



AN ALLETE COMPANY

30 West Superior Street  
Duluth, MN 55802-2093  
[www.mnpower.com](http://www.mnpower.com)



October 11, 2021

**VIA E-FILING**

Will Seuffert  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7th Place East, Suite 350  
St. Paul, MN 55101-2147

Re: In the Matter of a Petition for Approval  
Of Minnesota Power Land Sales  
Docket No. E015/PA-20-675

Dear Mr. Seuffert:

Please find attached Minnesota Power's proposed decision alternatives and supplemental decision alternatives for the October 13, 2021 hearing in the above-referenced Docket.

Please contact me at (218) 723-3963 or [dmoeller@allete.com](mailto:dmoeller@allete.com) if you have any questions on this filing.

Respectfully,

A handwritten signature in black ink that reads 'David R. Moeller'.

David R. Moeller  
Senior Attorney and  
Director of Regulatory Compliance

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I AM  
**ZERO INJURY.**

*Together we choose to work safely for our families, each other, and the public.  
We commit to be injury-free through continuous learning and improvement.*

## Decision Alternatives

1. Grant a variance to Minn. Rules, part 7825.1400, that requires filing certain information on capital structure and the issuance of securities when transferring utility property, finding that the information is not relevant to this decision because the transactions will not affect MP's capital structure and the Company will not issue securities; the public interest will not be adversely affected; and that no other applicable law or statute will be violated by granting the variance. **(SUPPORT)**
2. Allow Minnesota Power to sell residential land lots surrounding its hydropower reservoirs to customers, with conditions. (MP, DOC) **(SUPPORT)**
3. Authorize 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. (MP, DOC) **(SUPPORT)**

*Include some of the following conditions on the approval of the land sales:*

4. Allow Minnesota Power for each lot occupied by a leaseholder to offer the lot for sale at a price of 2021 Estimated Market Value (EMV) methodology plus four percent (4%) for a period of 6 months beginning when the lot is offered for sale, and the most current EMV thereafter. (MP, DOC) **(OPPOSE)**

**MP Alternative 4a (Preferred): Allow Minnesota Power for each lot occupied by a leaseholder to offer the lot for sale at a price of 2021 payable Estimated Market Value (EMV) methodology plus four percent (4%) for a period of 6 months beginning when the lot is offered for sale, and the most current finalized EMV thereafter.**

OR

5. Allow Minnesota Power to set the baseline value for each lot for sale on the county's EMV methodology plus 4% with sale being fully negotiated within the next two (2) years of the date of Commission' order in this docket. (MP) **(OPPOSE)**

**MP Alternative 5a: Allow Minnesota Power to set the value for each lot for sale on the county's most current finalized EMV throughout the leaseholder's existing lease term. (MP)**

6. Require that the sale of occupied lots be negotiated within three years of the date of the order in this docket. (DOC, MP) **(OPPOSE)**

**MP Alternative 6. Require that the sale of occupied lots be negotiated no later than one year following lease termination. The earliest a lease will be terminated is 2028. If the sale does not happen in this timeframe, MP will assume ownership of the property, including any remaining personal property, and will then sell the lot and personal property on the open market. A fair market value for the personal property will be determined based on current EMV, and the funds for personal property delivered to the former leaseholder. MP will retain proceeds from the portion of the land sale and proceeds will be returned to utility customers.**

7. For an occupied lot that is not sold to its current leaseholder within the permitted time frame, allow the leaseholder to arrange the sale of his or her personal property at any time during the remainder of the current lease, with the sale of the personal property conditioned on the buyer also purchasing the lot from Minnesota Power at a price equal to the then-current Estimated Market Value. (MP, DOC) **(SUPPORT)**
8. Direct MP to sell the lot at auction if a leaseholder does not purchase their lot and does not arrange the sale of their personal property by the end of his or her current lease. (DOC) **(OPPOSE)**

**Alternative 8 (same as Alternative 6):** *Require that the sale of occupied lots be negotiated within one year following lease termination. The earliest a lease will be terminated is 2028. If the sale does not happen in this timeframe, MP will assume ownership of the property, including any remaining personal property, and will then sell the lot on the open market. A fair market value for the personal property will be determined and the funds delivered to the former leaseholder, while MP will retain proceeds from the portion of the land sale and proceeds will be returned to utility customers.*

9. Permit Minnesota Power to seek variances to these requirements for specific, extraordinary circumstances. (DOC) **(SUPPORT)**

10. Allow Minnesota Power to offer lots without leaseholds for sale at a price no less than 25 percent over EMV and may only be sold at less than this amount for offers above of 4% of the current EMV if the offer is over three months old. (DOC, MP) **(OPPOSE)**

11. Direct Minnesota Power that, if lots without leaseholds are not sold, the Company will file a proposal for auction. (DOC) or **(OPPOSE)**

12. Allow Minnesota Power continued offering of the remaining lots two years after the date of the Commission's Order. (MP, DOC) **(OPPOSE)**

**10-12 alternate:** *Allow MP to sell the lots without leaseholds on the open real estate market for best possible price, but no less than the current finalized EMV.*

**Other possible conditions suggested in public comments:**

13. Direct Minnesota Power to refund cost of leasehold improvements at 2.5% per year capped at 30 years to leaseholders who were unable to purchase their lot within the lot sale completion window of three years, due to old age, terminal illness and/or, financial hardship from COVID-19 pandemic and if such lots were sold to other buyers. **(OPPOSE)**

14. Direct Minnesota Power to reduce lot sale price by 2.5%/year capped at 30 years for cost of leasehold improvements made five years by a leaseholder before the sale of the lot. **(OPPOSE)**

15. Direct Minnesota Power to ensure that leaseholders who paid MP directly ("right-to-lease" payment) to lease their lot receive a pro-rated benefit based on the amount of time remaining on their original lease term. **(OPPOSE)**

15a. Alternative: Direct Minnesota Power to ensure that leaseholders who paid MP directly (a one-time, upfront "right-to-lease" payment) to lease their lot receive a pro-rated benefit based on the amount of time remaining on their original lease term. This applies only to upfront right-to-lease payments and not annual lease rent payments **(SUPPORT)**.

**Compliance Filings:**

16. Require Minnesota Power to provide annual compliance filings starting October 15, 2022, with verifiable data regarding lot sale transactions, including:

- i. the number of offers to current leaseholders made to date as of the time of the compliance filing;
- ii. the number of offers accepted by current leaseholders;
- iii. the number of offers rejected by current leaseholders;
- iv. the number of lots listed on the open real estate market;
- v. the number of lots sold via the open real estate market. (Department, MP) **(SUPPORT)**

17. Require Minnesota Power to provide in the annual compliance filing, its land sales tracker balance, including:

- a. All additions to the tracker **(SUPPORT)**
- b. All deductions to the tracker (Department, MP) **(SUPPORT)**

18. Require Minnesota Power to provide in the annual compliance filing an estimate of anticipated amount of customer benefits. (Department, MP) **(SUPPORT)**

19. Direct Minnesota Power to track, at the most granular level possible, information on the costs and revenues associated with the lot sales, including a) for individual lot sales:

- i. Sale price;
- ii. List price, if different from sale price;
- iii. Estimated Market Value (EMV) of the land at the time of sale;
- iv. EMV of buildings/structures at the time of sale;
- v. All fees and expenses, (e.g., Title fees) and itemized by type;
- vi. Whether lot was purchased by current leaseholder. (Department, MP) **(SUPPORT)**

20. Direct Minnesota Power to disclose, in sufficient detail to determine whether they are internal costs included in base rates or external costs, all costs deducted from the tracker that are not attributable to individual lots sales. (Department, MP) **(SUPPORT)**

STATE OF MINNESOTA    )  
                                  ) ss  
COUNTY OF ST. LOUIS    )

AFFIDAVIT OF SERVICE VIA  
ELECTRONIC FILING

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Tiana Heger of the City of Duluth, County of St. Louis, State of Minnesota, says that on the 11<sup>th</sup> day of October, 2021, she served Minnesota Power's Proposed Decision Alternatives in **Docket No. E015/PA-20-675** on the Minnesota Public Utilities Commission and the Energy Resources Division of the Minnesota Department of Commerce via electronic filing. The persons on E-Docket's Official Service List for this Docket were served as requested.



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Tiana Heger