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STATE OF MINNESOTA
BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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In the Matter of the Petition of Minnesota Power for Acquisition of ALLETE by Canada Pension Plan Investment Board and Global Infrastructure Partners	CAH File No. 25-2500-40339 MPUC Docket No. E015/PA-24-198

REPLY TO EXCEPTIONS AND COMMENTS ON SETTLEMENT OF MINNESOTA POWER, CANADA PENSION PLAN INVESTMENT BOARD, AND GLOBAL INFRASTRUCTURE PARTNERS

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I. INTRODUCTION

ALLETE, Inc. d/b/a Minnesota Power,[1] Canada Pension Plan Investment Board ("CPP Investments") and Global Infrastructure Partners ("GIP" and, together, "the Partners" and, collectively with the Company, "the Petitioners") respectfully submit this Reply to Exceptions and Comments on Settlement filed on August 4, 2025 ("Reply").

Petitioners' Exceptions[2] focused on deep-seated concerns with the ALJ Report in this proceeding, and on the benefits of the Acquisition as a whole, including the additional tangible public interest benefits provided by the Settlement Stipulation ("Settlement") between the Petitioners and the Minnesota Department of Commerce ("Department").[3] These benefits would not exist without the Acquisition and Settlement. In this Reply, the Petitioners focus on a subset of key issues argued by Opposing Parties[4] in their Exceptions and comments on the Settlement. As discussed below, Opposing Parties continue to claim risks that have little or no record support or that have been effectively addressed by the Settlement.

Petitioners respectfully ask the Minnesota Public Utilities Commission ("Commission") to recognize that a party's claim that there is a risk does not necessarily translate into record evidence of risk, and that there are a wide variety of objectively measured benefits to the Acquisition and

[1] Minnesota Power is a regulated operating division of ALLETE, Inc. Throughout this Reply to Exceptions and Comments on Settlement filed August 4, 2025, "Minnesota Power" refers to this regulated utility operating in Minnesota. Unless otherwise specifically defined, references to "ALLETE" indicate ALLETE, Inc., which is the entire enterprise including Minnesota Power and all regulated and non-regulated subsidiaries. "The Company" is a more general reference to ALLETE, Inc. d/b/a Minnesota Power.

[2] The Petitioners' Exceptions were filed in response to the Findings of Fact, Conclusions of Law, and Recommendations (the "ALJ Report") of Administrative Law Judge Megan J. McKenzie. *In the Matter of the Petition of Minnesota Power for Acquisition of ALLETE by Canada Pension Plan Investment Board and Global Infrastructure Partners*, Docket No. E-015/PA-24-198, Exceptions of Minnesota Power, Canada Pension Plan Investment Board, And Global Infrastructure Partners at 1 (Aug. 4, 2025) (eDocket No. 20258-221744-02) ("Petitioners' Exceptions"); ALJ Report (July 15, 2025) (eDocket Nos. 20257-221020-01, 20257-221061-02 (HCTS)).

[3] *See generally* Settlement (eDocket No. 20257-220879-01).

[4] In this Reply, "Opposing Parties" refers to parties who recommended rejection of the Acquisition in their Initial Briefs, including the Office of the Attorney General—Residential Utilities Division ("OAG"), Citizens Utility Board of Minnesota ("CUB"), Large Power Intervenors ("LPI"), Sierra Club, and CURE.

risk mitigations that address such claims. In particular, the Settlement reflects roughly five months of difficult negotiations between the Department and the Petitioners to thoroughly address the concerns identified by the Department and further ensure the Acquisition is in the public interest.

The remainder of this Reply will (1) summarize the comments filed in support of the Acquisition from stakeholders of many different perspectives; (2) explain why the commitments in the Settlement ensure that the Acquisition is consistent with the public interest; (3) demonstrate that the Acquisition and Settlement will provide rate savings for customers; (4) explain why the Settlement is fully enforceable and ensures that the Commission's authority over Minnesota Power is unchanged; and (5) demonstrate that the Partners will be responsible investors for ALLETE and Minnesota Power.

As stated in Petitioners' Exceptions, the Acquisition and Settlement ensure that Minnesota Power's customers and the public will benefit from the Acquisition in a manner that would not be possible if ALLETE were to remain a publicly traded company; and will be protected from possible risks. Therefore, the Commission should approve the Acquisition and the Settlement.

II. OVERVIEW OF SUPPORTING COMMENTS

Before discussing the claims of Opposing Parties, it is important to recognize the broad array of in-depth comments supporting the Acquisition and Settlement. Those comments were thoughtful and detailed and they came from a broad cross section of public interest organizations and members of the public, including: (1) the Department; (2) Fresh Energy, (3) Clean Grid Alliance ("CGA");[5] (4) Center for Energy and Environment ("CEE"); (5) Clean Energy Economy ("CEEM");[6] (6) the International Brotherhood of Electrical Workers ("IBEW") Local 31;[7] (7)

[5] Joint Comments of Fresh Energy and CGA (Aug. 4, 2025) (eDocket No. 20258-221738-01).
[6] CEE and CEEM's Initial Comments (Aug. 4, 2025) (eDocket No. 20258-221722-01).
[7] IBEW Local 31 - Exceptions to the Administrative Law Judge's Report (Aug. 4, 2025) (eDocket No. 20258-221748-01) ("IBEW Local 31 Exceptions").

North Central States Regional Council of Carpenters; (8) the International Union of Operating Engineers ("IUOE") Local 49;[8] (9) LIUNA Minnesota and North Dakota ("LIUNA");[9] (10) Energy CENTS Coalition ("ECC");[10] (11) the Duluth, Grand Rapids, Hermantown, and Little Falls Chambers of Commerce;[11] and (12) Minnesota Building & Construction Trades Council (the "Building Trades")[12] in Minnesota Power's service territory.

These comments are thoughtful and informed while appropriately recognizing in various ways that the reliable access to capital provided by this Acquisition and further secured by the Settlement is critical to providing jobs and quality utility service, complying with the Carbon Free Standard, and supporting the needs of the Company's most vulnerable customers. These commenters provide meaningful analysis along with pragmatic, real-world public interest perspectives to the consideration of the Acquisition and Settlement. Those perspectives include but are not limited to the following:

- The clean energy organizations, Fresh Energy, CGA, CEE and CEEM, all expressed support for the Acquisition and Settlement as critical to Minnesota Power's ability to meet the State's Carbon Free Standard requirements. In their joint comments, Fresh Energy and CGA specifically recognized the enormous downside risk of rejecting the Acquisition, observing that "there is significantly less risk to achieving Minnesota Power's Commission-approved decarbonization plans, as well as setting a path to realizing the 100 percent standard, through approving the Settlement versus the alternative."[13] CEE and CEEM similarly recognized the serious risk of the status quo while also stressing that the Acquisition, as conditioned by the Settlement, will "not affect the Commission's authority, process or obligation to regulate Minnesota Power's actions."[14]

[8] Comments from IUOE Local 49 and North Central States Regional Council of Carpenters (Aug. 4, 2025) (eDocket No. 20258-221733-01); Corrected: Comments from IUOE Local 49 and North Central States Regional Council of Carpenters (Aug. 5, 2025) (eDocket No. 20258-221749-01).
[9] LIUNA Comments on the Proposed Settlement (Aug. 5, 2025) (eDocket No. 20258-221753-01) ("LIUNA Comments").
[10] ECC Comments (Aug. 5, 2025) (eDocket No. 20258-221751-01); ECC Exceptions (Aug. 5, 2025) (eDocket No. 20258-221750-01).
[11] Setting the Record Straight: The Case for ALLETE's Access to Capital and Clean Energy Leadership (Aug. 5, 2025) (eDocket No. 20258-221772-01) ("Chambers of Commerce Comments").
[12] Building Trades Comments (Aug. 5, 2025) (eDocket No. 20258-221752-01).
[13] Joint Comments of Fresh Energy and CGA at 3 (eDocket No. 20258-221738-01) (emphasis added).
[14] CEE and CEEM's Initial Comments at 2 (eDocket No. 20258-221722-01) (emphasis added).

- The Building Trades observed, based on their assessment, that "approval of the [Acquisition] will bring significant benefits to Minnesota Building Trades members" and that "a decision to deny approval could have catastrophic consequences, destroying job opportunities on upcoming projects and forcing the utility to spend more money chasing capital and less keeping rates affordable and service reliable."[15]

- LIUNA's comments provide a unique and incisive perspective from LIUNA's direct experience with GIP specifically, and first-hand account of the Partners' history as responsible investors (ignored by the ALJ Report).[16]

- IBEW Local 31, as "the exclusive representative for many of the skilled utility workers at Minnesota Power," provided comments that provide a real-world account of the meaningful value secured in the Settlement's labor commitments, and explain that the presumed labor risks associated with private equity transactions lack applicability in both the regulated utility context and Minnesota's distinct regulatory environment.[17]

- ECC's comments provide a critical low-income consumer perspective on the importance of the arrearage forgiveness commitment that the ALJ Report and Opposing Parties so cavalierly dismissed.[18] ECC's comments refer to the Settlement as "a historic opportunity to extend arrearage forgiveness to non-income qualified customers at a crucial moment," and emphasize the arrearage forgiveness commitment as "a unique opportunity to draw investment from shareholders, and not other customers in these vital programs."[19]

- The Duluth, Grand Rapids, Hermantown, and Little Falls Chambers of Commerce provide a critical perspective from the local businesses in the communities served by Minnesota Power. Their comments reflect an understanding that ALLETE's capital investment plan is ultimately meaningless without access to new capital, which they conclude the Acquisition meaningfully provides to Minnesota Power.[20]

In sum, the commenters recommending approval of the Acquisition have thoroughly reviewed the Settlement in light of the possible risks presented in this proceeding, concluded that the Settlement appropriately addresses those risks, and recommend approval of the Acquisition as conditioned by the Settlement.

[15] Building Trades Comments at 4 (eDocket No. 20258-221752-01).
[16] LIUNA Comments at 4 (eDocket No. 20258-221753-01) (emphasis added).
[17] IBEW Local 31 Exceptions at 1–3 (eDocket No. 20258-221748-01).
[18] ECC Comments at 5 (eDocket No. 20258-221751-01) (emphasis added).
[19] *Id.* at 1–4.
[20] Chambers of Commerce Comments at 2–3 (eDocket No. 20258-221772-01).

III. THE ACQUISITION EXCEEDS THE PUBLIC INTEREST THRESHOLD REQUIRED BY MINNESOTA LAW AND CREATES SUBSTANTIAL BENEFITS TO THE PUBLIC INTEREST.

As summarized throughout the Petition, Testimony, Briefs, and Exceptions filed by Minnesota Power in this proceeding, the Company faces an unprecedented need for capital to fund investments in regional transmission, renewable resources, and energy storage to support the regional shift in generating resources and Minnesota's Carbon Free Standard. These investments will benefit customers for decades but will require substantial, unprecedented capital investment over the coming years.

Opposing Parties and commenters opposing the Acquisition continue to claim that the Company does not need its stated access to capital. However, just because they say it is so, does not make it so. The record shows that the Commission has approved investments by Minnesota Power of over $2.5 billion[21] for generation and transmission projects that are needed for customers and scheduled to go in service by 2030. Another $2.2 billion[22] in projects are currently in some stage of permitting or cost recovery review before the Commission. These projects are all

[21] *See In the Matter of the Application of Minnesota Power and Great River Energy for a Certificate of Need and Route Permit for an Approximately 180-mile, Double Circuit 345- kV Transmission Line*, Docket Nos. E015, ET2/CN-22-416 and E015,ET2/TL-22-415, ORDER GRANTING CERTIFICATE OF NEED AND ISSUING ROUTE PERMIT (Feb. 28, 2025) (eDocket No. 20252-215918-01) (approving $970 million to $1.4 billion in project costs); *In the Matter of the Application of Minnesota Power for a Certificate of Need and Route Permit for a High Voltage Transmission Line for the HVDC Modernization Project in Hermantown, Saint Louis County*, Docket Nos. E015/CN-22-607 and E015/TL-22-611, ORDER GRANTING CERTIFICATE OF NEED AND ISSUING ROUTE PERMIT (Oct. 25, 2024) (eDocket No. 202410-211332-01) (approving $660-940 million in project costs); *In the Matter of the Application of Regal Solar, LLC for a Certificate of Need and Site Permit for the up to 100 MW Regal Solar Project in Benton County, Minnesota*, Docket Nos. IP7003/CN-19-223 and IP7003/GS-19-395, ORDER GRANTING CERTIFICATE OF NEED AND ISSUING SITE PERMIT (Apr. 26, 2021) (eDocket No. 20214-173356-01) (approving $164.7 million in project costs).

[22] *See In the Matter of the Petition of Minnesota Power for Approval of Investments and Expenditures in the Longspur Wind Project for Recovery through Minnesota Power's Renewable Resources Rider under Minn. Stat. § 216B.1645*, Docket No. E015/M-25-309, INITIAL FILING – PETITION (Aug. 4, 2025) (eDocket No. 20258-221715-01) (requesting approval for $790.9 in project costs); *In the Matter of the Joint Application of Minnesota Power for a Site and Route Permit for the 85-megawatt Boswell Solar Project and Associated 2.45-mile 230-kilovolt Transmission Line in Itasca County, MN*, Docket Nos. E015/GS-24-425 and E015/TL-24-426, SITE AND ROUTE PERMIT APPLICATION (Dec. 30, 2024) (eDocket No. 202412-213417-16) (TS); MTEP24 Report, https://cdn.misoenergy.org/MTEP24%20Full%20Report658025.pdf (approving $908 million in project costs for the Maple River – Cuyuna 345 kV project and $428 million in project costs for the Iron Range – St. Louis County – Arrowhead 345 kV project).

supporting compliance with the Carbon Free Standard and the Company's approved 2021 Integrated Resource Plan. Importantly, many of these investments will be regionally cost-allocated and not paid for solely by Minnesota Power customers.

The Acquisition and the commitments established in the Settlement target the most important areas for the public interest, and the areas of concern identified by the Department: (1) ensuring that Minnesota Power can finance the investments that customers need; (2) ensuring the financial health of the utility; (3) protecting customers from any chance of rate impacts from the Acquisition; (4) ensuring that customers continue to receive high quality electric service; (5) facilitating the development of clean firm technologies necessary for Carbon Free Standard compliance; and (6) ensuring that the Commission is able to enforce the Settlement and effectively regulate Minnesota Power.

A. Ensuring Minnesota Power Can Finance the Investments Needed for the Carbon Free Standard

The Acquisition and the Settlement ensure that Minnesota Power has the equity capital to invest in projects that are needed to serve customers. As extensively documented in Petitioners' Testimony, Briefs, and Exceptions, Minnesota Power must increase its level of capital investments, and it would be unreasonably risky to rely on public markets to finance the capital

for projects necessary to meet the Carbon Free Standard.[23] The Acquisition will provide a more stable and reliable source of equity capital.[24]

The Settlement further ensures that the Company will have the financing it needs, because the Partners have committed that the new parent company, Alloy Parent, will provide Minnesota Power the equity capital to finance the five-year capital plan, which includes approximately $3.3 billion in investments for new transmission, new renewables, and new storage.[25] To ensure that the Commission can enforce this capital commitment, the Settlement provides that the new investors will not receive any dividends from the Company unless they have met the capital commitment.[26] These commitments will allow the Company to focus on meeting the needs of customers and complying with the Carbon Free Standard.

B. Ensuring the Financial Health of the Utility

As described below, the Settlement includes commitments that ensure the Acquisition will not have a negative impact on the financial health of Minnesota Power to the detriment of

[23] The Opposing Parties cite economic theory to argue that the stock market is efficient and that "mispricing" events are "unlikely" to prevent a company from raising capital in the public markets. *See* Petitioners' Exceptions at Att. E (eDocket No. 20258-221746-02) (comparing Opposing Parties findings with the ALJ Report findings); LPI Exceptions at 8 (eDocket No. 20258-221740-02). This "myopic focus on academic textbook views" is "not useful," and actual history and the record evidence show the risks facing ALLETE are far from theoretical. Quackenbush Rebuttal at 10-11 (eDocket No. 20253-216055-12). As explained in the testimony of Witness Quackenbush, despite the "efficiency" of the market, in September 2008 Otter Tail turned to the public markets to raise capital and "fell short by 35%" due to market volatility. Quackenbush Rebuttal at 15-17 (eDocket No. 20253-216055-12). Whether a textbook would consider this "efficient," a "mispricing" event, or some other academic label, the real-world effect was that Otter Tail could not raise the capital it needed from the public market when it needed it. The risk is even more acute for ALLETE because it will need to be a serial issuer that cannot strategically time issuances, and these serial issuances will be viewed skeptically by investors who see a small company trying to more than double its size in 5 years while facing customer concentration issues, recent customer contract terminations, tariffs, and other market headwinds. *See, e.g.*, Petitioners' Exceptions at 49-52 (eDocket No. 20258-221744-02).

[24] Opposing Parties argue the public markets are very large, and therefore more capital is available in public markets. This argument might sound compellingly simple, but it is flawed and not supported by either the record or reality. Again, it ignores what happened to Otter Tail in 2008 and is further contradicted by the testimony of experts with extensive, real-world experience trying to raise capital for infrastructure. *See, e.g.*, Petitioners' Exceptions at 55-56 (eDocket No. 20258-221744-02) (citing expert testimony of Petitioner witnesses with extensive experience in utility finance).

[25] Settlement at 1.3 (eDocket No. 20257-220879-01).

[26] Settlement at 1.4 and 1.5 (eDocket No. 20257-220879-01).

customers. The primary measurement of the Company's financial health is its credit rating – the Settlement prohibits the new investors from receiving any dividends if the Company does not maintain its investment grade credit rating.[27]

The Settlement protects against excess debt by prohibiting any dividend distributions that would cause the actual equity ratio of Minnesota Power to be outside the range approved by the Commission.[28] It further protects the Company and its customers by prohibiting loans or pledges of Minnesota Power's assets without Commission approval.[29]

C. Protecting Customers From Rate Impacts

As described in greater detail below, the Settlement commitments ensure that the Acquisition will not result in increased rates, because any costs related to or potentially caused by the Acquisition will not be passed on to customers.[30] The Acquisition will mitigate rate increases in the future by eliminating cost items that are currently included in rates.[31] The Settlement also ensures that customers will receive near-term rate relief from a reduced return on equity ("ROE") after the Acquisition is closed,[32] and that customers will not see an increase to base rates until at least 2027 (despite significant loss of customer load and associated revenue in 2025).[33] Further, the Settlement accelerates the pace at which customers will receive refunds from land sales. This

[27] Settlement at 1.9 (eDocket No. 20257-220879-01) (commercially reasonable efforts to maintain investment grade credit rating).
[28] *Id.*
[29] Settlement at 1.18 (eDocket No. 20257-220879-01).
[30] Settlement at 1.12 (eDocket No. 20257-220879-01) (customers held harmless from any cost of debt increase caused by the Acquisition for five years).
[31] Settlement at 1.51 (no flotation costs), 1.52 (no investor relations costs), and 1.54 (no board compensation or expenses for board members that are not independent) (eDocket No. 20257-220879-01).
[32] Settlement at 1.14 (eDocket No. 20257-220879-01) (ROE reduced from 9.78 percent to 9.65 percent).
[33] Settlement at 1.43 (eDocket No. 20257-220879-01) (rate case stay-out until Nov. 1, 2026).

will mean an estimated return of $93.6 million[34] to customers following approval of the Acquisition.[35]

Critically, the Settlement also ensures that the most financially vulnerable customers receive additional protection, as the Partners will make an historic contribution to reduce arrearages for low-income residential customers which currently total $3.5 million.[36]

D. Ensuring Customers Receive High Quality Electric Service

The Settlement includes an extensive set of service quality performance requirements for Minnesota Power and substantial financial penalties to enforce those requirements.[37] Currently there are no specific service quality requirements or penalties for not achieving the same that are applicable to Minnesota Power. Approving the Settlement would establish service quality requirements that do not currently exist and back them up with penalties the Commission would likely not have the authority to impose.

E. Facilitating Clean Firm Technology Development for Carbon Free Standard Compliance

Compliance with the Carbon Free Standard will be further supported by the Settlement condition whereby the Partners will contribute $50 million in non-recoverable investment into a Clean Firm Technology Fund.[38] A nonrecoverable capital infusion of this kind is unprecedented in Minnesota, and likely not replicated elsewhere. Achieving full compliance with the Carbon Free Standard will require deployment of clean firm technologies that are in the early stages of

[34] *In the Matter of the Petition by Minnesota Power for Approval of Land Sales*, Docket No. E015/PA-20-675, Compliance Filing (Oct. 15, 2024) (eDocket No. 202410-211008-01).
[35] Settlement at 1.46 (eDocket No. 20257-220879-01) (land sale refund plan filed within 60 days of closing).
[36] Settlement at 1.48 (eDocket No. 20257-220879-01) (contribution to reduce residential arrearages); Joint Proposed Findings of Fact, Conclusions of Law, and Recommendation to Approve the Acquisition at n.392 (May 29, 2025) (eDocket No. 20255-219382-02).
[37] Settlement at 1.64 (eDocket No. 20257-220879-01) (service quality performance and financial penalties).
[38] Settlement at 1.63 (eDocket No. 20257-220879-01) (Clean Firm Technology Fund).

development. A capital infusion such as the one in this commitment will contribute significantly to Minnesota Power's ability to help drive the development of these new technologies.

F. Ensuring the Commission can Enforce the Settlement and Effectively Regulate Minnesota Power

As described in more detail below, the Settlement includes commitments that ensure the Commission can enforce the Settlement – including all of the commitments made by the Partners or the new parent company, Alloy Parent – and continue to effectively regulate Minnesota Power. These commitments ensure that the Commission will have access to the information it needs,[39] and have the regulatory authority to make sure that all of the commitments in the Settlement are satisfied.[40]

These commitments ensure that the Acquisition is consistent with the public interest and provide substantial benefit to Minnesota Power's customers. All these Settlement commitments are additive to the benefits of the Acquisition as presented at the time of the evidentiary hearing. As such, the Settlement presents many additional, tangible benefits to customers, underscoring that it is in the public interest.

The Opposing Parties try to minimize these commitments by arguing they are needed only because the Acquisition itself creates some harm. That is incorrect. Only one of these commitments – the commitment not to seek recovery of transaction/transition costs – is a protection against a risk actually associated with the Acquisition, as certainly there are costs associated with pursuing and completing the Acquisition (which neither the Company nor the Partners are asking customers to bear).

[39] Settlement at 1.7 (eDocket No. 20257-220879-01) (compliance filings on equity infusions and dividends).
[40] Settlement at 1.8 (eDocket No. 20257-220879-01).

None of these commitments would be available to Minnesota Power's customers if the Acquisition is not approved. Minnesota Power is not able to make such commitments without the Acquisition, as so much would depend on its ability to obtain capital in public markets. Existing and future public shareholders would never make these commitments to Minnesota Power's customers; nor would the Commission have the ability to force shareholders into such commitments. They are only possible because of the Acquisition, the Partners, and the Settlement with the Department.

The next segments of this Reply turn to areas of concern on which Opposing Parties focused their Exceptions and Comments on the Settlement.

IV. THE ACQUISITION AND SETTLEMENT WILL PROVIDE RATE SAVINGS FOR MINNESOTA POWER CUSTOMERS.

The Opposing Parties argue that the Settlement fails to resolve their claims that the Acquisition will lead to increased rates. Three fundamental facts refute these claims:

1. The Acquisition itself does not cause any costs or investments that might result in rate increases. It simply ensures Minnesota Power has reliable, cost-effective access to the equity capital it needs to meet its public interest obligations, including compliance with the Carbon Free Standard;

2. The Acquisition will not alter the Commission's regulatory authority over Minnesota Power, which means the Commission will continue to determine (a) Minnesota Power's investment levels in future resource dockets, and (b) Minnesota Power's rates and authorized returns in future rate cases; and

3. The Settlement includes commitments that will cause rates to be *lower* than they would be without the Acquisition.

As a result, the Commission should reject unfounded claims that the Acquisition would lead to increased rates, much less excessive rate increases. Rather, the Commission should recognize that its ongoing authority, along with the added support from the Settlement, will fully protect Minnesota Power customers from any unreasonable rate increases.

A. The Acquisition will not Increase Rates.

The Office of the Attorney General – Residential Utilities Division ("OAG") continues to claim an Acquisition-related risk of rate increases that would "greatly exceed projected inflation" and that the Settlement does not sufficiently mitigate this risk.[41] This claim has no credible evidentiary or logical basis, is not consistent with what has happened in other utility purchases by private investors, is based on a misunderstanding of Partner documents, and is also based on either fundamental opposition to or wishful thinking about the scale of necessary investments to comply with the Carbon Free Standard.

As discussed in the Petitioners' Briefs and Exceptions, Minnesota Power's rates can only reflect its prudent operational costs and investments as approved by the Commission, including the authorized return on investments. The OAG inaccurately asserts that the Acquisition will *cause* additional operational costs or capital investments. There is nothing in the record to support that assertion. Minnesota Power will continue to incur costs and propose investments to meet its service obligations reliably and affordably while also meeting its other public interest requirements, including Carbon Free Standard compliance. Importantly, those investments will be tied to Commission-approved Integrated Resource and Distribution Plans, Certificates of Need, and other proceedings, and any proposed rate increases will be subject to Commission approval in cases in which Minnesota Power will continue to have the burden of proof. The Acquisition will simply ensure that Minnesota Power has the equity capital available when needed to meet those obligations.

[41] Comments of the OAG on the Stipulation Between the Department and Petitioners at 5 (Aug. 4, 2025) (eDocket No. 20258-221723-02) ("OAG Comments").

The OAG also claims that the Acquisition will put upward pressure on rates because of what the OAG provocatively characterizes as a "plan to seek outsized returns."[42] This claim is inaccurate in numerous respects. First, neither the returns nor any rate assumptions made in analyzing the Acquisition are part of a "plan."[43] They are assumed inputs to and projections from a financial model. The financial model is based on multiple inputs, including capital forecasts. Those forecasts were based on Minnesota Power's capital plan – not a Partner capital plan – and are needed to help meet the Carbon Free Standard. Those investments will be subject to ongoing Commission review and approval.

Second, the OAG's argument is misplaced because it fails to reflect that the Commission sets Minnesota Power's authorized ROE; it is not based on the plans or preferences of investors. There is no basis to believe that the Commission will stop carefully scrutinizing Minnesota Power's investment levels and rates.

Third, the OAG's claim, and all opposing parties' claims regarding the Partners' purported "excessive returns," conflate two different concepts: total returns on the Partners' entire investment in ALLETE, which are the focus of the documents that the OAG cites, with Minnesota Power's authorized ROE. The Partners' total return on their investment in ALLETE will be primarily driven by an increase in the value of the Company, not a change in ROE. The value of the Company is expected to increase in the future through investments in the energy transition that will make Minnesota Power more valuable over time. Importantly, some of the investments that will increase

[42] OAG Comments at 5 (eDocket No. 20258-221723-02).

[43] As explained numerous times in the proceeding and on exceptions, documents like investment committee memoranda evaluate potential scenarios to help decision-makers understand investment risks and, in order to do so, must rely on certain assumptions that are described in the memoranda, but the assumptions are not statements of intention or definitive plans to be implemented in the future. There can be no such "plans" because the subjects of the assumptions require future contested proceedings where they will be determined by the Commission. *See, e.g.*, Petitioners' Exceptions at 31, n.114 (eDocket No. 20258-221744-02).

the value of the Company – such as certain transmission lines – will not have a one-to-one impact on Minnesota Power rates, because much of this cost will be socialized across the MISO system.

Fourth, the OAG and other Opposing Parties ignore the record evidence demonstrating that the Partners' financial models assumed *no increase* in Minnesota Power's ROE, but instead assumed Minnesota Power's *previously approved* ROE levels would remain unchanged.[44] While ROEs will change in the future based on market conditions, the record is clear that the Partners are not making their investment based on any expectation of significant increases or changes in Minnesota Power's ROE. Further, the Partners (like any investors) recognize that they may not achieve the returns estimated in their financial models.[45] The Partners, not customers, bear the risk that their actual returns may be lower than the returns estimated in their investment models. As further explained below, the Partners cannot unilaterally increase authorized ROEs or Minnesota Power's customer rates to force a higher investment return as feared by opposing parties; in fact, any effort to do so could adversely affect the long-term value of the Partners' investment, incur the Commission's ire, and undermine their reputations as investors in regulated infrastructure.

Fifth, the record demonstrates that other utilities purchased by private investors have not experienced dramatic or unusual increases in their rates. To the contrary, as shown in Table 1 below, the rates of five major investor-owned electric utilities that have been acquired by financial investors since 2007, including an investment by CPP Investments, had average Compound Annual Growth Rates ("CAGR") that were lower than the average increases in the state where each utility is located *and* below national investor-owned utility averages over the same time period:

[44] Ex. CURE-602 Schedule JB-9 at 23 (Baker Surrebuttal) (eDocket No. 20253-216818-07) (HCTS); Ex. CURE-602, Schedule JB-8 at 5 (Baker Surrebuttal) (eDocket No. 20253-216818-06) (HCTS).
[45] Ex. MP-31 at 29 (Alley Rebuttal) (eDocket No. 20253-216055-09); Ex. CPPIB-GIP-206 at 5 (Bram Response) (eDocket No. 20254-217895-02).

Table 1. Energy Information Administration Retail Rates

Retail Rates Comparison – Post Take Private

Rates for taken-private utilities do not have meaningfully higher rate growth vs public utilities & state averages.

Utility	Acquisition Year	Retail Rates ($ / kWh) At Acquisition	Current	CAGR
El Paso Electric (TX)		$12.06	$13.54	3.9%
Investor-Owned Average	**2020**	$10.00	$13.28	9.9%
Statewide Average		$11.72	$14.48	7.3%
El Paso Electric (NM)		$10.66	$9.61	(3.4%)
Investor-Owned Average	**2020**	$12.94	$14.31	3.4%
Statewide Average		$12.82	$13.76	2.4%
CLECO		$11.39	$12.44	1.3%
Investor-Owned Average	**2016**	$8.96	$11.50	3.6%
Statewide Average		$9.34	$11.55	3.1%
Duquesne		$12.05	$22.07	3.9%
Investor-Owned Average	**2007**	$10.82	$17.25	3.0%
Statewide Average		$10.90	$17.50	3.0%
Puget		$9.56	$13.30	2.4%
Investor-Owned Average	**2009**	$7.80	$10.76	2.3%
Statewide Average		$7.68	$10.99	2.6%

Source: U.S. Energy Information Administration (EIA)

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Nonetheless, the Opposing Parties continue to ignore these multiple examples and focus on the single outlier case of Michigan's Upper Peninsula Power Company ("UPPCO"). However, as explained by Petitioner Witness Quackenbush, who presided over the UPPCO cases as the chair of the Michigan Public Service Commission, UPPCO is a poor comparison because its rate issues existed prior to the acquisition and were primarily related to its very small size and rural service territory.[46] Opposing Parties, and the ALJ Report, continue to ignore these facts, as they run counter to their narrative.

[46] *See* Ex. MP-30 at 27 (Quackenbush Rebuttal) (eDocket No. 20253-216055-12).

B. The Commission's Continued Authority and Careful Scrutiny of Minnesota Power's Investment Levels and Rates Further Protect Customers.

Opposing Parties continue to criticize the Settlement because it does not foreclose a future ROE that may be higher than the Company's current ROE. For example, Sierra Club complains that the Settlement "will not prevent the Company from seeking an ROE increase in that case or limit the size of that increase."[47] CURE similarly complains that "adjusting Minnesota Power's inflated ROE marginally lower for one year does nothing to protect customers from higher ROE values in future rate cases."[48] CURE further recommends "limiting the utility's ROE to 6 percent for the entire period that Minnesota Power is owned by the Partners."[49]

These complaints by Sierra Club and CURE are wholly unreasonable and lay bare their categorical opposition to any private utility ownership. They further underscore the extreme nature of these entities' opposition to the Acquisition. It is not reasonable to suggest only a permanently (and drastically) lower ROE could justify approval of the Acquisition, particularly given Minnesota Power's long-standing, well-known risks as a utility company due to its size and customer profile. More fundamentally, Sierra Club and CURE's position ignores that there is no question the Commission will ultimately decide the Company's authorized ROE after the Acquisition just as it would if there were no Acquisition. The only difference in the future ROE determinations is that customers will be far better off from a rate perspective because of the immediate benefits of the Settlement, including lower ROE, one-year rate-case stay out, and arrearage relief, coupled with long-term customer savings in the form of no flotation costs, no

[47] Sierra Club Comments in Opposition to Proposed Settlement at 8–9 (Aug. 4, 2025) (eDocket No. 20258-221736-03) ("Sierra Club Comments").
[48] CURE Initial Comments at 3 (Aug. 4, 2025) (eDocket No. 20258-221739-02) ("CURE Comments").
[49] *Id*. at 5.

investor relations expenses, reduced Board of Directors' expenses, and investor funding of clean technology investments for which customers would otherwise have to pay.

C. Commitments in the Settlement Provide Substantial Rate Benefits that would not be Available Without the Acquisition and Settlement.

Contrary to the positions taken by Opposing Parties, the following commitments in the Settlement cumulatively provide substantial direct rate benefits to customers that would not be available without the Acquisition and Settlement.

- **One-Year Rate-Case Stay Out**: This additional commitment protects customers from what could be significant rate increases attributable in part to the loss of revenue from the idling of mining operations. The Department valued this commitment conservatively at $25 million, but the Department also noted that interim rates from the last four Minnesota Power rate cases were "sizeable" – $34.6 million (2016 rate case), $36.1 million (2019 rate case), $87.3 million (2021 rate case) and $102.6 million (2023 rate case).

- **ROE Reduction**: This additional commitment will reduce the ROE from the currently authorized 9.78 percent to 9.65 percent, which will reduce rates paid by customers by $5.5 million over the next two years.

- **Arrearage Forgiveness:** This commitment will reduce accumulated customer arrearages by approximately $3.5 million to pre-COVID levels.

- **Flotation Cost Recovery**: This commitment will exclude flotation costs from possible recovery in all future rate cases, an adjustment which is included in the ROE Reduction estimate above for the first several years but which will continue in the future. In the future, this will likely reduce customer rates by approximately $3.7 million per year.

- **Board Member Compensation:** This commitment will preclude recovery through rates of any compensation paid to members of the post-Acquisition Board of Directors that are not independent from the Partners, which will likely reduce customer rates by approximately $700,000 per year.

- **Investor Relations Costs:** This commitment will preclude recovery from ratepayers of any investor-relations costs, which will likely reduce rates customers pay by approximately $155,000 per year.

Contrary to Opposing Parties' unsupported fears of rate increases, reductions in ROE, arrearage forgiveness, and forgone flotation cost recovery, Board of Directors' compensation, and investor relations expenses are all concrete commitments that affirmatively *reduce* rates for

Minnesota Power customers now and relative to what rates would be in the future absent the Acquisition. None of these financial benefits would be available to Minnesota Power customers without the Acquisition, as conditioned by the Settlement. As shown in the Petitioners' Exceptions and Attachment B thereto (Joint Redline of Section III.C of the ALJ Report), the financial benefits included in the Settlement exceed those of the other "take-private" transactions cited in the ALJ Report. The financial benefits in the Settlement total $685 *per customer*, as compared to $38 in *Puget Sound*, $179 in *El Paso*, and $147 in *South Jersey*.[50]

These rate benefits are particularly compelling when viewed in relation to the Commission's approval of the merger between Integrys (the former parent company of Minnesota Energy Resources Corporation) and Wisconsin Energy Corporation ("WEC").[51] Similar to the Acquisition in this case, the transaction in the WEC/Integrys case was premised on improving access to capital. Critically, the Commission approved the WEC/Integrys transaction without requiring any affirmative customer financial benefits saying:

> MERC has argued persuasively that the goal of the merger is not to achieve immediate synergies *but rather to better position the merged companies to access capital and invest in infrastructure and customer-service improvements*. … Under these circumstances, the public interest does not require that MERC demonstrate any particular level of savings as a result of the merger.[52]

The substantial rate benefits included in the Settlement are all the more significant because the Commission found that savings to customers were not required under the access to capital drivers of the WEC/Integrys transaction, and because the gas utility in that case needed far less investment capital than Minnesota Power requires in this instance. In combination, the Acquisition

[50] Petitioners' Exceptions at 70, Figure 2 (eDocket No. 20258-221744-02); Petitioners' Exceptions, Attachment C at 1 (eDocket No. 20258-221744-06).
[51] *In the Matter of a Request for Approval of the Merger Agreement between Integrys Energy Group, Inc. and Wisconsin Energy Corporation*, Docket No. G011/PA-14-664, ORDER APPROVING MERGER SUBJECT TO CONDITIONS (June 25, 2015) (eDocket No. 20156-111752-01).
[52] *Id*. at 8 (emphasis added).

and the Settlement provide substantial net rate benefits to customers that would not be available otherwise.

V. THE SETTLEMENT WILL BE FULLY ENFORCEABLE BY THE COMMISSION.

Several Parties filed Exceptions or Comments suggesting that provisions of the Settlement are not enforceable.[53] That is not correct. The Settlement is enforceable in a variety of ways, most of which have been glossed over by the Opposing Parties.

A. The Commission Can Enforce the Settlement Because it will be Included in a Commission Order.

Petitioners have repeatedly confirmed agreement that any Commission order approving the Settlement will incorporate the commitments made in this proceeding, including in the Settlement. As such, the Commission will have authority to enforce every provision just as all Commission orders are enforceable.[54]

1. The Commission's authority to enforce its orders is expressly stated in statute and is recognized by the Petitioners.

The Commission's authority to enforce the requirements of its orders is clearly set forth in Minnesota law. Specifically, Minn. Stat. § 216B.54 provides that any time the Commission or the Department believes a "person" has violated or is about to violate a Commission order, the Commission or Department can refer the matter to the Attorney General *"who shall take appropriate legal action*." This authority is very broad, applying to *"any person"* and to *any acts or omissions* that are contrary to *any Commission order*, including acts or omissions that have not occurred but are about to occur.[55] Importantly, a "person" includes partnerships and corporations,[56]

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[53] *See* Initial Comments of the Citizens Utility Board of Minnesota at 18 (eDocket No. 20258-221742-03) ("CUB Comments"); Initial Comment of LPI (Aug. 5, 2025) (eDocket No. 20258-221758-01) (describing Settlement as "simply more statements").
[54] Partner Initial Post-Hearing Brief at 107–08 (May 1, 2025) (eDocket No. 20255-218522-01).
[55] Minn. Stat. § 216B.02, subd. 3 (emphasis added).
[56] *Id.*

which means the Commission's enforcement authority extends to the Partners and Alloy Parent as well as Minnesota Power. Minnesota statutes further *require* the Attorney General to take "appropriate legal action," without limitation, specifically including authority to seek penalties under Minn. Stat. § 216B.57. On top of this, the authority to take "appropriate legal action" includes the authority to seek injunctive relief.

To provide further certainty about the enforceability of the Settlement, the Petitioners and the Department negotiated Commitment 1.73, which provides as follows:

> ALLETE and Partners agree that any failure to achieve any commitment in this Settlement, or to comply with any other condition the Commission places on approval of the Acquisition, is a violation of the Commission's order under Minn. Stat. § 216B.54 and is enforceable against the entity from whom the action (or non-action) is required.

This Commitment demonstrates a common and binding understanding that every commitment in the Settlement will be enforceable against the entity to which that commitment applies, which includes ALLETE, the Partners, and Alloy Parent depending on the specific commitment.

To provide even more certainty and clarity regarding the Settlement's enforceability, Commitment 1.74 provides that the Partners and Alloy Parent are submitting to the jurisdiction of the Commission and Minnesota courts:

> ALLETE and Partners submit to the jurisdiction of the Commission, and then of the courts of the State of Minnesota with respect to any action brought to enforce or resolve a dispute arising from an applicable commitment set forth in this Settlement or a Commission Order adopting this Settlement.

Petitioning parties' consent to the jurisdiction of the Commission is consistent with the Commission's longtime practice, including when approving utility mergers under Minn. Stat. § 216B.50.[57]

[57] *See In the Matter of a Request for Approval of the Merger Agreement between Integrys Energy Group, Inc. and Wisconsin Energy Corporation*, Docket No. G-011/PA-14-664, ORDER FINDING JURISDICTION, GRANTING VARIANCE, AND ESTABLISHING PROCEDURES at 2 (Feb. 24, 2015) (eDocket No. 20152-107615-01).

Opposing Parties continue their effort to cast doubt on this enforcement authority by ignoring the unambiguous language in both the Commission's enforcement statutes and the Settlement. The law is clear that Commission orders are enforceable against the Partners and Alloy Parent. The additional commitments in the Settlement confirm the Petitioners (including the Partners and Alloy Parent) have specifically agreed in writing that the Settlement will be enforceable by the Commission and the appropriate courts in Minnesota.

2. Opposing Parties' cited cases underscore that Commission Orders are enforceable against persons who consent to be bound.

Opposing Parties also assert that, regardless of any commitment, the Settlement cannot confer jurisdiction over the Partners or Alloy Parent to the Commission. This assertion is wrong and is based on the Opposing Parties' mischaracterization of the court cases they cite.

Opposing Parties cite several court cases, including *No Power Line, Inc. v. Minn. Environmental Quality Council*[58] to suggest that "the Commission cannot accept jurisdiction over entities or matters where the legislature has not granted it express authority."[59] But this is not what the cited cases actually say. To the contrary, those cases say that the Commission cannot obtain "subject matter" jurisdiction over things that are not expressly within its authority. These cases actually confirm that the Commission has *personal jurisdiction over entities* that consent to that jurisdiction (as the Petitioners have done here) even if the Commission would not otherwise have that "personal jurisdiction."

[58] 262 N.W.2d 312 (Minn. 1977).

[59] CUB Comments at 13 (eDocket No. 20258-221742-03) (*citing* ALJ Report at 65) ("*See No Power Line, Inc. v. Minn. Env't Quality Council*, 262 N.W.2d 312, 321 (Minn. 1977) (subject-matter jurisdiction may not be granted to an agency by consent of the parties); *cf. Centra Homes, LLC v. City of Norwood Young Am.*, 834 N.W.2d 581, 586 (Minn. Ct. App. 2013) (parties may not stipulate or confer jurisdiction on district court by agreement); *Univ. of Minn. v. Woolley*, 659 N.W.2d 300, 306 (Minn. Ct. App.2003) (same)."). To be clear, these parentheticals are the characterizations of the ALJ Report but they are not correct.

Subject-matter jurisdiction is not the issue here, but personal jurisdiction is. There is no dispute that the Commission has subject-matter jurisdiction over approvals and conditions of utility transactions and mergers pursuant to Minn. Stat. § 216B.50. The dispute Opposing Parties raise is whether the Commission has authority over Alloy Parent and the Partners – *i.e.*, personal jurisdiction. *No Power Line, Inc.* is clear that the Commission does have that authority. In that case, the Minnesota Supreme Court made clear that personal jurisdiction *can* be conferred by the consent of the parties.[60] In fact, contrary to the claims of Opposing Parties and the ALJ Report, "[o]ne of the oldest tenets of personal jurisdiction is that a defendant may voluntarily submit to the jurisdiction of a court."[61] This is essentially the opposite of what Opposing Parties and the ALJ Report claim.

Here, the Partners and Alloy Parent have consented to the jurisdiction of the Commission as provided by the specific commitments in the Settlement, and as repeatedly reinforced by testimony and briefs in this proceeding.[62] The Commission clearly has the authority to enforce the provisions of the Settlement in the same way it can enforce all its orders.[63]

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[60] *No Power Line*, 262 N.W.2d at 321 ("The distinction is an important one because subject-matter, unlike personal, jurisdiction cannot be conferred by consent of the parties.").
[61] *Rykoff-Sexton, Inc. v. Am. Appraisal Assoc., Inc.*, 469 N.W.2d 88, 89–90 (Minn. 1991).
[62] Ex. MP-1 at 14 (Initial Petition) (eDocket No. 20247-208768-01); Ex. MP-13 at 27–28 (Alley Direct) (eDocket No. 202412-212968-10); Ex. MP-14 at 2–4 (Bram Direct) (eDocket No. 202412-212968-09).
[63] *See, e.g.*, *In the Matter of an Inquiry into Actions by Electric and Natural Gas Utilities in Light of the COVID-19 Pandemic Emergency*, Docket No. E, G-999/CI-20-375, ORDER ESTABLISHING PEACETIME EMERGENCY REQUIREMENTS AND MODIFYING REPORTING REQUIREMENTS (Aug. 13, 2020) (eDocket No. 20208-165843-01) (accepting the offer of regulated utilities to suspend disconnections during the COVID pandemic); *In the Matter of the Petition of Northern States Power Company d/b/a Xcel Energy for Approval of 2021 True-Up Mechanisms*, Docket No. E-002/M-20-743, ORDER APPROVING TRUE-UPS WITH MODIFICATIONS AND REQUIRING XCEL TO WITHDRAW ITS NOTICE OF CHANGE IN RATES AND INTERIM RATE PETITION (Apr. 2, 2021) (eDocket No. 20214-172538-01) (accepting Xcel Energy's offer to withdraw its pending rate case if certain rate adjustment proposals are approved); *In the Matter of the Application of Northern States Power Company for Approval to Merge with New Century Energies, Inc.*, Docket No. E,G-002/PA-99-1031, ORDER APPROVING MERGER, AS CONDITIONED (June 12, 2000) (eDocket No. 789046) (adopting a settlement that establishes a service quality underperformance penalty as a condition of the Xcel merger).

B. The Commission will have Effective Mechanisms to Enforce the Settlement, as with any Other Commission Order.

Opposing Parties and the ALJ Report seem to suggest that the Commission's enforcement authority under Minnesota law, even as described above, is not strong enough to be meaningful in this proceeding. That suggestion is incorrect for several reasons. First, the Commission will have the same authority to enforce its orders against Minnesota Power, Alloy Parent, and the Partners that it has against everyone else, including Minnesota's other public utilities.

Second, the Commission's statutory enforcement authority has served the State well for many years, including against large companies, holding companies, and newcomers to the State. This authority has been sufficient to ensure just and reasonable rates, quality customer service, compliance with applicable laws, and compliance with the Commission's rules and orders – including against public utilities and the entities that own them, as applicable, such as Northern States Power Company, CenterPoint Energy, Minnesota Energy Resources Corporation, Otter Tail Power, and their parent companies.[64]

Third, Commission enforcement actions carry substantial weight beyond the direct impacts of the specific remedies or penalties imposed by a Court. Public utilities operate in the public spotlight under the Commission's regulatory authority; therefore, any violation of a Commission order will be widely reported and pose a serious risk to the reputation of the entity against whom the violation was found. Minnesota Power will continue to be a public utility subject to Commission jurisdiction, and the quality and value of the company depends on its good relationship and standing with the Commission that regulates it.

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[64] *See* Minn. Stat. § 216B.54; *see, e.g., In the Matter of an Investigation and Audit of Northern States Power Company's Service Quality Reporting*, Docket No. E,G-002/CI-02-2034, *In the Matter of the Petition of Northern States Power Company d/b/a Xcel Energy for Approval of Amendments to its Natural Gas and Electric Service Quality Tariffs*, Docket No. E,G-002/M-12-383, ORDER ON DISTRIBUTION OF UNDERPERFORMANCE PENALTY (Oct. 9, 2024) (eDocket No. 202410-210844-01) (enforcing the commitment of the Xcel Energy merger).

Fourth, the Partners' businesses are premised on the ability to make investments in infrastructure, including regulated infrastructure. As such, the reputational risk of a material non-compliance issue or lawsuit is very significant – well beyond the actual dollar figure of any fines or penalties. Compliance problems also would affect the value of the Partners' investment in ALLETE, magnifying financial consequences to the Partners.

Fifth, in addition to the long-run financial and reputational incentives to protect the investment in ALLETE, the Partners have also committed to immediate financial penalties for non-compliance. If Alloy Parent is not in compliance with the capital commitment, the Petitioners have committed that ALLETE will not provide any dividends to Alloy Parent.[65] This provision is clearly enforceable, as the acting party in a payment of dividends is ALLETE, over which the Commission undisputably has jurisdiction. Dividends are the only way that the Partners can obtain returns from ALLETE short of a sale. Agreeing to limitations on their ability to obtain dividends is an incredibly significant concession that demonstrates the Partners' commitment to responsible investment in ALLETE and Minnesota Power.

Opposing Parties appear to have a confused understanding of dividends that causes them to undervalue the significance of dividend-related commitments in the Settlement. The OAG appears to argue that dividends from ALLETE are not capital infusions from the Partners, and that committing to provide equity or else forfeit the ability to take dividends means the Partners would not have "any skin in the game."[66] This is fundamentally incorrect. Under the current public ownership, dividends are distributed to stockholders, are expected by public shareholders each quarter, and are not available for re-investment.[67] The Partners have the ability to forgo those

[65] Settlement at 1.4 (eDocket No. 20257-220879-01).
[66] OAG Comments at 17 (eDocket No. 20258-221723-02).
[67] Ex. MP-28 at 20 (Scissions Rebuttal) (eDocket No. 20253-216055-04); Ex. MP-29 at 7–8 (Taran Rebuttal) (eDocket No. 20253-216055-05); Ex. MP-30 at 20 (Quackenbush Rebuttal) (eDocket No. 20253-216055-12).

dividends, effectively taking capital that they would have otherwise received and reinvesting that as equity into ALLETE. The reason the dividend-related commitments are effective enforcement mechanisms is that, along with the billions of dollars the Partners already will have invested in ALLETE, the dividends *are* the "skin in the game" that the OAG wants to see. As also explained above, the Partners know that they must assure compliance with the Settlement for numerous reasons regardless of which entity has committed to take specific actions. Otherwise, they receive delayed or no returns on their investment.

Finally, there is no evidence in this record that the Partners have any intention or incentive to not comply with Commission orders. While it is appropriate for regulatory bodies to take reasonable actions to ensure commitments are enforceable and the Commission's directives will be followed (and this is why the Petitioners have reinforced their role vis-à-vis the Commission), it is not appropriate to simply reiterate inflammatory claims or write off meaningful commitments without balanced evaluation. The Partners have been successful investors in large part because of their integrity, which was also a key factor in ALLETE's own analysis of the Partners and further demonstrated by LIUNA's experience with GIP.[68] Further evidence that the Partners will be responsible investors is described in Section VI, below.

Moreover, Opposing Parties fail to take into account that an investor in the public market could, absent the Acquisition, buy large quantities of ALLETE stock and make changes without any obligations to the Commission whatsoever. While Opposing Parties continually seek more enforceability against the Partners, it is undisputable that the Commission will have far more enforcement authority over the Partners than against current investors – including potential investors who could use public markets to acquire a controlling stake in the Company.

[68] *See* LIUNA Comments at 3 (eDocket No. 20258-221753-01); Ex. MP-1 Attachment L at 55-59 (Initial Petition) (eDocket No. 20247-208768-01).

C. The Commission has Additional Authority to Ensure the Partners and Alloy Parent Comply with the Settlement.

In addition to its primary enforcement authority, the Commission has many other tools to ensure compliance with the Settlement. First, the Commission has strong enforcement authority related to the Carbon Free Standard. If a utility does not comply with the Commission's orders pursuant to the Carbon Free Standard, the Commission can "order the electric utility to construct facilities" or take other actions to get into compliance.[69] If the utility fails to do so, the Commission "may impose a financial penalty . . . in an amount not to exceed the estimated cost . . . to achieve compliance."[70] Given that these compliance actions could involve the construction of power plants, the potential penalties for non-compliance are extremely high. Any penalties assessed against Minnesota Power would also harm Alloy Parent and the investment made by the Partners in Alloy Parent, because it would harm the overall value of the utility and directly affect the reputations of the Partners as investors in the utility.

Second, the Commission has the authority to set rates – including the ROE – for Minnesota Power and its customers, which will have a direct financial impact on Alloy Parent and the Partners.[71] Partners understand that if they do not comply with the provisions of the Settlement, the Commission could take a negative view of the ROE in Minnesota Power's next rate case, which could have a negative financial impact on Alloy Parent and the Partners. Minnesota Power makes up the vast majority of ALLETE, and as a result represents the vast majority of the Partners' investment value in ALLETE. Regulatory decisions that impact the profitability of Minnesota Power will have an impact on the success, or lack-thereof, of the Partners' investment in ALLETE. As explained in the Partners' Initial Brief, "The Partners fully recognize that they must follow

[69] Minn. Stat. § 216B.1691, subd. 7.
[70] *Id.*
[71] Minn. Stat. § 216B.16.

through on the commitments made in this proceeding, and that failing to do so could impact the many other decisions the Commission makes related to Minnesota Power."[72]

Third, the Commission has supplemental enforcement authority to assure compliance with the Settlement because it must approve the timing, entity, and conditions of any future sale of the Partners' interest in ALLETE under Minn. Stat. § 216B.50. As explained in the Partners' Initial Brief, they intend to earn their overall return on their investment primarily by helping Minnesota Power make the investments needed to meet its public interest obligations to the State and its customers, which will increase the value of the Company over time.[73] The Partners will benefit from the increased value of ALLETE if it is sold in the future – and that sale will have to be approved by the Commission. It is in neither the Company's nor the Partners' interest for Minnesota Power, the Partners, or Alloy Parent to violate (whether intentionally or unintentionally) any of the commitments in the Settlement, as Opposing Parties seem to suggest. Rather, the Partners need the support and approval of the Commission both to obtain reasonable returns and to sell any part of their investment in the future.

D. The Settlement is Enforceable Against the Right Entities and Persons.

The ALJ Report and Opposing Parties also seem concerned that the Settlement is not enforceable against the right entities. Opposing Parties focus in particular on Commitment 1.3, which states that "Alloy Parent shall provide to Minnesota Power equity financing . . . in an amount at least equal to the equity financing required to fund Minnesota Power's 5-year capital investment plan."[74] Opposing Parties appear to question this extraordinary commitment in several respects, all of which are invalid.

[72] Partner Initial Post-Hearing Brief at 109 (eDocket No. 20255-218522-01).
[73] *Id.* at 83–84.
[74] Settlement at 1.3 (eDocket No. 20257-220879-01).

First, Opposing Parties assert that the commitment is not meaningful because it is made on behalf of Alloy Parent, rather than the Partners. This assertion is misplaced. Alloy Parent is the proper entity to make a capital commitment because Alloy Parent is the entity that will actually own ALLETE and that will make equity investments in ALLETE. Moreover, the record is clear that some of the equity capital to be provided to ALLETE may come from deferred dividends, which would otherwise be paid to Alloy Parent. Accordingly, pursuant to the Settlement, Alloy Parent is the entity that would be prohibited from receiving dividends if the capital commitment were violated in some manner, effectively forcing equity capital to be provided by Alloy Parent. These deferred dividends, whether compelled through this commitment or made through deferral by a patient investor as the Partners intend, have the same dollar value to a company as obtaining an infusion of equity from another source. Or, put another way, Alloy Parent is the entity entitled to dividends and is also the entity that actually has the capability to defer the dividends, again confirming that it is the appropriate entity to provide the capital commitment.

Second, and perhaps key to their whole enforceability argument, some opposing parties claim that the Partners could flout the capital commitment by simply "abandoning" Alloy Parent as if it were a meaningless entity.[75] That is simply not a realistic possibility. The Partners are investing $3.9 billion to become the owners of ALLETE and they are making that investment through Alloy Parent; they cannot just "walk away" from their multi-billion-dollar investment. Further, the Partners have each provided sworn testimony that Alloy Parent will provide the capital ALLETE needs.[76] Their reputations as investors are on the line, which will follow them far into the future in many other transactions as large or larger than ALLETE. Their reputations as stewards

[75] OAG Comments at 14 (eDocket No 20258-221723-02).
[76] *See* Ex. MP-13 at 13 (Alley Direct) (eDocket No. 202412-212968-10); Ex. MP-14 at 23–24 (Bram Direct) (eDocket No. 202412-212968-09); Ex. MP-32 at 6 (Alley Rebuttal) (eDocket No. 20253-216055-09); Ex. MP-32 at 6 (Bram Rebuttal) (eDocket No. 20253-216055-08).

of their own investors' capital also are on the line and could be irrecoverably tarnished by such a ploy. By any objective measure, the Partners have enormously strong financial and reputational incentives to follow through, in addition to the direct financial consequences. Opposing Parties' determination to continue pressing their arguments on this point underscores their excessively cynical, oppositional view of the Acquisition.

In addition to the capital commitment, the ALJ Report along with Opposing Parties assert that the Commission "lacks authority to force the Partners to take actions such as . . . retaining employees, making community investments, or withholding dividends."[77] These statements are wholly misleading because the Partners will not be the ones "to take actions" on these items. Rather, the employees in question will be employees of the Company; the community investments will also be made by the Company; and dividends will be paid by the Company. The Commission has authority in each of these areas.

Finally, it is noteworthy that one of the parties to the Settlement, the Department, is statutorily responsible for the enforcement of Minn. Stat. Ch. 216B.[78] It is a stretch by any measure to believe the Department would enter a Settlement it did not consider enforceable or support this Acquisition if not confident that the Commission has the necessary authority and tools to fully protect the public interest.

VI. THE PARTNERS WILL BE RESPONSIBLE INVESTORS IN ALLETE AND MINNESOTA POWER.

It is also important, in responding to Opposing Parties' comments, to underscore that the Opposing Parties continue to mischaracterize the Partners as private equity stereotypes; indeed, CPP Investments and CalPERS are not private equity companies as they manage the funds of

[77] ALJ Report at 73 (eDocket No. 20257-221020-02).
[78] Minn. Stat. § 216A.07, subd. 2 ("The commissioner is responsible for the enforcement of chapters 216A, 216B and 237 and the orders of the commission issued pursuant to those chapters.").

pension plans, and GIP is a private infrastructure investor specifically focused on infrastructure entities, including regulated infrastructure.[79] The Partners have made clear they will be responsible investors, through both their testimony and commitments, as described below.

Nonetheless, the comments of several Opposing Parties continue to invoke fears to oppose the Acquisition, ignoring the prior commitments and supporting parties, as well as the many additional commitments in the Settlement that convinced the Department that the Acquisition is in the public interest. These fears appear premised on assumptions that the Partners will take actions like a stereotypical "private equity" investor that purchases companies, slashes spending, and takes them apart to extract value from their pieces. Most of Opposing Parties' arguments focus on concerns related to "financial engineering" and over-reliance on debt financing. For example, Sierra Club imagines "unchecked ability for the Partners to engage in risky financial, operational, and governance engineering."[80] Similarly, the OAG's Comments advance a misunderstanding that risky and unreasonable use of debt is simply "a product of the private-equity investment model and thus unavoidable . . . ."[81]

The record provides absolutely no credible support for these assumptions. As an initial matter, it is hard to see how these types of "financial engineering" even apply to a regulated utility with strong Commission oversight like the Company. Opposing Parties cite no evidence that the

[79] These are meaningful distinctions as evidenced by the fact that entities like CPP Investments and CalPERS are allocating the investment in ALLETE through their respective "real assets" groups and not "private equity." Partner Initial Post-Hearing Brief at 3, 5 (eDocket No. 20255-218522-01). LIUNA, the only other party in this proceeding with first-hand experience with the Partners, explained the same. LIUNA Witness Bryant testified that, while "witnesses offered by parties opposed to the transaction tend to lump all of private equity together, LIUNA's pension funds would not categorize the GIP Fund IV or the proposed transaction within our private equity asset class. None of the four LIUNA pension funds that invest in GIP's Fund V consider this strategy to be in their private equity asset class." Ex. LIUNA-852 at 11 (Bryant Rebuttal) (eDocket No. 20253-216057-01).

[80] Sierra Club Comments at 14 (eDocket No. 20258-221736-03).

[81] OAG Comments at 11 (eDocket No. 20258-221723-02). It is noteworthy that the OAG's Comments take a much more extreme position than the testimony of its expert, Witness Lebens, who found value in the Partners' expertise in balancing the use of debt and equity financing when he testified that "The Partners' expertise in optimizing the capital structure, the cost of capital, and cash flow could help mitigate Minnesota Power's rate increases." Ex. OAG-400 at 26 (Lebens Direct) (eDocket No. 20252-214937-02).

Partners have engaged in any of the practices about which they are concerned, but rather reference generalized summaries in articles or textbooks about "typical" private equity investor practices.[82] To the contrary, as discussed below, the Partners' own internal documents and testimony demonstrate that they have no intent to engage, and no track record of engaging, in any of those practices. Further, the Partners have agreed to Settlement commitments that were specifically designed to address and preclude those sorts of practices,[83] thereby eliminating any potential risks based on these speculative concerns.

A. The Partners' Internal Documents and Testimony Demonstrate that they will be Responsible Investors for ALLETE and Minnesota Power.

Contrary to the Opposing Parties overgeneralizing view that all private investors follow the same stereotypical approach, the record shows through the Partners' internal documents and testimony that the Partners *explicitly reject* financial engineering as an option in infrastructure investing. As stated in GIP's private placement memorandum,[84] GIP's approach to debt financing:

[HCTS INFORMATION BEGINS … [redacted] **… HCTS INFORMATION ENDS]**[85]

Similarly, Witness Alley explained that CPP Investments' strategy in energy infrastructure investments, like ALLETE, "focus[es] on returns from sustainable, long-term investments, rather

[82] Department Witness Addonizio also stated he did "not believe this aspect of financial engineering applies to regulated utilities as strongly as it does to non-regulated firms." *See* Ex. DOC-303 at 59 (Addonizio Direct) (eDocket No. 20252-214941-01).
[83] *See* Settlement at 1.15–1.22 (eDocket No. 20257-220879-01).
[84] The Private Placement Memorandum is a document provided to prospective investors when raising money for a fund. The memorandum outlines the fund's general investment strategy and terms and also describes in a general manner any risks associated with investing in the fund. As such, this document provides a window into GIP's actual approach to its infrastructure investments, including this one, as conveyed to investors. It is evident that the Partners' public representations in this case regarding its approach to its investment in Minnesota Power fully align with GIP's private representations to its investors.
[85] Ex. DOC-303, CMA-D-12 at 75 (Addonizio Direct) (eDocket No. 20252-214942-01) (HCTS).

than from short-run profits or operational turnarounds, or from financial engineering strategies that might be more common in a stereotypical private equity investment scenario."[86]

Other internal documents of the Partners confirm their intent to avoid excessive debt at both ALLETE and Alloy Parent. In their investment committee materials, the Partners were independently and consistently clear that they will target investment grade credit metrics for both ALLETE (including both regulated and unregulated components) and Alloy Parent, including a Funds from Operations to debt ratio consistent with or better than the ratio of many other financially healthy utility companies.[87]

Despite generalized speculation by Opposing Parties, the Partners' internal documents corroborate the commitments they have made, and show that the Partners have no intention of using risky "financial engineering" strategies or subjecting Minnesota Power to risks from high levels of debt.[88]

B. The Partners Have Committed in the Settlement to be Responsible Investors in ALLETE and Minnesota Power.

The Petitioners made a number of commitments in the Settlement specifically intended to ensure the financial health of ALLETE and Minnesota Power. These commitments were not chosen randomly. They were specifically developed with the Department over months of negotiation to resolve the Department's concerns about the possibility for financial engineering, and specifically about the potential risks related to debt financing.

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[86] Ex. MP-31 at 11 (Alley Rebuttal) (eDocket No. 20253-216055-09). *See also* Ex. MP-14 at 7 (Bram Direct) (eDocket No. 202412-212968-09) ("While these plans require significant investment in the near term, given the nature of utility regulation, GIP recognizes that earnings on those investments will be recovered over the long term.").

[87] Partner Initial Post-Hearing Brief at 70 (eDocket No. 20255-218522-01); Ex. MP-29, Schedule 6 (Taran Rebuttal) (eDocket No. 20253-216055-05).

[88] Partner Initial Post-Hearing Brief at 62–75 (May 1, 2025) (eDocket No. 20255-218522-01); Minnesota Power's Initial Brief at 20–27 (eDocket No. 20255-218485-02).

To ensure that ALLETE does not become financially harmed by its new investors, Commitment 1.16 ensures that any debt issued at the holding company level will not be guaranteed by utility assets, and Commitment 1.17 ensures that the Partners will not pledge the assets of ALLETE or Minnesota Power to secure debt of the Partners.[89] If new debt is issued at the holding company level, it will be the exclusive responsibility of the Alloy Parent entities, not ALLETE or Minnesota Power – the precise *opposite* of what Opposing Parties say is standard for stereotypical private equity companies.[90] To ensure that the Commission has visibility into these financial matters, Commitment 1.36 requires the maintenance of separate books and records for Alloy Parent, and also requires those records to be available to the Commission. Along with Commitment 1.37, Commitment 1.36 also ensures that the Commission will receive regular filings of audited consolidated financial statements from ALLETE and Alloy Parent.

The Settlement also includes commitments that protect the Company's investment-grade credit rating. Commitment 1.6 provides that the Company will not pay dividends unless it has an investment grade rating. If anything happens that causes ALLETE to no longer be rated investment grade by one rating agency, it will prevent the Partners from obtaining cash from the Company and instead force that cash to be retained, improving the Company's financial health. Commitment 1.9 provides that ALLETE will use commercially reasonable efforts to remain rated by at least two credit rating agencies, ensuring that there will be ratings to evaluate. This commitment is important because there currently is no obligation for ALLETE to remain rated at all. Commitments 1.11 and

[89] In an effort to undermine the significance of these commitments, OAG provides a matrix it claims illustrates that "many affiliate-related financial risks are left unaddressed by" the Settlement. OAG Comments at 12–13 (eDocket No. 20258-221723-02). This matrix calls into question whether OAG understands the purpose and intent of ring-fencing generally or the types of risks they find so concerning. For example, OAG appears concerned that they are not sure whether the "Other Alloy Entities," which would not generate any revenue or dividends, could themselves pay a dividend in certain circumstances.

[90] OAG Comments at 12–13 (eDocket No. 20258-221723-02); CUB Comments at 7 (eDocket No. 20258-221742-03).

1.34 will provide the Commission with additional information on ALLETE, specifically the reports and documents from the credit ratings agencies to allow the Commission to monitor these commitments and the financial health of ALLETE.

Further, Commitment 1.10 confirms that the Partners understand that the capital structure of ALLETE and Minnesota Power are regulated by the Commission, and that the capital structure of the Company must continue to be maintained within the limits set by the Commission. With respect to capital structure specifically, the Partners understand and agree that the capital structure cannot be suddenly changed to include different debt and equity ratios than the Commission has approved. Commitment 1.7 ensures that the Commission will receive regular reporting on the equity infusions and dividends that could lead to changes of this nature. These commitments ensure that the Acquisition will not cause changes to the Company's capital structure that negatively impact its financial health.

These commitments dramatically mitigate the possibility of financial engineering, and the impact of any risks that could result from financial engineering. If the Partners intended to engage in such conduct, they would not have agreed to these commitments. Instead, the Partners have no intention of financial engineering and will be responsible investors in ALLETE and Minnesota Power, and despite the portrayal by Opposing Parties have no concerns sharing information with the Commission to demonstrate compliance.

C. Opposing Parties' Arguments Would Preclude the Use of Debt Financing, which would be Unreasonable.

Opposing Parties also continue to speculate based on stereotypical assumptions about "all private investors"[91] and their approach toward the use of debt. Specifically, the OAG and other

[91] Reply Post-Hearing Brief of CURE at 7 (eDocket No. 20255-219371-02); Initial Brief of the OAG at 13 (eDocket No. 20255-218508-02); Initial Brief of LPI at 55 (eDocket No. 20255-218497-02).

Opposing Parties have claimed that the Partners will recklessly increase debt leverage in a way that harms customers. They base this claim largely on the modeled growth in overall debt levels.[92] That is not the correct analysis and is fundamentally at odds with how capital-intensive businesses, including all other utilities in Minnesota, operate.

Minnesota Power has a regulated capital structure that includes an approved debt ratio of 47 percent.[93] That means that with an overall authorized rate base of $2.7 billion approved in its most recent rate case,[94] the corresponding amount of debt at Minnesota Power is approximately $1.3 billion. As the Company makes additional investments, its total debt would increase even while the debt ratio remains the same. For example, assuming this exact same capital structure, when Minnesota Power makes the $4.6 billion in investments under its five-year capital plan, it would be expected to finance approximately $2.16 billion (47 percent of $4.6 billion) using debt—resulting in an increase in overall debt for the Company but maintaining the same debt ratio.[95] This maintains a more or less optimized ratio of equity to debt that balances risk and cost of additional investments.[96]

Opposing Parties fail to acknowledge the fundamental fact that a potential increase in total debt over the long-term is simply a result of the growth in ALLETE and in Minnesota Power's rate base, or that the Commission's own analysis focuses on the *percentage* of debt, not the

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[92] OAG Comments at 8 (eDocket No. 20258-221723-02).
[93] *See In the Matter of Minnesota Power's Petition for Approval of its Capital Structure and Authorization to Issue Securities*, Docket No. E-015/S-25-138, ORDER (July 11, 2025) (eDocket No. 20257-220858-01).
[94] *In the Matter of the Application of Minnesota Power for Authority to Increase Electric Service Rates in the State of Minnesota*, Docket No. E015/GR-23-155, ORDER ACCEPTING AND ADOPTING AGREEMENT SETTING RATES (Nov. 25, 2024) (eDocket No. 202411-212388-01).
[95] Ex. MP-29 at 3 (Taran Rebuttal) (eDocket No. 20253-216055-05).
[96] It is undisputed that every business, including ALLETE and Alloy Parent, has an optimal capital structure that will result in the lowest cost of capital and that necessarily includes some equity and some debt. *See, e.g.*, Ex. CPPIB-GIP-204 at 1 (DOC Response to MP IR 0021) (eDocket No. 20254-217241-04) ("Figure 3 [from Mr. Addonizio's direct testimony] is intended to provide a general illustration of the impact capital structure has on a company's cost of capital. . . . [T]he general principles illustrated in the figure apply to Alloy Parent. As Alloy Parent's debt ratio increases, its cost of debt and equity will rise, and theoretically, there is an optimal capital structure that would minimize" its cost of capital) clarified at Evid. Hr. Tr. at 590:6–16 (April 2, 2025) (correcting typo).

magnitude. That is exactly what the Partners' models have done as well. Indeed, applying the same analysis as the Commission applies demonstrates the reasonableness of the Partners' modeling; the Partners' models focus on the right debt ratios for Alloy Parent, and as a result, debt increases to maintain pace with the growth of ALLETE and Minnesota Power.

Opposing Parties also appear to attack the entire concept of debt financing. The OAG argues that "there is no requirement that Alloy Parent provide any new equity at all—it may simply . . . take on additional debt . . . to meet the commitment."[97] The OAG appears to assume that Alloy Parent should not be allowed to borrow *any funds* to make its equity investment in Minnesota Power. That position is absurd as a matter of business finance generally and as applied to Minnesota utilities in particular. The record is clear that all businesses are financed using both debt and equity.[98] There is no analytical basis to treat Alloy Parent any differently, because doing so would only make it more expensive to finance ALLETE and provide no benefit to anyone.

Moreover, it is a standard practice for Minnesota utilities to issue debt at the holding company level. Northern States Power Company, Otter Tail Power Company, and CenterPoint Energy all have debt at the holding company level, which is used to make equity investments in their Minnesota utilities. Xcel Energy Inc. has approximately 60 percent debt in its overall capital structure,[99] Otter Tail Corporation has approximately 40 percent overall debt[100] and CenterPoint Energy Inc., has approximately 65 percent overall debt.[101] Each of the Minnesota public utilities

[97] OAG Comments at 8 (eDocket No. 20258-221723-02).
[98] Ex. DOC-303 at 13 (Addonizio Direct) (eDocket No. 20252-214941-01).
[99] Ex. MP-51 at Attachment 2 (DOC's Comments to Otter Tail Power's 2024 Capital Structure Plan) (eDocket No. 0254- 217287-05).
[100] *Id*.
[101] Ex. MP-52 at 4 (DOC Comments to Northern States Power's 2025 Capital Structure Plan) (eDocket No. 20254-217287-06).

receive all of their equity capital infusions from these parent companies, which are financed partially by the debt of the parent companies.[102]

The same is true of public utility holding companies from other states. Data on 35 publicly traded utility holding companies that was included in the record in the 2024 Xcel Energy capital structure filing showed that each of the holding companies uses debt financing.[103] The average percentage of debt in the capital structure of these holding companies is approximately 58.5 percent.

These facts make it clear that, notwithstanding the claims of the OAG and some other Opposing Parties, a level of borrowing by Alloy Parent to fund equity investments in ALLETE is neither unusual nor problematic. The Opposing Parties have not conducted any analysis or produced any evidence demonstrating that the ratio of debt that will be used at Alloy Parent is problematic, they have only thrown out as a possibility that it could be. In contrast, the Partners' internal documentation (described above) demonstrates they are focused on reasonable financing strategies, which the Opposing Parties have chosen to ignore.[104]

Overall, Opposing Parties downplay commitments to comply with existing requirements or protect against perceived risk as meaningless, while at the same time criticizing alleged lack of commitments to the regulatory process and existing requirements.[105] Similarly, if the Petitioners

[102] These entities also receive dividends from their utility subsidiaries while their utility subsidiaries themselves at times incur debt, meaning at some point the utility both has debt and pays a dividend, a confluence of events Opposing Parties say *must* mean these entities are engaging in dividend recapitalization. The flaw in this assumption demonstrates the invalidity of similar claims that this is a risk for ALLETE.

[103] *In the Matter of Northern States Power Company, doing business as Xcel Energy, Petition for Approval of its 2024 Capital Structure*, Docket No. E-002/M-23-463, Petition at Attachment I-3b (Oct. 26, 2023) (eDocket No. 202310-199905-01).

[104] As explained further above, the overall amount of debt also will be managed in a financially responsible way, with the Partners targeting debt levels that ensure continued ability of the Alloy Parent entities to make payments from funds available. *See supra* note 89 and accompanying text.

[105] See, for example, Sierra Club's argument in one sentence of its exceptions that Petitioners fail to commit to comply with the Carbon Free Standard, while in the next sentence arguing that "the promise to comply with the Carbon Free Standard is simply a restatement of existing legal requirements that apply regardless of the transaction, and therefore

make a commitment to maintain the status quo or achieve a Commission goal that parties have identified as important, opposing parties now call it meaningless because there was no evidence Minnesota Power intended to make a change prior to the Acquisition.[106] This ignores that Minnesota Power could not have made similar guarantees or even necessarily maintained the status quo in every respect (e.g., with respect to wage increases and contract extensions, community commitments, charitable giving, no change to the fundamentals of the Company) absent the Acquisition. And even where the Opposing Parties are concerned about a potential effect of the Acquisition – as with debt, or transaction/transition costs – they fail to assign any value to mitigating efforts,[107] thereby giving credence only to perceived risks and none to offsetting commitments. This approach effectively – whether intentionally or not – creates a standard that cannot be met. Opposing Parties' apparent unwillingness to acknowledge virtually any commitment as either meaningful risk mitigation or a meaningful benefit implies entrenched opposition, rather than a balanced consideration of benefits, risks, and risk mitigation.

Ultimately, the Partners do not come before the Commission seeking to do anything but invest in a Minnesota utility company precisely because of the supportive regulatory structure – including for managing the clean energy transition, cost recovery, returns, and utility capital structure – as it currently exists in Minnesota. That is the thesis of the Partners' investments, rather than schemes suggested by opposing parties based on an incorrect or incomplete understanding of infrastructure funds and capital management.

not a benefit of the Acquisition." *See* Sierra Club's Exceptions and Statement of Support for the Administrative Law Judge's Report at 10 (eDocket No. 20258-221736-02).

[106] Sierra Club Comments at 10 (eDocket No. 20258-221736-03).

[107] OAG Comments at 5–8 and 11–12 (eDocket No. 20258-221723-02).

VII. THE ACQUISITION IS PART OF THE PLAN FOR COMPLYING WITH THE CARBON FREE STANDARD.

Opposing Parties also argue in Exceptions and Settlement Comments that the Acquisition will create risks to the energy transition and the Carbon Free Standard. For example, Sierra Club argues that "the only commitment related to clean energy" is the $50 million Clean Firm Technology Fund.[108] That is fundamentally incorrect. The Settlement includes a binding commitment that Alloy Parent will provide *all* the equity financing needed for the five-year capital plan, including *$3.3 billion in investments for new transmission, new renewables, and new storage*.[109] Further, the Partners' investment documents repeatedly underscore that they consider Minnesota's transition to a clean energy future to be a reason to invest. In addition, as noted above, Minnesota clean energy organizations strongly support the Acquisition.[110] The idea that the Settlement does not support clean energy is altogether unfounded and wrong.

It is also unfathomable that Opposing Parties simply discount a $50 million contribution towards clean firm projects.[111] It is clearly a benefit for customers and the public interest because all will benefit from a resource that would have cost more absent the Settlement. Pretending that a $50 million contribution is not meaningful is unserious, and the Commission should properly recognize the commitment for what it is: a direct payment by the Partners that will reduce rate pressure in the future, and that is targeted to a resource that will be critical to achieving the Carbon Free Standard.

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[108] Sierra Club Comments at 11 (eDocket No. 20258-221736-03).
[109] *See* Settlement at 1.3 (eDocket No. 20257-220879-01); Petitioners' Joint Reply Brief at 10 (eDocket No. 20255-219384-02).
[110] *See* Section II, above.
[111] *See* CURE Comments at 2 (eDocket No. 20258-221739-02); OAG Comments at 10 (eDocket No. 20258-221723-02).

Sierra Club also argues that the Settlement is deficient because it does not "ensure" a clean energy transition.[112] No settlement could do so, and that is not something the Petitioners can or need to prove. The Acquisition and the Settlement make it substantially more likely that the Company can comply with the Carbon Free Standard and Commission decisions in Integrated Resource and Distribution, Certificate of Need, and other dockets while maintaining reasonable rates and reliability. Doing so will require continued effort, innovation, and *financing* for many years. The Acquisition helps ensure that financing will not be a problem, so that the Company can focus on solving problems and not figuring out how to finance the solutions.

Again, in discounting commitments in the Settlement, Opposing Parties fail to recognize that the status quo has risks, and substantial ones. The alternative to the Acquisition is not ALLETE achieving those carbon free goals with public investors; rather, it is a scenario where it is "highly unlikely" that ALLETE achieves those carbon free goals:

> Given the Company's size, access to capital at the scale ALLETE has forecasted would be at very high risk, and if the current operating environment (including tariff impacts, large customer cyclicality, and policy uncertainty) remains, it would be highly unlikely the Company could achieve its carbon free goals as planned and other system investments (e.g., grid resilience investments and enhancements) would also be threatened. Our ability to invest in advanced technologies, such as clean firm resources, would also be jeopardized.[113]

The problems related to tariffs, large customer cyclicality, and policy uncertainty have only gotten worse since the Company determined that Acquisition by the Partners was the best path forward. The question is not whether the Acquisition will, on its own, ensure compliance with the Carbon Free Standard. The right question is whether the Acquisition puts the Company in a better position

[112] Sierra Club Comments at 9 (eDocket No. 20258-221736-03). The ALJ Report includes a similar argument, suggesting that the Petitioners had an obligation to "prove" that they could not achieve the CFS without the Acquisition *and* prove that the Acquisition would guarantee success of the CFS. ALJ Report at 66. These statements in the ALJ Report are similarly flawed. The Petitioners did not have to prove that the Acquisition would somehow solve the Carbon Free Standard, and no one could ever do so. The Petitioners *have* demonstrated that the Acquisition will substantially assist Minnesota Power's efforts to achieve the CFS, which is a significant benefit for the public interest.
[113] Ex. MP-28 at 9–10 (Scissons Rebuttal) (eDocket No. 20253-216055-04).

to comply with the Carbon Free Standard while continuing to provide reliable service at reasonable rates – and the record conclusively shows that it does.

The Acquisition, including the terms in the Settlement, will ensure a better source of equity financing for the Company than relying on public markets – particularly during this period of uncertainty. That is not only consistent with the public interest but provides a substantial public benefit because it means that it is more likely that the Company will be able to successfully finance the investments needed to comply with the Carbon Free Standard. For all the foregoing reasons, the Company and Partners continue to request that the Commission approve the Acquisition as consistent with the public interest.

VIII. CONCLUSION

For all of the foregoing reasons, Minnesota Power, GIP, and CPP Investments together request that the Commission approve the Acquisition, including the Settlement terms, and enter a binding Commission Order accordingly.

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Respectfully submitted,

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