

From: Richard Kienzle <rwkienzle@gmail.com>
Sent: Thursday, September 16, 2021 10:26 AM
To: Staff, CAO (PUC) <consumer.puc@state.mn.us>
Subject: Island Lake Leased Property Sale by MN Power

We have received notice that Minnesota Power is in the process of selling their leased lots to the lessees. We bid on our property in 1989 to be able to obtain a lease. In other words, it didn't add any value to our property...it was just money out the window so we could lease the property. We built our house soon after in 1993. In the time that we have leased the property, the lease has increased 10 fold. The original lease payment started out at \$400/year and is now at \$4000/year. The lease is based on 2.5% of the land value, which we pay to Minnesota Power. Taxes have also increased tremendously. We pay MN Power's taxes on the land based on the value set by the St. Louis County Assessor's Office. Therefore, MN Power has required us to pay a percentage of the land value twice, paid annually. It appears that MN Power and St. Louis County Assessor's Office are in collaboration with each other because the values that are set for the land are higher than they should be so that MN Power receives a higher lease payment and taxes. The assessor raised the value of the land just before we received notice that MN Power is planning to sell to its leaseholders, therefore, a higher price will be obtained for MN Power.

We feel that the proposal from MN Power to the leaseholders is not fair. Many of us have paid our fair share of the value of the land already, having leased and paid taxes on our property for a long long time. We are not receiving any credit for this in the proposal. We feel that credit should be given for the lease payments we paid to MN Power for the many years of leasing. We have also improved the value of the land with our own money, which increases our lease and taxes, to the benefit of MN Power and the county.

Please consider an equitable solution which is fair to the many leaseholders who have lived on Island Lake and have made so many great memories with family and friends. I would hate to have to move from the lake because of a proposal from MN Power that would be too high to afford. Contrary to much public opinion, most of the people who live on Island Lake are middle income and just trying to make ends meet. We are NOT all doctors and lawyers with tons of money. We are both retired and have expected to use the sale of our house sometime down the road as a nest egg. Now Minnesota Power has found a way to steal money from us by requiring us to buy the property either now or later, and having to obtain a large mortgage for the land. We are not against buying the land, but would just like an equitable fair price.

Sincerely,

Rick and Nancy Kienzle
5492 W Island Lake Rd
Duluth, MN 55803

From: CATHERINE MARTIN <twopines@aol.com>
Sent: Thursday, September 16, 2021 12:16 PM
To: Staff, CAO (PUC) <consumer.puc@state.mn.us>
Subject: Sale of Minnesota Power land to the leaseholders on Minnesota Power's reservoirs

To Whom It May Concern,

My wife and I purchased our property located at 5040 8th Ave, Duluth, MN 55803, on Island Lake reservoir on 9/30/2005. At the time of the closing, a Minnesota Power representative was present to transfer the lease on the property from the former owner, into our name. The Representative told us that Minnesota power had been in the land leasing business on the reservoirs in the Duluth area for a very long time, going back decades, and that they routinely offered extensions on leases as they expire. At no time did she ever give us the impression that Minnesota Power would be getting out of the land leasing business, and indeed, in April of 2009, Minnesota Power offered us another extension

on our lease that extended the lease out to 2/1/2041. All of this created the impression by Minnesota Power that we could lease this land in perpetuity while we lived here.

Recently, Minnesota Power has decided they no longer want to be in the land leasing business and as you already know, they are forcing the current leaseholders to eventually purchase their land. They've applied for guidance and approval from the Minnesota Public Utilities Commission on how to proceed with this venture. As a leaseholder, it seems like, and feels like the only stakeholders whose interests are being considered in this matter are Minnesota Power's and their ratepayers. Minnesota Power is seeking to get the best price for their land so that they can pass this on to the ratepayer in the form of lower rates. But as a current leaseholder, who's looking out for our interests?

In speaking with other current leaseholders, we all feel like we are being forced to pay for our land twice - once when we purchased the property, and once again having to purchase it from Minnesota Power. This is creating a great economic burden on the current leaseholders - many of whom are already in retirement and on fixed incomes (as my wife and I are). My land is currently valued at \$162,000, and now I am being forced to pay this large sum of money for land I already purchased, placing a huge economic burden on my wife and I. It only seems fair that all stakeholders' interests are factored into the decision making process, not just Minnesota Power's and its ratepayers.

The first lake that Minnesota Power told the leaseholders that they would have to eventually pay for their land was Alden Lake. It has come to our attention that Minnesota Power offered the leaseholders on Alden Lake a 15% discount off the current assessed value of their land, as assessed by St. Louis County. Why are we not being offered this same discount? The current offer from Minnesota Power not only doesn't include this same discount, they are actually proposing to tack on an additional 4% above the assessed value to lock in the purchase price. This seems very unfair, and actually encourages one to seek restitution via the court system so that the same program is offered to all leaseholders affected by Minnesota Power's decision, not just a chosen few.

At a minimum, the Minnesota PUC should make it so that ALL Minnesota Power leaseholders are offered the same program that was offered to the leaseholders on Alden Lake where this whole process started. It is only right that ALL stakeholder's interests are considered in this matter, including the current leaseholders who are most affected by this huge purchase they are being forced into by Minnesota Power. I would urge the Commissioners to please take the current leaseholders' interests into account when making their final decision on this matter.

Thank you very much for your time and consideration.

Sincerely,

Thomas R. Martin
5040 8th Ave
Duluth, MN 55803
twopines@aol.com

From: Lynn Fena <lynnfena@gmail.com>
Sent: Friday, September 17, 2021 8:14 AM
To: Staff, CAO (PUC) <consumer.puc@state.mn.us>
Subject: Minnesota Power sale of leased shoreline

Dear Public Utilities Commissioners,

I am writing to tell you about my perspective regarding Minnesota Power's proposal to sell leased shoreland around Island Lake, Fish Lake and Whiteface Reservoirs in St. Louis County.

My husband and I purchased a cabin on Whiteface Reservoir in 2008, assured by Minnesota Power that they were required by the federal government to offer recreational leases in perpetuity. We retired here in 2013. We are currently facing the likely opportunity to purchase our property lease from Minnesota Power after all. While this is positive in

many ways, there are some issues that we and other leaseholders like us struggle with. We have not been able to get much discussion going with Minnesota Power staff so we are reaching out to our legislators, St. Louis County commissioners and the Public Utilities Commission for assistance.

Here is what has been presented to us: Sometime next year, we will have a window of time during which to purchase our land at the 2021 estimated market value plus 4%. Included in that purchase option will be newly drawn, reconfigured property lines that will extend to include our roadways, mostly privately maintained but not privately owned. (MN Power wants to divest liability for roads.) So, in order for my husband and myself to purchase our current one acre lot, we may be forced to acquire 4 or 5 acres of land that includes other driveways and powerline easements. For 4% more than market value.

Minnesota Power created the reservoir system about 100 years ago and began leasing properties shortly afterwards. It would seem to me that this reversal merits more discussion and negotiation with leaseholders who faithfully pay a hefty lease fee every year. We have, as a whole, invested a great deal in creating the recreational opportunities developed here and for which the utility company will now profit. They have said there will be no negotiation; No credit for lease payments (for myself and husband this would be around \$18,000). Moreover, no credit AND an increase of 4%?? A majority of these properties, it turns out, were reassessed in 2020, with generous valuation increases across the board showing up in 2021, the year MP wants to use as a basis. We want to hear an explanation for that.

A few years ago, Minnesota Power sold leased land on Alden, Little Alden and Spring Lakes. It seems to me they set a precedent at that time when they offered the lots to lease holders for 90% of estimated market value. This seems to offer the rest of us a minimum starting point in a negotiation process.

Very soon you will be asked to approve Minnesota Power's proposal. If there is anything you can do beforehand to really gather public comment, it would be greatly appreciated by the nearly 1000 leaseholders on Island lake, Fish Lake and Whiteface Reservoir who are involved. We would like to delay the decision until a complete discussion can take place.

Thank you for your work and for your consideration.

Sincerely,

Lynn Fena 2562 Eskeli Rd. Markham, MN 55763 218-591-1033

From: Meredith Kuehl <mjokuehl@gmail.com>

Sent: Friday, September 17, 2021 10:22 AM

To: Staff, CAO (PUC) <consumer.puc@state.mn.us>

Subject: Minnesota Power lease lot sales

Concerns of seniors on the proposed sale of Minnesota power lease lots.

Recently, Minnesota Power (MP) has announced the sale of all of their reservoir lake lease lots. Concerns have been expressed by those who have recently bought a lease that they will again have to pay MP at today's current market value to buy their lot a second time.

Additionally, we wish to inform you of another deep concern, that of senior citizens who purchased their lot leases 25 to 45 years ago. Because of MP's method of competitive bidding to "win" the right to purchase the lease, we too paid a high market value to obtain our leases. At that time, we had the understanding from MP that as long as we continue to pay the yearly lease fee we could hold the lease until we wish to sell the lease to a new owner. Our concern with the current proposal is that after buying our lease and paying very high yearly fees for many years, we will be forced to buy our lot a second time, but this time at today's current market values.

For many of us senior citizens who are living on a retirement income, we cannot afford to buy our lake lots a second time, and certainly not at the COVID driven current real estate values. Further the amount paid to MP to initially purchased our leases, and the yearly lease fees we have paid, must have certainly met or exceeded the current market value of the lot. We understand MP's position as a for-profit company to make as much money as possible; however, we feel that their proposed method of determining the sale value is completely unfair to those seniors who have been good tenants for a very long time. MP has taken what we consider to be an unethical position toward their longtime customers, and ask that you, along with MP, develop a more fair plan to all, taking into consideration the money we have already paid to MP. We certainly welcome the opportunity to own our lots rather than lease them, but only if a fair price can be determined.

Thank you for your understanding and assistance,

Douglas and Meredith Kuehl
Whiteface Lake Reservoir
dwkuehl@gmail.com

Douglas W. Kuehl
Duluth, MN
(218) 391-2768

From: Verne Wagner <lwagsmn@yahoo.com>
Sent: Friday, September 17, 2021 10:57 AM
To: Staff, CAO (PUC) <consumer.puc@state.mn.us>
Subject: Minnesota Power Proposed sale of leases

September 17, 2021

Ms. Katie Sieben, Chairwoman
Minnesota Public Utilities Commission
St. Paul, MN

Dear Ms. Sieben,

My name is LaVerne (Verne) Wagner and I am co-owner of a cabin on Whiteface Reservoir. As I said, I co-own our cabin with my three siblings. The cabin was purchased and leased by our Grandparents in 1965. They did some updating to the cabin like newer wiring, paneling, drilled a well and built a one stall garage. Although the cabin was theirs, it was used as the family cabin, and we grandchildren spent wonderful summers with them.

Around 1985 or thereabouts, because of age and health, they sold that cabin to my Father, their only child for \$1. My Grandfather's wishes were that the cabin remain open, as a family cabin. My father made some significant improvements like indoor plumbing, complete with shower and toilet. Our outhouse was sadly retired. My father enjoyed the cabin until his health gave way and he sold the cabin to me and my siblings for \$1 each. He basically tripled his money. The understanding was that the cabin would remain open to our family members to use, and if ever sold, the money would be split 4 ways with my siblings.

Here is the problem. I am the only one who lives in Minnesota, here in Duluth. My other siblings live in Nebraska, Arizona and New York. with the exception of the one in New York, the others visit once or twice a year. My oldest brother has children and grandchildren who use the cabin once or twice a year. Because of this, I pay the lease, taxes and maintenance costs because I use the cabin majority of the time.

If I am forced to buy the cabin from MN Power at the projected ETV of \$126,000 plus 4%, I would have to pay my siblings \$32,768 each or a total of \$98,280 plus the \$126,000 plus 4%, a grand total of \$229,320.00. Being a retired RR worker that is way beyond my means, especially at age 66.

Our cabin is filled with memories, my father's ashes are buried there along a flagpole he built to honor his father. Taking a lease option away after leasing for 56 years is cruel. In February 2019, I asked MN Power if they were getting out of the leasing business, they assured me they were not, and further stated I could renew my lease that expires in 2023 at anytime with them.

I ask the MN PUC to require MN Power to sit down with us lease holders to work out a proposal that might not be perfect, but addresses our concerns and needs.

Since learning of MN Power's proposed lease sale on August 21, 2021, we have put together a Facebook page for lease holders on Whiteface, Island Lake, and Fish Lake. We have just over 520 members who share these same concerns. I am hoping that you recognize that very few are happy with the sale as proposed, and that we can work out a better solution, if given the opportunity.

Sincerely

LaVerne Wagner (Verne)
5120 Juniata Street
Duluth, MN 55804

From: Stevens, Gregory R. <Gregory.Stevens@EssentiaHealth.org>

Sent: Friday, September 17, 2021 1:25 PM

To: Staff, CAO (PUC) <consumer.puc@state.mn.us>

Cc: Gregory Stevens <pgstevens@live.com>

Subject: Proposed Leased Lot Sales

Dear Katie Sieben, Chairperson of The MN PUC,

My name is Greg Stevens. My wife Peggy and I bought a leased lot in Harris Bay on Whiteface Reservoir, October of 2016. When we bought our property, we were under the impression that MN Power would continue to lease these lots, as they have done for decades. We paid \$100,000 for this lot, and our hope was to build our retirement home there someday. We have already spent over \$37,000 making improvements such as a septic system, bunk house, and pole barn. We have also spent countless hours beautifying the lot by removing brush, dead trees, etc.... We have some concerns regarding Mn Powers Proposed sale of these leased lots.

1. In several Q&A sessions, MN Power's representatives have been non-committal as to any formula they might use for developing a purchase price. An example given by one of the MN Power representatives was that an original leaseholder who had paid \$60,000 for a 30-year lease, and had been leasing for 20 years, would get a \$20,000 credit towards their purchase price (10 years left = 1/3 of lease credit). This "credit" should not only apply to original leaseholders, but subsequent leaseholders as well. When we purchased our lease from a third party, we also purchased all rights, benefits, and entitlements that were granted to the original lease holder.
2. The timing of property values being re-assessed just prior to MN Power proposing to sell the leased lots is a bit suspect!
- 3.
4. MN Power received monies for the original purchase of these leases and have received yearly lease payments from every lease holder. By setting purchase price at current land value + 4% (If no consideration is given for original purchase price), MN Power is committing Highway Robbery against everyone that owns a current lease!
- 5.

6. If MN Power is allowed to sell their leases for Land value + 4% without any discount for original purchase price, We will have \$208,000 invested in land that is worth 1/2 that amount. How is that fair to anyone but MN Power?!

We respectfully ask that the MN PUC demand that MN Power come up with a more equitable and fair solution to selling these lots to us. Our property investments need to be deducted from our lease sale price. And the 4% above current land value also needs to be rescinded. Like most others, we bought our property with the understanding that MN Power, who started leasing lands over 70 years ago, was in the long-term leasing business. There has never been any reason to believe any differently. We are asking for a fairer sales proposal!

Sincerely,
Greg and Peggy Stevens

From: Dan Lewis <dirtlewis@aol.com>
Sent: Friday, September 17, 2021 2:04 PM
To: Staff, CAO (PUC) <consumer.puc@state.mn.us>
Subject: Lease lot sale by MN Power, Island Lake, Duluth, MN

From;
Dan Lewis
4011 East Van Road
Duluth, MN 55803

Property Description;
Parcel 4 SE 1/4 of NW 1/4 Sect 3 Township 52 R 14 West of Island Lake Reservoir.

Attention: Katie Sieben

Issue;
MN Power has informed current lease holders that leased lots will be offered for sale in the very near future. Current lease holders have been given very limited input regarding the timing of the proposed sale nor have we been offered input as to lot pricing. We are all concerned that lot prices demanded by MN Power are too high.

Question;
Should MN Power be rewarded, at the expense of the lease holder, the increased value of lake property? Should lease holders be given credit when annual lease payments to MN Power exceed the assessed property tax?
Shouldn't the lease holder not MN Power be credited with increased lot value derived from improvements made by the lease holder?

Discussion;
Lease lot holders are charged Lease payments that exceed our property tax assessments. In effect we have been making payments on the lot itself. In many cases the lease holder has made improvements to the lot thereby increasing the lots' value.

I purchased the property listed above in August 2000. The purchase price was \$275,000. Last years' taxable market value was \$400,940.

In 2020 my total lease payments to MN Power were \$8,440. 2020 property taxes were \$5268. MN Power's profit on my lease was \$3,172. Bases upon my current Lease payments and the 2021 estimated property tax, MN Power will enjoy a \$3,204 profit on my lease this year.

My leased lot is situated on a hill that slopes to the lake. Over the years I have made significant improvements to the lot, adding retaining walls, terracing the yard, a new concrete driveway, and rock work at the lake front to control erosion. The value of these improvements are rightfully mine.

Conclusion;
Fair pricing for the sale of leased lots to the current lease holder must take into account the information included above. The value of the lot as of the date of lease signing should be the baseline price. The lease holder should be given credit for lease payments that exceeded property tax assessments minus reasonable administrative costs incurred by MN Power.

Thank you for your attention.

Dan Lewis

dirtlewis@aol.com