STATE OF MINNESOTA
BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Katie Sieben	Chair
Hwikwon Ham	Commissioner
Audrey Partridge	Commissioner
Joseph K. Sullivan	Commissioner
John Tuma	Commissioner

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

EXCEPTIONS 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 these exceptions to the July 15, 2025, Findings of Fact, Conclusions of Law and Recommendations (the "Report")[2] of Administrative Law Judge ("ALJ") Megan J. McKenzie (the "Exceptions").

The Petitioners request the Commission approve the acquisition of ALLETE, Inc. by CPP Investments and GIP ("the Acquisition") consistent with the Settlement Stipulation (which includes all commitments previously made by the Petitioners) between the Petitioners and the Department filed on July 11, 2025 (the "Settlement").[3]

The Commission should reject the substantive findings, conclusions, and recommendations in the Report for two reasons. First, as explained in these Exceptions, the Report is not an accurate or balanced summary or analysis of the record. The Report does not even attempt to provide a meaningful discussion of the evidence, arguments, and counterarguments presented by the Petitioners and other parties that support the Acquisition, including Laborers International Union of North America – Minnesota and North Dakota ("LIUNA"), International Union of Operating Engineers Local 49 ("IUOE Local 49"), North Central States Regional Council of Carpenters ("NCSRCC"), and Energy CENTS Coalition ("Energy CENTS"). In fact, the Report was adopted

[1] Minnesota Power is a regulated operating division of ALLETE, Inc. Throughout these Exceptions, "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] *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. E015/PA-24-198, Findings of Fact, Conclusions of Law, and Recommendations (July 15, 2025) (eDocket Nos. 20257-221020-01; 20257-221061-02 (HCTS)).

[3] Docket No. E015/PA-24-198, Settlement Stipulation Between the Minnesota Department of Commerce, ALLETE, Inc. d/b/a Minnesota Power, Canada Pension Plan Investment Board, and Global Infrastructure Partners (July 11, 2025) (eDocket No. 20257-220879-01).

nearly wholesale from the one-sided proposed findings filed by Opposing Parties,[4] which ignored and did not explain most of the evidence and arguments presented by the Petitioners. As a result, the Report presents only the portions of the record developed by parties that oppose the Acquisition. The Report does not provide an accurate account of the record and does not reflect the application of independent judgment that the Minnesota Public Utilities Commission ("Commission") can rely on. When the entire record is properly evaluated, it is clear that the Acquisition is consistent with the public interest and should be approved.

Second, the Report does not meaningfully evaluate the substantial benefits of the Acquisition as cemented by the Settlement reached with the Department. Instead, the Report dismisses the Settlement and fails to evaluate how each component of the Settlement addresses concerns about the Acquisition and provides substantial and demonstrable benefits to Minnesota Power's customers, Minnesota Power's stakeholders, the State of Minnesota, and the public interest. The Petitioners have worked continuously with the Department throughout this proceeding to explore disputed issues and develop commitments to ensure the Acquisition is consistent with the public interest. After months of directed effort, the Petitioners and the Department filed a Settlement on July 11, 2025, and the Department now joins with the Petitioners and other supporting parties[5] in recommending approval of the Acquisition, with the additional commitments provided in the Settlement.

The additional commitments include rate reductions as a result of a reduced return on equity ("ROE"); a rate case stay-out; new service quality performance metrics and penalties; a $50 million non-recoverable clean firm grant program; and additional protections to ensure the

[4] The "Opposing Parties" are comprised of the Office of the Attorney General ("OAG"), Citizens Utility Board ("CUB"), Clean Up the River Environment ("CURE"), Sierra Club, and Large Power Intervenors ("LPI").
[5] LIUNA, IUOE Local 49, NCSRCC, and Energy CENTS.

financial health of Minnesota Power and that the commitments are meaningful and enforceable.[6] These commitments resolve the concerns raised in the Report and add substantial additional benefits for Minnesota Power customers. Given the timing of when the Settlement was reached, the Report did not have the benefit of reasoned evaluation of the new commitments.[7] While the Acquisition is in the public interest even without the Settlement, when the additional commitments in the Settlement are properly evaluated, in combination with the previous commitments made by Petitioners, they demonstrate that the Acquisition is clearly consistent with the public interest and should be approved.[8]

II. THE REPORT FAILS TO PROVIDE A BALANCED AND ACCURATE ACCOUNT OF THE RECORD AND ADOPTS THE WRONG STANDARD OF REVIEW.

The Commission is responsible for deciding all cases, including this one, based on the record as a whole.[9] As explained by the Minnesota Supreme Court, agency decision-makers must "make their own 'independent decisions and not . . . rubber stamp the findings of a hearing examiner.'"[10] The fundamental purpose of a report from an ALJ is to provide a complete account and analysis of the full record so that the Commission can exercise its independent judgment and fulfill its ultimate decision-making responsibility. The Report in this case failed to do so.

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[6] Settlement at 1.14, 1.43, 1.64, 1.63, 1.73, 1.3–1.8, 1.74 (eDocket No. 20257-220879-01).
[7] Report at 67, n. 549 (eDocket No. 20257-221020-01).
[8] The Commission's Notice of Comment Period on the Proposed Settlement requested that commenters separate their filings regarding the exceptions and the Settlement to the extent practical. It is not practical for the Petitioners to separate these two issues because the additional commitments provided in the Settlement are directly responsive to the Report and evaluating them is necessary to understand why the findings and recommendations in the Report are inaccurate and incorrect. Docket No. E015/PA-24-198, Notice of Comment Period on the Proposed Settlement at 1 (July 18, 2025) (eDocket No. 20257-221154-01).
[9] Commission decisions must be supported by substantial evidence and must not be arbitrary and capricious. Minn. Stat. § 14.69; *see also* Minn. Stat. § 14.62, subd. 1 (requiring, in contested cases, that the final decision "shall be based on the record and shall include the agency's findings of fact and conclusions *on all material issues*") (emphasis added).
[10] *In re Excess Surplus Status of Blue Cross and Blue Shield of Minn.*, 624 N.W.2d 264, 274 (Minn. 2001) (quoting *City of Moorhead v. Minn. Pub. Utils. Comm'n*, 343 N.W.2d 843, 846 (Minn. 1984)).

The Report is deficient because it does not provide a balanced and accurate account of the record. Instead, it provides a one-sided account of one perspective on the Acquisition, often completely ignoring or trivializing the evidence and arguments provided by the Petitioners and other Parties that support the Acquisition. The reason that the Report is so one-sided is that it was adopted nearly word-for-word from the Proposed Findings of the Opposing Parties,[11] which did not accurately represent the evidence and arguments of the Petitioners or other Parties that support the Acquisition. As a result, the Report is deficient and does not provide a reasonable basis for the Commission to make a decision.

While the Commission routinely accepts, adopts and incorporates the findings, conclusions, and recommendations of an ALJ Report except where it is inconsistent with the Commission's decision,[12] this Report is so deficient that the Petitioners cannot meaningfully recommend individual changes to the Report that could make it accurate. Instead, it must be rejected. To assist the Commission's review given the failings in the Report, Petitioners provide Attachments A, B, and D.[13] In addition to providing these resources, this section explains the Report's inadequacies.

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[11] Docket No. E015/PA-24-198, Joint Proposed Findings of Fact, Conclusions of Law, and Recommendations of the Public Interest Intervenors (May 29, 2025) (eDocket No. 20255-219380-01).

[12] *See, e.g.*, *In the Matter of the Applications of Xcel Energy for a Certificate of Need and Route Permit for the Minnesota Energy Connection Project in Sherburne, Stearns, Kandiyohi, Wright, Meeker, Chippewa, Yellow Medicine, Renville, Redwood, and Lyon counties in Minnesota*, Docket Nos. E002/CN-22-131, E002/TL-22-132, ORDER MODIFYING AND ADOPTING ADMINISTRATIVE LAW JUDGE REPORT, GRANTING CERTIFICATE OF NEED, AND ISSUING ROUTE PERMIT FOR THE MINNESOTA ENERGY CONNECTION PROJECT at 5 (June 11, 2025) (eDocket No. 20256-219826-01).

[13] Attachment A is a table identifying the issues described inaccurately in the Report and providing 1) citations to record evidence from the Petitioners that were not included in the Report; and 2) commitments that specifically address the concerns in, but which were not properly evaluated in, the Report. Attachment B is a redline of the Report's findings specifically related to the Commitments offered during the contested case process. Attachment D represents additional findings related to the overall record. These findings have been updated from the Proposed Findings filed jointly by Petitioners, LIUNA, IUOE Local 49, NCSRCC, and Energy CENTS. Docket No. E015/PA-24-198, Joint Proposed Findings of Fact, Conclusions of Law, and Recommendation to Approve the Acquisition (May 29, 2025) ("Joint Reply Brief") (eDocket No. 20255-219382-02).

A. The Report is Copied from the Opposing Parties' Proposed Findings Nearly Word-For-Word.

The Commission refers matters for contested case hearings when material facts are in dispute,[14] and it relies on such hearings to develop the factual record and produce a report summarizing and analyzing the complex records that are developed. When the Commission referred this matter to the Court of Administrative Hearings, it did so specifically "*to develop the relevant facts of this matter*."[15] According to the rules of the Court of Administrative Hearings, ALJs assigned to contested case hearings must "make a complete record" and "prepare findings of fact."[16] While ALJ reports provide a recommendation, the primary purpose of the report is to provide a complete, accurate summary of the record so that the Commissioners can apply their own judgment and make fully informed decisions on important policy questions.[17]

That is not what happened here. Instead of summarizing the record, weighing the evidence and applying independent judgment, the Report's substantive findings are copied almost entirely from the Proposed Findings filed by the Opposing Parties *on every issue*. The Report ignores or summarily dismisses without meaningful analysis the filings, evidence and arguments of the Petitioners and every other party that supports the Acquisition.

Petitioners have prepared a redline document, included as Attachment E, comparing the substantive factual findings and conclusions in the Report to the proposed findings of the Opposing Parties filed on May 29, 2025.[18] A casual comparison of the Report to Opposing Parties' findings

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[14] Minn. R. 7829.1000.

[15] Docket No. E015/PA-24-198, ORDER REQUIRING ADDITIONAL INFORMATION AND GRANTING INTERVENTION, AND NOTICE OF AND ORDER FOR HEARING at 2 (Oct. 7, 2024) (eDocket No. 202410-210754-01) (emphasis added). In 2025, the name of the Office of Administrative Hearings was changed to the Court of Administrative Hearings.

[16] Minn. R. 1400.5500.

[17] *See In re Excess Surplus Status of Blue Cross and Blue Shield of Minn.*, 624 N.W.2d at 274 (quoting *City of Moorhead*, 343 N.W.2d at 846).

[18] Attachment E was created by using a software program to compare the Proposed Findings filed by the Opposing Parties on May 29, 2025 with the substantive findings and conclusions of the Report. To create the comparison, the

shows they are similar, but the more detailed comparison in Attachment E shows they are nearly identical.[19] The vast majority of the substantive findings and conclusions in the Report are copied from the Opposing Parties' proposed findings with minor non-substantive editorial changes.

The Report fails to provide a summary and analysis of the entire record and does not include independently developed findings and conclusions. Instead, the Report was effectively written by the parties that oppose the Acquisition and functionally ignores the evidence and arguments that do not fit their preferred outcome. Making a decision based only on part of the record, while ignoring the rest, is a clear sign of arbitrary decision-making. As a result, the Commission cannot rely on the findings, conclusions, or recommendation in this Report.

B. Many Court Decisions Recognize that Copying Findings from One Side Can Show a Lack of Independent Judgment.

Minnesota courts have strongly cautioned that "wholesale adoption of one party's findings and conclusions raises the question of whether the [court] independently evaluated each party's testimony and evidence."[20] Courts require that a decision-maker "must scrupulously assure that findings and conclusions – whether they be the court's alone, one or the other party's, or a combination – are always detailed, specific and sufficient enough to enable meaningful review by

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Petitioners compared the substantive findings in the Report (beginning at Section II, Background) with the substantive findings in the Opposing Parties' proposed findings (beginning at Section I, Background on page 8). The comparison focuses on the factual findings and conclusions, the part of the Report that is most meaningful.

[19] Some of the findings that were copied contained errors that are easily identifiable if the underlying exhibits are reviewed, while others included obvious typographical errors in the underlying document. For example, the Opposing Parties had certain basic details wrong about the amount and timing, respectively, of investments associated with footnotes 109 and 110 of the Report, but the Report failed to identify the errors and simply copied over the mistakes. Further, on pages 13 and 14 of the Opposing Parties' proposed findings, paragraph 25 includes a typographical error such that the footnotes are not sequentially numbered – footnote 54 is followed by footnote 71 – and footnote 54 does not appear to cite to anything. The exact same typographical error is included in the Report. In Report Paragraph 74, the footnotes are also not sequentially numbered – footnote 54 is followed by footnote 114 – and footnote 54 does not appear to cite to anything. In short, the Report copied the Opposing Parties' proposed findings so directly that it did not even correct obvious errors.

[20] *Bliss v. Bliss*, 493 N.W.2d 583, 590 (Minn. Ct. App. 1992); *see also City View Apartments v. Sanchez*, No. C2-00-313, 2000 WL 1064897 at *2 (Minn. Ct. App. Aug. 1, 2000); *Johnson v. Commissioner of Pub. Safety*, No. C7-95-470, 1995 WL 465351 at *3 (Minn. Ct. App. Aug. 8, 1995); *Lundquist v. Lundquist*, No. C0-94-509, 1994 WL 510168 (Minn. Ct. App. Sept. 20, 1994).

this court."[21] Adopting the proposed findings of one party suggests that "independent evaluation of the evidence" did not take place, and has caused courts "to call for more careful scrutiny of adopted findings."[22]

More specifically, the Minnesota Supreme Court has held:

> [T]he United States Supreme Court criticized the practice of courts adopting verbatim the findings prepared by the prevailing party, particularly if the findings 'have taken the form of conclusory statements unsupported by citation to the record.' As the Eighth Circuit explained in *Bradley v. Maryland Casualty Co*., the problem with verbatim adoption of one party's findings is that it can make it more difficult to determine whether a court exercised its 'own careful consideration of the evidence, of the witnesses, and of the entire case.' We agree that it is preferable for a court to independently develop its own findings. Therefore, when we review a court's verbatim adoption of one party's proposed findings, we will heed how the findings were prepared when we conduct a careful and searching review of the record.[23]

The Minnesota Court of Appeals has further recognized that "[f]ederal cases have uniformly disapproved of this practice ['verbatim adoption of one set of proposed findings and conclusions of law'] as a dereliction of the trial court's function . . . .[24] Appellate courts "deserve[] the assurance [given by 'even-handed consideration of the evidence of both parties'] that the trial court has come to grips with apparently irreconcilable conflicts in the evidence . . . and has distilled therefrom true facts in the crucible of his conscience."[25] This is even more true here because, unlike in appellate

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[21] *Bliss*, 493 N.W.2d at 590.
[22] *Mayview Corp. v. Rodstein*, 620 F.2d 1347, 1352 (9th Cir. 1980).
[23] *Dukes v. State*, 621 N.W.2d 246, 258 (Minn. 2001) (citing *Anderson v. City of Bessemer City*, 470 U.S. 564, 572 (1985); *Bradley v. Maryland*, 382 F.2d 415, 423 (8th Cir. 1967)); *see also Pooley v. Pooley*, 979 N.W.2d 867, 878 (Minn. 2022) ("We generally disfavor adopting findings submitted by a party verbatim because it can make it more difficult to determine whether the district court 'exercised its own careful consideration of the evidence, of the witnesses, and of the entire case.'").
[24] *Sigurdson v. Isanti County*, 408 N.W.2d 654, 657 (Minn. Ct. App. 1987) (citing *EEOC v. Fed. Res. Bank of Richmond*, 698 F.2d 633, 640 (4th Cir. 1983), *reversed on other grounds by Cooper v. Fed. Res. Bank of Richmond*, 467 U.S. 867 (1984); *Hosley v. Armour & Co.*, 683 F.2d 864, 866 (4th Cir. 1982)). Nearly identical to Minn. R. Civ. P. 52.01, Fed. R. Civ. P. 52(a) states that "In an action tried on the facts without a jury or with an advisory jury, the court must find the facts specially and state its conclusions of law separately." As noted previously, Minn. Stat. § 14.62 requires the same or more detail for findings of fact, conclusions, and recommendations in an ALJ report.
[25] *Golf City, Inc. v. Wilson Sporting Goods Co., Inc.*, 555 F.2d 426, 435 (5th Cir. 1977).

situations where the trial court is afforded deference, the Commission does not owe deference to the Report and must make the decision for itself.[26]

Federal courts have taken a similar view. The United States Supreme Court has stated that the adoption of findings proposed by one party "leave much to be desired."[27] The Third Circuit has stated that "findings must be based on something more than a one-sided presentation of the evidence."[28] Likewise, the Fourth Circuit explained that a tribunal reviewing such heavily and uniformly adopted findings will "'feel slightly more confident in concluding that important evidence has been overlooked and inadequately considered' when factual findings were not the product of personal analysis and determination by the trial judge."[29] Those concerns are a particular problem where "a cursory reading of the [court's findings/memorandum] leaves one with the impression that it was indeed written by the prevailing party to a bitter dispute."[30] As such, courts have routinely "cautioned against the practice of adopting . . . the prevailing party's proposed findings and conclusions . . . . The adversarial tone of such findings accords them less weight and dignity [than] . . . the unfettered and independent judgment of the trial judge."[31]

The Petitioners do not suggest that the fact that the Report is copied from the Opposing Parties would necessarily mean, on its own, that the Report is invalid. It is, however, clearly disfavored by the Courts. And while not every case cited above reversed the trial court, the practice of simply adopting one set of findings (in whole or in most respects) has been universally

[26] *In the Matter of the Excess Surplus Status of Blue Cross & Blue Shield of Minnesota*, 624 N.W.2d at 278 (holding that agencies "owe[] no deference to any party in an administrative proceeding, nor to the findings, conclusions, or recommendations of the ALJ.").
[27] *U.S. v. Crescent Amusement Co.*, 323 U.S. 173, 184–85 (1944).
[28] *Fed. Res. Bank of Richmond*, 698 F.2d at 640; *Sims v. Greene*, 161 F.2d 87, 89 (3d Cir. 1947).
[29] *Fed. Res. Bank of Richmond*, 698 F.2d at 641 (citing *James v. Stockham Valves & Fittings Co.*, 559 F.2d 310, 314, n. 1 (5th Cir. 1977)); *see also Flowers v. Crouch-Walker Corp.*, 552 F.2d 1277, 1284 (7th Cir. 1977).
[30] *Fed. Res. Bank of Richmond*, 698 F.2d at 641 (citing *Amstar Corp. v. Domino's Pizza, Inc.*, 615 F.2d 252, 258 (5th Cir. 1980)).
[31] *Holsey*, 683 F.2d at 866.

condemned. It is a "danger signal" suggesting that a "hard look" has not been taken, which Courts have identified is a sign of arbitrary and capricious decision-making.[32] In a matter of such significant public interest, it is critical that the Commission take a hard look at *all* of the evidence, and that the Commission's decision be free from danger signals. It is not possible to do so while relying on the Report because, as described in more detail below, the Opposing Parties' proposed findings tell only one side of the evidence, and do not provide a balanced or accurate summary of the record.

For all these reasons, the Commission must reject the findings and conclusions in the Report, evaluate the whole record, and approve the Acquisition because it is consistent with the public interest.

C. The Report Reflects a Completely One-Sided Account of the Record.

In addition to the overall problems with copying the proposed findings of the Opposing Parties, in this case it is particularly egregious because the Opposing Parties did not provide an accurate and comprehensive summary of the record. The proposed findings of the Opposing Parties, copied by the Report, present only one perspective on the Acquisition. They focus on arguments against the Acquisition and ignore evidence and arguments on the other side. The following examples, which are only a small subset of the areas in which the Report is deficient, make clear that the Report provides only one side of the record.

1. Capital Investment Forecast

In Finding 128, the Report states "ALLETE has consistently overestimated its capital needs each year since 2019," suggesting that capital forecasts have been overstated by **[NOT PUBLIC DATA BEGINS …** [redacted] **… NOT PUBLIC DATA**

[32] *Matter of Denial of Contested Case Hearing Requests*, 993 N.W.2d 627, 660 (Minn. 2023).

ENDS].[33] This finding was copied word-for-word from the Opposing Parties' proposed findings.[34] And, just like the Opposing Parties, the Report ignores the unrefuted counterevidence produced by the Petitioners that the variance for ALLETE's regulated capital expenditures forecasts for Minnesota Power – the primary focus of this proceeding – have averaged five percent to nine percent.

Specifically, Finding 128 describes ALLETE's total-company forecasts, while the more appropriate and proper focus is the regulated utility. Though not reflected in the Report, Minnesota Power Witness Taran testified that the variance in the Company's regulated capital expenditures forecast is far lower than indicated in the Report.[35] Witness Taran also provided specific evidence to substantiate this testimony, which demonstrates that the average variance in regulated capital expenditures is only nine percent, or $18 million per year.[36] Witness Taran further explained that the data set is impacted by an outlier year during the COVID-19 pandemic in 2020, and that when controlling for the pandemic year, the average variance in regulated capital spending is only five percent.[37]

The Report does not mention the Petitioners' evidence, let alone weigh it against the Opposing Parties' evidence or provide any reasoned basis for reaching the conclusion in Finding 128 without analysis of the counterevidence. The evidence produced by Witness Taran was ignored, and as a result the Report does not provide an accurate account of the record on this issue.

[33] Report at ¶ 128 (eDocket No. 20257-221061-02) (HCTS).
[34] *See* Attachment E at 22.
[35] Ex. MP-29 at 13 (Taran Rebuttal) (eDocket No. 20253-216055-05).
[36] *Id.*
[37] *Id.*

2. *Over-Reliance on Power Purchase Agreements*

As a further example of one-sided flaws in the Report, Finding 125 states that "ALLETE could reduce capital needs by making greater use of power purchase agreements ("PPAs") to reduce capital spending on self-built generation."[38] Other than a grammatical change, this finding is copied word-for-word from the Opposing Parties' proposed findings.[39] Reading the Report alone leaves the impression that the record includes some analysis that PPAs could meaningfully reduce capital needs, and that the Petitioners did not even dispute this issue – but neither of those implications is true. Opposing Parties provided no analysis or quantification of whether PPAs are a viable option to reduce capital spending, how many PPAs would be needed, or how that would affect customer rates. By contrast, the Partners provided the following arguments and evidence regarding the use of PPAs, none of which are referenced much less discussed or refuted in the Report:

- The Petitioners presented evidence showing that approximately 40 percent of the five-year capital plan is for transmission investments, which do not involve PPAs.[40]
- The Petitioners explained that the capital expenditure forecast already assumes the inclusion of PPAs for generation resources. Specifically, the capital forecast assumes that 50 percent of the pending Request for Proposals ("RFP") for 400 MW of wind will be met through PPAs, and that PPAs are expected to provide the majority of solar capacity after the inclusion of the Boswell Solar and Regal Solar projects,[41] which were approved by the Commission on May 13, 2025.[42]
- The Petitioners explained that capital expenditure plans need to recognize – and prepare financing for – the possibility that third-party projects do not arise, and that it would be

[38] Report at ¶ 125 (eDocket No. 20257-221020-01).
[39] Attachment E at 21.
[40] Ex. MP-29 at 4–5 (Taran Rebuttal) (eDocket No. 20253-216055-05).
[41] *Id.* at 16.
[42] *In the Matter of the Petition of Minnesota Power for Approval of Investments and Expenditures in the Boswell Solar Project for Recovery through Minnesota Power's Renewable Resources Rider under Minn. Stat. § 216B.1645*, Docket No. E015/M-24-344, ORDER APPROVING INVESTMENT IN SOLAR PROJECT AND COST RECOVERY VIA RIDER (May 13, 2025) (eDocket No. 20255-218871-01); *In the Matter of the Petition of Minnesota Power for Approval of Investments and Expenditures in the Regal Solar Project for Recovery through Minnesota Power's Renewable Resources Rider under Minn. Stat. § 216B.1645*, Docket No. E015/M-24-343, ORDER (Apr. 28, 2025) (eDocket No. 20254-218200-01).

unreasonable and imprudent to assume that PPAs from such third-party projects will always be available to meet the needs of customers.[43]

- The Petitioners explained that Minnesota Power routinely conducts competitive bidding and accepts third-party bids, and that the Commission will decide which projects are best for customers.[44]

- The Petitioners submitted evidence about the volatile prices of PPA contracts in recent years.[45]

- Petitioners submitted evidence that overuse of PPAs can have negative impacts on utility credit metrics and when cross examined on this point, the Opposing Party's witness on this issue admitted that he does not understand the impact that PPAs have on utility credit metrics.[46]

- The Minnesota State Building & Construction Trades Council filed a comment explaining that relying on PPAs could outsource traditional utility functions to entities "not fully under the control and oversight" of the Commission, which could lead to risks of delays, less support for labor and local workers, and could give third parties "leverage to extract premiums in cases where the utility could have provided a more cost-effective option."[47]

The Report does not refer to any of this evidence. Instead, the Report includes a conclusory statement about PPAs, taken solely from Opposing Parties' proposed findings, and ignores the rest of these arguments and evidence without providing any basis for doing so.[48]

3. The Upper Peninsula Power Company Transaction

The Report includes six findings about Upper Peninsula Power Company ("UPPCO"), a small utility that was acquired in 2014.[49] The findings describe issues that were raised during and after the UPPCO acquisition, and the Report concludes that "[g]iven the similarities between ALLETE and UPPCO, the Administrative Law Judge finds that the private-equity model offered

[43] Evid. Hr. Tr. at 773:11–16, 774:5–17 (Apr. 3, 2025).
[44] Ex. MP-29 at 28 (Taran Rebuttal) (eDocket No. 20253-216055-05).
[45] Ex. MP-33 at 18 (Bram Rebuttal) (eDocket No. 20253-216055-08).
[46] Evid. Hr. Tr. at 778:7–779:11 (Apr. 3, 2025).
[47] Minnesota State Building & Construction Trades Council Comments at 2–4 (Apr. 16, 2025) (eDocket No. 20254-217797-01).
[48] Finding 125 includes another conclusory statement about energy efficiency and demand response but ignores the evidence and arguments from the Petitioners on that issue as well. Report at ¶ 125 (eDocket No. 20257-221020-01).
[49] Report at ¶¶ 229–234 (eDocket No. 20257-221020-01).

by the Partners is not in the public interest."[50] Other than grammatical changes, the findings related to UPPCO and the conclusion about its impact were copied directly from the Proposed Findings filed by the Opposing Parties.[51]

The Report does not include any reference to the evidence and arguments Petitioners provided about UPPCO. This omission is particularly egregious, because Petitioner Witness John Quackenbush was the *chair* of the Michigan Public Service Commission and personally presided over the UPPCO proceedings in question. Neither this fact, nor Witness Quackenbush's testimony on the issue, is referenced at all in the Report. Witness Quackenbush testified that UPPCO's rate problems "pre-existed" the transaction and were caused by "lack of density of its relatively small rural service territory."[52] Witness Quackenbush further explained the concerns about UPPCO:

> [W]ere either routine, one-off, and/or not applicable to ALLETE's next rate case. . . . I would not characterize any of the . . . UPPCO issues as concerns for the Minnesota PUC in subsequent Minnesota Power rate cases, let alone this proceeding as they are all non-issues as the Commission evaluates whether to approve the Acquisition.[53]

Witness Quackenbush's testimony is relevant and credible, given his personal involvement as a commissioner who presided over the matters at issue, but the Report does not even reference it, much less explain why the Report reaches the opposite conclusion.

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[50] *Id.* at ¶ 234. The Report also includes a footnote, again copied from the Opposing Parties' proposed findings, asserting that the TXU/Energy Future Holdings acquisition in 2007 is "[a]nother cautionary tale." *Id.* at ¶ 234, n. 487. The Report makes no reference to fundamental differences with the TXU acquisition analyzed by the Petitioners, including that the TXU acquisition, even as described by CURE Witness Baker, "was among 'the largest leveraged buyouts in history,' premised on a 'bet' that the acquiror could profit from affiliated merchant generation" in a deregulated market. Partner Initial Post-Hearing Brief at 64, 94 (May 1, 2025) (eDocket No. 20255-218522-01) (quoting Ex. CURE-600 at 10–12 (Baker Direct) (Docket No. 20252-214963-04)). The TXU acquisition involved *five times* more debt than equity, or roughly 83% of the acquisition price. By contrast, the Partners are using very low debt leverage to acquire ALLETE – approximately 8 percent of the Acquisition price – meaning the Acquisition has materially less risk compared to other utility acquisitions. As Witness Lapson explained, the TXU transaction was "the opposite of the proposed Acquisition." Ex. MP-36 at 16–18 (Lapson Rebuttal) (eDocket No. 20253-216055-11) (explaining CURE Witness Baker's flawed analysis of the TXU acquisition and explaining critical differences with the Acquisition). None of this is described in the Report.

[51] Attachment E at 52–54.

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

[53] *Id.* at 31.

4. Omission of LIUNA Witness Testimony

As an additional, telling example of the Report's lack of balance or meaningful analysis, the Report fails to even describe the testimony provided by some witnesses. Specifically, LIUNA Witness Bryant provided testimony about LIUNA's involvement in pension funds and infrastructure investment funds; its specific interactions with GIP; the low likelihood that ALLETE can meet its capital needs through the public market; and the beneficial impact that private ownership could have on ALLETE.[54] The Report does not cite Witness Bryant one time even though LIUNA's testimony directly responds to and refutes several fundamental assertions of the Opposing Parties regarding alleged private equity tactics and the character of the Partners.[55] This omission is particularly problematic because Witness Bryant is a non-petitioner witness with direct experience with infrastructure funds and private equity, and with GIP specifically, which virtually every other non-petitioner witness in the proceeding lacks. Ignoring her testimony entirely further exemplifies the failure of the Report to weigh the record as a whole.

5. Dismissiveness of Partner Expertise

In Finding 138, the Report asserts that the Partners' expertise "is unlikely to provide a material benefit to Minnesota Power or its ratepayers" because "ALLETE already has quality management and 'near perfect' reliability for its electric service."[56] This finding also was copied directly from the Opposing Parties except for a formatting edit and the *deletion* of language from Opposing Parties admitting that "the Partners' expertise could benefit ratepayers to the extent that

[54] Ex. LIUNA-851 at 9 (Bryant Direct) (eDocket No. 20252-214955-01); Ex. LIUNA-852 at 11 (Bryant Rebuttal) (eDocket No. 20253-216057-01).
[55] *See*, e.g., Ex. LIUNA-851 at 9 (Bryant Direct) (eDocket No. 20252-214955-01) ("GIP is a proven and highly responsible manager of infrastructure investments based on LIUNA's extensive experience as a participant in GIP Funds and as a community stakeholder impacted by investments to which we are not a party. Our experience has given us confidence in the GIP's capacity, and in the credibility of the commitments that are being made to regulators and stakeholders.").
[56] Report at ¶ 138 (eDocket No. 20257-221020-01).

it helps mitigate rate increases."[57] This finding not only fails to address Petitioners' arguments and public comments, but reflects a fundamental misunderstanding of the value of the Partners' expertise demonstrated in the record.

The point of the Partners' expertise is not to replace that of Company management or to fill some perceived shortfall in management's capabilities.[58] As explained by Petitioners, "[t]he Partners' expertise is beneficial even though the current ALLETE management team is also strong and experienced."[59] The record includes numerous examples of how the experience, expertise, and industry relationships of the Partners can benefit the Company as it navigates the challenges of the energy transition and compliance with the Carbon Free Standard. Through the Partners, the Company and its management team will have access to best practices for capturing value and mitigating risk across the Company including, as needed, thoughts on capital expenditure management, energy yield optimization, debt financing, tax equity, and procurement processes.[60] While noticeably absent from the Report, the record shows the Partners have extensive experience supporting companies developing renewable energy assets[61] and pursuing innovative energy transition-related investments and programs.[62] The Acquisition also will afford the Company

[57] *See* Attachment E at 26.
[58] *See, e.g.*, Ex. MP-33 at 25–26 (Bram Rebuttal) (eDocket No. 20253-216055-08) (testifying that the Partners "have been very clear that part of the reason the Acquisition was attractive was the high quality of ALLETE's management team and employees as well as the Company's track record of performance," and explaining how the Partners' expertise "can augment the capabilities of the Company's management team").
[59] Joint Reply Brief at 41 (May 29, 2025) (eDocket No. 20255-219384-02).
[60] *See, e.g.*, Docket No. E015/PA-24-198, Partner Initial Post-Hearing Brief at 38–46 (eDocket No. 20255-218522-01) (discussing the benefits of Partner expertise).
[61] Partner Initial Post-Hearing Brief at 40 (eDocket No. 20255-218522-01) (noting that GIP portfolio companies operate over 23 GW of renewable assets globally, including over 16 GW of operating wind and solar capacity, with an additional 178 GW under construction or in development); *id.* at 42–44 (describing CPP Investments' interests in companies with 6 GW of high-quality wind, solar, transmission and energy storage projects installed in North America and an additional 29 GW of projects in development and active construction globally).
[62] Partner Initial Post-Hearing Brief at 41 (eDocket No. 20255-218522-01) (detailing GIP's support for the world's first 100 percent hydrogen-to-homes heating network and other innovative efforts); *id.* at 42 (explaining how CPP Investments helped Puget Sound Energy to regularly meet its clean energy targets as part of satisfying Washington state clean energy requirements).

access to the Partners' extensive relationships in industries necessary for the Company's future growth and success, including equipment manufacturers and a broader set of lenders, which can make a significant difference to the Company and its customers when markets become tight but capital is needed.[63] None of this information is described in the Report.

To be clear, there are numerous significant benefits to the Acquisition other than the Partners' expertise. Nevertheless, this is a material benefit of the Acquisition and should be properly considered. Despite the record evidence provided by the Partners, the Company,[64] and the public,[65] the Report failed to do so.

The foregoing examples are just a few of the many instances where the Report ignores evidence and arguments from the Petitioners and intervenors supporting the Acquisition. On nearly every issue, the Report fails entirely to acknowledge evidence and arguments from the Petitioners and parties who support the Acquisition. Even more critically, the Report fails throughout to weigh competing evidence or explain why one conclusion was reached instead of another.

The Petitioners recognize that it is possible for people to review the same set of facts and reach different conclusions about what they mean. But that is not what happened with the Report. The Report provides no indication that key facts were even reviewed let alone factored into

[63] *Id.* at 45 and nn. 176–78.
[64] *See, e.g.*, Joint Reply Brief at 40–41 (eDocket No. 20255-219384-02) (quoting Ex. MP-28 at 8–9 (Scissons Rebuttal) (eDocket No. 20253-216055-04)).
[65] *See, e.g.*, Duluth Pub. Hr. Tr. at 73:21–74:2 (Apr. 7, 2025) ("Let me be clear. This is not just a business transaction. It's a pivotal opportunity to ensure that ALLETE has the tools, the capital, and the strategic expertise to deliver on the promise of clean, affordable, and reliable energy, and everybody tonight has spoken in favor of that now and for decades to come.") (Matt Baumgartner, Pres. Duluth Area Chamber of Commerce); *id.* at 74:22–75:11 ("Why are these the right partners? The CPP and the GIP are not short-term investors. I've looked at their financial records. They are long-term horizon institutions known for their responsible stewardship and strategic alignment with the values of the communities they invest in. The CPP, in fact, have to be responsible as fiduciaries to pension beneficiaries. That is their one responsibility. Their track record reflects thoughtful, stable investments in infrastructure projects that support economic growth and environmental progress. They bring more than capital. They bring expertise, resilience, and a global perspective that will benefit our economy and energy system.").

reaching the conclusion; instead, it reaches the wrong conclusions because it appears to be based only on a one-sided subset of the record.

Even worse, by summarizing only some of the evidence and ignoring the rest, the Report deprives the Commissioners of what they need: a balanced, accurate summary and analysis of the evidence and arguments, so the Commission can take a hard look at the problems involved and engage in reasoned decision-making based on substantial evidence in the record as a whole.[66] Because the full record is not summarized in the Report, the conclusions in the Report appear to be based on consideration of only some of the evidence. Either way, the full record is not described for the Commission, and that is a clear indication that the Report is insufficient and should be rejected. Making a decision based on only part of the record, without acknowledging or weighing the full record, represents the application of a decision-maker's will, rather than judgment, and clearly reflects arbitrary decision-making.[67]

D. The Report is Dismissive of Public Comments Supporting the Acquisition.

The Report is also one-sided with respect to its treatment of public commenters. Individual members of the public were given an opportunity to provide their comments at several public hearings. Remote public hearings were held on January 10 and April 10, 2025. From April 7 to April 11, 2025, in-person public hearings were held in Cloquet, Duluth, Eveleth, and Cohasset. In addition to comments provided during the public hearings, the record contains numerous written public comments filed by members of the public.

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[66] *See In re Enbridge Energy, Limited Partnership*, 930 N.W.2d 12, 35 (Minn. Ct. App. 2019) (citing *Reserve Mining Co. v. Herbst*, 256 N.W.2d 808, 825 (Minn. 1977)).

[67] *See Matter of Denial of Contested Case Hearing Request*, 993 N.W.2d at 646 ("An agency decision is arbitrary or capricious if it 'represents the agency's will and not its judgment.' In applying the arbitrary or capricious standard, we consider whether 'a combination of danger signals' suggests that 'the agency has not taken a 'hard look' at the salient problems and 'has not genuinely engaged in reasoned decision-making.'") (citations omitted).

The Report suggests that the only comments that matter are those in opposition to the Acquisition. In contrast, comments that were provided in support of the Acquisition are dismissed out-of-hand. Specifically, the Report speculates that "[i]t is unclear whether these individuals felt obligated to support Minnesota Power due to the financial support they are provided by the company."[68] This speculation dismisses the opinion of dozens of commenters without any basis for doing so. It is a significant act for members of the public to provide public comments in a public hearing, in front of a judge, and with a court reporter. It is inappropriate and insulting to suggest commenters in support of the Acquisition are driven by a financial interest, particularly without identifying any factual basis for such a suggestion. The Report's cavalier dismissal of the comments in support of the Acquisition is a sign of deep disrespect for the people in northern Minnesota who chose to make their opinions known. It is also a sign of troubling bias against the Acquisition and those supporting it.[69]

The Report also discounts comments in support of the Acquisition on the grounds that they "largely repeated" the Petitioners' arguments.[70] That is a poor reason to discount the value of public comments generally, but it is particularly inequitable and egregious to dismiss public

[68] Report, Addendum A at ¶ 4 (eDocket No. 20257-221125-01).
[69] Virtual Pub. Hr. Tr. at 46:3–14 (Jan. 10, 2025) (commenting that the Acquisition will "allow critical infrastructure to be developed, and infrastructure as mentioned that is a catalyst for economic development and healthy communities") (Rachel Johnson, Pres. and CEO of Area Partnership for Economic Expansion); Little Falls Pub. Hr. Tr. at 33:6–34:5 (Apr. 11, 2025). ("I believe it is in the public's best interest as the acquisition will help meet our state clean energy goals as well as provide the financial resources to strengthen grid reliability through the infrastructure upgrades needed in order to meet the future demands of their customers and future of our goals and aspirations of this state.") (Amanda Othoudt, Exec. Dir., Benton Economic Partnership); Duluth Pub. Hr. Tr. at 45:20–46:18 (Apr. 7, 2025) ("This will allow them to raise capital to pay for renewable energy mandates, which I support. And it will make them stronger, and in turn, make our community stronger.") (Kristi Stokes, Pres. Downtown Duluth); Cloquet Pub. Hr. Tr. at 40:16–41:12 (Apr. 7, 2025) ("So, it's important to reiterate these facts: Minnesota Power and its sister Superior Water Light and Power will remain highly-regulated utilities; that the management of these companies will continue to be conducted here in this region; the workforce of dedicated employees will remain here in this region; and the billions of dollars of future infrastructure investment will provide clean, reliable energy to customers in this region. The acquisition is critical to ALLETE's ability to fund its clean energy transition by securing private investment.") (Nancy Aronson Norr, Retiree and Former Dir. of Regional Development at Minnesota Power).
[70] Report, Addendum A at ¶ 4 (eDocket No. 20257-221125-01).

comments in that manner when a substantial portion of the comments opposing the Acquisition were provided on a common template.[71] The Report buried this detail, relegating to Finding 97 the fact that approximately 175 opposing comments – nearly half of the written comments in the entire case – are obviously form letters.[72] Moreover, while the Report adopts the supporting parties' Addendum A on public comments near verbatim (as Opposing Parties did not provide a summary of public comments), the Report changed the supporting parties' proposed summary in Addendum A to make unfounded negative assumptions about supporting public commenters and delete factual information about the nature of opposing comments.[73]

The Petitioners do not raise these facts to suggest that the form letter public comments do not have value, but to demonstrate the Report's disparate treatment of supporting public comments. It is both typical and not unsurprising that the public comments on both sides of a matter largely repeat the record developed by the parties since that is the likely source of available information about the case. The Report finds fault only with those comments in support of the Acquisition – a clear sign of disparate treatment. This disparate treatment is another reason that the Report should not be relied upon to decide this case.

Finally, the Petitioners take exception to the treatment of public commenters in the Report and the insinuation, noted above, that supporters of the Acquisition lack integrity and would make false statements for alleged financial gain. There is no evidence to support that accusation, and it

[71] Joint Proposed Findings of Fact, Conclusions of Law, and Recommendation to Approve the Acquisition, Addendum A at (May 29, 2025) (eDocket No. 20255-219382-02). Approximately 175 public comments include the same five bullet points in opposition to the Acquisition. *See, e.g.*, eDocket Nos. 20254-217821-01; 20254-217822-01; 20254-217749-01; 20254-217749-02; 20254-217770-01; 20254-217662-02; 20254-217662-03; 20254-217662-04; 20254-217577-01; 20254-217467-01; 20254-217467-03; 20254-217394-01; 20254-217398-01; 20254-217403-01; 20254-217405-01; 20254-217411-01; 20254-217416-01; 20254-217363-01; 20254-217364-01; 20254-217365-01; 20254-217311-01; 20254-217274-01.

[72] See Report, Addendum A at ¶¶ 3-4 and 97 (eDocket No. 20257-221125-01).

[73] Compare Report, Addendum A (eDocket No. 20257-221125-01) to Addendum A to Joint Proposed Findings of Fact, Conclusions of Law, and Recommendation to Approve the Acquisition (May 29, 2025) (eDocket No. 20255-219382-02).

is an unprecedented and unacceptable attack on the character of leaders and citizens in northern Minnesota. Regardless of whether one agrees or disagrees with their viewpoints, public commenters should be treated with equal respect.

E. The Management of the Evidentiary Hearing Further Demonstrates that the Report is Not Reliable.

Other events from the proceeding also raise concerns about the reliability of the Report. First, the Petitioners were denied an opportunity to correct documents in which errors were discovered during the evidentiary hearing, while other parties were permitted to do so. During the evidentiary hearing, it became apparent that a document in the record included a drafting error about how budgets will be approved in the future. The Partners had already provided testimony about the plan for approving budgets and other corporate governance issues,[74] and in surrebuttal had provided an updated document explaining those plans.[75] During cross-examination of Company Witness Scissons (who did not even sponsor the exhibit), it became apparent that a few words in the document were leftovers from a prior version and not consistent with the intent of the Partners or the Partner and Company testimony *that had previously been filed*; in other words, there was a drafting error.

The Partners prepared an updated document that night correcting a few words in one sentence in the document at issue.[76] But the ALJ did not permit the Partners to introduce a corrected version of the document.[77] In contrast, later in the hearing the ALJ permitted several Opposing Parties to correct substantive errors on the record and introduce documents late in the hearing when

[74] Ex. MP-31 at 39 (Alley Rebuttal) (eDocket No. 20253-216055-09) ("ALLETE's management team will develop and propose the budget in the first instance."); Ex. MP-33 at 43 (Bram Rebuttal) (eDocket No. 20253-216055-08) ("[T]he Company's management team will continue to be the central piece of the strategic planning process, . . . [and is] responsible for developing strategic plans, including budgets . . . and bringing them to the ALLETE board.").
[75] Ex. MP-42, Schedule 1 at 5 (Bram Surrebuttal) (eDocket No. 20253-216814-02) (HCTS).
[76] Evid. Hr. Tr. at 367 (Apr. 2, 2025).
[77] *See id.* at 367, 369–70, 372.

those omissions were identified during the hearing.[78] Further, the Report actually criticizes the Petitioners for trying to ensure that the record was fully developed on this issue.[79] This disparate treatment was a consistent theme during the contested case.

Second, despite the concerns expressed in the Report about the Partners, the ALJ did not test those concerns by asking questions of the Partners during the evidentiary hearing. Doing so would have clarified on the record whether there was a legitimate basis for those concerns. CPP Investments Witness Andrew Alley and GIP Witness Jonathan Bram were present during the evidentiary hearing and fully prepared to answer any questions about the Partners that were put to them. At the last moment, the Opposing Parties made a tactical litigation decision to not ask any questions of Witness Alley or Witness Bram.[80] The ALJ also chose not to ask questions of Witness Alley or Witness Bram.[81]

Given the negative findings and outright accusations in the Report, including the claim that Partners' public statements are inconsistent with their internal documents, the Partners' appearance at the hearing was an opportunity for parties and the ALJ to directly explore the Partners' plans and intentions, under oath. Despite parties' many assumptions and assertions regarding the Partners' intentions and plans (which were adopted without critical analysis in the Report), no questioner, including the ALJ, actually tested any of their assumptions or assertions during the evidentiary hearing. The decision not to ask questions of the Partners' witnesses (but subsequently disparage those witnesses) does not appear consistent with the responsibility of an ALJ under the

[78] *See* Evid. Hr. Tr. at 733–53, 809, 829–30 (Apr. 3, 2025).
[79] Report Memorandum at 73, n. 605 (eDocket No. 20257-221061-02) (HCTS).
[80] *See* Evid. Hr. Tr. at 452:6–10 (Apr. 2, 2025).
[81] The Report's lack of care in summarizing the complete record is consistent with carelessness in other aspects of the contested case proceeding. For example, the Petitioners' Highly Confidential Trade Secret Information was released to the public when the ALJ's office filed the Highly Confidential Trade Secret version of the Report as a public document on July 16, 2025. It was available on the public internet for more than two hours, in violation of the Protective Order for Highly Confidential Trade Secret Information issued in this matter.

Court of Administrative Hearings Rules to "examine witnesses as necessary to make a complete record," particularly after all other parties waived their chance to do so.[82]

F. The Report Misstates the Standard of Review.

The Commission should also disregard the Report because it gets the law wrong. Pursuant to Minn. Stat. § 216B.50, the Commission "shall" approve a transaction if it is "consistent with the public interest." For years, the Commission has consistently interpreted this statute as requiring petitioners to prove that the proposed action causes no net harm to the public interest. The Report, however, departs from this well-established standard and suggests a re-interpretation of the law to create a higher standard, requiring Petitioners to demonstrate affirmative benefits from a proposed transaction. This newly invented standard is inconsistent with the Commission's precedents and with the law.

The Commission most clearly stated the standard of review under Minn. Stat. § 216B.50 when approving the merger that formed Xcel Energy:

> If the perceived detriments do not outweigh the perceived benefits, the merger is deemed to be 'consistent with the public interest.' [Minn. Stat. § 216B.50] thus does not require that proposed mergers affirmatively benefit ratepayers or the public or that they otherwise promote the public interest. They cannot contravene the public interest, however, and must be shown to be compatible with it.[83]

In reaching this conclusion, the Commission specifically rejected a request to establish a higher "net benefits" standard.

The Report suggests that the standard the Commission applied in the Xcel Energy case should not be followed because the standard of review was not disputed in that case.[84] But that is

[82] Minn. R. 1400.5500(H).
[83] *In the Matter of the Application of Northern States Power Company for Approval to Merge with New Century Energies, Inc.*, Docket No. E,G002/PA-99-1031, ORDER APPROVING MERGER, as Conditioned at 7 (June 12, 2000) (eDocket No. 789046).
[84] Report Memorandum at 69–71 (eDocket No. 20257-221061-02 (HCTS)).

not true. In that case, the ALJ issued a report recommending approval of a settlement and approval of the transaction with conditions. Following the ALJ's recommendation, a party specifically argued that the ALJ had applied the wrong standard and requested that the Commission re-open the proceedings and require Northern States Power Company d/b/a Xcel Energy to show that it met the net benefits rather than the "no net harm" standard.[85] The Commission specifically addressed this argument and stated that the "ALJ applied the correct standard," and then provided the language above. While the ALJ in that proceeding did identify benefits from the proposed merger, the Commission specifically stated that it was not a requirement "that proposed mergers affirmatively benefit ratepayers or the public or that they otherwise promote the public interest."[86]

The Commission has continuously applied the same statutory standard in the decades since the Xcel Energy merger proceeding.[87] Despite this clear standard, the Report suggests that the

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[85] *In the Matter of the Application of Northern States Power Company for Approval to Merge with New Century Energies, Inc.*, Docket No. E,G002/PA-99-1031, ORDER APPROVING MERGER, AS CONDITIONED at 7 (June 12, 2000) (eDocket No. 789046).

[86] *Id.*

[87] *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 at 2–3 (June 25, 2015) (eDocket No. 20156-111752-01); *In the Matter of a Request for Approval of the Acquisition by MDU Resources Group, Inc., and its Division, Great Plains Natural Gas Company, of Cascade Natural Gas Corporation*, Docket No. G004/PA-06-1585, ORDER APPROVING ACQUISITION, with Conditions at 2 (Mar. 23, 2007) (eDocket No. 3943867) ("The Commission previously has established that the public interest standard does not require an affirmative finding of public benefit – just a finding that the transaction does not contravene the public interest, and is compatible with the public interest."); *In the Matter of the Application of Northern States Power Company for Approval to Merge with New Century Energies, Inc.*, Docket No. E,G002/PA-99-1031, ORDER APPROVING MERGER, as Conditioned at 11 (June 12, 2000) (eDocket No. 789046); *In the Matter of a Request for Approval of the Acquisition of the Stock of Natrogas, Incorporated (Natrogas), a Merger of Northern States Power Company (NSP) and Western Gas Utilities, Inc. (Western), and Related Affiliated Interest Agreements*, Docket No. G002/PA-99-1268, ORDER APPROVING MERGER SUBJECT TO CONDITIONS at 2–3 (Jan. 10, 2000) (eDocket No. 426096); *In the Matter of a Joint Petition by Minnegasco, a Division of NorAm Energy Corp., NorAm Energy Corp., Houston Industries Incorporated, Houston Lighting & Power Company, and HI Merger, Inc. for Approval of the Transaction Pursuant to the Agreement and Plan of Merger Among Houston Industries Incorporated, Houston Lighting & Power Company, HI Merger, Inc. and NorAm Energy Corp.*, Docket No. G008/PA-96-950, ORDER APPROVING MERGER SUBJECT TO CONDITIONS at 4 (Feb. 24, 1997) (eDocket No. 201412-105231-01) ("The statute does not require that proposed mergers affirmatively benefit ratepayers or the public or that they otherwise promote the public interest. They cannot contravene the public interest, however, and must be shown to be compatible with it."); *In the Matter of the Proposed Merge of Minnegasco, Inc. with and into Arkla, Inc.*, Docket No. G008/PA-90-604, ORDER APPROVING MERGER AND ADOPTING AMENDED STIPULATION WITH MODIFICATION at 4 (Nov. 27, 1990) (eDocket No. 403630) ("This standard does not require an affirmative finding of public benefits, just a finding that the transaction is compatible with the public interest.").

Commission should reverse years of precedent, based on the express language of the statute, and establish a new, higher standard. In reaching this conclusion, the Report selectively relied[88] on legislative findings to underscore customer interests, such as reliability and reasonable rates, while clearly neglecting the Legislature's plain language directive that the Commission should also consider "the financial and economic requirements of public utilities."[89] Such selective emphasis misrepresents legislative intent, as the statute requires balancing both consumer protections and utility financial health.[90]

Further, the Report ignores the analysis Petitioners provided regarding when a net benefits test is applied in some other states. In particular, Petitioners noted that the other states that apply the net benefits standard have different language in their statutes specifically requiring the application of that standard. For example, the Washington Utilities and Transportation Commission previously applied the same no net harm standard as Minnesota, but now applies the net benefits standard because the Washington State Legislature amended the law to specifically require the higher standard.[91] In other words, other states that use the net benefit standard do so because they have statutes explicitly calling for the application of that standard. Minn. Stat. § 216B.50 does not include that language, and the Commission has determined that Minnesota applies the no net harm standard.

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[88] The Report erroneously relied entirely on positions taken by the Opposing Parties.

[89] Minn. Stat. § 216B.01.

[90] In evaluating a utility's decisions about core business decisions about whether it needs to be acquired to ensure it can finance projects its customers need, it is appropriate to give substantial weight to a utility's economic determinations. *See Nw. Bell v. State*, 216 N.W. 2d 841, 851 (Minn. 1974) (holding that there are limits to the extent that utility regulators should second-guess the economic and business judgment of utility management: "Unless there is evidence that such expansion has outstripped all likelihood of reasonably imminent use, . . . *the commission and the courts are not in a position to second-guess the engineering and economic expertise of company management.*") (emphasis added).

[91] Ex. MP-59 at 11–23 (Hydro One Ltd and Avista Corp. Washington Utilities and Transportation Commission Docket No. U-170970 – 12/5/2018 Order 07) (eDocket No. 20254-217287-13); LPI Initial Brief at 11–13 (eDocket No. 20255-218497-02).

It is not appropriate for the ALJ to substitute her judgment for that of the Commission, which adhered to the express "consistent with the public interest" language of the statute years ago and has consistently applied it since. There is no reasonable basis to change this longstanding interpretation of the statutory language.[92]

III. The Concerns Raised in the Report are Speculative and Any Concerns are Addressed by the Commitments in the Settlement.

The Report focuses on a series of speculative concerns that are: (1) not supported by the record; and (2) addressed by the Settlement. An accurate evaluation of the entire record demonstrates that these fears are unfounded.

Given the volume of the record in this proceeding, these Exceptions provide a high-level explanation of why the Report is incorrect. While it is not practicable to specifically describe each and every piece of evidence and argument that was not evaluated in the Report, Petitioners provide here a summary of the evidence and arguments on key issues. Attachment A provides a table identifying issues raised by the Report and referencing the location of Petitioners' responses in the testimony and briefing. The Initial and Reply Briefs filed by the Petitioners also provide a more thorough evaluation of the record and why it demonstrates that the Acquisition is consistent with the public interest.

A. Stereotypes about "Private Equity" Investors

The Report accepts a multitude of claims about the Partners that are based on the erroneous assumption that the Partners fit the generalized description of *all* "private equity" investors

[92] *In re Detailing Criteria and Standards for Measuring Electric Utility's Good Faith Efforts in Meeting the Renewable Energy Objectives Under Minn. Stat. § 216B.1691*, 700 N.W.2d 533, 539 (Minn. Ct. App. 2005) ("[A]lthough an agency is not bound to follow its past decisions, it must provide a reasonable basis for departure from precedent.").

described by Opposing Parties.[93] That characterization of the Partners is a hasty overgeneralization that is not accurate and is not supported by the record.

The Report fails to fully and accurately reflect who the Partners actually are – their structure, track record, reputation, and analysis of the Acquisition. For example, the Report inaccurately describes the Partners as private equity investors, apparently in an attempt to suggest that they will behave like stereotypical private equity investors portrayed in media. But the Partners are mostly made up of pension funds. CPP Investments is fundamentally a pension fund, managing the funds of the Canada Pension Plan. And CalPERS, which represents 20 percent of the investment into the Company, is also a pension fund. Sixty percent of ALLETE will be owned by pension funds making investments on behalf of public employees in California and Canadian workers and beneficiaries, which are categorically not private equity investors.[94] GIP is also not a typical private equity investor, but a private infrastructure investment firm that focuses on longer-term infrastructure investments and not the high-yield, high-risk types of investments targeted by some private equity investors.

Rather than discuss the Partners themselves, the Report and Opposing Parties focus on a general caricature of what they believe "private equity" investors do or how they behave. The Report's broad and simplistic characterization of private equity not only has no credible evidentiary basis, but more importantly, it fails to accurately reflect the actual buyers in this case as described in the record. Neither the Opposing Parties nor the Report identify any examples of

[93] *See* Report at Sections II.D and IV (eDocket No. 20257-221020-01); Report Memorandum at 72 (eDocket No. 20257-221061-02) (HCTS).
[94] Ex. MP-13 at 7 (Alley Direct) (eDocket No. 202412-212968-10); Ex. LIUNA-852 at 11 (Bryant Rebuttal) (eDocket No. 20253-216057-01); Evid. Hr. Tr. at 578:13–15 (Apr. 2, 2025).

either Partner actually doing the things they allege the Partners will do.[95] The Report and Opposing Party claims are based on speculation, not facts. The only first-hand representation of the character of the Partners is from LIUNA Witness Bryant, who testified:

> GIP is a proven and highly responsible manager of infrastructure investments based on LIUNA's extensive experience as a participant in GIP funds and as a community stakeholder impacted by investments to which we are not a party. Our experience has given us confidence in the GIP's capacity, and in the credibility of the commitments that are being made to regulators and stakeholders.[96]

The Report fails to include this evidence.[97]

The Report's mischaracterization of who the Partners actually are is evident in Findings 73 and 74, which selectively describes only GIP's investments in natural gas and oil companies. Notably absent from the Report is any reference to the evidence showing that GIP has over $15 billion invested in or committed to renewable energy development, including 23 GW of existing renewable assets and an additional 178 GW under construction. These facts were raised in multiple

[95] **[HCTS INFORMATION BEGINS …** [redacted] **… HCTS INFORMATION ENDS]** Ex. DOC-303, CMA-D-12 at 75 (Addonizio Direct) (eDocket No. 20252-214942-01) (HCTS). The Report simply adopted without inquiry the misleading story about SunPower and GIP's investment in that entity. *See* Report at ¶ 227 (eDocket No. 20257-221020-01). Once again, a full review of the record supports a different conclusion. Public records demonstrate that GIP's ownership interest in SunPower was far less than portrayed by the Opposing Parties, began only *after* the company was in significant distress and the financial reporting issues had occurred, and that GIP attempted to save the company, investing heavily, but by that time it was too late and the prior issues could not be rectified. *See* Partner Initial Post-Hearing Brief at 57, n. 220 (eDocket No. 20255-218522-01).

[96] Ex. LIUNA-851 at 9 (Bryant Direct) (eDocket No. 20252-214955-01).

[97] The only other "examples" of issues with the Partners' prior investments are reports related to companies in which the Partners had only minority investments, as shown in the record, and in one of those examples the Partner used what minimal authority it did have to rectify financial reporting issues then provided additional capital in attempt to save the company. Partner Initial Post-Hearing Brief at 57, n. 220 (eDocket No. 20255-218522-01). In another, the conclusion that a Partner is not engaged in labor matters because it did not make a public statement about an indirect investment it made through an investment manager is baseless.

pieces of testimony,[98] and in both initial and reply briefs,[99] but they are nowhere to be found in the Report.

In addition, while the Report refers repeatedly to the risks of private investors owning a public utility, again largely copying the proposed findings of the Opposing Parties, the Report omits any reference to the substantial positive metrics associated with private ownership of regulated utilities. This includes: (a) CPP Investments' financial interest in Puget Sound Energy for over 10 years during which the utility's rates increased at a rate below inflation with no evidence of any harm to the public interest; (b) the evidence provided, in response to a question from Staff, that the Partners' other investments in regulated utilities are managed to have reasonable levels of debt and equity;[100] and (c) the evidence introduced by Petitioners demonstrating that, following other utility take-private transactions, the compound average growth rate of those utilities' rates was just 1.62 percent per year. This evidence shows that utility rate filings following take-private transactions have not only been well below inflation but also lower than their respective statewide averages and national investor-owned utility averages over the same time period.[101] The Report `fails to include or discuss any of this evidence.[102]

Finally, the Report fails to acknowledge that the Partners have made extensive commitments to address the private equity-related concerns raised by Opposing Parties and relied upon in the Report. For example, Opposing Parties argued that a private equity investor would

[98] Ex. MP-14 at 13–14 (Bram Direct) (eDocket No. 202412-212968-09); Ex. MP-33 at 26, 54 (Bram Rebuttal) (eDocket No. 20253-216055-08).
[99] Partner Initial Post-Hearing Brief at 40-41 (eDocket No. 20255-218522-01); Joint Reply Brief at 13 (eDocket No. 20255-219386-02) (HCTS).
[100] Ex. CPPIB-GIP-200 (Answers to MPUC Staff Questions 4 and 5) (eDocket No. 20253-217063-01).
[101] Ex. MP-27 at 15 (Cady Rebuttal) (eDocket No. 20253-216055-03).
[102] *See, e.g.*, Ex. MP-12 at 20–21 (Quackenbush Direct) (eDocket No. 202412-212972-01).

issue debt at the holding company level and secure it with the assets of the acquired company.[103] But the Petitioners have specifically committed that they will not do so, and made that commitment in the initial Petition – before the Opposing Parties put their testimony together, suggesting that they either ignored or did not understand the issue they provided testimony about.[104] Petitioners have also committed to forgo dividends if the utility is not financially healthy or if the utility does not have the equity capital it needs.[105] Petitioners have committed not to lay-off employees, not to move the headquarters of the enterprises, not to remove the existing leadership team, and not to reduce spending on the local community.[106] The Petitioners have also committed to a new service quality performance program, with financial penalties if service quality is not acceptable.[107] These are not the kinds of things that stereotypical "private equity" investors would do, but the Partners have made these commitments because the Partners are responsible, experienced investors who will be good stewards of Minnesota Power.

It is important to note that, instead of seeking to acquire the shares of ALLETE through the current proposed Acquisition, an entity could have acquired a controlling amount of the shares of the Company through the public markets. Such acquisition would not have required any Commission oversight or approval. Further, such calculated acquisition would have allowed an entity, or a group of entities including private equity or even energy companies with interests adverse to Minnesota Power's climate awareness goals, to take control of the ALLETE Board of Directors. In such an instance, there would be no commitments of the types made by Minnesota

[103] Ex. CURE-600 at 4 (Baker Direct) (eDocket No. 20252-214963-04) ("[T]his debt is almost always non-recourse to the private equity or private infrastructure manager; that is to say, the portfolio company is ultimately responsible for paying back the debt, not the private equity firm.").
[104] Ex. MP-1 at 20–21 (Initial Filing – Petition for Approval) (eDocket No. 20247-208768-01) ("Parent . . . may not pledge the assets of ALLETE unless specifically allowed by the applicable regulatory authority.").
[105] Settlement at 1.4–1.7 (eDocket No. 20257-220879-01).
[106] *Id.* at 1.56–1.62.
[107] *Id.* at 1.64.

Power and the Partners in this proceeding. And, most concerning, if the Acquisition is not approved and ALLETE's stock price falls below $67 per share, any person or entity will be able to acquire shares of the Company at a reduced price and Minnesota Power and the customers would have none of the valuable benefits made available by the Settlement. These are precisely the reasons the Company went through the careful and detailed process outlined in the Proxy Statement.

B. Transparency of the Partners

The Report endorses Opposing Parties' baseless claims that the Partners have not been transparent through the course of the proceeding. This is a disingenuous argument by Opposing Parties who have used it extensively in public comments despite the fact the Opposing Parties have access to all confidential information at issue. It certainly should not have been adopted in the Report.

At the heart of this purported "lack of transparency" is the need to protect trade secret information, a commercially important ability in legal proceedings recognized not only by Minnesota statute[108] and the Commission,[109] but also by the Opposing Parties who stipulated to protections and the ALJ who issued protective orders. The other allegedly non-transparent actions by Petitioners were the assertion of legal privileges and other defenses in the discovery process.[110] The Petitioners' assertions of these protections and privileges do not demonstrate lack of transparency. They are the normal and expected result of the hearing process established by the

[108] Minn. Stat. § 13.37.
[109] For example, during January 2025, the Commission received 96 filings in the eDockets system marked as protected. A search was conducted on www.edockest.state.mn.us on the date range 1/1/25 to 1/31/25, and the results were sorted by "Class" to determine which were marked as trade secret.
[110] Report at ¶¶ 248–49 (eDocket No. 20257-221020-01).

Commission, and indeed are important rights for parties to retain,[111] again as initially recognized by the ALJ in protective and prehearing orders during the proceeding.[112]

C. Consistency with Partner Documents

The Report also suggests that the Partners' public statements are not consistent with their internal documents.[113] While the Report does not identify specific statements it is concerned about, it appears to focus on concerns related to the Partners' internal financial analyses.[114] A careful review of those analyses, however, demonstrates that the contents of these documents is fully consistent with the public interest and not a cause for concern for several reasons.

First, it is entirely consistent with the public interest that the Partners hope to earn a return on their investment in Minnesota Power, just like Minnesota Power's existing investors, and all investors. It is also entirely consistent with the public interest that the Partners, as the owners of ALLETE, intend to have a role in making high-level decisions such as approving budgets. This is, again, consistent with the role of ALLETE's current board and the structure of many companies.

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[111] In fact, if a party believes something to be privileged, for example, and they fail to object to provide it in discovery, they will have waived their privilege not only in that proceeding but in all other proceedings. It would be irresponsible not to try to protect such information. *E.g.*, *Kobluk v. Univ. of Minnesota*, 574 N.W.2d 436, 444 (Minn. 1998) (stating presumption of confidentiality for attorney-client privilege evaporates if "the client does not appear to have been desirous of secrecy").

[112] Protective Order for Trade Secret Data (Dec. 5, 2024) (eDocket No. 202412-212750-01); Protective Order for Highly Confidential Trade Secret Data (Dec. 16, 2024) (eDocket No. 202412-212992-01). If the ALJ had questions about the HCTS or other protective designations that were retained for this proceeding, the ALJ or the Opposing Parties had the opportunity to question the Partners but elected not to question them on any issues during the evidentiary hearing.

[113] Report Memorandum at 72 (eDocket No. 20257-221061-02 (HCTS)).

[114] The Opposing Parties misunderstand and therefore incorrectly characterize the purpose of certain internal documents used by the Partners, which undermines the validity of the assumptions and conclusions in the Opposing Parties' proposed findings. Specifically, as described herein, documents like investment committee memoranda evaluate potential scenarios and, in order to do so, must rely on certain assumptions that are described in the memoranda. These scenarios help decision-makers understand the risks of moving forward with an investment, but they are not statements of intention or definitive plans to be implemented in the future. *See* Partner Initial Post-Hearing Brief at 58–61 (eDocket No. 20255-218522-01) (explaining the purpose, content, and use of investment committee memoranda). Unfortunately, the Report adopts and repeats the Opposing Parties' errors and assumptions without examination or analysis, replicating the same flawed conclusions.

Second, to the extent the Report is referring to concerns about "operational engineering," there is no support for such concerns in the record. Department Witness Addonizio testified that he "do[es]n't have major concerns about that particular tactic,"[115] and OAG Witness Lebens specifically invited the Partners to explore actions that could improve ALLETE's efficiency for the benefit of customers.[116]

Third, to the extent the Report is referring to concerns that internal Partner documents suggest that the Partners will engage in "financial engineering," that conclusion is not supported by the record. A careful review of the internal Partner documents and analyses demonstrate that they represent the type of financial analysis that any reasonable investor would perform before making a $3.9 billion investment, and that the assumptions used to perform the evaluations are reasonable. They confirm, rather than contradict, the Partners' representations and commitments.

For example, the Partners' internal documents and analyses include the following information:

- ROE: Partner investment models included the assumption that Minnesota Power's regulated ROE **[HCTS INFORMATION BEGINS …** [redacted] **… HCTS INFORMATION ENDS]** This simplifying assumption clarifies that the Partners' investment decision is not premised on any particular ROE for Minnesota Power, much

[115] Evid. Hr. Tr. at 604:3–4 (Apr. 2, 2025). Witness Addonizio indicates that "the avenues for that to negatively impact ratepayers . . . are pretty minimal." *Id.* at 604:9–11.
[116] Ex. OAG-400 at 26 (Lebens Direct) (eDocket No. 20252-214937-02).
[117] Ex. CURE-602, Schedule JB-9 at 38 (Baker Surrebuttal) (eDocket No. 20253-216818-07) (HCTS); Ex. CURE-602, Schedule JB-10 at 19 (Baker Surrebuttal) (eDocket No. 20253-216818-08) (HCTS).
[118] Ex. CURE-602, Schedule JB-9 at 38 (Baker Surrebuttal) (eDocket No. 20253-216818-07) (HCTS); Ex. CURE-602, Schedule JB-10 at 19 (Baker Surrebuttal) (eDocket No. 20253-216818-08) (HCTS).

less one that is materially different than what is set today. The Report does not reference any of this information.

- "Financial Engineering" and use of debt financing. The Report claims that the Partners will rely on reckless "financial engineering" and increase debt leverage in a way that harms customers.[119] That is not the case.[120] The Partners' internal investment models included an assumption that ALLETE will be financed using some debt – like every business[121] – and that the level of debt used will be maintained at a fixed ratio as the Company grows.[122] As the Company grows over time, the level of debt is assumed to increase as it would for all businesses investing capital, but is maintained at a consistent ratio – and the ratio is designed to target investment-grade credit metrics.[123] The Report does not describe this information.
- Expected Investment Period: The Report repeatedly suggests that the Partners do not have a long-term focus,[124] citing the Partners' internal communications. But the Partners' public statements that they focus on a long-run investment timeline is consistent with the analysis in their internal documents. For example, **[HCTS INFORMATION BEGINS …** [redacted]

[119] *See* Report at Section IV.B.1 (eDocket No. 20257-221020-01).
[120] The only record evidence related to "financial engineering" specific to the Partners is a *disclaimer* of financial engineering as a tool in infrastructure investing. **[HCTS INFORMATION BEGINS …** [redacted] **… HCTS INFORMATION ENDS]** Ex. DOC-303, CMA-D-12 at 75 (Addonizio Direct) (eDocket No. 20252-214942-01) (HCTS).
[121] 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).
[122] Evid. Hr. Tr. at 640:1–21 (HCTS).
[123] Ex. CURE-602, Schedule JB-9 at 4, 27 (Baker Surrebuttal) (eDocket No. 20253-216818-07) (HCTS); Ex. CURE-602, Schedule JB-10 at 26 (Baker Surrebuttal) (eDocket No. 20253-216818-08) (HCTS).
[124] *See* Report at Section IV.B.2 (eDocket No. 20257-221020-01).

[redacted] **… HCTS INFORMATION ENDS],**[125] while **[HCTS INFORMATION BEGINS …** [redacted] **… HCTS INFORMATION ENDS].**[126] The long-run preferences for CPP Investments can be seen from its investment in Puget Sound, which was held for 13-years.[127] The Report does not reference any of this information. None of this information, or the extensive explanation, evidence, and arguments provided in the Partners' testimony and briefs, is included in the Report.

The information and analyses in the Partners' internal documents are fundamentally reasonable and represent the type of analysis that someone should expect a reasonable investor to do before investing $3.9 billion. They do not suggest, in any way, that the Partners' internal documents are inconsistent with either their public statements or the public interest.

D. Enforceability of Capital Commitment

The Report also includes a wholly inaccurate claim that the Petitioners' private agreements or discussions conflict with their public statements.[128] While it is not clear what private agreements or discussions the Report is referring to, the Report seems to assert that the Partners in their private agreements "have not, in fact, promised to provide capital to ALLETE."[129]

This is demonstrably false. In fact, the Partners have expressly committed to providing equity capital to fund ALLETE's five-year investment plan, as reflected in the 2024 10-K.[130] This commitment was entered into the record through the sworn testimony of Witness Alley and

[125] Ex. CURE-602 JB.-9 at 20–22 (eDocket No. 20253-216818-07) (HCTS).
[126] Ex. MP-32 at 17 (Alley Rebuttal) (HCTS).
[127] Ex. MP-13 at 9-10 (Alley Direct) (eDocket No. 202412-212968-10); Ex. MP-31 at 14-15 (Alley Rebuttal) (eDocket No. 20253-216055-09).
[128] Report Memorandum at 72 (eDocket No. 20257-221061-02) (HCTS).
[129] *Id.*
[130] Ex. MP-45 at 62 (ALLETE 2024 10-K) (eDocket No. 20253-216998-01).

Witness Bram.[131] The Partners have been clear that they intend the commitment to be included in a Commission Order so that it is enforceable. Enforceability has been further enhanced through additional language agreed to in the Settlement, where the Petitioners have committed that no dividends will be paid by the Company if the capital commitment is not met.

The Report seems troubled that this commitment was not in the initial merger agreement, but there is no basis for that concern. A capital commitment was not needed at the time of the merger agreement because ALLETE was confident that the Partners would follow through and provide capital as needed. That fact is discussed at length in the record[132] but overlooked entirely by the Report. Simply put, the Partners' and Company's interests are aligned, and the Partners have every incentive to support ALLETE by providing capital and otherwise acting in the long-term best interests of the Company. While the Petitioners do not agree with the concerns of the Opposing Parties, the Partners developed the capital commitment in response to and in order to address those concerns by assuring that Minnesota Power would have the equity needed to finance investments.

There is no gap between the Partners' public commitment to provide equity and what they have agreed to do. In fact, the Partners have committed to very significant and enforceable obligations to ensure that ALLETE is provided with the equity capital needed to support its five-year investment plan, which these investors are highly motivated to do since funding that plan is core to their reason for investing $3.9 billion into ALLETE in the first place.

[131] Ex. MP-31 at 6–7 (Alley Rebuttal) (eDocket No. 20253-216055-09); Ex. MP-33 at 51, 55 (Bram Rebuttal) (eDocket No. 20253-216055-08).
[132] *See, e.g.*, Joint Reply Brief at 16, 36, 54 (eDocket No. 20255-219384-02) (discussing alignment of interests between the Partners and the Company and the incentives of Partners to ensure the long-term financial health and success of the Company).

E. Speculation About Rate Increases

The Report suggests that the Acquisition could result in increased rates,[133] but there is no evidence in the record to support this conclusion, only speculation. Petitioners have provided specific commitments that the costs of the Acquisition itself will never be included in rates.[134] It is also clear that the Commission will determine what significant investments Minnesota Power will make to meet the Carbon Free Standard, exercising substantial control over any rate impacts in the future.

Further, to the extent the Acquisition will have any impact on rates, it will result in lower rates. As described above, the Petitioners have committed to a wide range of rate reductions, non-recoverable investments, and a rate case stay-out that will mitigate rate impacts for customers. Through a combination of one-time cost savings and cost reductions over time, these financial benefits are estimated to save customers approximately $132 million.[135] Absent the Acquisition, customers will not receive these rate benefits.

Any changes to rates in the future will be driven by changes in the cost of providing service. There is no evidence in the record suggesting that the Acquisition will increase the cost of service, and in fact Petitioners have committed to several conditions that will reduce the cost of service. To the extent that there is an increase in the investments needed in the future, those also are driven by the need to serve customers and are not caused by the Acquisition. The investment plan is driven by the Company's best assessment of what is needed to ensure reliable service to customers, and to comply with the Carbon Free Standard. Importantly, those investments will be needed with or without the Partners, and the Report's assumption that they are somehow caused by the

[133] *See* Report at Section IV.C.1 (eDocket No. 20257-221020-01).
[134] Settlement at 1.40 (eDocket No. 20257-220879-01).
[135] Attachment C.

Acquisition is incorrect. The future rate estimates reflected in the Partners' internal documents are the result of a financial analysis of Minnesota Power's existing capital plan, not reflective of a strategy to increase rates. That capital plan is rooted in compliance with the Carbon Free Standard and completion of other needed upgrades to Minnesota Power's infrastructure. Moreover, the Report's conclusion fails to recognize that all future rates will be approved by the Commission. Rate increases cannot happen unless they are approved by the Commission, and the Commission will continue to ensure that Minnesota Power's rates are just and reasonable.

F. Carbon Free Standard

The Report contains a number of findings related to the Carbon Free Standard that are not accurate.

First, the Report does not accurately summarize the evidence in the record demonstrating the Partners' interest in and commitment to the energy transition. The Partners have publicly testified that they are primarily interested in ALLETE and Minnesota Power because of the opportunity to invest in the energy transition.[136] In addition, the Partners' internal documents demonstrate that the Partners each view ALLETE's current exposure to coal as a risk that reduces the Company's value. In fact, the Partners' internal documents indicate that the Partners would view accelerating compliance with the Carbon Free Standard as a benefit, consistent with Commission approval.[137]

Second, the Report includes a concerning discussion suggesting that it would be acceptable to delay or modify compliance with the Carbon Free Standard in order to justify rejecting the

[136] Ex. MP-13 at 12–13 (Alley Direct) (eDocket No. 202412-212968-10); Ex. MP-14 at 4–5 (Bram Direct) (eDocket No. 202412-212968-09).
[137] Ex. CPPIB-GIP-206 at 3 (Bram Response) (eDocket No. 20254-217895-02); Ex. OAG-412, DOC IR 0012.02 Attach Supp 3 at 2, 8, 12 (eDocket No. 2054-217278-05) (HCTS); Ex. CURE-602, Schedule JB-9 at 7 (Baker Surrebuttal) (eDocket No. 20253-216818-07) (HCTS); Ex. CURE-602, Schedule JB-10 at 5, 10 (Baker Surrebuttal) (eDocket No. 20253-216818-08) (HCTS).

Acquisition.[138] Petitioners do not agree, and do not believe that the Commission agrees either. The Carbon Free Standard is a critical Minnesota policy requirement, and Minnesota Power is committed to compliance.[139] Petitioners strongly disagree with the Report's suggestion that delaying compliance with the Carbon Free Standard is an acceptable outcome, and that delaying compliance is an acceptable consequence of rejecting the Acquisition.

With the Acquisition, Petitioners are confident that the Company will be able to finance the investments needed to work towards compliance. Without the Acquisition, Minnesota Power would have severe challenges complying with the Carbon Free Standard;[140] and even if financing were available, it would very likely result in higher costs and additional upward pressure on customer rates that could be avoided through the Acquisition. It is critical that these risks be incorporated into any analysis about the public interest, because one of the key benefits of the Acquisition is that it avoids these risks related to complying with the Carbon Free Standard.

G. Minnesota Power's Financial Health

The Report reflects numerous fears of adverse impacts on ALLETE's financial health as a result of the Acquisition.[141] The Petitioners explained in their testimony and briefs why these fears are unfounded.[142] Further, the commitments made during the contested case, and the additional significant commitments included in the Settlement, mitigate any fears described in the Report. Specifically, the Settlement includes commitments related to:

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[138] Report Memorandum at 72 (eDocket No. 20257-221061-02) (HCTS).
[139] Evid. Hr. Tr. at 801:23–802:2 (Apr. 3, 2025) (Q: "Sure. You'd agree that the carbon-free standard is one of the most important policy requirements in the state; right? A: I don't know what all the choices are. So it's pretty dang important.").
[140] Ex. MP-28 at 9–10 (Scissons Rebuttal) (eDocket No. 20253-216055-04).
[141] *See* Report at Section IV.B (eDocket No. 20257-221020-01).
[142] Ex. MP-29 at 20–22 (Taran Rebuttal) (eDocket No. 20253-216055-05); Ex. MP-32 at 9–17 (Alley Rebuttal) (eDocket No. 20253-216056-04) (HCTS); Ex. MP-34 at 23–35 (Bram Rebuttal) (eDocket No. 20253-216056-03) (HCTS); Minnesota Power Initial Brief at 20–27 (eDocket No. 20255-218486-02) (HCTS); Partner Initial Post-Hearing Brief at 54–87 (eDocket No. 20255-218523-01) (HCTS); Joint Reply Brief at 68–82 (eDocket No. 20255-219386-02) (HCTS).

- Limitations on dividends in the event of negative impacts on Minnesota Power's financial health, further ensuring the financial health of Minnesota Power is paramount.[143]

- The establishment of a holding company to support separation of regulated and unregulated operations, providing additional ring-fencing protection.[144]

- Obtaining a legal opinion that ALLETE will be protected in the event of financial impacts at the new parent entity, providing assurance post-closing of ring-fencing measures.[145]

- Additional information for the Commission regarding the financial statements of the new parent entities.[146]

These commitments ensure that the Acquisition will not have a negative impact on the health of Minnesota Power.

The Report also raises claims and concerns that the Partners wish to maintain control of significant Company decisions.[147] Such claims and concerns reflect unrealistic expectations that the Partners should shoulder the burden of financing the investments that customers need, while placing fundamental Company decisions, including the levels of additional investment to which the Partners would be obligated, in the hands of third-parties. It is unnecessary and inappropriate to take such steps. Opposing parties, and therefore the Report, point to decisions in different jurisdictions – El Paso and South Jersey – to support such an extreme request. Those proceedings are the exception, not the rule, for utility acquisitions and are neither necessary nor appropriate precedents for the Acquisition or for Minnesota generally.[148] As discussed above, the Partners'

[143] Settlement at 1.4 and 1.6 (eDocket No. 20257-220879-01).
[144] *Id.* at 1.27.
[145] *Id.* at 1.20.
[146] *Id.* at 1.38.
[147] *See* Report at Section IV.E (eDocket No. 20257-221020-01).
[148] *See* Joint Reply Brief at 62–68 and nn. 235-62. In the El Paso acquisition, the buyer proposed a board with a majority of independent directors and the electric utility's projected capital expenditures reflected only a modest increase from historic levels in contrast to the 3.8 times capital expenditures increase facing ALLETE. *Joint Report and Application of El Paso Electric Company, Sun Jupiter Holdings LLC, and IIF US Holding 2 LP for Regulatory Approvals Under PURA §§ 14.101, 39.262, and 39.915*, Public Utility Commission of Texas Docket No. 49849, Gilbert Direct at 29 (Aug. 13, 2019); Buraczyk Direct at 21–22 (Aug. 13, 2019). In the South Jersey Industries

success rests on completing the complex plan that will result in a significant transformation and reduction in the risk of Minnesota Power. Thus, the Partners have every incentive to support the long-term financial health of the Company and the capital plan needed to comply with the Carbon Free Standard.[149]

Notwithstanding the above, the comprehensive terms negotiated in the Settlement Agreement with the Department include provisions that materially modify the governance of ALLETE in a manner that addresses stated governance concerns, and remains consistent with the public interest. Specifically, Paragraph 1.23 of the Settlement confirms that the Company's senior management team will be responsible for the day-to-day operations of Minnesota Power, increases the number of independent directors on the ALLETE Board of Directors, and provides additional governance commitments supported by the Department.

H. Service Quality

The Report identifies concerns that the Acquisition will result in reduced service quality.[150] The primary argument in the Report appears to be that Minnesota Power may not have sufficient funding to maintain service quality. The commitments that protect the financial health of the utility are described above. In addition, the Settlement provides a very significant new commitment to establish service quality performance metrics, reporting, and financial penalties if the metrics are not achieved.[151] The Commission does not have express authority from the Legislature to assess financial penalties for service quality, so this commitment – attainable only through approval of

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acquisition of two gas distribution utilities, capital expenditures were not even mentioned in the order approving the acquisition. *In the Matter of the Merger of South Jersey Industries, Inc. and Boardwalk Merger Sub, Inc.*, New Jersey Board of Public Utilities Docket No. GM22040270, ORDER ON STIPULATION OF SETTLEMENT (Jan. 25, 2023).

[149] Ex. CPPIB-GIP-206 at 3 (Bram Response) (eDocket No. 20254-217895-02); Ex. OAG-412, DOC IR 0012.02 Attach Supp 3 at 2, 8, 12 (eDocket No. 2054-217278-05) (HCTS); Ex. CURE-602, Schedule JB-9 at 7 (Baker Surrebuttal) (eDocket No. 20253-216818-07) (HCTS); Ex. CURE-602, Schedule JB-10 at 5, 10 (Baker Surrebuttal) (eDocket No. 20253-216818-08) (HCTS).

[150] *See* Report at Section IV.C.2. (eDocket No. 20257-221020-01).

[151] Settlement at 1.64 (eDocket No. 20257-220879-01).

the Settlement and the Acquisition – will substantially increase the Commission's visibility into Minnesota Power's service quality and its authority to ensure that service quality is maintained.

I. Insufficient Investment by Minnesota Power

The Report also claims that the Acquisition will result in Minnesota Power not having enough capital to make the investments it needs.[152] At the outset, this line of argument is unfounded because Minnesota Power pursued the Acquisition specifically to improve its ability to finance utility projects, and the Partners pursued the Acquisition to deploy capital through a well-managed company. Further, the Partners have agreed to a binding commitment to provide all of the equity capital needed for the five-year capital plan. As explained on the record, the Partners intend to provide all of the equity capital Minnesota Power needs as long as they own the Company and have powerful economic incentives to do so. To further demonstrate that commitment, the Partners have provided a binding five-year commitment in response to specific concerns identified by Opposing Parties.

The Report suggests that the capital commitment has little value, but that is wrong for several reasons. First, the capital commitment is enforceable both because the Commission has enforcement authority against any "person," which includes corporate entities,[153] such as Alloy Parent, and the settlement contains new enforcement provisions. Second, Settlement paragraphs 1.4 and 1.5 provide that ALLETE will not make any dividend payments unless the capital commitment is met, and establish a reporting system to ensure compliance with the capital commitment and the dividend limitation. Because dividends are the way that the Partners can receive cash from ALLETE, this commitment means that the Partners cannot receive cash from their investment if they do not make good on this commitment.

[152] Report at ¶¶ 181-85 (eDocket No. 20257-221020-01).
[153] Minn. Stat. § 216B.54.

Third, it makes little sense for the Partners to invest billions of dollars to acquire ALLETE and then refuse to fund it with needed capital. The Partners have strong economic incentives to ensure that ALLETE has sufficient equity capital because they need to protect the value of their investment. Further, the value of the Partners' investment in ALLETE cannot be increased if the Company is not able to make needed investments. If ALLETE does not have enough capital to finance its projects, its value will be reduced, which would objectively harm the Partners. While it is academically interesting to consider whether an investor would choose to withhold capital from a company it invests in, in the real world the Partners must ensure that Minnesota Power has the financing it requires in order to protect the value of their investment. The value of their investment and their reputations as infrastructure investors are on the line.

J. Excess Investments by Minnesota Power

The Report also raises the complete opposite concern that the Acquisition will lead to *excessive* investments by Minnesota Power.[154] There is no foundation to these concerns, as the Report is simply speculating about diametrically opposite outcomes. Moreover, any significant investments require Commission approval. As previously noted, the Commission has controlled and will continue to control Minnesota Power's investments through the integrated resource plan and certificate of need processes.

The fact that the Company and its investors are interested in making investments is neither new nor a problem that is caused by the Acquisition. ALLETE's current investors have the same interest in making investments that the Partners would have after the Acquisition. The Commission has been balancing that interest for decades, and is fully capable of continuing to do so after the Acquisition. The Report fails to adequately reflect and respect this regulatory process.

[154] Report at ¶¶ 186–87 (eDocket No. 20257-221020-01).

K. "Untimely" Exit

The Report expresses a concern that the Partners may sell their ownership stake in ALLETE.[155] While it raises fears of a future sale, the Report does not identify any specific harm that such a sale would cause. At the outset, the Partners do not have any specific plans to sell their ownership in ALLETE at any specific time.[156] The Partners did conduct financial analysis about different hold periods, but that is the normal type of analysis that any responsible investor does with any investment. Moreover, the Partners' analysis reflected a number of long-term hold periods, undermining arguments that the Partners are "typical" private equity that intend only to sell an asset quickly.[157]

Regardless, the Commission should not be swayed by fears about speculative impacts of a future sale, because any sale will have to receive approval from the Commission under Minn. Stat. § 216B.50.[158] The Commission will have to approve the timing and conditions of a sale, including the identity of the new buyers. The Commission will have authority to place conditions – including the Commission's routine ban on recovery of acquisition premiums – on both the existing investors, the new investors, and the utility, if a sale occurs in the future. Concerns about unidentified and speculative harms are unfounded, because they will be fully within the Commission's control.

L. Affiliated Interests

The Report raises concerns that the Petitioners will not comply with the Minnesota's Affiliated Interest requirements.[159] These concerns are unfounded. The Affiliated Interest statute

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[155] *See id.* at Section IV.B.2.
[156] Ex. MP-31 at 51 (Alley Rebuttal) (eDocket No. 20253-216055-09); Ex. MP-33 at 22 (Bram Rebuttal) (eDocket No. 20253-216055-08).
[157] Ex. CURE-602, Schedule JB-9 at 20–22 (eDocket No. 20253-216818-07) (HCTS).
[158] Ex. MP-31 at 13 (Alley Rebuttal) (eDocket No. 20253-216055-09); Ex. MP-33 at 23 (Bram Rebuttal) (eDocket No. 20253-216055-08).
[159] *See* Report at Section IV.F.1 (eDocket No. 20257-221020-01).

is a law and the Commission's Rules regarding affiliated interests have the force of law. Petitioners understand that they will have the obligation to follow these requirements.

Further, the Settlement contains additional commitments that will provide protections above and beyond the Affiliated Interest statute. Settlement paragraphs 1.29 and 1.30 provide that Minnesota Power will establish a process to identify any vendors that have ties to the Partners. Once vendors are identified, the utility will provide a specific compliance report about every contract with such a vendor that is greater than $500,000, with a written certification that the contract was negotiated at arms' length. This will provide far more information for the Commission and the Department than is provided today by Minnesota Power and other utilities.[160] Importantly, these reporting requirements are in addition to, and not a replacement of, existing laws and rules.

M. Commission's Authority

The Report also suggests that the Commission will not have the authority to effectively regulate Minnesota Power after the acquisition.[161] That is not the case.

The Commission will continue to have all the regulatory authority it has now, and will regulate Minnesota Power's rates, ROE, services, resource mix, and many other aspects of its business. In addition, the Commission will have expanded authority over Minnesota Power's service quality and new authority to assess penalties if metrics are not satisfied.

The Report asserts that the Commission will not have the information it needs to use its authority because it will no longer get Securities and Exchange Commission ("SEC") reports.[162] The Commission does not, however, delegate its regulatory responsibility to financial analysts at

[160] Ex. MP-35 at 11 (Anderson Rebuttal) (eDocket No. 20253-216055-06).
[161] Report at ¶ 244 (eDocket No. 20257-221020-01); Report Memorandum at 72 (eDocket No. 20257-221061-02) (HCTS).
[162] Report at Section IV.D.1 (eDocket No. 20257-221020-01).

the firms that report on the Company's SEC reports – both the Commission and the Department have professional staff who are trained and equipped to advise the Commission in making its regulatory decisions. In addition, the Settlement contains commitments to ensure that the Commission has access to the information it needs to do so. Settlement paragraphs 1.32 through 1.39 provide that the Commission will have access to all books and records up to Alloy Parent related to the regulated utility business; access to all credit rating reports and documents; the information necessary to evaluate corporate, affiliate, or subsidiary transactions; certainty that separate books and records will be maintained; and audited financial statements from Minnesota Power and Alloy Parent. Neither the Opposing Parties nor the Report identified any information that the Commission would need that the Petitioners have not already committed to provide.

IV. Minnesota Power Needs the Acquisition, Which is in the Public Interest.

A. The Acquisition will Ensure that Minnesota Power Can Make the Investments Customers Need.

The Report erroneously concludes that Minnesota Power has not established that there is a significant risk that the public markets will be unable to meet its capital needs.[163] The Company faces a critical need for capital investments in the years to come to modernize its infrastructure, meet renewable energy goals, and ensure reliable service to its customers.[164] The primary goal of the Acquisition is to equip the Company with reliable access to equity capital necessary to finance the investments in clean energy technologies needed to comply with the Carbon Free Standard.[165] Without the Acquisition, the Company's compliance with the Carbon Free Standard would be

[163] *Id.* at ¶ 135 (eDocket No. 20257-221020-01).
[164] Ex. MP-9 at 13 (Cady Direct) (eDocket No. 202412-212968-03); Ex. MP-10 at 11 (Scissons Direct) (eDocket No. 202412-212968-04); Ex. MP-11 at 3, 7 (Taran Direct) (eDocket No. 202412-212968-05).
[165] Ex. MP-9 at 7 (Cady Direct) (eDocket No. 202412-212968-03).

highly unlikely.[166] The Acquisition is the path chosen by the Company (and not chosen lightly) as necessary for the Company to satisfy the Carbon Free Standard while maintaining safe, reliable, and affordable service to Minnesota Power customers.

1. Minnesota Power's need for investments and equity capital is growing.

ALLETE needs to raise more than $1 billion in new equity to fund its expected investment requirements over the next five years and even more in the following years.[167] These investments are necessary to modernize and improve the transmission and distribution systems, continue to ensure the provision of safe and reliable electricity to Minnesota Power customers, and continue to move Minnesota Power toward compliance with the Carbon Free Standard.[168] In comparison, in the Company's 75-year history in publicly traded markets, the Company has raised $1.3 billion in equity.[169] It is not reasonable to assume that the Company can achieve that while relying on public markets for financing.

Specifically, the five-year investment plan is approximately 3.8 times larger than ALLETE's historical average.[170] While ALLETE is one of the smallest utilities in the country by market capitalization,[171] the Company's need for equity capital is large in proportion to its market capitalization.[172] The evidence in the record demonstrates that ALLETE's need for equity capital is the greatest of any publicly traded United States utility.[173]

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[166] Ex. MP-28 at 9–10 (Scissons Rebuttal) (eDocket No. 20253-216055-04) ("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 investment (e.g., grid resilience investments and enhancements) would also be threatened.") (emphasis added).
[167] *Id.* at 7.
[168] Ex. MP-29 at 5–6 (Taran Rebuttal) (eDocket No. 20253-216055-05).
[169] *Id.* at 3.
[170] Ex. MP-11 at 5 (Taran Direct) (eDocket No. 202412-212968-05).
[171] Ex. MP-12 at Direct Schedule 3 (Quackenbush Direct) (eDocket No. 202412-212972-01).
[172] Ex. MP-11 at 6 (Taran Direct) (eDocket No. 202412-212968-05).
[173] Ex. MP-30 at Rebuttal Schedule 2 (Quackenbush Rebuttal) (eDocket No. 20253-216055-12).

While ALLETE's prior Form 10-K explains that these capital needs can be met, that statement was premised on further exploration and development of options, including the Acquisition, and ultimately on both interim and long-term equity support from the Partners.[174] Further, the Form 10-K expressly detailed that access to capital was a risk factor that could affect the Company's "ability to execute its business plans, make capital expenditures, or pursue other strategic actions."[175] In any event, this single statement in a Form 10-K has been superseded by the Company's further analysis to identify its approach to comply with the Carbon Free Standard.

Witness Taran explained that "[t]he Company, with extensive experience operating the utility, the benefit of experienced advisors, and the Company's expertise in the markets, identified a significant risk with accessing the amount of capital needed to execute its strategy and to achieve the requirements of Minnesota policy."[176] As the Company's Chief Financial Officer testified, it would be "highly unlikely the Company could achieve its carbon free goals as planned and other system investment (e.g., grid resilience investments and enhancements) would also be threatened."[177] Further, as Witness Quackenbush testified, "ALLETE is approaching a crucial period of accelerating capital needs to meet Minnesota policy goals but is constrained by its small size and outsized capital plan."[178] This need for capital over the next five years is greater than what the Company has needed to raise in its 75-year history.[179]

[174] Evid. Hr. Tr. at 319:24–320:7 (Apr. 1, 2025); *see also* MP-45 at 49 (ALLETE 2024 10-K) (eDocket No. 20253-2170998-01).
[175] Ex. MP-45 at 32 (ALLETE 2024 10-K) (eDocket No. 20253-216998-01).
[176] Ex. MP-29 at 31 (Taran Rebuttal) (eDocket No. 20253-216055-05).
[177] Ex. MP-28 at 9–10 (Scissons Rebuttal) (eDocket No. 20253-216055-04).
[178] Ex. MP-30 at 36 (Quackenbush Rebuttal) (eDocket No. 20253-216055-12).
[179] Ex. MP-29 at 3 (Taran Rebuttal) (eDocket No. 20253-216055-05).

2. The vast majority of ALLETE's capital needs are for Minnesota Power.

The vast majority of ALLETE's planned investments are for Regulated Operations for Minnesota Power.[180] And within these investments for Minnesota Power, the largest anticipated investments are for transmission expansion projects ($1.8 billion), with $425 million for solar, $615 million for wind, and $445 million for storage resources. In short, the $3.3 billion for clean resources that are needed to meet the Carbon Free Standard, in addition to $1.3 billion of base capital expenditures to maintain existing transmission and distribution systems and other facilities, as shown in **Figure** 1.[181]

A substantial portion of the investments required for the next five years, and the years beyond, are related to transmission projects that have already been approved by the Commission and that the Company will need to fund.[182] Many of the transmission expansion projects will be those approved by the Midcontinent Independent System Operator, Inc. ("MISO") where the costs of such projects will be allocated across applicable MISO cost zones – but the capital is still necessary on the front-end to construct these facilities.[183]

Figure 1. ALLETE 2024 10-K Capital Expenditures[184]

Capital Expenditures	2025	2026	2027	2028	2029	Total
Millions						
Regulated Operations						
High kV Transmission Expansion *(a)*	$90	$200	$615	$635	$265	$1,805
Solar RFP *(b)*	145	180	60	40	—	425
Wind RFP *(b)*	75	215	325	—	—	615
Storage *(b)*	—	10	35	200	200	445
Base & Other	220	265	285	280	270	1,320
Regulated Operations	530	870	1,320	1,155	735	4,610
ALLETE Clean Energy *(c)*	15	10	5	5	5	40
Corporate and Other						
South Shore Energy *(d)*	—	55	65	65	45	230
Other	60	5	20	15	25	125
Total Capital Expenditures *(e)*	$605	$940	$1,410	$1,240	$810	$5,005

[180] Ex. MP-45 at 62 (ALLETE 2024 10-K) (eDocket No. 20253-216998-01).
[181] Ex. MP-29 at 5, Table 1 (Taran Rebuttal) (eDocket No. 20253-216055-05).
[182] *Id*. at 13-14.
[183] Ex. MP-11 at 4–8 (Taran Direct) (eDocket No. 202412-212968-05).
[184] Ex. MP-45 at 62 (ALLETE 2024 10-K) (eDocket No. 20253-216998-01).

The scale of these investments will require a substantial change in how the Company finances its projects. The Company's 2025-2029 capital plan is projected to require investments that exceed 100 percent of ALLETE's total market capitalization.[185] This means that the capital investments Minnesota Power plans to make over the next five years are greater than the current equity value of the entire Company.

3. The Company correctly recognized that continuing to rely on public markets was unlikely to be successful.

The Company's experts, including its Chief Financial Officer, J.P. Morgan, and Houlihan Lokey, concluded that it would not be reasonable to rely on public markets to meet this financing need.[186] As a result, without the Acquisition, compliance with the Carbon Free Standard would be "highly unlikely."[187] The Company's Witness Quackenbush, an expert in regulatory transactions and capital needs of utilities and a former utility commissioner himself, confirmed this analysis in the proceeding.[188] Specifically, this significant gap between the Company's market capitalization and its capital requirements highlights the need for a reliable and stable source of funding to meet its substantial investment goals.[189] The Partners will provide that reliable supply of equity to support ALLETE's capital needs without the risk of equity market volatility or the constraints of the public markets.[190] The Partners will be able to provide ready, flexible access to the equity necessary for the Company's utility investments, reinforced by the above commitments.[191]

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[185] Ex. MP-11 at 6 (Taran Direct) (eDocket No. 202412-212968-05).
[186] Ex. MP-1 at 48, 55–59 (Initial Filing – Petition for Approval, Attachment L) (eDocket No. 20247-208768-01).
[187] Ex. MP-28 at 9–10 (Scissons Rebuttal) (eDocket No. 20253-216055-04) ("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 investment (e.g., grid resilience investments and enhancements) would also be threatened.") (emphasis added).
[188] Ex. MP-30 at 23–24 (Quackenbush Rebuttal) (eDocket No. 20253-216055-12).
[189] Ex. MP-33 at 11–12 (Bram Rebuttal) (eDocket No. 20253-216055-08).
[190] *Id.*
[191] *Id.*

The Report dismisses the detailed analysis of these multiple economic experts with the simplistic assertion that the Company has not had a problem raising capital in the public markets before, therefore it will not have a problem going forward.[192] While ALLETE historically raised equity through secondary offerings on the public market, the Company determined, and the record evidence confirms, this approach would not be sustainable in the face of such large capital requirements.[193] Issuing new shares in the public market would likely lead to higher flotation costs, potential stock price volatility, and an increase in ALLETE's dividend obligations, which could strain its cash flow.[194] Without the Acquisition, the Company would face challenges in securing the necessary funds on time, leading to potential delays in critical projects that are needed to meet customer demand and regulatory obligations.[195]

Market uncertainties, such as interest rate volatility and customer fluctuations, only amplify these risks.[196] The risks associated with Minnesota Power's high concentration of market-sensitive industrial sales have been borne out by recent events. In January 2025, US Steel, Minnesota Power's largest single customer, provided a four-year notice that it would terminate its electric service agreement with Minnesota Power.[197] On March 20, 2025, Cleveland-Cliffs, Minnesota Power's second-largest customer, announced that it would idle two mines in Minnesota Power's

[192] Report at ¶ 135 (eDocket No. 20257-221020-01).
[193] Ex. MP-29 at 4 (Taran Rebuttal) (eDocket No. 20253-216055-05).
[194] Ex. MP-30 at 7 (Quackenbush Rebuttal) (eDocket No. 20253-216055-12) ("Serial issuances will affect public investors' views and the share price they are willing to pay. Relying on public equity issuances may strain the company, contribute to stock price volatility, and negatively impact ALLETE's access to capital."); *id.* at 17 (explaining that dilution of stock prices by serial issuances adversely affects consumers because "[t]he more shares that are issued without the benefit of raising additional equity, the higher the corresponding dividend payment requirement (even if the dividend rate is held flat) and the lower the company's cash flow, which is a primary measure of financial health. Lower cash flow is a primary driver of increased risk and even more needed capital. Customers benefit from a financially healthy utility and would be harmed by a continual downward spiral created by issuances at lower stock prices. The impact on customers would be even greater if a stand-alone company were unable to serially access sufficient capital.").
[195] Ex. MP-11 at 7–8 (Taran Direct) (eDocket No. 202412-212968-05); Ex. MP-28 at 9–10 (Scissons Rebuttal) (eDocket No. 20253-216055-04).
[196] Ex. MP-33 at 11–12 (Bram Rebuttal) (eDocket No. 20253-216055-08).
[197] Ex. MP-30 at 9 (Quackenbush Rebuttal) (eDocket No. 20253-216055-12).

service territory, and lay off more than 600 workers.[198] Absent the Acquisition (and associated expectation that shares will be purchased by the Partners at a fixed price), in addition to these announcements triggering the need for an immediate rate case filing, they would likely have had a negative impact on public investors' perception of ALLETE and their willingness to invest in the Company going forward.[199] Given these challenges, relying on the public markets is not a feasible or effective solution for financing the substantial investments required to upgrade Minnesota Power's infrastructure. The negative impacts of issuing many more shares, such as the significant drain on cash flows, are not described in the Report.

While other parties speculated that public markets may provide adequate capital to the Company, they provided no quantification or other evidence that this is a reasonable conclusion[200] and operated from an academic perspective rather than with the utility's (and the utility's advisors', Partners', and expert Quackenbush's combined) expertise and real-world experience.[201]

The Acquisition provides the solution to the circumstances facing Minnesota Power. It ensures that Minnesota Power can meet its capital investment goals without the uncertainties and risks that would arise from public equity offerings. Given the scale of the investments required and the growing disparity between the Company's market capitalization and its capital needs, the

[198] Ex. MP-40 at 4, n. 6 (Cady Surrebuttal) (eDocket No. 20253-216810-02).
[199] *See* Ex. MP-28 at 6 (Scissons Rebuttal) (eDocket No. 20253-216055-04) ("Without the transaction, the market likely would have reacted negatively to [the US Steel announcement] . . . .").
[200] *See, e.g.*, Ex. CPPIB-GIP-205 (OAG Response to MP IR 11) (eDocket No. 20254-217241-05); Evid. Hr. Tr. at 554:10–18 (Apr. 2, 2025).
[201] *See* Ex. MP-30 at 10–19 (Quackenbush Rebuttal) (eDocket No. 20253-216055-12); Ex. MP-47 (DOC Responses to MP IRs 0027–0031) (eDocket No. 20254-217287-02); Ex. MP-54 (DOC Responses to MP IRs 0010–0014) (eDocket No. 20254-217287-08); Ex. CPPIB-GIP-205 (OAG Response to MP IR 05) (eDocket No. 20254-217241-05); Ex. DOC-303 at 30–37 (Addonizio Direct) (eDocket No. 20252-214941-01); Evid. Hr. Tr. at 582:19–582:23 (Apr. 2, 2025); Evid. Hr. Tr. at 460:9–461:8, 541:14–543:5 (Apr. 2, 2025); Evid. Hr. Tr. at 787:1–788:6 (Apr. 3, 2025).

Acquisition is essential to securing the necessary funding for Minnesota Power to meet its regulatory obligations and ensure the reliability and affordability of service for its customers.

B. The Report's Finding that the Company Selected the Partners Based Solely on the Bid Price is Factually Incorrect.

The Report focused on the last steps of negotiation between the Company and the Partners in February and March 2024, in which the Partners increased their purchase price from $62.50 per share to $67 per share.[202] The Report takes the position that those negotiations mean that the Company sought the highest possible sale price so as to benefit shareholders at the expense of the public interest.[203] That argument reflects a false dichotomy and must be rejected. As described in pre-filed testimony, the end of the negotiation process was nothing more than the result of highly experienced negotiators, each seeing a common interest and path forward and exercising their fiduciary obligations to bargain for the best final price *after* determining they would be the best partners going forward.[204]

1. The Company did not solely seek the maximum price for an acquisition.

As noted by Witness Scissons, if the Company had wanted to maximize its sale price it could have undertaken an entirely different approach, such as an open sale process allowing all bidders.[205] Instead, the Company categorically excluded bidders who would not have been a good fit, even if they would have offered a higher price. The Company specifically chose to focus on infrastructure and pension funds because ALLETE's Board of Directors – which had and continues to have fiduciary duties to the Company in selecting these Partners and this Acquisition – "believed such parties would have the financial resources to invest in the substantial future capital growth

[202] CUB Initial Brief at 16–18 (eDocket No. 20255-218534-01); Department Initial Brief at 18–19 (eDocket No. 20255-218500-01).
[203] Report at 17–19 (eDocket No. 20257-221020-01).
[204] Ex. MP-28 at 3–4 (Scissons Rebuttal) (eDocket No. 20253-216055-04).
[205] *Id.* at 3.

needs of the Company and because of concerns that strategic buyers, which may not be willing to partner with the Company to support regulatory goals in Minnesota and Wisconsin in light of focus on separate interests, could be less attractive investors from a regulatory perspective."[206] In addition, the negotiation process demonstrates that ALLETE successfully balanced all considerations, obtaining access to "patient" capital from precisely the type of investors it was looking for; assurances that protect consumers and the community; and a price per share that would support shareholder approval of this path forward.

2. The Company properly considered multiple interests in selecting the Partners.

Despite implications to the contrary in the ALJ Report, there was nothing inappropriate or anti-consumer about any of this process and considering shareholder value does not ignore customers. To the contrary, it is axiomatic that a public utility such as Minnesota Power has duties both to its stockholders and to its customers and can consider both, concurrently, in its decision-making.[207] Further, this process is entirely consistent with negotiation processes undertaken by publicly traded companies to ensure compliance with a myriad of SEC regulations and rules.[208] The process demonstrates that the ALLETE Board of Directors did an excellent job of balancing its duties, designing the process so that only appropriate investors aligned with the Company's values would be involved, so as to protect and serve its customers and community. Within this framework, the Company also took steps to assure that shareholders would find the transaction

[206] Ex. MP-1 at 41 (Initial Filing – Petition for Approval, Attachment L) (eDocket No. 20247-208768-01).
[207] *See, e.g.*, *Fed. Power Comm'n v. Hope Nat'l Gas*, 320 U.S. 591, 603 (1944) (describing how ratemaking involves a balancing of investor and consumer interests and emphasizing that "the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks"). Similarly, the Commission's regulation of Minnesota Power must maintain the appropriate balance between customer interests and stockholder interests. *See, e.g.*, *In re Interstate Power Co*., 574 N.W.2d 408, 411 (Minn. 1988) (describing the Commission's statutory mandate relating to rate regulation as "broadly defined in terms of balancing the interests of the utility companies, their shareholders, and their customers").
[208] Joint Reply Brief at 39 (eDocket No. 20255-219384-02).

attractive and would support it. This detailed, thoughtful, and thorough effort and the result demonstrate that the ALLETE leadership team precisely deployed all of its expertise and resources to arrive at the right solution for the Company, its workforce, its shareholders, and its customers.

3. The Company properly considered the standalone plan, but concluded that Acquisition by the Partners was the better path.

The suggestion of the Opposing Parties, as adopted by the Report's analysis, is that by rejecting a previous offer by the Partners, ALLETE "opted to pursue" the standalone plan and risked losing the agreement with GIP and CPP Investments.[209] But the Opposing Parties and the ALJ were not there and are in no position to second-guess the complex considerations and judgment calls that ALLETE's Board worked through, all while subject to Minnesota fiduciary obligations to the company the Board serves.

Further, ALLETE never "opted to pursue" the standalone plan. Rather, the Proxy Statement, read as a whole, shows that ALLETE's Board at most "prepared" to move forward with the standalone plan *after* CPP Investments and GIP signaled to ALLETE that they would not increase their price.[210] Ultimately, this argument is based on a false alternative: if ALLETE was maximizing the price to be paid, it must have been harming customers. But these objectives are not opposed, because the Company is obligated to balance both objectives and did so here.

C. Rejecting the Acquisition Would Pose Profound Risks to the Public Interest

The Report fails to address the risks associated with rejecting the Acquisition. While the Report discusses harms and risks that the Acquisition *could* have on the public interest, it does not consider the far-reaching and profound consequences that *rejection could have* on the public

[209] CUB Initial Brief at 18 (eDocket No. 20255-218534-01).
[210] Ex. MP-1 at 51 (Initial Filing – Petition for Approval, Attachment L) (eDocket No. 20247-208768-01). The Board was obligated to make alternate preparations as best it could. Note that the record does not contain any corporate action taken by ALLETE to act on the standalone plan. Just because a plan exists does not make it the best or preferable course of action.

interest, particularly in light of Minnesota Power's increasing capital investment needs and recent market pressures on ALLETE and its customer base.[211] The Report further dismisses out-of-hand the demonstrable and significant financial benefits that the Acquisition *will have* on Minnesota Power's customers, various stakeholders, and the public interest because of the commitments contained within the Settlement. In fact, there is a significant risk that rejecting the Acquisition could meaningfully harm Minnesota Power and its customers.

1. ALLETE's reliance on the public equity markets is not in the public interest.

As previously discussed, the rejection of the Acquisition would force Minnesota Power to seek funding through public equity markets at a time when capital requirements are set to grow significantly. It would be risky to rely on public equity markets to finance the investments that customers need, particularly for a relatively small company with unique and outsized customer concentration risk that has been amply demonstrated by recent events. If the Company cannot finance the investments customers need, or cannot do so at a reasonable cost, it could have negative impacts on service quality, rates, and compliance with the Carbon Free Standard. The Report does not measure these risks at all. The Report's failure to consider the gravity of these risks demonstrates that it does not adequately consider what is in the public interest.

The existence of this risk is demonstrated on the record and, in fact, is the entire reason the Company decided to look for private owners that shared the Company's long-run vision and values. Witness Taran testified that "ALLETE would have difficulty raising the amounts of capital Minnesota Power will need in the future without the Acquisition"[212] and that "[a]ttempting to issue this level of equity in public markets creates an enormous amount of risk for the Company and its

[211] *See* Report at Section IV (eDocket No. 20257-221020-01).
[212] Ex. MP-11 at 7–8 (Taran Direct) (eDocket No. 202412-212968-05).

stakeholders."[213] Witness Taran also testified that it would not be responsible for the Company to move forward on the assumption that it could rely on the public markets for equity capital given its obligation to provide safe and reliable service to customers.[214] Other experts provided similar evidence:

- Witness Scissons testified that "it would be highly unlikely the Company could achieve its carbon free goals as planned" without the Acquisition.[215]
- Witness Quackenbush agreed that ALLETE would face severe challenges accessing the required equity from public markets.[216]
- Witness Bram testified that "[t]he idea that ALLETE could access public equity at the scale and pace that is needed is not based on reality and would likely result in significant challenges for the utility."[217]

The only contrary testimony from Opposing Parties is not based on their witnesses' actual experience trying to raise public equity (as they have none), but is based on theories in textbooks that are at best tangentially related to the question. Moreover, even those textbooks acknowledge that relying on public markets would mean much lower stock prices in issuances, which as explained by Witness Quackenbush would have adverse effects not only on stockholders but on the Company and its customers.[218]

[213] Ex. MP-29 at 18 (Taran Rebuttal) (eDocket No. 20253-216055-05).
[214] *Id.*
[215] Ex. MP-28 at 9–10 (Scissons Rebuttal) (eDocket No. 20253-216055-04).
[216] Ex. MP-12 at 17 (Quackenbush Direct) (eDocket No. 202412-212972-01); Ex. MP-30 at 17–18 (Quackenbush Rebuttal) (eDocket No. 20253-216055-12).
[217] Ex. MP-33 at 11 (Bram Rebuttal) (eDocket No. 20253-216055-08).
[218] Ex. MP-12 at 17 (Quackenbush Direct) (eDocket No. 202412-212972-01); Ex. MP-30 at 17–18 (Quackenbush Rebuttal) (eDocket No. 20253-216055-12).

2. The likelihood of higher costs in public equity markets is not in the public interest.

Even if the Company can finance all of the investments it needs based on public equity markets, there is a high probability that doing so would be far more expensive for Minnesota Power and its customers. Increased financing costs would be passed on to customers through rates.[219] Acting as a continuous serial issuer would likely increase flotation costs and require a larger investor relations budget, which are passed on to customers.[220] As additional shares are issued, increasing dividend obligations would put a burden on the Company's cash flow, driving down its credit ratings and increasing other borrowing costs.[221] It would also force the Company to unreasonably dilute the shares of its existing shareholders to their detriment,[222] which could also make future issuances even more challenging.

In addition, if the Acquisition is denied, the Company would be doing all of this under the specter of a failed transaction, which could negatively impact the market's willingness to support the Company. The idea that the Acquisition can be rejected, and the Company can continue going forward in the same way it has historically, is not plausible or realistic. Without the Acquisition, Minnesota Power would have severe challenges complying with the Carbon Free Standard, as Witness Scissons noted.[223] It is also very likely that challenges in financing investments would result in higher costs and upward pressure on customer rates.

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[219] There is the risk of other significant effects on customers as well. As noted by the Minnesota State Building & Construction Trades Council, inability to secure adequate capital "could create deployment delays that threaten the utility's ability to meet requirements, maintain reliability and/or take advantage of favorable market conditions and avoid unfavorable conditions," increase costs by giving third parties leverage to "extract premiums in cases where the utility could have provided a more cost-effective option," and adversely affect workers through project delays and cancellations as well as less favorable third-party hiring practices." Minnesota State Building & Construction Trades Council Comments at 2 (Apr. 16, 2025) (eDocket No. 20254-217797-01).
[220] Partner Initial Post-Hearing Brief at 28 (eDocket No. 20255-218522-01).
[221] *Id.* at 29.
[222] *Id.*; see Ex. MP-30 at 14 (Quackenbush Rebuttal) (eDocket No. 20253-216055-12).
[223] Ex. MP-28 at 9 (Scissons Rebuttal) (eDocket No. 20253-216055-04).

3. The Report's willingness to rely on delays and reduced compliance with the Carbon Free Standard is not consistent with state policy.

The Report dismisses this evidence without any serious evaluation. And, even worse, the Report appears to reject the fact that denying the Acquisition could have an impact on Minnesota Power's customers. The Report suggests that it would be acceptable if compliance with the Carbon Free Standard were delayed or faced "complication[s]."[224] Petitioners disagree. The Company – which has expertise and responsibility to make these decisions – sought out this Acquisition because it determined that it could not meet its obligations without improved financing to make the investments its customers need. That decision was based on careful analysis. While reasonable people could disagree about the magnitude of the risk, it is fundamentally unreasonable to pretend that there is no risk in rejection of the Acquisition. And when it comes to the Company's obligation to serve customers and comply with the Carbon Free Standard, the risk of rejection is too high.

V. The Commitments in the Settlement Will Create Substantial Public Benefits That Were Not Adequately Evaluated in the Report.

The Acquisition will result in a wide range of benefits to the public interest as a result of the commitments offered by the Petitioners, including the new commitments in the Settlement reached with the Department. The Report does not analyze or recognize the benefits of the commitments made during the contested case proceeding, but rather simply disregards them.

A. The Settlement and Other Commitments Produce Significant Benefits for the Public Interest.

Despite the Report's quick dismissal of the Settlement, a closer analysis demonstrates that the Settlement and other commitments offered during the proceeding go beyond the requirement that the Acquisition be "consistent with the public interest" and, in fact, will provide benefits that would not be available to Minnesota Power customers and the State of Minnesota absent the

[224] Report Memorandum at 72–73 (eDocket No. 20257-221061-02) (HCTS).

Acquisition. It is critical that these benefits be properly evaluated, as they will not be obtained unless the Acquisition is approved.

1. Improved Financing

The Report raises concerns that the Acquisition will not actually improve the Company's access to capital and may decrease access to equity.[225] While those concerns are unfounded, the Settlement includes commitments that further ensure that the Company will have the equity capital it needs after the Acquisition is approved.

The Settlement will achieve the primary purpose of the Acquisition by ensuring that Minnesota Power can finance the investments it needs to make to serve its customers. To make this happen, the Settlement includes the commitment that the Company will be provided guaranteed equity financing to fully support Minnesota Power's five-year capital investment plan detailed in the Company's February 2025 10-K filing.[226] This secured equity infusion ensures stable financing for essential clean energy infrastructure projects, eliminating the risk of dependence on volatile public equity markets and associated risks of higher financing costs for customers.

This commitment is very substantial. To fund Minnesota Power's five-year capital plan, the Company projects it would need to raise approximately $1 billion through follow-on common equity offerings over the next five years.[227] As described above, the Company does not believe it

[225] Report at ¶ 135 (eDocket No. 20257-221020-01); Report Memorandum at 72–73 (eDocket No. 20257-221061-02) (HCTS).
[226] Settlement at 1.3 (eDocket No. 20257-220879-01).
[227] MP-29 at 4–5 (Taran Rebuttal) (eDocket No. 20253-216055-05). The $1.8 billion in capital necessary for transmission projects is in addition to amounts necessary to implement generation projects that the Commission has either already approved or that are currently before the Commission for consideration to comply with the Commission's 2021 Integrated Resource Plan Order such as the Regal Solar Project and the Boswell Solar Project.

can do this while relying on public markets.[228] This substantial financial commitment is a critical benefit to Minnesota Power's customers.

The Settlement also meaningfully enhances the capital commitment by including a strong enforcement mechanism. In paragraphs 1.4 and 1.5 of the Settlement, the Partners have committed that if they are not in compliance with the capital commitment, the Partners will not receive dividends from the Company. The Settlement also commits that the Company will work with the Department to develop the methods for reporting compliance.

Importantly, public market investors do not make binding, forward-looking capital commitments to an issuer or its customers.[229] Public investors may acquire shares in large quantities without undertaking any obligations to provide additional equity when needed or to support customer benefits.

The Partners' returns likewise depend on the infusion of new capital, on Commission approval of specific investments and associated cost recovery, and on the Commission's determination of an appropriate return on utility assets. These factors will continue to apply after the initial five-year period.

While the Report adopted the Opposing Parties' proposed findings that ALLETE could simply defer dividends or issue more debt, it failed to recognize that public market investors do not invest in a company without anticipated dividends – especially for utility companies, where stable returns are a hallmark of the attractiveness of the investment category.[230] Issuing more debt also does not resolve this issue, because it could create other harms that were specifically identified

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[228] *Id.*

[229] See the discussion in Section III.A, herein, discussing the possibility of a shareholder or group of shareholders taking a controlling interest in ALLETE by acquiring shares through public markets. Such an acquisition would not be subject to Commission approval. These shareholders could then take control of the ALLETE Board of Directors without making any of the significant commitments available through the Acquisition.

[230] Ex. MP-31 at 20–21 (Alley Rebuttal) (eDocket No. 20253-216055-09); Ex. MP-33 at 14 (Bram Rebuttal) (eDocket No. 20253-216055-08); Ex. MP-27 at Schedule 1 Page 1 of 7 (Cady Rebuttal) (eDocket No. 20253-216055-03).

by the Department and other parties.[231] As discussed by the Department in testimony, excessive debt can over-leverage the Company, including the Minnesota Power utility, drive down credit metrics and therefore credit ratings, and ultimately raise the cost of capital for customers.[232] The capital commitment established in the Settlement is a more reasonable and prudent solution to the financing problem than any alternatives suggested in the record.

2. Clean Firm Technology Fund

The Report raises concerns regarding the Petitioners' commitment to the Carbon Free Standard.[233] As discussed above, the Partners' internal documents demonstrate that their interests are fully aligned with the Carbon Free Standard. In addition, new commitments in the Settlement further demonstrate this commitment. The Settlement includes new commitments to invest in the clean energy transition. Paragraph 1.63 of the Settlement establishes a Clean Firm Technology Fund (the "Fund") with $50 million provided by Alloy Parent and recorded as a regulatory liability.[234] This $50 million will not be recoverable from Minnesota Power customers. The Fund is structured to deliver durable, schedule certain support for long duration, dispatchable, carbon free resources – precisely the category of solutions that the Department has identified as critical to meeting Minnesota's 2040 Carbon Free Standard. No other utility investor has made this type of commitment.

This commitment will explicitly reduce the cost of a resource selected to meet the needs of customers in the future. The rate impact will likely be greater than $50 million in the long term, as Paragraph 1.63 provides that there will be no return on capital or depreciation for the $50 million grant. The grant demonstrates the Petitioners' commitment to the Carbon Free Standard, their

[231] Ex. DOC-304 at 36–37 (Addonizio Surrebuttal) (eDocket No. 20253-216799-01).
[232] *Id.*; Ex. DOC-303 at 15–17 (Addonizio Direct) (eDocket No. 20252-214941-01).
[233] Report at ¶¶ 185–87 (eDocket No. 20257-221020-01).
[234] Settlement at 1.63 (eDocket No. 20257-220879-01).

interest in working cooperatively to identify creative solutions in meeting the Carbon Free Standard and will meaningfully mitigate rate impacts for customers in the future.

3. Rate Case Stay Out

The Report asserts that the Acquisition could impact rates charged to Minnesota Power's customers.[235] Petitioners have made several new commitments in the Settlement that ensure this will not be the case, and in fact that rate increases will be avoided. Paragraph 1.43 of the Settlement states that Minnesota Power waives its right to file a rate case before November 1, 2026.[236] Absent this commitment, the Company would likely be preparing to file a rate case in the near future given cost increases and changes in customer sales.

In January 2025, US Steel, Minnesota Power's largest single customer, provided a four-year notice that it would terminate its electric service agreement with Minnesota Power.[237] On March 20, 2025, Cleveland-Cliffs, Minnesota Power's second-largest customer, announced that it would idle two mines in Minnesota Power's service territory, and lay off more than 600 workers.[238]

The Commission is aware that such changes have historically caused Minnesota Power to file a rate case shortly thereafter. As described by the Department in the cover letter accompanying the Settlement dated July 11, 2025, the Department ascribes the value of a one-year rate case stay-out to be roughly an incremental $25 million (the Company believes the value is significantly higher), independent of the ROE change described below.[239]

4. Rate Reduction

The Settlement further addresses rate concerns raised in the Report by ensuring that there will be a reduction in current rates once the Acquisition closes. Paragraph 1.43 of the Settlement

[235] Report at ¶¶ 217–22 (eDocket No. 20257-221020-01).
[236] Settlement at 1.43 (eDocket No. 20257-220879-01).
[237] Ex. MP-30 at 9 (Quackenbush Rebuttal) (eDocket No. 20253-216055-12).
[238] Ex. MP-40 at 4, n. 6 (Cady Surrebuttal) (eDocket No. 20253-216810-02).
[239] Docket No. E015/PA-24-198, Settlement Cover Letter at 2 (July 11, 2025) (eDocket No. 20257-220879-02).

states that Minnesota Power's currently-approved ROE will be reduced from 9.78 percent to 9.65 percent.[240] The change in ROE will take effect the first full month after both of the following have occurred: (i) the close of the Acquisition and (ii) when the order of the Commission becomes final. The 9.65 percent ROE will remain in effect until Minnesota Power files its next rate case and will be used to set interim rates in Minnesota Power's next Minnesota rate case.

This commitment means that rates paid by customers will be reduced following the Acquisition, resulting in immediate benefits for customers. Further, Paragraph 1.43 was specifically crafted to make sure that the benefit of the reduced ROE lasts for a long time, by ensuring the reduced ROE will be used to set interim rates in the next rate case.[241] Over that duration, Petitioners estimate that the ROE reduction will save customers approximately $7.6 million. As such, this commitment provides real, immediate rate reduction benefits to Minnesota Power's customers, which is consistent with the public interest.

5. Service Quality

The Report also suggests, without evidence, that the Acquisition could lead to reduced service quality for customers.[242] The Petitioners disagree and note that the findings in that section do not have much to do with service quality. Regardless, to show their commitment to service quality, the Petitioners have made a substantial commitment to expand the Commission's authority over service quality and demonstrate that the Petitioners are fully aligned with providing high-quality service for customers. Paragraph 1.64 establishes new Safety, Reliability, and Service Quality ("SRSQ") metrics for Minnesota Power that align with its SRSQ docket and may change

[240] This includes Minnesota Power's commitment not to seek recovery of flotation costs but extends that commitment to the closing of the Acquisition rather than waiting until implementation with the next rate case.
[241] Minn. Stat. § 216B.16, subd. 3(a) (providing that interim rates are set using the "rate of return . . . authorized by the commission in the utility's most recent rate proceeding"). In contrast, Petitioners have committed that the next rate proceeding will use an ROE of 9.65 percent to establish interim rates instead of the 9.78 percent that would be allowed under law.
[242] Report at ¶¶ 223–28 (eDocket No. 20257-221020-01).

if Commission rules or SRSQ metrics change. And, for the first time, the Company will be subject to financial penalties if it does not achieve the new metrics. Beginning one year after the Acquisition closes and enforceable after two years, a $250,000 underperformance payment is triggered for each failure.[243] Underperformance payments would not be recoverable and would be split between customer credits and reinvestments to fix the cause.

The specific categories and triggers for the metrics were negotiated with the Department to ensure that they target measurements and performance levels that add meaningful protections for customers. Similarly, the amount of underpayment penalties was negotiated such that it will have a meaningful impact on the Company's incentives.

The SRSQ metrics provide substantial public interest benefits and mitigate many of the concerns expressed in the Report. The Report suggests that the Acquisition could impair the Company's financial health in a way that affects service quality,[244] or that the Partners could have incentives that are not aligned with that of customers.[245] Petitioners maintain that the Acquisition will have no negative impact on customer service quality, but have now agreed to financial exposure to demonstrate their level of commitment. Following approval of the Acquisition, the Commission will have regular reporting on the new metrics, which will provide visibility on any potential impacts to service quality. And the substantial underperformance payments align the incentives of the Company, the Partners, and customers in ensuring that Minnesota Power continues to provide high quality service.

Critically, the service quality commitments are something that the Commission could not require outside of the Acquisition. The Commission does not have legal authority to assess

[243] Settlement at 1.14 (eDocket No. 20257-220879-01).
[244] Report at ¶ 226 (eDocket No. 20257-221020-01).
[245] *Id.* at ¶ 228.

penalties to utilities for service quality issues. The public interest benefits of the new service quality commitments can occur only with the approval of the Acquisition.

6. Low-Income Cost Protections

Despite the Report's suggestion that the Petitioners intend to increase rates in ways that harm customers,[246] Petitioners have agreed to further commitments that will protect the most vulnerable customers from rate issues. The Settlement provides significant, tangible, and immediate commitments that are rarely made by a utility's investors, as nonpayment of arrearages are usually borne by other utility customers (including industrial, other residential, and small commercial customers) and can raise costs (e.g., bad debt expense) for the utility. Further, forgiving residential arrearages in the manner described here will make a material difference in the lives of Minnesota Power's low-income and most vulnerable customers. These commitments ensure that low-income customers will continue to have access to affordability assistance consistent with current levels, directly addressing concerns about affordability for residential customers.[247] This commitment is an historic, investor-paid benefit to the Company's most vulnerable customers that is not presently available, and it is not clear Minnesota Power could make or would be able to make such a commitment absent the Acquisition and the Partners' associated commitment of funds.[248]

Specifically, to support these customers, the Partners have committed to maintaining the current CARE affordability program and providing up to $3.5 million in direct financial support to reduce residential customer arrearages to pre-pandemic levels or better.[249] Additionally,

[246] *Id.* at ¶¶ 212–22.
[247] Ex. MP-27 at 25 (Cady Rebuttal) (eDocket No. 20253-216055-03).
[248] $3.5 million is the level of customer arrearages. During the hearing, CUB implied this number would be less by mixing tracker balances with arrearage levels. Evid. Hr. Tr. at 193:20–195:21 (Apr. 1, 2025); Evid. Hr. Tr. at 759:1–23 (Apr. 3, 2025). However, even if the level were closer to $1 million, as implied by CUB, this would still be an historic level of commitment that is not available from public shareholders.
[249] Settlement at 1.48 (eDocket No. 20257-220879-01).

Petitioners have affirmed the broad applicability of statutory budget billing protections, ensuring inclusive access to affordability programs for all residential customers.[250] Collectively, these comprehensive and enforceable commitments mitigate risks and proactively offer substantial, measurable benefits, justifying the Commission finding the Acquisition is consistent with the public interest.

7. Workforce and Labor Protections

The Settlement with the Department incorporates workforce and labor protections the Company and Partners agreed to with IBEW Local 31, LIUNA, the Operators and Carpenters Unions.[251] Specifically, Minnesota Power's longstanding commitment to prioritizing local union labor on construction contracts and requiring contractors and subcontractors to pay their workers prevailing wage as evidenced by local collective bargaining agreements will continue.[252]

The Company also worked with IBEW Local 31 to extend the Collective Bargaining Agreement for Minnesota Power employees for a period of two years, starting in January 2026.[253] Through negotiations with IBEW Local 31 the Company also agreed to execute a Neutrality Agreement.[254] Taken together, these commitments reinforce Minnesota Power's longstanding commitment to its employees and organized labor and are made possible because of the Acquisition and the Partners.

8. Other Benefits

The Settlement also provides other benefits that are responsive to the concerns identified in the Report. For example, the Report claims that the Acquisition will result in reduced

[250] *Id.* at 1.49.
[251] *Id.* at 1.56–1.62.
[252] *Id.*
[253] MP-37 at 5 (Krollman Rebuttal) (eDocket No. 20253-216055-07).
[254] *Id.*

transparency.[255] But Settlement Paragraphs 1.32 through 1.39 ensure that the Commission will have access to the information it needs to execute its regulatory authority, guaranteeing access to relevant books and records, and regularly filed financial statements from Partner entities in addition to ALLETE.[256]

Parties raised concerns about the separation between Minnesota Power and ALLETE's non-regulated subsidiaries.[257] Although that issue is not new, and not directly caused by or related to the Acquisition, the Petitioners have made a commitment to respond to the concerns. Paragraph 1.27 commits to filing a petition regarding the formation of a holding company for Minnesota Power, which would separate the regulated utility from the rest of the ALLETE structure. If approved, the holding company structure would protect the regulated utility from impacts of ALLETE's existing nonregulated businesses.[258]

The Report expresses concerns that the commitments previously offered by Partners are insufficient to protect against dealing with vendors that are otherwise associated with the Partners.[259] Paragraph 1.29 is directly responsive to this concern. First, it confirms that the vendor reporting commitment previously offered is in addition to, not a replacement of, existing affiliated interest requirements. It also provides enhancements to the vendor reporting commitment, reducing the reporting threshold from $1 million to $500,000. As a result, additional vendor contracts will be subject to reporting and the Commission, and the Department will have improved visibility into Minnesota Power's contracting.[260]

[255] Report at ¶¶ 235–44 (eDocket No. 20257-221020-01).
[256] Settlement at 1.32–1.39 (eDocket No. 20257-220879-01).
[257] Ex. DOC-301 at 20 (Vavro Direct) (eDocket No. 20252-214941-05).
[258] Settlement at 1.27 (eDocket No. 20257-220879-01).
[259] Report at ¶¶ 267–71 (eDocket No. 20257-221020-01).
[260] Settlement at 1.29 (eDocket No. 20257-220879-01).

The Report also describes concerns regarding the ALLETE's Board of Directors, suggesting that there may not be sufficient oversight following the Acquisition.[261] Petitioners have agreed to meaningful commitments related to the composition of ALLETE's Board that address these concerns. The Settlement also contains meaningful concessions regarding the composition of ALLETE's Board of Directors, responding directly to concerns raised on the record about ensuring alignment between ALLETE and its new investors. To ensure that local and independent voices are recognized, the Board will include six "independent" directors, as defined by the New York Stock Exchange, in addition to previous commitments.[262] And the independent directors will need to separately agree before ALLETE or Minnesota Power can be placed into voluntary bankruptcy.[263]

Through cooperation with the Department, the Petitioners have reached agreement in the Settlement on a set of commitments that will provide meaningful public interest benefits to Minnesota Power's customers, by reducing rates, delaying potential rate increases, aligning the interests of the new investors with customers, and granting the Commission additional tools to ensure good service quality. With these benefits, the Acquisition is clearly in the public interest and should be approved; if the Acquisition is rejected, as recommended by the Report, all of these benefits will be lost.

B. The Settlement Commitments Match or Exceed Commitments for other Acquisitions that have been Approved.

The Report claims that financial commitments in acquisitions in other states under different statutes and circumstances and not by the same Partners should be determinative in the evaluation of the Acquisition. Specifically, the Report focuses on the acquisitions of Puget, El Paso, and South

[261] Report at ¶¶ 264–66 (eDocket No. 20257-221020-01).
[262] Settlement at 1.23(b) (eDocket No. 20257-220879-01).
[263] *Id.* at 1.28.

Jersey, claiming the financial commitments exceed the value of the financial commitments agreed to by the Petitioners in this case.[264] But the Report simply offers a raw dollar comparison, failing to account for the substantial differences in the relative size and scale of the different utilities being compared. As a simple illustration, financial commitments worth $100 for 100 customers may well be more meaningful than a commitment of $1,000 for 10,000 customers. Therefore, the Report's claim about the value of ALLETE's commitments relative to the other three utilities does not provide a reasoned analysis and is misleading at best.

Attachment C provides a comparison that accounts for differences among the compared take-private utilities in equity value and number of customers. As such, it provides a direct comparison of the ALLETE transaction to the three other take-private utilities referred to in the Report. Attachment C also compares these utilities in relation to other commitments that are not quantifiable in dollars. This comparison shows that the Petitioners' commitments compare favorably to all three of the other take-private utility commitments.

Table 1. Financial Commitments from Transactions Referenced in Report[265]

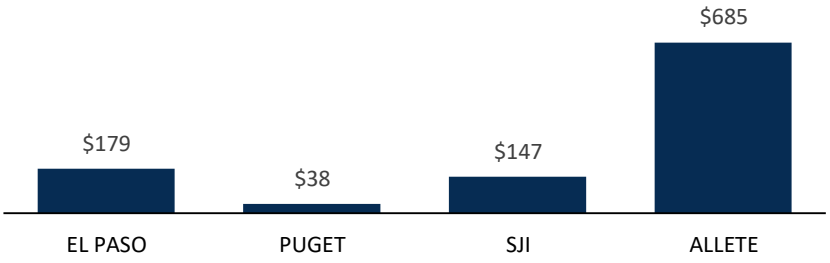
		EL PASO ELECTRIC	PUGET	SJI	ALLETE
GENERAL INFO	Jurisdiction	NM/TX	WA	NJ	MN/WI
	Transaction Announcement Year	2019	2007	2022	2024
	Transaction Equity Value	$2.8bn	$3.5bn	$4.3bn	$3.9bn
	Capital Funding Commitment	$1.3bn	+$1.4bn	X	$4.6bn
	Total Customers	429k	1,750k	700k	150k
FINANCIAL BENEFITS	Financial Benefits (NPV10)[(1)]	$77mm	$66mm	$103mm	$103mm
	Financial Benefits	$133mm	$105mm	$118mm	$132mm
	Financial Benefits Per Customer (NPV10)[(1)]	$179	$38	$147	$685
	Financial Benefits % of Transaction Equity Value (NPV10)[(1)]	3%	2%	2%	3%

This information demonstrates that, with the additional commitments in the Settlement, the Petitioners have actually offered far more financial commitments than in other transactions that

[264] Report ¶ 180 (eDocket No. 20257-221020-01).
[265] Attachment C.

have been approved. Perhaps more importantly, the commitments per customer are much higher, reflecting that Minnesota Power has fewer customers than the other utilities the Report evaluated, as demonstrated in Figure 2.

Figure 2. Value of Financial Commitments per Customer[266]



The financial commitments offered by Petitioners have an estimated value of $685 per customer, which is substantially higher than the per-customer financial commitments in the El Paso, South Jersey, and Puget Sound cases cited in the Report,

The Petitioners' commitments in this case compare even more favorably when accounting for the commitment to contribute $50 million to a clean firm fund to help facilitate Minnesota Power's decarbonization efforts, along with the $3.8 million commitment to extend the existing collective bargaining agreement and extend terms to nonunion employes. Moreover, the Petitioners have committed in the Settlement to extensive service quality standards with associated penalties that provide further substantial value to the Acquisition.[267] Two of the three comparative take-private mergers referred to in the Report have no service quality standard commitments and none of the three include any commitments to reduce their previously determined ROE or extend existing labor contracts.

[266] *Id.*
[267] Settlement at 1.64 (eDocket No. 20257-220879-01).

VI. CONCLUSION

The Petitioners respectfully request the Commission approve the Acquisition consistent with the terms of the Settlement.

Dated: August 4, 2025

Respectfully submitted,

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