

Edgar Filing: ALLETE INC - Form DEF 14A

ALLETE INC
Form DEF 14A
March 25, 2008

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.
- [] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement

Edgar Filing: ALLETE INC - Form DEF 14A

number, 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:

[GRAPHIC OMITTED]

2008
NOTICE
AND
PROXY
STATEMENT

[ALLETE LOGO]
ANNUAL MEETING OF SHAREHOLDERS
TUESDAY, MAY 13, 2008
DULUTH, MINNESOTA

[ALLETE LOGO]

March 25, 2008

Dear Fellow Shareholder:

You are cordially invited to the 2008 Annual Meeting of Shareholders of ALLETE, Inc. to be held on Tuesday, May 13, 2008 at 10:30 a.m. CDT 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.

Roger Peirce is not standing for election this year due to his retirement from the Board. Mr. Peirce brought an outstanding background in business and finance to the Board. I want to take this opportunity to thank him for his service and commitment to ALLETE.

During the past year, we welcomed Douglas C. Neve to the Board. Mr. Neve's wealth of business and financial experience will continue to benefit ALLETE as we pursue our strategy.

Following 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.

Edgar Filing: ALLETE INC - Form DEF 14A

Your vote is important. Whether or not you plan to attend the Annual Meeting, your shares should be represented and voted. After reading the Proxy Statement, you can vote your shares online; by a toll-free telephone call; or by signing, dating, and returning your Proxy Card. Specific instructions on how to vote are provided on your Proxy Card, or if you received these materials electronically, in the e-mail message that you received notifying you of the availability of these materials.

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 13, 2008 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 13, 2008

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 13, 2008 at 10:30 a.m. CDT 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 2008; 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 14, 2008 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. To vote your shares online or by a toll-free telephone call, please follow the

Edgar Filing: ALLETE INC - Form DEF 14A

instructions on your Proxy Card, or if you received these materials electronically, follow the instructions in the e-mail message notifying you of the availability of these materials. To vote by mail, please sign, date, and return your 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 25, 2008
Duluth, Minnesota

PROXY STATEMENT TABLE OF CONTENTS

GENERAL INFORMATION.....	1
Proxy Solicitation.....	1
Purpose of the Meeting.....	1
Shareholders Entitled to Vote.....	1
Shareholders of Record; Beneficial Owners.....	1
Quorum; Required Votes.....	2
How to Vote.....	2
Revocation of Proxies.....	2
Delivery of Proxy Materials to Households.....	3
How to Enroll for Electronic Delivery of Future Proxy Materials.....	3
OWNERSHIP OF ALLETE COMMON STOCK.....	4
Securities Owned by Certain Beneficial Owners.....	4
Securities Owned by Directors and Management.....	4
Section 16(a) Beneficial Ownership Reporting Compliance.....	4
ITEM NO. 1--ELECTION OF DIRECTORS.....	5
Nominees for Director.....	5
CORPORATE GOVERNANCE.....	7
Corporate Governance Guidelines.....	7
Director Independence Standards.....	7
Related Person Transactions and Director Independence Determinations.....	8
Director Nominations.....	9
Committee Membership, Meetings, and Functions.....	10
Communications Between Shareholders and the Board of Directors.....	10
Common Stock Ownership Guidelines.....	10
Code of Ethics.....	11
DIRECTOR COMPENSATION--2007.....	11
COMPENSATION DISCUSSION AND ANALYSIS.....	13
Compensation Philosophy and Objectives.....	13
Process for Determining Executive Compensation.....	14
Elements of Executive Compensation.....	18
Benefits.....	20
Perquisites.....	21
Employment, Severance, and Change in Control Agreements.....	21
EXECUTIVE COMPENSATION COMMITTEE REPORT.....	22
COMPENSATION OF EXECUTIVE OFFICERS.....	23
Summary Compensation Table--2007 and 2006.....	23
Grants of Plan-Based Awards--2007.....	25
Grants of Plan-Based Awards Discussion.....	26
Outstanding Equity Awards at Fiscal Year-End--2007.....	30
Option Exercises and Stock Vested--2007.....	31
Pension Benefits--2007.....	31
Pension Benefits Discussion.....	32

Edgar Filing: ALLETE INC - Form DEF 14A

Nonqualified Deferred Compensation--2007.....33
Potential Payments Upon Termination or Change in Control.....34
EQUITY COMPENSATION PLAN INFORMATION.....36
AUDIT COMMITTEE REPORT.....37
Audit Committee Pre-Approval Policies and Procedures.....37
Audit and Non-Audit Fees.....38
ITEM NO. 2--RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC
ACCOUNTING FIRM.....39
OTHER BUSINESS.....39
Shareholder Proposals for the 2009 Annual Meeting.....39

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 2008 Annual Meeting of Shareholders. The Annual Meeting will be held at 10:30 a.m. CDT on Tuesday, May 13, 2008 at the Duluth Entertainment Convention Center, Duluth, Minnesota.

We expect to solicit proxies primarily by mail. We will also solicit proxies by e-mail from the majority of our employee shareholders as well as from shareholders who previously requested to receive proxy materials electronically. We have retained Georgeson Shareholder Communications, Inc. to assist in the solicitation of proxies. 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 total fees we expect to pay in connection with the solicitation of proxies are approximately \$10,000 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 25, 2008.

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 2008, 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 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

Edgar Filing: ALLETE INC - Form DEF 14A

14, 2008 is entitled to notice of and to vote at the Annual Meeting of Shareholders. As of March 14, 2008 there were 30,840,240 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 our 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.

1

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 2008.

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 Broadridge Financial Solutions, Inc. will tabulate 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 1-800-690-6903 and following the instructions on your proxy card or, if you received these materials electronically, the instructions in the e-mail message that you received notifying you of the availability of these materials. If you vote by phone, do not return your proxy card.

Edgar Filing: ALLETE INC - Form DEF 14A

- ONLINE: You may vote online at WWW.PROXYVOTE.COM. Follow the instructions on your proxy card or, if you received these materials electronically, the instructions in the e-mail message notifying you of the availability of these materials. If you vote online, do not return your proxy card.
- BY MAIL: Complete, sign, and date each proxy card that you received and return it in the prepaid envelope provided to ALLETE, Inc., c/o Broadridge Financial Solutions, Inc., 51 Mercedes Way, Edgewood, NY 11717-8368.

Telephone and Internet voting will be available until 12:00 p.m., CDT, on May 12, 2008.

If you received these materials electronically, you did not receive a proxy card. If you wish to request paper copies of these materials, including a proxy card, you may do so by calling ALLETE Shareholder Services at 800-535-3056 or 218-723-3974.

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 2008.

REVOCAION OF PROXIES

A proxy may be revoked at any time before it is voted by giving written notice of revocation to ALLETE, Inc., Shareholder Services, 30 West Superior Street, Duluth, MN 55802-2093, or by delivering a proxy bearing a later date using any of the voting methods described above.

2

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, 2007 (Annual Report), filed with the United States Securities and Exchange Commission (SEC) on February 15, 2008, and one Proxy Statement for the 2008 Annual Meeting will be delivered to an address where two or more shareholders reside unless we have received contrary instructions from a shareholder at the address. A separate Proxy Card will be delivered to each shareholder at the shared address who has not elected to receive proxy materials electronically.

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 of our shareholders 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 our 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

Edgar Filing: ALLETE INC - Form DEF 14A

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

HOW TO ENROLL FOR ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS

We are pleased to offer our 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. Instead, beginning next year we would send you an e-mail notification that the shareholder materials have been filed with the SEC and are available for you to view. The notification would include a link to the website on which you could view the materials. We would 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 "Shareholder Services."
4. Click on "Electronic Delivery."
5. Follow the prompts to submit your electronic consent.

The website for viewing shareholder materials will be available on a 24-hours-a-day, 7-days-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.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON MAY 13, 2008. THE COMPANY'S PROXY STATEMENT, ANNUAL REPORT ON FORM 10-K, AND PROFILE ARE AVAILABLE AT WWW.PROXYVOTE.COM.

3

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 14, 2008, only one shareholder was a beneficial owner of more than 5 percent of any class of the Company's voting securities. As of that date, Wachovia Bank, N.A. ("Wachovia"), NC1156 Three Wachovia Center, 401 South Tryon Street, Charlotte, NC 28288 held 4,666,332 shares, or 15 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 Wachovia from participants in the RSOP, and shares for which Wachovia does not receive instructions from RSOP participants will be voted proportionately with the instructions it does

Edgar Filing: ALLETE INC - Form DEF 14A

receive.

SECURITIES OWNED BY DIRECTORS AND MANAGEMENT

The following table presents the shares of Common Stock beneficially owned as of March 14, 2008 by Directors, nominees for Director, executive officers named in the Summary Compensation Table that 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. Common Stock ownership guidelines applicable to Directors are discussed on page 10. Directors are expected to own 3,000 shares within three years of election--the following directors have served less than three years: Ms. Brekken, Mr. Emery, Mr. Hoolihan, and Mr. Neve. Common Stock ownership guidelines applicable to the Named Executive Officers are discussed on page 13. Because the Common Stock ownership guidelines were recently adopted, Named Executive Officers are still progressing toward meeting them by their respective deadlines.

Name of Beneficial Owner	Company Share Ownership Guidelines	Number of Shares Beneficially
-----------------------------	---------------------------------------------	----------------------------------