any of such rates (including, without limitation, any LIBOR Successor Rate) or the effect of any of the foregoing, or of any LIBOR Successor Rate Conforming Changes.

ARTICLE II.

TERM COMMITMENT AND TERM BORROWINGS

e. Term Loans.

Subject to the terms and conditions set forth herein, the Lender agrees to make loans to the Borrower, in Dollars, from time to time in up to two (2) draws, on any Business Day during the Availability Period for the Term Facility, in an aggregate amount not to exceed the Term Facility. Each Term Borrowing shall consist of Term Loans made by the Lender. Term Borrowings repaid or prepaid may not be reborrowed. Term Loans may be Base Rate Loans or Eurodollar Rate Loans, as further provided herein; provided, however, any Term Borrowing made on the Closing Date or any of the three (3) Business Days following the Closing Date shall be made as Base Rate Loans unless the Borrower delivers a Funding Indemnity Letter not less than three (3) Business Days prior to the date of such Term Borrowing.

f. Term Borrowings, Conversions and Continuations of Term Loans.

6. Notice of Term Borrowing. Each Term Borrowing, each conversion of Term Loans from one Type to the other, and each continuation of Eurodollar Rate Loans shall be made upon the Borrower’s irrevocable notice to the Lender, which may be given by (i) telephone or (ii) a Loan Notice; provided that any telephonic notice must be confirmed promptly by delivery to the Lender of a Loan Notice. Each such notice must be received by the Lender not later than 11:00 a.m. (A) three (3) Business Days prior to the requested date of any Term Borrowing of, conversion to or continuation of Eurodollar Rate Loans or of any conversion of Eurodollar Rate Loans to Base Rate Loans, and (B) on the requested date of any Term Borrowing of Base Rate Loans; provided, however, that if the Borrower wishes to request Eurodollar Rate Loans having an Interest Period other than one (1), two (2), three (3) or six (6) months in duration as provided in the definition of “Interest Period”, the applicable notice must be received by the Lender not later than 11:00 a.m. four (4) Business Days prior to the requested date of such Term Borrowing, conversion or continuation. Not later than 11:00 a.m., three (3) Business Days before the requested date of such Term Borrowing, conversion or continuation, the Lender shall notify the Borrower (which notice may be by telephone) whether or not the requested Interest Period is available. Each Term Borrowing of, conversion to, or continuation of, Eurodollar Rate Loans shall be, unless otherwise agreed by Lender, in a principal amount of \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof (or, in connection with any conversion or continuation of a Term Loan, if less, the entire principal thereof then outstanding). Each Term Borrowing of or conversion to Base Rate Loans shall be, unless otherwise agreed by Lender, in a principal amount of \$500,000 or a whole multiple of \$100,000 in excess thereof (or, in connection with any conversion or continuation of a Term Loan, if less, the entire principal thereof then outstanding). Each Loan Notice (whether telephonic or written) shall specify (i) whether the Borrower is requesting a Term Borrowing, a conversion of Term Loans from one Type to the other, or a continuation of Term Loans, as the case may be, under the Term Facility, (ii) the requested date

of the Term Borrowing, conversion or continuation, as the case may be (which shall be a Business Day), (iii) the principal amount of Term Loans to be borrowed, converted or continued, (iv) the Type of Term Loans to be borrowed or to which existing Term Loans are to be converted, and (v) if applicable, the duration of the Interest Period with respect thereto. If the Borrower fails to specify a Type of Term Loan in a Loan Notice or if the Borrower fails to give a timely notice requesting a conversion or continuation, then the applicable Term Loans shall be made as, or converted to, Base Rate Loans. Any such automatic conversion to Base Rate Loans shall be effective as of the last day of the Interest Period then in effect with respect to the applicable Eurodollar Rate Loans. If the Borrower requests a Term Borrowing of, conversion to, or continuation of Eurodollar Rate Loans in any such Loan Notice, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one (1) month.

7. Advances. Following receipt of a Loan Notice, upon satisfaction of the applicable conditions set forth in Section 4.02 (and, if such Term Borrowing is the initial Term Borrowing, Section 4.01), the Lender shall make the requested funds available to the Borrower either by (i) crediting the account of the Borrower on the books of Bank of America with the amount of such funds or (ii) wire transfer of such funds, in each case in accordance with instructions provided to (and reasonably acceptable to) the Lender by the Borrower.

8. Eurodollar Rate Loans. Except as otherwise provided herein, a Eurodollar Rate Loan may be continued or converted only on the last day of an Interest Period for such Eurodollar Rate Loan. During the existence of a Default, no Term Loans may be requested as, converted to or continued as Eurodollar Rate Loans without the consent of the Lender, and the Lender may demand that any or all of the outstanding Eurodollar Rate Loans be converted immediately to Base Rate Loans.

9. Interest Periods. After giving effect to all Term Borrowings, all conversions of Term Loans from one Type to the other, and all continuations of Term Loans as the same Type, there shall not be more than ten Interest Periods in effect in respect of the Term Facility.

g. Optional Prepayments.

The Borrower may, pursuant to delivery to the Lender of a Notice of Loan Prepayment, at any time or from time to time voluntarily prepay Term Loans in whole or in part without premium or penalty subject to Section 3.05; provided that, unless otherwise agreed by the Lender (a) such notice must be received by Lender not later than 11:00 a.m. (i) three (3) Business Days prior to any date of prepayment of Eurodollar Rate Loans and (ii) on the date of prepayment of Base Rate Loans; (b) any prepayment of Eurodollar Rate Loans shall be in a principal amount of \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof; and (c) any prepayment of Base Rate Loans shall be in a principal amount of \$500,000 or a whole multiple of \$100,000 in excess thereof or, in each case, if less, the entire principal amount thereof then outstanding. Each such notice shall specify the date and amount of such prepayment and the Type(s) of Term Loans to be prepaid and, if Eurodollar Rate Loans are to be prepaid, the Interest Period(s) of such Term Loans. If such notice is given by the Borrower, the Borrower shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein. Any prepayment of a Eurodollar Rate Loan shall be accompanied by all accrued interest on the amount prepaid, together with any additional amounts required pursuant to Section 3.05.

h. Termination or Reduction of Term Commitment.

10. Mandatory. The aggregate Term Commitment shall be automatically and permanently reduced to zero on the last day of the Availability Period for the Term Facility.

11. Voluntary. The Borrower may at any time terminate, or from time to time reduce, the Term Commitment upon three (3) Business Days' notice to the Lender.

12. Payment of Fees. All fees in respect of the Term Facility accrued until the effective date of any termination of the Term Facility shall be paid on the effective date of such termination.

i. Repayment of Term Loans. The Borrower promises to repay to the Lender the aggregate principal amount of all Term Loans outstanding on the Maturity Date, unless accelerated sooner pursuant to Section 8.02.

j. Interest and Default Rate.

13. Interest. Subject to the provisions of Section 2.06(b), (i) each Eurodollar Rate Loan under the Term Facility shall bear interest on the outstanding principal amount thereof for each Interest Period from the applicable borrowing date at a rate per annum equal to the Eurodollar Rate for such Interest Period plus the Applicable Rate; and (ii) each Base Rate Loan under the Term Facility shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate plus the Applicable Rate.

14. Default Rate.

i. If any amount of principal of any Term Loan is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, such amount shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable laws.

ii. If any amount (other than principal of any Term Loan) payable by the Borrower under any Loan Document is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, then upon the request of the Lender such amount shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable laws.

iii. Upon the request of the Lender, while any Event of Default exists (including a payment default), all outstanding Obligations may accrue at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable laws.

iv. Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable upon demand.

15. Interest Payments. Interest on each Term Loan shall be due and payable in arrears on each Interest Payment Date applicable thereto and at such other times as may be

specified herein. Interest hereunder shall be due and payable in accordance with the terms hereof before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Law.

k. Fees.

16. Ticking Fee. The Borrower shall pay to the Lender a ticking fee (the "Ticking Fee") equal to the product of (x) 0.20% times (y) the actual daily amount of the aggregate Term Commitment. The Ticking Fee shall commence accruing on February 1, 2021 and thereafter shall accrue at all times during the Availability Period, including at any time during which one or more of the conditions in Article IV is not met, and shall be due and payable quarterly in arrears on the last Business Day of each March, June, September and December, commencing with the first such date to occur after February 1, 2021, and on the last day of the Availability Period. The Ticking Fee shall be calculated quarterly in arrears.

17. Other Fees. The Borrower shall pay to the Lender such fees as shall have been separately agreed upon in writing in the amounts and at the times so specified. Such fees shall be fully earned when paid and shall not be refundable for any reason whatsoever.

l. Computation of Interest and Fees.

All computations of interest for Base Rate Loans (including Base Rate Loans determined by reference to the Eurodollar Rate) shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of fees and interest shall be made on the basis of a 360-day year and actual days elapsed (which results in more fees or interest, as applicable, being paid than if computed on the basis of a 365 day year). Interest shall accrue on each Term Loan for the day on which the Term Loan is made, and shall not accrue on a Term Loan, or any portion thereof, for the day on which the Term Loan or such portion is paid, provided that any Term Loan that is repaid on the same day on which it is made shall bear interest for one (1) day. Each determination by the Lender of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error.

m. Payments Generally.

All payments to be made by the Borrower shall be made free and clear of and without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise expressly provided herein, all payments by the Borrower hereunder shall be made to the Lender at the Lender's Office in Dollars and in immediately available funds not later than 2:00 p.m. on the date specified herein. All payments received by the Lender after 2:00 p.m. shall be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue. Except as otherwise specifically provided for in this Agreement, if any payment to be made by the Borrower shall come due on a day other than a Business Day, payment shall be made on the next following Business Day, and such extension of time shall be reflected in computing interest or fees, as the case may be.

ARTICLE III.

TAXES, YIELD PROTECTION AND ILLEGALITY

n. Taxes.

If any payments to the Lender under this Agreement are made from outside the United States, no Loan Party will deduct any foreign taxes from any payments it makes to the Lender. If any such taxes are imposed on any payments made by any Loan Party (including payments under this paragraph), such Loan Party will pay the taxes and will also pay to the Lender, at the time interest is paid, any additional amount which the Lender specifies as necessary to preserve the after-tax yield the Lender would have received if such taxes had not been imposed. As soon as practicable after any payment of taxes by any Loan Party to a Governmental Authority, as provided in this Section 3.01, such Loan Party will deliver to the Lender the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of any return reporting such payment or other evidence of such payment reasonably satisfactory to the Lender.

The applicable Loan Party will confirm that it has paid the taxes by giving the Lender official tax receipts (or notarized copies) within thirty (30) days after the due date.

o. Illegality.

If Lender determines that any law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for Lender or its Lender's Office to perform any of its obligations hereunder or to make, maintain or fund or charge interest with respect to any Term Borrowing or to determine or charge interest rates based upon the Eurodollar Rate, or any Governmental Authority has imposed material restrictions on the authority of Lender to purchase or sell, or to take deposits of, Dollars in the London interbank market, then, on notice thereof by Lender to the Borrower, (a) any obligation of Lender to issue, make, maintain, fund or charge interest with respect to any such Term Borrowing or continue Eurodollar Rate Loans or to convert Base Rate Loans to Eurodollar Rate Loans shall be suspended, and (b) if such notice asserts the illegality of Lender making or maintaining Base Rate Loans the interest rate on which is determined by reference to the Eurodollar Rate component of the Base Rate, the interest rate on which Base Rate Loans of Lender shall, if necessary to avoid such illegality, be determined by Lender without reference to the Eurodollar Rate component of the Base Rate, in each case until Lender notifies the Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, (i) the Borrower shall, upon demand from Lender, prepay or, if applicable, convert all Eurodollar Rate Loans to Base Rate Loans (the interest rate on such Base Rate Loans shall, if necessary to avoid such illegality, be determined by Lender without reference to the Eurodollar Rate component of the Base Rate), either on the last day of the Interest Period therefor, if Lender may lawfully continue to maintain such Eurodollar Rate Loans to such day, or immediately, if Lender may not lawfully continue to maintain such Eurodollar Rate Loans and (ii) if such notice asserts the illegality of Lender determining or charging interest rates based upon the Eurodollar Rate, the Lender shall during the period of such suspension compute the Base Rate applicable to Lender without reference to the Eurodollar Rate component thereof until the Borrower is advised in writing by Lender that it is no longer illegal for Lender to determine or charge interest rates based upon the Eurodollar Rate. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted.

p. Inability to Determine Rates.

18. If in connection with any request for a Eurodollar Rate Loan or a conversion to or continuation thereof, the Lender determines that (i) Dollar deposits are not being offered to banks in the London interbank eurodollar market for the applicable amount and Interest Period of such Eurodollar Rate Loan, (ii) adequate and reasonable means do not exist for determining the

Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Loan or in connection with an existing or proposed Base Rate Loan, or (iii) the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Loan does not adequately and fairly reflect the cost to the Lender of funding such Eurodollar Rate Loan, the Lender will promptly so notify the Borrower. Thereafter, (x) the obligation of the Lender to make or maintain Eurodollar Rate Loans shall be suspended (to the extent of the affected Eurodollar Rate Loans or Interest Periods), and (y) in the event of a determination described in the preceding sentence with respect to the Eurodollar Rate component of the Base Rate, the utilization of the Eurodollar Rate component in determining the Base Rate shall be suspended, in each case until the Lender revokes such notice. Upon receipt of such notice, the Borrower may revoke any pending request for a Term Borrowing of, conversion to or continuation of Eurodollar Rate Loans (to the extent of the affected Eurodollar Rate Loans or Interest Periods) or, failing that, will be deemed to have converted such request into a request for a Term Borrowing of Base Rate Loans in the amount specified therein. Notwithstanding the foregoing, in the case of such pending request, the Lender, in consultation with the Borrower, may establish an alternative interest rate for funding Term Loans in the applicable currency and amount, and with the same Interest Period as the Term Loan requested to be made, converted or continued, as the case may be in which case, such alternative rate of interest shall apply with respect to such Term Loans.

19. Notwithstanding anything to the contrary in this Agreement or any other Loan Documents, if the Lender determines (which determination shall be conclusive absent manifest error), or the Borrower notifies the Lender that the Borrower has determined, that:

v.adequate and reasonable means do not exist for ascertaining LIBOR for any Interest Period hereunder or any other tenors of LIBOR, including, without limitation, because the LIBOR Screen Rate is not available or published on a current basis and such circumstances are unlikely to be temporary; or

vi.the administrator of the LIBOR Screen Rate or a Governmental Authority having or purporting to have jurisdiction over the Lender or such administrator has made a public statement identifying a specific date after which LIBOR or the LIBOR Screen Rate shall no longer be made available, or used for determining the interest rate of loans, provided that, at the time of such statement, there is no successor administrator that is satisfactory to the Lender, that will continue to provide LIBOR after such specific date (such specific date, the “Scheduled Unavailability Date”); or

vii.the administrator of the LIBOR Screen Rate or a Governmental Authority having jurisdiction over such administrator has made a public statement announcing that all Interest Periods and other tenors of LIBOR are no longer representative; or

viii.commercial loans currently being executed, or that include language similar to that contained in this Section 3.03, are being executed or amended (as applicable) to incorporate or adopt a new benchmark interest rate to replace LIBOR:

then, in the case of clauses (i)-(iii) above, on a date and time determined by the Lender (any such date, the “LIBOR Replacement Date”), which date shall be at the end of an Interest Period or on the relevant interest payment date, as applicable, for interest calculated and shall occur reasonably promptly upon the occurrence of any of the events or circumstances under clauses (i), (ii) or (iii) above and, solely with respect to clause (ii) above, no later than the

Scheduled Unavailability Date, LIBOR will be replaced hereunder and under any Loan Document with, subject to the proviso below, the first available alternative set forth in the order below for any payment period for interest calculated that can be determined by the Lender, in each case, without any amendment to, or further action or consent of any other party to, this Agreement or any other Loan Document (the “LIBOR Successor Rate”; and any such rate before giving effect to the Related Adjustment, the “Pre-Adjustment Successor Rate”):

- (x) Term SOFR *plus* the Related Adjustment; and
- (y) SOFR *plus* the Related Adjustment;

and in the case of clause (iv) above, on the fifth Business Day after the Lender provides notice to the Borrower of the occurrence of the circumstances described in clause (iv) above, LIBOR under this Agreement and under any other Loan Document shall be replaced in accordance with the definition of “LIBOR Successor Rate;

provided that, if the Lender determines that Term SOFR has become available, is administratively feasible for the Lender and would have been identified as the Pre-Adjustment Successor Rate in accordance with the foregoing if it had been so available at the time that the LIBOR Successor Rate then in effect was so identified, and the Lender notifies the Borrower of such availability, then from and after the beginning of the Interest Period, relevant interest payment date or payment period for interest calculated, in each case, commencing no less than thirty (30) days after the date of such notice, the Pre-Adjustment Successor Rate shall be Term SOFR and the LIBOR Successor Rate shall be Term SOFR *plus* the relevant Related Adjustment.

The Lender will promptly (in one or more notices) notify the Borrower of (x) any occurrence of any of the events, periods or circumstances under clauses (i) through (iii) above, (y) a LIBOR Replacement Date and (z) the LIBOR Successor Rate.

Any LIBOR Successor Rate shall be applied in a manner consistent with market practice; provided that to the extent such market practice is not administratively feasible for the Lender, such LIBOR Successor Rate shall be applied in a manner as otherwise reasonably determined by the Lender.

Notwithstanding anything else herein, if at any time any LIBOR Successor Rate as so determined would otherwise be less than 0%, the LIBOR Successor Rate will be deemed to be 0% for the purposes of this Agreement and the other Loan Documents.

In connection with the implementation of a LIBOR Successor Rate, the Lender will have the right to make LIBOR Successor Rate Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such LIBOR Successor Rate Conforming Changes will become effective without any further action or consent of any other party to this Agreement; provided that, with respect to any such amendment effected, the Lender shall provide each such amendment implementing such LIBOR Successor Rate Conforming Changes to the Borrower reasonably promptly after such amendment becomes effective.

If the events or circumstances of the type described in Section 3.03(b)(i)-(iii) have occurred with respect to the LIBOR Successor Rate then in effect, then the successor rate thereto shall be determined in accordance with the definition of “LIBOR Successor Rate.”

20. Notwithstanding anything to the contrary herein, (i) after any such determination by the Lender or receipt by the Lender of any such notice described under Section 3.03(b)(i)-(iii), as applicable, if the Lender determines that none of the LIBOR Successor Rates is available on or prior to the LIBOR Replacement Date, (ii) if the events or circumstances described in Section 3.03(b)(iv) have occurred but none of the LIBOR Successor Rates is available, or (iii) if the events or circumstances of the type described in Section 3.03(b)(i)-(iii) have occurred with respect to the LIBOR Successor Rate then in effect and the Lender determines that none of the LIBOR Successor Rates is available, then in each case, solely for the purpose of replacing LIBOR or any then current LIBOR Successor Rate in accordance with this Section 3.03 at the end of any Interest Period, relevant interest payment date or payment period for interest calculated, as applicable, Lender may designate by prior notice to the Borrower another alternate benchmark rate to be effective under this Agreement on the fifth Business Day following notice, giving due consideration to any evolving or then existing convention for similar Dollar denominated commercial credit facilities for such alternative benchmarks and, in each case, including any Related Adjustments and any other mathematical or other adjustments to such benchmark giving due consideration to any evolving or then existing convention for similar Dollar denominated commercial credit facilities for such benchmarks, which adjustment or method for calculating such adjustment shall be published on an information service as selected by the Lender from time to time in its reasonable discretion and may be periodically updated. For the avoidance of doubt, any such alternative rate and adjustments shall constitute a LIBOR Successor Rate.

21. If, at the end of any Interest Period, relevant interest payment date or payment period for interest calculated, no LIBOR Successor Rate has been determined in accordance with clauses (b) or (c) of this Section 3.03 and the circumstances under clauses (b)(i) or (b)(iii) above exist or the Scheduled Unavailability Date has occurred (as applicable), the Lender will promptly so notify the Borrower. Thereafter, (x) the obligation of the Lender to make or maintain Eurodollar Rate Loans shall be suspended, (to the extent of the affected Eurodollar Rate Loans, Interest Periods, interest payment dates or payment periods), and (y) the Eurodollar Rate component shall no longer be utilized in determining the Base Rate, until the LIBOR Successor Rate has been determined in accordance with clauses (b) or (c). Upon receipt of such notice, the Borrower may revoke any pending request for a borrowing of, conversion to or continuation of Eurodollar Rate Loans (to the extent of the affected Eurodollar Rate Loans, Interest Periods, interest payment dates or payment periods) or, failing that, will be deemed to have converted such request into a request for a committed borrowing of Base Rate Loans (subject to the foregoing clause (y)) in the amount specified therein.

q. Increased Costs; Reserves on Eurodollar Rate Loans.

22. Increased Costs Generally. If any Change in Law shall:

ix. impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended by, the Lender (except any reserve requirement contemplated by Section 3.04(d));

x. subject the Lender to any taxes on its loans, loan principal, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto in respect thereof (other than (A) Indemnified Taxes and (B) Excluded Taxes); or

xi.impose on the Lender or the London interbank market any other condition, cost or expense affecting this Agreement or Eurodollar Rate Loans made by the Lender;

and the result of any of the foregoing shall be to increase the cost to the Lender of making, converting to, continuing or maintaining any Term Loan (or of maintaining its obligation to make any such Term Loan), or to reduce the amount of any sum received or receivable by the Lender hereunder (whether of principal, interest or any other amount) then, upon request of the Lender, the Borrower will pay to the Lender such additional amount or amounts as will compensate the Lender for such additional costs incurred or reduction suffered.

23. Capital Requirements. If the Lender determines that any Change in Law affecting the Lender or the Lender's Office or the Lender's holding company, if any, regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on the Lender's capital or on the capital of the Lender's holding company, if any, as a consequence of this Agreement, the Term Commitment of the Lender or the Term Loans made by the Lender, to a level below that which the Lender or the Lender's holding company could have achieved but for such Change in Law (taking into consideration the Lender's policies and the policies of the Lender's holding company with respect to capital adequacy), then from time to time the Borrower will pay to the Lender such additional amount or amounts as will compensate the Lender or the Lender's holding company for any such reduction suffered.

24. Certificates for Reimbursement. A certificate of the Lender setting forth the amount or amounts necessary to compensate the Lender or its holding company, as the case may be, as specified in subsection (a) or (b) of this Section and delivered to the Borrower shall be conclusive absent manifest error. The Borrower shall pay the Lender the amount shown as due on any such certificate within ten (10) Business Days after receipt thereof.

25. Reserves on Eurodollar Rate Loans. The Borrower shall pay to the Lender, (i) as long as the Lender shall be required to maintain reserves with respect to liabilities or assets consisting of or including eurocurrency funds or deposits (currently known as "Eurocurrency liabilities"), additional interest on the unpaid principal amount of each Eurodollar Rate Loan equal to the actual costs of such reserves allocated to such Term Loan by the Lender (as determined by the Lender in good faith, which determination shall be conclusive), and (ii) as long as the Lender shall be required to comply with any reserve ratio requirement or analogous requirement of any central banking or financial regulatory authority imposed in respect of the maintenance of the Term Commitment or the funding of the Term Loans, such additional costs (expressed as a percentage per annum and rounded upwards, if necessary, to the nearest five decimal places) equal to the actual costs allocated to such Term Commitment or Term Loan by the Lender (as determined by the Lender in good faith, which determination shall be conclusive), which in each case shall be due and payable on each date on which interest is payable on such Term Loan, provided the Borrower shall have received at least ten (10) Business Days' prior notice of such additional interest or costs from the Lender. If the Lender fails to give notice ten (10) Business Days prior to the relevant Interest Payment Date, such additional interest shall be due and payable ten (10) Business Days from receipt of such notice.

26. Delay in Requests. Failure or delay on the part of the Lender to demand compensation pursuant to the foregoing provisions of this Section 3.04 shall not constitute a waiver of the Lender's right to demand such compensation, provided that the Borrower shall not

be required to compensate the Lender pursuant to the foregoing provisions of this Section for any increased costs incurred or reductions suffered more than six (6) months prior to the date that the Lender notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of the Lender's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the six (6) month period referred to above shall be extended to include the period of retroactive effect thereof).

r. Compensation for Losses.

Upon demand of the Lender from time to time, the Borrower shall promptly compensate the Lender for and hold the Lender harmless from any loss, cost or expense incurred by it as a result of:

27. any continuation, conversion, payment or prepayment of any Term Loan other than a Base Rate Loan on a day other than the last day of the Interest Period for such Term Loan (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise); or

28. any failure by the Borrower (for a reason other than the failure of the Lender to make a Term Loan) to prepay, borrow, continue or convert any Term Loan other than a Base Rate Loan on the date or in the amount notified by the Borrower;

including any loss of anticipated profits and any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain such Term Loan or from fees payable to terminate the deposits from which such funds were obtained. The Borrower shall also pay any customary administrative fees charged by the Lender in connection with the foregoing.

For purposes of calculating amounts payable by the Borrower to the Lender under this Section 3.05, the Lender shall be deemed to have funded each Eurodollar Rate Loan made by it at the Eurodollar Rate for such Term Loan by a matching deposit or other borrowing in the London interbank eurodollar market for a comparable amount and for a comparable period, whether or not such Eurodollar Rate Loan was in fact so funded.

s. Survival.

All of the Loan Parties' obligations under this Article III shall survive termination of the Term Commitment and repayment of all other Obligations hereunder.

ARTICLE IV.

CONDITIONS PRECEDENT TO TERM BORROWINGS

t. Conditions of Initial Term Borrowing.

The obligation of the Lender to make the initial Term Borrowing hereunder is subject to satisfaction of the following conditions precedent:

29. Execution of Term Loan Agreement; Loan Documents. The Lender shall have received (i) counterparts of this Agreement, executed by a Responsible Officer of each Loan Party and (ii) counterparts of any other Loan Document, executed by a Responsible Officer of each Loan Party, as applicable, and a duly authorized officer of each other Person party thereto.

30. Legal Opinions. The Lender shall have received favorable written opinions (addressed to the Lender and dated on or prior to the Closing Date) from Margaret A. Thickens, Vice President, Chief Legal Officer and Corporate Secretary of ALLETE, Lyssa Supinski, General Counsel and Corporate Secretary of ALLETE Clean Energy and General Counsel and Secretary of the Borrower, and Cohen Tauber Spievack & Wagner P.C., special counsel to the Loan Parties, covering such matters relating to the Loan Parties, the Loan Documents and the Transactions as the Lender may reasonably request. The Loan Parties hereby request such counsel to deliver such opinion.

31. Organizational Documents, etc. The Lender shall have received such documents and certificates as the Lender or its counsel may reasonably request relating to (i) the organization, existence and good standing of each Loan Party (including (A) a certificate of incorporation or formation of each Loan Party, certified as of a recent date by the Secretary of State of the jurisdiction of its incorporation, and (B) certificates of good standing (or comparable certificates) for each Loan Party, certified as of a recent date prior to the Closing Date, by the Secretaries of State (or comparable officials) of the jurisdiction of its incorporation and each other jurisdiction in which it is qualified to do business, (ii) the authorization of the Transactions, (iii) the incumbency of its officer or officers who may sign the Loan Documents, including therein a signature specimen of such officer or officers, and (iv) any other legal matters relating to the Loan Parties, the Loan Documents or the Transactions, all in form and substance reasonably satisfactory to the Lender and its counsel.

32. Officer's Certificates. The Lender shall have received certificates, in form and substance satisfactory to the Lender, dated on or prior to the Closing Date and signed by the chief executive officer, treasurer or another Financial Officer of each Loan Party acceptable to the Lender, certifying that the conditions set forth in Section 4.02(a) and Section 4.02(b) are satisfied as of the Closing Date.

33. KYC. (i) The Lender shall have received, at least five days prior to the Closing Date, all documentation and other information regarding the Loan Parties requested in connection with applicable "know your customer" and anti-money laundering rules and regulations, including the PATRIOT Act, to the extent requested in writing of the Loan Parties at least 10 days prior to the Closing Date and (ii) to the extent the Borrower qualifies as a "legal entity customer" under the Beneficial Ownership Regulation, at least five days prior to the Closing Date, if the Lender has requested, in a written notice to the Borrower at least 10 days prior to the Closing Date, a Beneficial Ownership Certification in relation to the Borrower shall have received such Beneficial Ownership Certification.

34. Fees and Expenses. The Lender shall have received all fees and other amounts due and payable on or prior to the Closing Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrower hereunder.

35. Miscellaneous. Such other documents as the Lender or its counsel may have reasonably requested.

u. Conditions to all Term Borrowings.

The obligation of the Lender to honor any Request for Term Borrowing (other than a Loan Notice requesting only a conversion of Term Loans to the other Type, or a continuation of Eurodollar Rate Loans) is subject to the following conditions precedent:

36. Representations and Warranties. The representations and warranties of the Loan Parties contained in Article II, Article V or any other Loan Document, or which are contained in any document furnished at any time under or in connection herewith or therewith, shall (i) with respect to representations and warranties that contain a materiality qualification, be true and correct on and as of the date of such Term Borrowing and (ii) with respect to representations and warranties that do not contain a materiality qualification, be true and correct in all material respects on and as of the date of such Term Borrowing; provided that to the extent any such representation or warranty is stated to have been made as of an earlier date, it is true and correct as of such earlier date.

37. Default. No Default shall exist, or would result from such proposed Term Borrowing or from the application of the proceeds thereof.

38. Request for Term Borrowing. The Lender shall have received a Request for Term Borrowing in accordance with the requirements hereof.

Each Request for Term Borrowing (other than a Loan Notice requesting only a conversion of Term Loans to the other Type or a continuation of Eurodollar Rate Loans) submitted by the Borrower shall be deemed to be a representation and warranty that the conditions specified in Sections 4.02(a) and (b) have been satisfied on and as of the date of the applicable Term Borrowing.

ARTICLE V.

REPRESENTATIONS AND WARRANTIES

Each Loan Party represents and warrants to the Lender that:

v. Organization; Powers. Each Loan Party and each Subsidiary is duly organized or formed, validly existing and in good standing under the laws of the jurisdiction of its organization or formation, has all requisite corporate power and authority to carry on its business as now conducted and, except where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.

w. Authorization; Enforceability. The Transactions are within the corporate powers of the Loan Parties and have been duly authorized by all necessary corporate or limited liability company and, if required, equity holder action. Each Loan Document has been duly executed and delivered by the applicable Loan Parties and constitutes a legal, valid and binding obligation thereof, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general principles of equity.

x. Governmental Approvals; No Conflicts.

39. The execution, delivery and performance by each Loan Party of the Loan Documents it is party to and the borrowing of the Term Loans do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except for (i) information filings to be made in the ordinary course of business, which filings are not a condition to such Loan Party's performance under the Loan Documents and (ii) such as have been obtained or made and are in full force and effect and not subject to any appeals period.

40. The Transactions will not (i) violate the charter, by-laws or other organizational documents of any Loan Party, (ii) violate any applicable law or regulation or any order of any Governmental Authority, (iii) violate or result in a default under any material indenture, agreement or other instrument binding upon any Loan Party or its assets, or give rise to a right thereunder to require any payment to be made by such Loan Party, and (iv) result in or require the creation or imposition of any Lien on any asset of any Loan Party.

y. Financial Condition; No Material Adverse Change.

41. ALLETE has previously delivered to the Lender copies of (i) its Form 10-K for the fiscal year ended December 31, 2019, containing the audited consolidated balance sheet of ALLETE and its Subsidiaries and the related audited consolidated statements of operations, comprehensive income, changes in stockholders' equity and cash flows for the fiscal year ending December 31, 2019, and (ii) the unaudited consolidated balance sheet of ALLETE and its Subsidiaries and the related unaudited consolidated statements of income, equity and cash flows for the fiscal quarter ended September 30, 2020 (collectively, including the applicable related notes and schedules, the "ALLETE Financial Statements"). All such financial statements have been prepared in accordance with GAAP and fairly present in all material respects the consolidated financial condition and results of the operations of ALLETE and its Subsidiaries as of the dates and for the periods indicated therein (subject, in the case of unaudited financial statements, to the absence of footnotes and to normal, year-end audit adjustments).

42. Since September 30, 2020, there has been no Material Adverse Change.

z. Litigation. There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of any Loan Party, threatened in writing against or affecting any Loan Party or any Subsidiary that (a) if adversely determined (and provided that there exists a reasonable possibility of such adverse determination), would reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect, except for any Disclosed Matters, and except that the commencement by any Loan Party, any Subsidiary or any Governmental Authority of a rate proceeding, fuel adjustment clause audit or earnings review before such Governmental Authority shall not constitute such a pending or threatened action, suit or proceeding unless and until such Governmental Authority has made a final determination thereunder that would reasonably be expected to have a Material Adverse Effect, or (b) involve any Loan Document or the Transactions.

aa. Environmental Matters. Except for the Disclosed Matters, ALLETE and its Subsidiaries (a) are in compliance with Environmental Laws, (b) have received all permits, licenses or other approvals required of them under applicable Environmental Law to conduct their respective businesses and (c) are in compliance with all terms and conditions of any such permit, license, or approval, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect.

ab. Investment Company Status. Neither ALLETE nor any Subsidiary is an “investment company” or a company “controlled” by an “investment company” as defined in, or is otherwise subject to regulation under, the Investment Company Act of 1940.

ac. ERISA. Each of ALLETE and each of its ERISA Affiliates is in compliance in all material respects with the applicable provisions of ERISA and the Code and the regulations and published interpretations thereunder except for any such failure that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, would reasonably be expected to result in a Material Adverse Effect.

ad. Disclosure.

43. None of the reports, financial statements, certificates or other information furnished by or on behalf of any Loan Party to the Lender in connection with the negotiation of, or delivered under any Loan Document when taken as a whole (as modified or supplemented by other information so furnished, including the information contained in ALLETE’s most recent annual report on Form 10-K and in ALLETE’s reports filed with the SEC under the Securities Exchange Act of 1934 subsequent to the filing of the Form 10-K) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not materially misleading, provided that, to the extent any such reports, financial statements, certificates or other information was based upon or constitutes a forecast or a projection (including statements concerning future financial performance, ongoing business strategies or prospects or possible future actions, and other forward-looking statements), the Loan Parties represent only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

44. As of the Closing Date, to the best knowledge of each Loan Party, the information included in the Beneficial Ownership Certification applicable to such Loan Party provided on or prior to the Closing Date to the Lender in connection with this Agreement is true and correct in all respects.

ae. Subsidiaries. As of the date hereof, the Loan Parties have only the Subsidiaries set forth on Schedule 5.10. Schedule 5.10 sets forth with respect to each Subsidiary, the identity of each Person that owns Equity Interests in such Subsidiary and the percentage of the issued and outstanding Equity Interests owned by each such Person. The shares of each Subsidiary (excluding any Immaterial Subsidiary) are duly authorized, validly issued, fully paid and non-assessable and are owned free and clear of any Liens, other than Liens permitted pursuant to Section 7.01.

af. Use of Proceeds; Federal Reserve Regulations.

45. The proceeds of the Term Loans will be used for general corporate purposes not inconsistent with the terms of this Agreement.

46. Neither ALLETE nor any Subsidiary is engaged principally, or as one of their important activities, in the business of extending credit for the purpose of buying or carrying Margin Stock. Immediately before and after giving effect to the making of the Term Loans, Margin Stock will constitute less than 25% of the Borrower’s assets as determined in accordance with Regulation U.

47. No part of the proceeds of any Term Loan will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, (i) to purchase, acquire or carry any Margin Stock (other than any purchase of Equity Interests in ALLETE so long as such Equity Interests are retired immediately upon the purchase thereof) or for any purpose that entails a violation of, or that is inconsistent with, the provisions of the regulations of the Board, including Regulation T, U or X or (ii) to fund a personal loan to or for the benefit of a director or executive officer of any Loan Party or any Subsidiary.

ag. Affected Financial Institutions. No Loan Party is an Affected Financial Institution.

ah. Anti-Money Laundering and Anti-Terrorism Finance Laws. The Loan Parties implemented and maintain in effect policies and procedures designed to ensure compliance by the Loan Parties, their Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws. To the extent applicable, each Loan Party is in compliance, in all material respects, with Anti-Corruption Laws, anti-money laundering laws and anti-terrorism finance laws including the Bank Secrecy Act and the PATRIOT Act (the "Anti-Terrorism Laws").

ai. Foreign Corrupt Practices Act. No part of the proceeds of the Term Loans shall be used, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977.

aj. Sanctions Laws. No Loan Party nor, to the knowledge of such Loan Party, any Affiliate or broker or other agent of such Loan Party acting or benefiting in any capacity in connection with the Term Loans, is any of the following (a "Restricted Person"): (i) a Person that is listed in the annex to, or is otherwise subject to the provisions of, Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001; (ii) a Person that is named as a "specially designated national and blocked person" on the most current list published by the U.S. Treasury Department Office of Foreign Assets Control ("OFAC") at its official website or any replacement website or other replacement official publication of such list or similarly named by any similar foreign governmental authority; (iii) an agency of the government of a country, an organization controlled by a country, or a Person resident in a country that is subject to a sanctions program identified on the lists maintained by OFAC; or (iv) a Person that derives more than 10% of its assets or operating income from investments in or transactions with any such country, agency, organization or person. Further, none of the proceeds from the Term Loans shall be used to finance any operations, investments or activities in, or make any payments to, any such country, agency, organization or Person subject to OFAC sanctions.

ak. Plan Assets; Prohibited Transactions. As of the Closing Date, the Borrower is not and will not be using "plan assets" (within the meaning of Section 3(42) of ERISA or otherwise) of one or more Benefit Plans with respect to the Borrower's entrance into, participation in, administration of and performance of the Term Loans, the Term Commitments or this Agreement.

ARTICLE VI.

AFFIRMATIVE COVENANTS

Until the principal of and interest on all Term Loans and all other amounts payable under the Loan Documents shall have been paid in full, each Loan Party covenants and agrees with the Lender that:

al. Financial Statements and Other Information. The Borrower will furnish to the Lender:

48. As soon as available, but in any event within 120 days after the end of each fiscal year, (i) a copy of ALLETE's Annual Report on Form 10-K in respect of such fiscal year required to be filed by ALLETE with the SEC, together with the financial statements attached thereto, and (ii) ALLETE's audited consolidated balance sheet and related consolidated statements of income, stockholder's equity and cash flows as of the end of and for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by the Accountants (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial conditions and results of operations of ALLETE and its Subsidiaries on a consolidated basis in accordance with GAAP consistently applied during such fiscal year;

49. As soon as available, but in any event within 60 days after the end of each of the first three fiscal quarters of each fiscal year, (i) a copy of ALLETE's Quarterly Report on Form 10-Q in respect of such fiscal quarter required to be filed by ALLETE with the SEC, together with the financial statements attached thereto, and (ii) ALLETE's unaudited consolidated balance sheet and related consolidated statements of income, stockholder's equity and cash flows as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by a duly authorized Financial Officer as presenting fairly in all material respects the financial conditions and results of operations of ALLETE and its Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year end audit adjustments and the absence of footnotes;

50. Within 60 days after the end of each of the first three fiscal quarters and within 120 days after the end of the last fiscal quarter, beginning with the fiscal quarter ended March 31, 2021, a Compliance Certificate, signed by a Financial Officer of ALLETE (or such other officer as shall be acceptable to the Lender) as to ALLETE's compliance, as of such fiscal quarter ending date, with Section 7.05, and as to the absence of any Default as of such fiscal quarter ending date and the date of such certificate (or if a Default existed or exists, the nature thereof); and

51. promptly following any request therefor, (i) such other information regarding the operations, business affairs and financial condition of any Loan Party or any Subsidiary, or compliance with the terms of the Loan Documents, as the Lender may reasonably request and (ii) information and documentation reasonably requested by the Lender for purposes of compliance with applicable "know your customer" and anti-money laundering rules and regulations, including the PATRIOT Act and the Beneficial Ownership Regulation.

am. Notices of Material Events. The Borrower will furnish the following to the Lender:

52. prompt written notice of the occurrence of any Default, specifying the nature thereof and any action taken or proposed to be taken with respect thereto;

53. promptly upon becoming available, copies of all (i) regular, periodic or special reports, schedules and other material which ALLETE or any of its Subsidiaries may be required to file with or deliver to any securities exchange or the SEC, or any other Governmental

Authority succeeding to the functions thereof, and (ii) upon the written request of the Lender, reports that ALLETE or any of its Subsidiaries send to or file with the Federal Energy Regulatory Commission, the WPS, the MPUC or any Governmental Authority succeeding to the functions thereof, or any similar state or local Governmental Authority;

54. prompt written notice of (i) any material citation, summons, subpoena, order, notice, claim or proceeding received by, or brought against, ALLETE or any of its Subsidiaries, with respect to (A) any proceeding before any Governmental Authority (other than proceedings in the ordinary course of business before the WPS or the MPUC), or (B) any real property under any Environmental Law, and (ii) any lapse or other termination of, or refusal to renew or extend, any material franchise or other authorization issued to ALLETE or any of its Subsidiaries by any Governmental Authority (other than in the ordinary course of business), provided that any of the foregoing set forth in this paragraph would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect;

55. prompt written notice of any change by any Rating Agency in a Senior Debt Rating; and

56. any change in the information provided in the Beneficial Ownership Certification delivered to the Lender that would result in a change to the list of beneficial owners identified in such certification.

Each notice delivered under Section 6.02(a) or Section 6.02(c) shall be accompanied by a statement of a Financial Officer or other executive officer of the Borrower setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

Documents required to be delivered pursuant to Section 6.01(a), Section 6.01(b), Section 6.02(b) or Section 6.02(c) (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (a) on which ALLETE posts such documents, or provides a link thereto, on ALLETE's website on the Internet at the website address listed in Section 10.02; or (b) on which such documents are posted on the Borrower's behalf on an Internet or intranet website, if any, to which the Lender has access (whether a commercial, third-party website or whether sponsored by the Lender), provided that: (i) the Borrower shall deliver paper copies of such documents to the Lender if the Lender requests that the Borrower deliver such paper copies until a written request to cease delivering paper copies is given by the Lender and (ii) the Borrower shall notify the Lender (by facsimile or electronic mail) of the posting of any such documents and provide to the Lender by electronic mail electronic versions (i.e., soft copies) of such documents.

an. Legal Existence. Except as permitted under Section 7.02, each Loan Party shall maintain its legal existence in good standing in the jurisdiction of its organization or formation and in each other jurisdiction in which the failure so to do would reasonably be expected to have a Material Adverse Effect, and cause each of the Subsidiaries to maintain its qualification to do business and good standing in each jurisdiction in which the failure so to do would reasonably be expected to have a Material Adverse Effect (it being understood that the foregoing shall not prohibit the Loan Parties from dissolving or terminating the existence of any Subsidiary (other than the Borrower or ALLETE Clean Energy) that is inactive or whose preservation otherwise is no longer desirable in the conduct of the business of ALLETE and its Subsidiaries considered as a whole).

ao. Taxes. Each Loan Party shall pay and discharge when due, and cause each of the Subsidiaries so to do, all taxes imposed upon it or upon its property, which if unpaid would, individually or collectively, reasonably be expected to have a Material Adverse Effect or become a Lien on the property of such Loan Party or such Subsidiary (other than a Lien described in clause (a) of the definition of Permitted Encumbrances), as the case may be, unless and to the extent only that such taxes shall be contested in good faith and by appropriate proceedings diligently conducted by such Loan Party or such Subsidiary, as the case may be.

ap. Insurance. Each Loan Party shall maintain, and cause each of its Subsidiaries to maintain, with financially sound and reputable insurance companies, insurance on all its property in at least such amounts and against at least such risks as are usually insured against in the same general area by companies engaged in the same or a similar business, provided that the Loan Parties and their Subsidiaries may self-insure to the same extent as other companies engaged in similar businesses and owning similar properties in the same general areas in which such Loan Party or such Subsidiary operates and to the extent consistent with prudent business practice. The Loan Parties shall furnish to the Lender, upon written request, full information as to the insurance carried.

aq. Condition of Property. Each Loan Party shall at all times maintain, protect and keep in good repair, working order and condition in all material respects (ordinary wear and tear excepted), and cause each of its Subsidiaries so to do, all material property necessary to the operation of such Loan Party's or such Subsidiary's, as the case may be, material businesses, provided that nothing shall prevent the Loan Parties or their Subsidiaries, as appropriate, from discontinuing the maintenance or operation of any property if such discontinuance is, in the judgment of such Loan Party or such Subsidiary, desirable in the conduct of the business of such Loan Party or such Subsidiary. It is understood that this covenant relates only to working order and condition of such property in accordance with prudent industry practices and shall not be construed as a covenant not to dispose of property.

ar. Observance of Legal Requirements. Each Loan Party shall observe and comply in all material respects, and cause each of its Subsidiaries so to do, with all laws, regulations and orders of any Governmental Authority which now or at any time hereafter may be applicable to it, including ERISA and all Environmental Laws, a violation of which would individually or collectively reasonably be expected to have a Material Adverse Effect, except such thereof as shall be contested in good faith and, if applicable, by appropriate proceedings diligently conducted by it.

as. Inspection of Property; Books and Records; Discussions. Each Loan Party shall keep proper books of record and account in conformity with GAAP and all requirements of law. Each Loan Party shall permit representatives of the Lender to visit its offices, to inspect any of its property (subject to reasonable procedures relating to safety and security) and examine and make copies or abstracts from any of its books and records at any reasonable time and as often as may reasonably be desired, and to discuss the business, operations, prospects, property and financial condition of such Loan Party and its Subsidiaries with the officers thereof and the Accountants; provided that none of the Lender, its agents, or its representatives shall be entitled to examine or make copies or abstracts of, or otherwise obtain information with respect to, such Loan Party's records relating to pending or threatened litigation if any such disclosure by such Loan Party would reasonably be expected (i) to give rise to a waiver of any attorney/client privilege of such Loan Party or any of its Subsidiaries relating to such information or (ii) to be otherwise materially disadvantageous to such Loan Party or any of its Subsidiaries in the defense of such litigation; and provided further that in the case of any discussion with the Accountants, such Loan Party shall have been given the opportunity to participate in such discussion and, unless a Default exists, the Lender shall pay any fees and expenses of the Accountant in connection therewith.

ARTICLE VII.

NEGATIVE COVENANTS

Until the principal of and interest on all Term Loans and all other amounts payable under the Loan Documents shall have been paid in full, each Loan Party covenants and agrees with the Lender that:

at. Liens. Each Loan Party shall not, and shall not permit any Subsidiary to, create, incur, assume or suffer to exist any Lien upon any of its property, whether now owned or hereafter acquired by it, except:

57. Liens now existing or hereafter arising in favor of the Lender under the Loan Documents;

58. Permitted Encumbrances;

59. any Lien existing on any property prior to the acquisition thereof by any Loan Party or any Subsidiary, or existing on any property of any Person that becomes a Subsidiary after the Closing Date prior to the time such Person becomes a Subsidiary or that is merged with or into or consolidated with any Loan Party or any Subsidiary prior to such merger or consolidation, provided that (i) such Lien is not created in contemplation of or in connection with such acquisition or such Person becoming a Subsidiary or such merger or consolidation, as the case may be, (ii) such Lien shall not apply to any other property of any Loan Party or any Subsidiary and (iii) such Lien shall secure only those obligations and liabilities that it secures on the date of such acquisition or the date such Person becomes a Subsidiary of a Loan Party or such merger or consolidation, as the case may be;

60. Liens (including precautionary Liens in connection with Capital Lease Obligations) on fixed or capital assets and other property (including any natural gas, oil or other mineral assets, pollution control facilities, electrical generating plants, equipment and machinery, and related accounts, financial assets, contracts and general intangibles) acquired, constructed, explored, drilled, developed, improved, repaired or serviced (including in connection with the financing of working capital and ongoing maintenance) by any Loan Party or any Subsidiary, provided that (i) such security interests and the obligations and liabilities secured thereby are incurred prior to or within 270 days after the acquisition of the relevant asset or the completion of the relevant construction, exploration, drilling, development, improvement, repair or servicing (including the relevant financing of working capital and ongoing maintenance), as the case may be, (ii) the obligations and liabilities secured thereby do not exceed the cost of acquiring, constructing, exploring, drilling, developing, improving, repairing or servicing (including the financing of working capital and ongoing maintenance in respect of) the relevant assets, and (iii) such security interests shall not apply to any other property beyond the relevant property set forth in this Section 7.01(d) (and in the case of construction or improvement, any theretofore unimproved real property on which the property so constructed or the improvement is located) and Section 7.01(f), as applicable, of any Loan Party or any Subsidiary;

61. Liens created under or in connection with the Mortgage and the SWLP Mortgage;

62. Liens on any Equity Interest owned or otherwise held by or on behalf of any Loan Party or any Subsidiary in any Person created as a special purpose, bankruptcy-remote

Person for the sole and exclusive purpose of engaging in activities in connection with the owning and operating of property in connection with any project financing permitted to be secured under Section 7.01(d);

63. Liens created to secure Indebtedness of any Subsidiary to any Loan Party or to any other Subsidiary;

64. rights reserved to or vested in others to take or receive any part of any coal, ore, gas, oil and other minerals, any timber and/or any electric capacity or energy, gas, water, steam and any other product developed, produced, manufactured, generated, purchased or otherwise acquired by any Loan Party or by others on property of any Loan Party or any Subsidiary, provided that no Lien described in this paragraph shall secure Indebtedness;

65. Liens created for the sole purpose of extending, renewing or replacing in whole or in part Indebtedness secured by any lien, mortgage or security interest referred to in the foregoing Section 7.01(a) through Section 7.01(h), provided that the principal amount of Indebtedness secured thereby shall not exceed the principal amount of Indebtedness so secured at the time of such extension, renewal or replacement and that such extension, renewal or replacement, as the case may be, shall be limited to all or a part of the property or indebtedness that secured the lien or mortgage so extended, renewed or replaced (and any improvements on such property);

66. Liens on cash or invested funds used to make a defeasance, covenant defeasance or in substance defeasance of any Indebtedness pursuant to an express contractual provision in the agreement governing such Indebtedness, provided that immediately before and immediately after giving effect to the making of such defeasance, no Default shall exist;

67. Liens on all CoBank Equities now owned or hereafter acquired by ALLETE; and

68. any Lien, in addition to those described in the foregoing Section 7.01(a) through Section 7.01(k), securing obligations that, together with all other obligations secured pursuant to this Section 7.01(l), do not exceed 10% of Consolidated Assets at the time of the incurrence thereof.

au. Merger; Consolidation. Each Loan Party shall not, and shall not permit any Subsidiary (excluding any Immaterial Subsidiary) to undergo a division (as defined in Section 18-217 of the Delaware Limited Liability Company Act) or consolidate with or merge into any other Person (other than a merger of a Subsidiary (other than the Borrower or ALLETE Clean Energy) into, or a consolidation of a Subsidiary with, a Loan Party or another Subsidiary), unless:

69. immediately before and after giving effect thereto no Default shall exist;

70. immediately before and after giving effect thereto, all of the representations and warranties contained in the Loan Documents shall be true and correct except as the context thereof otherwise requires and except for those representations and warranties which by their terms or by necessary implication are expressly limited to a state of facts existing at a time prior to such merger, consolidation or acquisition, as the case may be, or such other matters relating thereto as are identified in a writing to the Lender and are satisfactory to the Lender;

71. in the case of a transaction involving the Borrower, either (i) the Borrower shall be the surviving entity thereof, or in the event the Borrower shall not be the surviving entity thereof, each of the following conditions shall be satisfied: (A) such surviving entity shall have been incorporated or otherwise formed in a State of the United States with substantially all of its assets and business located and conducted in the United States, (B) such surviving entity shall, immediately after giving effect to such transaction, have an Investment Grade Rating and (C) such surviving entity shall have expressly assumed the obligations of the Borrower under the Loan Documents pursuant to a writing in form and substance satisfactory to the Lender; and (ii) the Lender shall have received a certificate signed by a duly authorized officer of the Borrower identifying the Person to be merged with or into, or consolidated with, or acquired by, the Borrower, and certifying as to each of the matters set forth in Sections 7.02(a), 7.02(b), and 7.02(c)(i); and

72. in the case of a transaction involving a Guarantor, either (i) such Guarantor shall be the surviving entity thereof, or in the event such Guarantor shall not be the surviving entity thereof, each of the following conditions shall be satisfied: (A) such surviving entity shall have been incorporated or otherwise formed in a State of the United States with substantially all of its assets and business located and conducted in the United States, (B) such surviving entity shall, immediately after giving effect to such transaction, have an Investment Grade Rating and (C) such surviving entity shall have expressly assumed the obligations of such Guarantor under the Loan Documents pursuant to a writing in form and substance satisfactory to the Lender; and (ii) the Lender shall have received a certificate signed by a duly authorized officer of such Guarantor identifying the Person to be merged with or into, or consolidated with, or acquired by, such Guarantor, and certifying as to each of the matters set forth in Sections 7.02(a), 7.02(b), and 7.02(c)(i).

For purposes of Section 7.02(c) above, “Investment Grade Rating” means a Senior Debt Rating from at least two Rating Agencies equal to (1) for any transaction where the surviving entity has a Senior Debt Rating, a rating for such surviving entity of BBB- or higher from S&P or Fitch or Baa3 or higher from Moody’s and (2) for any transaction where the surviving entity is an indirect or direct holding company for a public utility that does not have a Senior Debt Rating, a rating for such surviving entity’s primary utility Subsidiary of BBB- or higher from S&P or Fitch or Baa3 or higher from Moody’s.

av. Transactions with Affiliates. Each Loan Party shall not, and shall not permit any of its Subsidiaries to, sell, transfer, lease or otherwise dispose of (including pursuant to a merger) any property or assets to, or purchase, lease or otherwise acquire (including pursuant to a merger) any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except in the ordinary course of business at prices and on terms and conditions not less materially favorable to such Loan Party or such Subsidiary, as the case may be, than could be obtained on an arm’s-length basis from unrelated third parties, provided that this Section shall not apply to (i) any transaction that is in compliance with applicable laws and regulations of the Federal Energy Regulatory Commission, the WPS or the MPUC pertaining to affiliate transactions or is authorized by a tariff or rate schedule which has been approved by a Governmental Authority or performed in accordance with its orders, (ii) any transaction that is otherwise permitted under Section 7.02, (iii) entering into the Construction Loan Agreement and any transactions contemplated thereunder, and (iv) transactions pursuant to any contract in effect on the date hereof, as the same may be amended, extended or replaced from time to time so long as such contract as so amended, extended or replaced is, taken as a whole, not materially less favorable to the Loan Party and its Subsidiaries than under those contracts in effect on the date hereof.

aw. Permitted Hedge Agreements. No Loan Party shall enter into any Hedge Agreements other than (a) Permitted Hedge Agreements and (b) transactions in futures, floors, collars and similar Hedge Agreements involving the stock price of a Person involved in a merger transaction permitted by Section 7.02.

ax. Financial Covenant. Commencing with the fiscal quarter ended March 31, 2021, ALLETE shall not permit Total Indebtedness to be greater than 65% of Total Capitalization as of the end of any fiscal quarter.

ay. Anti-Money Laundering and Anti-Terrorism Finance Laws; Foreign Corrupt Practices Act; Sanctions Laws; Restricted Person. Each Loan Party shall not, and shall not permit any Subsidiary to, (i) engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any prohibition set forth in any Anti-Terrorism Law, (ii) cause or permit any of the funds that are used to repay any obligation under the Loan Documents to be derived from any unlawful activity with the result that the making of the Term Loans would be in violation of any applicable law, (iii) use any part of the proceeds of the Term Loans, in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws; (iv) use any of the proceeds from the Term Loans to finance any operations, investments or activities in, or make any payments to, any Restricted Person or in any manner that would result in the violation of any applicable sanctions.

az. Use of Proceeds. The Borrower shall not, and shall not permit any Subsidiary to, use the proceeds of the Term Loans, whether directly or indirectly, and whether immediately, incidentally or ultimately, to purchase assets from or securities from or issued by, or to repay any obligation to the extent such purchase or repayment constitutes a “covered transaction” (as defined in Section 23A of the Federal Reserve Act (12 U.S.C. § 371c)) owed to, an “affiliate” of the Lender, as such term is defined in Regulation W promulgated by the Board.

ARTICLE VIII.

EVENTS OF DEFAULT AND REMEDIES

ba. Events of Default.

Any of the following shall constitute an Event of Default:

73. any Loan Party shall fail to pay any principal of any Term Loan when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

74. any Loan Party shall fail to pay any interest on any Term Loan or any fee, commission or any other amount (other than an amount referred to in Section 8.01(a)) payable under any Loan Document, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of five Business Days;

75. any representation or warranty made or deemed made by or on behalf of any Loan Party or any Subsidiary in or in connection with any Loan Document or any amendment or modification hereof or waiver thereunder, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with any Loan Document or any amendment or

modification hereof or waiver thereunder, shall prove to have been incorrect in any material respect when made or deemed made;

76. any Loan Party shall fail to observe or perform any covenant, condition or agreement contained in Section 6.03 (with respect to such Loan Party's existence), Section 7.02, Section 7.04, Section 7.05 (with respect to ALLETE) or Section 7.06;

77. any Loan Party shall fail to observe or perform any covenant, condition or agreement contained in Section 7.01 or Section 7.03 and such failure shall continue unremedied for a period of ten days after such Loan Party shall have obtained knowledge thereof.

78. any Loan Party shall fail to observe or perform any covenant, condition or agreement applicable to such Loan Party contained in any Loan Document to which it is a party (other than those specified in Section 8.01(a), Section 8.01(b), Section 8.01(d) or Section 8.01(e)), and such failure shall continue unremedied for a period of 30 days after such Loan Party shall have obtained knowledge thereof;

79. any Loan Party or any Subsidiary shall fail to make any payment (whether of principal or interest and regardless of amount) in respect to any Material Obligations, when and as the same shall become due and payable and after the expiration of any applicable grace period;

80. any event or condition occurs that results in any Material Obligations becoming due prior to their scheduled maturity or payment date, or that enables or permits (with or without the giving of notice, the lapse of time or both) the holder or holders of any Material Obligations or any trustee or agent on its or their behalf to cause any Material Obligations to become due prior to their scheduled maturity or payment date or to require the prepayment, repurchase, redemption or defeasance thereof prior to their scheduled maturity or payment date (in each case after giving effect to any applicable cure period), provided that this Section 8.01(h) shall not apply to (i) Indebtedness that becomes due as a result of a notice of voluntary prepayment or redemption delivered by a Loan Party or a Subsidiary, (ii) secured Indebtedness that becomes due solely as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness, (iii) intercompany indebtedness or (iv) the exercise of any contractual right to cause the prepayment of any Material Obligations (other than the exercise of a remedy for an event of default under the applicable contract or agreement);

81. except for Immaterial Transactions and transactions expressly permitted by Section 6.03 with respect to Subsidiaries, any Loan Party or any Subsidiary shall (i) suspend or discontinue its business, (ii) make an assignment for the benefit of creditors, (iii) generally not pay its debts as such debts become due, (iv) admit in writing its inability to pay its debts as they become due, (v) file a voluntary petition in bankruptcy, (vi) become insolvent (however such insolvency shall be evidenced), (vii) file any petition or answer seeking for itself any reorganization, arrangement, composition, readjustment of debt, liquidation or dissolution or similar relief under any present or future statute, law or regulation of any jurisdiction, (viii) petition or apply to any tribunal for any receiver, custodian or any trustee for any substantial part of its property, (ix) be the subject of any such proceeding filed against it which remains undismissed for a period of 45 days, (x) file any answer admitting or not contesting the material allegations of any such petition filed against it or any order, judgment or decree approving such petition in any such proceeding, (xi) seek, approve, consent to, or acquiesce in any such proceeding, or in the appointment of any trustee, receiver, sequestrator, custodian, liquidator, or

fiscal agent for it, or any substantial part of its property, or an order is entered appointing any such trustee, receiver, custodian, liquidator or fiscal agent and such order remains in effect for 45 days, or (xii) take any formal action for the purpose of effecting any of the foregoing or looking to the liquidation or dissolution of any Loan Party or any Subsidiary;

82. except to the extent arising solely out of an Immaterial Transaction, an order for relief is entered under the United States bankruptcy laws or any other decree or order is entered by a court having jurisdiction (i) adjudging any Loan Party or any Subsidiary bankrupt or insolvent, (ii) approving as properly filed a petition seeking reorganization, liquidation, arrangement, adjustment or composition of or in respect of any Loan Party or any Subsidiary under the United States bankruptcy laws or any other applicable Federal or state law, (iii) appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of any Loan Party or any Subsidiary of any substantial part of the property thereof, or (iv) ordering the winding up or liquidation (other than, in the case of a Subsidiary, voluntary liquidation, not under any bankruptcy, insolvency or similar law) of the affairs of any Loan Party or any Subsidiary, and any such decree or order continues unstayed and in effect for a period of 45 days;

83. one or more judgments or decrees against any Loan Party or any Subsidiary or any combination thereof aggregating in excess of \$35,000,000, which judgment or decree (i) shall not be fully covered by insurance after taking into account any applicable deductibles and (ii) shall remain unpaid, unstayed on appeal, undischarged, unbonded or undismissed for a period of at least 30 consecutive days;

84. any Loan Document shall cease, for any reason, to be in full force and effect or any Loan Party shall so assert in writing or shall disavow any of its Obligations;

85. an ERISA Event shall have occurred that, in the opinion of the Lender, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in a Material Adverse Effect;

86. any authorization or approval or other action by any Governmental Authority required for the execution, delivery or performance of any Loan Document shall be terminated, revoked or rescinded or shall otherwise no longer be in full force and effect;

87. a Change in Control shall occur; or

88. ALLETE shall fail to own, directly or indirectly, substantially all of the assets of Minnesota Power.

If a Default shall have occurred under the Loan Documents, then such Default will continue to exist until it either is cured (to the extent specifically permitted) in accordance with the Loan Documents or is otherwise expressly waived by Lender as determined in accordance with Section 10.01; and once an Event of Default occurs under the Loan Documents, then such Event of Default will continue to exist until it is expressly waived by the Lender, as required hereunder in Section 10.01.

bb. Remedies upon Event of Default.

If any Event of Default occurs and is continuing, the Lender may take any or all of the following actions:

89. declare the Term Commitment to be terminated, whereupon such commitment and obligation shall be terminated;

90. declare the unpaid principal amount of all outstanding Term Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower; and

91. exercise all rights and remedies available to it under the Loan Documents or applicable law or equity;

provided, however, that upon the occurrence of an actual or deemed entry of an order for relief with respect to the Borrower under the Bankruptcy Code of the United States, the obligation of the Lender to make Term Loans shall automatically terminate, the unpaid principal amount of all outstanding Term Loans and all interest and other amounts as aforesaid shall automatically become due and payable without further act of the Lender.

bc. Application of Funds.

After the exercise of remedies provided for in Section 8.02 (or after the Term Loans have automatically become immediately due and payable) or if at any time insufficient funds are received by and available to the Lender to pay fully all Obligations then due hereunder, any amounts received on account of the Obligations shall be applied by the Lender in its sole discretion.

ARTICLE IX.

CONTINUING GUARANTY

bd. Guaranty.

Each Guarantor hereby absolutely and unconditionally, jointly and severally guarantees, as primary obligor and as a guaranty of payment and performance and not merely as a guaranty of collection, prompt payment when due, whether at stated maturity, by required prepayment, upon acceleration, demand or otherwise, and at all times thereafter, of any and all of the Obligations (for each Guarantor, subject to the proviso in this sentence, its "Guaranteed Obligations"); provided that the liability of each Guarantor individually with respect to this Guaranty shall be limited to an aggregate amount equal to the largest amount that would not render its obligations hereunder subject to avoidance under Section 548 of the Bankruptcy Code of the United States or any comparable provisions of any applicable state law. The Lender's books and records showing the amount of the Obligations shall be admissible in evidence in any action or proceeding, and shall be binding upon each Guarantor, and conclusive for the purpose of establishing the amount of the Obligations. This Guaranty shall not be affected by the genuineness, validity, regularity or enforceability of the Obligations or any instrument or agreement evidencing any Obligations, or by the existence, validity, enforceability, perfection, non-perfection or extent of any collateral therefor, or by any fact or circumstance relating to the Obligations which might otherwise constitute a defense to the obligations of the Guarantors, or any of them, under

this Guaranty, and each Guarantor hereby irrevocably waives any defenses it may now have or hereafter acquire in any way relating to any or all of the foregoing.

be. Rights of Lender.

Each Guarantor consents and agrees that the Lender may, at any time and from time to time, without notice or demand, and without affecting the enforceability or continuing effectiveness hereof: (a) amend, extend, renew, compromise, discharge, accelerate or otherwise change the time for payment or the terms of the Obligations or any part thereof; (b) take, hold, exchange, enforce, waive, release, fail to perfect, sell, or otherwise dispose of any security for the payment of this Guaranty or any Obligations; (c) apply such security and direct the order or manner of sale thereof as the Lender in its sole discretion may determine; and (d) release or substitute one or more of any endorsers or other guarantors of any of the Obligations. Without limiting the generality of the foregoing, each Guarantor consents to the taking of, or failure to take, any action which might in any manner or to any extent vary the risks of such Guarantor under this Guaranty or which, but for this provision, might operate as a discharge of such Guarantor.

bf. Certain Waivers.

Each Guarantor waives (a) any defense arising by reason of any disability or other defense of the Borrower or any other guarantor, or the cessation from any cause whatsoever (including any act or omission of the Lender) of the liability of the Borrower or any other Loan Party; (b) any defense based on any claim that such Guarantor's obligations exceed or are more burdensome than those of the Borrower or any other Loan Party; (c) the benefit of any statute of limitations affecting any Guarantor's liability hereunder; (d) any right to proceed against the Borrower or any other Loan Party, proceed against or exhaust any security for the Obligations, or pursue any other remedy in the power of the Lender whatsoever; (e) any benefit of and any right to participate in any security now or hereafter held by the Lender; and (f) to the fullest extent permitted by law, any and all other defenses or benefits that may be derived from or afforded by applicable law limiting the liability of or exonerating guarantors or sureties. Each Guarantor expressly waives all setoffs and counterclaims and all presentments, demands for payment or performance, notices of nonpayment or nonperformance, protests, notices of protest, notices of dishonor and all other notices or demands of any kind or nature whatsoever with respect to the Obligations, and all notices of acceptance of this Guaranty or of the existence, creation or incurrence of new or additional Obligations.

bg. Obligations Independent.

The obligations of each Guarantor hereunder are those of primary obligor, and not merely as surety, and are independent of the Obligations and the obligations of any other guarantor, and a separate action may be brought against each Guarantor to enforce this Guaranty whether or not the Borrower or any other person or entity is joined as a party.

bh. Subrogation.

No Guarantor shall exercise any right of subrogation, contribution, indemnity, reimbursement or similar rights with respect to any payments it makes under this Guaranty until all of the Obligations and any amounts payable under this Guaranty have been indefeasibly paid and performed in full and the Term Commitment and the Term Facility are terminated. If any amounts are paid to a Guarantor in violation of the foregoing limitation, then such amounts shall be held in trust for the benefit of the Lender and shall forthwith be paid to the Lender to reduce the amount of the Obligations, whether matured or unmatured.

bi. Termination; Reinstatement.

This Guaranty is a continuing and irrevocable guaranty of all Obligations now or hereafter existing and shall remain in full force and effect until the Facility Termination Date. Notwithstanding the foregoing, this Guaranty shall continue in full force and effect or be revived, as the case may be, if any payment by or on behalf of the Borrower or a Guarantor is made, or the Lender exercises its right of setoff, in respect of the Obligations and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Laws or otherwise, all as if such payment had not been made or such setoff had not occurred and whether or not the Lender is in possession of or has released this Guaranty and regardless of any prior revocation, rescission, termination or reduction. The obligations of each Guarantor under this paragraph shall survive termination of this Guaranty.

bj. Stay of Acceleration.

If acceleration of the time for payment of any of the Obligations is stayed, in connection with any case commenced by or against a Guarantor or the Borrower under any Debtor Relief Laws, or otherwise, all such amounts shall nonetheless be payable by each Guarantor, jointly and severally, immediately upon demand by the Lender.

bk. Condition of Borrower.

Each Guarantor acknowledges and agrees that it has the sole responsibility for, and has adequate means of, obtaining from the Borrower and any other guarantor such information concerning the financial condition, business and operations of the Borrower and any such other guarantor as such Guarantor requires, and that the Lender has no duty, and such Guarantor is not relying on the Lender at any time, to disclose to it any information relating to the business, operations or financial condition of the Borrower or any other guarantor (each Guarantor waiving any duty on the part of the Lender to disclose such information and any defense relating to the failure to provide the same).

bl. Right of Contribution.

The Guarantors agree among themselves that, in connection with payments made hereunder, each Guarantor shall have contribution rights against the other Guarantors as permitted under applicable law.

ARTICLE X.

MISCELLANEOUS

bm. Amendments, Etc.

No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent to any departure by any Loan Party therefrom, shall be effective unless in writing signed by the Lender and the applicable Loan Party and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

bn. Notices; Effectiveness; Electronic Communications.

92. Notices Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in subsection (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by fax transmission or e-mail transmission as follows, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, to the address, fax number, e-mail address or telephone number specified for the Loan Parties or the Lender on Schedule 1.01.

Notices and other communications sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices and other communications sent by fax transmission shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient). Notices and other communications delivered through electronic communications to the extent provided in subsection (b) below shall be effective as provided in such subsection (b).

93. Electronic Communications. Notices and other communications to the Lender hereunder may be delivered or furnished by electronic communication (including e-mail, FPML messaging and Internet or intranet websites) pursuant to procedures approved by the Lender. The Lender or any Loan Party may each, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications.

Unless the Lender otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), and (ii) notices and other communications posted to an Internet or intranet website shall be deemed received by the intended recipient upon the sender's receipt of an acknowledgement by the intended recipient (such as by the "return receipt requested" function, as available, return email address or other written acknowledgement) indicating that such notice or communication is available and identifying the website address therefor; provided that, for both clauses (i) and (ii), if such notice, email or other communication is not sent during the normal business hours of the recipient, such notice, email or communication shall be deemed to have been sent at the opening of business on the next Business Day for the recipient.

For purposes of Section 6.02, ALLETE's website is www.allete.com.

94. Change of Address, Etc. Each of the Loan Parties and the Lender may change its address, fax number or telephone number or e-mail address for notices and other communications hereunder by notice to the other parties hereto.

95. Reliance by Lender. The Lender shall be entitled to rely and act upon any notices (including, without limitation, telephonic or electronic notices, Loan Notices and Notice of Loan Prepayment) purportedly given by or on behalf of any Loan Party and which the Lender,

in good faith, believes to be genuine, even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Loan Parties shall indemnify the Lender and the Related Parties of each of them from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of any Loan Party, provided that such indemnity shall not be available to the extent that such losses, costs, expenses and liabilities are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of the Lender or such Related Party. All telephonic notices to and other telephonic communications with the Lender may be recorded by either party, and each of the parties hereto hereby consents to such recording.

bo. No Waiver; Cumulative Remedies; Enforcement.

No failure by the Lender to exercise, and no delay by the Lender in exercising, any right, remedy, power or privilege hereunder or under any other Loan Document shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder or under any other Loan Document preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided, and provided under each other Loan Document, are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

bp. Expenses; Indemnity; Damage Waiver.

96. Costs and Expenses. The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Lender and its Affiliates (including the reasonable fees, charges and disbursements of counsel for the Lender), in connection with the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated) and (ii) all reasonable out-of-pocket expenses incurred by the Lender (including the reasonable fees, charges and disbursements of any counsel for the Lender), in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section, or (B) in connection with Term Loans made hereunder, including all such reasonable out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Term Loans.

97. Indemnification by Loan Parties. The Loan Parties shall indemnify the Lender and each Related Party thereof (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the reasonable fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of any Loan Document or any agreement or instrument contemplated thereby, the performance by the parties to the Loan Documents of their respective obligations thereunder or the consummation of the Transactions or any other transactions contemplated thereby, (ii) any Term Loan or the use of the proceeds thereof, (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by any Loan Party or any of the Subsidiaries, or any liability under any Environmental Law related in any way to any Loan Party or any of the Subsidiaries or (iv) any actual or prospective claim,

litigation, investigation or proceeding relating to any of the foregoing, whether or not such claim, litigation, investigation or proceeding is brought by any Loan Party or any of its equity holders, Affiliates, creditors or any other third Person and whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto, provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from (A) the gross negligence or willful misconduct of such Indemnitee or (B) a breach in bad faith by such Indemnitee or arising solely from claims between or among one or more Indemnitees.

98. Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable law, no Loan Party shall assert, and each Loan Party hereby waives, and acknowledges that no other Person shall have, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Term Loan or the use of the proceeds thereof. No Indemnitee referred to in subsection (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed to such unintended recipients by such Indemnitee through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby (except for any claims by the Loan Parties for damages arising from the gross negligence or willful misconduct of such Indemnitee; provided that no Indemnitee shall be liable for any such damages except to the extent determined by a court of competent jurisdiction in a final nonappealable judgment).

99. Payments. All amounts due under this Section shall be payable not later than ten (10) Business Days after written demand therefor.

100. Survival. The agreements in this Section and the indemnity provisions of Section 10.02(d) shall survive the termination of the Term Commitment and the repayment, satisfaction or discharge of all the other Obligations.

bq. Payments Set Aside.

To the extent that any payment by or on behalf of any Loan Party is made to the Lender, or the Lender exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred.

br. Successors and Assigns.

101. Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that no Loan Party may assign or otherwise transfer any of its

rights or obligations hereunder without the prior written consent of the Lender, and the Lender may not assign or otherwise transfer any of its rights or obligations hereunder except (i) by an assignment in accordance with the provisions of subsection (b) of this Section, (ii) by way of participation in accordance with the provisions of subsection (c) of this Section, or (iii) by way of pledge or assignment of a security interest in accordance with the provisions of subsection (d) of this Section.

102. Assignments by Lender. The Lender may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement; provided, that, unless such assignment is to an Affiliate of the Lender:

xii.the aggregate amount of the principal outstanding balance subject to such assignment shall not be less than \$5,000,000, except in the case of an assignment of the entire remaining amount of the Term Loan or unless the Borrower consents to such assignment; and

xiii.each of the Loan Parties shall have consented to such assignment (such consent not to be unreasonably withheld or delayed), unless an Event of Default has occurred and is continuing; provided that each Loan Party shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Lender within five (5) Business Days after having received notice thereof.

103. Participations. The Lender may at any time, without the consent of, or notice to, any Loan Party, sell participations to any Person in all or any portion of the Lender's rights and/or obligations under this Agreement; provided that (i) the Lender's obligations under this Agreement shall remain unchanged, (ii) the Lender shall remain solely responsible to the Borrower for the performance of such obligations, and (iii) the Loan Parties shall continue to deal solely and directly with the Lender in connection with the Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which the Lender sells such a participation shall provide that the Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement.

104. Certain Pledges. The Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Loan Agreement to secure obligations of the Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release the Lender from any of its obligations hereunder or substitute any such pledgee or assignee for the Lender as a party hereto.

bs. Treatment of Certain Information; Confidentiality.

105. Treatment of Certain Information. The Lender agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (i) to its Affiliates, its auditors and to its Related Parties that need to know such information (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (ii) to the extent required or requested by any regulatory authority purporting to have jurisdiction over such Person or its Related Parties (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (iii) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (iv) in connection with the exercise of

any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (v) subject to an agreement containing provisions substantially the same as those of this Section, to (A) any assignee of or participant in, or any prospective assignee of or participant in, any of its rights and obligations under this Agreement or (B) any actual or prospective party (or its Related Parties) to any swap, derivative or other transaction under which payments are to be made by reference to the Borrower and its obligations, this Agreement or payments hereunder, (vi) on a confidential basis to any rating agency in connection with rating ALLETE or its Subsidiaries or the credit facilities provided hereunder, (vii) with the consent of the Loan Party to which such information applies, or to the extent such Information (A) becomes publicly available other than as a result of a breach of this Section or (B) becomes available to the Lender or any of its Affiliates on a nonconfidential basis from a source other than a Loan Party. For purposes of this Section, “Information” means all information received from any Loan Party or any Subsidiary relating to any Loan Party or any Subsidiary or any of their respective businesses, other than any such information that is available to the Lender on a nonconfidential basis prior to disclosure by any Loan Party or any Subsidiary, provided that, in the case of information received from any Loan Party or any Subsidiary after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information. In addition, the Lender may disclose the existence of this Agreement and information about this Agreement to market data collectors, similar service providers to the lending industry and service providers the Lender in connection with the administration of this Agreement, the other Loan Documents and the Term Commitment.

106. Press Releases. Each Loan Party and its Affiliates agree that they will not in the future issue any press releases or other public disclosure using the name of the Lender or its Affiliates or referring to this Agreement or any of the Loan Documents without the prior written consent of the Lender, unless (and only to the extent that) such Loan Party or such Affiliate is required to do so under law and then, such Loan Party or such Affiliate will, to the extent permitted by applicable law and practicable, consult with such Person before issuing such press release or other public disclosure.

107. Customary Advertising Material. The Loan Parties consent to the publication by the Lender, at the Lender’s own expense, of customary advertising material relating to the transactions contemplated hereby using the name, product photographs, logo or trademark of the Loan Parties, provided that such use complies with the Loan Parties’ logo and trademark standards.

bt. Right of Setoff.

If an Event of Default shall have occurred and be continuing, the Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by the Lender or any such Affiliate to or for the credit or the account of the Borrower against any and all of the Obligations now or hereafter existing under this Agreement or any other Loan Document to the Lender or its Affiliates, irrespective of whether or not the Lender or Affiliate shall have made any demand

under this Agreement or any other Loan Document and although such Obligations may be contingent or unmatured, secured or unsecured, or are owed to a branch, office or Affiliate of the Lender different from the branch, office or Affiliate holding such deposit or obligated on such indebtedness. The rights of the Lender and its Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that the Lender or its Affiliates may have. The Lender agrees to notify the Borrower promptly after any such setoff and application, provided that the failure to give such notice shall not affect the validity of such setoff and application.

bu. Interest Rate Limitation.

Notwithstanding anything to the contrary contained in any Loan Document, the interest paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable law (the "Maximum Rate"). If the Lender shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Term Loans or, if it exceeds such unpaid principal, refunded to the Borrower. In determining whether the interest contracted for, charged, or received by the Lender exceeds the Maximum Rate, such Person may, to the extent permitted by applicable law, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations hereunder.

bv. Counterparts; Integration; Effectiveness.

This Agreement and each of the other Loan Documents may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement, the other Loan Documents, and any separate letter agreements with respect to fees payable to the Lender, constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Lender and when the Lender shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Agreement or any other Loan Document, or any certificate delivered thereunder, by fax transmission or e-mail transmission (e.g., "pdf" or "tif") shall be effective as delivery of a manually executed counterpart of this Agreement or such other Loan Document or certificate. Without limiting the foregoing, to the extent a manually executed counterpart is not specifically required to be delivered under the terms of any Loan Document, upon the request of any party, such fax transmission or e-mail transmission shall be promptly followed by such manually executed counterpart.

bw. Survival of Representations and Warranties.

All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Lender, regardless of any investigation made by the Lender or on its behalf and notwithstanding that the Lender may have had notice or knowledge of any Default at the time of any Term Borrowing, and shall continue in full force until the Facility Termination Date.

bx. Severability.

If any provision of this Agreement or the other Loan Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement and the other Loan Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

by. Governing Law; Jurisdiction; Etc.

108. GOVERNING LAW. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS (EXCEPT, AS TO ANY OTHER LOAN DOCUMENT, AS EXPRESSLY SET FORTH THEREIN) AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT (EXCEPT, AS TO ANY OTHER LOAN DOCUMENT, AS EXPRESSLY SET FORTH THEREIN) AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

109. SUBMISSION TO JURISDICTION. EACH LOAN PARTY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT IT WILL NOT COMMENCE ANY ACTION, LITIGATION OR PROCEEDING OF ANY KIND OR DESCRIPTION, WHETHER IN LAW OR EQUITY, WHETHER IN CONTRACT OR IN TORT OR OTHERWISE, AGAINST THE LENDER OR ANY RELATED PARTY IN ANY WAY RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS RELATING HERETO OR THERETO, IN ANY FORUM OTHER THAN THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY SUBMITS TO THE JURISDICTION OF SUCH COURTS AND AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION, LITIGATION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION, LITIGATION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT THE LENDER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST ANY LOAN PARTY OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

110. WAIVER OF VENUE. EACH LOAN PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO

THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN SECTION 10.13(b) OF THIS SECTION. EACH LOAN PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

111. SERVICE OF PROCESS. EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 10.02. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

bz. Waiver of Jury Trial.

EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (a) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (b) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

ca. Acknowledgment Regarding Any Support QFCs.

112. To the extent that the Loan Documents provide support, through a guarantee or otherwise, for any swap contract or any other agreement or instrument that is a QFC (such support, "QFC Credit Support", and each such QFC, a "Supported QFC"), the parties acknowledge and agree as follows with respect to the resolution power of the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (together with the regulations promulgated thereunder, the "U.S. Special Resolution Regimes") in respect of such Supported QFC and QFC Credit Support (with the provisions below applicable notwithstanding that the Loan Documents and any Supported QFC may in fact be stated to be governed by the laws of the State of New York and/or of the United States or any other state of the United States): In the event a Covered Entity that is party to a Supported QFC (each, a "Covered Party") becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer of such Supported QFC and the benefit of such QFC Credit Support (and any interest and obligation in or under such Supported QFC and such QFC Credit Support, and any rights in property securing such Supported QFC or such QFC Credit Support) from such Covered Party will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if the Supported QFC and such QFC Credit Support (and any such interest, obligation and rights in property) were governed by the laws of the United States or a state of the United States. In the event a Covered Party or a BHC Act Affiliate of a Covered Party becomes subject to a proceeding under a U.S. Special

Resolution Regime, Default Rights under the Loan Documents that might otherwise apply to such Supported QFC or any QFC Credit Support that may be exercised against such Covered Party are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if the Supported QFC and the Loan Documents were governed by the laws of the United States or a state of the United States.

113. As used in this Section 10.15, the following terms have the following meanings:

“BHC Act Affiliate” of a party means an “affiliate” (as such term is defined under, and interpreted in accordance with, 12 U.S.C 1841(k)) of such party.

“Covered Entity.” means any of the following:

xiv.a “covered entity” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b);

xv.a “covered bank” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or

xvi.a “covered FSP” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

“Default Right” has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

“QFC” has the meaning assigned to the term “qualified financial contract” in, and shall be interpreted in accordance with, 12 U.S.C. 5390(c)(8)(D).

cb. No Advisory or Fiduciary Responsibility.

In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document), each Loan Party acknowledges and agrees, and acknowledges its Affiliates’ understanding, that: (a) (i) the services regarding this Agreement provided by the Lender and any Affiliate thereof are arm’s-length commercial transactions between such Loan Party and its Affiliates, on the one hand, and the Lender and its Affiliates, on the other hand, (ii) each of the Loan Parties has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (iii) each Loan Party is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents; (b) (i) the Lender and its Affiliates each is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary, for any Loan Party or any of their Affiliates, or any other Person and (ii) neither the Lender nor any of its Affiliates has any obligation to any Loan Party or any of their Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; and (c) the Lender and its Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Loan Parties and their respective Affiliates, and neither the Lender nor any of its Affiliates has any obligation to disclose any of such interests to any Loan Party or any of their Affiliates. To the fullest extent permitted by law, each Loan Party hereby waives and releases any claims that it may have against the Lender or any of its Affiliates with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transactions contemplated hereby.

cc. Electronic Execution.

The words “delivery,” “execute,” “execution,” “signed,” “signature,” and words of like import in any Loan Document or any other document executed in connection herewith shall be deemed to include electronic signatures, the electronic matching of assignment terms and contract formations on electronic platforms approved by the Lender, or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act; provided that notwithstanding anything contained herein to the contrary, the Lender is under no obligation to agree to accept electronic signatures in any form or in any format unless expressly agreed to by the Lender pursuant to procedures approved by it; provided further without limiting the foregoing, upon the request of the Lender, any electronic signature shall be promptly followed by such manually executed counterpart.

cd. PATRIOT Act Notice.

The Lender hereby notifies the Borrower and the other Loan Parties that pursuant to the requirements of the PATRIOT Act, it is required to obtain, verify and record information that identifies each Loan Party, which information includes the name and address of each Loan Party and other information that will allow the Lender to identify each Loan Party in accordance with the PATRIOT Act. Each Loan Party agrees to, promptly following a request by the Lender, provide all such other documentation and information that the Lender requests in order to comply with its ongoing obligations under applicable “know your customer” and anti-money laundering rules and regulations, including the PATRIOT Act.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

BORROWER: CADDO WIND, LLC

By: __
Name: __
Title: __

GUARANTORS: ALLETE, INC.

By: __
Name: __
Title: __

ALLETE CLEAN ENERGY, INC.

By: __
Name: __
Title: __

LENDER: BANK OF AMERICA, N.A.,

as Lender

By: __
Name: __
Title: __

**ALLETE Executive Annual Incentive Plan
Form of Award
Effective 2021
[Eligible Executive Employees]**

Target Award Opportunity

Base Salary	\$
Times	
Award Opportunity (percent of base salary)	%
Equals	
Target Award	\$

Performance Levels and Award Amounts

Goal Performance Level	Payout as Percent of Target Award	Award Amount
Superior	200%	\$
Target	100%	\$
Threshold	44%	\$
Below Threshold	0%	\$

Goals

	Goal Weighting
Financial Goals	
Net Income	50%
Cash from Operating Activities	20%
Strategic & Operational & Values Goals	<u>30%</u>
	100%

Compensation Subject to Compensation Recovery Policy.

Annual Incentive Plan Compensation is subject to recoupment as defined in the Compensation Recovery policy.

ALLETE
EXECUTIVE LONG-TERM INCENTIVE COMPENSATION PLAN
RESTRICTED STOCK UNIT GRANT

[Effective 2021]

[Eligible Executive Employees]

Name

In accordance with the terms of ALLETE's Executive Long-Term Incentive Compensation Plan, as amended (the "Plan"), and as determined by and through the Executive Compensation Committee of ALLETE's Board of Directors, ALLETE hereby grants to you (the "Participant") Restricted Stock Units ("RSU's") as set forth below, payable in the form of ALLETE Common Stock, subject to the terms and conditions set forth in this Grant, including Annex A hereto, and all documents incorporated herein by reference:

Number of Restricted Stock Units:

Date of Grant:

Vesting Period:

This Grant is made in accordance with the Plan.

Further terms and conditions of the Grant are set forth in Annex A hereto, which is an integral part of this Grant.

Any term, provision or condition applicable to the Restricted Stock Units set forth in the Plan and not set forth herein is hereby incorporated by reference. To the extent any provision hereof is inconsistent with a Plan provision, the Plan provision will govern.

YOU SHOULD CAREFULLY READ AND REVIEW THE TERMS AND CONDITIONS SET FORTH IN THIS GRANT, INCLUDING ANNEX A HERETO, WHICH CONTAINS IMPORTANT INFORMATION, INCLUDING MANDATORY CLAIMS AND ARBITRATION PROCEDURES.

You will be deemed to have accepted this Grant on the Date of Grant, and all its associated terms and conditions, including the mandatory claims and arbitration procedures set forth in Annex A, unless you notify the Company of your non-acceptance of the Grant by contacting the Manager – Compensation, Benefits, and Talent Acquisition, in writing within sixty (60) days of the Date of Grant.

IN WITNESS WHEREOF, ALLETE has caused this Grant to be executed by its President and Chief Executive Officer as of the date and year first above written.

ALLETE

By: _____
 President & CEO

Attachment: Annex A

ANNEX A
TO
ALLETE
EXECUTIVE LONG-TERM INCENTIVE COMPENSATION PLAN
RESTRICTED STOCK UNIT GRANT

The grant of restricted stock units (each, a “RSU”) under the ALLETE Executive Long-Term Incentive Compensation Plan (the “Plan”), evidenced by the Grant to which this is annexed, is subject to the following additional terms and conditions:

1. Form and Timing of Payment. Subject to the provisions hereof, each RSU will be paid in the form of one share of ALLETE common stock (each, a “Share”), plus accrued Dividend Equivalents. Shares will be deposited into your ALLETE Invest Direct plan account. Except as otherwise provided in sections 3 and 4, below, payment will be made during the period ending sixty days after the end of the vesting period; provided, however, the Participant will not be permitted, directly or indirectly, to designate the taxable year of the distribution. Payment will be subject to withholding Shares equal in value to the minimum amount of tax required to be withheld by law.

2. Dividend Equivalents. You will receive Dividend Equivalents in connection with the RSUs granted. Dividend Equivalents will be calculated and credited to you at the time the underlying RSUs are paid. Dividend Equivalents will be in the form of additional RSUs, which will be added to the number of RSUs subject to the grant, and will equal the number of Shares (including fractional Shares) that could have been purchased on applicable dividend payment dates, based on the closing ALLETE common stock price as reported in the consolidated transaction reporting system on that date, with cash dividends that would have been paid on the underlying RSUs, if such RSUs were Shares. Dividend Equivalents will only become payable if and to the extent the underlying RSUs vest and become payable.

3. Payment Upon Retirement, Death or Disability; Forfeiture Upon Other Termination of Employment, Default on Certain Agreements or Unsatisfactory Job Performance.

3.1 Subject to Section 3.4 below, if during the vesting period you (i) Retire, (ii) die while employed by a Related Company, or (iii) become Disabled, a portion of the unvested RSUs subject to the Grant will vest and be paid to you (or your beneficiary or estate) during the period ending sixty days after such event; provided, however, you will not be permitted, directly or indirectly, to designate the taxable year of the distribution. Except as otherwise provided in Section 4, payment pursuant to this Section 3.1 will be prorated, after giving effect to accumulated Dividend Equivalents, based on the number of whole calendar months within the vesting period that had elapsed as of the date of Retirement, death or Disability in relation to the number of calendar months in the vesting period. For purposes of this calculation, you will be credited with a whole month if you were employed on the 15th of the month.

3.2 Except as otherwise provided in Section 4, if during the vesting period or prior to payment of all RSUs you have a Separation from Service for any reason other than those specified in Section 3.1 above, all unvested or unpaid RSUs subject to the Grant (and related Dividend Equivalents) will be forfeited on the date of such Separation from Service.

3.3 If during the vesting period or prior to payment of all RSUs you are demoted, you default on any written agreement with a Related Company related to a restrictive employment covenant (such as confidentiality, non-disclosure, non-competition, non-solicitation, or the like), or if ALLETE determines, in its sole discretion, that your job performance is unsatisfactory, ALLETE may cancel or amend your

grant relating to any unpaid RSUs, resulting in the forfeiture of some portion or all of your unpaid RSUs (and related Dividend Equivalents).

3.4 Notwithstanding anything herein to the contrary, if you become entitled to a payment of the RSUs by reason of your Retirement and if you are a Specified Employee on the date of such Retirement, payment shall not be made until the earlier of: (i) the expiration of the six-month period beginning on the date of your Retirement, or (ii) the date of your death. The payment to which a Specified Employee would otherwise be entitled during this six-month period shall be paid, together with Dividend Equivalents that have accrued during this six-month delay, during the seventh month following the date of the Participant's Retirement, or, if earlier, the date of the Participant's death.

4. Change in Control. Upon a Change in Control, unless the Committee provides otherwise prior to the Change in Control, outstanding unvested RSUs shall be prorated (as described below) and such prorated RSUs shall immediately vest and be payable to you during the period ending sixty days after the Change in Control. The RSUs will not be subject to proration and immediately vest, however, if and to the extent that the Grant is, in connection with the Change in Control, fully assumed by the successor corporation or parent thereof; in such case, the RSUs shall be prorated and immediately vest upon your termination of employment by the successor corporation for reasons other than cause within 18 months following the Change in Control and be payable to the Participant during the period ending sixty days after the termination of employment. Any payment on account of or in connection with a Change in Control will be prorated, after giving effect to the accumulation of Dividend Equivalents, based on the number of whole calendar months within the vesting period that had elapsed as of the date of the Change in Control or termination of employment, as applicable, in relation to the number of calendar months in the vesting period. For purposes of this calculation, you will be credited with a whole month if you were employed on the 15th of the month. In no event will you be permitted, directly or indirectly, to designate the taxable year of the distribution on account of or in connection with a Change in Control.

5. Compensation Recovery Policy. The Grant is subject to the terms of any compensation recovery policy or policies established by ALLETE as may be amended from time to time ("Compensation Recovery Policy"). ALLETE hereby incorporates into the Grant the terms of the Compensation Recovery Policy.

6. Section 409A Compliance. This Grant is intended to comply with Section 409A or an exemption thereunder, and, accordingly, to the maximum extent permitted, the Plan and the Grant shall be interpreted and administered in compliance therewith. Notwithstanding any other provision of the Grant, payments provided pursuant to the Grant may only be made upon an event and in a manner that complies with Section 409A or an applicable exemption. Any payments pursuant to the Grant that may be excluded from Section 409A as a short-term deferral shall be excluded from Section 409A to the maximum extent possible. To the extent that any provision of the Grant would cause a conflict with the requirements of Section 409A or would cause the administration of the Grant to fail to satisfy Section 409A, such provision shall be deemed null and void to the extent permitted by applicable law. Nothing herein shall be construed as a guarantee of any particular tax treatment. ALLETE makes no representation that the Grant complies with Section 409A and in no event shall ALLETE be liable for the payment of any taxes and penalties that you may incur under Section 409A.

7. Claims Procedure and Arbitration. The Grant is subject to the following claims procedures:

7.1 Mandatory Claims Procedures. If you or any person acting on your behalf (the "Claimant") has any claim or dispute related in any way to the Grant or to the Plan, the Claimant must follow these claims procedures. All claims must be brought no later than one year following the date on which the claim first arose and any claim not submitted within such time limit will be waived.

7.2 Claim Submission. Any claim must be made in writing to the Claims Administrator. The Claims Administrator, or its delegate, shall notify the Claimant of the resolution of the Claim within 90 days after receipt of the claim; provided, however, if the Claims Administrator determines that an extension is necessary, the 90-day period shall be extended to up to 180 days upon notice to that effect to the Claimant.

7.3 Notice of Denial. If a claim is wholly or partially denied, the denial notice shall contain (i) the reason or reasons for denial of the claim, and (ii) references to the pertinent Plan provisions upon which the denial is based. Unless the claim is submitted for arbitration as provided below and in the Plan, the Claims Administrator's decision or action shall be final, conclusive and binding on all persons having any interest in the Plan.

7.4 Arbitration. If, after exhausting the procedures set forth above, a Claimant wishes to pursue legal action, any action by the Claimant with respect to a claim, must be resolved by arbitration in the manner described herein.

- a. Time Limits. A Claimant seeking arbitration of any determination by the Claims Administrator must, within six (6) months of the date of the Claims Administrator's final decision, file a demand for arbitration with the American Arbitration Association submitting the Claim to resolution by arbitration. A Claimant waives any claim not filed timely in accordance with this Section.
- b. Rules Applicable to Arbitration. The arbitration process shall be conducted in accordance with the Commercial Law Rules of the American Arbitration Association.
- c. Venue. The arbitration shall be conducted in Minneapolis, Minnesota.
- d. Binding Effect. The decision of the arbitrator with respect to the claim will be final and binding upon the Company and the Claimant. By participating in the Plan, and accepting the Grant, you, on behalf of yourself and any person with a Claim relating to your Grant, agree to waive any right to sue in court or to pursue any other legal right or remedy that might otherwise be available in connection with the resolution of the Claim.
- e. Enforceability. Judgment upon any award entered by an arbitrator may be entered in any court having jurisdiction over the parties.
- f. Waiver of Class, Collective, and Representative Actions. Any claim shall be heard without consolidation of such claims with any other person or entity. To the fullest extent permitted by law, whether in court or in arbitration, by participating in the Plan, you waive any right to commence, be a party to in any way, or be an actual or putative class member of any class, collective, or representative action arising out of or relating to any claim, and you agree that any claim may only be initiated or maintained and decided on an individual basis.
- g. Standard of Review. Any decision of an arbitrator on a claim shall be limited to determining whether the Claims Administrator's decision or action was arbitrary or capricious or was unlawful. The arbitrator shall adhere to and apply the deferential standard of review set out in *Conkright v. Frommert*, 130 S. Ct. 1640 (2010), *Metropolitan Life Insurance Co. v. Glenn*, 554 U.S. 105 (2008), and *Firestone Tire and Rubber Company v. Bruch*, 489 U.S. 101 (1989), and shall accord due deference to the determinations, interpretations, and construction of the Plan document by the Claim's Administrator.
- h. General Procedures.
 1. Arbitration Rules. The arbitration hearing will be conducted under the AAA Commercial Arbitration Rules (as amended or revised from time to time by AAA) (hereinafter the "AAA Rules"), before one AAA arbitrator who is from the Large, Complex Case Panel and who has experience with matters involving executive compensation and equity compensation plans. The AAA Rules and the terms and procedures set forth here may conflict on certain issues. To the extent that the procedures set forth here conflict with the AAA Rules, the procedures set forth here shall control and be applied by the arbitrator.

Notwithstanding the amount of the claim, the Procedures for Large, Complex Commercial Disputes shall not apply.

2. Substantive Law. The arbitrator shall apply the substantive law (and the laws of remedies, if applicable), of Minnesota or federal law, or both, depending upon the claim. Except to the extent required by applicable law, the Claimant shall keep any arbitration decision or award strictly confidential and not disclose to anyone other than his or her spouse, attorney, or tax advisor.
3. Authority. The arbitrator shall have jurisdiction to hear and rule on prehearing disputes and is authorized to hold prehearing conferences by telephone or in person as the arbitrator deems necessary. The arbitrator will have the authority to hear a motion to dismiss and/or a motion for summary judgment by any party and in doing so shall apply the standards governing such motions under the Federal Rules of Civil Procedure.
4. Pre-Hearing Procedures. Each party may take the deposition of not more than one individual and the expert witness, if any, designated by another party. Each party will have the right to subpoena witnesses in accordance with the Federal Arbitration Act, Title 9 of the United States Code. Additional discovery may be had only if the arbitrator so orders, upon a showing of substantial need.
5. Fees and Costs. Administrative arbitration fees and arbitrator compensation shall be borne equally by the parties, and each party shall be responsible for its own attorney's fees, if any; provided, however, that the Committee will authorize payment by the Company of all administrative arbitration fees, arbitrator compensation and attorney's fees if the Committee concludes that a Claimant has substantially prevailed on his or her claims. Unless prohibited by statute, the arbitrator shall assess attorney's fees against a party upon a showing that such party's claim, defense or position is frivolous, or unreasonable, or factually groundless. If either party pursues a claim by any means other than those set forth in this Article, the responding party shall be entitled to dismissal of such action, and the recovery of all costs and attorney's fees and losses related to such action, unless prohibited by statute.
 - a. Interstate Commerce and the Federal Arbitration Act. The Company is involved in transactions involving interstate commerce, and the employee's employment with the Company involves such commerce. Therefore, the Federal Arbitration Act, Title 9 of the United States Code, will govern the interpretation, enforcement, and all judicial proceedings regarding the arbitration procedures in this Section.

8. Ratification of Actions. By receiving the Grant or other benefit under the Plan, you and each person claiming under or through you shall be conclusively deemed to have indicated your acceptance and ratification of, and consent to, any action taken under the Plan or the Grant by ALLETE, the Board, or the Committee.

9. No Impact on Other Benefits. The Grant or payment on account thereof shall not be taken into account in determining any benefits under any severance, retirement, welfare, insurance or other benefit plan of ALLETE or any affiliate except to the extent otherwise expressly provided in writing in such other plan or an agreement thereunder.

10. Notices. Any notice hereunder to ALLETE shall be addressed to ALLETE, 30 West Superior Street, Duluth, Minnesota 55802, Attention: Manager – Compensation, Benefits, and Talent Acquisition, Human Resources, and any notice hereunder to you shall be directed to your address as indicated by ALLETE's records, subject to the right of either party to designate at any time hereafter in writing some other address.

11. Governing Law and Severability. To the extent not preempted by the Federal law, the Grant will be governed by and construed in accordance with the laws of the State of Minnesota, without regard to its conflicts of law provisions. In the event any provision of the Grant shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Grant, and the Grant shall be construed and enforced as if the illegal or invalid provision had not been included.

12. Definitions. Capitalized terms not otherwise defined herein shall have the meanings given them in the Plan. The following definitions apply to the Grant and this Annex A:

12.1 “**Claims Administrator**” means ALLETE’s Chief Executive Officer, unless the claimant is (or is acting on behalf of) an ALLETE executive officer (within the meaning of Exchange Act Rule 3b-7), in which case the Claims Administrator is the Executive Compensation Committee of the Board of Directors.

12.2 “**Change in Control**” means the earliest of:

- i. the date any one Person, or more than one Person acting as a group (as the term “group” is used in Treasury Regulations section 1.409A-3(i)(5)(v)(B)), acquires ownership of stock of the Company that, together with stock previously held by the acquirer, constitutes more than fifty (50%) percent of the total fair market value or total voting power of Company stock. If any one Person, or more than one Person acting as a group, is considered to own more than fifty (50%) percent of the total fair market value or total voting power of Company stock, the acquisition of additional stock by the same Person or Persons acting as a group does not cause a Change in Control. An increase in the percentage of stock owned by any one Person, or Persons acting as a group, as a result of a transaction in which Company acquires its stock in exchange for property, is treated as an acquisition of stock;
- ii. the date any one Person, or more than one Person acting as a group (as the term “group” is used in Treasury Regulations section 1.409A-3(i)(5)(v)(B)), acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by that Person or Persons) ownership of Company stock possessing at least thirty (30%) percent of the total voting power of Company stock;
- iii. the date a majority of the members of the Company’s board of directors is replaced during any twelve (12) month period by directors whose appointment or election is not endorsed by a majority of the members of the board of directors prior to the date of appointment or election; or
- iv. the date any one Person, or more than one Person acting as a group (as the term “group” is used in Treasury Regulations section 1.409A-3(i)(5)(v)(B)), acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by that Person or Persons) assets from the Company that have a total gross fair market value equal to at least forty (40%) percent of the total gross fair market value of all the Company’s assets immediately prior to the acquisition or acquisitions. For this purpose, “gross fair market value” means the value of the corporation’s assets, or the value of the assets being disposed of, without regard to any liabilities associated with these assets.

In determining whether a Change in Control occurs, the attribution rules of Code section 318 apply to determine stock ownership. The stock underlying a vested option is treated as owned by the individual who holds the vested option, and the stock underlying an unvested option is not treated as owned by the individual who holds the unvested option. The term “Person” used in this definition means any individual, corporation (including any non-profit corporation), general, limited or limited liability partnership, limited liability company, joint venture, estate, trust, firm, association, organization or other entity or any governmental or quasi-governmental authority, organization, agency or body.

12.3 “**Code**” means the Internal Revenue Code of 1986, as it may be amended from time to time.

12.4 “**Disability**” or “**Disabled**” means a physical or mental condition in which the Participant is:

- i. unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months;
- ii. by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under the Employer’s accident and health plan;
- iii. determined to be totally disabled by the Social Security Administration; or
- iv. disabled pursuant to an Employer-sponsored disability insurance arrangement provided that the definition of disability applied under such disability insurance program complies with the foregoing definition of Disability.

12.5 “**Related Company**” means the ALLETE, Inc. and all persons with whom the ALLETE, Inc. would be considered a single employer under Code section 414(b) (employees of controlled group of corporations), and all persons with whom such person would be considered a single employer under Code section 414(c) (employees of partnerships, proprietorships, etc., under common control); provided that in applying Code sections 1563(a)(1), (2), and (3) for purposes of determining a controlled group of corporations under Code section 414(b), the language “at least 50 percent” is used instead of “at least 80 percent” each place it appears in Code sections 1563(a)(1), (2), and (3), and in applying Treasury Regulations section 1.414(c)-2 for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Code section 414(c), “at least 50 percent” is used instead of “at least 80 percent” each place it appears in Treasury Regulations section 1.414(c)-2.

12.6 “**Retirement**” or “**Retires**” means Separation from Service, for reasons other than death or Disability, on or after attaining normal retirement age or early retirement age as defined in the most applicable qualified retirement plan sponsored by the Related Company that employed the Participant immediately preceding the Separation from Service, without regard to whether the Participant is a participant in such plan, or if the employer Related Company does not sponsor such retirement plan, on or after attaining Normal Retirement Age or Early Retirement Age as defined in the ALLETE and Affiliated Companies Retirement Plan A, without regard to whether the Participant is a participant under the ALLETE and Affiliated Companies Retirement Plan A.

12.7 “**Section 409A**” means Section 409A of the Code and Treasury Regulations section 1.409A-1 et seq., as they both may be amended from time to time, or other guidance issued by the Treasury Department and Internal Revenue Service thereunder.

12.8 “**Separation from Service**” means that the Participant terminates employment within the meaning of Treasury Regulations section 1.409A-1(h) and other applicable guidance with all Related Companies. Whether a termination of employment has occurred is determined under the facts and circumstances, and a termination of employment shall occur if all Related Companies and the Participant reasonably anticipate that no further services shall be performed after a certain date or that the level of bona fide services the Participant shall perform after such date (as an employee or an independent contractor) shall permanently decrease to no more than 20 percent of the average level of bona fide services performed (whether as an employee or an independent contractor) over the immediately preceding 36-month period (or the full period of services to the Related Companies if the Participant has been providing services to the Related Companies less than 36 months). A Participant shall not be considered to separate from service during a bona fide leave of absence for less than six (6) months or longer if the Participant retains a right to reemployment with any Related Company by contract or statute. With respect to disability leave, a Participant shall not be considered to separate from service for 29 months unless the Participant otherwise terminates employment or is terminated by all Related Companies.

12.9 “**Specified Employee**” means an Participant who is subject to the six-month delay rule described in Code section 409A(2)(B)(i), determined in accordance with guidelines adopted by the Board from time to time as permitted by Section 409A of the Code and Treasury Regulations section 1.409A-1 et seq., as they both may be amended from time to time, and other guidance issued by the Treasury Department and Internal Revenue Service thereunder.

ALLETE
EXECUTIVE LONG-TERM INCENTIVE COMPENSATION PLAN
PERFORMANCE SHARE GRANT

[Effective 2021]

[Eligible Executive Employees]

Name

In accordance with the terms of ALLETE's Executive Long-Term Incentive Compensation Plan, as amended (the "Plan"), and as determined by and through the Executive Compensation Committee of ALLETE's Board of Directors, ALLETE hereby grants to you (the "Participant") Performance Shares, as set forth below, subject to the terms and conditions set forth in this Grant, including Annex A and Annex B hereto and all documents incorporated herein by reference:

Number of Performance Shares Granted:

[#]-Total Shareholder Return Metric

[#]-Compound Annual Growth Rate Metric

Date of Grant:

Performance Period:

Performance Goals: See Annex B

This Grant is made in accordance with the Plan.

Further terms and conditions of the Grant are set forth in Annex A hereto and Performance Goals are set forth in Annex B hereto, both of which are integral parts of this Grant.

Any term, provision or condition applicable to the Performance Shares set forth in the Plan and not set forth herein is hereby incorporated by reference. To the extent any provision hereof is inconsistent with a Plan provision, the Plan provision will govern.

YOU SHOULD CAREFULLY READ AND REVIEW THE TERMS AND CONDITIONS SET FORTH IN THIS GRANT, INCLUDING ANNEX A HERETO, WHICH CONTAINS IMPORTANT INFORMATION, INCLUDING MANDATORY CLAIMS AND ARBITRATION PROCEDURES.

You will be deemed to have accepted this Grant on the Date of Grant and all its associated terms and conditions, including the mandatory claims and arbitration procedures set forth in Annex A, unless you notify the Company of your non-acceptance of the Grant by contacting the Manager – Compensation, Benefits, and Talent Acquisition, in writing within sixty (60) days of the Date of Grant.

IN WITNESS WHEREOF, ALLETE has caused this Grant to be executed by its President and Chief Executive Officer as of the date and year first above written.

ALLETE

By: _____
 President & CEO

Attachments: Annex A and Annex B

ANNEX A
TO
ALLETE
EXECUTIVE LONG-TERM INCENTIVE COMPENSATION PLAN
PERFORMANCE SHARE GRANT

The Performance Share Grant to which this is annexed is subject to the following additional terms and conditions:

1. Dividend Equivalents. You will receive Dividend Equivalents with respect to Performance Shares that are earned and payable. Dividend Equivalents are calculated and credited to you after the Performance Period has ended. The Dividend Equivalents will be in the form of additional Performance Shares, which will be added to the number of Performance Shares earned, and will equal the number of Shares (including fractional Shares) that could have been purchased on applicable dividend payment dates, based on the closing ALLETE common stock price as reported in the consolidated transaction reporting system on that date, with cash dividends that would have been paid on underlying Performance Shares, if such Performance Shares were Shares. Dividend Equivalents will only become payable if and to the extent the underlying Performance Shares are earned and become payable.
2. Satisfaction of Goals. Performance Shares remain unearned unless and until Performance Goals are achieved. After the Performance Period has ended, the Executive Compensation Committee (the "Committee") will determine the extent to which the Performance Goals have been met. You will not earn any Performance Shares if the threshold performance level has not been met. Subject to the provisions of Section 4 below and to provisions in the Plan for change in control, Performance Shares will be earned as follows: If the threshold level has been met, you will have earned 50% of the Performance Shares (as increased by the Dividend Equivalents). If the target level has been met, you will have earned 100% of the Performance Shares (as increased by the Dividend Equivalents). If the superior level has been met, you will have earned 200% of the Performance Shares (as increased by the Dividend Equivalents). Straight line interpolation will be used to determine earned awards based on achievement of goals between the threshold, target and superior levels.
3. Payment. Subject to the provisions of Section 4 below and to provisions in the Plan for Change in Control, Performance Shares (as increased by the Dividend Equivalents) shall be paid in full after the Committee has determined the extent to which Performance Goals have been met and within two and one half months after the end of the Performance Period. Payment shall be made, after withholding Performance Shares in an amount equal in value to the minimum amount of tax required to be withheld by law, by depositing ALLETE common stock into your Invest Direct account. Performance Share awards shall not vest until paid.
4. Payment Upon Death, Retirement or Disability; Forfeiture of Unvested Performance Shares Upon Demotion, Unsatisfactory Job Performance, Default on Certain Agreements or Other Separation from Service.

4.1 If during a Performance Period you (i) Retire, (ii) die while employed by a Related Company, or (iii) become Disabled, you (or your beneficiary or estate) will receive a payment of any Performance Shares (as increased by the Dividend Equivalents) after the end of the Performance Period in accordance with Section 3 above. The payment shall be prorated based upon the number of whole calendar months within the Performance Period which had elapsed as of the date of death, Retirement or

Disability in relation to the number of calendar months in the full Performance Period. A whole month is counted in the calculation if you were in the position as of the 15th of the month.

4.2 If after the end of a Performance Period, but before any or all Performance Shares have been paid, you Retire, die or become Disabled, you (or your beneficiary or estate) will be entitled to full payout of all earned Performance Shares (as increased by the Dividend Equivalents) in accordance with Section 3 above.

4.3 If, prior to payment of all Performance Shares, you are demoted, you default on any written agreement with a Related Company related to a restrictive employment covenant (such as confidentiality, non-disclosure, non-competition, non-solicitation, or the like) or ALLETE determines, in its sole discretion, that your job performance is unsatisfactory, ALLETE reserves the right to cancel or amend your grant relating to any unpaid Performance Shares, with the result that some portion or all of your unpaid Performance Shares (and related Dividend Equivalents) will be forfeited.

4.4 If you have a Separation from Service for any reason other than those specified in subsection 4.1 above, all Performance Shares (and related Dividend Equivalents), to the extent not yet paid, shall be forfeited on the date of such Separation from Service, except as otherwise provided by the Committee.

5. Compensation Recovery Policy. The Grant is subject to the terms of any compensation recovery policy or policies established by ALLETE as may be amended from time to time (“Compensation Recovery Policy”). ALLETE hereby incorporates into the Grant the terms of the Compensation Recovery Policy.

6. Section 409A Compliance. This Grant is intended to comply with Section 409A of the Code (“Section 409A”) or an exemption thereunder, and, accordingly, to the maximum extent permitted, the Plan and the Grant shall be interpreted and administered in compliance therewith. Notwithstanding any other provision of the Grant, payments provided pursuant to the Grant may only be made upon an event and in a manner that complies with Section 409A or an applicable exemption. Any payments pursuant to the Grant that may be excluded from Section 409A as a short-term deferral shall be excluded from Section 409A to the maximum extent possible. To the extent that any provision of the Grant would cause a conflict with the requirements of Section 409A or would cause the administration of the Grant to fail to satisfy Section 409A, such provision shall be deemed null and void to the extent permitted by applicable law. Nothing herein shall be construed as a guarantee of any particular tax treatment. ALLETE makes no representation that the Grant complies with Section 409A and in no event shall ALLETE be liable for the payment of any taxes and penalties that you may incur under Section 409A.

7. Claims Procedure and Arbitration. The Grant is subject to the following claims procedures:

7.1 Mandatory Claims Procedures. If you or any person acting on your behalf (the “Claimant”) has any claim or dispute related in any way to the Grant or to the Plan, the Claimant must follow these claims procedures. All claims must be brought no later than one year following the date on which the claim first arose and any claim not submitted within such time limit will be waived.

7.2 Claim Submission. Any claim must be made in writing to the Claims Administrator. The Claims Administrator, or its delegate, shall notify the Claimant of the resolution of the claim within 90 days after receipt of the claim; provided, however, if the Claims Administrator determines that an extension is necessary, the 90-day period shall be extended to up to 180 days upon notice to that effect to the Claimant.

7.3 Notice of Denial. If a claim is wholly or partially denied, the denial notice shall contain (i) the reason or reasons for denial of the claim, and (ii) references to the pertinent Plan provisions upon which the denial is based. Unless the claim is submitted for arbitration as provided below and in the Plan, the Claims Administrator's decision or action shall be final, conclusive and binding on all persons having any interest in the Plan.

7.4 Arbitration. If, after exhausting the procedures set forth above, a Claimant wishes to pursue legal action, any action by the Claimant with respect to a claim, must be resolved by arbitration in the manner described herein.

- a. Time Limits. A Claimant seeking arbitration of any determination by the Claims Administrator must, within six (6) months of the date of the Claims Administrator's final decision, file a demand for arbitration with the American Arbitration Association submitting the claim to resolution by arbitration. A Claimant waives any claim not filed timely in accordance with this Section.
- b. Rules Applicable to Arbitration. The arbitration process shall be conducted in accordance with the Commercial Law Rules of the American Arbitration Association.
- c. Venue. The arbitration shall be conducted in Minneapolis, Minnesota.
- d. Binding Effect. The decision of the arbitrator with respect to the claim will be final and binding upon the Company and the Claimant. By participating in the Plan, and accepting the Grant, you, on behalf of yourself and any person with a Claim relating to your Grant, agree to waive any right to sue in court or to pursue any other legal right or remedy that might otherwise be available in connection with the resolution of the Claim.
- e. Enforceability. Judgment upon any award entered by an arbitrator may be entered in any court having jurisdiction over the parties.
- f. Waiver of Class, Collective, and Representative Actions. Any claim shall be heard without consolidation of such claims with any other person or entity. To the fullest extent permitted by law, whether in court or in arbitration, by participating in the Plan, you waive any right to commence, be a party to in any way, or be an actual or putative class member of any class, collective, or representative action arising out of or relating to any claim, and you agree that any claim may only be initiated or maintained and decided on an individual basis.
- g. Standard of Review. Any decision of an arbitrator on a claim shall be limited to determining whether the Claims Administrator's decision or action was arbitrary or capricious or was unlawful. The arbitrator shall adhere to and apply the deferential standard of review set out in *Conkright v. Frommert*, 130 S. Ct. 1640 (2010), *Metropolitan Life Insurance Co. v. Glenn*, 554 U.S. 105 (2008), and *Firestone Tire and Rubber Company v. Bruch*, 489 U.S. 101 (1989), and shall accord due deference to the determinations, interpretations, and construction of the Plan document by the Claims Administrator.
- h. General Procedures.
 1. Arbitration Rules. The arbitration hearing will be conducted under the AAA Commercial Arbitration Rules (as amended or revised from time to time by AAA) (hereinafter the "AAA Rules"), before one AAA arbitrator who is from the Large, Complex Case Panel and who has experience with matters involving executive compensation and equity compensation plans. The AAA Rules and the terms and procedures set forth here may conflict on certain issues. To the extent that the procedures set forth here conflict with the AAA Rules, the procedures set forth here shall control and be applied by the arbitrator. Notwithstanding the amount of the claim, the Procedures for Large, Complex Commercial Disputes shall not apply.
 2. Substantive Law. The arbitrator shall apply the substantive law (and the laws of remedies, if applicable), of Minnesota or federal law, or both, depending upon the claim. Except to the extent required by applicable law, the Claimant shall keep any arbitration decision or

award strictly confidential and not disclose to anyone other than his or her spouse, attorney, or tax advisor.

3. Authority. The arbitrator shall have jurisdiction to hear and rule on prehearing disputes and is authorized to hold prehearing conferences by telephone or in person as the arbitrator deems necessary. The arbitrator will have the authority to hear a motion to dismiss and/or a motion for summary judgment by any party and in doing so shall apply the standards governing such motions under the Federal Rules of Civil Procedure.
4. Pre-Hearing Procedures. Each party may take the deposition of not more than one individual and the expert witness, if any, designated by another party. Each party will have the right to subpoena witnesses in accordance with the Federal Arbitration Act, Title 9 of the United States Code. Additional discovery may be had only if the arbitrator so orders, upon a showing of substantial need.
5. Fees and Costs. Administrative arbitration fees and arbitrator compensation shall be borne equally by the parties, and each party shall be responsible for its own attorney's fees, if any; provided, however, that the Committee will authorize payment by the Company of all administrative arbitration fees, arbitrator compensation and attorney's fees if the Committee concludes that a Claimant has substantially prevailed on his or her claims. Unless prohibited by statute, the arbitrator shall assess attorney's fees against a party upon a showing that such party's claim, defense or position is frivolous, or unreasonable, or factually groundless. If either party pursues a claim by any means other than those set forth in this Article, the responding party shall be entitled to dismissal of such action, and the recovery of all costs and attorney's fees and losses related to such action, unless prohibited by statute.
- a. Interstate Commerce and the Federal Arbitration Act. The Company is involved in transactions involving interstate commerce, and the employee's employment with the Company involves such commerce. Therefore, the Federal Arbitration Act, Title 9 of the United States Code, will govern the interpretation, enforcement, and all judicial proceedings regarding the arbitration procedures in this Section.

8. Ratification of Actions. By receiving the Grant or other benefit under the Plan, you and each person claiming under or through you shall be conclusively deemed to have indicated your acceptance and ratification of, and consent to, any action taken under the Plan or the Grant by ALLETE, the Board or the Committee.

9. No Impact on Other Benefits. The Grant or payment on account thereof shall not be taken into account in determining any benefits under any severance, retirement, welfare, insurance or other benefit plan of ALLETE or any affiliate except to the extent otherwise expressly provided in writing in such other plan or an agreement thereunder.

10. Notices. Any notice hereunder to ALLETE shall be addressed to ALLETE, 30 West Superior Street, Duluth, Minnesota 55802, Attention: Manager – Compensation, Benefits, and Talent Acquisition, Human Resources, and any notice hereunder to you shall be directed to your address as indicated by ALLETE's records, subject to the right of either party to designate at any time hereafter in writing some other address.

11. Governing Law and Severability. To the extent not preempted by the Federal law, the Grant will be governed by and construed in accordance with the laws of the State of Minnesota, without regard to its conflicts of law provisions. In the event any provision of the Grant shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Grant, and the Grant shall be construed and enforced as if the illegal or invalid provision had not been included.

12. Definitions. Capitalized terms not otherwise defined herein shall have the meanings given them in the Plan. The following definitions apply to the Grant and this Annex A:

12.1 “**Claims Administrator**” means ALLETE’s Chief Executive Officer, unless the claimant is (or is acting on behalf of) an ALLETE executive officer (within the meaning of Exchange Act Rule 3b-7), in which case the Claims Administrator is the Executive Compensation Committee of the Board of Directors.

12.2 “**Code**” means the Internal Revenue Code of 1986, as it may be amended from time to time.

12.3 “**Disability**” or “**Disabled**” means a physical or mental condition in which the Participant is:

- a. unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months;
- b. by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under the Employer’s accident and health plan;
- c. determined to be totally disabled by the Social Security Administration; or
- d. disabled pursuant to an Employer-sponsored disability insurance arrangement provided that the definition of disability applied under such disability insurance program complies with the foregoing definition of Disability.

12.4 “**Related Company**” means ALLETE, Inc. and all persons with whom the ALLETE, Inc. would be considered a single employer under Code section 414(b) (employees of controlled group of corporations), and all persons with whom such person would be considered a single employer under Code section 414(c) (employees of partnerships, proprietorships, etc., under common control); provided that in applying Code sections 1563(a)(1), (2), and (3) for purposes of determining a controlled group of corporations under Code section 414(b), the language “at least 50 percent” is used instead of “at least 80 percent” each place it appears in Code sections 1563(a)(1), (2), and (3), and in applying Treasury Regulations section 1.414(c)-2 for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Code section 414(c), “at least 50 percent” is used instead of “at least 80 percent” each place it appears in Treasury Regulations section 1.414(c)-2.

12.5 “**Retirement**” or “**Retires**” means Separation from Service, for reasons other than death or Disability, on or after attaining normal retirement age or early retirement age as defined in the most applicable qualified retirement plan sponsored by the Related Company that employed the Participant immediately preceding the Separation from Service, without regard to whether the Participant is a participant in such plan, or if the employer Related Company does not sponsor such retirement plan, on or after attaining Normal Retirement Age or Early Retirement Age as defined in the ALLETE and Affiliated Companies Retirement Plan A, without regard to whether the Participant is a participant under the ALLETE and Affiliated Companies Retirement Plan A.

12.6 “**Separation from Service**” means that the Participant terminates employment within the meaning of Treasury Regulations section 1.409A-1(h) and other applicable guidance with all Related Companies. Whether a termination of employment has occurred is determined under the facts and circumstances, and a termination of employment shall occur if all Related Companies and the Participant reasonably anticipate that no further services shall be performed after a certain date or that the level of

bona fide services the Participant shall perform after such date (as an employee or an independent contractor) shall permanently decrease to no more than 20 percent of the average level of bona fide services performed (whether as an employee or an independent contractor) over the immediately preceding 36-month period (or the full period of services to the Related Companies if the Participant has been providing services to the Related Companies less than 36 months). A Participant shall not be considered to separate from service during a bona fide leave of absence for less than six (6) months or longer if the Participant retains a right to reemployment with any Related Company by contract or statute. With respect to disability leave, a Participant shall not be considered to separate from service for 29 months unless the Participant otherwise terminates employment or is terminated by all Related Companies.

Effective 2021
[Eligible Executive Employees]
ANNEX B
TO
ALLETE
Executive Long Term Incentive Compensation Plan
Performance Share Grant

Financial Measure:

Fifty percent (50%) of the total performance share opportunity is based on Total Shareholder Return (TSR) computed over the three-year performance period January 1, 2021 to December 31, 2023.

Fifty percent (50%) of the total performance share opportunity is based on the Company's Compound Annual Growth Rate (CAGR) computed over the three-year performance period January 1, 2021 to December 31, 2023.

Performance Share Award (TSR metric):

Achievement will be weighted on TSR performance in accordance with ALLETE's TSR ranking as follows: at the 85th percentile or higher among the peer group (superior performance), 200% of the weighted Performance Share Grant will be earned. If ALLETE's TSR ranking is at the 50th percentile among the peer group (target performance), 100% of the weighted Performance Share Grant will be earned. If ALLETE's TSR ranking is at the 30th percentile (threshold performance), 50% of the weighted Performance Share Grant will be earned. If TSR ranking is below threshold, no weighted Performance Shares will be earned. Straight-line interpolation will be used to determine earned awards based on the TSR ranking between threshold, target and superior.

Peer Group:

The integrated utility companies comprising Edison Electric Institute (EEI) Stock Index as of December 31, 2023 that have been in the EEI Stock Index for at least three years as of December 31, 2023 will constitute the peer group used to determine actual payout results. The table below lists the EEI Stock Index as of December 31, 2020, based on published information available as of that date:

Alliant Energy Corporation	Entergy Corporation	Otter Tail Corporation
Ameren Corporation	Eversource Energy	PG&E Corporation
American Electric Power Company	Exelon Corporation	Pinnacle West Capital Corporation
Avangrid, Inc.	FirstEnergy Corporation	PNM Resources, Inc.
Avista Corporation	Hawaiian Electric Industries, Inc.	Portland General Electric Company
Black Hills Corporation	IDACORP, Inc.	PPL Corporation
CenterPoint Energy, Inc.	MDU Resources Group, Inc.	Public Service Enterprise Group, Inc.
CMS Energy Corporation	MGE Energy, Inc.	Sempra Energy
Consolidated Edison, Inc.	NextEra Energy, Inc.	The Southern Company
Dominion Energy, Inc.	NiSource, Inc.	Unitil Corporation
DTE Energy Company	NorthWestern Corporation	WEC Energy Group, Inc.
Duke Energy Corporation	OGE Energy Corp.	Xcel Energy, Inc.
Edison International		

Any Company that is no longer included in the EEI Stock Index as of December 31, 2023 due to corporate restructuring during the performance period (e.g., mergers, acquisitions, divestitures, spin-offs, etc.) will be excluded from the results calculation entirely. If a corporate restructuring during the performance

period results in a company remaining in the EEI Stock Index following the transaction (and thus not being excluded from the results calculation entirely), from the point of the transaction forward, the results calculation will track only the entity that remains in the EEI Stock Index and ignore other entities, regardless of whether such other entities are publicly traded.

Performance Share Award (CAGR metric):

CAGR will be calculated by using the proforma Earnings per Share (EPS) at the beginning of the three-year performance period and the proforma EPS at the end the three-year performance period. Achievement will be weighted on CAGR performance in accordance with the following table:

Compound Annual Growth Rate	Payout Percentage (% of Target Award)
Superior []%	200%
Target []%	100%
Threshold []%	50%

If CAGR percentage result is below threshold, no weighted Performance Shares will be earned. Straight-line interpolation will be used to determine earned awards based on the CAGR percentage result between threshold, target and superior.

ALLETE, INC.
Non-Employee Director Compensation
Effective January 1, 2020

Board Retainers ⁽¹⁾⁽²⁾	
Stock	\$93,000
Cash	\$75,000
Committee Cash Retainers ⁽¹⁾⁽²⁾	
Audit	\$9,000
Executive Compensation	\$7,500
Corporate Governance & Nominating	\$7,500
Chair Cash Retainers ⁽¹⁾⁽²⁾	
Audit	\$10,000
Executive Compensation	\$7,500
Corporate Governance & Nominating	\$5,000
Lead Director ⁽¹⁾⁽²⁾⁽³⁾	
Board Stock Retainer	\$93,000
Board Cash Retainer	\$75,000
Lead Director Cash Retainer	\$40,000

⁽¹⁾ Cash and stock retainers may be deferred under the Director Compensation Deferral Plan II.

⁽²⁾ Cash retainers may be elected to be received in ALLETE stock.

⁽³⁾ Lead Director is not eligible for other committee or chair retainers.

SUBSIDIARIES OF THE REGISTRANT
As of December 31, 2020

Name of Organization <i>(a)</i>	State or Country
ALLETE, Inc. <i>(d/b/a ALLETE; Minnesota Power; Minnesota Power, Inc.; Minnesota Power & Light Company)</i>	Minnesota
ALLETE Automotive Services, LLC	Minnesota
ALLETE Enterprises, Inc.	Minnesota
ALLETE Clean Energy, Inc.	Minnesota
ACE O&M, LLC	Delaware
ACE Solar LLC	Delaware
Red Lake Solar, LLC	Delaware
ACE Wind LLC	Delaware
ACE Mid-West Holdings, LLC	Delaware
ACE Gopher Holdings, LLC	Delaware
ACE Lincoln Heights Holdings, LLC	Delaware
Cisco Holdings, LLC	Delaware
MINNIGAN HOLDCO, LLC	Delaware
MWW Holdings, LLC	Delaware
Lake Benton Power Associates LLC	Delaware
Lake Benton Holdings LLC	Delaware
Lake Benton Power Partners L.L.C.	Delaware
Storm Lake Power Partners I LLC	Delaware
Storm Lake II Power Associates LLC	Delaware
Storm Lake II Holdings LLC	Delaware
Storm Lake Power Partners II LLC	Delaware
Northern Wind Energy, LLC	Delaware
Chanarambie Power Partners, LLC	Delaware
Viking Wind Holdings, LLC	Delaware
ACE South Holdings, LLC	Delaware
Caddo Wind, LLC	Delaware
Caddo Renewables, LLC	Delaware
Caddo Transmission, LLC	Delaware
Diamond Spring QOZB, LLC	Delaware
ACE DS Class B LLC	Delaware
Diamond Spring, LLC	Delaware
ACE West Holdings, LLC	Delaware
ACE GAWW Class B LLC	Delaware
Great American West Wind, LLC	Delaware
Glen Ullin Energy Center, LLC	Delaware
South Peak Wind LLC	Delaware
Condon Wind Power, LLC	Delaware
Ruso Wind Partners, LLC	Delaware
Armenia Holdings, LLC	Delaware
AMW I Holding, LLC	Delaware
Armenia Mountain Wind, LLC	Delaware
Armenia Mountain Wind II, LLC	Delaware
Thunder Spirit Wind, LLC	Delaware
ALLETE Enterprises QOF, LLC	Delaware
ALLETE Power Systems, Inc.	Minnesota
ALLETE Renewable Resources, Inc.	North Dakota
ALLETE Transmission Holdings, Inc.	Wisconsin
ASW Partners, LLC	Delaware
ALLETE South Wind, LLC	Delaware
Nobles 2 Power Partners, LLC	Delaware

(a) Certain insignificant subsidiaries are omitted.

Name of Organization (a)	State or Country
BNI Energy, Inc.	North Dakota
BNI Coal, Ltd.	North Dakota
MP Affiliate Resources, Inc.	Minnesota
Rainy River Energy Corporation	Minnesota
South Shore Energy, LLC	Wisconsin
Upper Minnesota Properties, Inc.	Minnesota
Upper Minnesota Properties - Development, Inc.	Minnesota
ALLETE Properties, LLC (d/b/a ALLETE Properties)	Minnesota
ALLETE Commercial, LLC	Florida
Lehigh Acquisition, LLC	Delaware
Florida Landmark Communities, LLC	Florida
Lehigh Corporation	Florida
Mardem, LLC	Florida
Palm Coast Holdings, Inc.	Florida
Port Orange Holdings, LLC	Florida
Interlachen Lakes Estates, LLC	Florida
Palm Coast Land, LLC	Florida
ALLETE Water Services, Inc.	Minnesota
Florida Water Services Corporation	Florida
Energy Replacement Property, LLC	Minnesota
Energy Land, Incorporated	Wisconsin
MP Investments, Inc.	Delaware
RendField Land Company, Inc.	Minnesota
Superior Water, Light and Power Company	Wisconsin

(a) Certain insignificant subsidiaries are omitted.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-232905, 333-231030) and Form S-8 (Nos. 333-162890, 333-183051, 333-190336, 333-207846, 333-228120) of ALLETE, Inc. of our report dated February 17, 2021, relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Minneapolis, Minnesota
February 17, 2021

**Rule 13a-14(a)/15d-14(a) Certification by the Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Bethany M. Owen, certify that:

1. I have reviewed this annual report on Form 10-K for the fiscal year ended December 31, 2020, of ALLETE, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2021

/s/ Bethany M. Owen

Bethany M. Owen

President and Chief Executive Officer

**Rule 13a-14(a)/15d-14(a) Certification by the Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Robert J. Adams, certify that:

1. I have reviewed this annual report on Form 10-K for the fiscal year ended December 31, 2020, of ALLETE, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2021

/s/ Robert J. Adams

Robert J. Adams

Senior Vice President and Chief Financial Officer

**Section 1350 Certification of Periodic Report
By the Chief Executive Officer and Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, each of the undersigned officers of ALLETE, Inc. (ALLETE), does hereby certify that:

1. The Annual Report on Form 10-K of ALLETE for the fiscal year ended December 31, 2020, (Report) fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of ALLETE.

Date: February 17, 2021 /s/ Bethany M. Owen
Bethany M. Owen
President and Chief Executive Officer

Date: February 17, 2021 /s/ Robert J. Adams
Robert J. Adams
Senior Vice President and Chief Financial Officer

This certification shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to liability pursuant to that section. Such certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that ALLETE specifically incorporates it by reference.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to ALLETE and will be retained by ALLETE and furnished to the Securities and Exchange Commission or its staff upon request.

Mine Safety Disclosure

Mine or Operating Name/MSHA Identification Number	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessments Proposed (\$)	Total Number of Mining-Related Fatalities (#)	Received Notice of Violation Under Section 104(e) (yes/no)	Received Notice of Potential to Have Pattern Under Section 104(e) (yes/no)	Legal Actions Pending as of Last Day of Period (#)	Legal Actions Initiated During Period (#)	Legal Actions Resolved During Period (#)
Center Mine / 3200218	—	—	—	—	—	—	—	No	No	—	—	—

For the quarter ended December 31, 2020, BNI Energy, owner of Center Mine, received no citations under Section 104(a) of the Mine Safety Act; five citations under Section 104(a) of the Mine Safety Act, none of which were significant and substantial (S&S) citations, were received for the year ended December 31, 2020. For the year ended December 31, 2020, BNI Energy paid \$1,057 in penalties for citations closed during the period. For the year ended December 31, 2020, there were no citations, orders, violations or notices received under Sections 104(b), 104(d), 107(a), 104(e) or 110(b)(2) of the Mine Safety Act and there were no fatalities.



NEWS

For Release:
Investor Contact:

February 17, 2021
Vince Meyer
218-723-3952
vmeyer@allete.com

Exhibit 99

ALLETE, Inc. reports 2020 earnings of \$3.35 per share; initiates 2021 earnings guidance; anticipates further improvement in 2022

DULUTH, Minn. - ALLETE, Inc. (NYSE: ALE) today reported 2020 earnings of \$3.35 per share on net income of \$174.2 million and operating revenue of \$1.2 billion. Reported results from 2019 were \$3.59 per share on net income of \$185.6 million and operating revenue of \$1.2 billion. 2020 results were impacted by lower sales due to the COVID-19 pandemic and settlement of the Minnesota Power rate case earlier in the year. Net income in 2019 includes 24 cents per share for impacts of the gain on the sale of U.S. Water Services offset by its partial year financial results.

ALLETE's operating and financial results for 2020 exemplify our company's resilience in the face of unprecedented challenges brought on by the COVID19 pandemic," said ALLETE President and CEO Bethany Owen. "Our early action on safety and financial positioning will enable us to move beyond the pandemic, even stronger, with our clean energy strategy."

ALLETE's Regulated Operations segment, which includes Minnesota Power, Superior Water, Light and Power and the Company's investment in the American Transmission Co., recorded net income of \$136.3 million, compared to \$154.4 million 2019. Earnings reflect lower net income at Minnesota Power primarily due to: lower kilowatt-hour sales to retail customers due to COVID-19 impacts; lower revenue resulting from the expiration of certain municipal and power sale contracts; higher depreciation expense; and lower fuel adjustment clause recoveries in 2020 with the adoption of a new fuel adjustment clause methodology. These decreases were partially offset by higher rates resulting from Minnesota Power's rate case and increased earnings related to the GNTL. In addition, results in 2020 included a second quarter 16 cent per share charge from the Minnesota Power rate case resolution for the refund of interim rates collected through April 30, 2020.

ALLETE Clean Energy recorded 2020 net income of \$29.9 million compared to \$12.4 million in 2019. Net income in 2020 reflects additional production tax credits and earnings from the new Glen Ullin, South Peak and Diamond Spring wind energy facilities, and higher wind resources at other wind energy facilities.

Corporate and Other businesses, which include BNI Energy and ALLETE Properties, recorded net income of \$8.0 million in 2020 compared to net income of \$19.9 million in 2019. Net income in 2020 included earnings from the company's investment in the Nobles 2 wind facility which commenced operations in December 2020. Net income in 2019 included the gain on the sale of U.S. Water Services of \$13.2 million after-tax.

"Our thoughtful positioning in the early stage of the COVID-19 crisis delivered on expectations in 2020, no small feat. Even with notable impacts lingering from the pandemic, our financial results exceeded our updated guidance range of \$3.25 to \$3.45 per share, which includes the 16 cent per share charge related to the Minnesota Power rate case resolution," said ALLETE Senior Vice President and Chief Financial Officer Bob Adams. "Although we expect continued impacts of the COVID-19 pandemic in 2021, we remain keenly focused on delivering value to our investors and customers as we advance our clean energy strategy and positioning. This will set the stage for

financial improvement and growth in 2022 as we execute on ALLETE's key initiatives planned for 2021, including ALLETE Clean Energy's growth initiatives and the Minnesota Power rate case filing later this year."

Details of the Company's 2021 earnings guidance were filed as part of today's Form 8-K filing.

Live Webcast on February 17, 2021; financial slides posted on company website

ALLETE's earnings conference call will be at 10:00 a.m. (EST), February 17, 2021, at which time management will discuss 2020 financial results and 2021 earnings guidance. To participate in the call, analysts are asked to dial 877-303-5852, pass code 9387381, ten minutes prior to the start time and refer to the "ALLETE's Conference Call Announcing 2020 Financial Results." All interested parties may listen to the live audio-only webcast accompanied by financial slides, which will be available on ALLETE's Investor Relations website <http://investor.allete.com/events-presentations>. A replay of the call will be available through February 24, 2021 by calling (855) 859-2056, pass code 9387381. The webcast will be accessible for one year at www.allete.com.

ALLETE is an energy company headquartered in Duluth, Minn. In addition to its electric utilities, Minnesota Power and Superior Water, Light and Power of Wisconsin, ALLETE owns ALLETE Clean Energy, based in Duluth, BNI Energy in Bismarck, N.D., and has an eight percent equity interest in the American Transmission Co. More information about ALLETE is available at www.allete.com. *ALE-CORP*

The statements contained in this release and statements that ALLETE may make orally in connection with this release 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 with the Securities and Exchange Commission.

ALLETE's press releases 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 include presentations of earnings (loss) per share. ALLETE's management believes that these 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, such as the charge for the recent Minnesota Power rate case resolution. Management believes that the presentation of 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. See page 5 in this release for a reconciliation of 2020 annual GAAP earnings guidance range to 2020 annual adjusted earnings guidance range (Non-GAAP).

ALLETE, Inc.
Consolidated Statement of Income
For the Periods Ended December 31, 2020 and 2019

	Quarter Ended		Year to Date	
	2020	2019	2020	2019
Millions Except Per Share Amounts				
Operating Revenue				
Contracts with Customer – Utility	\$266.1	\$256.3	\$987.3	\$1,042.4
Contracts with Customer – Non-utility	51.5	45.4	170.5	186.5
Other – Non-utility	2.8	2.9	11.3	11.6
Total Operating Revenue	320.4	304.6	1,169.1	1,240.5
Operating Expenses				
Fuel, Purchased Power and Gas – Utility	106.9	94.8	358.6	390.7
Transmission Services – Utility	17.2	14.0	67.0	69.8
Cost of Sales – Non-utility	18.1	18.8	66.7	80.6
Operating and Maintenance	70.1	63.3	252.0	264.3
Depreciation and Amortization	56.5	50.4	217.8	202.0
Taxes Other than Income Taxes	15.2	13.5	56.1	53.3
Total Operating Expenses	284.0	254.8	1,018.2	1,060.7
Operating Income	36.4	49.8	150.9	179.8
Other Income (Expense)				
Interest Expense	(17.7)	(16.0)	(65.6)	(64.9)
Equity Earnings	5.4	6.4	22.1	21.7
Gain on Sale of U.S. Water Services	—	3.0	—	23.6
Other	5.6	4.1	14.7	18.7
Total Other Expense	(6.7)	(2.5)	(28.8)	(0.9)
Income Before Non-Controlling Interest and Income Taxes	29.7	47.3	122.1	178.9
Income Tax Benefit	(11.7)	(2.3)	(39.5)	(6.6)
Net Income	41.4	49.6	161.6	185.5
Net Loss Attributable to Non-Controlling Interest	(5.7)	(0.1)	(12.6)	(0.1)
Net Income Attributable to ALLETE	\$47.1	\$49.7	\$174.2	\$185.6
Average Shares of Common Stock				
Basic	52.0	51.7	51.9	51.6
Diluted	52.1	51.8	51.9	51.7
Basic Earnings Per Share of Common Stock	\$0.91	\$0.96	\$3.36	\$3.59
Diluted Earnings Per Share of Common Stock	\$0.90	\$0.96	\$3.35	\$3.59
Dividends Per Share of Common Stock	\$0.6175	\$0.5875	\$2.47	\$2.35

Consolidated Balance Sheet
Millions

	Dec. 31, 2020	Dec. 31, 2019		Dec. 31, 2020	Dec. 31, 2019
Assets			Liabilities and Equity		
Cash and Cash Equivalents	\$44.3	\$69.3	Current Liabilities	\$459.6	\$507.4
Other Current Assets	210.6	200.2	Long-Term Debt	1,593.2	1,400.9
Property, Plant and Equipment – Net	4,840.8	4,377.0	Deferred Income Taxes	195.7	212.8
Regulatory Assets	480.9	420.5	Regulatory Liabilities	524.8	560.3
Equity Investments	301.2	197.6	Defined Benefit Pension & Other Postretirement Benefit Plans	225.8	172.8
Other Non-Current Assets	206.8	218.2	Other Non-Current Liabilities	285.3	293.0
			Equity	2,800.2	2,335.6
Total Assets	\$6,084.6	\$5,482.8	Total Liabilities and Equity	\$6,084.6	\$5,482.8

ALLETE, Inc. Income (Loss)	Quarter Ended December 31,		Year to Date December 31,	
	2020	2019	2020	2019
Millions				
Regulated Operations	\$25.3	\$40.2	\$136.3	\$154.4
ALLETE Clean Energy	13.1	5.9	29.9	12.4
U.S. Water Services	—	—	—	(1.1)
Corporate and Other	8.7	3.6	8.0	19.9
Net Income Attributable to ALLETE	\$47.1	\$49.7	\$174.2	\$185.6
Diluted Earnings Per Share	\$0.90	\$0.96	\$3.35	\$3.59

Statistical Data

Corporate				
Common Stock				
High	\$62.28	\$87.83	\$84.71	\$88.60
Low	\$50.75	\$78.25	\$48.22	\$72.50
Close	\$61.94	\$81.17	\$61.94	\$81.17
Book Value	\$44.06	\$43.19	\$44.06	\$43.19

Kilowatt-hours Sold

Millions				
Regulated Utility				
Retail and Municipal				
Residential	299	301	1,134	1,130
Commercial	323	347	1,306	1,390
Industrial	1,645	1,888	6,192	7,277
Municipal	150	153	584	672
Total Retail and Municipal	2,417	2,689	9,216	10,469
Other Power Suppliers	1,544	891	4,039	3,185
Total Regulated Utility	3,961	3,580	13,255	13,654

Regulated Utility Revenue

Millions				
Regulated Utility Revenue				
Retail and Municipal Electric Revenue				
Residential	\$34.6	\$31.9	\$127.9	\$125.9
Commercial	34.5	33.4	134.0	139.5
Industrial	115.6	117.9	430.6	473.9
Municipal	10.7	9.2	41.2	48.6
Total Retail and Municipal	195.4	192.4	733.7	787.9
Other Power Suppliers	42.2	41.8	138.8	153.7
Other (Includes Water and Gas Revenue)	28.5	22.1	114.8	100.8
Total Regulated Utility Revenue	\$266.1	\$256.3	\$987.3	\$1,042.4

A reconciliation of 2020 annual GAAP earnings guidance range to 2020 annual adjusted earnings guidance range (Non-GAAP) is as follows:

2020 Annual GAAP Earnings Guidance Range	\$3.09 - \$3.29
Rate Case Settlement Charge	\$0.23
Less: Income Tax Benefit	\$(0.07)
Rate Case Settlement Charge, Net of Income Tax Benefit	\$0.16
2020 Annual Adjusted Earnings Guidance Range (Non-GAAP)	\$3.25 - \$3.45

This exhibit has been furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.