

**STATE OF MINNESOTA  
PUBLIC UTILITIES COMMISSION**

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In the Matter of the Petition of Minnesota Power for  
the Acquisition of ALLETE by Canada Pension Plan  
Investment Board and Global Infrastructure  
Partners

Docket No. E-015/PA-24-198

**INITIAL COMMENTS OF THE CITIZENS UTILITY BOARD OF MINNESOTA**

The Citizens Utility Board of Minnesota (“CUB”) submits these comments in response to the Commissions Notice of Comment Period on the proposed Settlement Stipulation entered into by the Minnesota Department of Commerce (“Department”), ALLETE, Global Infrastructure Partners (“GIP”), and the Canadian Pension Plan Investment Board (“CPPIB” and with GIP, the “Partners.”) CUB was not invited to review or join the Settlement Stipulation before it was filed with the Commission. Therefore, we were surprised when the settling parties chose to file the Stipulation four days before the Administrative Law Judge (“ALJ”) filed her Findings of Fact, Conclusions of Law, and Recommendation (the “ALJ Report”). Having now reviewed the proposed Settlement, we find it does not resolve our concerns about the Acquisition or change our recommendation that it be denied. The ALJ had a similar reaction, as she noted in the ALJ Report:

On July 11, 2025, just days prior to the due date for this Report, the Department and the Partners filed a settlement stipulation. While the timing of the filing did not allow adequate time for the Administrative Law Judge to incorporate this development into Report, and this Report does not explicitly consider the settlement agreement, the Administrative Law Judge has reviewed the stipulation and notes that her concerns regarding the Acquisition have not been resolved and it does not change the Administrative Law Judge’s recommendation to disapprove the Acquisition.<sup>1</sup>

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<sup>1</sup> See *In the Matter of the Petition of Minnesota Power for the Acquisition of ALLETE by Canada Pension Plan Investment Board and Global Infrastructure Partners*, Findings of Fact, Conclusions of Law, and Recommendations (“ALJ Report”), Docket No. E-015/PA-24-198 (July 15, 2025), p. 73 FN 607 (“On July 11, 2025, just days prior to the due date for this Report, the Department and the Partners filed a settlement stipulation. While the timing of the filing did not allow adequate time for the Administrative Law Judge to incorporate this development into Report, and this Report does not explicitly consider the settlement agreement, the

Below, we discuss in more detail our reaction to the proposed Settlement, and we respond directly to the questions posed in the Commission's Notice.

## I. DISCUSSION

### A. The proposed Settlement does not render the Acquisition consistent with the public interest within the meaning of Minn. Stat. § 216B.50.

Minn. Stat. § 216B.50 provides that the Commission may approve actions like the proposed Acquisition so long as it is "consistent with the public interest." Throughout this proceeding, parties have suggested different approaches to more precisely defining what it means to be "consistent with the public interest." In a memorandum accompanying the ALJ Report, the ALJ provided a helpful summary of the Commission's past approach to and interpretations of that standard. She concluded most relevant Commission proceedings applying the Minn. Stat. § 216B.50 standard "looked for meaningful commitments and benefits to ratepayers that closely mirror those needed to satisfy the 'net benefits' test."<sup>2</sup> In other words, in order for the Acquisition to be "consistent with the public interest," its potential benefits must outweigh its potential harms.

Meanwhile, throughout their filings in this docket, the Petitioners suggest that approving the Proposed Acquisition is consistent with the public interest because it would improve access to capital the Company needs to comply with Minnesota's Carbon Free Standard (Minn. Stat. § 216B.1691 Subd. 2g).<sup>3</sup> Because complying with the Carbon Free Standard is foundational to the Petitioners' arguments

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Administrative Law Judge has reviewed the stipulation and notes that her concerns regarding the Acquisition have not been resolved and it does not change the Administrative Law Judge's recommendation to disapprove the Acquisition.")

<sup>2</sup> *Id.*, citing *In re Pet. of N. States Power Co. for the Approval to Purchase Electric Transmission Facilities from Great River Energy*, MPUC Docket No. E-002/PA-17-713, Order at 3 (September 11, 2018) (eDocket No. 20189-146335-01) (*[T]he purchase would both achieve efficiencies in the electrical system and save costs for ratepayers.*"); *In re Pet. of CenterPoint Energy Res. Corp. for Approval of an Affiliated Interest Agreement between CenterPoint Energy Minn. Gas and Minn. Limited*, MPUC Docket No. G-008/AI-18-517, Approval Order (Jan. 14, 2019) (eDocket No. 20191-149148-01); *In re a Request for Approval of the Merger Agreement Between Integrys Energy Group, Inc. & Wisconsin Energy Corp.*, MPUC Docket No. G-011/PA-14-664, Order Approving Merger Subject to Conditions at 8 (Jun. 25, 2015) (eDocket No. 20156-111752-01).

<sup>3</sup> Ex. MP-9 (Cady Direct) at 13 (eDocket No. [202412-212968-03](#)) ("[A]s an over-arching matter, the Acquisition will provide Minnesota Power and, thus, its customers access to capital that will allow for compliance with the Minnesota Carbon Free Standard and accelerated renewable energy standard under Minn. Stat. § 216B.1691;); See also, Ex. MP-31 (Alley Rebuttal) at 28 (eDocket No. [20253-216055-09](#)) ("Growth in ALLETE's market value rests heavily on Minnesota Power's ability to continue providing reliable service to customers at affordable rates while successfully implementing its plan to comply with Minnesota's Carbon Free Standard"); Ex. MP-33 (Bram Rebuttal) at 3 (eDocket No. [20253-216055-08](#)) ("GIP recognized ALLETE's history of successful management and operations as well as its commitment to Minnesota's decarbonization policy, and ALLETE's objective to establish itself as the "utility of the future" – a utility running on carbon-free energy that is still safe,

as to why the Acquisition should be approved, the Commission should also consider its role and responsibilities under the legislation establishing that Standard. Minn. Stat. § 216B.1691, subd. 9 requires that the Commission “maximizes net benefits” to all Minnesota citizens when implementing the Carbon Free Standard.<sup>4</sup> This provides further reason for the Commission to apply a “net benefits” test when considering approval of the Acquisition and/or proposed Settlement. For the Acquisition (as modified by the Settlement) to provide net benefits, the conditions discussed in the proposed Settlement must introduce new benefits that outweigh the new risks introduced by the Acquisition.

*i. The Acquisition introduces new risks to Minnesota Power and its ratepayers.*

Prior to entering into the proposed Settlement, the Department argued: “Petitioners have failed to establish by a preponderance of the evidence that their proposed deal is consistent with the public interest.”<sup>5</sup> The Department gave the following reasons (among others) for reaching this conclusion:

- Petitioners have neither established that their deal, as proposed, will produce meaningful benefits, nor have they refuted the foreseeable risks.<sup>6</sup>
- The Commission cannot be certain the deal will finance ALLETE’s energy transition because the final merger agreement contains no binding capital commitment.<sup>7</sup>
- Even if the Partners do provide capital, their plan to use risky financial strategies could financially weaken ALLETE—and could dramatically increase rates by 2030.<sup>8</sup>
- Despite the deal’s risks to ALLETE’s financial healthy, ratepayers, and the energy transition, Petitioners have proposed inadequate governance and ring fencing measures.<sup>9</sup>

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reliable, and affordable. Achieving these goals is not merely an operational and management target, but also a requirement under the Carbon Free Standard in Minn. Stat. § 216B.1691, subd. 2g”).

<sup>4</sup> See ALJ Report at 72, citing Minn. Stat. § 216B.1691, subd. 9.

<sup>5</sup> *In the Matter of the Petition of Minnesota Power for the Acquisition of ALLETE by Canada Pension Plan Investment Board and Global Infrastructure Partners*, Department Reply Brief, Docket No. E-015/PA-24-198 (May 29, 2025), p. 1 (“Department Reply Brief”).

<sup>6</sup> *In the Matter of the Petition of Minnesota Power for the Acquisition of ALLETE by Canada Pension Plan Investment Board and Global Infrastructure Partners*, Department Initial Brief, Docket No. E-015/PA-24-198 (May 1, 2025), p. 1 (“Department Initial Brief”).

<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

<sup>9</sup> *Id.*

- Despite their oft-repeated commitment to the regulatory compact, Petitioners have no plans to comply with the affiliated-interest statute. Rather, they propose an alternative that would deprive ratepayers of needed statutory protections.<sup>10</sup>

CUB (along with other opposing parties) shares each of these concerns. Because there are new risks introduced by the Acquisition, the proposed Settlement is only consistent with the public interest if it introduces new benefits that outweigh those risks.

*ii. The proposed Settlement does too little to address new risk introduced by the Acquisition.*

Many of the commitments included in the proposed Settlement repeat commitments the Petitioners made months ago, that were previously considered by the Department, and that the ALJ addressed one-by-one in her Report. Rather than repeat the ALJ's analysis of each of those commitments, we will simply note our strong agreement with her high-level conclusion:

The proposed commitments offered by Petitioners do not rebalance the transaction to avoid net harm. Many of the commitments simply restate existing legal requirements and therefore do not provide additional protections to counterbalance new risks arising as a result of the Acquisition. Some of the proposed conditions may be unenforceable. And others offer little benefit to ratepayers or the regulatory compact. It also appears that many of the Petitioners' proposed commitments are out of step with other recent take-private transactions involving utilities.<sup>11</sup>

According to the proposed Settlement "Paragraphs 1.4-1.6, 1.9, 1.12-1.14, 1.17-1.30, 1.32-1.36, 1.38, 1.40-1.46, 1.56, 1.63-1.64, and 1.73-1.74 were negotiated by the Settling Parties for purposes of this comprehensive proposed Settlement."<sup>12</sup> We disagree each of these Paragraphs reflect new commitments or introduce new benefits. Nevertheless, we address each in turn below.

As the Department noted in briefs, "ALLETE did not seek a binding, written capital commitment from the Partners during negotiations" and the Merger Agreement "does not include a binding capital

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<sup>10</sup> *Id.* at 2.

<sup>11</sup> ALJ Report at 67.

<sup>12</sup> Proposed Settlement at FN 3.

commitment by the Partners.”<sup>13</sup> Paragraph 1.4 of the proposed Settlement purportedly “ensure[s] enforceability of the capital commitment,” by stating:

ALLETE shall not make any dividend payments to Alloy Parent (the entity through which the Partners would receive any dividends from the company) unless, at the time the dividend payment would be made, Minnesota Power has been provided sufficient equity capital needed up to that point in time to fund the 5 year capital investment plan in the February 2025 10-K, subject to prospective reasonable and prudent plan adjustments by the company.<sup>14</sup>

Relatedly, Paragraph 1.5 provides that Minnesota Power will make a filing with the Commission before issuing any such dividend to Alloy, and Paragraph 1.6 restricts ALLETE from making any dividend or distributions to Alloy unless at least one senior unsecured credit rating is investment grade or above.<sup>15</sup> These commitments do nothing to “ensure enforceability” of the Partners’ capital commitments because they do not address the underlying problem the Department identified: the Partners have made no binding legal commit to provide equity capital to ALLETE. At best, the first of these commitments incentivizes the Partners to provide equity capital if they expect to receive dividends from ALLETE. But, in touting the attributes of “patient capital” throughout this proceeding, the Partners have emphasized they are not expecting or dependent on receiving ALLETE distributions anytime soon.<sup>16</sup>

Paragraph 1.9 provides:

ALLETE will not make any dividend or distribution that would cause the actual equity ratio of Minnesota Power to be outside the range approved by the Commission. ALLETE will use commercially reasonable efforts to maintain its current corporate and facility ratings. ALLETE and Minnesota Power to the extent applicable shall use commercially reasonable efforts to remain rated by at least two credit rating agencies. Neither ALLETE nor Minnesota Power to the extent applicable will opt to cease being rated by a credit rating agency.<sup>17</sup>

These commitments are neither new nor meaningful. As noted by the ALJ, the first commitment “does not provide any benefit because ALLETE and Minnesota Power are required to maintain the equity

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<sup>13</sup> Department Initial Brief at 19.

<sup>14</sup> Proposed Settlement at 3.

<sup>15</sup> *Id.*

<sup>16</sup> *See e.g.*, Petition at 16 (“private investors such as the Partners have an ability to exercise more patience with respect to quarterly earnings and dividends due to a focus on long-term investments.”)

<sup>17</sup> Proposed Settlement at 3.

ratio range approved by the Commission regardless of whether the acquisition is approved.”<sup>18</sup> The next two commitments “provide little benefit because ALLETE has not established what ‘commercially reasonable’ efforts are in either context or that it would be reasonable not to use ‘commercially reasonable’ efforts.”<sup>19</sup> The final commitment seems redundant given the prior commitment to remain rated by at least two credit rating agencies. It is also unclear whether or why ALLETE or Minnesota Power would opt to cease being rated by a credit rating agency absent this commitment.

Paragraph 1.12 states that “[i]f Minnesota Power’s cost of debt increases above current levels within five years following the close of the Acquisition, Minnesota ratepayers will be held harmless from any rate impact unless Minnesota Power can demonstrate that its increased cost of debt was not caused by the Acquisition.”<sup>20</sup> This enhances the Petitioner’s prior commitment to hold ratepayers harmless if Minnesota Power’s cost of debt increases above current levels within *three* years following the close of the Acquisition.<sup>21</sup> While an improvement, the Department has not explained whether and how it determined five years, rather than three years, is long enough to overcome Department Witness Addonizio’s initial skepticism over the value of this time-limited commitment.<sup>22</sup>

Paragraphs 1.13 commits that “Minnesota Power shall maintain its capital structure within the range approved by the Commission in the annual capital structure filing, and Minnesota Power will continue its efforts to manage its capital structure to the level approved in its most recent Minnesota rate case if the Commission adopts a new holding company structure proposed in paragraph 1.27.”<sup>23</sup> This Paragraph merely states what would be required of Minnesota Power regardless of whether the commitment is made: Minnesota Power must comply with the Commission’s orders. Therefore, it has little value in resolving opposing parties’ concerns.

Paragraph 1.14 commits to change Minnesota Power’s ROE from 9.78 percent to 9.65 percent, which would remain in effect until the Commission approves final rates in Minnesota Power’s next

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<sup>18</sup> ALJ Report at 32

<sup>19</sup> *Id.*

<sup>20</sup> Proposed Settlement at 4.

<sup>21</sup> Ex. MP-27, JJC-R-1 at 1 (Cady Rebuttal).

<sup>22</sup> Ex. DOC-304 at 41 (Addonizio Surrebuttal) (“The embedded cost of debt therefore changes slowly, as new debt issuances get averaged into the utility’s existing stock of debt. Therefore, there is not a great potential for Minnesota Power’s embedded cost of debt to rise much in just three years”).

<sup>23</sup> Proposed Settlement at 4.

rate case.<sup>24</sup> This is a new, albeit temporary,<sup>25</sup> commitment that the Department states will save ratepayers approximately \$5.5 million over the next two years.<sup>26</sup>

Paragraphs 1.17 – 1.22 discuss commitments around corporate separateness and ring fencing. These commitments are not materially different from commitments the Petitioners made months ago, and that the ALJ considered in her Report. As the ALJ noted, these commitments “attempt to protect against the risks of the acquisition by maintaining the status quo. But these commitments would not prevent the Partners from using ALLETE’s shares to guarantee Alloy Parent’s debt. They also do not insulate Minnesota Power’s ratepayers from higher debt costs resulting from exposure to the risks of debt held at Alloy Parent.”<sup>27</sup>

Paragraphs 1.23 through 1.26 relate to the governance of ALLETE. The Department describes the impact these commitments would have on ALLETE’s board composition as follows:

The Partners will select ten directors based on their respective ownership interests. The Partners will select three directors by agreement. The final director will be ALLETE’s CEO. Of the thirteen non-CEO directors, six of them will meet the NYSE’s definition of independence and the Partners will appoint the remaining seven directors to represent their respective interests consistent with their fiduciary obligations to ALLETE under Minnesota law.<sup>28</sup>

In other words, the Partners will appoint (either individually or collectively) 13 out of 14 Directors. Five of the 14 will be “independent” but still appointed by the Partners. (The 6th independent director will be ALLETE’s current CEO.) A majority of Directors (8 of 14) will be appointed by the Partners and will not be independent. As the ALJ noted: “[g]iven both Partners are private equity investors with similar profit motives, they will have little incentive not to vote as a bloc, effectively nullifying input of the independent board directors.”<sup>29</sup> This problem is not resolved by the proposed Settlement. More worrisome, these commitments do nothing to directly address the extensive consent rights the

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<sup>24</sup> Proposed Settlement at 4.

<sup>25</sup> We expect Minnesota Power will seek to increase its ROE in its next rate case filing, as it has (and utility’s typically do) in each recent rate case.

<sup>26</sup> *In the Matter of the Petition of Minnesota Power for Acquisition of ALLETE by Canada Pension Plan Investment Board and Global Infrastructure Partners*, Department Letter, Docket No. E-15/PA-24-198 (July 11, 2025).

<sup>27</sup> ALJ Report at 33.

<sup>28</sup> *In the Matter of the Petition of Minnesota Power for the Acquisition of ALLETE by Canada Pension Plan Investment Board and Global Infrastructure Partners*, Letter from Department’s counsel to LPI Counsel (filed as part of *ex parte* communication between PUC staff and LPI), Docket No. E-015/PA-24-198 (July 18, 2025).

<sup>29</sup> ALJ Report at 59.

Partners privately negotiated in the HCTS term sheet attached to Witness Bram's surrebuttal testimony.<sup>30</sup>

Paragraph 1.27 states that Minnesota Power will file a petition with the Commission within six months after the close of the Acquisition proposing "to separate non-regulated utility entities from the current ALLETE d/b/a Minnesota Power entity."<sup>31</sup> (Paragraph 1.28 makes a related commitment dependent on the outcome of this petition.) It is our understanding that this means ALLETE will file a proposal to restructure the company such that Minnesota Power will become its own legal entity, distinct from and subsidiary to ALLETE, Inc. We have mixed feelings on this commitment. On one hand, we agree (and have long believed) it makes sense for Minnesota Power to be its own legal entity, separate from ALLETE. On the other hand, we are frustrated by the timing of this proposal. When the Commission first held a special planning meeting to discuss the proposed Acquisition in June 2024, CUB asked representatives of the Company if they intended to separate Minnesota Power from ALLETE as part of the proposed Acquisition.<sup>32</sup> At Chair Sieben's request, Minnesota Power committed to addressing that issue in their Petition.<sup>33</sup> Such a proposal was not included in the Petition, meaning parties to this proceeding have now spent the past year discussing—with the assistance of outside experts paid for providing that assistance—governance, ring fencing, affiliated interest concerns, etc. based on the understanding Minnesota Power will continue to be an operating division of ALLETE. If the Commission approves the Acquisition, it would seem an inefficient use of our, other parties', and the Commission's resources to reexamine those topics under a reimagined corporate structure six months later. It is also discouraging to see that the proposed Settlement appears to leave the door open for the Company to seek rate recovery of transaction costs associated with any holding company petition.<sup>34</sup>

Paragraphs 1.29 and 1.30 refine ALLETE's prior commitments regarding compliance with Minnesota's affiliated interest regulations.<sup>35</sup> Paragraph 1.20 states Minnesota Power will identify any

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<sup>30</sup> See CUB's HCTS Reply Brief at 5-9.

<sup>31</sup> Proposed Settlement at 6.

<sup>32</sup> See Minnesota Special Planning Meeting webcast (May 9, 2024) at 48 minutes, available at [https://minnesotapuc.granicus.com/player/clip/2359?view\\_id=2&redirect=true](https://minnesotapuc.granicus.com/player/clip/2359?view_id=2&redirect=true).

<sup>33</sup> *Id.*

<sup>34</sup> See Proposed Settlement at 9 ("Costs associated with any holding company petition or separation efforts will not be considered transaction or transition costs of the Acquisition and recovery of same shall be considered in any holding company docket.")

<sup>35</sup> Proposed Settlement at 7.



contracts over \$500,000 with potential affiliated interests and “notify the Commission within 30 days of the execution of each contract not already disclosed to the Commission[.]”<sup>36</sup> This is an improvement over ALLETE’s prior commitment to take similar actions with respect to contracts over \$1 million; however, the updated commitments still do not address problems the ALJ identified about those prior commitments. Namely, the commitments do not ensure compliance with Minn. Stat. § 216B.48 (which requires reporting of affiliated interest contracts over \$50,000)<sup>37</sup>, nor do they “encompass entities managed or controlled by CPPIB, GIP, BlackRock or the limited partners of GIP Fund V or other GIP funds,” meaning they do not ensure the “Commission would be notified of potentially harmful transactions that do not come within the statute’s definition.”<sup>38</sup> The Department has not addressed how this commitment resolves the concerns about affiliated interests described in its initial brief:

The Partners will hold more than a 5% interest in ALLETE and will be ALLETE’s affiliates under the statute. Any other entities in which the Partners have at least 5% interest also will be ALLETE’s affiliates. Any contracts between ALLETE and these entities exceeding \$50,000 require Commission approval. Petitioners’ proposed approach does not comply with the statute.<sup>39</sup>

For these reasons, this commitment does not resolve the new risks associated with affiliated interest transactions created by the Acquisition.

Paragraph 1.32 states that “ALLETE shall continue to conform its records to the appropriate FERC Uniform Accounts pursuant to Minn. R. 7825.0300” and that ALLETE will file accounting entries that record the acquisition.<sup>40</sup> The value of these commitments are illusory. ALLETE/Minnesota Power would remain subject to Minn. R. 7825.0300 regardless of making this commitment, and it is unclear why ALLETE/Minnesota Power would have any legitimate reason to not file accounting entries as described.

Paragraph 1.33 states that the “Partners shall provide the Department and Commission with access to all books and records of the entities up to and including Alloy Parent that are related to

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<sup>36</sup> *Id.*

<sup>37</sup> Minn. Stat. § 216B.48 subd. 4.

<sup>38</sup> ALJ Report at 34-35.

<sup>39</sup> Department Initial Brief at 42.

<sup>40</sup> Proposed settlement at 7.

Minnesota Power's operations under the jurisdiction of the Commission."<sup>41</sup> This is neither a new nor a meaningful commitment. The ALJ addressed it in her report by noting:

ALLETE is already required to allow the Commission and the Department to access its books and records related to regulated operations. While the Commitment also applies to Alloy Parent, there is no commitment to provide access to books and records for any entity in the corporate hierarchy above Alloy Parent, even if those book and records relate to regulated operations.<sup>42</sup>

Paragraph 1.34 states "ALLETE and Minnesota Power shall provide access to all documents and electronically stored information provided to or by credit rating agencies pertaining to ALLETE up to Alloy Parent."<sup>43</sup> While this information may be helpful, it is unclear why it would not be discoverable, regardless of the commitment, by the Commission and/or other parties to any general rate case or other proceeding where this information is relevant.

Paragraph 1.35 states "ALLETE and the Alloy Parent entities shall maintain the books and records necessary to allow for an audit of all corporate, affiliate, or subsidiary transactions with Minnesota Power or that result in costs that may be allocable to Minnesota Power."<sup>44</sup> This may be a helpful commitment, to the extent it meaningfully allows for such an audit to occur.

Paragraph 1.36 states: "ALLETE shall maintain separate books and records between ALLETE and Alloy Parent and make those available to the Commission by request."<sup>45</sup> Relatedly, Paragraph 1.38 commits to providing audited financial statements for Alloy Parent and other Alloy entities.<sup>46</sup> The ALJ previously noted: "there is no commitment to provide access to books and records for any entity in the corporate hierarchy above Alloy Parent, even if those book and records relate to regulated operations."<sup>47</sup> This commitment would allow for additional access to books and records of other Alloy entities on the post-acquisition organization chart, though it remains unclear to us whether (and the extent to which) our and others' concerns about reduced transparency would be addressed by this commitment.

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<sup>41</sup> *Id.*

<sup>42</sup> ALJ Report at 39.

<sup>43</sup> Proposed Settlement at 8.

<sup>44</sup> *Id.*

<sup>45</sup> Proposed Settlement at 8.

<sup>46</sup> *Id.*

<sup>47</sup> ALJ Report at 39.

Paragraphs 1.40-1.42 address rates and affordability, committing (in various ways) to not pass “transaction costs” of the Acquisition through to ratepayers.<sup>48</sup> The value of these commitments is overstated. It would clearly be harmful to ratepayers if the Company recovered through rates its legal fees and other expenses incurred as part of negotiating the Acquisition and seeking regulatory approval for it. Though this commitment arguably reduces that harm, it is, at best, uncertain whether the Commission would allow recovery of such costs whether or not this commitment is made. Meanwhile, these commitments do not account for the substantial premium the Partners will pay to acquire ALLETE if the Acquisition is approved. The Partners will need to recover that premium—whether or not they list it as a line item in a rate case—in order to earn a return on their investment.

Paragraph 1.43 states that Minnesota Power waives its right to file a rate case before November 1, 2026.<sup>49</sup> This commitment allows Minnesota Power to continue its recent cadence of filing a rate case every 2 to 3 years. It is also unclear whether Minnesota Power would have the ability or intent, absent this commitment, to file a rate case prior to November 1, 2026.

Paragraph 1.44 states “Minnesota Power will include a comparison of its requested rate increase and the annual rate of inflation in any general rate case, rider filing, or any other proceeding that would request an increase to residential customer rates.”<sup>50</sup> While this information may be helpful, it is unclear why it would not be discoverable or easily obtainable by the Commission and/or other parties to any general rate case, rider filing, or any other proceeding that would request an increase to residential customer rates.

Paragraph 1.45 states “Within 60 days of approval of the Acquisition, Minnesota Power will submit a plan to the Commission to credit any existing proceeds from the sale of land to ratepayers in the form of a bill credit, as identified in Docket No. E015/PA-20-675.”<sup>51</sup> The plan will include a proposal to credit proceeds from all remaining hydro land sales as identified in Docket No. E015/PA-20-675. As part of its filing, Minnesota Power shall propose a reasonable revenue apportionment for

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<sup>48</sup> Proposed Settlement at 9.

<sup>49</sup> Proposed Settlement at 9.

<sup>50</sup> *Id.*

<sup>51</sup> ALJ Report at 9.

consideration during that proceeding.”<sup>52</sup> Paragraph 1.46 makes a related commitment.<sup>53</sup> In an order issued almost four years ago, the Commission authorized Minnesota Power to “defer all proceeds from the land sales into a regulatory liability that would be refunded (credited) to customers in either a future rate case or through the Renewable Resources Rider.”<sup>54</sup> It seems these commitments accelerate a credit already owed to customers, but creating the credit is not a new commitment—it is honoring an existing obligation. For this reason, the Department’s suggestion that the settlement “requires Minnesota Power to begin promptly refunding approximately \$75.4 million in existing land sale proceeds to customers” seems, at best, an incomplete description of “ratepayer savings” created by the proposed Settlement.<sup>55</sup>

Paragraph 1.56 states: “Minnesota Power will comply with all applicable Minnesota laws under the jurisdiction of Minnesota Department of Labor and Industry (includes prevailing wage, not using debarred contractors, etc.).”<sup>56</sup> The settling parties have not explained why Minnesota Power would not be bound to comply with applicable labor laws without this commitment.

Paragraph 1.63 addresses Minnesota Power’s creation of a Clean Firm Technology Fund that will “only be used to finance Minnesota Power investments in clean firm technology approved by the [Commission].”<sup>57</sup> This commitment has value in that it adds to the Partners’ more general commitment to provide equity financing to support ALLETE’s five-year capital plan. Specifically, it seemingly proposes specific installments of additional funding, the projected timing of those installments, and that the use of those funds are limited to funding “to support these projects but not recovered through rates.” To be clear, if the Partners honor this commitment, it would be a true benefit to ratepayers. However, 1) though the Commission can order Minnesota Power to create the fund, its ability to order the Partners to provide funding to Alloy Parent—or to order Alloy Parent to make the committed installments—remains in question; and 2) if the Partner’s do not retain ownership of ALLETE through 2030 they are unlikely to finance the full \$50 million described in this

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<sup>52</sup> Proposed Settlement at 9.

<sup>53</sup> *Id.*

<sup>54</sup> *In the Matter of the Petition by Minnesota Power for Approval of Land Sales*, Order Allowing Land Sales and Establishing Conditions, Docket No. E-015/PA-20-265 (Nov. 18, 2021).

<sup>55</sup> *In the Matter of the Petition of Minnesota Power for Acquisition of ALLETE by Canada Pension Plan Investment Board and Global Infrastructure Partners*, Department Letter, Docket No. E-015/PA-24-198 (July 11, 2025).

<sup>56</sup> Proposed Settlement at 11.

<sup>57</sup> *Id.*

commitment. For both reasons, the potential benefits associated with this commitment do not outweigh the potential harms we and others have described throughout this proceeding.

Paragraphs 1.73 states: “ALLETE and Partners agree that any failure to achieve any commitment in this Settlement, or to comply with any other condition the Commission places on approval of the Acquisition, is a violation of the Commission’s order under Minn. Stat. § 216B.54 and is enforceable against the entity from whom the action (or non-action) is required.”<sup>58</sup> Relatedly, Paragraph 1.74 states: “ALLETE and Partners submit to the jurisdiction of the Commission, and then of the courts of the State of Minnesota with respect to any action brought to enforce or resolve a dispute arising from an applicable commitment set forth in this Settlement or a Commission Order adopting this Settlement.”<sup>59</sup> These statements have limited value in actually ensuring the Commission has the authority to compel the Partners to honor their commitments. The ALJ found “the Commission cannot accept jurisdiction over entities or matters where the legislature has not granted it express authority,”<sup>60</sup> and “[t]he Commission may only compel compliance with its orders when the underlying order is within its authority.”<sup>61</sup> Even if the Commission were to have lawful jurisdiction over the Partners, the Commission has limited remedies available to it if the Partners do not honor their commitments. As the ALJ noted, the Commission’s primary remedy under Minn. Stat. § 216B.54 is to refer violations of its orders to the Attorney General’s Office and seek penalties of up to \$1,000 per violation.<sup>62</sup> This remedy has little teeth in this context. (E.g., if the Partners renege on their commitment to help fund ALLETE’s five-year capital plan it would likely require a lot of \$1,000 penalties to compel them to do so.) Despite the Partners “submitting” to the jurisdiction of the Commission and Minnesota Courts, we remain uncertain that these commitments would allow ALLETE or the Commission to *compel* the Partners to honor their commitments, whether in a future Commission proceeding or court action.

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<sup>58</sup> Proposed Settlement at 14.

<sup>59</sup> *Id.*

<sup>60</sup> ALJ Report at 65, citing *No Power Line, Inc. v. Minn. Env’t Quality Council*, 262 N.W.2d 312, 321 (Minn. 1977) (subject-matter jurisdiction may not be granted to an agency by consent of the parties); *cf. Centra Homes, LLC v. City of Norwood Young Am.*, 834 N.W.2d 581, 586 (Minn. Ct. App. 2013) (parties may not stipulate or confer jurisdiction on district court by agreement); *Univ. of Minn. v. Woolley*, 659 N.W.2d 300, 306 (Minn. Ct. App. 2003) (same).

<sup>61</sup> ALJ Report at 65, citing Minn. Stat. § 216B.54 (2024).

<sup>62</sup> *Id.* at 73.

**B. The proposed Settlement has not addressed the questions addressed to the Administrative Law Judge in the Commission's Order of October 7, 2024.**

The Commission's October 7, 2024 Order requests record development on seven, specific questions. We list those questions below and discuss whether/how the proposed Settlement addresses them.

- i. Are there any potential harms to the public interest from the proposed transaction, including in relation to cost or risk?

Throughout this proceeding, witnesses and attorneys representing six parties—including the Department—have introduced evidence of several potential harms to the public interest from the proposed transaction. As described above, those potential harms include the following:

- Petitioners have neither established that their deal, as proposed, will produce meaningful benefits, nor have they refuted the foreseeable risks.<sup>63</sup>
- The Commission cannot be certain the deal will finance ALLETE's energy transition, because the final merger agreement contains no binding capital commitment.<sup>64</sup>
- Even if the Partners do provide capital, their plan to use risky financial strategies could financially weaken ALLETE—and could dramatically increase rates by 2030.<sup>65</sup>
- Despite the deal's risks to ALLETE's financial healthy, ratepayers, and the energy transition, Petitioners have proposed inadequate governance and ring fencing measures.<sup>66</sup>
- Despite their oft-repeated commitment to the regulatory compact, Petitioners have no plans to comply with the affiliated-interest statute. Rather, they propose an alternative that would deprive ratepayers of needed statutory protections.<sup>67</sup>

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<sup>63</sup> Department Initial Brief at 1.

<sup>64</sup> *Id.*

<sup>65</sup> *Id.*

<sup>66</sup> *Id.*

<sup>67</sup> *Id.* at 2.

*ii. Are there any potential benefits to ratepayers, Minnesota, or the public interest from the proposed transaction?*

The Settlement includes some benefits to ratepayers, Minnesota, or the public interest. In our view, the primary material benefits (that are truly new benefits, not continuations of the status quo) are: 1) the commitment to lower Minnesota Power's ROE, 2) the commitments surrounding the creation of a Clean Firm Technology Fund; and 3) the commitment to maintain the books and records necessary to allow for an audit of all corporate, affiliate, or subsidiary transactions with Minnesota Power or that result in costs that may be allocable to Minnesota Power. The Partners' commitment to pay down customer arrears (made previously and repeated in the proposed Settlement) is also a ratepayer benefit.

*iii. Considering all relevant factors and applicable law, is the proposed transaction consistent with the public interest?*

A large number of the commitments the Petitioners have described throughout this proceeding—including those articulated in the proposed Settlement—either commit to maintaining the Company's status quo or state the Company will comply with Commission orders and/or legal obligations the Company would be required to comply with regardless of the commitments. These commitments do not meaningfully counteract or address the new risks of harm arising from the Acquisition for the reasons described above in Section A. On balance, the potential risks of the Acquisition outweigh its potential benefits, meaning it is not consistent with the public interest.

*iv. Are there regulatory requirements or commitments necessary to render the proposed transaction consistent with the public interest?*

As the ALJ noted in her Report:

The Partners themselves have carefully committed to do very little, instead largely making commitments through expected holding companies or Minnesota Power itself. A prime example of this phenomenon is the promised funding of the five-year capital plan. Access to capital is the primary benefit touted by the Petitioners. However, the Partners have not, in fact, promised to provide capital to ALLETE. ALLETE did not even ask for some commitment to provide equity as part of this merger negotiation and the merger.

If the primary benefit of the Acquisition is ensuring ALLETE has access to the capital it needs to comply with the Carbon Free Standard, ALLETE should have asked the Partners to agree, when negotiating

the Merger Agreement, to commit to providing that capital. The proposed Settlement similarly demands no such commitment of the Partners, and so does not address this problem.

- v. *How do relevant and related dockets pending before the Federal Energy Regulatory Commission, Public Service Commission of Wisconsin, and/or other state, federal or foreign government agencies impact the Commission's consideration of the proposed transaction?*

It is our understanding that the Commission's approval is the final regulatory approval needed for the Acquisition to close. For that reason, the proposed Settlement neither impacts, nor is not impacted, by proceedings occurring in other jurisdictions. That being said, we recommend the Commission consider FERC Chairman Christie's statements about the role utility regulators should play in protecting ratepayers from growing influence and power wielded by private equity firms in the regulated utility space:

[P]ublic utilities that provide electrical power to retail customers are usually holders of a state-granted monopoly franchise that comes with various public service obligations, such as providing reliable power service at rates that are just and reasonable. . . . [I]t is absolutely essential for regulators to make sure that the interests of investors do not conflict with the public service obligations that a utility has. And yes, there is a potential conflict. That potential conflict requires heightened regulatory scrutiny when huge investment companies and asset managers, as well as large private equity funds, which individually and collectively direct literally trillions of dollars in capital, appear to be acting not as passive investors simply seeking the best risk-based returns for their own clients, but instead appear to be actively using their investment power to affect how the utility meets its own public service obligations.<sup>68</sup>

- vi. *How will the acquisition impact Minnesota Power's union and non-union workforce and do the protections included in the acquisition adequately protect that workforce?*

According to the Department's letter accompanying the Settlement:

The settlement memorializes Petitioners' commitment to maintain the same or better position and compensation for ALLETE's nonunion employees and all existing collective bargaining

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<sup>68</sup> E-1: Commissioner Christie's Concurrence to Federal Power Act Section 203 Blanket Authorization Notice of Inquiry: E-1, AD24-6 (Dec. 19, 2023), available at <https://www.ferc.gov/news-events/news/e-1-commissioner-christies-concurrence-federal-power-act-section-203-blanket>



agreements with its union employees for the next two years.<sup>9</sup> It also describes ALLETE's commitment to execute a neutrality agreement with IBEW Local 31.<sup>10</sup><sup>69</sup>

It is our understanding that the proposed Settlement does not contain new commitments (i.e., commitments that were not previously included in the Company's filings) designed to specifically impact Minnesota Power's union and non-union workforce.

- vii. How will the acquisition impact Minnesota Power's ability to comply with the carbon-free standard under Minn. Stat. § 216B.1691, including any modifications of plans associated with the Nemadji Trail Energy Center (NTEC)*

The legislation imposing the Carbon Free Standard requires the Commission to "maximize net benefits" to Minnesotans when implementing that standard. For the reasons discussed above, it is at best unclear whether the proposed Settlement meets this objective. The proposed Settlement does not appear to address any modifications of plans associated with NTEC. It is also unclear whether/how the Acquisition (with or without the proposed Settlement) will otherwise improve the Company's ability to meet the Carbon Free Standard. If the Acquisition is approved, the Company would give up their access to the public markets to instead rely solely on the Partners for their equity capital needs. The Partners have not made any legally enforceable commitment to provide equity capital to ALLETE. Even if the Partners honor their non-enforceable commitments (e.g., financing ALLETE's five-year capital plan and providing \$50 million to the Clean Firm Technology Fund) those commitments expire well before 2040.

**C. The Acquisition proposal as modified by the Settlement agreement do not provide adequate or lasting protections to low-income customers and customers from marginalized communities.**

The proposed Settlement reiterates (1) Minnesota Power's commitment to not request a reduction to the CARE budget or eligibility requirements and (2) the Partners' commitment to pay down arrears so that they are reduced to pre-COVID levels.<sup>70</sup> As we stated in our briefs, CUB strongly supports the CARE program and appreciates these commitments. However, because the CARE program is a ratepayer-funded program, any changes to its budget or eligibility requirements would

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<sup>69</sup> *In the Matter of the Petition of Minnesota Power for Acquisition of ALLETE by Canada Pension Plan Investment Board and Global Infrastructure Partners*, Department Letter, Docket No. E-015/PA-24-198 (July 11, 2025), citing Proposed Settlement at 1.58 – 1.60.

<sup>70</sup> Proposed Settlement at 8-9.

need to be approved by the Commission. Also, the Partner's offer to pay down arrears, while helpful in the short term for some Minnesota Power customers, does not prevent ratepayers from newly falling behind on their bills—particularly if their rates increase dramatically following approval of the Acquisition.

**D. The conditions included in the Proposed Settlement do not resolve CUB's concerns.**

After reviewing the comprehensive record built in the contested case proceeding, and considering the proposed Settlement, the ALJ concluded approval of the Acquisition would cause net harm to Minnesotans. We agree. Though some of the additional conditions proposed in the proposed Settlement are helpful, they fall short of addressing the concerns we and others have raised on this record and that inform the ALJ's determination.

**E. Other issues or concerns related to this matter.**

Some might suggest that we and others overstate our concerns about enforceability. We strongly disagree. This entire acquisition is premised on ALLETE's need for improved access to capital. Likewise, the most significant potential benefit of the Acquisition is the Partners providing that needed capital. If, for any reason, the Partners become unable or unwilling to provide the capital they've committed to provide to ALLETE, then the whole purpose and potential value of the Acquisition is lost. Likewise, the value of *any* of the Partners' commitments included in the proposed Settlement is compromised if the Partners face no material consequences for refusing to honor them after the Acquisition is approved. As the ALJ noted, "Once approved, the Commission cannot unapprove the Acquisition."<sup>71</sup> The ALJ also questioned the Partners' credibility.<sup>72</sup> For both reasons, it is imperative that the Commission determine now the limits of its jurisdiction over Alloy Parent and the Partners and what remedies the Commission has available to compel those entities to honor their commitments, if needed. Respectfully, we believe it would be helpful for the Commission's internal legal staff to review and advise the Commission on these issues.

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<sup>71</sup> ALJ Report at 73, citing Minn. Stat. §§ 216B.54-61 (2024).

<sup>72</sup> *Id.* at 73, FN 605.

## II. CONCLUSION

On balance, the risks of potential harm arising from the Acquisition outweigh its potential benefits. The proposed Settlement does not reset that balance. Therefore, the Acquisition is not consistent with the public interest, and the Commission should deny its approval.

Dated: August 4, 2025

Respectfully submitted,

/s/ Brian C. Edstrom

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