



AN ALLETE COMPANY

30 West Superior Street
Duluth, MN 55802-2093
www.mnpower.com



September 1, 2021

VIA E-FILING

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

Re: Petition for Approval of Minnesota Power Land Sales
Docket No. E015/PA-20-675

Dear Mr. Seuffert:

Recognizing the Minnesota Public Utilities Commission (“Commission”) is likely to take the above-referenced Docket up in the near future and to provide further information for the Commission, Minnesota Power provides the following additional points of clarification.

With regard to the proposal that lots be fully negotiated within two years of the Commission’s order:

First, most of the leases have significant time on the remaining terms, with approximately 50% of residential leases not expiring until the year 2046. If a sales window is established by the Commission, Minnesota Power anticipates numerous leaseholders who would otherwise purchase their lot later on (e.g., 2024 or later) will simply elect to continue their lease. A sales window thereby reduces the choices a majority of leaseholders have for the land on which their personal property is located on. This would be contrary to the Company’s overall goal of using the lot sale proceeds to benefit customers in the coming years.

To be clear, Minnesota Power does anticipate a significant portion of the leaseholders will act early and purchase their leased lots within the first year or two of the option being made available. This assumption is supported by current low interest rates, as well as anticipation of continued appreciation of lakeshore land values. However, for various reasons, including leaseholders current financial situations, numerous leaseholders will likely be unable or unwilling to purchase in

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.*

this short window, but if given the opportunity would participate later (e.g. in year 3 or 4).

For these reasons, Minnesota Power respectfully requests that the Commission not impose any time constraints and allow Minnesota Power to maximize the value of this asset for the benefit of all customers.

Second, the time when the lots would be available for purchase will depend on the county platting process, and state and county regulatory approvals. A phased approach will be necessary to properly go through the process and balance Minnesota Power's internal and external resources. The vast majority of the land has never been platted before, so Minnesota Power has undertaken a comprehensive process, beginning with surveying and certifying section lines. This process also includes obtaining necessary easements, creating common interest communities to ensure access to roads, and obtaining title opinions. The process is further complicated by the fact that Minnesota Power needs to reserve certain rights in order to remain in compliance with its FERC hydro license. The Company anticipates the earliest time lots in the first phase would be available for sale is 2022. Lots that are part of the final phase may not be available for sale until 2023 at the earliest.

Therefore, a finite time period (i.e. 2 or 3-year window) to negotiate sales is problematic due to the complexity of the platting process and required jurisdictional approvals. This project requires significant county and township resources and cooperation, which limits Minnesota Power's control over the timeline in which sales could be negotiated. This project is one of Minnesota Power's top priorities, and the Company is working expeditiously on it. However, it is vitally important to follow all applicable state and federal laws, regulations, and ordinances. It will be important to have adequate time without being constrained to a short window to execute all the necessary steps to properly convey the real estate, which will reduce Minnesota Power's risk of future liability, ensure a good outcome for the purchasers of the lots, and achieve the desired proceeds to return to customers.

Estimated Market Value (EMV)

Minnesota Power is providing these comments to further clarify the Company's understanding of what baseline EMV is being considered to calculate purchase price. EMVs are sometimes referred to by the year in which they are calculated, or alternately the year in which the EMVs are paid. It is Minnesota Power's intent that the 2020 EMV, payable in 2021, is the baseline price for this Petition.

For additional transparency, the EMV is determined by the St. Louis County Assessors Office on January 2nd of every year. The value is finalized on July 1st of every year after the Board of Appeal and Equalization has been closed. The finalized value is used for the taxes payable in the following year; for example, the 2021 EMV would be for the 2022 taxes payable. This EMV value had not been finalized at the time of the Commission's May 13th Agenda Hearing where this decision alternative was using "2021 EMV". Moreover, at the time of the initial hearing when this option was put forward, the total estimated value of the asset in Minnesota Power's filing was based on the 2020 assessment (payable 2021).

Therefore, it's Minnesota Power's interpretation that the intent was to use the 2020 assessment (2021 payable) plus 4% as the basis of the initial offer that would be made to all affected leaseholders. If so, Minnesota Power has no objection to this condition and appreciates the fairness it imparts to the overall process.

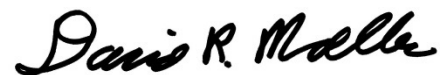
Land Auction

Minnesota Power will not under any circumstances proceed to sell already occupied leased land via auction. Not only would this violate the terms of the leases, but the leased land represents a significant personal and financial investment for the current lessees. These are places where these valued leaseholders have created wonderful memories with their families and friends, and where they have spent substantial time and financial resources to make a comfortable home or cabin. Requiring an auction process would violate Minnesota Power's contract with these leaseholders, cause irreparable harm to customers, and unnecessarily malign the Company's reputation as a fair and responsible corporate citizen.

Mr. Seuffert
September 1, 2021
Page 4

If you have any questions regarding this filing, please contact me at (218) 723-3963 or dmoeller@allete.com.

Yours truly,

A handwritten signature in black ink that reads "David R. Moeller". The signature is written in a cursive, flowing style.

David R. Moeller
*Senior Attorney and
Director of Regulatory Compliance*

DRM:th

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

AFFIDAVIT OF SERVICE VIA
ELECTRONIC FILING

Tiana Heger of the City of Duluth, County of St. Louis, State of Minnesota, says that on the 1st day of September, 2021, she served Minnesota Power's Letter 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.



Tiana Heger