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ALLETE INC
Form DEF 14A
March 21, 2007

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:

(5) Total fee paid:

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

(1) Amount Previously Paid:

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

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(4) Date Filed:

[PHOTO OF WIND TURBINS][PHOTO OF TREES]

2007
Notice and Proxy Statement

Annual Meeting of Shareholders

Tuesday, May 8, 2007
Duluth, Minnesota

[ALLETE LOGO]

[ALLETE LOGO]

March 21, 2007

Dear Fellow Shareholder:

You are cordially invited to the 2007 Annual Meeting of Shareholders of ALLETE, Inc. to be held on Tuesday, May 8, 2007 at 10:30 a.m. CST in the Duluth Entertainment Convention Center (DECC) auditorium. The DECC is located on the waterfront of Lake Superior at 350 Harbor Drive in Duluth, Minnesota. 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 registered public accounting firm.

Standing for election to the Board of Directors for the first time this year is Sidney W. Emery, Jr. As the current board chairman, chief executive officer, and president of a publicly traded company, "Chip" Emery has significant executive and management experience. I think you will agree that he will be an asset to the ALLETE Board.

Two directors will not stand for election this year due to retirement from the Board. Peter Johnson and Nick Smith have both contributed a wealth of

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experience to the Board. We have particularly benefited from their deep ties to northeastern Minnesota. I want to take this opportunity to thank them for their many years of service and commitment to ALLETE.

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.

Your vote is important. Whether or not you plan to attend the Annual Meeting, 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

[GRAPHIC OMITTED]

ANNUAL MEETING OF SHAREHOLDERS

TUESDAY, MAY 8, 2007 AT 10:30 A.M. (DOORS OPEN AT 9:00 A.M.)

DULUTH ENTERTAINMENT CONVENTION CENTER - DULUTH, MINNESOTA

- FREE PARKING - LUNCH PROVIDED

QUESTIONS? CALL ALLETE SHAREHOLDER SERVICES 218-723-3974 OR 800-535-3056

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS--MAY 8, 2007

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 8, 2007 at 10:30 a.m. CST 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 2007; 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

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on March 9, 2007 are entitled to notice of and to vote at the Annual Meeting.

All shareholders are invited and encouraged to attend the Annual 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

March 21, 2007
Duluth, Minnesota

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PROXY STATEMENT

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 the Company's 2007 Annual Meeting of Shareholders to be held at 10:30 a.m. CST on Tuesday, May 8, 2007 at the Duluth Entertainment Convention Center, Duluth, Minnesota.

The Company expects to solicit proxies primarily by mail. Directors or Company officers, other employees or retirees 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. The Company has retained Georgeson Shareholder Communications, Inc. to assist in the solicitation of proxies. The total fees the Company expects to pay in connection with the solicitation of proxies are approximately \$11,000 plus expenses. The cost of soliciting proxies will be paid by the Company.

This Notice of Annual Meeting, Proxy Statement, form of proxy, and voting instructions were first mailed to shareholders on or about March 21, 2007.

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 the Company's independent registered public accounting firm for 2007, 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 of Shareholders 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

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proxies.

SHAREHOLDERS ENTITLED TO VOTE

Each share of common stock of the Company, without par value (Common Stock), of record on the books of the Company at the close of business on March 9, 2007 is entitled to notice of and to vote at the Annual Meeting of Shareholders. As of March 9, 2007 there were 30,472,359 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 the Company'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 person by the Company.

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

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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.

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 as the Company's independent registered public accounting firm for 2007.

Abstentions are included in the number of shares present and voting, and have the same effect as votes against a 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 Items Nos. 1 and 2, and on other routine matters in the absence of timely voting instructions from the beneficial owner.

An automated system administered by ADP Investor Communications Services (ADP) will tabulate the votes.

HOW TO VOTE

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

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- BY TELEPHONE: Vote by calling 1-800-690-6903, the toll-free telephone number printed on your Proxy Card. Your Proxy Card should be in hand when making the call. Easy-to-follow voice prompts will allow you to authenticate your identity, vote your shares, and confirm that your instructions have been properly recorded.
- ON THE INTERNET: The website for Internet voting is WWW.PROXYVOTE.COM. Your Proxy Card should be in hand when voting online. As with telephone voting, simple instructions allow you, the shareholder of record, to authenticate your identity, vote your shares, and confirm that your instructions have been properly recorded.
- BY MAIL: Complete, sign, and date the Proxy Card and return it in the prepaid envelope provided to ALLETE, Inc., c/o ADP Investor Communications Services, 51 Mercedes Way, Edgewood, NY 11717-8368.

Unless contrary instructions are provided, all shares of Common Stock 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 the Company's independent registered public accounting firm for 2007.

REVOCAION OF PROXIES

A proxy may be revoked at any time before it is voted by giving written notice of revocation to ALLETE, Inc., c/o ADP Investor Communications Services, Registered Issuer Client Services, 51 Mercedes Way, Edgewood, NY 11717-8368, 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 the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006 (Annual Report), filed with the United States Securities and Exchange Commission (SEC), and one Proxy Statement for the 2007 Annual Meeting will be delivered to an address where two or more shareholders reside unless the Company has received contrary instructions from a shareholder at the address. A separate Proxy Card will be delivered to each shareholder at the shared address.

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If you are a shareholder who lives at a shared address and would like additional copies of the 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 copies will be mailed to you promptly.

If you share the same address with another Company 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 to the Company's 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 Annual Report, which includes the Company's audited Consolidated Financial Statements, please notify ALLETE Shareholder

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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 promptly.

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 2006 Annual Report, or if you have other questions or directions concerning your "street name" account.

HOW TO ENROLL FOR ELECTRONIC DELIVERY OF PROXY MATERIALS

The Company is pleased to offer its shareholders the convenience and benefits of viewing proxy statements, annual reports, and other shareholder materials online. With your consent, we can stop sending you paper copies of these documents beginning next year. Instead, we will send you email notification that the shareholder materials have been filed with the SEC and are available for you to view. The notification will include a link to the website on which you can view the materials. We will also provide you with a link to allow you to vote your Common Stock shares online.

To enroll for electronic receipt of shareholder materials, follow these easy directions:

1. Log onto the Internet at WWW.ALLETE.COM.
2. Click on "Investors."
3. Click on the "Electronic Delivery" link under the "Shareholder Services" menu.
4. Follow the prompts to submit your electronic consent.

The website for viewing shareholder materials will be available on a 24-hour-a-day, 7-day-a-week basis. You will receive an e-mail confirmation of your enrollment. Your enrollment will remain in effect for as long as you remain a shareholder and the e-mail account you provide the Company remains active. However, you may choose to cancel your enrollment at any time.

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OWNERSHIP OF ALLETE COMMON STOCK

SECURITIES OWNED BY CERTAIN BENEFICIAL OWNERS

Company records and other information available from outside sources, including information filed with the SEC, indicate that, as of March 9, 2007, the following shareholders were beneficial owners of more than 5 percent of any class of the Company's voting securities. As of March 9, 2007, Ameriprise Trust Company (Ameriprise), 145 Ameriprise Financial Center, Minneapolis, MN 55474 held 4,778,728 shares, or 16 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. Based on information filed on January 9, 2007 with the SEC on Schedule 13G, Barclays Global Investors, NA, 45 Fremont Street, San Francisco, CA 94105, together with other of its affiliated companies, held 2,274,977 shares, or 7.5 percent, of the Common Stock as of December 31, 2006.

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SECURITIES OWNED BY DIRECTORS AND MANAGEMENT

The following table presents the shares of Common Stock beneficially owned as of March 9, 2007 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 the Company 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 Benefici |
|-----------------------------|---|--|---------|-----------------------|
|-----------------------------|---|--|---------|-----------------------|