

ALLETE INC
Form 11-K
June 06, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 11-K

(Mark One)

Annual Report Pursuant to Section 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2013

or

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

Commission File Number 1-3548

ALLETE AND AFFILIATED COMPANIES
RETIREMENT SAVINGS AND STOCK OWNERSHIP PLAN

(Full title of the plan)

ALLETE, Inc.
30 West Superior Street
Duluth, Minnesota 55802-2093

(Name of issuer of securities
held pursuant to the plan and
the address of its principal
executive office)

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Other schedules required by 29 CFR 2520.103.10 of the U.S. Department of Labor's Rules and Regulations for Note: Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 are not applicable and as such, have been omitted.

Report of Independent Registered Public Accounting Firm

To the Participants and Administrator of the
ALLETE and Affiliated Companies
Retirement Savings and Stock Ownership Plan
Duluth, MN

We have audited the accompanying statements of net assets available for benefits of the ALLETE and Affiliated Companies Retirement Savings and Stock Ownership Plan ("Plan") as of December 31, 2013 and 2012, and the related statement of changes in net assets available for benefits for the year ended December 31, 2013. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2013 and 2012, and the changes in its net assets available for benefits for the year ended December 31, 2013 in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule of Assets (Held at End of Year) - December 31, 2013, is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Reilly, Penner & Benton LLP

June 06, 2014
Milwaukee, Wisconsin

ALLETE and Affiliated Companies
Retirement Savings and Stock Ownership Plan

Statement of Net Assets Available for Benefits

	December 31,	
	2013	2012
Thousands		
Assets		
Investments		
Participant Funds	\$390,810	\$340,093
Unallocated Funds	24,945	29,486
Total Investments	415,755	369,579
Notes Receivable from Participants	3,988	3,694
Employer Contributions Receivable	372	522
Total Assets	420,115	373,795
Liabilities		
Accrued Interest	372	522
Long-Term Debt	14,908	21,812
Total Liabilities	15,280	22,334
Net Assets Available for Benefits	\$404,835	\$351,461

The accompanying notes are an integral part of these statements.

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ALLETE 2013 RSOP Form 11-K

ALLETE and Affiliated Companies
Retirement Savings and Stock Ownership Plan

Statement of Changes in Net Assets Available for Benefits

	Year Ended December 31, 2013		Total
	Participant Funds	Unallocated Funds	
Thousands			
Investment Income			
Dividend Income	\$1,868	\$1,203	\$3,071
Interest Income	165	1	166
Net Appreciation in Fair Value of Investments	68,046	6,029	74,075
Total Investment Income	70,079	7,233	77,312
Contributions			
Participant	10,257	—	10,257
Employer	—	3,780	3,780
Rollover	1,593	—	1,593
Total Contributions	11,850	3,780	15,630
Deductions			
Benefits Paid to Participants	(21,524	)—	(21,524)
Interest Expense	—	(1,216	)(1,216)
Administrative Expenses	(238	)(1	)(239)
Total Deductions	(21,762	)(1,217	)(22,979)
Transfers and Allocations			
Transfers to Retirement Plans	(17,460	)—	(17,460)
Allocations to Participants	8,304	(7,433	)871
Total Transfers and Allocations	(9,156	)(7,433	)(16,589)
Net Increase in Assets	51,011	2,363	53,374
Net Assets Available For Benefits			
Beginning of Year	343,787	7,674	351,461
End of Year	\$394,798	\$10,037	\$404,835

The accompanying notes are an integral part of these statements.

ALLETE and Affiliated Companies
Retirement Savings and Stock Ownership Plan
Notes to Financial Statements

Note 1 - Description of the Plan

The ALLETE and Affiliated Companies Retirement Savings and Stock Ownership Plan (RSOP or Plan) is a defined contribution plan subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA), and qualifies as an employee stock ownership plan and profit sharing plan. At December 31, 2013, there were 2,045 participants in the RSOP. Participating affiliated companies (collectively, the Companies) at December 31, 2013, included:

▲ALLETE, Inc., including Minnesota Power, a division of ALLETE, Inc. (ALLETE or Company);
♠Superior Water, Light and Power Company;
♠MP Affiliate Resources, Inc.;
▲ALLETE Renewable Resources, Inc. (ARR);
▲ALLETE Clean Energy, Inc.;
♠Florida Landmark Communities LLC (Florida Landmark); and
♠Palm Coast Holdings, Inc. (Palm Coast Holdings).

The RSOP provides eligible employees of the Companies an opportunity to save for retirement by electing to make before-tax and after-tax contributions through payroll deduction, and directing the contributions into various 401(k) investment options. (See Participant Investment Options.) The RSOP also provides eligible employees of the Companies employee stock ownership benefits in ALLETE common stock (Common Stock).

Basis of Presentation

Participant funds represent the participants' 401(k) investment funds and shares allocated to participants in the ALLETE RSOP Stock Fund. Unallocated funds represent unallocated shares to be allocated to the participants in the ALLETE RSOP Stock Fund in the future.

Administration

The Employee Benefit Plans Committee (Committee) administers the Plan for the Companies. The mailing address of the Committee is 30 West Superior Street, Duluth, Minnesota 55802-2093. The Committee consists of 11 members who are appointed by the Board of Directors of ALLETE. The Board of Directors has the power to remove members of the Committee from office. Members of the Committee are all employees of the Companies and receive no compensation for their services with respect to the Plan.

Committee responsibilities include the administration and payment of benefits in a manner consistent with the terms of the Plan and applicable law. The Committee has the authority to establish, modify, and repeal policies and procedures, as it deems necessary to carry out the provisions of the Plan. The Committee also has the authority to designate persons to carry out fiduciary responsibilities (other than trustee responsibilities) under the Plan. The Committee has the power to appoint an investment manager or managers (as defined by ERISA), attorneys, accountants, and such other persons as it shall deem necessary or desirable in the administration of the Plan. The Companies or the Plan pays administration fees and expenses of agents, outside experts, consultants, and investment managers. The Plan charges participants who take participant loans or use the Plan's self-managed brokerage account feature for expenses relating to such loans or accounts.

Note 1 - Description of the Plan (Continued)

Wells Fargo Institutional Retirement and Trust (IRT), a service group of Wells Fargo Bank, N.A. (Wells Fargo), is the service provider for the Plan and handles participant recordkeeping, asset custody, trustee and certain other administrative responsibilities. IRT allows the Plan to value accounts daily and provides participants with on-line, call center and voice response capabilities to direct the investment of their account balances. Wells Fargo provides trustee and asset custody services and is located at 420 Montgomery Street, San Francisco, CA 94163. Wells Fargo carries professional liability coverage of \$100 million per occurrence and in aggregate as well as errors and omissions coverage for the same amount.

Participant Investment Options

The Plan's 401(k) investment fund options at December 31, 2013, are listed below. Detailed descriptions of the investment options and risk profiles are available in the corresponding fund's prospectus.

- ALLETE Stock Fund
- Artisan International Investors Fund
- Diversified Stable Value Trust
- Dodge & Cox International Stock Fund
- Dodge & Cox Stock Fund
- Heartland Value Plus Inst Fund
- LifePath Index Retirement Fund K
- LifePath Index 2015 Fund K
- LifePath Index 2020 Fund K
- LifePath Index 2025 Fund K
- LifePath Index 2030 Fund K
- LifePath Index 2035 Fund K
- LifePath Index 2040 Fund K
- LifePath Index 2045 Fund K
- LifePath Index 2050 Fund K
- LifePath Index 2055 Fund K
- MainStay Large Cap Growth I Fund
- Oakmark Equity & Income Fund I
- Oppenheimer Developing Markets Y Fund
- SSgA Russell Small Cap Index SL Series I
- Small Cap Growth Fund
- Vanguard Institutional Index Fund
- Vanguard Mid-Cap Index Inst Fund
- Vanguard Total Bond Market Index Inst Fund

Participants may also establish a self-managed brokerage account with Wells Fargo Advisors, LLC, which allows the participant to make investments in or transfers to a wide range of securities, including publicly traded stocks, bonds and mutual funds. Participants who have a self-managed brokerage account pay an annual fee in addition to any trading fees incurred upon investment changes.

Participants may change their level of contribution, change their investment elections for future contributions, and make transfers between investment options at any time by contacting IRT.

Redemption Fees. Certain mutual funds charge redemption fees that are paid out of the participant's account. A redemption fee is charged when shares are transferred or exchanged out of the fund before the fund's minimum holding period has been met.

Summary of Redemption Fees by Fund As of December 31, 2013	Effective Date	Redemption Fee	Minimum Holding Period
Artisan International Investors Fund	June 1, 2005	2%	90 days

Note 1 - Description of the Plan (Continued)

ALLETE sponsors a leveraged employee stock ownership plan (ESOP) within the RSOP. Eligible employees of the Companies receive Common Stock ownership benefits in the ALLETE RSOP Stock Fund. These benefits are primarily funded by payments made by the Plan on a loan (see Loan Account). Shares of Common Stock are allocated to eligible employees as provided by the Plan (see Basic Account, Special Account, Partnership Account, Bargaining Unit Account, and Matching Account). The shares of Common Stock allocated to a participant's account in the ALLETE RSOP Stock Fund come from the Loan Account, as determined by ALLETE. Each participant's account value, however, is determined on a unit basis and consists of both Common Stock and cash (see Note 4 - Investments). The unit value is adjusted each business day to reflect investment results, including cash.

Dividends are automatically reinvested in Common Stock held in the ALLETE RSOP Stock Fund. However, participants may make an election, at any time, to receive cash dividends paid on certain eligible shares. Units within a participant's Pre-1989 Basic Account can be withdrawn at any time, while all other units within a participant's account in the ALLETE RSOP Stock Fund can be withdrawn when the participant reaches age 59 ½, terminates employment, becomes a participant of the Companies long-term disability plan or dies. Participants may transfer all or any part of their ALLETE RSOP Stock Fund to other 401(k) investment options at any time.

Loan Account. The RSOP was amended in 1990 to establish a leveraged Loan Account and borrow \$75 million (RSOP Loan) to acquire 2,830,188 newly issued shares of Common Stock (1,886,792 shares adjusted for stock splits) from ALLETE for the benefit of eligible participants. Under this amendment, active participants with a Basic Account are allocated shares to their Special Account with a value at least equal to: (a) dividends payable on shares held by those participants in the Plan; and (b) tax savings generated from the deductibility of dividends paid on all shares of Common Stock held in the RSOP as of August 4, 1989. In accordance with this amendment, a promissory note was issued to ALLETE for \$75 million at a 10.25 percent interest rate with a term not to exceed 25 years. In 2006, the RSOP loan was refinanced at a 6 percent interest rate. The Loan Account may also provide for other allocation types as determined by the Company.

Basic Account. Participants' Basic Accounts received shares of Common Stock purchased with incremental investment tax credit contributions and payroll-based tax credit contributions. Contributions to the participants' Basic Accounts ceased after 1986.

Special Account. For the years 1985 through 1989, the Companies received a tax deduction for cash dividends paid to participants on ALLETE RSOP Stock Fund shares in their Basic Account. The Companies contributed, to the ALLETE RSOP Stock Fund, an amount equal to the estimated income tax benefit of the dividend deduction associated with eligible shares in the Basic Account. Shares of Common Stock purchased with these contributions were allocated to the participants' Special Account.

Partnership Account. The fixed-percentage partnership allocation to each nonunion participant hired before October 1, 2006, ranges from 6 percent to 12 percent depending on the participant's age (not including ARR, Florida Landmark and Palm Coast Holdings participants). The fixed-percentage partnership allocation to each nonunion participant hired on or after October 1, 2006, is 6 percent (not including ARR, Florida Landmark and Palm Coast Holdings participants). The fixed-percentage partnership allocation to ARR, Florida Landmark and Palm Coast Holdings participants is 3 percent. The fixed-percentage partnership allocation to each Minnesota Power Bargaining Unit union participant hired on or after February 1, 2011, is 6 percent. The partnership allocations are made quarterly and are based on periodic pay for the period.

Note 1 - Description of the Plan (Continued)

Bargaining Unit Account. Quarterly non-elective allocations are made to the ALLETE RSOP Stock Fund equal to 1 percent of each union participant's eligible compensation.

Matching Account. For nonunion participants hired before October 1, 2006, (not including ARR, Florida Landmark and Palm Coast Holdings participants), quarterly matching allocations are made to the ALLETE RSOP Stock Fund equal to 100 percent of each nonunion participant's 401(k) before-tax contributions and Roth 401(k) contributions, disregarding contributions in excess of 4 percent of the participant's periodic pay for the period.

For nonunion participants hired on or after October 1, 2006, (not including ARR, Florida Landmark and Palm Coast Holdings participants), quarterly matching allocations are made to the ALLETE RSOP Stock Fund equal to 100 percent of each nonunion participant's 401(k) before-tax contributions and Roth 401(k) contributions, disregarding contributions in excess of 5 percent of the participant's periodic pay for the period.

For Minnesota Power Bargaining Unit union participants hired on or after February 1, 2011, quarterly matching allocations are made to the ALLETE RSOP Stock Fund equal to 100 percent of each union participant's 401(k) before-tax contributions and Roth 401(k) contributions, disregarding contributions in excess of 5 percent of the participant's periodic pay for the period.

For ARR participants, effective January 1, 2013, quarterly matching allocations are made to the ALLETE RSOP Stock Fund equal to 100 percent of each ARR participant's 401(k) before-tax contributions and Roth 401(k) contributions, disregarding contributions in excess of 4 percent of the participant's periodic pay for the period.

Florida Landmark and Palm Coast Holdings participants are not eligible for matching allocations.

Contributions

Participant Contributions to the Plan consist of the following:

- **Before-Tax Contributions.** Before-tax contributions are salary reduction contributions equal to an amount the participant has elected to reduce his or her compensation pursuant to a salary reduction agreement.

Voluntary Contributions (After-Tax Contributions). Each participant is also allowed to make voluntary after-tax contributions to the Plan through payroll deductions. Total voluntary contributions made by a participant may not exceed 25 percent of the participant's compensation in any pay period.

Rollovers.