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ALLETE INC
Form DEF 14A
March 21, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934
(AMENDMENT NO.)

Filed by the Registrant ☒ [X]
Filed by a Party other than the Registrant ☐ []
Check the appropriate box:
☐ [] Preliminary Proxy Statement
☐ [] CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (AS PERMITTED BY RULE 14a-6(e)(2))
☒ [X] Definitive Proxy Statement
☐ [] Definitive Additional Materials
☐ [] Soliciting Material Pursuant to Section 240.14a-12

ALLETE, INC.

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

☒ [X] No fee required.
☐ [] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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☐ [] Fee paid previously with preliminary materials.
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or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

POWER

PROPERTY

POTENTIAL

[PHOTO OF WIND TURBINE]

[PHOTO OF BLUEPRINTS]

[PHOTO OF CLOUDS]

2006 NOTICE AND PROXY STATEMENT

[ALLETE LOGO]

ANNUAL MEETING OF SHAREHOLDERS

TUESDAY, MAY 9, 2006

DULUTH, MINNESOTA

[ALLETE LOGO]

March 21, 2006

Dear Fellow Shareholder:

You are cordially invited to the 2006 Annual Meeting of Shareholders of ALLETE, Inc. to be held on Tuesday, May 9, 2006 at 10:30 a.m. in the auditorium of the Duluth Entertainment Convention Center (DECC). The DECC is located on the waterfront of Lake Superior at 350 Harbor Drive in Duluth, Minnesota. Free parking is available in the adjoining lot. On behalf of the ALLETE Board of Directors, I encourage you to attend.

At this year's meeting, you will be asked to elect ten directors and to ratify the appointment of PricewaterhouseCoopers LLP as our independent

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registered public accounting firm.

Standing for election to the Board of Directors for the first time this year is Jim Hoolihan. I think you will agree that Mr. Hoolihan has deep ties to northeastern Minnesota and brings a great wealth of business, civic, and political experience to the Board.

After the Annual Meeting, you are invited to visit with our directors, officers, and employees over lunch in the Lake Superior Ballroom located in the DECC. If you plan to join us for lunch, please register when you vote your proxy.

Your vote is important to us. Whether or not you plan to attend our Annual Meeting in person, your shares should be represented and voted. After reading the enclosed Proxy Statement, please vote your shares online, by a toll-free telephone call, or by signing, dating, and returning the enclosed Proxy Card. Specific instructions on how to vote are provided on your Proxy Card.

Thank you for your investment in ALLETE.

Sincerely,

Donald J. Shippar

Donald J. Shippar
Chairman, President,
and Chief Executive Officer

ANNUAL MEETING OF SHAREHOLDERS

10:30 a.m.
Tuesday,
May 9, 2006

(Doors open at
9:00 a.m.)

at

Duluth
Entertainment
Convention Center
Duluth, Minnesota

Free Parking

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Lunch will
follow the meeting.

REGISTER TO ATTEND
WHEN YOU VOTE
YOUR PROXY.

Questions, call
Shareholder Services

218-723-3974

or

800-535-3056

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS-MAY 9, 2006

ALLETE, INC.
30 WEST SUPERIOR STREET
DULUTH, MINNESOTA 55802

The Annual Meeting of Shareholders of ALLETE, Inc. will be held in the auditorium of the Duluth Entertainment Convention Center, 350 Harbor Drive, Duluth, Minnesota, on Tuesday, May 9, 2006 at 10:30 a.m. for the following purposes:

1. To elect a Board of ten directors to serve for the ensuing year;
2. To ratify the appointment of PricewaterhouseCoopers LLP as ALLETE's independent registered public accounting firm for 2006; and
3. To transact such other business as may properly come before the meeting or any adjournments thereof.

Shareholders of record on the books of ALLETE at the close of business on March 10, 2006 are entitled to notice of and to vote at the Annual Meeting.

All shareholders are cordially invited and encouraged to attend the meeting in person. The holders of a majority of the shares entitled to vote at the meeting must be present in person or by proxy to constitute a quorum.

Your early response will facilitate an efficient tally of your votes. Please follow the instructions on your Proxy Card to vote your shares online or by a toll-free telephone call. To vote by mail, please sign, date, and return the enclosed Proxy Card in the envelope provided.

By order of the Board of Directors,

Deborah A. Amberg

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

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March 21, 2006
Duluth, Minnesota

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ALLETE, INC.
30 WEST SUPERIOR STREET
DULUTH, MINNESOTA 55802

GENERAL INFORMATION

PROXY SOLICITATION

These proxy materials are being delivered to shareholders of ALLETE, Inc. (ALLETE or Company) in connection with the solicitation of proxies by the Board of Directors to be voted at ALLETE's 2006 Annual Meeting of Shareholders to be held at 10:30 a.m. CST on Tuesday, May 9, 2006 at the Duluth Entertainment Convention Center, Duluth, Minnesota.

ALLETE expects to solicit proxies primarily by mail. Directors, officers, other employees, or retirees of the Company also may solicit proxies in person or by telephone at a nominal cost. Brokers, and other custodians, nominees, and fiduciaries will be asked to solicit proxies or authorizations from beneficial owners and will be reimbursed for their reasonable expenses. ALLETE has retained Georgeson Shareholder Communications, Inc. to assist in the solicitation of proxies. The total fees ALLETE expects to pay in connection with the solicitation of proxies are approximately \$12,000 plus expenses. The cost of soliciting proxies will be paid by ALLETE.

This Notice of Annual Meeting, Proxy Statement, form of proxy, and voting instructions were first mailed to shareholders on or about March 21, 2006.

PURPOSE OF THE MEETING

The purpose of the Annual Meeting is to elect a Board of ten directors to serve for the ensuing year, to ratify the appointment of PricewaterhouseCoopers LLP (PricewaterhouseCoopers) as ALLETE's independent registered public accounting firm for 2006, and to transact such other business as may properly come before the meeting.

The Board is not aware of any matter to be presented at the Annual Meeting other than those set forth in the accompanying notice. If any other matters properly come before the meeting, all shares represented by valid proxies will be voted in accordance with the judgment of the appointed proxies.

SHAREHOLDERS ENTITLED TO VOTE

Each share of common stock of ALLETE, without par value (Common Stock), of record on the books of ALLETE at the close of business on March 10, 2006 is entitled to notice of and to vote at the Annual Meeting. As of March 10, 2006 there were 30,244,304 outstanding shares of Common Stock, each entitled to one vote.

SHAREHOLDERS OF RECORD; BENEFICIAL OWNERS

If shares of Common Stock are registered directly in a person's name with ALLETE's transfer agent, Wells Fargo Bank, N.A., that person is considered the "shareholder of record" with respect to those shares and these proxy materials have been sent directly to such persons by ALLETE.

If a person holds shares of Common Stock in a brokerage account or through a bank or other holder of record, that person is considered the "beneficial owner" of shares held in street name. These proxy materials have been forwarded to the beneficial owners by the broker, bank, or other holder of record who is considered the shareholder of record with respect to those shares.

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A beneficial owner has the right to direct the broker, bank, or other holder of record on how to vote the beneficially owned shares.

QUORUM; REQUIRED VOTES

The holders of a majority of the shares of Common Stock entitled to vote at the meeting must be present in person or represented by proxy to constitute a quorum.

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The affirmative vote of a majority of the shares of Common Stock entitled to vote at the Annual Meeting is required for the election of each director. The affirmative vote of a majority of the shares of Common Stock present at the Annual Meeting and entitled to vote is required for ratification of the appointment of PricewaterhouseCoopers LLP as ALLETE's independent registered public accounting firm for 2006.

Abstentions are included in the number of shares present and voting, and have the same effect as votes against the particular proposal.

Broker non-votes are not counted for or against any proposal, but are treated as present for purposes of determining a quorum. A "broker non-vote" occurs when a broker submits a proxy card for shares to the Company but does not indicate a vote on a particular matter because the broker has not received timely voting instructions from the beneficial owner of the shares and the broker does not have the authority to vote on the matter without such instructions. Under the rules of the New York Stock Exchange (NYSE), a broker may vote shares on Item No. 1, Item No. 2, and on other routine matters in the absence of timely voting instructions from the beneficial owner.

An automated system administered by Wells Fargo Bank, N.A. tabulates the votes.

HOW TO VOTE

Shareholders of record may vote their shares by proxy using any of the following methods:

BY TELEPHONE: Vote by calling the toll-free telephone number printed on the Proxy Card. The proxy card should be in hand when making the call. Easy-to-follow voice prompts allow the caller to authenticate his or her identity, vote the shares, and confirm that the instructions have been properly recorded.

ON THE INTERNET: The website for Internet voting is WWW.EPROXY.COM/ALE/. The proxy card should be in hand when voting online. As with telephone voting, simple instructions allow the shareholder of record to authenticate his or her identity, vote the shares, and confirm that the instructions have been properly recorded.

BY MAIL: Shareholders of record may complete, sign, and date the proxy card and return it in the prepaid envelope provided to ALLETE, Inc., c/o Wells Fargo Bank, N.A., Shareowner Services, P.O. Box 64873, St. Paul, MN 55164-0873.

Unless contrary instructions are provided, all shares represented by valid proxies will be voted "FOR" the election of all nominees for Director named herein and "FOR" ratification of the appointment of PricewaterhouseCoopers as ALLETE's independent registered public accounting firm for 2006.

REVOCATION OF PROXIES

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A proxy may be revoked at any time before it is voted by giving written notice of revocation to ALLETE, Inc., c/o Wells Fargo Bank, N.A., Shareowner Services, P.O. Box 64873, St. Paul, MN 55164-0873, or by delivering a proxy bearing a later date using any of the voting methods described above.

DELIVERY OF PROXY MATERIALS TO HOUSEHOLDS

Only one copy of ALLETE's 2005 Annual Report and Proxy Statement for the 2006 Annual Meeting of Shareholders will be delivered to an address where two or more shareholders reside unless ALLETE has received contrary instructions from a shareholder at the address. A separate Proxy Card will be delivered to each shareholder at the shared address.

If you are a shareholder who lives at a shared address and you would like additional copies of the 2005 Annual Report, this Proxy Statement, or any future annual reports or proxy statements contact ALLETE Shareholder Services, 30 West Superior Street, Duluth, MN 55802-2093, telephone number 800-535-3056 or 218-723-3974, and we will promptly mail you copies.

If you share the same address with another ALLETE shareholder and you currently receive multiple copies of annual reports or proxy statements, you may request delivery of a single copy of future annual reports or proxy statements at any time by calling ALLETE Shareholder Services at 800-535-3056 or 218-723-3974, or by writing

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to ALLETE's stock transfer agent, Wells Fargo Bank, N.A., Shareowner Services, Attn: Householding, P.O. Box 64854, St. Paul, MN 55164-0854.

If you did not receive the 2005 ALLETE Annual Report, which includes financial statements, please notify ALLETE Shareholder Services, 30 West Superior Street, Duluth, MN 55802-2093, telephone number 800-535-3056 or 218-723-3974, and a copy will be sent to you.

Many brokerage firms and other shareholders of record have procedures for the delivery of single copies of company documents to households with multiple beneficial shareholders. If your family has one or more "street name" accounts under which you beneficially own shares of Common Stock, please contact your broker, financial institution, or other shareholder of record directly if you require additional copies of this Proxy Statement or ALLETE's 2005 Annual Report, or if you have other questions or directions concerning your "street name" account.

SHAREHOLDER PROPOSALS FOR THE 2007 ANNUAL MEETING

All proposals from shareholders to be considered for inclusion in the Proxy Statement relating to the Annual Meeting scheduled for May 8, 2007 must be received by the Secretary of ALLETE at 30 West Superior Street, Duluth, MN 55802-2093 not later than November 21, 2006. In addition, the persons to be named as proxies in the Proxy Cards relating to that Annual Meeting may have the discretion to vote their proxies in accordance with their judgment on any matter as to which ALLETE did not have notice prior to February 3, 2007, without discussion of such matter in the Proxy Statement relating to that Annual Meeting.

OWNERSHIP OF ALLETE COMMON STOCK

SECURITIES OWNED BY CERTAIN BENEFICIAL OWNERS

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The only person known to ALLETE who, as of March 10, 2006, beneficially owned more than 5 percent of any class of ALLETE's voting securities is Ameriprise Trust Company (Ameriprise), 145 Ameriprise Financial Center, Minneapolis, MN 55474. As of March 10, 2006 Ameriprise held 5,040,430 shares, or 17 percent, of the Common Stock in its capacity as Trustee of the Minnesota Power and Affiliated Companies Retirement Savings and Stock Ownership Plan (RSOP). Generally, these shares will be voted in accordance with instructions received by Ameriprise from participants in the RSOP.

SECURITIES OWNED BY DIRECTORS AND MANAGEMENT

The following table presents the shares of Common Stock beneficially owned as of March 10, 2006 by Directors, nominees for Director, executive officers named in the Summary Compensation Table which appears subsequently in this Proxy Statement, and all Directors and executive officers of ALLETE as a group. Unless otherwise indicated, the persons shown have sole voting and investment power over the shares listed.

Name of Beneficial Owner	Number of Shares Beneficially Owned	Options Exercisable within 60 days	Name of	Number of Shares Beneficially
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