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ALLETE INC
Form DEF 14A
March 22, 2005

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.:

(3) Filing Party:

(4) Date Filed:

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[ALLETE LOGO]

2005

Notice and Proxy Statement

ANNUAL MEETING OF SHAREHOLDERS

TUESDAY, MAY 10, 2005

DULUTH, MINNESOTA

[PAGE]

[ALLETE LOGO]

March 22, 2005

Dear Shareholder:

You are cordially invited to ALLETE's 2005 Annual Meeting of Shareholders to be held on Tuesday, May 10, 2005 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 nine directors, to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm, and to approve the continuation of the ALLETE Executive Long-Term Incentive Compensation Plan.

David Gartzke, Wynn Bussmann, Dennis Green, Donald Wegmiller and Deborah Weinstein have resigned from the ALLETE Board and now serve on the

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Board of Directors of ADESA, Inc., which was successfully spun off from ALLETE in September 2004. We appreciate their service to ALLETE and wish ADESA continued success as an independent public company.

During the past year we have welcomed Roger Peirce, Heidi Eddins, Madeleine Ludlow and Don Shippar to the Board. The nine directors standing for election bring a tremendous wealth of experience and offer an impressive set of skills to ALLETE.

After the Annual Meeting, we invite you 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 return the enclosed reservation card.

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,

Bruce Stender

Bruce Stender
Chairman

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

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS -- MAY 10, 2005

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 10, 2005 at 10:30 a.m. for the following purposes:

1. To elect a Board of nine directors to serve for the ensuing year;
2. To ratify the appointment of PricewaterhouseCoopers LLP as ALLETE's independent registered public accounting firm for 2005;
3. To approve the continuation of the ALLETE Executive Long-Term Incentive Compensation Plan; and
4. 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 11, 2005 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

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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. If voting by mail, please sign, date and return the enclosed Proxy Card in the envelope provided. Alternatively, you may follow the instructions on your Proxy Card to vote your shares online or by a toll-free telephone call.

By order of the Board of Directors,

Deborah A. Amberg

Deborah A. Amberg
Vice President, General Counsel and Secretary

March 22, 2005
Duluth, Minnesota

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

PROXY STATEMENT

SOLICITATION

The Proxy Card accompanying this Proxy Statement is solicited on behalf of the Board of Directors (Board or individually, Director) of ALLETE, Inc. (ALLETE or Company) for use at the Annual Meeting of Shareholders to be held on May 10, 2005 and any adjournments thereof. The purpose of the meeting is to elect a Board of nine directors to serve for the ensuing year, to ratify the appointment of PricewaterhouseCoopers LLP (PricewaterhouseCoopers) as ALLETE's independent registered public accounting firm for 2005, to approve the continuation of the ALLETE Executive Long-Term Incentive Compensation Plan, and to transact such other business as may properly come before the meeting. All properly submitted proxies received at or before the meeting and entitled to vote will be voted at the meeting.

This Proxy Statement and the enclosed Proxy Card were first mailed on or about March 22, 2005.

Any shareholder giving a Proxy has the right to revoke it at any time prior to its exercise by providing notice in writing to the Secretary of ALLETE.

ALLETE expects to solicit proxies primarily by mail. Proxies also may be solicited at a nominal cost in person and by telephone by employees or retirees of ALLETE. The expenses of such solicitation are the ordinary ones in connection with preparing, assembling and mailing the material, and also include charges and expenses of brokerage houses and other custodians, nominees or other fiduciaries for communicating with shareholders. Additional solicitation of proxies will be made by mail, telephone and in person by Georgeson Shareholder Communications, Inc., a firm specializing in the solicitation of proxies, at a cost to ALLETE of approximately \$15,000 plus expenses. The full amount of such costs will be paid by ALLETE.

OUTSTANDING SHARES AND VOTING PROCEDURES

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As of March 11, 2005 there were \$29,818,426 outstanding shares of capital stock of ALLETE, without par value (Common Stock).

Each share of the Common Stock of record on the books of ALLETE at the close of business on March 11, 2005 is entitled to notice of the Annual Meeting and to one vote.

The affirmative vote of a majority of the shares of stock entitled to vote at the Annual Meeting is required for election of each Director, and the affirmative vote of a majority of the shares of stock present and entitled to vote is required for approval of the other items described in the Proxy Statement to be acted upon by shareholders. An automated system administered by Wells Fargo Bank, N.A. tabulates the votes. Abstentions are included in determining the number of shares present and voting, and are treated 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 your broker submits a Proxy Card for your shares but does not indicate a vote on a particular matter because the broker has not received voting instructions from you and does not have authority to vote on that matter without such instructions. Under the rules of the New York Stock Exchange (NYSE), if your broker holds shares in your name, the broker, in the absence of voting instructions from you, is entitled to vote your shares on Item No. 1 and Item No. 2 and other routine matters, but not on Item No. 3.

Unless contrary instructions are indicated on the Proxy, all shares represented by valid proxies will be voted "FOR" the election of all nominees for Director named herein, "FOR" ratifying the appointment of PricewaterhouseCoopers as ALLETE's independent registered public accounting firm for 2005, and "FOR" approval of the continuation of the ALLETE Executive Long-Term Incentive Compensation Plan. If any other business is transacted at the meeting, all shares represented by valid proxies will be voted in accordance with the judgment of the appointed proxies.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The only person known to ALLETE who as of March 11, 2005 beneficially owned more than 5 percent of any class of ALLETE's voting securities is American Express Trust Company, 928 AXP Financial Center, Minneapolis, MN 55474. As of March 11, 2005 American Express Trust Company held 4,487,553 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 American Express Trust Company from participants in the RSOP.

The following table shows the shares of Common Stock beneficially owned 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, as of March 11, 2005. 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 S Beneficial |
|--------------------------|-------------------------------------|------------------------------------|---------|------------------------|
|--------------------------|-------------------------------------|------------------------------------|---------|------------------------|