STATE OF MINNESOTA
OFFICE OF ADMINISTRATIVE HEARINGS
FOR THE PUBLIC UTILITIES COMMISSION

In the Matter of the Petition of Minnesota Power for the Acquisition of ALLETE by Canada Pension Plan Investment Board and Global Infrastructure Partners	))))	**VIA ELECTRONIC FILING** **MPUC Docket No. E015/PA-24-198** **OAH Docket No. 25-2500-40339**

SIERRA CLUB'S COMMENTS IN OPPOSITION TO PROPOSED SETTLEMENT

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Patrick Woolsey *(Pro hac vice)*
Kristin Henry *(Pro hac vice)*
Sierra Club Environmental Law Program
2101 Webster Street Suite 1300
Oakland, CA 94612
(415) 977-5757
patrick.woolsey@sierraclub.org
kristin.henry@sierraclub.org

Evan Mulholland
Minnesota Center for Environmental Advocacy
1919 University Ave. W #515
St. Paul, MN 55104
(651) 223-5969
emulholland@mncenter.org

Attorneys for Sierra Club

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INTRODUCTION

Sierra Club respectfully provides the following comments on the proposed settlement filed on July 11, 2025 ("Proposed Settlement") by ALLETE, Inc., d/b/a Minnesota Power ("Company"), Global Infrastructure Partners ("GIP"), Canada Pension Plan Investment Board ("CPP") (together, "Petitioners") and the Minnesota Department of Commerce ("DOC"). The Commission has asked parties to address whether the Proposed Settlement is "consistent with the public interest within the meaning of Minn. Stat. § 216B.50" and whether the Proposed Settlement adequately addresses the issues identified in the Commission's October 7, 2024 order.

The answer to both questions is no. The evidence in this proceeding—including an extensive hearing record, ample witness testimony, and Petitioners' own statements—shows that the proposed Acquisition of ALLETE ("Acquisition") by GIP and CPP (together, the "Partners") presents significant risks to Minnesota Power ratepayers and few, if any, benefits: it may threaten Minnesota Power's compliance with the Carbon Free Standard, it does not guarantee access to capital, it is likely to contribute to dramatically higher rates, and it would result in a loss of local control and reduced transparency. The Administrative Law Judge's comprehensive and well-supported final report ("ALJ Report") correctly concluded that the Acquisition is not in the public interest[1] and recommended that the Commission disapprove it.[2]

The Proposed Settlement does nothing to change this conclusion. It largely consists of commitments Petitioners already proposed in testimony, many of which simply describe the status quo or restate existing law rather than offering any affirmative benefit. The few new provisions in the Proposed Settlement are nowhere near sufficient to outweigh the Acquisition's

[1] Docket No. E015/PA-24-198, Administrative Law Judge's Findings of Fact, Conclusions of Law, and Recommendations (July 15, 2025) (hereinafter "ALJ Report") at 3, 61 ¶ 15, 66.
[2] *Id*. at 3, 62 ¶ 1, 67.

substantial, well-documented risks. The Proposed Settlement's additional provisions still do not guarantee access to capital, still do not protect ratepayers from the risk of outsize rate increases, and still do not ensure the Company complies with the Carbon Free Standard. While the Proposed Settlement promises that Alloy Parent will finance a $50 million "Clean Firm Technology Fund," this is dwarfed by the scale of the Company's capital plans, and there is no guarantee this fund would be used for fully carbon-free technologies. Finally, the Proposed Settlement would not mitigate the risks of Partner control of the Board or provide transparency into the Partners' finances. The ALJ Report correctly found that the Proposed Settlement does not render the Acquisition in the public interest or tip the balance in favor of approval.[3]

ARGUMENT

I. THE PROPOSED SETTLEMENT IS NOT CONSISTENT WITH THE PUBLIC INTEREST.

Under Minn. Stat. § 216B.50, subd. 1.3, Petitioners bear the burden of proof to show that the Acquisition is consistent with the public interest.[4] The parties disagree about whether this standard requires a showing of affirmative public benefit, as Sierra Club and other intervenors have established,[5] or merely a showing of no net harm, as Petitioners contend. But the ALJ Report correctly finds that "[t]he proposed deal is inconsistent with the public interest *under either standard* because it results in net harm to the public interest."[6]

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[3] *Id*. at 67, fn. 549.

[4] *Id*. at 3; *In the Matter of a Petition by N. States Power Co. for Approval of the Acquisition of the Mankato Energy Ctr.*, Docket No. E-002/PA-18-702, Order Denying Petition and Requiring Supplemental Modeling, 9 (Minn. Pub. Util. Comm'n Dec. 18, 2019).

[5] *See* Docket No. E015/PA-24-198, Sierra Club's Initial Post-Hearing Brief, Public – Redacted (May 1, 2025) (hereinafter "Sierra Club Opening Br.") at 11−13; Docket No. E015/PA-24-198, Sierra Club's Reply Brief, Public – Redacted (May 29, 2025) (hereinafter "Sierra Club Reply Br.") at 2−3.

[6] ALJ Report at 61 ¶ 15 (emphasis added).

Sierra Club and other intervenors in this proceeding have presented extensive evidence showing that the proposed Acquisition of ALLETE by the Partners would provide few or no benefits to ratepayers and poses extensive harms and risks: it may threaten Minnesota Power's compliance with the Carbon Free Standard,[7] does not guarantee access to capital,[8] is likely to contribute to dramatically higher rates,[9] and would result in loss of local control[10] and reduced transparency.[11] In light of this evidence, the ALJ Report correctly concludes that "the proposed Acquisition is not in the public interest" because "[a]bsent any speculation . . . the documentary evidence shows this transaction carries real and significant costs and risks to Minnesota ratepayers and few, if any, benefits."[12]

The Proposed Settlement does not change this conclusion: it does not mitigate the risks of the Acquisition and does not provide any benefits sufficient to outweigh the Acquisition's harms. The ALJ Report found that "concerns regarding the acquisition have not been resolved" by the Proposed Settlement and that "it does not change the Administrative Law Judge's recommendation to disapprove the Acquisition."[13] While the Proposed Settlement contains various conditions which purport to offer benefits or to mitigate the risks of the Acquisition, almost none of these provisions offer real benefits or meaningful protections.

First, most of the provisions in the Proposed Settlement are not new—they simply reiterate provisions that the Petitioners already proposed in their application or in their testimony

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[7] *See* Sierra Club Opening Br. at 14−21; Sierra Club Reply Br. at 4−9.
[8] *See* Sierra Club Opening Br. at 22−25; Sierra Club Reply Br. at 10−13.
[9] *See* Sierra Club Opening Br. at 26−32; Sierra Club Reply Br. at 14−17.
[10] *See* Sierra Club Opening Br. at 32−34; Sierra Club Reply Br. at 18−19.
[11] *See* Sierra Club Opening Br. at 35−37; Sierra Club Reply Br. at 20−21.
[12] ALJ Report at 66.
[13] *Id.* at 67, fn. 549.

in this proceeding, either repeating them verbatim or with slight variations.[14] Based on the record evidence, the Administrative Law Judge has already reviewed these provisions and found that they "do not rebalance the transaction to avoid net harm" and do not make the Acquisition consistent with the public interest.[15]

Second, many of the conditions in the Proposed Settlement consist of unenforceable statements of intention, descriptions of the current status quo, or restatements of existing legal requirements, and therefore do not offer any benefits.[16] Third, to the extent that the Proposed Settlement purports to protect against the risks of the Acquisition, this is not an affirmative benefit, but rather attempted mitigation for harms that would not occur absent the Acquisition.[17]

Finally, few of the Proposed Settlement's conditions apply to the Partners, who would own ALLETE after the Acquisition. The ALJ Report correctly observes that "[t]he Partners themselves have carefully committed to do very little, instead largely making commitments through expected holding companies or Minnesota Power itself."[18] This fatally undermines many

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[14] *See* 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) (hereinafter "Proposed Settlement") at 2, fn. 3.
[15] ALJ Report at 61 ¶ 17.
[16] *See id.* at 32 ¶ 155 ("Commitments 19 and 21 do not reflect a change from the status quo and thus are not benefits of the Acquisition"), 34–35 (noting that Commitments 25, 28, 29, 30, 34, 35 "would maintain the status quo and thus [are] not a benefit of the proposed acquisition"), 35 (noting that Commitments 36–48 "promise to maintain the status quo and do not represent affirmative benefits"), 37 (Commitment 43 "simply reflects the status quo, not a benefit"), 38 (Commitment 48 "does not offer an affirmative benefit; it simply maintains the status quo"), 61 ¶ 17 ("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.")
[17] *See, e.g., id.* at 36 (Commitments 40 and 41 "would not be necessary without the transaction and attempt to mitigate a loss of transparency rather than provide an affirmative benefit.")
[18] *Id.* at 66.

of the Proposed Settlement's provisions: a commitment by Alloy Parent—an entity controlled by the Partners—is not worth much if the Partners themselves are not bound by that commitment.

The ALJ Report correctly concludes that "[t]he commitments offered by Petitioners, largely in attempt to mitigate the risks of the proposed acquisition, offer few affirmative benefits," "do not provide new or additional benefits sufficient to counterbalance new risks arising as a result of the acquisition," and "are largely unenforceable by the Commission."[19] In short, the Proposed Settlement does not render the Acquisition consistent with the public interest.

A. Petitioners Have Failed to Support Their Claimed Justification for the Acquisition.

As a threshold matter, Petitioners have not proven that Minnesota Power needs the Acquisition in order to obtain sufficient capital to fund its 5-year plan.[20] The ALJ Report noted that "[i]ntervenors identified multiple ways ALLETE could reduce or mitigate its capital needs," and concluded that "ALLETE's capital need projections are likely overstated."[21] The ALJ Report finds that "ALLETE has historically been able to meet its capital needs through the public markets" and that "ALLETE has not established that there is a significant risk that the public markets will be unable to meet its probable capital needs."[22] These findings negate the Company's claims that the proposed Acquisition is justified by an alleged inability to obtain capital in public markets.

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[19] *Id.* at 38 ¶ 179.
[20] *See id.* at 28 ¶ 141 (noting that "ALLETE recently advised investors that it could adequately meet its capital needs for this same five-year period in the public markets," without the Acquisition).
[21] *Id.* at 23 ¶ 124, 24 ¶ 128.
[22] *Id.* at 27 ¶ 135; *see also id.* 25, ¶¶ 131−132.

B. The Proposed Settlement Does Not Ensure Improved Access to Capital.

Even if the Company had shown a need to obtain capital outside of public markets, which it has not done, the Proposed Settlement does not guarantee that the Partners will provide short-term or long-term capital to ALLETE. Proposed Settlement Condition 1.3 calls for Alloy Parent to provide equity financing sufficient to find Minnesota Power's 5-year capital plan, repeating the same language previously offered by Petitioners in Rebuttal testimony.[23] This condition does not guarantee improved access to capital.

First, the ALJ Report correctly notes that "the Commitment is on behalf of Alloy Parent, not the Partners," and that while "[t]he Partners would have an indirect ownership interest in Alloy Parent, . . . they have not committed to hold that interest for any period, nor has Alloy Parent committed to hold ALLETE for any period."[24] The ALJ Report accurately concludes that "the Partners have not, in fact, promised to provide capital to ALLETE" because:

> [T]he Partners have not promised an infusion of their equity to fund the plan; they have only committed that Alloy Parent will provide funding. *A commitment by Alloy Parent is not the same thing as a commitment by the Partners. There is no guarantee that the Partners will provide capital to Alloy Parent . . .*"[25]

Critically, "the Commission lacks authority to force the Partners to . . . provid[e] capital to Minnesota Power."[26] Moreover, the ALJ Report explains that "nothing in the Commitment prevents ALLETE from borrowing the funds for any equity infusions"[27] and "[t]here is no guarantee that . . . Alloy Parent will not fulfill its obligation to ALLETE through debt or other

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[23] Proposed Settlement at 2–3, ¶ 1.3; Ex. MP-27 Schedule 1 at 1 (Cady Rebuttal).
[24] ALJ Report at 28.
[25] *Id.* at 66 (emphasis added).
[26] *Id.* at 67.
[27] *Id.* at 28–29 ¶ 141.

mechanisms," rather than via capital infusions from the Partners.[28] Finally, a promise by Alloy Parent to finance the Company's 5-year plan does not ensure longer-term access to capital, as the ALJ correctly notes: "[A] five-year capital commitment cannot alone fund Minnesota Power's efforts to achieve the energy transition because that transition will extend beyond five years."[29]

The Proposed Settlement does not mitigate the risk that the Partners may fail to provide capital to ALLETE. Proposed Settlement Condition 1.4 would make dividend payments from ALLETE to Alloy Parent contingent on Alloy Parent supplying equity capital to finance ALLETE's 5-year plan, while Condition 1.5 would require Minnesota Power to document this via a compliance filing in the Company's capital structure docket.[30] But these proposed conditions do not remedy the essential flaws in the Petitioners' proposal. These provisions apply only to the Company and Alloy Parent, not to the Partners. Condition 1.4 still does not require the Partners to provide equity capital to ALLETE or prevent Alloy Parent from relying on debt to finance the 5-year plan. And Conditions 1.4 and 1.5 do nothing to secure the Company's long-term access to capital because they apply only to Minnesota Power's current 5-year plan and not beyond.

C. The Proposed Settlement Does Not Protect Against Overspending or Rate Increases.

The Proposed Settlement does not limit future rate increases and does not mitigate the risk that the Acquisition will lead to higher costs for customers. The ALJ Report correctly concludes that "[t]he Acquisition creates an unacceptable risk of rate increase and rate shock."[31] The ALJ

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[28] *Id.* at 66.
[29] *Id.* at 28 ¶ 141.
[30] Proposed Settlement at 3 ¶¶ 1.4, 1.5.
[31] ALJ Report at 46 ¶ 222.

finds that "[t]he nonpublic evidence reveals the Partner's intent to do what private equity is expected to do – pursue profit in excess of public markets through company control,"[32] and that "the Partners' targeted risk-adjusted return increases the risk of unsustainable rate hikes in the future."[33] The ALJ concludes that "the Partners are planning on significant rate increases" and finds that "if permitted by the Commission, [these increases] would likely be detrimental to the economic competitiveness of ALLETE's largest . . . customers, and would cause electricity costs to increase as a percentage of residential customer incomes."[34]

The Proposed Settlement does not mitigate the risk that the Acquisition will result in overspending or larger rate increases driven by the Partners' desire to maximize profits. While the Proposed Settlement includes a commitment by the Company not to file a rate case before November 1, 2026,[35] this promise should carry little weight. A commitment to delay a rate case filing by slightly more than a year does not limit the size of the rate increase that the Company could seek in that case, or the size and frequency of increases it could request in subsequent cases. Ultimately, ratepayers would still likely experience large rate increases after the Acquisition.

The Proposed Settlement also includes a commitment to temporarily reduce Minnesota Power's Return on Equity ("ROE") from 9.78 percent to 9.65 percent until the Company's next rate case.[36] Again, this proposal accomplishes little. A temporary reduction of 0.13 percent in the Company's ROE that would likely apply only for one year until the Company's November 2026

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[32] *Id.* at 66.
[33] *Id.* at 45 ¶ 214.
[34] *Id.* at 46 ¶ 222.
[35] Proposed Settlement at 9 ¶ 1.43.
[36] *Id.* at 4 ¶ 1.14.

rate case filing will not prevent the Company from seeking an ROE increase in that case or limit the size of that increase.[37]

Finally, the Proposed Settlement specifies that the Company cannot recover Acquisition transaction costs, transition costs, or the Acquisition premium from via rate cases.[38] This simply repeats previous commitments already proposed in the Company's rebuttal testimony in this case,[39] which the ALJ Report correctly found are not ratepayer benefits. The ALJ concluded that these commitments "would not provide affirmative benefits; they merely purport to prevent ratepayers from paying costs that would not have been incurred absent ALLETE's decision to pursue a sale."[40]

D. The Proposed Settlement Does Not Ensure a Clean Energy Transition or Compliance with the Carbon Free Standard.

The Proposed Settlement does not ensure the Company complies with the Carbon Free Standard, nor does it require the Partners to fund renewable energy projects. Alloy Parent's promise to finance a new $50 million "Clean Firm Technology Fund" is dwarfed by the scale of the Company's capital plans and there is no guarantee it will be used for fully carbon-free technologies.

The ALJ Report correctly finds that Petitioners have not shown the Acquisition would help Minnesota Power comply with the Carbon Free Standard. Specifically, the ALJ concluded that "[t]he Petitioners did not prove by a preponderance of evidence that they will be unable to meet

[37] *See id.* ("Nothing in this settlement stipulation shall be considered a commitment (i) to any specific ROE in the company's next rate case or (ii) to use a specific methodology to determine the ROE in the company's next rate case.")
[38] *Id.* at 9 ¶ 1.40.
[39] Ex. MP-27 Schedule 1 at 3 (Commitments 17 and 18) (Cady Rebuttal).
[40] ALJ Report at 32.

the Carbon Free Standard absent the Acquisition, nor did they guarantee or present sufficient evidence showing that the standard will be met as a result of the Acquisition."[41]

The Proposed Settlement does nothing to change this conclusion. Petitioners do not offer a binding commitment to achieve the Carbon Free Standard in the Proposed Settlement. Instead, the Proposed Settlement states only that Petitioners will make "efforts to achieve Minnesota's Carbon Free Standard with least cost pathways to compliance ultimately determined by the Commission in IRP and related dockets."[42] This is exactly the same language that was included in the Petitioners' previous commitments in the Company's rebuttal testimony.[43] The ALJ Report recognized the weakness of this language, noting that Petitioners' promise to make "efforts to achieve" the Carbon Free Standard is not "a binding commitment to achieve the emissions reductions required under the Standard."[44] Moreover, the ALJ noted that like many of the Petitioners' other commitments, the promise to comply with the Carbon Free Standard is simply a restatement of existing legal requirements that apply regardless of the transaction, and therefore not a benefit of the Acquisition.[45] And as Sierra Club explained, the Carbon Free Standard contains "off-ramps" that could allow the Petitioners to seek exemptions from its requirements.[46]

In addition, the Proposed Settlement does nothing to mitigate the risks that the Partners may sell ALLETE before the Company retires the coal-fired Boswell Generating Station ("Boswell") or achieves compliance with the Carbon Free Standard. The ALJ Report notes that

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[41] *Id.* at 66.
[42] Proposed Settlement at 13 ¶ 1.71.
[43] Ex. MP-27 Schedule 1 at 7 ¶ 47 (Cady Rebuttal).
[44] ALJ Report at 39–40 ¶ 185.
[45] *Id.* at 37 ¶ 177.
[46] Sierra Club Opening Br. at 16; Sierra Club Reply Br. at 7.

"the Partners have not committed to owning ALLETE for any period of time."[47] The ALJ finds that the risk of the Partners selling ALLETE in the short term is "highly plausible."[48] The Proposed Settlement imposes no restrictions on the timing of the Partners' sale of ALLETE.

The Proposed Settlement also does not mitigate the risk that the Partners may be unwilling to adequately fund renewable energy or may prioritize spending on fossil resources instead, or that the Partners may seek Commission approval to postpone the retirement of Boswell. Regarding the former, the ALJ Report concluded:

> Intervenors have established significant risks that the Partners will be unwilling or unable to provide ALLETE sufficient capital to transition its regulated operations in Minnesota from fossil fuels to renewable energy. The deal presents a risk that the Partners may invest too much in new or existing fossil-fueled resources, or may not invest enough in lower-cost renewable resources, either of which could harm Minnesota Power's ability to comply with the Carbon Free Standard.[49]

The Proposed Settlement does not ensure that the Partners will fund renewable energy. Neither the Partners nor Alloy Parent make any long-term commitments to provide capital for clean energy projects. The only new commitment related to clean energy in the Proposed Settlement is a promise that Alloy Parent (not the Partners) will finance a $50 million "Clean Firm Technology Fund."[50] Alloy Parent would pay $16.67 million installments into the fund every two years for the next five years.[51] The fund would be used to finance investments in "clean firm technology," which Petitioners define as "carbon-free resource[s], as defined by Minn. Stat. § 216B.1691, subd. 1(b), that can be dispatched and provide energy continuously for a duration of

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[47] ALJ Report at 43 ¶ 204, *see also id.* at 28 ¶ 141.
[48] *Id.* at 44 ¶ 211.
[49] *Id.* at 40 ¶ 187; *see also id.* at ¶ 186 ("if ALLETE and Partners over-invest in gas-fired generation, this could jeopardize ALLETE's transition to clean energy and place ratepayers at risk of funding additional projects.").
[50] Proposed Settlement at 11 ¶ 1.63
[51] *Id.*

50 hours or more."[52] Minn. Stat. § 216B.1691, subd. 1(b) defines "carbon-free" as "a technology that generates electricity without emitting carbon dioxide."

Notably, however, the Proposed Settlement includes a loophole that expressly allows Minnesota Power to request exemptions in order to fund resources that do not meet the Company's own definition of "clean firm technology." The Proposed Settlement states that "[i]f Minnesota Power identifies an opportunity that may meet the intent of the Fund but *does not fully satisfy the aforementioned definition*, it may propose the opportunity to the Commission after conferring with the Department to confirm that the Department does not object in principle."[53]

This loophole is particularly concerning because the definition of "carbon free" is currently disputed. Minnesota Power and DOC have recently argued in another Commission docket involving implementation of Minnesota's Carbon Free Standard that thermal combustion resources that *do* emit carbon dioxide, including burning of municipal solid waste, biomass, or renewable natural gas, should be considered fully or partially carbon-free if those fuels have lower net lifecycle carbon emissions than alternative fuels or alternative methods of waste disposal.[54] This interpretation is plainly inconsistent with the statutory definition of "carbon free" in Minn. Stat. § 216B.1691, subd. 1(b), as the Clean Energy Organizations have explained via comments in that Commission proceeding.[55]

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[52] *Id.*
[53] Proposed Settlement at 12 ¶ 1.63 (emphasis added).
[54] *See* Docket No. E-999/CI-24-352, Comments of the Minnesota Pollution Control Agency and the Minnesota Department of Commerce, 18 (Minn. Pub. Util. Comm'n June 5, 2025); Docket No. E-999/CI-24-352, Comments of Minnesota Power, 9-10 (Minn. Pub. Util. Comm'n June 5, 2025); *see also* Docket No. E-999/CI-23-151, Comments of the Minnesota Department of Commerce, 2 (Minn. Pub. Util. Comm'n June 28, 2024).
[55] *See* Docket No. E-999/CI-24-352, Initial Comments of the Clean Energy Organizations (Minn. Pub. Util. Comm'n June 5, 2025).

If the Commission were to adopt the interpretation of "carbon free" advocated by Minnesota Power and DOC in the Carbon Free Standard implementation dockets, the $50 million "Clean Firm Technology Fund" proposed by Petitioners in this case could be used to finance power plants that burn solid waste, biomass, or renewable natural gas. But even if there were no dispute about the statutory definition of "carbon free," the loophole in the Proposed Settlement could allow the "Clean Firm Technology Fund" to be used to finance resources that do not meet that definition.

Moreover, even if the "Clean Firm Technology Fund" were limited to genuinely carbon-free resources, Petitioners' proposal would not tip the balance in favor of approval of the Acquisition. First, the commitment to finance the "Clean Firm Technology Fund" is made by Alloy Parent, not the Partners. It is therefore vulnerable to the same concerns about access to capital discussed in Section I.B above: If the Partners do not provide capital to Alloy Parent, a commitment by Alloy Parent to provide financing carries little weight. Second, the "Clean Firm Technology Fund" would provide only five years of funding—the commitment does not provide long-term capital, and as discussed above, the Partners have not committed to maintain ownership of ALLETE for any minimum period of time. Finally, $50 million is a small funding commitment relative to the scale of Minnesota Power's capital plans. The Company's 5-year capital plan calls for roughly $5 billion in spending on regulated operations, and the Company estimates its 20-year capital plan at around $20 billion.[56]

Petitioners' claimed rationale for the Acquisition is that the Partners will provide capital to fund the Company's clean energy transition. As discussed above, the Partners have not committed to provide *any* capital to Minnesota Power after the Acquisition, and Alloy Parent makes no long-term financing commitments beyond the Company's 5-year capital plan. Alloy Parent's $50

[56] Ex. MP-45 at 62 (ALLETE 2024 Form 10-K); Ex. MP-10 at 4:6−12 (Scissons Direct).

million commitment for "clean firm" resources would do relatively little to advance the Company's clean energy transition and is outweighed by the Acquisition's many significant risks.

E. The Proposed Settlement Does Not Mitigate the Risks of Partner Control of the ALLETE Board.

The ALJ Report correctly found that the Acquisition would likely result in the Partners having "complete control" of the ALLETE Board of Directors, and that this control poses risks to the public interest.[57] The Partners will have the power to designate all Board members, and plan to actively manage ALLETE's decisionmaking.[58] The Partners "will also be able to override the board's decisions on important issues" by exercising extensive consent rights.[59] The ALJ Report concluded that "the promised governance changes will facilitate ALLETE's loss of control over operations,"[60] and identified the resulting risks to the Company and ratepayers:

- "ALLETE and its ratepayers could be harmed by conflicts of interest arising from business relationships between the utility and Partners' affiliates or appointed directors, or an unchecked ability for the Partners to engage in risky financial, operational, and governance engineering as they make final budgeting and debt issuance decisions."[61]

- "Decision-making regarding ALLETE's business plans and operating and capital budgets will shift away from local oversight to the Partners, who have an incentive to drive an increase in ALLETE's near-term returns without regard for the utility's long-term health."[62]

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[57] ALJ Report at 54 ¶ 259, 55 ¶ 266.
[58] *Id.* at 53−54.
[59] *Id.* at 54 ¶ 260.
[60] *Id.* at 55 ¶ 265.
[61] *Id.* at ¶ 264.
[62] *Id.* at ¶ 266.

The ALJ found that "[i]n sum, the proposed governance structures fail to adequately balance the needs of owners, ratepayers, and the community, and pose the risk of outsized influence by the Partners on the decision-making authority of company management."[63]

The Proposed Settlement does not resolve any of these problems. It does nothing to meaningfully limit the Partners' control of the ALLETE Board. The Partners' promise to leave the "day-to-day operations" of Minnesota Power to Company management simply echoes language previously proposed in the Company's testimony.[64] Moreover, this promise does nothing to limit or mitigate the Partners' control of the Company when the Partners appoint the Board members and have extensive consent rights over every significant decision.[65] The Proposed Settlement would make slight changes to the Board structure, increasing the number of Directors to fourteen, one more than the thirteen-member Board the Company had proposed in testimony.[66] However, the Partners would still have the power to appoint thirteen of the fourteen Directors. GIP would still appoint six directors and CPP would appoint four directors based on their respective ownership shares, while the Partners would jointly appoint three directors by agreement, and the CEO would fill the last seat.[67] This is essentially the same Board governance structure Petitioners proposed in the Company's rebuttal testimony.[68]

While the Proposed Settlement proposes six "independent" directors, up from two "independent" directors in Petitioners' earlier proposal, the Partners would still have the power to

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[63] *Id.*
[64] *Compare* Proposed Settlement at 5 ¶ 1.23(a) *with* Ex. MP-27 Schedule 1 at 2 ¶ 14 (Cady Rebuttal).
[65] ALJ Report at 31 ¶ 150.
[66] *Compare* Proposed Settlement at 5, ¶ 1.23(b) *with* Ex. MP-27 Schedule 1 at 2, ¶¶ 11−14 (Cady Rebuttal).
[67] Proposed Settlement at 5 ¶ 1.23(b).
[68] Ex. MP-27 Schedule 1 at 2 ¶¶ 13, 14 (Cady Rebuttal).

appoint all of the directors. The ALJ Report noted that "[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."[69]

The ALJ Report concluded that the governance commitments Petitioners proposed in testimony did not adequately mitigate the risk that the Partners' control of the Board would harm the public interest.[70] The slight changes to the governance structure in the Proposed Settlement do not remedy this risk and preserve the Partners' near-total control of the Board.

F. The Proposed Settlement Does Not Ensure Transparency.

Finally, the Proposed Settlement does not remedy the lack of transparency that would result from the Acquisition. After the Acquisition, ALLETE would no longer be a public company and would no longer be subject to the same Securities and Exchange Commission ("SEC") reporting obligations. The ALJ report concluded that "[p]rivatization of ALLETE and the discontinuation of ALLETE's SEC reporting obligations would significantly reduce information about ALLETE that is available to the Commission and Minnesota ratepayers."[71] Petitioners' testimony proposed commitments requiring ALLETE and Alloy Parent to provide limited financial reports to the Commission, but the ALJ report found that these provisions still represented a decrease in transparency compared to the status quo, and not a benefit.[72] Moreover, these financial reporting requirements would not apply to the Partners. The ALJ noted that "[i]f the acquisition is approved,

[69] ALJ Report at 54 ¶ 259, 31 ¶ 150.
[70] *Id.* at 31 ¶ 150 ("Commitments 11 through 14 do little to address risks related to the Partners' control of ALLETE's board. . . The Partners, through their consent rights over material actions and their right to appoint board members, would fully control the board and therefore Minnesota Power").
[71] *Id.* at 51 ¶ 244.
[72] *See id.* at 36 ¶¶ 173−174, 51 ¶ 243.

ALLETE would be under no obligation to provide detailed financial information about GIP or CPP" and "[t]the Partners have made no voluntary commitment to provide financial information about GIP or CPP."[73]

The Proposed Settlement does not meaningfully improve transparency or remedy the flaws identified by the ALJ Report. The Settlement would require ALLETE and Alloy Parent to provide the Commission and DOC with access to their books and records,[74] and file audited financial statements for ALLETE and Alloy Parent with the Commission.[75] However, the Proposed Settlement still does not provide any transparency into the finances of GIP or CPP, who would be ALLETE's ultimate owners. The result is a net loss of transparency compared to the status quo.

The Proposed Settlement's provisions are functionally the same as the commitments that the Company previously proposed in rebuttal testimony.[76] The ALJ explained that those proposed commitments "would not be necessary without the transaction and attempt to mitigate a loss of transparency rather than provide an affirmative benefit. Nor do these commitments promise to provide the same information that ALLETE is currently required to provide in SEC reports."[77] And while the commitment to provide access to books and records 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."[78] This remains true for the provisions in the Proposed Settlement, which do not mitigate the loss of transparency that would result from the Acquisition, and the Partners' finances would remain opaque.

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[73] *Id.* at 51 ¶ 242.
[74] Proposed Settlement at 7 ¶ 1.33
[75] *Id.* at 8 ¶ 1.38.
[76] *See* Ex. MP-27 Schedule 1 at 6 ¶¶ 41–43 (Cady Rebuttal).
[77] ALJ Report at 36 ¶ 173.
[78] *Id.* at 36–37 ¶ 174.

II. THE PROPOSED SETTLEMENT DOES NOT ADDRESS THE ISSUES IN THE COMMISSION'S OCT. 7, 2024 ORDER.

The Commission's notice also solicits comment on whether the Proposed Settlement has "addressed the questions addressed to the Administrative Law Judge in the Commission's Order of October 7, 2024." The Proposed Settlement does not adequately address or resolve these issues. Among other topics, the Commission's October 7, 2024 order asked the ALJ and the parties to address (1) "potential harms to the public interest from the proposed transaction, including in relation to cost or risk," (2) "potential benefits to ratepayers, Minnesota, or the public interest from the proposed transaction," (3) whether the proposed transaction is "consistent with the public interest" when "[c]onsidering all relevant factors and applicable law," (4) whether there are "regulatory requirements or commitments necessary to render the proposed transaction consistent with the public interest," and (5) how the Acquisition will "impact Minnesota Power's ability to comply with the carbon-free standard under [Minn. Stat.] § 216B.1691. . ."[79] Regarding items 1 and 2, the Proposed Settlement does not adequately mitigate the harms and risks of the proposed Acquisition, nor does it confer benefits sufficient to outweigh those harms and risks, as discussed above. The Proposed Settlement therefore fails to provide conditions or commitments sufficient to render the proposed Acquisition consistent with the public interest (items 3 and 4). Finally, regarding item 5, Petitioners have not shown that the Proposed Settlement will improve Minnesota Power's ability to comply with the Carbon Free Standard, and the evidence shows a risk that Acquisition by the Partners could in fact harm the Company's compliance with the standard, as explained in Section I.D above.

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[79] Docket No. E015/PA-24-198, Order for Hearing, 8 (Oct. 7, 2024).

CONCLUSION

For the reasons set out above, the Proposed Settlement does not render the Acquisition consistent with the public interest and does not tip the balance in favor of approval. The Proposed Settlement does not adequately mitigate the Acquisition's risks and does not provide any benefits sufficient to outweigh its likely harms. Sierra Club respectfully recommends that the Commission reject the Proposed Settlement and disapprove the Acquisition.

Dated: August 4, 2025

Respectfully submitted,

/s/ Patrick Woolsey ______________

Patrick Woolsey *(Pro hac vice)*
Kristin Henry *(Pro hac vice)*
Sierra Club Environmental Law Program
2101 Webster Street Suite 1300
Oakland, CA 94612
(415) 977-5757
patrick.woolsey@sierraclub.org
kristin.henry@sierraclub.org

Evan Mulholland
Minnesota Center for Environmental Advocacy
1919 University Ave. W #515
St. Paul, MN 55104
(651) 223-5969
emulholland@mncenter.org

Attorneys for Sierra Club