MINNESOTA
PUBLIC UTILITIES COMMISSION

Staff Briefing Papers

Meeting Date	**September 25, 2025 & October 3, 2025**		**Agenda Item 1*** **
Company	Minnesota Power		
Docket No.	E-015/PA-24-198 & E-015/PA-24-383		
	In the Matter of the Petition of Minnesota Power for Acquisition of ALLETE by Canada Pension Plan Investment Board and Global Infrastructure Partners		
Issues	Is the acquisition of ALLETE by Canada Pension Plan Investment Board and Global Infrastructure Partners consistent with the Public Interest? Should the Commission approve the acquisition of ALLETE by Canada Pension Plan Investment Board and Global Infrastructure Partners? Is the proposed Settlement between the Department of Commerce and ALLETE consistent with the public interest?		
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✓ **Relevant Documents**	**Date**
Settlement Stipulation of DOC, ALLETE, GIP, CPPIB – Department of Commerce	July 11, 2025
Findings of Fact, Conclusions of Law, and Recommendation with Addendum A – Office of Administrative Hearing (Docket 24-198)	July 15, 2025
Findings of Fact, Conclusions of Law, and Recommendation – HCTS – Office of Administrative Hearing (Docket 24-383)	July 17, 2025

✓ Relevant Documents	Date
Exceptions to ALJ, Attachment A, Attachment B, Attachment C, Attachment D – Minnesota Power, CPP & GIP	August 4, 2025
Exceptions to ALJ & Attachment E – HCTS – Minnesota Power, CPP & GIP (Docket 24-383)	August 4, 2025
Exceptions to ALJ – Citizens Utility Board	August 4, 2025
Comments on Settlement Stipulation – Citizens Utility Board	August 4, 2025
Initial Comment – Large Power Intervenors	August 4, 2025
Comments on the Findings of Fact, Conclusions of Law, and Recommendations of the Administrative Law Judge – Large Power Intervenors	August 4, 2025
Comments on the Findings of Fact, Conclusions of Law, and Recommendations of the ALJ – HCTS (Docket 24-383) – Large Power Intervenors	August 4, 2025
Exceptions – CURE	August 4, 2025
Initial Comment – CURE	August 4, 2025
Comments – Fresh Energy & Clean Grid Alliance	August 4, 2025
Comments re: Settlement – Sierra Club	August 4, 2025
Exceptions – Sierra Club	August 4, 2025
Comments – Corrected Version – North Central States Regional Council of Carpenters/IUOE Local 49	August 5, 2025
Comments – Department of Commerce	August 4, 2025
Comments – Office of the Attorney General	August 4, 2025
Exceptions to ALJ – Office of the Attorney General	August 4, 2025
Joint Comments – Center for Energy and Environment & Clean Energy Economy Minnesota	August 4, 2025
Initial Comment on Proposed Settlement – Large Power Intervenors	August 5, 2025
Comments – LIUNA Minnesota/North Dakota	August 5, 2025
Exceptions to ALJ - Energy Cents Coalition	August 5, 2025
Comments – Energy Cents Coalition	August 5, 2025
Exceptions to ALJ - IBEW Local 31	August 5, 2025
Reply Comments – Large Power Intervenors	August 14, 2025
Reply to Exceptions – Citizens Utility Board	August 14, 2025
Comments – Department of Commerce	August 14, 2025
Response to Renewed Motion to Lift Trade Secret Designation – Minnesota Power	August 14, 2025

✓ **Relevant Documents**	**Date**
Reply to Exceptions and Comments on Settlement – Minnesota Power	August 14, 2025
Reply to Exceptions and Comments on Settlement – HCTS (Docket 24-383) – Minnesota Power	August 14, 2025
Reply Comments & Reply to Exceptions – Sierra Club	August 14 ,2025
Reply Comments – CURE	August 14, 2025
Reply Comments – LIUNA Minnesota/North Dakota	August 14, 2025
Comments – Local 1097 and Local 1091 Laborers	August 14, 2025
Letter Clarification - CURE	August 25, 2025
Comments – AFL – CIO	August 28, 2025

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BACKGROUND

I. Record Summary

On July 19, 2024, Minnesota Power filed its Petition for the Acquisition of ALLETE by Canada Pension Plan Investment Board and Global Infrastructure Partners.

On July 23, 2024, the Public Utilities Commission of Minnesota (PUC) filed a Notice of Comment Period, requesting comment on the completeness of the Petition and whether the matter should be referred to the Office of Administrative Hearing/Court of Administrative Hearing (OAH or CAH).

On August 19, 2024, Minnesota Power, Citizens Utility Board of Minnesota (CUB), Large Power Intervenors (LPI), International Brotherhood of Electrical Workers Local 31 (IBEW Local 31), the Department of Commerce Division of Energy Regulation (Department), and the Office of the Attorney General Residential Utilities Division (OAG) filed comments. On August 26, 2024, Minnesota Power, CUB, Energy Cents Coalition (ECC or Energy Cents), and LIUNA of Minnesota and North Dakota (LIUNA) filed reply comments. On October 7, 2024, the PUC referred the Petition to the OAH for a contested case proceeding.

On October 10, Administrative Law Judge (ALJ) Megan J. McKenzie filed an order for a prehearing conference on October 21, 2024, where a procedural schedule and governing rules for the contested case were discussed. ALJ McKenzie filed a First Prehearing Order on October 28, 2024.

On December 12, 2024, Minnesota Power filed Testimony in support of the Petition.

On January 10, 2025 and April 8, 10, and 11, 2025, public hearings were held virtually and in Cloquet, Duluth, Eveleth, Cohasset, and Little Falls, MN.

On February 4, 2025, the Department, OAG, CUB, IBEW Local 31, LIUNA, LPI, International Union of Operating Engineers Local 49 and North Central States Regional Council of Carpenters (IUOE Local 49 & NCSRCC), Sierra Club, and CURE filed Direct Testimony on the Petition.

On February 13, 2025 the Department filed a motion to compel discovery. On February 28, 2025, the OAG filed in support of the motion, and on

On February 14, 2025, Canada Pension Plan Investment Board (CPP or CPPIB) and Global Infrastructure Partners (GIP) filed a motion to revoke access and strike Direct Testimony of Scott Hempling, based on a breach of the Protective Order for Highly Confidential Trade Secret Information. On February 25, 2025, CUB withdrew Mr. Hempling's testimony. On March 3, 2025, Mr. Hempling filed a letter explaining the breach.

On March 4, 2025, Minnesota Power and LIUNA filed Rebuttal Testimony, and on March 17,

2025, the OAG filed a Motion to Lift Trade Secret Designation on certain documents.

On March 25, 2025, the OAG, LPI, CUB, ECC, Sierra Club, MP, and IBEW Local 31 filed Surrebuttal Testimony. CURE and the Department filed Surrebuttal Testimony on March 26, 2025.

On April 1-3, 2025, the ALJ convened a public hearing on the Petition.

On April 18, 2025, Minnesota Power filed response testimony regarding Hearing Exhibit OAG-412, based on discussions in the record during the evidentiary hearing.

On July 11, 2025, the Department filed a Settlement Stipulation between itself and ALLETE, GIP, and CPP.

On July 15, the ALJ filed a redacted version of her Findings of Fact, Conclusions of Law, and Recommendation. On July 17, 2025, the ALJ filed a Trade Secret version of her Findings of Fact, Conclusions of Law, and Recommendation. On July 18, 2025, the PUC filed a Notice of Comment on the Proposed Settlement and Notice of Schedule for Exceptions to the ALJ Report.

On August 4, 2025, Minnesota Power, CPP, and GIP filed Exceptions to the ALJ Report and Comments on the Proposed Settlement. In addition, CUB, CURE, LPI, the OAG, ECC, IBEW Local 31, and Sierra Club filed Exceptions to the ALJ Report, and the OAG, Department, NCSRCC/IUOE Local 49, Sierra Club, and LIUNA filed Comments on the Stipulation.

On August 14, 2025, Minnesota Power, CPP, and GIP, along with OAG, Sierra Club, CURE, LIUNA, CUB, and LPI filed Reply to the Exceptions and Comments on the Stipulation.

On August 28, 2025, the PUC filed information requests to Minnesota Power, which were answered by MP on September 4, 2025.

II. ALLETE Petition

A. ALLETE, Inc.

ALLETE, Inc. consists of (1): Minnesota Power (MP), which is currently a division of ALLETE, Inc.; (2): ALLETE Clean Energy, which develops, acquires, and manages renewable and clean energy projects; (3): Superior Water and Power, a small, regulated utility in Wisconsin; (4): New Energy Equity, which develops solar projects; and (5): BNI Energy, which mines coal for the Milton R. Young generation plant in North Dakota.

In addition, there are several subsidiary companies which provide specialized services.

ALLETE described itself in its filing as “the largest investor in renewable energy of all publicly

traded utilities in the United States"[1], but noted that it is a relatively small company competing for capital. ALLETE identified the renewable energy transition as creating a need for significant new investment in generation, distribution, and transmission infrastructure as a major motivation for the acquisition.

B. Partners

1. Global Infrastructure Partners

Global Infrastructure Partners (GIP) is the trading name of Global Infrastructure Management, LLC, an investor in energy, transport, digital infrastructure, and waste/waste management which was founded in 2006 and acquired by BlackRock in 2024. It had approximately $115 billion under management in March 2024. GIP's focus is real infrastructure assets. It currently does not advertise significant ownership of any US utilities, but has approximately a 34% ownership share in Naturgy, an integrated gas and electric utility serving customers across Spain and Latin America[2]. Most of GIP's investment in the electricity space is in renewable generation and battery storage. On its website it defines its investment in the Energy space in two ways – "Energy – Midstream" (pipelines and liquefied natural gas), and "Energy – Renewables and Power" (the vast majority of which is renewable energy generation, though there are also some fossil generation assets)[3].

GIP seeks to purchase a 60% share of ALLETE via two of its funds, with 40% of funding coming from its "Fund V", an approximately $25.2 billion infrastructure core-plus fund. The remaining 20% comes from its Tower Bridge Fund, which primarily invests on behalf of the California state pension plan CalPERS.

2. Canada Pension Plan Investment Board

Canada Pension Plan Investment Board (CPP or CPPIB) is the investment manager for the Canada Pension Plan Fund, which represents funds not needed by the Canada Pension Plan to pay benefits. The Canada Pension Plan is the Federally-controlled retirement vehicle for 22 million Canadian contributors and beneficiaries, and represents the Canadian analogue to the United States' Social Security program. The Canada Pension Plan has a significantly more diversified investment strategy than the US Social Security Trust Fund, which by law is invested entirely in US Treasury bonds.CPP has $714.4 billion under investment as of March, 2025[4], invested in 55 countries around the world.[5] The Infrastructure class makes up approximately

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[1] Petition, p. 5

[2] https://www.global-infra.com/portfolio/page/3/

[3] https://www.global-infra.com/portfolio/A

[4] CPPInvestments.com Website on July 18, 2025

[5] Canada Pension Plan 2025 Annual Report, p. 8

9% of CPP's investments.[6] CPP's Real Assets investment group has investments in German electric utility E.ON and several transmission service providers, as well as other electric, gas, and water utilities worldwide.

C. Structure and Purpose of the Acquisition

ALLETE presented a plan of acquisition which would result in ALLETE being a wholly owned subsidiary of a holding company, Alloy Parent, Inc., which would in turn be owned 60% by GIP through its two investment funds, and 40% by CPP through its investment fund. Current shareholders would receive $67 per share, which was a significant premium over the trading price shortly prior to the announcement of the merger.[7] ALLETE identified $3.9 billion in transaction value in purchase of ALLETE's equity, and an additional $2.3 billion in the assumption of ALLETE's debt, for a total transaction value of approximately $6.2 billion.

After the acquisition is complete, the Petition identified one future change to structure, a tax-sharing agreement between Partners, ALLETE, and MP, to be filed after closure. In addition, the Settlement Agreement (Settlement) between ALLETE and the Department of Commerce, Division of Energy Regulation (Department) called for ALLETE to file, within 6 months, a proposal to split Minnesota Power into a separate entity from the rest of ALLETE. Whether Minnesota Power then would be removed from Alloy Parent (which would require Commission approval), the non-regulated parts of ALLETE would be removed from Alloy Parent (which would not require Commission approval), or both left under Alloy Parent, is not stated.

1. Regulatory Approval

Allete presented its petition identifying a standard of review of "consistent with the public interest". Various parties interpret that in different ways, but ALLETE stated that this standard does not require an affirmative finding of public benefit, but rather only a finding that the transaction is compatible with the public interest.[8]

In service of this standard, ALLETE asserted that there would be no adverse impact from the acquisition on customers, service cost or quality, employees, or communities. ALLETE cited

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[6] Ibid, p. 34.

[7] ALLETE (ALE) closed at $59.22 on April 30, 2024. It rose to $60.34 on May 1, $60.8 on May 2, and $64.27 on May 3, prior to the announcement of the merger on May 6, 2024, for a rise of 8.5% immediately prior to the announcement. Volume also spiked on May 3rd, suggesting rumors or leaks drove the rise. It dropped to $63.01 on May 6, and has ranged between $61.51 and $65.89 since the announcement (as of July 31st). (Source: digital.Fidelity.com) The S&P 500 Utilities index ranged from 338.8 at close on April 30 to a close of 347.36 (up 2.5%) on May 3, and has since risen to 437.38 as of July 31st. (Up an additional 25.8%).(Source*: ibid*)

[8] ALLETE cited *In the Matter of the Proposed Merger of Minnegasco, Inc., With and into Arkla*, Docket No. G-008/PA-90-604, ORDER APPROVING MERGER AND ADOPTING AMENDED STIPUTLATION WITH MODIFICATIONS, p.4. A summary of this and other acquisitions of utilities in recent years in Minnesota is provided below.

improved access to capital needed for the clean energy transition as a benefit. ALLETE further cited several "Commitments to Minnesota", some of which were in the original petition, and others added during the testimony phase. The Administrative Law Judge (ALJ) listed and reviewed each Commitment in the ALJ report for its net impact on public interest relative to the status quo. Commitments included:

- ALLETE will maintain its headquarters in Duluth.
- Employee job protections for two years for non-union employees and easy transition of benefits from pre-acquisition to post-acquisition.
- ALLETE will honor union contracts and continue its current contractor policies.
- Current management will be maintained, subject to voluntary departures and terminations "in the ordinary course".
- Some directors will be selected locally, and some will be independent. The specifics of this were changed from the original petition in rebuttal testimony and again in the Settlement Stipulation.
- Budget approval by the ALLETE Board.
- Community commitments related to the MP Foundation and other existing community activities.
- Several regulatory and accounting commitments related to ALLETE and Alloy Parent's separation for accounting, credit, and regulatory purposes.
- ALLETE will not request transaction costs or an acquisition premium through rates.
- Commitments to follow existing Commission rules and orders regarding capital structure, books and records, and affordability programs.

D. Record

Petition – Entire
Scissons Direct - Entire

III. History of Mergers in Minnesota

A. Merger – ArkLa & MinneGasCo (1990)[9]

In 1990, MinneGasCo, Inc., a Minnesota gas utility, filed for approval of an application to be acquired by Arkla, Inc., a utility serving customers in Arkansas, Louisiana, and Texas. Arkla would later evolve into CenterPoint Energy. The Department of Public Service, predecessor to the current Department of Commerce Division of Energy Regulation (DPS), and OAG were parties, and an additional entity, Minnesota Alliance for Fair Competition (MAC), was rejected as a party but did file comments. The case was not referred for a contested case proceeding and was handled through notice and comment. The DPS, OAG, and Company reached a

[9] G-008/PA-90-604 –Arkla, Inc., which also controlled Entex and Reliant Energy HL&P unified all of its holdings under the brand "CenterPoint" in 2004, shortly after Reliant Energy HL&P was required to divide into a regulated Transmission & Distribution Service Provider (CenterPoint Energy), a competitive wholesale generator (Texas GenCo), and a competitive Retail Electric Provider (Reliant Energy) during Texas's retail electric restructuring.

stipulation agreement with several additional conditions prior to the Commission hearing. This stipulation had the following terms:

- Specified additional information in Annual Reporting for five years along with other additional reporting.
- For three years, the Company agreed to notify the Commission, DPS, and OAG of any and all changes to accounting procedures which would affect capital structure.
- Agreement does not mean use of or acceptance of future capital structure filings by parties.
- Gas supply and transmission agreements between MinneGasCo and other Arkla affiliates are considered "affiliate" transactions.
- In its monthly Purchased Gas Adjustment report, MinneGasCo will identify any suppliers which are a division or subsidiary of Arkla.
- Upon request by the Commission, DPS, or OAG, MinneGasCo will provide a copy of any non-confidential public filings or documents made by any Arkla division or subsidiary with a regulatory agency.
- Cost recovery to be addressed in a future rate case.

In approving the sale, the Commission cited the following factors:

- Arkla being a public utility with 80% of its operations regulated in several states
- Continued regulation of MinneGasCo as a Minnesota utility
- Commission authority over the issuance of securities which subject Minnesota property to an encumbrance.

The Commission in addition extended the reporting requirements noted above "indefinitely" and gained agreement from MinneGasCo not to seek recovery of an acquisition adjustment or goodwill expenditures and opened an investigation into appliance sales and service by utilities. The Commission noted "full participation" in the proceeding by senior officers of both MinneGasCo and Arkla as essential to the favorable decision. This case also established as precedent Commission authority over mergers and acquisitions of utilities.

B. Northern States Power Co. Acquisitions

1. Acquisition of the Stock of Natrogas & Merger with Western Gas Utilities by Northern States Power Company DBA Xcel Energy (1999)[10]

On August 16, 1999, A merger agreement was signed between Northern States Power Company (NSP) and Natrogas, parent of Western Gas Utilities. Natrogas was a privately owned utility with 5,000 customers in its Western Gas Utilities subsidiary in Minnesota, owned primarily by the estate of its Founder, who died in 1996.

The Department found that the merger would be in the public interest. The Commission agreed

[10] E,G-002/PA-99-1268

and cited the following factors:

- The merger would have a minor impact on NSP's credit rating, capital structure, and cost of capital.
- The merger would reduce rates for Western customers by 10%-12% per year.
- NSP agreed to meet with two customers on a specific tariff (Flexible Transportation) who would be harmed by the merger via higher rates to negotiate specific terms to create a special rate class for those customers to mitigate harm.
- NSP customers would see a rate increase of an average of $0.43 per year, or less than 1/10th of a percent.

The Commission required, in addition:

- A rate filing and compliance report covering the two Flexible Transportation customers.
- A delay on use of a combined demand cost and rate until a combined Demand entitlement filing is made with the Commission.
- A filing on addressing combined true ups.
- Pooling-of-interest method of accounting.
- Transaction and transition costs are not recoverable.
- Bill inserts, to be approved by the Executive Secretary.

2. Merger of NSP & Black Mountain Gas (1998)[11]

Black Mountain Gas was a publicly owned gas utility in Arizona. NSP filed for approval of the merger under an interpretation of 216B.50 that held that any acquisition by a Minnesota-owned utility required Commission approval.

The Commission approved the merger subject to the following conditions:

- Costs will not be recovered from ratepayers
- Merger costs will be identified separately in future Minnesota Jurisdictional Annual Reports
- Proper documentation of allocators and assignments related to Black Mountain Gas
- The Company will continue to maintain its own books and records and provide unimpeded access for Minnesota regulators to fulfill statutory responsibilities
- Conditioned on qualifying as pooling-of-interest
- Post-merger filing requirements

The Commission found negligible, slight benefits for Minnesota ratepayers, and no appreciable increase in risk.

[11] E,G-002/PA-98-109

3. NSP Petition for Merger with Wisconsin Electric Corp.[12]

Northern States Power Company proposed a merger with Wisconsin Energy Corporation (WEC) in 1995. After three ALJ reports and shortly before Commission hearings, NSP withdrew the application. The DPS had recommended approval of the application, identifying to specific, quantifiable cost savings which would lead to rate reductions due to the merger. NSP and WEC withdrew the application due to costs which they attributed to delays in receiving approvals from various regulatory authorities at both the Federal and State level.

4. NSP Purchase of Home Light & Power (1986)[13]

NSP purchased Home Light & Power, which served Jasper, Ihlen, and surrounding areas, in 1986. This purchase was approved as a change to assigned service area. As this case took place prior to the 1990 MinneGasCo purchase, the precedent of Commission review of small utility acquisitions had not been established.

C. Great Plains Natural Gas Acquisitions and Mergers

1. Merger of MDU Resources Group & Great Plains Natural Gas[14] (2000)

On February 11, 2000, MDU Resources Group (MDU) and Great Plains Energy filed for approval of a merger. On April 4, 2000, petitioners filed a Stipulation and Agreement with the Department and OAG recommending approval.

The Stipulation required:

- No recovery of merger-related costs or an acquisition adjustment in any future rate case.
- Corporate cost allocations from MDU would not exceed Great Plains' comparable corporate costs for the 12-month period ending December 31, 1999, in its next rate case.

The Commission found no reasonable likelihood of harm to customers, and at least modest benefits from the merger. All potential risks were found to be mitigated by conditions of the Stipulation Agreement.

In addition, the Commission ordered Great Plains to file an annual customer complain report for the next 6 years, and file prior notice of any office closings or significant operational changes in Minnesota.

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[12] E,G-002/PA_95-500 – This merger would have resulted in a new company called "Primergy Corporation".

[13] E-002/PA-86-314

[14] G-004/PA-00-184

2. Acquisition of Cascade Natural Gas Corporation by Great Plains Natural Gas[15] (2006)

In 2006, Great Plains filed for approval of acquisition of a utility in Washington state, Cascade Natural Gas Corporation. The Department recommended approval. The Commission approved the purchase, with the following conditions:

- No decrease in service or customer service quality.
- Minnesota ratepayers shall be held harmless from any cost of service increase due to the merger.
- The acquisition would have no effect on capital structure.
- All other states' approvals would be filed.
- The Commission reserves the right to adopt any conditions required by other states.
- Transaction and transition costs must be recorded to a specific account and not recovered from ratepayers.
- MDU and Great Plains will make a filing of transaction costs within 90 days of close.
- Separate books from Great Plains' Minnesota operations.

D. Interstate Power & Light Transfer

Interstate Power & Light Company (IPL) transferred its territory and assets to Southern Minnesota Electric Cooperative (SMEC) in Docket PA-14-322, in 2015-2016. This transfer, from an investor-owned utility (IOU) to a Cooperative, entailed considerable controversy and record development. Parties recommended a variety of conditions on the transfer to protect customers who were moving from a Commission-regulated utility to a less-regulated cooperative.

The Department of Commerce recommended three conditions:

- Five years of reliability reporting for the former IPL territory.
- SMEC be required to file three years of actual weather-normalized annual revenue requirements for IPL territory.
- A bill credit if actual weather-normalized annual revenue requirement exceeds forecast annual revenue requirement by more than 2% in any of those three years.

The OAG also recommended conditions:

- The prevention of the pass-through of any gain from sale to IPL customers.
- IPL be required to pay transaction costs.
- Sale price be reduced by the amount of the gain IPL will receive in increased returns on equity on generation assets in Iowa used to serve Minnesota load.

The Minnesota Chamber of Commerce recommended:

- Denial of an asset acquisition premium

[15] G-004/PA-06-1585

- Conditions on transfer of generation assets from retail to wholesale jurisdiction.
- Increasing the per-MWh rate credit for acquired customers to pass on the "full estimated benefit" of the transaction.
- Requiring SMEC to use the same billing methodology for other Cooperatives that IPL used to bill SMEC.
- Prohibiting merger of existing and acquired customer rates unless the impact is less than 1%.

The Commission adopted the Department of Commerce recommendations, above, plus one other condition:

- IPL must return the remaining Alternative Transaction Adjustment to customers through a reduction in payments under the Wholesale Power Sales Agreement.

The Commission rejected the OAG arguments, as they were predicated on the idea that current IPL customers would not benefit from the transaction, and the Commission identified specific benefits around cost of capital for SMEC vs. IPL. The Commission rejected the Chamber of Commerce recommendations as they were predicated on the idea that Cooperative regulation was inferior to Commission regulation, which is contrary to a Legislative finding that Cooperatives are adequately regulated, and that Federal Energy Regulatory Commission (FERC) regulation of wholesale rates is inconsistent with the public interest, relative to Commission regulation of retail rates, which the Commission could not concur with.

E. Conclusion

Unifying factors of all mergers noted:

- All acquiring companies were primarily regulated public utilities with operations in multiple states.
- The Commission ordered that transaction and transition costs, acquisition and goodwill not be recoverable from ratepayers.
- The Commission generally ordered a filing 90-days after the close documenting all transaction and transition costs.
- Maintenance of separate books.
- Specific, relevant conditions on company accounting to maintain accurate, reliable data for regulatory purposes.

All property transactions of greater than $1 million are governed by Minn. Stat. § 216B.50, which states, in part:

> If the commission finds that the proposed action is consistent with the public interest, it shall give its consent and approval by order in writing. In reaching this determination, the commission shall take into consideration the reasonable value of the property, plant, or securities to be acquired or disposed of, or merged and

consolidated.

Generally, recent mergers approved by the Commission have been relatively non-controversial, with DPS/Department and OAG joining stipulations and settlements with the Company. Most or all settled before hearing. The Commission generally identified specific ratepayer benefits to offset and minimize potential risks from many of the transactions. The one that was referred to Office of Administrative Hearings (OAH, subsequently renamed Court of Administrative Hearings), the NSP merger with Wisconsin Electric Corporation to form Primergy, was withdrawn, though it appeared that there was at least a potential path for it to receive approval based on a review of the ALJ reports. That case was the single case with many parties (mostly representing Wisconsin residents) recommending denial. This ALLETE acquisition is the largest and most complex investor-owned utility acquisition in Minnesota since that uncompleted transaction in 1995-1997.

DISCUSSION

IV. Motion to Lift Trade Secret Designation – OAG

1. OAG Motion

The OAG took exception to the fact that the ALJ failed to rule on a motion by the OAG regarding the trade-secret status of two documents provided by MP in response to information requests—Sierra Club IR 26 (including Attachment 26.02) and OAG Information Request 42—containing projected rate-increase information. In both cases, the OAG argued that the responses do not meet the definition of "trade secret" information under Minn. Stat. § 13.37, subd. 2a, and therefore are presumed public under the Minnesota Government Data Practices Act, Minn. Stat. § 13.03, subd. 1. MP renewed its motion and asked that the Commission to require MP to refile these documents in public versions with the redactions removed.

The OAG argued that concerns raised in MP's memorandum of opposition[16] that these documents could be taken out of context and misinterpreted are irrelevant to the analysis of whether data qualifies as trade secret. To qualify as trade secret, the data must "derive independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use."[17]

The OAG also argued that, even if industrial customers could use the projections to their advantage and to MP's detriment in negotiating electric service agreements with the utility, the proper remedy is to redact the large-customer segment of the data only, not to make the entire document trade-secret.

In response to MP's argument that the data could be taken out of context, OAG argued that MP has had ample opportunity to provide that context in the record and that OAG would support the public release of the trade-secret-designated explanation of that context that MP's witness provided during the evidentiary hearing.[18]

The OAG asks the Commission to remove the trade-secret designation from the entirety of the documents **(Decision Option 1)**, or in the alternative, if the Commission finds that these documents may be of economic value to customers that negotiate their rates, to remove trade-secret status from everything except the data pertaining to the negotiating customer classes **(Decision Option 2)**.

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[16] MP Memo in Opposition at 4, 8-10 (March 31, 2025).

[17] Minn. Stat. § 13.37, subd. 1(b).

[18] Evidentiary Hearing Transcript, vol. 1 at 302-309.

2. MP Reply

Minnesota Power opposed the renewed motion.

Minnesota Power described the rate projections in the Sierra Club exhibit as "a high-level modeling exercise" of potential revenue requirements based on needs at a particular point in time based on variable assumptions. MP stated that it was not intended as a projection of actual needs, as that would depend on many factors, including Commission approval of the projects underlying these rates. MP argued that these responses are the output of MP's proprietary model, which limits their usefulness for the purposes described by the OAG and argued that it could be taken out of context and misused if made public.

MP argued that the Motion should be considered a motion to compel under contested-case procedures. Under those rules, "the party seeking discovery shall have the burden of showing that the discovery is needed for the proper presentation of the party's cases, is not for purposes of delay, and that the issues or amounts in controversy are significant enough to warrant the discovery. In ruling on a discovery motion, the judge shall recognize all privileges recognized at law."

MP argued that OAG's motion was untimely and did not allege non-compliance with the pre-agreed protective order.

Citing the statutory definition of trade secret information, MP contended that disclosing this data publicly would pose a significant risk of economic harm to the Company by others who could obtain economic value from its disclosure or use. MP asserted that municipal and large power customers could use this data to inform contract negotiations with MP.

MP further argued that current investors could use this data to make investment determinations to MP's detriment.

MP argued that public release of the documents could allow third parties to 'reverse engineer' MP's proprietary approach to forecasting rate scenarios, undermining its economic value for MP.

MP argued that release could harm MP's standing with customers even though the projected rates are based on assumptions that may never materialize.

MP argued that OAG's alternative proposal to redact only the data relating to customer classes that negotiate rates would be insufficient because those large power or municipal customers could use the unredacted portions and their knowledge of their own usage to reverse engineer the redacted data, infer the rates of other customers in their classes, and use it to their strategic advantage in future negotiations with MP.

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Further, MP argued that releasing the projected rate information could compromise MP's efforts to attract new customers such as data centers and other new load, potentially giving other utilities an unfair advantage or affecting MP's bargaining position in future contract negotiations.

MP cited past Commission orders protecting data as trade secret if its release could diminish the utility's bargaining position in wholesale market transactions, customer negotiations, or bidding processes, noting that harm to the utility in such cases could increase costs for all customers. MP noted that OAG has not objected to similar trade secret designations in past rate cases, despite very similar justifications. MP argued that its justifications for trade secret designation were well within historical norms and Commission's preference for simpler trade secret designation justification statements on filings.

MP also argued that OAG has not demonstrated how release of this information is necessary to its case in this docket, as parties and the Commission have had the opportunity to analyze it in trade-secret form pursuant to the Data Practices Act and the protective order. MP disputed assertions that there is a need for public transparency regarding this particular information in this case. The late timing of the motion also led MP to question the OAG's motives and suggest that the OAG is seeking to disrupt the proceeding or to publicize irrelevant data in the future in an effort to solicit public support for OAG's positions.

MP also noted that the Protective Order in this docket specifies that "Protected data for which a designation is removed shall not be made public until five (5) days after the determination . . . to provide an opportunity to seek further review of the determination." MP argued that information would be useless to the proceeding if released five days after the Commission meeting.

MP argued that the economic value of protecting confidentiality on these documents significantly outweighs any marginal public benefit from disclosure and therefore asked the Commission to deny the motion in full **(Decision Option 3)**.

3. Other Comments

Citizen's Utility Board supported the OAG Motion. CUB argued that there is clearly a significant public interest in understanding future rate increases and withholding the information denies ratepayers and Minnesota important context on a matter of great concern.

CURE also supported the Motion, noting that ratepayers have already commented in this docket that rates are too high and raised concerns about future rate increases. CURE argued that the data should be released to provide transparency on an issue of great concern to Minnesota utility customers.

4. Record

- Office of the Attorney General Exceptions pp. 2-5
- Sierra Club IR 26.02 and response (TS)
- OAG IR. No. 42 and Response (TS)
- Petitioners' Response to Motion to Lift Trade Secrets Designation, entire.
- CURE Exceptions, p. 2, 5-6
- CUB Reply Comments, p. 13
- Office of the Attorney General Motion to Lift Trade Secret Designations, March 17, 2025
- Department of Commerce Memorandum of March 25, 2025
- Minnesota Power Response to OAG Motion Filing, March 31, 2025

V. ALJ Report

Administrative Law Judge Megan McKenzie held evidentiary hearings on April 1, 2, and 3, 2025, with the following additional Public Hearing dates:

- January 10, 2025 – Virtual
- April 7, 2025 – Cloquet, MN
- April 7, 2025 – Duluth, MN
- April 8, 2025 – Eveleth, MN
- April 8, 2025 – Cohasset, MN
- April 10, 2025 – Virtual
- April 11, 2025 – Little Falls, MN

A. Summary of Docket

1. ALJ Report

The ALJ provided a Summary of her recommendation prior to Findings of Fact:

> Based on the record evidence, the Administrative Law Judge concludes that the Commission should find that ALLETE, Inc. and the Partners have not met their burden of proof to show the transaction is consistent with the public interest. As a result, the Commission should **DENY** the petition for approval of an acquisition of ALLETE by the Partners.

The ALJ also provided a Procedural History as Findings of Fact 1-49 and a summary of utility financing, ALLETE, the Partners, and the Proposed Acquisition as Findings of Fact 50-121.

One note – Scott Hempling filed testimony on behalf of Citizens Utility Board. However, after an incident regarding Mr. Hempling posting his testimony, including trade secret information, to his website, CUB withdrew that testimony in response to a Motion by the Petitioners.

2. Exceptions

Minnesota Power, CPP, and GIP filed exceptions to the ALJ Report including a full set of Findings of Fact, Conclusions of Law, and Orders, which would **APPROVE** the petition consistent with the Settlement between Minnesota Power and the Department of Commerce. In addition, many other parties and commenters filed Comments and Exceptions on the ALJ Report and Settlement, including several which had not filed testimony in the original hearing as summarized in Table 1.

Table 1: Parties Positions

Party	Filed Testimony	Position on Merger & Settlement	Exceptions	Comments	Alternative Findings
Minnesota Power/CPP/GIP	YES	SUPPORT	X	X	X
Department of Commerce	YES	SUPPORT		X	
Office of the Attorney General	YES	OPPOSED	X	X	
Large Power Intervenors	YES	OPPOSED	X	X	
Citizens Utility Board of MN	YES	OPPOSED	X	X	
CURE	YES	OPPOSED	X	X	
IBEW Local 31	YES	SUPPORT	X		
NCCSRC & Local 49	YES	SUPPORT		X	
Energy Cents Coalition	YES	SUPPORT	X		
LIUNA	YES	SUPPORT	X	X	
Sierra Club	YES	OPPOSED	X	X	
Minnesota Building Trades	NO	SUPPORT		X	
Center for Energy & Environment	NO	SUPPORT		X	
Fresh Energy & Clean Grid Alliance	NO	SUPPORT		X	

MP in Exceptions argued that the ALJ failed to properly engage with the case and adopting the Opposing Parties proposed Findings rather than writing her own.[19] Specifics of this argument will be addressed in this briefing paper below, on a section-by-section basis.

Minnesota Power provided alternatives to these findings. The procedural history section

[19] P. 3-24 of MP's Exceptions address their concerns with the ALJ handling of the Case. MP Attachment E (Highly Confidential/Trade Secret) is a redline showing how closely the ALJ matched to the Opposing Parties proposed Findings of Fact.

(Findings of Fact 1-49, Attachment D) is essentially identical. The Petitioners' proposed Findings does not have a section analogous to Findings of Fact 50-121 of the ALJ Report which describes the background for the contested case. Petitioners disputed several findings in this portion of the ALJ Report.

Petitioners noted that, in characterizing GIP and CPP, the ALJ described GIP's investment in natural gas and oil projects but failed to acknowledge GIP's broad investment portfolio in clean energy technologies, including $15 billion renewable energy development worldwide. Petitioners also argued that the ALJ failed to properly distinguish both CPP and GIP's investment approaches from traditional private equity investors, noting that the majority of funding comes from various pension plans – CPP's 40 percent share plus 20 percent of GIP's investment comes directly from CalPERS, and various pension plans make up a very large percentage of Fund V's investors. In addition, Petitioners note that GIP itself traditionally has a longer time-horizon for its infrastructure investments, and does not engage in the kind of short-term, high-risk, high-yield investment strategy that the Private Equity stereotype implies. Petitioners noted that opposing parties and the ALJ Report focus on a generic private equity stereotype without engaging meaningfully with the Partners as described in the record. Petitioners cite specifically LIUNA's witness, who spoke favorably toward GIP[20] based on LIUNA's experience as a participant in GIP funds and as a community stakeholder impacted by investments to which LIUNA was not itself a party.

Both Petitioners and LIUNA took exception to the description of GIP as owning 'oil and gas' companies, noting that GIP has also invested $15 billion in clean-power projects worldwide. LIUNA described the inclusion of this skewed description of GIP as "gratuitous and irrelevant," and noted that no party presented evidence suggesting that GIP's ownership of oil and gas facilities would affect ALLETE or its management in any way.

> Finding of Fact 87: While Minnesota Power publicly claims the Partners were intentionally and strategically chosen based on their alignment with Minnesota Power's sustainability strategy and company's core values,124 the evidence shows the Partners were ultimately the only bidders for the company and were chosen based on their willingness to pay a stock premium.

LIUNA took exception to Finding of Fact 87, which it characterized as implying that the fact that only one buyer materialized reflected greed on ALLETE's part, rather than selecting potential buyers that could meet ALLETE's capital needs. LIUNA also described the negotiation process which resulted in a premium for ALLETE shareholders as ALLETE looking out for the financial interests of its shareholders, which is a fiduciary duty of ALLETE's management. LIUNA found the ALJ's focus on this in Findings 88-103, which reviewed the negotiations between ALLETE and GIP/CPP, "naïve" to the realities of management's responsibilities to shareholders.

[20] LIUNA – 851 (Bryant Direct) at 9

LIUNA noted that the ALJ seemed to use certain statements of FERC Chairman Christie as being opposed to the sale, rather than being generalized concerns about BlackRock's purchases of shares of all regulated utilities. LIUNA argued that the statements, which were more concerned with BlackRock and other investment firms owning moderately large shares of a most publicly traded utilities in the country, did not prevent Chairman Christie from voting in favor of the acquisition. LIUNA suggested that the transparency commitments in this deal improved on the status quo related to this issue, where BlackRock ownership of a large share of ALLETE is not reflected at all in affiliate interest reporting.

3. Record

- ALJ Report Statement of the Issues, Summary of Recommendations, Findings of Fact 1 – 49 (Procedural History), and Findings of Fact 50 – 121 (Background)
- Petitioners' Attachment D, Findings of Fact 1-49 (Procedural History)
- Petitioners' Exceptions, pp. 3-24.
- LIUNA Comments pp. 3-6
- MP – Petition Entire
- MP – Cady Direct pp. 3-10, 14-16
- MP – Cady Rebuttal pp. 16-18
- MP - Taran Direct p. 10
- MP - Walters Direct pp. 26-27
- MP – Bram Direct pp. 2-21
- MP – Skelton Direct Entire
- MP – Bulkley Direct pp. 3-6
- MP – Bulkley Rebuttal pp. 2-22
- MP – Alley Direct pp. 3-20
- MP – Bram Surrebuttal pp. 1
- MP – Cady Surrebuttal pp. 1-3
- Department - Addonizio Direct pp. 10-19, 30-31, 58-60
- Department – Addonizio Surrebuttal pp. 35
- CUB – Hempling Direct (WITHDRAWN)
- CURE – Baker Direct pp. 3-27
- MP – ALLETE 10-k pp. 44, 62-64
- LPI – Walters Surrebuttal pp. 3-11
- OAG – Lebens Direct pp. 3-18
- OAG – Lebens Surrebuttal pp. 2-5
- OAG-404 at 3
- OAG – Initial Brief pp. 1-19
- Sierra Club – Initial Brief pp. 4-8
- OAG – Reply Brief pp. 1-8

B. Benefits – Proposed Commitments

1. ALJ Report

In findings 139-180, the ALJ identifies 48 commitments made by the Partners, and analyzes their effect on the public interest, identifying whether the Commitment represented a net benefit to the public interest, a commitment to maintain the status quo, a commitment to follow existing law, or a commitment that might mitigate a risk that would not exist without the transaction.

The ALJ found that most commitments (listed below) are either required by law, commitments not to change the status quo of operations, or commitments to actions which would not be necessary without the merger, and in many cases are inadequate to address the risks they purportedly are to mitigate.

The ALJ identified, of the 48 commitments, seven commitments which are "in the public interest" - $3.5 million in customer credits for arrears, $174k in reduced revenue requirement from investor relation costs, an uncertain savings from board costs, an uncertain savings from floatation costs, and three related to extensions of union contracts. The total value of these benefits is modest when contrasted with benefits identified in three recent mergers:

- $88-100 million in rate credits over ten years in re Joint Appl. Of Puget Holdings LLC & Puget Sound Energy, Inc. No. 08, 2008 WL 5432243 (Dec. 30, 2008)
- $75 million in customer benefits, including $60 million in direct rate credits, In re Merger of S. Jersey Indus. Inc & Boardwalk Merger Sub, Inc, No. GM22040270, 2023 WL 1965663, at *19 (Jan. 25, 2023)
- $21 million in rate credits, In re Joint Report and Appl. Of El Paso Elec. Co., Sun Jupiter Holdings, LLC, & IIF U.S. Holding 2 LP, No. 49849 202 WL 707291, at *8 (Jan. 28, 2020)

The ALJ identified the remaining 41 commitments as either status quo, commitments to follow existing law, or as partial offsets to risks created by the merger.

1. Alloy Parent commits to provide to Minnesota Power equity financing, including, but not limited to equity infusion, deferral or reinvestment of dividends, or a combination of both, in an amount at least equal to the equity financing required to fund Minnesota Power's 5-year capital investment plan reflected in its February 2025 10-K filing, subject to prospective reasonable and prudent plan adjustments. (Settlement 1.3 elaborates on this)

The ALJ cited six concerns with this Commitment. First, ALLETE advised investors it could meet

its capital needs in the public markets.[21] Second, the commitment is on behalf of Alloy Parent, not the Partners. Third, five years is inadequate to MP's long-term needs. Fourth, the Commitment can be met by reinvestment of dividends, something ALLETE can do now. Fifth, nothing prevents ALLETE from borrowing the funds for equity infusions.[22] Sixth, there is no guarantee the commitments would be at reasonable cost.

2. Minnesota Power will provide compliance filings on equity infusions from and dividends to Alloy Parent in the same manner that the Company currently provides compliance filings in its capital structure dockets.

3. 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.

The ALJ states these Commitments offer no benefit because they amount to a Commitment to comply with existing Commission rules.

4. The Company commits to not make any dividend distributions unless at least one senior unsecured credit rating is investment grade or above.

The ALJ states this would provide an incentive to maintain an investment grade rating, but not require it, and would allow distributions if some, but not all, ratings were below investment grade. The ALJ characterizes this Commitment as "weak".

5. If Minnesota Power's cost of debt increases above current levels within three years[23] 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.

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[21] MP-45 at 62 (ALLETE 2024 Form 10-K)

[22] The ALJ states "ALLETE" here. Staff believes the ALJ intended to state that nothing prevents "Alloy Parent" from borrowing to fund ALLETE's equity needs. The Commission currently has regulatory oversight over ALLETE's capital structure but would not have oversight over Alloy Parent.

[23] Increased to five years in the Settlement (Settlement 1.12) with a clarification that in years 5-10 Minnesota Power bears the burden of proof regarding increases in the cost of debt.

The ALJ notes this is a concession, though small due to its time-limited nature. Any impact to cost of debt would likely materialize beyond three years.

6. ALLETE will use commercially reasonable efforts to maintain its current corporate and facility ratings. (Settlement 1.9)

7. ALLETE will use commercially reasonable efforts to remain rated by at least two credit rating agencies. (Extended by Settlement 1.9 to include a commitment not to opt not to be rated.)

The ALJ stated that these provide little benefit, because "commercially reasonable" isn't defined, and it would not be reasonable not to use commercially reasonable efforts to do either item.

8. With respect to ALLETE and the parent entities up through the Partners, ALLETE will maintain certain corporate separateness (i.e. "ring-fencing") commitments with respect to the parent and other upstream entities, as set forth in Schedule 3 to the Direct Testimony of Ellen Lapson. (Settlement 1.15, 1.18, 1.19)

The ALJ stated that this commitment reduces, but does not eliminate, the risk of bankruptcy at the ALLETE level, and provides little protection against other risks. The Commitment cannot protect ALLETE from increases to the cost of its debt due to indebtedness at the Alloy level or above.

9. Alloy Parent will not use utility assets to guarantee Alloy Parent debt. (Settlement 1.16)

10. Minnesota Power is prohibited from lending or borrowing funds from Alloy Parent or other upstream entities.

The ALJ stated that these Commitments protect against risks that would not exist without the acquisition, and don't prevent the Partners from using ALLETE shares to guarantee Alloy debt, nor do they insulate MP's ratepayers from higher debt costs resulting from risk resulting from debt at the Alloy Parent level.

11. In addition to the ALLETE CEO, the ALLETE board will include two (Six in the Settlement) independent members, with one (two in the Settlement) member from Minnesota and one from Wisconsin, each of whom will be a voting member. (Settlement 1.23 i, iii,iv)

12. ALLETE's CEO will not count as the Minnesota or Wisconsin board member. (Settlement 1.23 v)

13. ALLETE's CEO will be a voting member of the Board. (Settlement 1.23 ii)

14. A list of post-acquisition concepts: Day-to-day management will be handled by senior management at ALLETE, members of the Board will be selected based on experience in relevant industries, and 13 (14 in the Settlement) board members, with each Partners selecting one board member per 10 percent share held. (Settlement adds to this: three members appointed by agreement of partners, one vote per member, and 'commercially reasonable and timely' filling of empty Independent Director seats.) (Settlement 1.23 vi, vii. Settlement 1.23 viii and ix add to this.)

The ALJ argued that none of these address risks related to the Partners' control of the Board. Even independent directors, including the CEO, would be appointed by Partners, and Partners would retain material control over the company. If there were conflicts between the interests of MP and the Partners, the utility and its ratepayers' interests may not be adequately considered.

15. Minnesota Power will require all suppliers, and any industrial customers with contracted rates, to identify annually whether they are more than 5 percent owned by CPPIB, GIP, or BlackRock. Minnesota Power will list those entities in the annual affiliated interest report. (Settlement 1.29 a)

16. Minnesota Power will identify any contracts over $1

million[24] with an entity identified pursuant to the commitment above and notify the Commission within 30 days of the execution of each contact not already disclosed to the Commission, with a certification that the contract was negotiated at arm's length. (Threshold decreased to $500,000 by Settlement 1.29 b)

The ALJ stated that these commitments come short of full compliance with the affiliated interest statute and fail to encompass entities managed or controlled by CPP, GIP, BlackRock, or the limited partners of Fund V or other GIP funds, nor does it ensure that the Commission will be notified of potentially harmful transactions not within the statute's definitions.

17. Minnesota Power will not attempt to recover transaction costs from ratepayers. (Settlement 1.40 a Defines)

18. Minnesota Power will not attempt to recover transition costs from ratepayers. (Settlement 1.40 b Defines)

The ALJ noted that these costs would not exist absent the transaction and so have no affirmative benefits.

19. There will be no reduction in Minnesota Power's affordability program (CARE program) budget or the current CARE program eligibility process for the duration of the Partners' ownership of ALLETE. (Settlement 1.47)

20. Partners will provide a financial contribution of up to $3.5 million to reduce residential arrears to pre-COVID levels or lower. (Modified by Settlement 1.48)

21. Minnesota Power and the Partners affirm their understanding that the budget billing provisions in Minn. Stat. 216B.098 subd. 2 and 3, refer to all residential customers and is not limited to those who are formally income-qualified. (Settlement 1.49)

The ALJ stated that 19 and 21 reflect the status quo and are thus not benefits of the acquisition.

[24] Decreased to $500k in the Settlement

Commitment 20 does reflect a benefit of the acquisition.

22. ALLETE's contributions to the Minnesota Power Foundation will not be reduced while Minnesota Power is owned by the Partners. (Settlement 1.50)

The ALJ noted that this is not a change from status quo, as MP acknowledged in hearing that it had no intention of reducing its contributions to the MP Foundation, and ratepayers do bear 50% of the burden of these contributions, an amount unchanged by the commitment.

23. MP will not seek rate recovery of floatation costs beginning with its next rate case and continuing as long as the Partners own Alloy. (Settlement 1.51 modifies this to "own MP".)

The ALJ noted this is in the public interest, though the value is uncertain.

24. Minnesota Power will not seek rate recovery of investor relations costs beginning with its next rate case and continuing as long as the Partners own Alloy. (Settlement 1.52)

The ALJ noted that this would be $174,000 per year, so a small public interest gain from the acquisition.

25. The Partners will not charge fees for any business management or consulting services provided to ALLETE or Minnesota Power. (Settlement 1.53)

The ALJ noted that this provides a protection against an abuse which would not exist absent the acquisition, and there is no evidence that such services would benefit ratepayers.

26. MP will not request rate recovery of board compensation or expenses for any board member not independent of the Partners. (Settlement 1.54)

The ALJ rated this as a benefit, but did not have data as to the amount of value this provided.[25]

27. The Company will have the burden to prove in its rate case that no transaction costs, nor the costs identified in the Ratemaking section of this proposal for exclusion from future rate cases, are included in the cost of service to be recovered from customers. (Settlement 1.40 and 1.41)

The ALJ noted that the burden of proof already lies with the Company in rate cases, and so this Commitment, on its own, has little value.

28. ALLETE will maintain its current senior management team subject to changes to account for voluntary departures or terminations in the ordinary course for two years. (Settlement 1.57 appears to extend this indefinitely.)

The ALJ noted that ALLETE had no intention of changing its senior management team, and this commitment does not include and express commitment not to pressure or encourage senior management to depart within two years.

29. Minnesota Power non-union employees will maintain the same or better position and compensation and benefits for two years following the close of the transaction and all existing collective bargaining contracts will be honored. (Settlement 1.58)

The ALJ stated that this Commitment maintains the status quo, and that MP had no plans to either modify its non-union compensation and benefits or fail to honor its collective bargaining agreements. Combined with the short time horizon, this Commitment has little value.

30. Neither the Company nor partners intend to change MP's longstanding practices with regard to contractors. (Clarified by Settlement 1.62)

[25] In its most recent rate case (Docket 23-155), MP requested $449,668.80 in Minnesota jurisdictional expenses for board costs, of a total of $966,751.98. Under the Settlement, the commitment would cover expenses of all but the six independent Directors, or 8 out of 14. Note that the Settlement increased the number of independent Directors, and so decreased the value of this Commitment, which initially covered 11 out of 13 Directors.

The ALJ noted that, again, MP had no intention to change these practices, so this amounts to maintaining the status quo.

31. Consistent with discussions with IBEW Local 31, Minnesota Power will extend the existing IBEW Local 31 CBA for a period of two years starting January 2026 for MP and January 2027 for ARRI, subject to IBEW Local 31 membership approval. (Settlement 1.59)

32. Extend employee commitment terms to union employees at MP and ARRI represented by IBEW Local 31. (Settlement 1.60)

33. Minnesota Power will commit to execute a Neutrality Agreement with IBEW Local 31. (Settlement 1.61)

The ALJ noted that MP may not have been able to extend these agreements absent the Acquisition, and so this represents a benefit of the Acquisition.

34. Though not required by Commission Order, ALLETE will continue to publish a Corporate Sustainability Report, which contains information related to environmental, social, and governance issues, including the Company's efforts to promote diversity, equity, and inclusion. (Settlement 1.65)

The ALJ noted that this Commitment maintains the status quo, and ALLETE was not contemplating eliminating its existing Corporate Sustainability Report.

35. For as long as Minnesota Power is owned by the partners, MP will maintain historical levels of economic development in the state of Minnesota. (Settlement 1.66)

The ALJ noted that this Commitment maintains the status quo and is not a benefit of the acquisition. ALLETE had no intention to reduce its economic development in Minnesota.

36. Including with respect to the capital investment in Commitment 1, rate recovery and allocation of rate

recovery of MP capital investments across customer classes are subject to Minnesota PUC authority. (Settlement 1.8)

37. ALLETE's capital structure will be maintained 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. For example, ALLETE will not make any dividend or distribution that would cause the actual equity ratio of ALLETE to be outside the range approved by the commission in the annual capital structure filing.[26] So long as MP and ALLETE remain the same entity, the Company will continue to make its annual capital structure filings with the Commission. (Settlement 1.10)

The ALJ noted that both are legal requirements.

38. Minnesota Power will continue to provide ALLETE credit rating reports within 30 days of receipt of the reports from rating agencies. (Settlement 1.11)

The ALJ noted that MP currently provides these reports, and so this is the status quo.[27]

39. A new tax-sharing agreement will be established between ALLETE and Alloy Parent. Commission approval is required for the Company to sign the agreement. (Settlement 1.31)

The ALJ noted that this would be a legal requirement.

40. Minnesota Power will file the audited ALLETE Consolidated Financial Statements with Supplemental Schedules as part of the annual capital structure petition. (Settlement 1.37)

[26] This duplicates Commitment 3.

[27] Staff notes that this is currently required by order in MP's, and other utilities', capital structure dockets. See, for example, Order Point 3 in the Order of August 27, 2024, Docket E-015/S-24-108.

41. MP will provide the Commission with audited financial statements and supplement schedules of ALLETE and with financial statements of Alloy Parent. (Settlement 1.38 clarifies and expands)

The ALJ argued that these two commitments would provide partial, but not complete, replacement for current SEC reporting.

42. Partners commit to providing the Department and Commission with access to all books and records of the entities up to and including Alloy Parent that are related to MP's operations under the jurisdiction of the Commission. (Settlement 1.36)

The ALJ noted that this already applies to ALLETE. The requirement for Alloy Parent is new, but it does not apply to entities above Alloy Parent.

43. For as long as MP is owned by Partners, MP will remain headquartered in Duluth, MN. (Settlement 1.67)

The ALJ noted that ALLETE had no intentions of moving its headquarters, so this represents the status quo.

44. The Partners and Minnesota Power are committed to the regulatory process in Minnesota and the jurisdiction of the Commission. (Settlement 1.68)

45. The Partners and MP are committed to Commission determinations regarding capital and O&M costs, utility rate recovery, cost allocations, utility capital. (Settlement 1.69)

46. The Partners and MP are committed to Commission determinations regarding resource planning, distribution planning, and resource acquisition decisions. (Settlement 1.70)

47. The Partners and MP commit to efforts to achieve MP's Carbon Free

> Standard with least cost pathways to compliance ultimately determined by the Commission in IRP and related dockets. (Settlement 1.71)

Commitments 44-47 amount to commitments to obey the law or Commission orders, and do not preclude MP from appealing Commission orders. The ALJ also noted that Commission authority may not extend to Alloy Parent or to the Partners if the acquisition is approved.

> 48. The Partners defer to MP to maintain culture, relationships, and overall approach to operations.

This commitment maintains the status quo.

2. Settlement

On July 11, 2025, the Department of Commerce Division of Energy Regulation and Petitioners filed a Stipulation Agreement which added additional conditions to the Petition. The Department agreed to support the acquisition as modified by the terms of the settlement. No other parties joined the stipulation.

In addition to the Commitments made by Petitioners in testimony, the Settlement included the following Commitments which the ALJ did not have time to fully evaluate. The ALJ did state that the settlement did not adequately address her concerns with the acquisition.

> 1.3 To alleviate concerns about the availability of investment funds, Alloy Parent shall provide to Minnesota Power equity financing, including but not limited to equity infusion, deferral or reinvestment of dividends, or a combination of both, in an amount at least equal to the equity financing required to fund Minnesota Power's 5-year capital investment plan reflected in its February 2025 10-K filing, subject to prospective reasonable and prudent plan adjustments. This funding commitment will not be used to establish a higher or lower ROE.

This extends Commitment 1 to include a commitment not to use the additional equity commitment to establish a higher or lower ROE. Since it states "higher or lower", it appears this Commitment covers both the Company and the Department not using the additional equity as a reason to adjust ROE.

> 1.4 To ensure enforceability of the capital commitment, 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 5year capital investment plan in the February 2025 10-K, subject to prospective reasonable and prudent plan adjustments by the company.
>
> 1.5 To ensure compliance with this commitment to fund Minnesota Power's 5-year capital plan, before ALLETE pays any dividend to Alloy Parent during the first five years after closing, Minnesota Power shall make a filing in its most recent annual capital structure docket demonstrating compliance with this commitment. Minnesota Power and the Department shall coordinate to determine what information should be included in the compliance filings under this provision. Unless, within 30 days after submission of the compliance filing, the Commission issues an Order to Show Cause finding a basis to investigate an objection filed by the Commission or the Department providing evidence of noncompliance with this commitment, the company may pay the dividend to Alloy Parent.

These two commitments pledge would preclude ALLETE from paying any dividends unless Alloy Parent is in compliance with Commitment 1 and create a compliance filing requirement to monitor compliance with Commitment 1.

> 1.6 ALLETE shall not make any dividend or distributions to Alloy Parent unless at least one senior unsecured credit rating is investment grade or above. For the avoidance of doubt, the limit on distributions shall not apply to payments made by ALLETE to any Alloy Parent entities or ALLETE subsidiaries under the tax sharing agreement.
>
> 1.7 ALLETE will provide compliance filings on equity infusions from and dividends to Alloy Parent in the same manner that the company currently provides compliance filings in its capital structure docket.

These two commitments reiterate and provide structure to Commitments 2 and 3.

> 1.8 Including with respect to the capital investment identified in paragraph 1.3, rate recovery and allocation of rate recovery of

> Minnesota Power capital investments across customer classes are subject to Minnesota Public Utilities Commission ("Commission") authority.

This is a commitment, consistent with Commitments 44-47, regarding compliance with the regulatory compact.

Settlement Terms 1.09-1.12 clarify and extend existing Commitments 3-7, and 37-38, regarding capital structure, dividends, credit rating reporting, and cost of debt from the Company. 1.13 is a version of Commitment 37 applying to MP after a reorganization.

> 1.14 As a negotiated resolution, and without agreeing to any party's underlying position on this issue, Minnesota Power's currently approved Return on Equity ("ROE") will be changed from 9.78 percent to 9.65 percent. The change in ROE will take effect the first full month after both of the following have occurred: (i) the close of the Acquisition and (ii) when the order of the Commission becomes final. The 9.65 percent ROE will remain in effect until Minnesota Power files its next rate case and will be used to set interim rates in Minnesota Power's next Minnesota rate case. 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.

This is a new Commitment. The Settlement does not clarify how this will be used, other than as basis for interim rates. The Commitment does not appear to include a commitment to file new rates reflecting the lower ROE, either for existing base rates or existing riders.

Settlement Terms 1.15 and 1.16 duplicate existing commitments regarding ring-fencing and a ban of usage of utility assets to guarantee Alloy Parent debt.

> 1.17 The Partners will not pledge the assets of ALLETE or Minnesota Power to secure debt of the Partners.

This extends Commitment 9 to the Partners and includes ALLETE in the commitment. Settlement Term 1.18 and 1.19 consist of portions of the Ring-Fencing in Commitment 8.

> 1.20 ALLETE shall obtain and file a non-consolidation opinion

> with the Commission within 180 days after closure of the Acquisition based on the final terms of the Acquisition.

This term verifies some of the initial ring-fencing in Commitment 9.

> 1.21 ALLETE shall be prohibited from loaning funds to or borrowing funds from the Alloy Parent entities, the Partners, or any of their subsidiaries or affiliates except to the extent that such borrowing arrangements existed prior to approval of the Acquisition or the transaction (i.e. the borrowing arrangement) costs less than other ALLETE alternatives.

This term extends a weakened version of Commitment 10 to ALLETE.

> 1.22 Minnesota Power shall be prohibited from guaranteeing any obligations of its nonutility affiliates.

This is a new term. This appears to prevent MP from guaranteeing obligations at ALLETE Clean Energy and other ALLETE companies after the completion of the reorganization contemplated in Settlement Term 1.27 below.

Settlement 1.23 extends, clarifies, and modifies Commitments 11-14 regarding the structure of the Board of Directors and operations.

> 1.24 The Audit Committee of the Board will consist of Board directors not employed by any of ALLETE, GIP, or CPP Investments.

> 1.25 Members of the Board of ALLETE will have defined fiduciary responsibilities consistent with Minnesota law. No member of the Board of ALLETE shall be permitted to waive any fiduciary duties that they would otherwise owe to ALLETE under Minnesota state law.

> 1.26 Unless necessary to comply with an order from an applicable regulatory authority, the definitive governance documentation regarding ALLETE shall be consistent with this Settlement Stipulation between the Department and Petitioners, as approved

by the Commission.

These three terms add to Commitments 11-14. Term 1.24 mimics current SEC regulation for publicly traded companies. Term 1.25 acknowledges MN Stat. 302A.251regarding the duties and of a member of a board of directors, among others. Term 1.26 requires corporate governance documentation be modified to the terms of the Settlement.

> 1.27 Within six months after the close of the Acquisition, Minnesota Power will file a petition with the Commission in a new docket that proposes to separate non-regulated utility entities from the current ALLETE d/b/a Minnesota Power entity. As part of the separation, Superior Water Light & Power is expected to remain a subsidiary of Minnesota Power. For the avoidance of doubt, the costs associated with the petition or separation efforts will not be considered transaction or transition costs of the Acquisition, but recoverability will be determined in the course of the separation proceeding.

This settlement term requires ALLETE to propose a reorganization which would either remove MP from being an operating division of ALLETE or remove the non-regulated entities from ALLETE.

> 1.28 Following Commission approval of a holding company for Minnesota Power, a majority of the Board and a majority of the Independent Directors must approve any decision to place ALLETE, Inc., Minnesota Power, or any subsidiary of Minnesota Power after the holding company separation, into voluntary bankruptcy. Petitioners warrant they have no plans to place ALLETE, Inc., including the Minnesota Power operating division, into voluntary bankruptcy during the pendency of the separation proceeding.

This term places limits on the ability of petitioners to place ALLETE or MP into bankruptcy by requiring both a majority of the board and a majority of independent directors to vote in favor. It also states that Petitioners have ‘no plans’ to place ALLETE or MP into bankruptcy during the pendency of the separation proceeding, though it neither commits Petitioners not to do so, nor does it assert they have no plans to do so before the separation proceeding is filed, or after the separation is either approved or denied.

> 1.29 In addition to, and not in abrogation of, any obligations

pursuant to Minn. Stat. § 216B.48, in the interest of transparency and to protect against concerns regarding any non-arm's length transactions:

a. Minnesota Power will require all suppliers, and any industrial customers with contracted rates, to identify annually whether they are more than 5 percent owned by CPP Investments, GIP, or BlackRock, Inc. Minnesota Power will list those entities in the annual affiliated interest report.

b. Minnesota Power will identify any contracts over $500,000 with an entity identified pursuant to the immediately preceding commitment and notify the Commission within 30 days of the execution of each contract not already disclosed to the Commission, with a certification that the contract was negotiated and executed at arm's length.

Settlement Term 1.29 duplicates Commitments 15 and 16, while clarifying that MP is subject to Minn. Stat. 216B.48 and reducing the requirement on identifying contracts from $1,000,000 to $500,000. Some parties argued that Minn Stat. § 216B.48 facially requires MP to identify ALL businesses, customers, suppliers or not, that are 5% owned by any of the entities named in Commitment 15 and requires Commission approval (rather than mere notification) of all contracts of value over $50,000 with any business or person on that list. Under that interpretation of the law, it appears that any additional benefit of this commitment would amount to identifying which of the listed affiliates were customers and suppliers who self-identified as affiliates and adding a certification of arms-length negotiation to the existing contract filing requirement for certain large contracts. On the other hand, MP contended that this commitment is a significant expansion beyond the legal requirement based on a different interpretation of the statute that would not treat all corporations owned by CPP, GIP, or BlackRock as affiliates of ALLETE after the acquisition.

1.30 Minnesota Power's annual affiliate interest report to the Commission will be subject to an annual Agreed Upon Procedures audit by the company's independent third-party auditors; the costs of such additional audit procedures are not recoverable from ratepayers. Transactions with affiliated interests must be done at arm's length. ALLETE shall update its purchasing policies, procedures, manuals, codes of conduct, etc., to ensure compliance with conditions related to affiliated interests. ALLETE's compliance with affiliated interest standards and transactions will be subject to regular audits by independent

> third-party auditors; costs of such audits will not be recoverable from ratepayers. Consistent with the foregoing, annual lists of affiliated interests and documentation on affiliated transactions will be retained as set forth in a retention schedule.

This term provides an audit process, not recoverable from ratepayers, for the affiliate interest reporting, and ensures that ALLETE's corporate policies align with the affiliated interest statute and these terms.

Settlement Terms 1.31 duplicates Commitment 39, with clarity that tax-sharing agreements will be submitted to the Commission for any Alloy entities that require it, not just Alloy Parent.

> 1.32 ALLETE shall continue to conform its records to the appropriate FERC Uniform System of Accounts pursuant to Minn. R. 7825.0300. Within 90 days of closing, ALLETE shall file the accounting entries that record the Acquisition. This filing shall include the description, amount, and FERC account name and number for each item, including the actual account entries for the merger-related costs. The Alloy Parent entities will account for transaction using the acquisition, or purchase, method of accounting for business combinations (as opposed to pooling of interests).

This term obligates ALLETE to follow Commission rules regarding accounting, and also to file an accounting record of the Acquisition. This term is consistent with conditions the Commission has historically placed on mergers and acquisitions.

Settlement 1.33 repeats Commitment 42 regarding to access to books and records.

> 1.34 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.

This settlement term extends the requirements around credit rating to include all documents up through Alloy Parent. Without this term, only ALLETE, (or post-separation, MP) would be bound to do this by the regulatory compact.

> 1.35 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.

> 1.36 ALLETE shall maintain separate books and records between ALLETE and Alloy Parent and make those available to the Commission by request. ALLETE shall also file its own separate financial statements with the Commission in the form attached to the Rebuttal Testimony of Witness Anderson.

These terms commit ALLETE and Alloy Parent to maintain auditable books for ratemaking purposes. ALLETE would have to do this to justify recovery of costs under the regulatory compact, but Alloy Parent may or may not. This also extends an SEC rule for publicly traded entities to the new entity.

Settlement Term 1.37 duplicates Commitment 40 regarding audited Consolidated Financial Statements.

Settlement 1.38 clarifies Commitment 41, also regarding audited financial statements, and extends it to other Alloy entities.

> 1.39 ALLETE and the Partners shall not deploy "push down accounting" (i.e., adjustment of ALLETE's regulated asset or liability values or books and records to reflect the purchase price) with respect to the Acquisition.

This provides certain protections against accounting adjustments at ALLETE to 'capitalize' the difference between book value and purchase price of ALLETE's regulated assets.
Settlement 1.40 clarifies Commitments 17, 18, and 27 by defining transition costs, transaction costs, and clarifying that labor contract-related costs are not included in either.
Settlement 1.41 extends Commitment 27, regarding the Company's rate case burden of proof, to the terms of the Settlement. Settlement 1.42 excludes holding company petition or separation costs from the definition of transition and transaction costs.

> 1.43 Minnesota Power waives its right to file a rate case before November 1, 2026.

> 1.44 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.

Settlement 1.43 and 1.44 require MP to wait until November 1, 2026 to file a rate case and

adds an additional requirement to its rate filing. Staff notes that November 1, 2026 is a Sunday, so this in practice would require MP to file no earlier than November 2, 2026.

> 1.45 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. 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 consideration during that proceeding.

> 1.46 Within 60 days of closing of any sale of land or other real property that was included in rate base, excluding existing proceeds from land sales identified in Docket No. E015/PA-20675, Minnesota Power shall submit a plan to the Commission to credit any future proceeds to ratepayers. As part of any such filing, Minnesota Power shall propose a reasonable revenue apportionment for consideration during that proceeding.

Docket E-015/PA-20-675 authorized MP to sell land around certain facilities currently leased to residential users. MP is required to track, but not refund, proceeds from these sales by the Order of November 18, 2021 in that Docket. MP stated that these would be refunded in a "future rate case or through the Company's Renewable Resources Rider" in its most recent rate case, Docket 23-155.[28] This would require MP to establish a specific process for refunding to customers the proceeds of these sales.

> 1.47 Regarding energy affordability for residential customers, there will be no reduction in Minnesota Power's currently designed affordability program budget (formally referred to as the Customer Affordability of Residential Electricity program or "CARE") or the current CARE program eligibility process for the duration of the Partners' ownership of ALLETE.

This Settlement, which is a repeat of commitment 19, provides protection against reduction in budget for MP' currently designed CARE program and the program's eligibility process throughout the period of ownership of ALLETE by Alloy Partner.

> 1.48 The Partners will provide a financial contribution with the objective to significantly reduce residential arrears to pre-COVID-

[28] Docket 23-155, *Application of Minnesota Power for Authority to Increase Rates for Electric Utility Service in the State of Minnesota*, Direct Testimony of Todd Z. Simmons, p. 28 (28-30).

> 19 balances or lower, an outcome that would benefit all Minnesota Power customers while providing account balance relief to the most economically challenged residential customers. This contribution will be used to temporarily augment the flat $20 discount and Arrearage Forgiveness components of Minnesota Power's CARE program. A similar arrearage forgiveness offering will be developed on a limited scope and duration basis for non-income qualified residential customers that successfully enter into and complete a 24-month payment arrangement for arrears, pending confirmation of billing system capability and reasonable level of effort. A guiding principle shall be to leverage existing program design and system processes to the greatest extent possible to maximize dollars that will directly benefit eligible customers. Drawing from the tremendous success of the collaborative stakeholder engagement process used to develop and propose previous modifications to CARE, Minnesota Power will coordinate with the Commission's Consumer Affairs Office and the Energy CENTS Coalition to refine this proposal and offering, inclusive of eligibility criteria and outreach plans. Details will be shared with the other nonprofit organizations and interested stakeholders previously involved with CARE modifications for their input and awareness prior to implementation. This financial contribution from the Partners may be made in whole or in multiple installments over a period of up to two years following system implementation and customer outreach, contingent upon the Commission's order approving this transaction. The total financial contribution is not to exceed the total balance of residential customer arrears as of the approval date.

This settlement term provides structure to and potentially modifies the size of Commitment 20. Commitment 20 committed "up to $3.5 million" to "reduce residential arrears to pre-Covid levels or below". The settlement also includes the language around 'pre-Covid levels or below, and limits to the cost to "not to exceed the total balance of residential customer arrears as of the approval date" and provides structure to Commitment 20 that places it within the context of existing arrearage forgiveness programs.

Settlement Terms 1.49, 1.50, 1.51, 1.52, 1.53, 1.54, and 1.55 duplicate various Commitments already made by Petitioners regarding income qualification, contributions to the Minnesota Power Foundation, transaction costs, floatation costs, and investor relations costs.

> 1.56 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.).
>
> 1.57 ALLETE and Minnesota Power will maintain the current senior management team, subject to changes to account for voluntary departures or terminations in the ordinary course.

Settlement Term 1.56 amounts to agreeing to obey the law. Settlement Term 1.57 extends Commitment 28 indefinitely.

Settlement Terms 1.59-1.61 repeat Commitments 31-33 to Local 31.

> 1.62 Minnesota Power and Partners affirm they do not intend to change Minnesota Power's long-standing practices with regards to contractors, unless required by law. For example, Minnesota Power routinely contractually requires contractors and subcontractors to pay their workers prevailing wage as evidenced by local collective bargaining agreements and to ascertain local conditions, work rules, and union jurisdiction. Minnesota Power also seeks to deploy union labor wherever reasonably possible.

Settlement Term 1.62 clarifies and provides some context for Commitment 30 regarding contractor relations, though it does not appear to strengthen it.

> 1.63 Minnesota Power shall create a Clean Firm Technology Fund ("Fund") as follows, using $50 million in funds provided by Alloy Parent that will be accounted for as a regulatory liability.
>
> a. Alloy Parent shall make $16.67 million installments every two years as part of Minnesota Power's biennial IRP filings, beginning with the pending IRP, Docket E015/RP-25-127, until the $50 million commitment is fulfilled.
>
> b. Notwithstanding a Commission order or change in law that pauses, waives, or abrogates Minnesota Power's obligation to make an IRP or successor filing, Alloy Parent and Minnesota Power shall continue to make biennial contributions to the Fund. Alloy Parent and Minnesota Power shall complete all biennial contributions to the Fund totaling $50 million no later than March 3, 2030.

c. The Fund will only be used to finance Minnesota Power investments in clean firm technology approved by the Public Utilities Commission. "Clean firm technology" means "a carbon-free resource, as defined by Minn. Stat. § 216B.1691, subd. 1(b), that can be dispatched and provide energy continuously for a duration of 50 hours or more." The Settling Parties recognize that new or additional technologies and options may emerge at any time. If 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.

d. Neither contributions to the Fund nor the portion of an investment or project financed with the Fund would be subject to cost recovery (e.g., no return on capital or depreciation).

Settlement Term 1.63 creates a "clean firm" technology fund of $50 million, funded over 6 years, tracked as a regulatory liability but not subject to cost recovery, to be used for dispatchable carbon-free technology which can provide energy for 50 hours or more.[29]

1.64 The following metrics are tied to present requirements in Minnesota Power's annual Safety, Reliability, and Service Quality ("SRSQ") docket. Going forward, changes to Commission rules governing service quality or changes to the metrics in the SRSQ docket may also change these metrics, subject to the underperformance payments noted below. Each of the following are subject to reporting starting one year after the close of the Acquisition and enforcement beginning two years after the close of the Acquisition:

a. If Minnesota Power's statewide service reliability fails to meet or exceed the Institute of Electrical and Electronics Engineers ("IEEE") second quartile benchmark for medium utilities, Minnesota Power shall be required to make a $250,000 underperformance payment.

[29] Certain designs for Battery-stored wind or solar, or certain types of hydroelectric projects, at minimum, would fit in this category. Based on MP's existing capital plan, Staff expects MP to propose using this for future battery storage.

b. If one or more of Minnesota Power's work centers' reliability fails to meet or exceed the IEEE second quartile benchmark for small utilities, Minnesota Power shall be required to make a $250,000 underperformance payment.

c. If the number of non-MN DIP service complaints by Minnesota Power customers forwarded to the utility from the Commission's Consumer Affairs Office exceeds fifty (50) in a given reporting year, Minnesota Power shall be required to make a $250,000 underperformance payment.

d. If Minnesota Power fails to grant at least 99 percent of Cold Weather Rule protection requests which meet Minnesota statutory requirements, Minnesota Power shall be required to make a $250,000 underperformance payment.

e. If Minnesota Power fails to restore at least 65 percent of involuntarily disconnected, as defined in the Minnesota Rule 7826.1500, residential customers to service within 24 hours, Minnesota Power shall be required to make a $250,000 underperformance payment.

f. If Minnesota Power fails to answer at least 80 percent of customer calls received during business hours within 20 seconds, Minnesota Power shall be required to make a $250,000 underperformance payment.

g. If Minnesota Power fails to ensure that at least 99.3 percent of customer invoices are accurate, Minnesota Power shall be required to make a $250,000 underperformance payment.

h. Fifty percent of any under-performance payments assessed will be applied to customer bills during the following July billing cycle of a given performance year on an equal rate per kWh for each customer; the remaining fifty percent will be reinvested into options to address the cause of the underperformance Any bill credit amounts

not remitted by the end of the July billing cycle shall accrue interest beginning after the September billing cycle of the applicable year at a rate equal to that applied to Minnesota Power's customer deposits.

i. Underperformance payments shall not be recoverable from Minnesota Power ratepayers.

This Settlement term lays out some financial penalties for certain SRSQ Report Metrics (Docket No. 25-29 is MP's most recent filing in this series.)

Settlement Terms 1.65 to 1.72 duplicate various Commitments already made by MP, including publication of a Corporate Sustainability Report, economic development, HQ in Duluth, MP's culture, and the regulatory process and Commission authority.

Settlement Terms 1.73 and 1.74 are generic 'enforceability' terms purporting to give force to the Settlement and to bind settling parties to Commission and State of Minnesota authority if the Commission adopts the Settlement in full.

Settlement Terms 2.1 through 2.9 generally bind the Department and Parties to confidentiality of the discussions leading to settlement and to support and accept the Settlement in its entirety without modification, and purport to remove the Settlement from the record and deny it precedential effect if it is rejected.

3. Exceptions

Petitioners substituted an entirely new set of Findings for the ALJ's, and so did not redline or modify the Findings of the ALJ, other than to declare them 'one-sided'. Petitioners did take specific exception to several of the findings in this section, however.

Petitioners take exception to the findings related to the enforceability of the capital commitment. Petitioners take exception to the characterization that Partners have not committed to capital funding of ALLETE, by citing Commitment 1 and Settlement term 1.3, which commit Alloy Parent to provide equity, as proof of the Partners' commitment. Petitioners state that they developed that commitment to address Opposing Parties concerns relating to financing of ALLETE and MP's capital requirements.

Petitioners also take specific exception to the characterization of the commitments related to affiliated interests by the ALJ as being less than the requirement of the law. Petitioners state that, as clarified in the Settlement, the intention was always that those commitments were in addition to, rather than a substitute for, ALLETE and MP compliance with Minn Stat. § 216B.48 and associated Commission Rules regarding affiliated interests. Petitioners understand that they will have the obligation to follow those requirements.

Petitioners also take exception to any characterization that the Commitments related to reporting are inadequate due to lack of access to SEC reporting. Petitioners noted that parties, and the ALJ, did not identify any specific information that Commission or Department staff would not have access to after the merger, with the commitments made by the Petitioners, that they would have currently.

Otherwise, Petitioners take general exception to the ALJ's analysis of the Commitments, arguing that the report fails to analyze or recognize the benefits of the commitments made, instead disregarding them. Petitioners cited the following benefits:

1. Improved Financing (Settlement 1.3, 1.4, 1.5)
2. Clean Firm Technology Fund (Settlement 1.63)
3. Rate Case Stay-Out (Settlement 1.43)
4. Rate Reduction (Settlement 1.14)
5. Service Quality (Settlement 1.64)
6. Low-Income Protections (Settlement 1.48-1.49
7. Workforce & Labor Protections (Settlement 1.56-1.62)
8. Other Benefits
    a. Transparency (Settlement 1.32-1.39)
    b. Creation of Holding Company (Settlement 1.27)
    c. Additional Affiliate Reporting (Settlement 1.29)
    d. Large Independent Representation on Board (1.23, 1.28)

- Improved Financing

Petitioners reiterate that Partners have guaranteed financing via Alloy Parent of ALLETE's five-year capital plan of approximately $5 billion, which would require an additional equity issuance of approximately $1 billion. Petitioners question whether some of the options proposed for financing ALLETE as a public company would be reasonable, arguing that an equity issuance would likely negatively impact stock prices and would entail significant floatation costs, with potential cost to ratepayers. Debt financing would risk ALLETE's credit rating. Retention of dividends as a publicly traded utility would likely result in stock price reductions, as public markets tend to view dividend payment, especially by utilities, as a marker of corporate health, and many utility stock investors are traditionally seeking dividend yields.

- Clean Firm Technology Fund

The Clean Firm Technology Fund of $50 million, not recoverable from ratepayers, is a commitment that could not be made absent the merger agreement. It is designed to provide clean, dispatchable, long-duration resources, a category identified as a need by the Department, according to Petitioners. This commitment will have direct rate impacts, as neither a return nor depreciation will be recovered for this $50 million investment and demonstrates

Petitioners' commitment to the Carbon-Free Standard.

- Rate Case Stay-Out

The Rate Case Stay-Out will benefit customers, as absent the stay-out, MP stated that it would likely be preparing to file a rate case 'in the near future' given cost increases and changes in customer sales. The Department ascribed a value of $25 million per year to a stay-out, a figure Petitioners believe is understated.

- Rate Reduction

The Settlement includes a reduction of ROE from 9.78 percent to 9.65 percent. Petitioners state that the change will take effect the first full month after both the close of the Acquisition and the Commission Order is final and will remain in effect until the next rate case. It will be used for interim rates in the next rate case. Petitioners estimate that customers will save approximately $7.6 million due to this reduction.

- Service Quality

The Settlement includes specific Safety, Reliability, and Service Quality Metrics with financial penalties if the Company fails to achieve the metrics. Beginning one year after the close, and enforceable after two years, penalties up to $250,000 may be triggered for each failure to meet service quality metrics. These payments would be split between bill credits and remedial reinvestments, not recoverable from ratepayers.

- Low-Income Cost Protections

Partners have committed up to $3.5 million in direct financial support to reduce residential arrearages to pre-Covid levels, and the Petitioners state that it is 'not clear' that MP would be able to or would make such a commitment absent the Acquisition.

- Workforce & Labor Protections

The Settlement and commitments incorporate extensions of various workforce and labor protections agreed to with ALLETE's union partners. These include commitments to prioritizing local union labor, requirements for contractors and subcontractors to pay prevailing wages as evidenced by local collective bargaining agreements, and an extension of IBEW Local 31's agreements for 2 years and agreement to negotiate a Neutrality Agreement with Local 31.

- Other Benefits

Petitioners cited commitments regarding reporting and accounting, the additional affiliated interest reporting above and beyond statutory requirements, the commitment to reorganize as

a Holding Company, and increased board independence as additional benefits. Petitioners argue that the financial commitments made in this case are similar to or exceed those made in other similar acquisitions.

4. Record

- ALJ Report Findings 136-180
- Settlement Stipulation, Entire.
- Petitioners' Exceptions pp. 34-35, 41-42, 43-44, 58-68
- MP – Lapson Direct Entire
- MP – Cady Rebuttal pp. 21-28, Schedule 1
- MP – Bram Rebuttal pp. 7-23, 55-60
- MP – Alley Rebuttal. pp. 6-9
- LPI – Walters Direct pp. 33-40
- MP – Initial Brief pp. 1-10, 77-79
- OAG – Initial Brief pp. 47-49
- CURE – Initial Brief pp. 24-26
- CUB – Initial Brief pp. 6-13, 32-36
- LPI – Reply Brief p. 20
- Sierra Club – Reply Brief pp. 13-14

5. Staff Analysis

The ALJ reviewed the commitments made by ALLETE in her report. Staff agrees with her findings, especially with the general finding that many of the Commitments made by ALLETE represent either maintenance of the status quo (regarding contracts, HQ, management, budgets, MP Foundation) or amount to Commitments to follow Commission rules and orders, which MP would be required to do under any ownership, other than if MP somehow transitioned to being a municipal or cooperative utility. Many others (such as structure of the board and promises around Alloy Parent credit practices) would not be needed in absence of the merger, and mitigate, but do not eliminate, risks identified by various parties during the contested case. Few, if any, of the commitments made prior to the Stipulation represent improvements to ratepayers relative to the current situation, and few, if any, of the commitments to employees represent improvements on employee relations relative to current management and ownership, other than extensions of certain union contracts and some limited-term job protections.

The question of Commitment 1's capital funding is addressed in more detail further along in the briefing paper, but the concern is whether Commitment 1, which commits Alloy Parent to provide equity to ALLETE, in any way commits the Partners to provide equity to ALLETE. There are several ways, addressed below, that Alloy Parent can acquire funds to provide equity to ALLETE without any further investment from the Partners, most of which are either available to MP and ALLETE today, or which are unavailable today due to regulatory requirements which

the use of Alloy Parent could bypass.

In addition to the ALJ Findings, staff notes that failure to undertake several of the Commitments which the ALJ identifies as "protections" against risk would, if not undertaken, risk findings of imprudence during a rate case. For example, if ALLETE allowed its credit rating to fall to sub-investment levels, through failure to act in a commercially reasonable manner, the Commission would be within its authority to find that it had acted imprudently and disallow recovery of the difference in interest between a reasonable 'investment grade' level and the actual interest costs. Similarly, were the members of the ALLETE board not to be "selected by the Partners based on their experience in relevant industries", poor management could then be attributed to imprudence by ownership. Similar arguments could be made for any of the commitments to follow Commission rules and State law, such as commitments to stay within capital structure requirements, commitment to provide access to books and accounting records, etc.

The current Affiliated Interest statute has an enforcement issue attached to it, in that the definition of "affiliated interest" includes[30]

> (1) every corporation and person owning or holding directly or indirectly five percent or more of the voting securities of such public utility.
>
> (2) every corporation and person in any chain of successive ownership of five percent or more of voting securities.
>
> (3) every corporation five percent or more of whose voting securities is owned by any person or corporation owning five percent or more of the voting securities of such public utility or by any person or corporation in any such chain of successive ownership of five percent or more of voting securities.
>
> **Subd. 2.**Construing the term "person." The term "person" as used in subdivision 1 shall not be construed to exclude trustees, lessees, holders of beneficial equitable interest, voluntary associations, receivers, and partnerships.

In the modern financial world, this definition can be construed to implicate every publicly traded corporation in America, and possibly the world, through both Vanguard and BlackRock owning 5 percent or more voting shares through – among other vehicles – passively managed index and broad market mutual funds. In both cases, most of these shares are declared to the

[30] Minn. Stat. § 216B.48 subd. 1 and 2.

SEC under Schedule 13G, which requires the owner to assert they acquired the shares "without the purpose or effect of influencing control of the issuer", a definition which has recently had a change in interpretation by the SEC[31] which may affect BlackRock's stewardship model.[32]

It could be argued, however, that BlackRock's ownership share of GIP, and through it ALLETE, is not "without the purpose or effect of influencing control of the issuer" – based on the fact that GIP Founding Partner and CEO Adebayo Ogunlesi is now a non-independent member of BlackRock's board.[33] This acquisition thus could exacerbate this particular legal issue.

BlackRock does appear to maintain a certain level of distance to its management of the myriad companies it owns shares of through mutual funds, even allowing pass-through voting of shares for certain eligible investors,[34] but it also owns larger, more controlling interests in many other companies through private equity vehicles through GIP, its own various private equity funds, and other subsidiaries. The merger agreement and settlement are not clear about whether ALLETE will request Commission-approval of contracts of over $50,000 for those companies, whether they 'self-identify' or not.

Minn. Rule 7825.2200 requires all utilities to annually file

i. A list of all corporations and persons which own or hold, directly or indirectly, five percent or more of the voting securities of the reporting public utility. Such list shall show the number of units of each class of voting securities held, the percent which the individual holding of each class is to the total outstanding of that class, and the state or incorporation of each corporation.

ii. A list of all corporations and persons which own or hold, directly or indirectly, five percent or more of the voting securities of any corporation in a chain of successive ownership of five percent or more of the voting securities of the reporting public utility. Such list shall show the number of units of each class of securities held, the percent which the individual holding of each class is to the total outstanding of that class, and the state of incorporation of each corporation.

iii. A list of all corporations five percent or more of whose

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[31] SEC.gov Staff Guidance, Question 103.12

[32] BlackRock Investment Stewardship January 2025, p. 2

[33] Black Rock News Release, November 14, 2024

[34] Black Rock *Investment Stewardship Annual Report* January 1, 2024 – December 31, 2024, p. 48-50.

voting securities are owned by any corporation or person owning five percent or more of the voting securities of the reporting public utility, or by any corporation or person in any chain of successive ownership, of each public utility, as defined in subitem (2). Such list should indicate the name of the affiliated corporation or person which owns five percent or more of the voting securities of each corporation listed.

iv. A list identifying all corporations operating a public utility or servicing organization furnishing management, supervisory, construction, engineering, accounting, financial, legal, and similar services to the reporting public utility, which have one or more officers or one or more directors in common with the reporting public utility; and every other organization which has directors in common with the public utility where the number of common directors is more than one-third of the total number of directors of the reporting public utility.

Although the Petitioners have contended that requirement iii. above does not include corporations that are only passively owned by the same institutional investors as the utility, parties opposing the sale argue the rule and statute contain no such nuance. Commitment 15 on its own, which would require suppliers and certain customers to identify whether they are 5 percent or more owned by BlackRock, GIP, or CPP, would fall well short of opposing parties' broader interpretation of the standard. Parties argue that, if this sale is approved, the statute would require MP to list, with detail, all corporations owned 5 percent or more by any of these entities, or any entity in a chain of successive ownership downward from these entities where 5 percent or more ownership can be traced, whether suppliers or not. In turn, they argue, any contract where $50,000 of value per year could be at issue with any entity on this list would need Commission approval.

This report would potentially be quite long and difficult for MP to assemble if CPP and GIP acquired ALLETE, if the Department and OAG's interpretation of the statute is correct. Staff also notes that the increased cost of preparing these reports would likely be passed on to ratepayers as a regulatory expense and thus represents a real cost to ratepayers of the Acquisition.

C. Alleged Benefits of Transaction – Access to Capital

1. ALJ Report

Findings of Fact 122-129 are an analysis of ALLETE's capital needs, and Findings 130-135 are an

analysis of ALLETE's ability to access capital through public markets. The ALJ generally found that ALLETE has historically overestimated its capital needs, that there are several sources of potential reduction of capital need, such as dividend reduction and reinvestment and elimination of projects, and that the stated equity need of $1 billion is not unusual for a publicly traded utility. Similarly, the ALJ found that ALLETE's arguments that its size – $3.5 billion in market capitalization – would limit its access to capital conflicts with market research which finds that company size rarely affects investor decisions at a capitalization of over $500 million. Further, the ALJ found that ALLETE had not established there is a significant risk that public markets won't cover their capital needs. The risks cited by ALLETE were found to be overstated or unsupported by evidence.

2. Exceptions

Minnesota Power disputed this analysis of its capital needs. MP noted that the finding that ALLETE overestimates its capital needs used total-company forecasts, while MP suggested that using regulated-company forecasts would be more appropriate to this case. MP cited testimony[35] that argued that its regulated capital forecast variance was much smaller than found by the ALJ – on the order of 9% at the regulated utility level, rather than the much larger figure cited by the ALJ. MP attributed the difference to variation in capital needs in the non-regulated business. MP stated that its forecast capital needs over five years are predominantly in the regulated business - $4.6 billion of the overall $5 billion from 2025-2029 are in the regulated business as shown in Table 2.

Table 2: Allete Projected Capital Expenditure[36]

Capital Expenditure	**2025**	**2026**	**2027**	**2028**	**2029**	**Total**
Regulated Operations						
Transmission	$90	$200	$615	$635	$265	$1,805
Solar	145	180	60	40	0	425
Wind	75	215	325	0	0	615
Storage	0	10	35	200	200	445
Base & Other	220	265	285	280	270	1,320
Total Regulated	**530**	**870**	**1,320**	**1,155**	**735**	**4,610**
ALLETE Clean Energy	15	10	5	5	5	40
Corporate[37]	60	60	85	90	80	355
Total Capital Expenditure	**605**	**940**	**1,410**	**1,240**	**810**	**$5,005**

MP stated that this capital plan is approximately 3.8 times larger than historical averages and would lead to a need to raise approximately $1 billion in additional equity over the next five

[35] MP-29 - Taran Rebuttal at 13

[36] P. 48 of Minnesota Power Exceptions

[37] $230 million of "Corporate" is for South Shore Energy.

years, with additional equity needs in future years. By comparison, MP has raised $1.3 billion in equity over its 75-year history. MP argued that the ALJ relied on a single line statement in its 10-K, which stated that MP had adequate access to capital, without benefit of the additional analysis ALLETE has conducted since that 10-K and without reference to the fact that this acquisition was ALLETE's approach to meeting that capital need.

ALLETE's general position is summarized by Witness Quackenbush, who stated[38]:

> ALLETE is approaching a crucial period of accelerating capital needs to meet Minnesota policy goals but is constrained by its small size and outsized capital plan.

LIUNA also took exception to this section, noting that the ALJ failed to address the difficulties ALLETE would face accessing the capital it needs without this deal, and noted that the ways that ALLETE could reduce its capital needs, suggested by Opposing Parties, were inadequate to address ALLETE's actual capital needs. LIUNA noted comments filed by the Minnesota Building Trades, which argued that reliance on outside sources of power risked reliance on generators which are less friendly to labor interests than ALLETE has been historically and has committed to continuing.

LIUNA also argued that Finding 129, which includes that the acquisition "will likely increase incentives for ALLETE to pursue more capital-intensive investments, because the Partners will likely pressure ALLETE to grow rate base to maximize returns," is completely unsupported by the record, and amounts to speculation about Partners' plans. LIUNA argued this finding ignores the fact that ALLETE's regulated investment plan is subject to the approval of the Commission, and so over-investment should not be a concern. LIUNA noted also that profits motivate public shareholders as well, and cited CUB and OAG's long-standing concerns on this issue regarding all publicly traded utilities. These motives are hardly limited to private owners. LIUNA argued that ALLETE's ownership, representing the interests of shareholders, was very aggressive in negotiating the agreement, to the point that LIUNA asserts that evidence suggests that ALLETE had the better side of the acquisition.

LIUNA and Petitioners also took exception to the citation in Finding of Fact 135 that companies larger than $250 million have access to capital,[39] arguing that access to some capital, and to the levels of capital required in the next 10-15 years by ALLETE, are very different concepts.

3. Record

- ALJ Report Findings of Fact 122-135
- MP Exceptions pp. 34-36, 41-43, 45-61

[38] MP-30 at 36 (Quackenbush Rebuttal)

[39] Citing Addonizio

- MP Attachment D Findings of Fact 84-101
- LIUNA Comments pp. 5-9
- MP – Taran Direct, pp. 3-17
- MP – Taran Rebuttal Entire
- MP – Cady Direct pp. 13-14
- MP – Cady Rebuttal pp. 18-21
- MP - Bram Direct pp. 23-32
- MP – Alley Direct pp. 21-23
- MP – Walters Direct pp. 8-14
- MP – Quackenbush Direct Entire
- MP – Bulkley Direct pp. 6-14
- MP – Bram Rebuttal pp. 7-23, 52-53
- MP – Lapson Rebuttal pp. 5-8
- LIUNA – Bryant Rebuttal pp. 2-11
- DOC – Addonizio Direct pp. 10-49
- DOC – Addonizio Surrebuttal Entire
- OAG – Lebens Direct pp. 18-26
- OAG – Lebens Surrebuttal pp. 5-11
- LPI – Walters Direct pp. 14, 33-40
- Sierra Club – Lane Direct pp. 12-21
- Sierra Club – Lane Surrebuttal (corrected) pp. 6-15
- CURE – Ellis Surrebuttal pp. 59-61
- ECC – Shardlow Surrebuttal pp. 4-6
- MP – Initial Brief pp. 13-20
- LPI – Initial Brief pp. 21-37, 66-73
- Department – Initial Brief pp. 18-25, 26-29
- OAG – Initial Brief pp. 39-47
- IUOE/NCSRCC/LIUNA – Initial Brief pp. 2-3
- GIP/CPP – Initial Brief pp. 9-37
- Sierra Club – Initial Brief pp. 22-26
- CUB – Initial Brief pp. 13-22
- Department – Reply Brief pp. 2-8
- LPI – Reply Brief pp. 12-13
- CURE – Reply Brief pp. 15-18
- MP/GIP/CPP – Reply Brief pp. 21-28, 32-40
- OAG – Reply Brief pp. 1-5, 8-13
- CUB _ Reply Brief pp. 3-5, 14-15
- Sierra Club – Reply Brief pp. 10-13
- LIUNA – Reply Brief pp. 2-4
- Stipulation – pp. 2-4

4. Staff Analysis

Staff agrees with the ALJ that ALLETE will have adequate access to capital, and notes that recent events, such as the layoffs at Hibbing Taconite, could cause reconsideration of ALLETE's long term capital needs. However, the cost of this capital could be relatively high which would manifest in harm to ALLETE's stock price, either through excessive equity issues or retention of dividends leading to reduced desirability of ALLETE stock, and cost of debt. This could result in request for higher return on equity in future rate cases. The alternative could be cancellation of projects which are currently part of both ALLETE and MISO's long-term plans (in the case of transmission) or reconfiguration of its investment in generation, slowing its transition to zero emissions (if the investment in solar, wind, and/or storage is reduced) or risking reliability (if the investment in baseload is reduced). On net, the question isn't whether ALLETE needs large amounts of capital in the future or whether staying public makes acquiring that capital difficult, but whether this acquisition improves ALLETE's access to capital. ALLETE claims it does, opposing parties disagree, and the ALJ sided with opposing parties on this question.

Staff has reviewed the record on the issue of the potential sources of equity financing and shares the ALJ's concerns. Most of the evidence in this area is trade secret, but the internal documentation presented to both GIP and CPP stakeholders are instructive on this issue. Staff notes, for example, that ALLETE cited Commitment 1, that Alloy Parent provide equity financing, including but not limited to equity infusion, deferral or reinvestment of dividends, or a combination of both. This commitment places no burden on either CPP or GIP to provide financing – Alloy could borrow money, and inject that money as equity, without any additional capital from GIP or CPP. Given that Alloy likely would be able to borrow at a relatively low interest rate and then seek recovery of "equity" inside MP at 9-10 percent, this in fact is a likely way of leveraging the equity in ALLETE to increase overall returns on the investment, with or without the "promise" to reinvest. This amounts to, essentially, a promise to do what the Partners very likely intended to do anyway.

This is, in essence, the private equity business model – private equity investors can absorb more risk than general investors and so can leverage the firms they hold to a more dangerous degree than general investors could allow. This allows them to earn a much bigger return on the 'winners', while writing off the 'losers.' For the big investors in private equity, this is a win-win. For the ratepayers of the highly leveraged utility, this represents paying huge profits to the owners if the private equity 'wins' and dealing with a bankrupt utility provider if it loses – it is a lose-lose. The Commission has little control, because the profit-taking is happening 'above' the level it regulates – at the Alloy Parent level, or even higher if they reorganize Alloy Parent to add additional levels of holding companies above Alloy.

A simple example may be useful here. Let's take a simple utility – A-CO. In 2025, they have $2 billion in debt, and $2 billion in equity, and are acquired by private equity and placed in holding company AP-CO. The capital structure would look something like the following:

Table 3: Hypothetical Cap Structure 2025

A-CO Capital	**$ (million)**	**Return**	**Cost of Capital**
Debt	2,000	5%	$100
Equity	2,000	10%	$200
Total	4,000	7.5%	$300
AP-CO Capital	**$ (million)**	**Cost**	**Cost of Capital**
Debt	0		
Equity	0		
Total	0		
Total Combined	**$ (million)**	**Return**	**Cost of Capital**
Debt	2,000	5%	$100
Equity	2,000	**10%**	**$200**
Total	4,000	7.5%	$300

Over 10 years, A-CO has capital investment needs which result in the company doubling in size. The regulated capital structure is still 50 percent debt/50 percent equity, so in order to finance this, A-CO borrows $2 billion and receives a capital infusion of $2 billion from AP-CO. AP-CO finances this capital infusion by borrowing $2 billion at the AP-CO level, and reinvesting depreciation expense revenues to maintain the value of existing equity against depreciation. This risky approach results in slightly higher interest rates on debt at both levels – 6 percent instead of 5 percent.

A-CO won't even ask to change its capital structure – it doesn't want to, because it needs a lot of equity at the A-CO level, to offset the debt it is incurring at the AP-CO level. The difference in return between A-CO's equity and AP-CO's debt is where the profit-taking comes from.

Table 4: Hypothetical Cap Structure 2035

A-CO Capital	**$ (million)**	**Return**	**Cost of Capital**
Debt	4,000	6%	$240
Equity	4,000	10%	$400
Total	8,000	8%	$640
AP-CO Capital	**$ (million)**	**Cost**	**Cost of Capital**
Debt	2,000	6%	$120
Equity	-2,000		
Total	0		
Total Combined	**$ (million)**	**Return**	**Cost of Capital**
Debt	6,000	6%	$360
Equity	2,000	**14%**	**$280**
Total	8,000	8%	$640

No new equity was created in this situation – AP-CO simply borrowed money and injected it as capital (creating negative equity at the AP-CO level) to A-CO. AP-CO itself has no assets, so its net value has to be zero (or the value of its cash, if it holds some). By doing this, the ownership has leveraged the 10 percent return at the A-CO level into a 14 percent return at the top level - $400M in equity revenue requirement, less $120M in debt financing at AP-CO, leaves $280M return on their overall $2 Billion equity investment. Note the total combined capital structure is 25 percent equity, 75 percent debt – far riskier, and far more leveraged, than the regulated utility. Any major load loss, any storm, anything that increases debt and reduces equity puts the total edifice much closer to bankruptcy than if the 50 percent structure was being followed. Private equity doesn't mind – the 14 percent more than pays for the risk, and they have many other investments similarly leveraged if this one doesn't work out. It is only a problem for ratepayers and employees.

Note also that even if the Commission disallows the excess cost of debt and only allows $200M in debt service in 2035 (i.e. a 5 percent cost of debt) and reduces the revenue requirement to $600M, private equity still receives a $240M return on its $2B investment, or 12 percent. Leverage even works if the Commission is attentive to the details it is privy to.

This is not to say that this is the approach GIP and CPP will take with ALLETE – both parties deny it – but the basic private equity model is to leverage equity returns with debt and absorb the risk through diversification and sheer size. Even many utilities do something like it, but not at the same scale – they aren't banks with huge amounts of cash reserves and massive investment portfolios, they can't simply absorb the loss, so they leverage to a less extreme degree than private equity can endure.

This is NOT the plan laid out by GIP and CPP. This is a hypothetical example. Concerns with Partners' plan is less in what they do say (ALLOY Parent will provide equity to ALLETE) and more

what they don't (where ALLOY Parent will get equity to provide). Partners were careful to say, repeatedly, that ALLETE would receive equity funding from ALLOY Parent, and that "they" have reason to protect ALLETE by providing equity, but never to say that any additional investment dollars would flow from CPP or GIP to ALLETE, via Alloy or otherwise. There is no commitment to add equity in a way analogous to a stock issue, where that investment increases GIP and/or CPP exposure to ALLETE or dilutes their ownership interest in ALLETE. The only entity committed is Alloy Parent, which has no assets other than ALLETE. Without an additional investment of funds from GIP or CPP, the only methods Alloy can use to inject equity are retained earnings/dividends and debt. The former ALLETE can do now, at risk to its stock price, and the latter increases total company risk and is only prevented now by Commission regulation of capital structure.

An alternate approach to funding would be via retained earnings – reducing dividends and reinvesting them. This approach is available to ALLETE today but is argued to threaten their stock price if they use it. Since the company is retaining capital from internally, rather than borrowing to create equity, the increase in risk is limited, so the interest rate on debt remains 5 percent. In this case, the 2035 scenario looks more like:

Table 5: Hypothetical Cap Structure 2035

A-CO Capital	**$ (million)**	**Return**	**Cost of Capital**
Debt	4,000	5%	$200
Equity	4,000	10%	$400
Total	8,000	7.5%	$600
AP-CO Capital	**$ (million)**	**Cost**	**Cost of Capital**
Debt			
Equity			
Total	0		
Total Combined	**$ (million)**	**Return**	**Cost of Capital**
Debt	4,000	5%	$200
Equity	4,000	**10%**	**$400**
Total	8,000	7.5%	$600

This assumes that merely retaining earnings will provide sufficient capital to fund the needed investment. Note that in this case the returns at the Total level are the same 10 percent that the returns are at the A-CO level. This is a safer approach, but it doesn't leverage the return – the annual return is the same 10 percent that the Commission awarded in the first place. Instead, the investment has grown – doubled – because the investors have reinvested $200 million per year they would have received in dividends/returns in the company. Instead of having $2B invested in A-CO, earning 14 percent, and an additional $2B in cash returns sitting outside A-CO, ready to invest elsewhere, they have $4B invested in A-CO, earning 10 percent. So long that they can do better than around 6 percent with the cash sitting outside A-CO,

Private equity generally prefers the first scenario, the one with leverage.[40]

There is another potential source for returns – if the value of ALLETE on the market can be increased by more than the overall investment inclusive of dividend reinvestment and other internal sources of capital, then the return on the investment can be greater than 10 percent. For example, if a company purchased for $2 billion paid 10 percent returns for 10 years, with that 10 percent reinvested every year, the value after 10 years would be a little short of $5.2 billion due to compounding. If the investors could sell it for $7.4 billion after 10 years, that would be nearly a 14 percent return on the original, compounded investment. Such an increase in the market value of the company would have to come from a mix of reduced operational risk, leverage (which would increase financial risk but also returns), and improved market conditions. Both Partners have internal documents which evaluate sale after specific time intervals, and so Staff believes the range there[41] represents the most likely period during which Partners would seek to resell MP, and it could be that they believe they can increase the value of MP, ALLETE Clean Energy, or both, in this way.

An additional note since the evidentiary hearing – GIP Fund V, the investment vehicle used by GIP for two-thirds of its share of the funding of this investment, closed to new investors in late June.[42] There will be no new money entering that fund for investment purposes, so any new equity injections from GIP Fund V, at least, would have to come from sale of existing investments or existing uninvested cash – or retained earnings or dividends, a vehicle available to ALLETE now. It is now a fixed source of financing. ALLETE currently has a third source – issuing stock. The Partners would need to find a buyer for a chunk of ALLETE to use that funding method. This would dilute their ownership share and wouldn't improve their returns.

ALLETE, like any utility, could use this kind of leverage, now, if it reorganized into a holding company and placed a regulated MP 'below' the holding company. ALLETE's current structure, with MP as an operating division of ALLETE, gives the Commission far more control over its current capital structure than the Commission has over other utilities, such as Xcel Energy (for which Northern States Power is a subsidiary) or MDU (for which Great Plains Natural Gas is a subsidiary, and whose 22,000 customers and resulting rate base represent a small fraction of MDU's overall 1.2 million total customers.) It, and any utility holding company, is far less likely to leverage the way private equity does, however, because the risk is potentially detrimental to ALLETE and its investors in a way that it is not to a private equity investment fund, which is diversified and so can assume risk of losses of one investment, if the others pay off at a high

[40] The break-even on the outside cash is probably closer to 8%, due to real increase in risk at A-CO, but the investors can also use the $2B to buy B-CO, leverage it the same way they leveraged A-CO, and get a return of around 8-9% even if the return on the initial investment is closer to 6%. There is a strong incentive to use the leverage, if they can absorb the risk.

[41] DOC-306, pp. 19-22, Docket 24-383, Webex Document ID 20254-217092-01

[42] https://inforcapital.com/funds/global-infrastructure-partners-v-gip-fund-v/

return.

Increased risk, whether at ALLETE or at the holding company, is problematic for a regulated utility. Unlike an ordinary, competitive business, where, if private equity's risk model takes it into bankruptcy, the customers can seek other providers, but at a regulated utility, the customers are stuck 'riding out' the bankruptcy. Bankruptcy can lead to reduced service quality and higher cost of service, as a bankrupt company will find it harder to make ongoing power purchases at reasonable rates, may be forced to shed employees, and will likely be attempting to seek another purchaser, at distressed prices, during the bankruptcy. Even short of bankruptcy, utilities in financial difficulty can encounter service quality issues, as Minnesota saw in the early 2000's when Xcel Energy suffered some temporary financial difficulties.[43]

There is a route to reduce the operational risk of ALLETE/MP, a fact not addressed by the ALJ. The publicly available capital spending plan shows a considerable increase to transmission as a share of MP's overall rate base. This will likely substantively increase ALLETE's FERC-jurisdictional revenue requirement, reducing its dependence on large industrial retail load. This option is available to ALLETE either way, though financing it may be easier if the Partners allow ALLETE to forego paying dividends for a decade or so.

Staff does have concerns about several of the alternatives proposed by Opposing Parties. The OAG, for example, proposed selling transmission assets. Given that MISO's transmission load is less variable and recession-sensitive than MP's retail load, doing so would make ALLETE riskier, not safer. Using Purchased Power Agreements instead of self-generated power puts MP at the mercy of market forces, if there are long-run increases in the market cost of power and could be less expensive in the short run at the risk of increased long-run costs. The generation facilities with which the PPAs are reached may have less labor-friendly business models than ALLETE has historically had, as several union intervenors pointed out.

The Department proposed, and the Settlement adopted, spinning MP off from being a division of ALLETE. MP being a division of ALLETE and not a separate company is the reason the Commission regulates ALLETE's overall capital structure, rather than merely MP's. As MP noted,[44] the Commission has more control now over ALLETE than other utilities. With other utilities, the capital structure is hypothetical – the Commission doesn't exercise control over Xcel Energy Inc's capital structure, it creates a hypothetical capital structure for the Northern States Power Company, dba Xcel Energy, which consists primarily of the Minnesota retail utility, on which Xcel Energy then earns a return. Spinning off MP as a separate company or as a subsidiary would leave the Commission with potentially less, rather than more, regulatory control over the overall entity's capital structure, albeit while giving MP some protection from

[43] Xcel's service quality investigation was Docket No. E/G-002/CI-02-1346 with an additional investigation into metering practices in Docket No. E/G-002/CI-02-2034.

[44] MP Exceptions Attachment D, Findings of Fact 177-180.

risk from ALLETE's non-regulated business. As noted above, with ownership by a publicly traded utility, this is less of a concern than it is with private equity ownership.

The Partners argue that GIP isn't like ordinary private equity investors, with a long-run investment strategy that doesn't fit the private equity stereotype, and that CPP had a strong record when it owned Puget Sound. Staff notes that CPP is a minority investor, and GIP may find that its new BlackRock ownership affects its business model as much as new ownership affects MP's. Staff notes that Opposing Parties raised few, if any, specific concerns about GIP or CPP as managers. Parties raised concerns about BlackRock – GIP's new owners – and private equity in general. The fact that the 'computer models' used to evaluate the purchase assumed levels of leverage that were higher than utility norms,[45] if one includes ALLOY Parent in the analysis, to get its high rate of return, suggests that, at best, GIP uses some private equity methods, even if they have not historically been as aggressive as their new owners.

All of this suggests that the private equity model is a poor choice for regulated utilities in general. The question for the Commission is whether the facts of this case[46] suggest that this deal is any different, and whether there are conditions which can be placed on this transaction that would provide adequate protection should it prove to be the case that Partners' plans are more 'private equity'-like than they currently admit.

Significant information on CPP and GIP's plans for ALLETE were placed in the record in Highly Confidential Trade Secret form. Based on the evidence, the stylized facts are:

- There is significant likelihood that Partners will leverage ALLETE at the Alloy Parent level, which would potentially increase ALLETE's financial risk.
- MP's existing capital plan should improve ALLETE's risk profile at an operational level, which may increase the overall value of the company.
- Credit agencies already view this acquisition as risky to ALLETE's credit score.
- Partners have a relatively short investment horizon relative to what a utility purchaser would have, though potentially longer than the 'traditional' private equity timeframe.
- The Commission will very likely see another ALLETE/MP sale in the medium term. This could be a sale to another private equity company, a utility, or a public stock offer.

Given the lack of alternate purchasers in this case, it seems likely the Partners' intent is that improving operational risk will make the company more attractive, given that the financial risk can be accounted for by the structure of the next transaction. Staff believes that Partners have an incentive to keep ALLETE and MP in reasonable financial health long enough to reach that point. Solvency in the long run should they fail to find a buyer is more of a concern.

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[45] HCTS DOC Exhibit 306

[46] As laid out in the ALJ report, MP's alternative Findings of Fact, DOC Exhibits 306 and 307, and elsewhere

D. Risks to ALLETE – Long-Term Financial Health

1. ALJ Report

ALJ Findings 188-199 review the plans for financial engineering of ALLETE. Much of the information in this section is Highly Confidential Trade Secret, but was sufficiently concerning that S&P placed ALLETE on negative outlook in May 2024 after the merger was announced.[47] Both Partners provided, as part of HCTS discovery, presentations which show their intentions (Opposing Parties interpretation) or modeling (Petitioners' interpretation) in this area. (See HCTS DOC Exhibit 306, p. 27 for projected financing for ALLETE and Alloy, p. 17 for projected rates through 2039. GIP, the equivalent analysis for CPP and is similar, but not identical. Both are available in Docket 24-383, the HCTS docket for this case.)

ALJ Findings 200-211 reflect risks related to exit by the Partners. The ALJ found that there is significant risk that the Partners will engage in financial engineering and then potentially seek an early exit from their investment. Again, much of the evidence is HCTS – see HCTS DOC Exhibit 306, pp. 19-22 for GIP's evaluation exit framework for the ALLETE investment.

The ALJ cited the fact that the Partners anticipate return on their investment significantly greater than what is traditionally allowed by the Commission as a return on equity as a sign that Partners intend to engage in risky "financial engineering" practices. The ALJ noted that the partners identified two ways to increase returns beyond regulatory returns – returns on unregulated activity and Partners 'direct involvement' in operations. As to the first, the ALJ cited internal documents which suggested that returns on unregulated operations would have to be implausibly high to generate the kind of returns anticipated by the Partners and dismissed the idea that Partners' 'direct involvement' could increase returns notably in the long run. Instead, the ALJ described increases in debt over time through a mix of double leverage and dividend recapitalization activities[48]. The ALJ stated that, ultimately, Partners may need to extract cash from ALLETE to pay off the incremental debt, interfering with ALLETE's and MP's ability to self-fund capital investments.

The ALJ also cited risk that the Partners could sell MP in a relatively short period of time. It is credible that the Partners would look to sell MP after a relatively short time.

2. Settlement

The Settlement reiterated and clarified certain commitments already made regarding financial

[47] Finding 198 – S&P specifically cited the merger, and risk of financial engineering as the reason for the downgrade.

[48] ALJ Finding of Fact 193

engineering. More detail was provided about the capital commitments and debt protections. The Settlement also expanded on the independence of Minnesota Power by committing to a separation proposal which would potentially separate MP from being a division of ALLETE.

3. Exceptions

Petitioners argue that the record is clear that concerns about "operational engineering" are unfounded, citing both Department and OAG witnesses as lacking concern in this area. To the issue of "financial engineering", Petitioners cite specific assumptions about Minnesota Power's ROE which are consistent with regulatorily-allowed returns, and that debt-ratios at ALLETE will be consistent with utility norms.[49] Petitioners argue that they specifically disavowed "financial engineering" tactics,[50] and described the financial analysis done by the Partners to "represent the type of analysis that someone should expect a reasonable investor to do before investing $3.9 billion," not evidence of financial engineering intent.

4. Staff Analysis

Staff has concerns about financial engineering, in the sense that Staff anticipates that Partners would hold debt at both the ALLETE and Alloy Parent levels to leverage regulatory returns. This could result in some risk to MP, especially in 'later' years. Staff notes that Partners have committed to specific capital/debt ratios at ALLETE, but not at Alloy. Most of the financial engineering concerns raised were ultimately about Alloy's and other entities potential debt levels outside Commission regulation, not ALLETE or, after separation, MP's equity/debt ratio, which is regulated by the Commission.

Staff also agrees that the Partners are likely to sell in a time horizon that would be considered "short" by utility standards, though it is likely a longer horizon than the traditional 'private equity' timeline of 4-6 years.[51] There is a real difference between GIP and CPP's historical purchasing behavior and ordinary 'private equity' on this score, and GIP specifically tends to invest, in this fund, with an eye to future growth of its investments through real investment, rather than financial engineering to manipulate returns. It is Staff's expectation that sometime prior to or just after the Carbon-Free standard date of 2040, MP and ALLETE's non-regulated businesses will be sold again, possibly separately. This is consistent with all evidence in the record. It is a matter of perspective whether a sale in, say 10-15 years is "short-term." For private equity and other 'take-private' investors that would be a relatively long-term hold period, but in the overall life of a utility, it is short-term – none of the other acquisitions in the Minnesota record had investment horizons that short. This difference in investment horizon

[49] Evid. Hr. Tr. at 640:1–21 (HCTS).

[50] Ex. DOC-303, CMA-D-12 at 75 (Addonizio Direct) (eDocket No. 20252-214942-01).

[51] Baker Direct pp. 5-6

between any private investor-buyer, including private equity, and, say, a utility buyer, in Staff's opinion, underlies many of the parties' concerns about the transaction.

5. Record

- ALJ Report Findings of Fact 188-211
- MP Exceptions. pp. 25-34, 38-40, 43
- MP – Taran Direct pp. 15-17
- MP – Bram Direct pp. 21-23
- MP – Lapson Direct pp. 17-19
- MP – Scissons Rebuttal entire
- MP – Taran Rebuttal Entire
- MP – Bram Rebuttal pp. 7-35, 40-49, 52-55
- MP – Alley Rebuttal pp. 9-26, 42-49
- MP – Lapson Rebuttal pp. 8-19
- MP – Quackenbush Rebuttal Entire
- LIUNA Rebuttal pp. 5-6
- DOC – Addonizio Direct. pp 59-72
- DOC – Vavro Direct pp. 18-30
- CURE – Baker Surrebuttal pp. 15-17
- CURE – Ellis Surrebuttal pp. 26-30
- Sierra Club – Lane Surrebuttal pp. 8-15
- MP – Initial Brief pp. 20-35
- Department – Initial Brief pp. 29-37
- GIP/CPP – Initial Brief pp. 62-87
- CURE – Initial Brief pp. 15-17
- Department – Reply Brief pp. 3-6, 17-19
- IUOE/NCSRCC/LIUNA – Reply Brief p. 2
- MP/GPP/CIP – Reply Brief pp. 68-82
- CUB – Reply Brief pp. 15-16
- Stipulation – pp. 3-6

E. Benefits – Access to Expertise

1. ALJ Report

ALJ Findings 136-138 analyzed ALLETE's argument that GIP and CPP could provide access to "deep industry expertise" with respect to utility and energy infrastructure and renewables. The ALJ found credible the intervenor argument that current management is already high quality, and that the strategic control of ALLETE and MP by the Partners was more likely to increase

costs, by driving spending to those affiliate "experts", than to decrease costs.

2. Exceptions

Petitioners disputed the ALJ characterization of the expertise provided by Partners. ALLETE cited GIP's industry partnerships, access to best practices for capturing value and mitigating risk. ALLETE noted GIP and CPP both have experience supporting development of renewable energy assets and pursuing energy-transition related investments. ALLETE also called attention to Partners' relationships with manufacturers and lenders as being an advantage to the transaction.

3. Record

- ALJ Findings of Fact 136-138
- MP Exceptions pp. 14-16.
- MP – Petition p. 2
- MP – Cady Rebuttal, pp. , Attachment JJC-R-1
- MP – Lapson Direct, p. 15
- Alley Direct pp. 23-24
- MP – Bram Rebuttal pp. 53-55
- DOC – Addonizio Direct p. 48, 65-69
- DOC – Vavro Direct pp. 7-9
- DOC – Addonizio Surrebuttal p. 24-41
- DOC – Vavro Surrebuttal, p. 3-4
- LPI – DOC IR 0011.02 p. 8-9
- OAG – Lebens Direct p. 18-25
- Sierra Club – Lane Direct p. 28
- LIUNA – Bryant Direct Entire
- Department – Initial Brief pp. 25-26
- GIP/CPP – Initial Brief pp. 38-48
- MP/GIP/CPP – Reply Brief pp. 40-41

F. Risks to ALLETE – Regulatory Compact

1. ALJ Report

The ALJ also noted that private ownership means loss of certain SEC reporting, such as the 10-k, which currently provide regulatory oversight with information on operations and financing. ALLETE is proposing alternative reporting to replace these reports, but the ALJ did not appear to view these as sufficient to replace mandated reporting of a publicly traded entity. The ALJ also noted that GIP and CPP would not be covered by this reporting, only ALLETE and Alloy Parent. The ALJ also had concerns that ALLETE under the new ownership might be less cooperative and transparent with regulators than they have historically been, and highlighted that Partners had been less than perfectly cooperative during this proceeding, noting improper redactions of

relevant information in discovery documents and implausible claims about certain documents received in discovery being 'out of date' or 'inaccurate', with motions to substitute amended documents at the last minute, during the evidentiary hearing.

The ALJ specifically cited the close control of ALLETE suggested by the ownership and board structure as a risk. The ALJ noted that HCTS documents suggested a much tighter level of control over ALLETE than Partners and ALLETE had acknowledged in testimony. The ALJ had concerns that Partners would have a shorter time-horizon than optimal and would prioritize returns over the long-term health of the company. The ALJ also believed that affiliated-interest risk would increase. Current ownership is fragmented, limiting the risk that larger owners such as Vanguard or BlackRock would intervene in ways that benefit themselves or their own holding. Direct control over the company by GIP/BlackRock and CPP means that there will at least be more risk that the new owners will direct business to affiliates. CPP specifically identified at least one affiliate's 'expertise' as being on offer to ALLETE in its justification of the deal. The ALJ specifically argued that the Commission should insist on full compliance with the affiliated interest statute, even if compliance is burdensome.

2. Settlement

The Settlement clarified and expanded on the commitment made by the Petitioners prior to the ALJ Report. The Settlement provided expanded description and clarification of the commitments regarding open records and expanded them slightly. The Settlement also enlarged the Board of Directors and established that a larger share of the board would consist of independent directors. It also specified that certain board members would be selected 'jointly' by GIP and CPP, which means that GIP no longer entirely controls a majority of board selection, now selecting only six of fourteen without consultation. Of the balance, four will be selected by CPP, and three 'jointly', in addition to the CEO.

3. Exceptions

The Petitioners took exception to claims of lack of transparency, citing that all parties had full access to confidential information, including discovery, and that all cases where Petitioners did not provide information, it was due to valid exceptions to discovery such as lawyer-client privilege and other legally legitimate defenses in the discovery process. Petitioners argued that asserting these defenses is not a lack of transparency, but rather a "normal and expected result of the hearing process established by the Commission and indeed are important rights for parties to retain.

Petitioners also took exception to arguments of inconsistency between public testimony and trade-secret documents, arguing that the contents of those trade-secret documents are fully consistent with the public interest and not a cause for concern. Petitioners argued that it is entirely consistent with the public interest for Partners to hope to earn a return on their investment, and that Partners have a role in high-level decision making. These are rights any owner of a regulated utility would expect to have.

Petitioners reiterate their commitment to following all of the rules and laws related to Commission regulation of MP and affirm that all additional commitments are in addition to, rather than a replacement for, the regulatory compact.

LIUNA also took exception to this section. LIUNA argued specifically that the ALJ has in Finding of Fact 276 adopted a mischaracterization of a study made by CURE's witness without addressing the fact that LIUNA identified and disproved this mischaracterization in its own testimony. LIUNA argued that anyone reading the study cited would find that its conclusions are actually that it contradicts the theory that private equity ownership is rapacious and destructive.

LIUNA argued that the governance structure of ALLETE, with balancing of members from GIP and CPP, would provide some protection against the sort of affiliate interest conflicts the ALJ worried about in Findings 272-273.

4. Record

- ALJ Findings of Fact 235-271
- Petitioners Exceptions p. 43-45, 62-65
- LIUNA Comments p 9-10.
- LIUNA – Brynt Rebuttal pp. 7-11
- MP – Cady Direct p. 14
- MP – Lapson Direct Entire
- MP – Cady Rebuttal pp. 7-12
- MP – Anderson Direct Entire
- MP – Anderson Rebuttal Entire
- MP – Bram Rebuttal 35-38
- MP – Alley Rebuttal pp. 40-42, 45-46, 52-54
- CURE - Baker Direct p. 27-31
- CURE – Baker Surrebuttal Entire (Trade Secret)
- CURE – Ellis Direct p. 40-42
- Sierra Club – Lane Direct p.21-33
- Sierra Club – Lane Surrebuttal pp. 22-29
- OAG – Lebens Direct. pp. 18-23
- DOC – Addonizio Direct pp. 72-76
- DOC – Vavro Direct p. 9-18
- DOC – Vavro Direct Entire
- ECC – Shardlow Surrebuttal. P. 7-8
- Bryant Direct pp.
- Bryant Surrebuttal p.
- LPI – Walters Direct p. 19-28

- LPI – Initial Brief pp. 37-55, 74-84
- MP – Initial Brief pp. 35-51
- Department – Initial Brief pp. 37-44
- OAG – Initial Brief pp. 25-27, 30-38
- LIUNA/IUOE Local 49/NCSRCC – Initial Brief pp. 4-5
- GIP/CPP – Initial Brief pp. 48-54, 61-62, 87-116
- Sierra Club – Initial Brief pp. 32-37
- CUB – Initial Brief pp. 13-25, 27-32
- Department – Reply Brief pp. 12-21
- LIUNA/IUOE/NCSRCC – Reply Brief p. 1-2
- LPI – Reply Brief pp. 3-12, 16-17
- CURE – Reply Brief pp. 9-12, 19-23
- MP/GIP/CPP – Reply Brief pp. 52-68
- OAG – Reply Brief pp. 13-15
- CUB – Reply Brief pp. 5-9
- Sierra Club – Reply Brief p. 18-21
- LIUNA – Reply Brief Entire
- Stipulation – pp. 3-8, 12-14

G. Risks to ALLETE – Ratepayers

1. ALJ Report

The ALJ argued that the returns expected by the Partners will require significant rate increases and cited internal documents showing higher-than-inflation increases to ALLETE's rates over the next 10 years. The ALJ also cited a disparity between rate projections in the filed IRP and in Partners' internal documents. The ALJ noted that higher-than average rate increases would be detrimental to competitiveness for ALLETE's large customers and would impose significant burdens on residential customers.

The ALJ also cited service quality as being at risk, stating that, though there is little risk of 'severe' service quality impairment, there could be some reduction in service quality relative to MP's current 'near perfect' record.

The ALJ noted that other utilities acquired by private equity have seen rate increases, citing specifically the UPPCO acquisition in Michigan. That utility has seen several rate increases since being acquired, despite having a 2-year rate case moratorium after its second sale, and now has rates 9 cents per kWh higher than average for Michigan ratepayers. The ALJ cited similarities between UPPCO and ALLETE as a risk factor.

2. Settlement

The settlement included significant service quality metrics with penalties, as a response to

service-quality risk. It also included a one-year 'stay-out' provision, which would prevent MP from filing a rate case prior to November, 2026, to mitigate rate increases in the short term.

The Settlement also limited certain fees that the Partners might have charged to MP and asserted that Partners intend to honor the regulatory compact, including compliance with Affiliated Interest law.

3. Exceptions

Petitioners noted that the record evidence excluded by the ALJ report includes information on utilities owned by Petitioners, including CPP's financial interest in Puget Sound Energy for over 10 years during which the utility's rates increased at a rate below inflation with no evidence of any harm to the public interest. Petitioners cited evidence, not in the ALJ Report, which showed that the Partners' other investments in regulated utilities are managed to have reasonable levels of debt and equity, and that growth in rates after other take-private acquisitions was below inflation, averaging 1.62 percent. This showed lower than typical growth in rates in these utilities, even compared to other in-state utilities' performance.

Petitioners also note that many of the concerns raised by the ALJ are addressed by commitments and the Stipulation, noting specifically that Partners have committed not to secure debt at the holding company level with utility assets, a commitment ignored by the ALJ in her Findings. Petitioners also noted the waiver of dividends if specific conditions, applicable to the concerns of the ALJ, are not met, and the commitments not to lay-off employees, move the headquarters of the company, to leave intact the current management team, and the service quality requirements in the Stipulation.

Petitioners noted that parties could have sought to purchase a controlling interest in MP via public equity transactions, not reviewable by the Commission, and gained control of the board in that manner. Such transactions could be undertaken by any private equity firm or energy company, including those hostile to the State of Minnesota's climate goals, but that Petitioners pursued acquisition through a course requiring Commission approval.

4. Staff Analysis

The settlement adds additional metrics to the Company's annual Safety, Reliability, and Service Quality (SRSQ) reporting (Docket YR-29). The electric SRSQ reports are due on April 1 annually about the previous calendar years' performance.

5. Reporting Date

The adjustments to the SRSQ in Settlement Term 1.64 would not go into effect one year after the close of the Acquisition. Therefore, Staff anticipates that the earliest date on which the revised SRSQ would be required to be filed on April 1, 2027, regarding 2026's performance. Further, Staff anticipates that the earliest date on which the underperformance payments that

would be tied to the revised SRSQ (as discussed below) would be required to be filed on April 1, 2028, regarding 2027's performance.

6. Underperformance Payments

Settlement Term 1.64 ties MP's performance on a series of metrics to underperformance payments. If any of the standards in the list below are not met, the Company would be required to make a $250,000 underperformance payment per violation.

- Statewide service reliability fails to meet or exceed the Institute of Electrical and Electronics Engineers (IEEE) second quartile benchmark for medium utilities
- Work centers' reliability fails to meet or exceed the IEEE second quartile benchmark for small utilities
- The number of non-MN DIP service complaints forwarded to the utility from the CAO exceeds 50 in a given reporting year
- Fails to grant at least 99 percent of Cold Weather Rule (CWR) protection requests which meet Minnesota statutory requirements
- Fails to restore at least 65 percent of involuntarily disconnected, as defined in the Minnesota Rule 7826.1500, residential customers to service within 24 hours[52]
- Fails to answer at least 80 percent of customer calls received during business hours within 20 seconds
- Fails to ensure that at least 99.3 percent of customer invoices are accurate

Fifty percent of under-performance payments assessed will be applied to customer bills during the following July billing cycle of a given performance year on an equal rate per kWh for each customer. The remaining fifty percent will be invested into options to address the cause of the underperformance. Underperformance payments would not be recoverable from ratepayers. Staff is unaware of MP violating any of the proposed metrics currently.

The only other Minnesota utility that has an underperformance payment requirement is Xcel Energy (Xcel) (Dockets 02-2034 and 12-383) whichwas the result of a settlement. Xcel's Quality of Service Plan (QSP), has similar, but not identical, metrics to the ones proposed in the settlement. Also, Xcel's QSP underperformance payment is $1 million per violation.[53] In recent years, Xcel has been required to make underperformance payments in 2020 and 2024 and will be required to make two underperformance payments in 2025.

The settlement does little to address the other concerns. It suggests that bankruptcy is not an option in the very short term – during the pending split of MP from the rest of ALLETE – but makes no promises in the long run. The Xcel QSP mentioned above was the result of significant service quality disruptions which appeared to be the result of financial issues at Xcel triggered

[52] As defined by Minn. Rule 7826.1500 Reporting Involuntary Disconnections.
[53] Xcel Energy Electric Rate Book, General Rules and Regulations (Section 6), Service Quality (Sheet No. 7.2).

by investments in pipelines in the late '90s and early '00s. There is risk of similar overstretch here, but the capital needs of ALLETE will exist whether the Partners purchase ALLETE or ALLETE seeks capital through a public offer of new stock or other means. Most of the investments are needed to reach the Carbon-free mandate and reflect investments in transmission needed to transport power from remote wind facilities, upgrades to the distribution system, and generation investment needed to replace ALLETE's existing coal generation.

The concerns the ALJ cited relating to control of ALLETE would exist with any acquisition. A utility purchaser would also take significant operational control of ALLETE – probably more so than the Partners intend to. The concern on time-horizon is important, but the current owners of ALLETE, its stockholders, also likely have a shorter time horizon of investment than the lifetime of the company. The question is whether ALLETE will be managed to a shorter or longer time horizon than it is currently (which is unclear) and whether direct ownership by GIP and CPP will lead to harmful meddling (the ALJ's fear) or provision of expertise and strong leadership (the position of the Partners).

7. Record

- ALJ Findings of Fact 212-234.
- Petitioners' Exceptions p. 36-42, 65-66, 68-71
- MP – Cady Rebuttal pp. 10-16
- MP – Scissons Rebuttal pp. 10-12
- MP – Bram Rebuttal pp. 38-40
- MP – Alley Rebuttal pp. 49-52
- MP – Bulkley Direct pp. 6-14
- MP – Cady Response Entire
- MP – Bram Response Entire
- Sierra Club – Lane Direct pp. 14-21
- Sierra Club – Lane Surrebuttal p. 7-15
- CURE – Baker Direct pp. 27-34
- CURE – Ellis Direct pp. 7-61 (Trade Secret)
- CURE – Ellis Surrebuttal Entire
- DOC – Addonizio Direct. pp. 49-59, 72-74
- CUB – Jester Direct pp. 7-10
- CUB – Jester Surrebuttal Entire
- LPI – Walters Direct p. 9-19
- LPI – Walters Surrebuttal p. 11-20
- OAG – Lebens Direct p. 18-26
- OAG – Lebens Surrebuttal p. 9-11
- ECC – Shardlow Surrebuttal Entire
- MP – Initial Brief pp. 51-59
- Petitioners – Reply Brief
- LPI – Initial Brief pp. 55-66

- Department – Initial Brief pp. 34-37
- OAG – Initial Brief pp. 20-25
- IUOE Locla 49/NCSRCC, LIUNA Initial Brief pp. 2-5
- GIP/CPP – Initial Brief pp. 79-87, 116-122
- CURE – Initial Brief pp. 17-24
- Sierra Club – Initial Brief pp. 26-32
- Department – Reply Brief pp. 8-12
- LPI – Reply Brief pp. 14-20
- CURE – Reply Brief pp. 23-24
- MP/GIP/CPP – Reply Brief pp. 45-52
- Sierra Club – Reply Brief pp. 14-20
- Stipulation – p. 8-10

H. Potential Detriments – Energy Transition

1. ALJ Report

ALJ Findings 181-187 review the potential effects of the transaction on the energy transition. ALLETE cited the need for new capital for the energy transition as a motivator for the acquisition, but intervenors suggested that private equity would interfere with MP's ability to invest for the transition. The ALJ found that, contrary to ALLETE's assertions, there is a high likelihood that additional capital from outside ALLETE will be unavailable. The ALJ noted that, after the close, the sources of additional capital are debt (available now) or equity infusions from CPP or GIP. The ALJ cited GIP and CPP trade secret internal documents regarding their plans and available capital after the deal and found that "credible circumstances exist where the Partners may not provide adequate equity resources: they may identify alternative investments providing a superior risk-adjusted return, or economic circumstances may preclude the Partners from providing financing."[54]

2. Exceptions

Petitioners took exception to these findings, as well, arguing that the evidence presented regarding financial engineering was largely predicated on stereotypes about private equity and potential misinterpretations of the due-diligence documentation by GIP and CPP, not on any historical or intended behavior of the actual Partners or their affiliates.

3. Record

- ALJ Report Findings 181-187
- DOC Exhibit 306 – HCTS
- MP – Cady Direct, pp. 17-20

[54] Finding of Fact 187

- MP – Cady Rebuttal, pp. , Attachment JJC-R-1
- Sierra Club – Lane Direct pp. 33-41
- Sierra Club – Lane Surrebuttal p. 15-22, 27
- LPI – Walters Direct pp. 42-43
- MP – Initial Brief pp. 66-70, 72-77
- OAG – Initial Brief pp. 27-30
- GIP/CPP – Initial Brief pp. 122-127
- CURE – Initial Brief pp. 17-24
- Sierra Club – Initial Brief pp. 7-11, 14-21
- MP/GIP/CPP – Reply Brief pp. 9-21, 28-32

I. Risks to ALLETE – Energy Transition

1. ALJ Report

The ALJ report argued that the commitment of additional capital from the Partners was an uncertain prospect due to the limited nature of the investment funds available. GIP Fund V is a closed fund with many investment options, limiting the Partners' ability to make follow-on investments. The ALJ feared that, lacking a binding capital commitment from the Partners, as opposed to from Alloy Parent (which has no investment capital of its own), may limit ALLETE's access to capital to fund the energy transition. Alloy Parent would be the sole source of funding for ALLETE, and could only provide funds from GIP, CPP, or debt financing. If Alloy itself were distressed, ALLETE could be isolated from funding. The ALJ identified the risk that partners would be unwilling or unable to provide capital as "significant".

2. Settlement

The Settlement modified the carbon-free transition plan by adding the $50 million clean-firm technology fund. This fund, spending from which would be subject to Commission approval, would be used to pay for dispatchable, durable clean power sources. The ALJ also noted that the capital expenditure program cited by Petitioners includes significant spending on fossil generation and cited a risk of over-investment in fossil generation leading to jeopardy to the clean energy transition.

3. Exceptions

Minnesota Power stated that the ALJ failed to properly weigh the evidence on this issue, and improperly dismissed testimony from both Partners which stated that they would provide the capital MP needed to fulfill its obligations under the Carbon Free Standard. MP also noted that the need for capital was the motivation for the acquisition effort in the first place – in Petitioners' view, the ALJ is underestimating the difficulties MP and ALLETE will have raising capital as a publicly traded company.

LIUNA argued that Finding of Fact 186 specifically mischaracterized the relationship between

resource planning, deployment, and ownership. LIUNA noted that all actual decisions on investment are within the control of the Commission. LIUNA argued that Partners had no influence on MP's currently filed Integrated Resource Plan (IRP) and so citing it as an insight into the Partners' motives is misguided. Commission-approved investment advances the best interests of ratepayers, regardless of who owns MP.

4. Record

- ALJ Report Findings of Fact 181-187
- Petitioners' Exceptions, pp. 34-35, 37-38, 41-42, 58-62.
- MP – Alley Rebuttal p. 52
- LIUNA Exceptions pp.
  Sierra Club – Lane Direct pp. 33-41
- DOC – Addonizio Direct pp. 76-77
- CURE – Baker Surrebuttal p. 21-22 (TS)
- MP – Initial Brief pp. 66-70, 72-77
- CUB – Initial Brief pp. 26-27
- Sierra Club – Reply Brief pp. 4-10
- Stipulation – pp. 11-12

J. Risks to ALLETE – Labor

1. ALJ Report

The ALJ noted that private equity acquisitions often lead to job losses, citing studies which showed 13 percent average reduction in work force after private equity acquisitions. The ALJ noted specifically the 1,000 lost jobs at SunPower after its acquisition and bankruptcy, and poor child-labor practices at Fortex Solutions, a company owned by CPP. Given this record, the ALJ recommends close scrutiny of labor practices by the Partners in making a decision in this case.

2. Settlement

The Settlement reiterated the job protections proposed in the Commitments, including extensions to existing labor agreements and protections on jobs and benefits for existing non-union staff and management.

3. Exceptions

Allete cited the job protections it promised in its Settlement and Commitments in exception to this section. ALLETE extended certain labor contracts by 2 years and provided job and benefit protections to non-union workers for 2 years. ALLETE argued further that union support of this agreement, including LIUNA's analysis its own experience with Partners' stewardship of other unionized properties and from its investment in other GIP Funds, are evidence that the ALJ's

concerns around labor are unfounded.

LIUNA, IBEW, and the NCSRCC/IUOE join in exceptions to the Findings regarding workforce and labor protections describing the Petition, as augmented by the Settlement as protecting worker interests, citing the various real commitments by the new owners to collective bargaining agreements, employment, and workforce protections.

4. Staff Analysis

Staff will not second-guess Organized Labor's support of this acquisition, and notes that this acquisition has support of Labor representing both MP employees and employees of MP's contractors.

Staff does note that the concerns raised by other parties regarding employment are generally not short term and extend to labor relations far beyond the two-year timeframe protected in the commitments. In the context of a company that everyone expects to grow in size over the next 15 years, and one where most likely needs to save money and potential job cuts are anticipated either after the next rate case or further in the future, a two-year job commitment is actually quite short. That said, it would be difficult, if not impossible, for any company to commit to protections over a longer term given the potential for load loss, closure of high labor-commitment coal facilities, reasonable investment in artificial intelligence and other automation which may be of benefit to ratepayers, and other unforeseeable risks and benefits that ALLETE may face in the future.

5. Record

- ALJ Report Findings 272-279
- Petitioners' Exceptions p. 66
- MP – Cady Direct p. 16-17
- MP – Krollman Direct Entire
- MP – Krollman Rebuttal Entire
- IBEW – Keyes Direct – Entire
- LIUNA – Bryant Direct – Entire
- MP – Initial Brief pp. 59-66, 72
- IUOE Local 49/NCSRCC/LIUNA – Initial Brief pp. 1-2, 4-5
- Stipulation – p. 11

K. Public Comments

1. ALJ Report

As a supplement to the ALJ Report filed on July 15th, the ALJ filed Addendum A, which summarized public comments received through May 12, 2025. In total, the ALJ summarized just short of 500 public comments, including 96 received at Public Hearings, approximately 219

unique written comments, and approximately 181 additional commentors who submitted a comment template in opposition. An additional 20 public comments were received between May 29th and July 22nd, which were not included in the ALJ Summary.[55] The ALJ summarized the comments in two Findings in the Addendum.[56]

> Addendum A FOF 3. Comments in opposition to the Acquisition shared concerns that the Acquisition may result in increased rates, significant changes to Minnesota Power that will prevent the Company from satisfying the Carbon Free Standard, and/or may change the Company's transparency, values, or operations. A vast majority of written comments opposed the acquisition.
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> Addendum A FOF 4. Comments in support of the Acquisition largely repeated the Petitioner's employee and public messaging about the Acquisition – expressing that it will provide Minnesota Power with the capital needed to satisfy the Carbon Free Standard while continuing to be a positive presence in the local community. Commenters frequently noted trust in the current leadership of the Company. Numerous commentors in support of the Acquisition were Minnesota Power employees. Many other supportive commentors were from nonprofit or community organizations that receive funds from Minnesota Power. These commentors often indicated support for Minnesota Power but did not comment on the merits of the transaction itself. It is unclear whether these individuals felt obligated to support Minnesota Power due to the financial support they are provided by the company.

Of the 400 written comments summarized by the ALJ, approximately 10% supported the acquisition, while approximately 90% opposed the acquisition. A large number took the form of a letter – approximately 175. Of the 96 comments submitted during public hearings, slightly more than half supported the acquisition. Supporters of the acquisition overwhelmingly fell in two categories – Minnesota Power employees, labor representatives, and MP foundation charitable recipients – with a few local mayors and city council representatives also supporting. Most opposition appeared during public hearings to be from ratepayers and environmental groups, with some local ALLETE shareholders who had opposed the sale.

The 20 comments received since the close of comments summarized in the ALJ report all oppose the acquisition, for reasons like those noted by the ALJ above. One specifically cited both CPP and BlackRock withdrawing from prior commitments to a 2050 zero-carbon emissions deadline in his comments.[57] Many others generally cited BlackRock or Private Equity in general

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[55] The Deadline for Comments prior to the ALJ Report was April 17, 2025

[56] *Redacted Findings of Fact, Conclusions of Law, and Recommendation and Addendum A*, Addendum A, Findings 3 and 4.

[57] Comment by Brett Cease, PhD (July 10, 2025) (eDocket No. 20257-220851-01)

as the source of their concerns. During the Comment Period, the Commission received comments in support from several local Chambers of Commerce and the Salvation Army.

2. Settlement

Many comments have come in since the ALJ Report. Most oppose the transaction, but several new parties which had not previously participated in the docket filed comments in favor of the acquisition, including the Center for Energy and Environment, Clean Energy Economy Minnesota, Fresh Energy, and the Clean Grid Alliance. All of these supported the acquisition, citing specifically the needs of ALLETE for new capital to meet the Carbon-Free standard and the additional benefits provided by the Settlement. Many opposing commentors filed versions of a single form letter, which cited “deep risks” posed by the acquisition to MP customers, employees, and the Minnesota public at large, dismissing the Settlement as inadequate.

1. There were a total of 32 individual commenters from July 16-September 3, 2025. Of this group three were in favor of the sale of ALLETE/MP, all from commentors with a relationship with ALLETE. There are 29 individual commenters not in favor of the sale.
2. There were 28 batches containing 262 Commenters from July 16 – September 3, 2025. Of this number, 6 Commenters are in favor of the sale and 256 Commenters are against or not in favor of the sale of ALLETE/MP.
3. One Commenter appears neutral on the sale of ALLETE/MP.

Locals 1091 and 1097 noted that more than fifty members attended at least one public hearing on the acquisition, and expressed confidence that the Partners can supply the capital needed to meet the milestones of Minnesota’s Carbon-Free law. Additionally, these laborers expressed dismay at the ALJ’s suggestion that supporters of the acquisition were "puppets" or financially obligated to MP.

Locals 1091 and 1097 described the acquisition as a positive deal for Northern Minnesota, pointing to additional commitments from the Partners — including delayed rate increases, a lower return to support affordability, assistance for customers with past-due bills, and a $50 million pledge for carbon-free technologies.

Locals 1091 and 1097 urged the Commission to approve the acquisition and communicate to judges in future hearings that it is unacceptable to suggest citizens attending public hearings are influenced by others simply because they hold a different view.

The American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) commented in favor of the acquisition. AFL-CIO argued that the sale is the best way to protect members’ interests in a healthy, well-functioning utility. AFL-CIO noted that MP is subject to democratic oversight through the Commission, and that none of the rules and laws around oversight would change due to the acquisition. The best way to prevent harm and to protect

the progress we have made is to ensure that Minnesota Power has the necessary resources to build the clean, reliable energy system Minnesota needs.

Representative Lilish Kozlowski and Sen. Jennifer McEwen commented in opposition to the acquisition. They expressed concerns relating to conflicts of interest inherent in the opposition, especially regarding BlackRock control, noting specifically BlackRock's interest in Enbridge Energy and CPP's holdings in resource extraction in Canada. They argued that BlackRock ownership could lead them to favor resource-intensive energy projects that generate profits for their other fossil-fuel based interests over the interests of Minnesota ratepayers. Many other individual commenters expressed similar sentiments regarding BlackRock ownership.

Minnesota Building Trades commented that approval of the Acquisition will bring significant benefits to Minnesota Building Trades members in the form of more and lower-cost investments in job creating projects, coupled with preservation of the utility's ability to provide the capital needed to provide safe, reliable, affordable, and increasingly clean power.

Fresh Energy and the Clean Grid Alliance commented that MP needs to make substantial investment in clean energy infrastructure in the next five years and beyond upon replacing coal generation and other aging infrastructure in order to meet Minnesota's 100 percent clean electricity standard. Thus, private equity buyers' ability and related incentive to provide infrastructure capital needs is to Minnesota Power's advantage**.**

Salvation Army commented that the Partners proposed financial contribution in the settlement agreement, would help low-income people in MP communities pay for essential utility services and give some much-needed relief as they try to balance limited budgets to meet their everyday needs.

Chambers of Commerce for Duluth, Grand Rapids, Hermantown, and Little Falls stated that ALLETE/MP partnership with experienced investors like CPP and GIP provide the financial resources, strategic expertise, and long-term alignment needed to meet challenges related to transition to clean energy.

Center For Energy and Environment commented that the Acquisition with the Settlement stipulations may not be perfect but provides the necessary capital needed for Minnesota Power to continue its progress towards meeting the CFS, while protecting ratepayers and investing in clean energy jobs that diversify northeast Minnesota's economy, under the full regulatory authority of the Commission.

Private Equity Stakeholders Project commented that the Partners financial strategies, involving using financial engineering to increase the returns on investments in Alloy Partners, may result in incurring extra debt that causes rise in ALLETE's cost of capital, which would result in higher rates than otherwise would have been the case. Capital commitments outlined in the settlement do not address concerns about ALLETE cost of capital, rate of return that GIP

anticipates receiving for the acquisition and the risks to ratepayers.

3. Exceptions

Petitioners argued that the ALJ was dismissive of public comments in support of the Acquisition. They argued the ALJ speculated on the motives of these commenters, questioning their independence, without any evidence as to that issue. Petitioners suggested this dismissive attitude was the result of bias against the acquisition.

4. Record

- ALJ Report – Findings 280-283 & Addendum A
- Exceptions to ALJ Report – Petitioners – pp. 17-20

L. Conclusions of Law & Memorandum – Jurisdiction and Legal Standard

1. ALJ Report

The ALJ provided a memorandum discussing the legal standard in this case. The ALJ noted the Commission's order in the MinneGasCo acquisition stated that the public interest standard "does not require an affirmative finding of public benefit, just a finding that the transaction is compatible with the public interest."[58] The ALJ noted that two other Commission orders have cited the no-net-harm standard; however, the ALJ stated that these cases were "largely uncontested" and had less-developed records than this case.[59] The ALJ stated that most Commission cases examining whether a merger or acquisition is in the public interest have not expressly adopted a "no net harm" standard and instead have appeared to look for affirmative benefits to ratepayers.[60] [61]

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[58] In re Proposed Merger of Minnegasco, Inc. with & into Arkla, Inc., Docket No. G-008/PA-90604, 1994 WL 667637, at *3 (Nov. 27, 1990).

[59] ALJ Report at 69–70, citing In the Matter of a Request for Approval of the Acquisition of the Stock of Natrogas, Incorporated (Natrogas), a Merger of Northern States Power Company (NSP) and Western Gas Utilities, Inc. (Western), and Related Affiliated Interest Agreements, Docket No. G-002/PA-99-1268; In the Matter of a Request for Approval of the Acquisition by MDU Resources Group, Inc., and its Division, Great Plains Natural Gas Company, of Cascade Natural Gas Corporation, Docket No. G-004/PA-06-1585, ORDER APPROVING ACQUISITION, WITH CONDITIONS at 2 (Mar. 23, 2007); In the Matter of the Application of Northern States Power Company for Approval to Merge with New Century Energies, Inc., Docket No. E,G002/PA-99-1031, Order Approving Merger as Conditioned at 7 (June 12, 2000) (eDocket No. 789046).

[60] ALJ Report at 64.

[61] 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), 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-18517, 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.

The ALJ ultimately concluded that the petition should be denied under either interpretation of the standard because, in the ALJ's view, the Acquisition would result in net harm to the public interest.[62]

2. Settlement

The ALJ had little time to review the Settlement, but stated that it failed to change her analysis, either of the standard, or of the question of whether the Acquisition, as modified by the Settlement, was consistent with the public interest under either interpretation.

3. Exceptions

The Petitioners and LIUNA both took exception to the ALJ's analysis of the legal standard and argued that the statute and past Commission orders require approval as long as the transaction will not result in net detriments to the public, even without affirmative benefits.
Petitioners noted that cases in other states where a net-benefit standard is used are based on different statutory language, and thus argued they are not relevant to the analysis under Minnesota law. Petitioners argued that the ALJ substituted her judgement for the Commission's and argued that there is no reasonable basis to depart from the standard articulated in the Minnegasco case.

4. Staff Analysis

Staff will not provide legal analysis in this briefing paper; however, staff does not believe the resolution of this issue is determinative or could undermine other ALJ Findings, as the distinction between "no net harm" and "net benefits" is small, relative to the magnitude of both the risks of the transaction identified in the ALJ Report and the Commitments made by Petitioners to mitigate and offset those risks.

5. Record

- ALJ Report Conclusions of Law 1-8, Memorandum on Legal Standard
- Petitioners' Exceptions pp.
- MP – Cady Direct pp. 10-14
- LPI – Walters Direct p. 5-8
- LPI – Walters Surrebuttal p. 3-11
- ECC – Shardlow Surrebuttal p. 1-3
- MP – Initial Brief pp. 10-11

& Wisconsin Energy Corp., MPUC Docket No. G011/PA-14-664, Order Approving Merger Subject to Conditions at 8 (Jun. 25, 2015) (eDocket No. 20156111752-01).

[62] ALJ Report at 65.

- LPI – Initial Brief pp. 10-20
- OAG – Initial Brief pp. 19-20
- CURE – Initial Brief pp. 5-8
- Sierra Club – Initial Brief pp. 11-13
- CUB – Initial Brief pp. 2-5
- LPI – Reply Brief pp. 13-14
- Joint Intervenors – Proposed Findings of Fact
- MP, et al – Proposed Findings of Fact
- OAG – Reply Brief pp. 5-8
- CUB – Reply Brief pp. 12-13
- Sierra Club – Reply Brief pp. 2-4

VI. Exceptions and Comments

A. General Review of Exceptions and Comments

In general, no party changed its position from prior to the ALJ Report and Settlement, other than the Department signing on to the Stipulation and Parties in support of the Acquisition adjusting their positions to support the Settlement. Minnesota Power, the Department of Commerce, LIUNA, IBEW, Citizens Utility Board, and the North Central States Regional Council of Carpenters/IUOE Local 49 filed in support of the Acquisition.

The Office of the Attorney General, Large Power Intervenors, the Sierra Club, CURE, and Citizens Utility Board of Minnesota filed in opposition.

In addition, several groups which had not participated in the docket filed comments, with Fresh Energy/Clean Grid Alliance, Minnesota Building Trades, Salvation Army, Center for Energy and the Environment, AFL-CIO, and Local 1097 & 1091 filing comments in support, and the Private Equity Study Project filed in opposition.

B. Exceptions to ALJ Report

Exceptions to the ALJ Report generally contained both general statements in opposition to, or in favor of, the Acquisition as modified by the Stipulation. These general statements are summarized below, with specific exceptions incorporated above.

1. Minnesota Power Exceptions & Attachments A-E

Petitioners took general exception to several facets of the ALJ Review of its Petition. Petitioners believed that the ALJ failed to provide a balanced and accurate account of the record, that the ALJ's hearing process was unfair to Petitioners, and argued that the ALJ Report used the wrong standard of review. Petitioners also took specific exception to many facets of the ALJ Report, enumerated above.

Balance of the ALJ Report regarding the record

Petitioners noted that the ALJ primarily adopted a modified version of the Proposed Filings of Fact filed by the Public Interest Intervenors (CUB, OAG, LPI, Sierra Club, and CURE). Petitioners argued that the ALJ failed to provide a summary of the entire record, and does not include independently developed findings and conclusions, instead adopting almost word-for-word the Findings and Conclusions proposed by the parties opposed to the Petition. Petitioners argue that the Proposed findings of the Public Interest Intervenors reflected a selected part of the record designed to present those parties positions, and not a full accounting of the record.

Petitioners cited that the Minnesota Court of Appeals has cautioned that wholesale adoption of one party's findings and conclusions raises the question of whether the [court] independently evaluated each party's testimony and evidence," and that the ALJ "must scrupulously assure that findings and conclusions – whether they be the court's alone, one or the other party's, or a combination – are always detailed, specific and sufficient to enable meaningful review by this court." Petitioners argued that adopting the Findings of a single party suggests that independent review of the evidence did not take place.[63]

MP also quoted the Minnesota Supreme Court as saying:

> [T]he United States Supreme Court criticized the practice of courts adopting verbatim the findings prepared by the prevailing party, particularly if the findings 'have taken the form of conclusory statements unsupported by citation to the record.' As the Eighth Circuit explained in Bradley v. Maryland Casualty Co., the problem with verbatim adoption of one party's findings is that it can make it more difficult to determine whether a court exercised its 'own careful consideration of the evidence, of the witnesses, and of the entire case.' We agree that it is preferable for a court to independently develop its own findings. Therefore, when we review a court's verbatim adoption of one party's proposed findings, we will heed how the findings were prepared when we conduct a careful and searching review of the record.[64]

In evaluating the Findings as filed, MP argued that the ALJ failed to include both sides of many

[63] Bliss v. Bliss, 493 N.W.2d 583, 590 (Minn. Ct. App. 1992); see also City View Apartments v. Sanchez, No. C2-00313, 2000 WL 1064897 at *2 (Minn. Ct. App. Aug. 1, 2000); Johnson v. Commissioner of Pub. Safety, No. C7-95470, 1995 WL 465351 at *3 (Minn. Ct. App. Aug. 8, 1995); Lundquist v. Lundquist, No. C0-94-509, 1994 WL 510168 (Minn. Ct. App. Sept. 20, 1994).

[64] Dukes v. State, 621 N.W.2d 246, 258 (Minn. 2001) (citing Anderson v. City of Bessemer City, 470 U.S. 564, 572 (1985); Bradley v. Maryland, 382 F.2d 415, 423 (8th Cir. 1967)); see also Pooley v. Pooley, 979 N.W.2d 867, 878 (Minn. 2022)

issues. Specifically:

- The ALJ cited information on ALLETE's under-spending relative capital forecasts at the ALLETE level, without including or considering countervailing evidence filed by ALLETE that the regulated utility only overstated capital forecasts by 5% to 9%.
- In citing the potential use of Power Purchase Agreements (PPAs) to substitute for capital, the ALJ ignored countervailing evidence provided by MP, including the fact that 40% of proposed spending is on transmission, which can't be provided by PPAs, and that the forecast takes into account use of PPAs already, using PPAs would require that third parties undertake projects that the utility does not control, petitioners noted volatile energy prices in recent years, and that the unions oppose outsourcing to third-party builders who may or may not pay union prevailing wages.
- Several citations were reliant on the experience of Upper Peninsula Power Company, without making reference to any utility, such as Puget Sound, which was actually owned by the Partners. MP noted that one of its witnesses, John Quackenbush, was the Chairman of the Michigan Commission that approved the UPPCO sale, and provided specific testimony on that sale contrasting it to the ALLETE acquisition, a set of facts not noted anywhere in the findings.
- Complete omission from the findings of witness testimony from LIUNA regarding LIUNA's experience with Global Infrastructure Partners as an investor in one of its funds, low likelihood that MP will be able to acquire capital through markets, and that witness's refutation of many of the criticisms of private equity ownership based on LIUNA's direct experience with GIP.
- Dismissiveness toward testimony regarding GIP and CPP's expertise in utility management.

Though Petitioners acknowledged that it is possible for people to review the same set of facts and reach different conclusions, Petitioners did not believe this occurred in this case. They argued the report omits significant bodies of evidence provided by the Petitioners, suggesting a failure to consider that evidence. Petitioners contended the ALJ Report provides a biased and incomplete summary of the record.

Petitioners also argued that the ALJ showed bias in the management of the Evidentiary Hearing. Petitioners contended that the ALJ rejected Petitioners' attempt to correct what Petitioners describe as a "drafting error" in one piece of discovery evidence submitted by Opposing Parties[65] while approving more substantial changes to the record requested by Opposing Parties[66] as evidence of bias. Petitioners argued that the ALJ should have questioned specific witnesses whose testimony she later did not find credible in the report, particularly after all

[65] Evid. Hr. Tr. at 367, 369-370, 372 (Apr. 2, 2025).

[66] See Evid. Hr. Tr. at 733–53, 809, 829–30 (Apr. 3, 2025).

other parties waived their chance to do so, citing the ALJ's responsibility toe responsibility of an ALJ to "examine witnesses as necessary to make a complete record.."[67]

In addition, Petitioners argued that the ALJ relied on speculative concerns about Private Equity that were both unsupported by the record and addressed in the Settlement. Petitioners argued that these concerns, and the report itself, "fail to fully and accurately reflect who the Partners actually are – their structure, track record, reputation, and analysis of the Acquisition,"[68] focusing instead on a 'caricature' of private equity investors and how they behave. Petitioners contend that there is no record evidence supporting these conclusions and that they fail to accurately reflect the actual buyers in this case, GIP and CPP. Petitioners noted that most of the investors in the specific funds used to finance this transaction are pension plans, with longer than usual time horizons. GIP itself is a private investment firm that focuses on longer-term infrastructure investments, not the high-yield, high-risk investments private equity sometimes pursues.

Petitioners included in Exceptions an analysis of the value of the commitments in the Settlement as Attachment C, finding net present value of slightly more than $100 million (approximately $132 million in un-adjusted dollars), and compared the acquisition terms favorably to similar commitments in other take-private acquisitions, on both a percentage of investment and a per customer basis.

Table 6: Financial Benefits of Acquisition[69]

	El Paso Electric	**Puget Sound**	**South Jersey Industries**	**ALLETE**
Jurisdiction	NM/TX	WA	NJ	MN/WI
Year	2019	2007	2022	2024
Transaction Equity Value (TEV)	$2.8B	$3.5 B	$4.3B	$3.9 B
Capital Funding Commitment	$1.3B	$1.4B	X	$4.6B
Total Customers	429k	1,750k	700k	150k
Financial Benefits (NPV)	$77mm	$66mm	$103mm	$103mm
Financial Benefits per Customer	$179	$38	$147	$685
NPV/TEV	3%	2%	2%	3%

Petitioners argued that per-customer value is considerably higher than other similar

[67] Minn. R. 1400.5500(H)

[68] MP Exceptions – p. 26.

[69] MP Exceptions, - p. 69.

transactions, and that the total value of commitments as a percentage of transaction value is consistent with earlier transactions.

2. Office of the Attorney General – Exceptions

In its exceptions, the OAG recommended the ALJ's report be adopted in full. The OAG found that the ALJ report was well-reasoned, comprehensive, and thorough, specifically noting that the ALJ found that the acquisition would result in net harm to the public interest.

The OAG did raise one exception, in the form of a motion. This motion is discussed in Section IV, above.

3. Department of Commerce – Comments

The Department of Commerce filed comments in favor of the Stipulation, with included Exceptions to the ALJ Report which would help support the Settlement. The Department argued that the stipulation provided material, enforceable commitments to mitigate the risks of the acquisition. The Department specifically cited:

- The thirteen point reduction of ROE, from 9.78 percent to 9.65 percent.
- $50 million in Clean Firm Technology funding, not recoverable from ratepayers.
- Enhanced service quality reporting and protections, including enforceable penalties for non-compliance.
- Limitations on dividends if partners fail to live up to their obligations around capital funding and creditworthiness.
- Protections on use of regulated assets as collateral for debts.
- Prohibition on lending and borrowing between ALLETE and Alloy, the Partners, and other subsidiaries of the Partners.
- Prohibitions on ALLETE guaranteeing non-utility affiliate obligations.
- Requirement that ALLETE file a non-consolidation opinion to protect against consolidation of ALLETE into a parent company or affiliate bankruptcy.

The Department also argued that the settlement is responsive to risks to the energy transition with meaningful restrictions on dividends if the Partners fail to meet their obligations.

The Department argued the Stipulation would provide significant financial value to ratepayers. The Department specifically noted:

- $25 million in value from deferring the filing of a rate case to no earlier than November 1, 2026.
- Each point of ROE reduction was worth $182,000 per year in the most recent rate

case.[70]

- Return of revenue from land sales to ratepayers worth approximately $75.4 million, which benefits customers by allowing immediate return of revenues previously deferred.
- Service quality protections leading to up to $250,000 in fines to MP if it fails to meet service quality metrics.

The Department also asserted there was value in the Settlement's modifications to the Board of Directors. The Department believed that the new independent directors on the Board would provide greater objectivity and neutrality to management decisions.

The Department also cited the bankruptcy protections in the Stipulation as having value to customers.

The Department thus recommended approval of the Stipulation and Settlement, and proposed the following modifications to the ALJ Report Findings:

> 187a. The stipulation adequately responds to concerns identified by the Administrative Law Judge and Intervenors relating to ALLETE's clean energy transition. The stipulation includes a reasonably enforceable five-year capital commitment that provides greater assurances that Alloy Parent will finance ALLETE's energy transition. It also requires Petitioners to create a $50 million clean firm technology investment fund to finance needed projects at no cost to Minnesota ratepayers. These changes, memorialized in the stipulation, are sufficient to make the acquisition consistent with the public interest with respect to ALLETE's clean energy transition.
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> 222a. The stipulation is sufficiently responsive to concerns raised by the Administrative Law Judge and Intervenors regarding ratepayer financial harm risks. The stipulation requires ALLETE to reduce its regulated ROE by 13 basis points for ratemaking purposes and waive its right to file a rate case until November 1, 2026. It also requires ALLETE to begin refunding $74.5 million in prior land sale revenues to customers. These requirements, memorialized in the stipulation, will provide customers with sufficient financial benefits such that the acquisition is consistent with the public interest.

[70] Direct Testimony of Craig Addonizio, Docket 23-155, p.37 (March 18, 2024) (E-Dockets Document ID 20243-204451-01)

228a. The stipulation contains new reporting and penalty requirements that will incentivize Petitioners to protect the quality of service provided to customers. In particular, the stipulation requires ALLETE to meet service quality standards relating to reliability, customer complaint volume, cold weather rule compliance, service restoration for involuntarily disconnected customers, call answer times, and customer bill accuracy. If ALLETE fails to meet the standards set in the stipulation, the utility must make a nonrecoverable $250,000 underperformance payment for each violation. These requirements, memorialized in the stipulation, will sufficiently protect service quality rendering the acquisition consistent with the public interest.

266a. The stipulation is sufficiently responsive to governance concerns identified by the Administrative Law Judge and Intervenors. The stipulation creates a better balance between independent and Partner directors on ALLETE's post-acquisition board than originally proposed. It also enhances existing bankruptcy-related protections by requiring a majority of independent directors to vote to place ALLETE into voluntary bankruptcy. Given these changes, the stipulation sufficiently improves ALLETE's post-acquisition governance such that the transaction is consistent with the public interest.

4. Large Power Intervenors – Comment on the ALJ Report

The Large Power Intervenors (LPI) argued that the ALJ Report was well-reasoned, thorough, and methodical in its analysis of the issues noticed for hearing. LPI noted that, regardless of any debate over the standard – whether net benefit is required or simply no net harm, to be 'consistent' with the public interest – the ALJ found net harm from the transaction, and so recommended denial. As such, LPI argued, the Commission need not decide whether the standard requires net benefits or only no net harm.

LPI specifically noted that the ALJ found that the Partners' statements regarding ALLETE's access to public markets, financial engineering, expected returns, and overall the Partners' behavior throughout the proceeding not to be credible. LPI noted that the Partners attempted to introduce a new agreement during the hearing, noting that it was, by MP's admission, drafted the prior night after extensive cross examination of MP's witness, claiming a drafting error. The ALJ found "absolutely no credibility in the assertion that the existing document contained a "drafting error" and instead finds that the admitted exhibit reflected the "intent of the parties," noting the Partners "are the definition of sophisticated parties" and engaged numerous national law firms and dozens of attorneys throughout the course of the proceeding.

The ALJ also noted discrepancies between the filed statements of top ALLETE officers regarding

governance of ALLETE after the merger and the record evidence, finding that "ALLETE does not fully appreciate how much control the Partners will have over its post-transaction affairs."[71]

Due to these concerns, LPI recommended adoption of the ALJ Report and denial of the Petition.

5. Sierra Club Exceptions to the ALJ Report

Sierra Club fully supported the ALJ Report and its recommendations, describing its findings as "well-supported and accurate". Sierra Club cited specifically the following net harms from the transaction:

- The Acquisition fails to guarantee access to capital.
- The Acquisition is likely to result in materially higher rates.
- The Acquisition may threaten MP's compliance with the Carbon-Free standard.
- The Acquisition would result in loss of local control of the utility and reduced transparency.

Sierra Club recommended that the Commission to adopt the ALJ Report in full, follow the report's recommendation, and deny the proposed Acquisition.

6. CURE Exceptions

CURE filed Exceptions to the ALJ Report and Comments. CURE supported the ALJ Report and opposed approval of the Petition, for many of the same reasons cited by the OAG and Sierra Club, above. CURE specifically cited the risks related to private equity ownership of the utility, arguing that, despite the commitments and statements of the Petitioners, there will be significant incentive due to the purchase price premium and the forecast tenure of ownership for the Partners to follow a "buy-build-bail" model and leave Minnesota holding the bag with a more fragile and less efficient Minnesota Power.

CURE also supported the OAG's motion to lift trade secret designation.

Further, CURE noted that GIP CEO Adebayo Ogunlesi has indicated in public statements GIP was going to be a leader in financing and building data centers, partially because of BlackRock's ownership stake in all relevant companies who intend to build such infrastructure going forward. Mr. Ogunlesi indicated that 60 percent of the hyperscale data centers he planned to build would be in the United States, and that competitors would only be left with "crumbs" due to BlackRock's outsized influence over companies for which it is a shareholder or bondholder.[72] CURE noted that, if the acquisition is approved, GIP will control both the supply of electricity and its demand, through the siting of data centers inside Minnesota Power service territory.

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[71] ALJ Report at 60, Finding of Fact 263.

[72] Ex. CURE-602 (Jim Baker Surrebuttal Testimony), at 2-3; see also Ex. CURE-602 (JB-5TS).

CURE argued that there are already existing risks to other ratepayers regarding data centers, which could be deepened in this situation where GIP would control both the utility and large new customers. CURE argued that data centers already exploit their market power to displace costs to other customers, a risk heightened by this transaction.

CURE requested that the Commission adopt the ALJ report in its entirety and deny this acquisition as being contrary to the public interest.

7. Citizens Utility Board of Minnesota Exceptions

CUB supported the ALJ Report and would offer no changes, recommending denial of the acquisition.

8. LIUNA Comments on ALJ Report and Settlement

Laborers International Union of North America (LIUNA) filed comments in support of the Settlement and acquisition. LIUNA reiterated its support of the acquisition, and noted that, in addition to the benefits which motivated LIUNA to support the transaction even before the Stipulation, the settlement brought many benefits to ratepayers and workers at MP. LIUNA specifically cited:

- The 1-year rate case moratorium which LIUNA described as coming at "critical time" for customers and communities struggling with suspensions of operations at two mining operations in the Iron Range.
- The Lower ROE, which LIUNA noted demonstrate the power of the acquisition to reduce costs to consumers.
- The Clean-Firm Technology fund, which will help ALLETE reach its Carbon-Free goals while reducing burden on ratepayers, and supporting deployment of new job-creating technologies.
- Six independent Directors, which is not a commitment that exists at ALLETE today.
- Service quality penalties, which also wouldn't exist except for the Stipulation.
- Affiliate reporting, which exceeds that which is required today, noting BlackRock affiliates currently are unreported despite BlackRock's over 5 percent share of ALLETE and other utilities.

In addition, LIUNA took specific exception to several Findings of Fact in the ALJ Report. LIUNA reiterated Petitioners' Exceptions regarding the lack of completeness in the record-report, noting that the ALJ failed to include large parts of the record, including LIUNA's own testimony on the Partners' relationship with labor, affiliate interest concerns, the contrast between 'private equity' and GIP/CPP's actual investment strategies, ALLETE's capital needs and the difficulties it would face meeting them in public markets, and other matters. LIUNA noted that the ALJ cited CURE's expert witness 42 times, but their own zero, despite similar levels of

experience with private equity investment and essentially identical field of analysis. LIUNA contended that the primary difference between the two witnesses were that LIUNA's witness supported the transaction, and CURE's opposed it. This disparity was, in LIUNA's view, illustrative of the lack of consideration the ALJ gave to testimony in favor of the Acquisition.

LIUNA also noted the shortage of references to ECC testimony from a low-income perspective, arguing that the ALJ ignored a crucial voice representing low-income customers. LIUNA also cited that ALLETE testimony expressly contradicted the concerns relating to rates but is nowhere in the ALJ Report.

9. Energy Cents Coalition Exceptions

Energy Cents Coalition took specific exception to the ALJ's characterization of the low-income protections in the CARE program, and Petitioners' commitment to maintain it, as reflecting the status quo. Energy Cents noted that, in Docket E-015/M-11-409, discussions are underway about modifications to eligibility criteria for CARE and increases to its funding. ECC viewed this commitment as strengthening the baseline funding and acts as a starting point to these discussions, not as the final word in CARE funding. ECC noted that utilities, subject to scrutiny over overall affordability, are not necessarily motivated to support the surcharges needed for these programs. This Commitment provides actual protection against future cuts that ECC appreciates.

Energy Cents also cited the ALJ's failure to attribute significant value to the arrearage program. Energy Cents noted that current arrearages average as much as $4.5 million in 2025, compared to $2.5 million pre-pandemic. This implies that the minimum value of this commitment is closer to $2 million than the $1 million cited by the ALJ. ECC also argued that this program, which would reduce arrearages to pre-pandemic levels, would deprive ALLETE, at least, of the argument it has been making about arrearages that they result directly from the moratorium on disconnection during the pandemic. ECC also cited that this money, unlike most other affordability programs, comes from shareholders, not ratepayers. ECC argued that the effect of the $2 million or more in arrearage reduction would have specific, positive effects on its recipients, reducing the need to pick between food, medicine, and utility bills. Many of these customers are still recovering from what ECC described as a "once in a generation" cost of living crisis.

10. IBEW Local 31 Exceptions

IBEW Local 31 filed exceptions focusing on the impacts of the Acquisition on Labor.

IBEW took specific exception to the ALJ Finding regarding labor impacts and bankruptcy risk of private equity transactions. IBEW argued that the finding, based on a study of private equity transactions generally, does not apply in the regulated utility context. Regulated utilities have unique protections which do not apply to most publicly traded companies. Further, IBEW Local 31 argued that, as infrastructure-focused investors that rely on the financial health of their

investments and the regulated return set by the Commission, it would be counterproductive for Partners to destabilize MP, without which those regulatory returns would not exist.

IBEW also took exception to findings that there are credible labor risks from private equity transactions. IBEW acknowledged the concerns, but emphasized that the Minnesota regulatory structure, including Commission oversight, provide important safeguards. Should such adverse impacts arise, IBEW affirmed the importance of the Commission as a meaningful forum to raise such concerns.

IBEW noted that the ALJ raised the SunPower bankruptcy and contrasted that event involving a competitive entity with this transaction, involving a regulated utility. IBEW highlighted those differences, describing the necessity that assets be retained within the regulated utility to receive regulated returns as allowing crucial oversight that doesn't exist with a competitive entity. IBEW emphasized the pressing need to focus meaningful investment in the regulated sector. IBEW specifically cited lower wages and diminished worker protections in the competitive clean energy industry, relative to regulated utilities, as an important factor to consider when reviewing alternatives to utility investment, such as purchased power agreements.

Stipulation Agreement

IBEW applauded the Commitments received on labor protections by the Department of Commerce in the stipulation, describing them as meaningful and enforceable provisions which serve the public interest. IBEW specifically calls out the Commitment that the Commission retains authority over violations of the Stipulation as a powerful protection of the efficacy of Commitments regarding workforce levels, labor relations, and collective bargaining agreements.

IBEW took exception to the ALJ findings on Labor. IBEW believed the record reflects that the potential for long-term financial stability and responsible infrastructure investments presented by the Acquisition outweigh the generalized and unproven risks cited in the Report. IBEW supported the Petition, as augmented by the Stipulation agreement.

C. Comments on Settlement

1. Office of the Attorney General Comments on Settlement

The OAG filed comments in opposition to the Settlement Stipulation. The OAG argued that the new concessions in the Settlement "do not come close" to tipping the balance in favor of approval, and criticized the timing of the Settlement two days before the ALJ report, rendering it impossible for the ALJ to do a full evaluation of the Settlement, noting that the ALJ did recommend disapproval for the Settlement and that it did not address the ALJ's concerns. The OAG had the following critiques to the Settlement.

- The Stipulation does not change the fact that ALLETE does not need better access to capital.

The OAG argued that HCTS documents reveal that Partners intend to seek an outsized return on their investment in ALLETE and MP and that the Partners anticipate rate increases well in excess of inflation.[73]

The OAG identified four rate-mitigating terms in the Settlement and questioned their value. First, OAG argued that deferral of a rate case until 2026 provided virtually no protection because it is highly unlikely that MP would have filed a rate case earlier. The OAG described this deferral as inadequate to protect customers from the long-term effects of the acquisition.

Second, the reduction of ROE from 9.78 percent to 9.65 percent appeared, to the OAG, to be a duplicate of the pledge to not recover floatation costs. It is also very short term, appearing to be of value only from one month after close until the filing of the next rate case in November 2026. The OAG questioned why the reduction would not continue into the rates set in the next rate case, if it truly reflects the reduction due to eliminating floatation costs. The OAG also questioned the Department's calculations of a $5.5 million savings, noting that the Department failed to show its work in claiming this savings.

Third, the OAG identified the extension of the clause holding ratepayers harmless from rate impacts of increases in the cost of debt unless MP can demonstrate that the cost was not caused by the Acquisition. The OAG questioned whether five years would be long enough for cost of debt changes due to the acquisition to materialize, noting that the ALJ found that three years was not long enough. The OAG noted that this clause allows MP to claim increases in the cost of debt past five years, even if caused by the Acquisition. The OAG asserted that any increases from the cost of debt should not be passed on to ratepayers if they cannot be shown as unrelated to Acquisition even past five years, as ratepayers should not be paying any of the costs imposed by the Acquisition.

Fourth, the Settlement required MP to submit a plan to credit ratepayers with current and future proceeds from sales of land identified in Docket E-015/PA-20-675. This commitment has no value, according to the OAG, because MP already is required to credit these proceeds to ratepayers, and that crediting ratepayers when any rate-base asset is sold is the only reasonable approach. There is no guarantee that the prices received for the land are reasonable, a major omission given the high value of some of this land for building data centers. The OAG noted that the sale also created significant affiliate interest issues which have not been fully addressed, and that these land sales are a potential source of affiliate conflicts of interest.

[73] ALJ Report at 218-222.

- The Stipulation fails to guarantee that Partners will fund MP's energy transition.

The OAG argued that the record showed that ALLETE's capital needs, which justified the transaction, are both overstated, and can be mitigated in other ways than this transaction. The OAG also argued that Partners, as opposed to Alloy Parent, have made no commitments to finance any capital needs that ALLETE does have for meeting the requirements of the energy transition. The commitments that have been made could be met by taking on additional debt or retention of dividends, approaches ALLETE can take now.

The OAG described the commitment to not pay dividends if MP has not been provided sufficient equity capital needed up to that point in time to fund the five-year capital investment plan as "vague". The OAG noted that this allows for "reasonable and prudent plan reduction", nor does this commitment have much value, as the original promise – for Alloy to fund MP's capital plan, itself lacks public interest value and so this commitment does not meaningfully alter the public-interest balance.

The OAG noted that, though the $50 million clean firm fund would not be recoverable from ratepayers, Alloy would potentially finance this fund through either debt or using ALLETE's earnings. The OAG argued that the fund would be a drop in the bucket relative to ALLETE's overall capital needs, projected at $4 billion just in the next five years, and that this fund could be used to justify larger, more expensive investments than ALLETE otherwise might have made. The OAG noted that, in order to make up the difference, ALLETE may be incentivized to make more frequent, and larger, rate increase requests than they otherwise might, even if the $50 million itself is not recoverable. Also, Alloy is likely to fund this commitment through additional debt, which could have detrimental effects on ALLETE's financial health.

- The Stipulation fails to mitigate harm to ALLETE's financial health.

The OAG asserted that today, ALLETE is financially strong. Aggressive pursuit of the rate of return needed to justify the Acquisition, as shown in HCTS documents, would likely involve increasing debt that could adversely affect ALLETE. If the Partners fail to extract their desired return, this could lead to another sale of the company in the near term, which would be inefficient. The OAG described these risks as "unavoidable" as they are a product of the private equity model itself. The OAG argued that the Commitments made by the Partners, such as the commitment not to pay dividends, could be detrimental in the long run, if they motivate such a near-term sale. Exercising this mechanism increases the risk of an early exit.

The OAG argued that the "ring-fencing" mechanisms do not protect ALLETE from the largest source of risk, which is potential risk to ALLETE's financial health and cost of debt due to debt held at the Alloy Parent level. The OAG also noted that most of the ring-fencing conditions either do not apply to the Partners, or are of unclear application to entities other than Alloy Parent itself, including other Alloy entities that may be created. The OAG also noted that the protection of the requirement to maintain one senior unsecured credit rating at investment

grade still allows ALLETE to have below-investment grade credit ratings for unsecured debt. The OAG noted that MP's position as a division of ALLETE was such a large barrier to effective ring-fencing that the settlement requires ALLETE to propose a separation of MP from ALLETE, but that this still does not fully address the OAG's concerns. Besides, OAG argued, predicating the deal on an action ALLETE should take, regardless of the deal – separation of MP from ALLETE – should not be considered a reason to approve the acquisition.

- The stipulation does not mitigate risk to the regulatory compact.

The OAG noted that the ALJ found that the deal would result in lower transparency. The OAG noted that the ALJ found the Partners to less-than-cooperative during the proceeding, which does not bode well for the relationship between new ownership and the regulatory compact. The ALJ identified specifically contrasts between the Partners' agreements and private discussions and their public statements as a major concern. The OAG had concerns that the law limits enforcement to a $1,000 maximum penalty per statutory violation, limiting the Commission's ability to enforce any of the commitments made by the Partners, and noted that vast resources may be needed to monitor compliance.

The OAG argued that none of the conditions of the Settlement and proposal regarding Board membership are meaningful because the Partners will have full control over the appointments to the Board, including of the "independent" Board members. The ALJ identified a material risk that the interests of MP and its ratepayers would receive short shrift following the acquisition due to this closely-held Board.

The ALJ also noted that the enforcement mechanisms proposed by the Settlement still fail to commit the Partners to much. All commitments are through MP or Alloy. This lack of Commitment from GIP or CPPIB specifically carries throughout the Settlement. The OAG describes this as a 'rational' desire from the Partners, and consistent with the private equity model, but also argued that it would be reasonable for the Commission to find the private equity model to pose too many risks when applied to a Minnesota utility.

- The stipulation does not envision compliance with the affiliated-interest statute or otherwise mitigate self-dealing risks.

The OAG argued that the affiliated interest proposal comes short of compliance with the affiliated interest statute. The OAG specifically noted that the Settlement only agreed to submit contracts over $500,000 to the Commission, when the statute specifically requires that any affiliated interest contract over $50,000 be submitted for Commission approval. The OAG noted that the extensive holdings of both Partners heightens the risk related to affiliated interests, and so failure to comport with the law would be a major risk. The OAG questioned why the Partners proposed reporting that comes up short with the law – with looser financial and affiliate definitions than the statute, if they are intending to follow the law, as they assert. The OAG noted that the definition used in the Settlement was unclear as to whether it applied to

GIP or only to Fund V and the Tower fund, and OAG found issues with both definitions. If it was only GIP, then it isn't clear that companies owned by GIP's investment funds would be included, and if it is only Fund V and Tower Bridge, then it excludes companies owned by GIP's other funds. The OAG specifically noted that CPP suggested expert adviceadvice from one of its affiliates, Octopus Energy, as a benefit of the transaction, and OAG questioned whether even that relationship would be covered by the affiliated interest approach suggested by the Partners.

In general, the OAG found that the Stipulation provided conditions that were ineffective, of marginal value, or already on the record, and continued its recommendation that the Petition, including the Settlement, be denied as not consistent with the public interest.

2. Sierra Club Comments on Settlement

Sierra Club argued that the Settlement is not in the public interest and fails to adequately address the issues identified in the Commission's October 7, 2024 order. The Settlement does not provide protections or concessions adequate to outweigh the substantial, well-documented risks presented by the acquisition.

Like other opposed parties, Sierra Club noted that the ALJ found that the Petition failed to meet the burden of proof related to consistency with the public interest under either its preferred standard – affirmative public benefit, or even the Petitioners' preferred standard, no net harm. Sierra Club noted specifically that few of the Commitments, if any, apply to the Partners acquiring MP. Instead, most apply to ALLETE, and represent commitments to either the status quo, the law, or commitments meant to partly mitigate actual harm presented by the transaction and thus do not advance the public interest relative to the real risks presented by the transaction. Others apply to Alloy Parent, an entity which may or may not continue to be the owner of record of ALLETE. Sierra Club noted that no Commitment requires the Partners to provide any capital or equity to Alloy Parent, and lacking that commitment, the commitment to adequately fund MP lacks weight. There are no protections against Alloy Parent using debt to fund MP's equity needs, nor does it commit to funding MP's needs past five years.

Sierra Club noted that the deferral of the rate case does not, in any way, limit future rate increases, in either size or frequency.

Sierra Club also noted that the $50 million clean-firm technology fund is a very small contribution to MP's capital needs, comes from Alloy (not the Partners) and there is no commitment to use it for fully carbon-free technologies. Sierra Club specifically noted language 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." This allows MP to potentially use the fund in ways that are not 100% carbon free. This risk is heightened by the fact that MP, among other parties, have argued for definitions of carbon-free which involve burning of carbon-based materials in Docket E-999/CI-

24-352, which Sierra Club argued is plainly inconsistent with the statutory language.

Sierra Club describes Petitioners' commitment to "efforts to achieve Minnesota's Carbon Free Standard with least cost pathways to compliance ultimately determined by the Commission in IRP and related dockets" as insufficient and already rejected by the ALJ. Sierra Club specifically noted that the carbon-free standard has 'off-ramps' petitioners may yet take advantage of, as the Partners did not make any commitment regarding that possible action.

Sierra Club also argued that, given that Petitioners may sell MP or ALLETE in advance of completion of either the carbon free standard or the complete shut-down of Boswell's coal-fired generation and had no limitations on the sale of MP or ALLETE. Sierra Club cited the ALJ's findings that a short-term sale of ALLETE is 'plausible'.

Sierra Club also noted that, even though the asserted reason for the Acquisition is access to capital, no Commitment requires the Partners (as opposed to Alloy) to actually provide capital. The commitments that do exist are short-term and can be financed in ways already available to ALLETE.

Sierra Club described the new limitations on the board as not meaningful. Partners would still have full control over the Board. The changes proposed would only modify how the Partners decide among themselves who is on the board, with all 14 board members under the control of the Partners directly, including the CEO. Sierra Club believed that the power of the six 'independent' board members would be nullified by the fact that Partners will still appoint them, and the non-independent members would still be able to control the Board by voting as a bloc.

Sierra Club noted that none of the transparency requirements apply to GIP or CPP, which means that, on net, there will still be less transparency into ALLETE than exists under the status quo, where no single owner or bloc of owners controls the company directly. Sierra Club noted that commitments which apply to Alloy Parent do not commit any entity above Alloy to provide even regulatorily relevant data. This lack of transparency indicates that the risks related to transparency have not been fully mitigated.

Sierra Club thus recommended that the Commission reject the Proposed Settlement and disapprove the Acquisition.

3. CUB Comments on the Stipulation

CUB noted that it was not invited to review or join the Settlement Stipulation and thus was surprised to see it filed just four days before the ALJ Report. Having reviewed the Stipulation, CUB found that it did not resolve concerns about the Acquisition or change their recommendation, noting that the ALJ had essentially the same concerns about both timing and the value of the Stipulation.

CUB argued that, given the centrality of the investment needs created by Carbon-Free standard to justification of the Acquisition, the Commission should consider that Minn. Stat. § 216B.1691, subd. 9 requires that the Commission "maximizes net benefits" to all Minnesota citizens when implementing the Carbon Free Standard. 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 be approved, it should introduce new benefits that materially outweigh the new risks created by the Acquisition.

Given, in CUB's view, the lack of meaningful capital commitment from the Partners, the significant new risks created by the Acquisition, the potential financial risks to ALLETE, and the inadequate protections proposed by the Settlement, CUB opposed the Settlement.

CUB specifically noted the timing of the proposal to separate MP from ALLETE. CUB found it 'frustrating' that this was proposed so late in the process, given Chair Sieben's request that Minnesota Power commit to addressing that issue in their Petition. Parties have discussed the proposed ring-fencing and governance issues under the presupposition that ALLETE and MP would remain a single entity, and it seemed inefficient, to CUB, that this proposal mean re-covering much of the same ground, again, in the context of a future proceeding.

CUB argued that the affiliate interest proposal comes far short of the already-required filing requirements and thus provides no protection against new affiliate interest risks. CUB argued that all of the 'transparency' provisions related to books and records were covered by existing law, discovery requirements, and otherwise provided no new protection against the increased risks created by the Acquisition. CUB also argued that it was unlikely that MP would have been able to file a rate case prior to November, 2026, and that the settlement maintains MP's recent cadence of filing every 2-3 years.

CUB argued that the commitment to refund the land-sales funds was an overdue fulfillment of a Commission Order that is now already four years old. Attributing value to that commitment is thus suspect.

CUB noted that the Clean-Firm Technology Fund commitment would not likely be fulfilled if Partners did not retain ownership through 2030, and that this commitment does not affect the lack of commitment by the Partners, as opposed to Alloy Parent, to fund ALLETE's capital needs.

In addition to the enforcement limitations raised by OAG as discussed above, CUB argued that neither ALLETE nor the Commission will have the power to force the Partners to honor these Commitments either through court or Commission action.

CUB identified the Clean Energy Fund, reduction in ROE, and proposed arrears funding as potential net benefits of the transaction but argued that the overall risks far outweighed these benefits. CUB specifically noted the lack of commitment from the Partners themselves as

decisive.

CUB noted that Chairman Christie of FERC made statements regarding private equity ownership of utilities, stating:

> [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.[74]

CUB argued, regarding the Carbon-Free standard, that ALLETE is surrendering its ability to access public equity markets, with no real commitment from Partners (as opposed to Alloy) to fund its needs. Even the funding commitments that have been made expire well before 2040. CUB also argued that the low-income protections in the settlement are less valuable than the overall risks to those ratepayers from higher rates due to the Acquisition.

In summary, CUB argued that 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. CUB believed that the enforceability of the Commitments is questionable, and that this enforceability especially given that the deal was almost entirely justified by ALLETE as being about access to capital. The Commitments made on that score are weak and weakened by lack of Commitment by partners and the lack of credibility found by the ALJ. CUB argued that the Acquisition is not consistent with the public interest, this is not changed by the Stipulation, and so the Commission should deny approval of both.

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[74] 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-federalpower-act-section-203-blanket

4. Large Power Intervenors Comment on Settlement and Stipulation

LPI argued that most of the Settlement stipulations duplicated commitments that the ALJ found to be inadequate. LPI believed that, even including the new commitments, the proposed transaction fails either version of the public interest standard. Of the points identified by the Department as new or modified, LPI argued most were either functionally identical to those already proposed and rejected by the ALJ, or were commitments to follow the law, and thus meaningless.

LPI specifically noted that the credit for land sales is already required, and so the settlement regarding them is of little value. LPI found the $50 million commitment to a Clean Firm Technology fund is of less value to ratepayers than a standalone rate credit would be, and that the service quality metrics proposed have little additional value, as they mostly mirror existing requirements. LPI noted that, by the time the commitment regarding a rate case deferral became effective with a Commission order late in 2025 or early in 2026, it would be at most a 10-month deferral. Similarly, the commitment of a change to ROE is at most of value for about 10 months, as the value after an interim rate increase of this commitment is negligible. LPI noted the inadequacy of the affiliate interest commitments and described most other "new" commitments as already proposed in functionally identical form, commitment to follow Commission orders and laws which should be considered to be of no net value, or Commitments of marginal value.

In examining the $50 million commitment to the Clean Firm Technology fund, LPI specifically noted that the Commitment does not prevent Partners from seeking recovery of that financing from other sources, such as Federal or State funding. Rather than funding rate relief in the forms of a ROE reduction or this fund, Partners could have, but did not, propose a rate credit to customers beyond those already required by the Commission. A rate credit would provide more value to ratepayers than short-term reductions in ROE, this fund, or a rate case deferral, each of which have very short-term, questionable value to ratepayers once the limitations and possible alternate actions are considered.

LPI also noted that, after the Settlement was proposed, the Department and MP refused to engage with LPI Discovery requests regarding the Settlement. LPI argued that a discovery deadline set early in the rate case should have had no bearing on discovery related to a newly proposed Settlement, three business days before the ALJ Report was filed, and stated that MP and the Department's unwillingness to engage with the discovery requests was "disappointing". LPI noted that parties should not be precluded from asking questions related to a new, substantive document introduced after evidentiary hearings were concluded. LPI believed that the failure to engage with discovery underscored the failure of Partners to meet their burden of proof in this proceeding and perpetuates "litigious and untransparent practices the Partners exhibited during the proceeding and exacerbates LPI's concerns around transparency and the

willingness of the Partners to work with Minnesota Power customers moving forward".[75]

LPI argued that the Settlement is procedurally and legally flawed and fails to rescue the Proposed Acquisition from being entirely inconsistent with the public interest. Without material ratepayer protections, LPI could not support the Settlement, arguing that the Settlement does not comport with the public interest and should be denied.

5. CURE Comments on Settlement

CURE argued that the Settlement provided few new benefits. CURE stated that Petitioners have failed to even prove that ALLETE lacks the access to capital it needs in its current form, so the additional commitments regarding capital provide no provable benefits. CURE argued that the Clean Firm Technology Fund, at barely $8 million per year for six years, provided little additional funding for the large investments ALLETE needs to meet its obligations, and may not even represent new money.

CURE noted that the rate case deferral provides no long-term protection to rates and cited the experience at UPPCO described by the ALJ as illustrative of the long-term risks of this purchase. Short-term deferrals and ROE concessions are dwarfed by the potential for long-term rate increases presented by the Acquisition.

CURE described the service quality concessions as being unnecessary in the absence of the Acquisition and so provide little or no net benefit. Potential fines attributable to MP do little to protect against service quality risks which are brought on by unreachable parties and the acquisition.

CURE also contended that "independence" of Board members carries little weight when those independent members are still chosen by and controlled by the Partners. CURE also argued that the labor concessions are of temporary value, and again, wouldn't even be needed in absence of the acquisition.

In response to the question of the necessity of this acquisition relative to the Carbon-Free Standard, CURE noted that the ALJ has already answered the question, in the negative. Nothing in the Settlement changes this calculation, according to CURE. CURE argued:

> The settlement builds slightly upon what the Applicants already committed to doing in their testimony, which the Department joined other intervenors in rejecting as insufficient and overall contrary to the public interest. Ultimately the announced stipulation does not address the fundamental questions at the center of this case, and cannot rebut the facts as found by the ALJ.

[75] LPI Comments on Settlement, p. 15.

CURE argued that the protections for low-income customers are insufficient. Partners' own documents show that the acquiring parties project rate increases significantly more than inflation, creating a risk of rate shock in a vulnerable area of Minnesota. CURE argued that current utility bills in the Iron Range are already unmanageable, heightening potential impacts of the risk that this acquisition could increase bills further. In CURE's view, rejecting the deal will do more to protect low-income and marginalized customers than anything proposed in the Settlement.

CURE asserted that any protections it could recommend would fundamentally alter the deal in ways that prevent acquiring parties from earning the "unearned windfall" on which the deal is predicated. CURE specifically suggested setting an ROE at 6% for the entire period MP is owned by the Partners as the sort of condition that would be needed to be protective against the risks and stated that this would negate the premium offered to current stockholders which were needed to close this deal. If Applicants wish to continue with this acquisition, it is their responsibility to present the Commission with additional terms in a new proposal after the Commission has rejected the existing deal, rather than requiring the Commission to identify all of the structural changes that will need to be done to erase the harm of this proposal.

CURE proposed denying the Acquisition but ordering that the $75.4 million in land sales be applied to clean firm technology investments, and ordering that the $25.4 million be applied to low-income programs and additional investment in clean energy. CURE argued that using this fund for this purpose, rather than leaving it as an un-fulfilled promise of a customer rebate, would provide more funding for clean firm technology and low-income relief, without the need to approve this highly risky transaction. CURE asserted that the Commission does not need to approve this acquisition in order to achieve any material benefits identified in the Settlement Stipulation.

6. NCSRCC & IUOE Comments & Exceptions

The International Union of Operating Engineers Local 49 and North Central States Regional Council of Carpenters filed comments in support of the Settlement Agreement. IUOE and NCSRCC argued that the Partners have publicly committed to honoring existing workforce agreements, keeping ALLETE locally managed, maintaining high labor standards, and working collaboratively to address Minnesota's future energy and infrastructure needs. These unions also cited the immediate savings and benefits to ratepayers in the Commitments to lower ROE and rate case deferral to 2026, along with the low-income protection program protections and enhancement. They argued that approval of the Petition, as modified by the Stipulation, is required for MP to maintain its service commitments, secure capital, and support robust regional economic activity through its new, experienced ownership.

D. Reply Comments

1. Petitioners

Minnesota Power, Global Infrastructure Partners, and Canada Pension Plan Investment Board (collectively, Petitioners) filed a joint Reply to Exceptions and Comments. Petitioners asked the Commission to recognize that a claim of a risk does not necessarily translate to record evidence, and to take account of the long list of tangible public benefits included in the Stipulation.

Petitioners noted that a dozen public interest organizations, including the Department, clean energy groups, union labor, Energy Cents, and multiple Chambers of Commerce filed comments in support of the acquisition. These groups cited the improved capacity of ALLETE following the acquisition to meet its clean energy goals and mandates, benefits to union workers, LIUNA's specific experience with the Petitioners, low-income protections including the arrearage subsidy.

Petitioners argued that the Acquisition as modified by the Stipulation exceeds the public interest threshold required by law and creates substantial benefits.

Capital Investment and Rates

Petitioners reasserted their arguments that MP must increase its level of capital investment, and it would be unreasonably risky to rely on public markets. Petitioners argued that the specific commitments from Alloy Parent to the five-year capital plan are significantly more guaranteed capital than currently available to MP and should assuage any concerns about the Petitioners' willingness to fund MP. Petitioners also pointed to the settlement protections, such as limits on dividends and prohibition of loans or pledges as addressing the concerns of Opposing Parties.

Petitioners noted that acquisition-related costs will not be passed on to ratepayers and argued that the near-term benefits of the ROE reduction and long-term value of other concessions, such as limitations on recovery of increased debt costs, accelerated refund of land sales, and protections to the most vulnerable ratepayers, would mitigate rate risk.

Service Quality

Petitioners reiterated that the quality-of-service standards should be seen as a meaningful long-term protection of ratepayers that wouldn't exist without this Acquisition. The Clean Firm Fund is new money, not otherwise available. Finally, Petitioners made many, specific commitments to the regulatory compact, which provide the assurance that ALLETE and the Petitioners recognize their responsibilities to follow state law and rules in a manner substantively similar to the information provided today via public reporting and ALLETE's legal requirements.

Petitioners argued that only in the current situation, with specified private partners purchasing ALLETE, could many of these commitments be made. They argued ALLETE, on its own, could not make assurances on behalf of current and future shareholders that the Partners have made here, and any commitments made would not be enforceable against those shareholders, only Minnesota Power.

Risks related to Returns and Overinvestment

To address specific concerns, Petitioners argued that the acquisition would not change rates. They argued MP's capital needs, as approved by Commission Order, would be substantively the same with or without this acquisition. Rates can only reflect prudently incurred costs, as approved via Commission rate cases, IRPs, Certificates of Need, and other ongoing legal requirements. Private equity ownership does not change those needs, only MP's ability to access the capital it needs to finance them.

Petitioners argued that the "excessive" returns cited by OAG do not reflect a plan, but rather the output of a computer model of future performance. These forecasts were based on MP's capital plan, not that of Partners. Authorized ROE is still in control of the Commission. Total returns on the investment in ALLETE are a separate concept. Petitioners argued that total return would be driven not be changes to authorized ROE, but rather by increases to the actual value of ALLETE which would increase with the capital investment and reductions of risk that Partners will facilitate via its injection of capital. Petitioners note that transmission investments in specific would not be passed on in whole to Minnesota ratepayers, because those costs are socialized across all of MISO.

Petitioners argued that the Partners bear the risks of this investment in ALLETE and will not be in the position to artificially inflate ALLETE's ROE or cost recovery. ALLETE cited four 'take private' equity investments in the last 18 years where rate costs increased slower than both the IOW and statewide averages for the period owned by private equity, including one, Puget Sound, owned by one of the Petitioners. Petitioners argued that the single counterexample, UPPCO, was well explained in testimony from Petitioners witness Quackenbush, a member of the Michigan PSC at the time the UPPCO acquisition was approved. Petitioners argued that UPPCO, a small and rural utility, had significant rate pressures prior to the acquisition, and that this utility's example is not a good comparison for MP's position.

Petitioners argued that Sierra Club and CURE's proposed 'solutions', such as significantly lower approved ROE, are inconsistent with ALLETE's actual profile as a higher-risk utility. Petitioners argued the acquisition will not affect future returns on equity, except due to Commitments Partners made, including the lower near-term ROE, one-year rate case stay-out, arrearage relief, and elimination of floatation costs which all reduce, rather than increase rates and ROE. They argued that none of these commitments would be possible without the acquisition and so reflect real positive public interest value from the acquisition.

Customer Benefits

Petitioners reiterated that the per customer benefit of these Commitments is well in excess of the benefits in other, approved acquisitions. Petitioners further cite the approved merger of MERC's parent company Integrys with Wisconsin Energy Corporation (WEC) as support for approval, as the Commission approved that acquisition for the same essential reason as the case for this one – access to capital – without large concessions from the acquiring party.

Regulatory Compact

Petitioners argue that, after the acquisition, the Commission will have the same, or better, regulatory authority over Minnesota Power. Petitioners cite Minn. Stat. § 216B.54 as granting the Commission authority to refer any violations or potential violations of Commission Orders to the Attorney General for 'appropriate legal action', and that the definition in the statute of a "person" who this authority holds over would clearly include the Partners. Petitioners asserted that the Attorney General's authority would include pursuing injunctive relief. Petitioners argued that the Commitments in the Stipulation clearly state that Petitioners are subject to Minnesota rules and laws, and that the enforceability of the Commitments is addressed by Commitment 1.73, which explicitly commits partners and ALLETE to the terms of the Stipulation under penalty of law.

Petitioners argued that these commitments are not novel, in many cases, but reflect an assurance from Petitioners that they recognize the clear authority the Commission has over MP. Petitioners argue that
No Power Line, Inc. v. Minn. Environmental Quality Council[76] clarifies that that the Commission can accept "personal jurisdiction" over entities, including the Partners, who consent to that authority, as Partners have done in the Commitments.

Petitioners argued that the Commission has effective mechanisms to enforce this Stipulation, much like any Commission Order. Petitioners acknowledge Commission authority over the various regulated entities, including the Partners themselves.

Petitioners contend that failure to live up to the financial commitments in the Stipulation would have far-reaching effects on the Partners, by damaging their credibility as investors in the infrastructure space. They assert that the Partners' reputation for upholding contracts is important for making the kind of long-term infrastructure investments that make up their portfolios.

Partners also disagreed with the OAG's characterization that reinvestment of potential dividends do not reflect new capital, or 'skin in the game'. Dividends are currently expected by public investors; this is capital not currently available to MP that would be available after the

[76] 262 N.W.2d 312 (Minn. 1977).

Acquisition. Dividend reinvestment is essentially the Partners taking capital they would have otherwise received and reinvesting it in ALLETE, rather than some other investment opportunity. Petitioners argue that long-term dividends, and the Commitments that the partners have made regarding the conditions under which they may be distributed, reflect the 'skin in the game'.

Petitioners also argued that the Partners' longstanding success as investors rely on their integrity, and failure to obey Commission rules and Minnesota state law would harm that reputation for integrity. They argue that failure to uphold commitments would also likely result in harm to their own interests once this failure is noted in any future rate cases, where the Commission has authority over recovery of both investments and operating costs.

Petitioners argued that the worries about short-term sale of ALLETE are assuaged by the statute requiring that any future sale be approved by the Commission. Given that the Petitioners are relying on a return premium during that next sale, it would be not in their interests to harm MP in a way that would reduce its value.

Alloy Parent Investment into ALLETE

The concerns that Alloy is the wrong entity to make capital commitments to MP are misplaced, according to Petitioners, because as the legal owner of ALLETE, Alloy would be the company providing capital, not the Petitioners directly. Dividend reinvestment is part of the potential source of capital, and would reflect dividends paid directly to Alloy Parent, not the Partners. In turn, Petitioners argued, it would do immense reputational harm for Partners to abandon Alloy Parent, as it would reflect abandonment of $3.8 billion in financing for this acquisition paid, ultimately, by GIP's investor-clients and CPPIB's taxpayer-investors, doing significant damage to Partners' reputations as stewards of their respective clients' money.

Partners believed it important to note that one of the entities directly responsible for enforcement of MP's statutory responsibilities, the Department of Commerce, is signatory to the stipulation. Partners argued that it would be a stretch to believe the Department would sign a stipulation if it did not consider the terms to be enforceable.

Petitioners argued that, in addition to its standard legal authority to enforce Orders, several specific statutes protect the authority of the Commission over ALLETE. These include the Carbon-Free standard, which allows for financial penalties up to the amount of the estimated cost of compliance if the utility fails to perform.

Partners argued that its intentions as responsible investors into ALLETE are backed up by the record. Petitioners argued that the Opposing Parties have failed to demonstrate any past or present practices of the Partners are like the 'standard' private equity activities those parties worry about. Petitioners argue that Opposing Parties are misinterpreting the confidential

record, and cited its own Private Placement memorandum[77], which they describe as an outline of the general investment strategy and terms, with a summary of the risks, as provided to investors. Petitioners argue this document shows that representations to investors do not differ from those provided by MP's witnesses in this docket, contrary to Opposing Parties' arguments.

Petitioners also contended that the Stipulation confirmed that Partners intend to be responsible stewards, by clarifying and expanding on their responsibilities to ALLETE and MP. Specifically, Petitioners argued Opposing Parties' concerns about Alloy Parent's debt should be assuaged by the commitment that ALLETE and MP are not responsible for that debt's payment. To verify this, Partners made commitments to maintain and make available separate books for ALLETE/MP and Alloy to give the Commission the tools they need to guarantee these commitments.

Petitioners cited the commitment not to claim dividends from ALLETE if it does not maintain at least one investment-grade rating as protective, because those dividends being in essence reinvested into ALLETE would improve ALLETE's financial health.

Petitioners characterized Opposing Parties concerns about debt as implying that all debt financing is bad. Petitioners have committed to the capital structure required by the Commission and describe using debt at holding companies to at least partly fund equity at the operating company level as 'standard practice. Petitioners cite Xcel, Otter Tail, and CenterPoint's higher-level capital structures, with 60%, 40%, and 65% debt, as evidence that this is standard practice in Minnesota, and stated that a review of 35 utility holding companies showed that this practice is commonplace for regulated utilities.

Carbon Free Standard

Petitioners argued that part of the acquisition's plan is investment to meet the Carbon Free Standard. Opposing Parties who are concerned that this acquisition might harm MP's ability to meet that standard are not fully taking into account the commitments made.

Sierra Club had argued that the $50 million in clean-firm energy is the only 'clean energy' commitment, while Partners noted that $3.3 billion much of the $5 billion investment plan over the next five years, which the Stipulation explicitly commits to prudently funding, is in support of clean energy goals.

Petitioners also disputed Sierra Club's argument that the acquisition would not ensure a clean energy transition; Petitioners argued that the acquisition makes it much more likely that MP will meet its clean energy obligations, which is the most any owner could commit to on that issue.

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[77] DOC-303, CMA-D-12 at 75 (Addonizio Direct) (eDocket No. 20252-214942-01) (HCTS).

In general, Opposing Parties failed to contrast the risks of the Acquisition to the risks of the status quo, in Petitioners' view. Under the status quo, the size of ALLETE makes capital access difficult, according to Petitioners. The alternative to this acquisition is not, Petitioners argue, a scenario where the Carbon-Free standard is met by public investors, but rather one where it is very likely that ALLETE would fail to meet that standard. Petitioners reiterated their arguments that this need is one of the major reasons ALLETE went forward with this acquisition and is one of the major public-interest positives of the transaction, based on their assertions that acquisition will ensure better access to capital to meet these needs, while continuing to provide reliable service at reasonable rates, relative to the status quo.

2. Department of Commerce

The Department of Commerce disputed several aspects of Opposing Parties' Comments and Exceptions. The Department reiterated its enumeration of the material benefits of the Stipulation agreement, noting specifically that the opposition to the Clean Firm fund took multiple forms, with many parties calling it too "small", while the LPI wanted it to not exist, preferring a rate credit. The Department argued that, just because certain parties want the Fund to take another form, doesn't mean that it doesn't provide material benefits to ratepayers. The Department also noted the universal support of organized labor for the Stipulation, as well as that of certain energy and environmental groups who supported the Fund and other clean energy provisions.

The Department specifically opposed the OAG's classification of the five-year capital commitment as inadequate. The Department contrasted this stance with OAG's prior arguments that the capital plan is inflated. MP's capital needs are regulated by the Commission, and any project that is proposed requires Commission approval, and the IRP processes help clarify what those needs will be.

The Department also defended the Clean Firm Technology Fund. The Department argued, in response to the Sierra Club's opposition on the basis that the Fund could be used for carbon-emitting projects, that the use of the Fund requires both Department support of the project, and Commission approval. The Department argued that Sierra Club's objection is based on an unreasonable reading of the proposal that suggested that both the Department and the Commission would distort the stipulation's intent by using it for biomass or generable gas projects. The Department expects the fund to be used for long-duration batteries and other similar projects, but did not want to preclude its use for new, as yet unidentified technologies which would contribute to meeting Minnesota's energy transition goals.

The Department finally noted that compliance with the affiliated interest statute is not optional, and the stipulation clarified that MP would continue to follow it. The Department stated that the Commission will have to determine what that obligation consists of, accounting for the ALJ's statutory analysis.

3. OAG

The OAG's reply reiterated most of its general positions. The OAG argued that the ALJ's Findings and Conclusions are supported by substantial evidence in the record. The OAG noted that the ALJ specifically found many statements by Petitioners to be 'uncredible', which would explain their exclusion from the ALJ Report. In order to overturn this finding, OAG argued, the Commission would need to undertake a complete review of the confidential record to verify for itself whether that record is consistent with the "marketing speak" that makes up most of the public record. This depth of review would be needed to provide the sufficiently specific explanation of the rejection needed for judicial review.

The OAG listed four areas of ALJ findings that the Commission would have to specifically overturn if it were to reject the ALJ's recommendation.

First, OAG argued, the ALJ Report findings are not, as MP stated, based on generalized analysis of private equity but also on the Partners' own statements as found in the confidential record. The ALJ cited that record at least 19 times by the OAG's accounting, covering dozens of Findings of Fact. The OAG argued that both the ALJ and the Commission should not take the Petitioners' claims on faith and compare them to the confidential record. The OAG cited the Department's own statement in its opening statement that the Partners' public representations to regulators and those that have been made privately to investors don't match up.

Access to Capital and Motivation of Acquisition

The OAG specifically argued that Petitioners' claims of access to capital are unfounded and were found to be unfounded by the ALJ. The OAG argued that the ALJ saw through Petitioners' "self-serving" claims that being listed on the New York Stock Exchange is a hinderance to capital access. OAG also noted that ALLETE was able to provide no examples where it has been unable to access capital it needs. OAG argued that a major reasons companies including ALLETE's predecessor company[78], seek to be listed on the stock exchange in the first place is in order gain and broaden access to additional capital. Contrary to Petitioners' claims, record evidence showed that, for companies greater than $250 million in equity, size plays no role in investor decisions. OAG cited that, in its investor documents and 10-k, ALLETE had a described a stand-alone plan for public investment, that it discarded when Partners offered a 20% premium on the stock. OAG also cited the bargaining for a stock premium, which, in its words, "drove away" alternate sources of capital until only the Partners remained, as evidence that it wasn't capital access needs which motivated ALLETE's decision to move forward with the acquisition. This deal is not, in OAG's view, motivated by the needs of ratepayers, but rather the profits of stockholders.

[78] . OAG-400 at 13 (Lebens Direct) (noting that ALLETE's predecessor became listed on NYSE to access capital needed to build power plants and accommodate increasing industrial load in 1950s through 70s).

The OAG argued that, based on internal documents, the Board had been seeking to maximize stockholder profits via an acquisition for at least 14 years, regardless of projected capital needs. OAG noted that, even though Petitioners have committed not to directly seek recovery of the premium it paid, meeting return targets for ALLETE will require that the premium, and the elevated return the OAG identified in internal documents, come ultimately from ratepayers.

The OAG stated that the ALJ fully evaluated the proposed commitments, an undertaking which is reflected in 11 pages of the ALJ report. Petitioners' claims that the ALJ 'disregards' these commitments amount to the Petitioners having a grievance regarding the low value the ALJ assigned to them, not any failure of the ALJ to consider them. The ALJ found 'few affirmative benefits' beyond certain benefits to labor and low-income customers.'

Stipulation between MP and Department

The OAG also argued that the Petitioners took issue with the ALJ not meaningfully including findings regarding the settlement, despite the fact that it was filed two days before the ALJ Report was due. The ALJ stated that the Settlement did not resolve her issues, and the OAG agreed with this statement. The OAG argued that the Stipulation largely reiterated Commitments already proposed by Petitioners, and failed to mitigate the transaction's risks, ensure that the Partners will fund MP's energy transition without financial harm to MP, or material increase ratepayer benefits.

Benefits of the Transaction

The OAG described the assertion by MP that the Commitments bring $685 per customer in benefits as Illusory. OAG argued that many of the 'benefits' cited do not exist. The OAG disputed the $25 million value of the stay-out, arguing MP would be unlikely to be able to bring a rate case prior to November 2026 regardless of approval or rejection of the Acquisition. Similarly, OAG argued the $29.5 million attributed to floatation costs fails to account for the fact that current rates do not have specific floatation costs included and there is no specific promise regarding actual reductions to ROE in future rate cases. The $50 million clean-firm technology fund would not directly benefit ratepayers and instead would be used to offset capital projects for recovery over years.

The OAG noted that the $685 per customer estimate of ratepayer value is inflated by the large share of MP's load that belongs to large industrial customers. Because MP's average per customer bill is much larger than average due to those customers, the $685 calculation is deceptive. Value to individual residential customers would be far lower than that calculation implied.

Finally, OAG asserted that none of the benefits of the transaction were tested by discovery, expert analysis, or cross-examination. OAG argued that filing the Stipulation two days before the ALJ report, two months after the hearing, and six weeks after briefing, deprived intervenors of a meaningful opportunity to scrutinize the new commitments. The OAG agreed with the ALJ

that the benefits were inadequate, and recommended the Commission find the Stipulation inadequate to address the ALJ's concerns.

Standard of Review

The OAG opposed the Petitioner's exceptions regarding public-interest legal standard, arguing the transaction in either the original or Stipulation form fails both versions of the burden of proof. The ALJ noted the "no net harm" interpretation had been used historically by the Commission but found that the "net benefit" standard is the better statutory interpretation. The OAG concurred with the ALJ's statutory analysis and recommended that the Commission consider this and future acquisitions consistent with that analysis. More importantly, the ALJ specifically found that the acquisition did not meet either standard, so the specific standard she used does not matter – OAG agreed with the ALJ that the Commission should reject the Petition under either standard. The OAG noted that the difference between the standards 'no net harm' and 'net benefit' is infinitesimally small, being the difference between, in essence, zero and a positive number. OAG argued that the choice of standard made a difference here is implausible given the degree of precision in public interest analysis.

Judicial Impartiality

The OAG described the Petitioners' objections to the ALJ's handling of the case as, in effect, an accusation that the ALJ acted due to animus or other improper factors, a suggestion that the OAG described as being a "weighty accusation". The OAG argued that it is much more plausible that the ALJ simply did not find the Petitioners' case believable. The OAG argued that Petitioners' efforts to impugn the integrity of an ALJ for doing her job gives the Commission a taste of how regulating Minnesota Power would potentially change for the worse if the acquisition is approved.

The OAG argued that Petitioners' accusation of unfairness in the evidentiary hearing does not survive scrutiny. Accusing the ALJ of making an unfavorable evidentiary ruling was false – the Petitioners withdrew the request before the ALJ could rule. The ALJ made ruling favoring both Petitioners and Opposing Parties, demonstrating impartiality.

OAG asserted that the transcript of the evidentiary hearing showed that Petitioners withdrew their motion to substitute an updated version of a key exhibit before the ALJ could rule on it.

The OAG noted that the effort to substitute the old document, a preliminary term sheet between the Partners reflecting their plans for post-acquisition governance of ALLETE, with a corrected version began when it was shown in cross-examination that ALLETE's CFO's understanding of the acquisition terms was 'inconsistent' with this internal document. The 'correction' would have been to make this term sheet consistent with testimony. In any event, the new version was withdrawn, and Partners could and can change their governance plans at any time after the acquisition. It would have been prejudicial to be allowed to change their 'plan' during the hearing.

OAG identified several examples where the ALJ ruled in favor of the Company, citing these as evidence that the ALJ handled the case in a fair, impartial manner.

The OAG argued that, rather than reflecting a failure to show independent judgement, the ALJ adopting in significant part the proposed Findings of the Opposing Parties was proper. Judges are not prohibited from adopting a party's proposed findings if those findings accurately reflect the record. OAG argued that adoption of proposed findings at District Court is generally accepted practice, if the record supports those findings. Even verbatim adoption of proposed findings has been found to be reasonable, if the record supports it,[79] especially in cases where the adopted findings involve highly technical issues.[80]

The same holds true in administrative hearings. If the adopted findings are specific and sufficient to enable meaningful review, adoption of one party's proposed findings is allowed.[81]

The OAG characterized this case as being one where two parties, Petitioners and Opposing Parties, submitted proposed findings. Based on a months-long administrative process, three days of hearings, and consideration of evidence, the ALJ agreed with Opposing Parties. It is natural that she would use Opposing Parties' proposed findings as a starting point to draft her own, given that she substantively agreed with them. Even so, the ALJ made many changes while incorporating some, not all, of the Opposing Parties' proposed Findings.

In the cases cited by Petitioners, the language quoted to show disfavor to the practice was characterized as 'boilerplate' by the OAG. The OAG noted that, these opinions either upheld the Findings[82], or reversed based on facts dissimilar to the current record.[83] The OAG noted that,

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[79] See Dukes v. State, 621 N.W.2d 246, 258–59 (Minn. 2001).

[80] Mayview Corp. v. Rodstein, 620 F.2d 1347, 1352 (9th Cir. 1980).

[81] In re Appeal of Staley, 730 N.W.2d 289, 295 (Minn. Ct. App. 2007).

[82] In re Excess Surplus Status of Blue Cross & Blue Shield of Minn., 624 N.W.2d 264, 275 (Minn. 2001) (reversing lower court's reversal of agency decision that "adopted approximately threequarters of the ALJ's 199 findings of fact"); Dukes, 621 N.W.2d at 259 (affirming district court's wholesale adoption of state's proposed findings); Johnson v. Comm'r of Public Safety, Nos. C795-470, C9-95-471, 1995 WL 465351, at *3 (Minn. Ct. App. Aug. 8, 1995) (affirming lower court's adoption of party proposed findings); Sigurdson v. Isanti Cnty., 408 N.W.2d 654, 657 (Minn. Ct. App. 1987) (approving trial court's adoption of county's proposed findings); Mayview, 620 F.2d at 1352 (affirming adoption of findings on "highly technical issues"); United States v. Crescent Amusement Co., 323 U.S. 173, 184–85 (1944) (affirming findings "mainly taken verbatim from the government's brief").

[83] See, e.g., In re Denial of Contested Case Hearing Requests, 993 N.W.2d 627 (Minn. 2023) (adoption of findings not at issue); Pooley v. Pooley, 979 N.W.2d 867, 878 (Minn. 2022) (reversing where "sole, conclusory statement in the record" supporting key finding was "adopted verbatim" from litigant's proposed order); City View Apartments v. Sanchez, No. C2-00-313, 2000 WL 1064897, at *3 (Minn. Ct. App. Aug. 1, 2000) ("The trial court's order . . . does not contain the requisite findings under the applicable statutes . . . ."); Lundquist v. Lundquist, No. C0-94-509, 1994 WL 510168 (Minn Ct. App. Sept. 20, 1994) (reversing "[b]ecause errors of fact and law appear integral to the decision"); Bliss v. Bliss, 493 N.W.2d 583, 586 (Minn. Ct. App. 1992) (remanding for further findings where trial

in this case, the ALJ specifically provided a memorandum clearly explaining why she discredited the Petitioners' evidence, unlike any of the cases where a reversal occurred. None of these cases provide reason, in the OAG's view, to find it improper to adopt a party's findings, given evidentiary support and the specific finding here that the Petitioners were not credible. The OAG suggested that, if the Commission has issue with the Findings, it would be appropriate not to reject the ALJ Report, but to adopt it with changes the Commission deems necessary.

In conclusion, in OAG's view, the hearings were impartial, and the ALJ fairly and impartially weighed the evidence and determined that the Petition was not consistent with the public interest.

The OAG described Petitioners attacks on the ALJ as troubling and providing a glimpse of how new ownership could change MP's regulatory advocacy. The OAG argued that Commission should consider this and other risks detailed in the ALJ's report, the voluminous record, and find the proposed acquisition to be inconsistent with the public interest.

4. Large Power Intervenors

LPI described the Petitioners' Exceptions as containing "numerous misrepresentations". LPI also took issue with the tone of the Exceptions, describing them as evincing a "lack of respect for the regulatory process". LPI, like the OAG, found it 'unfair and inappropriate' to describe the ALJ Report, which LPI believed to be well-founded, as careless or irresponsible. LPI argued that the exceptions filed by Petitioners represent "personal attacks on the ALJ" with no place in the regulatory process in Minnesota. LPI similarly found LIUNA's description of the report to be inflammatory and argued that LIUNA's exceptions are scant on substantive rebuttal.

LPI argued that the ALJ took a hard look at the evidence and engaged in reasoned decision-making.

Attachment C to Petitioner Exceptions

LPI takes specific exception with the calculation of benefits in Attachment C of Petitioners' Exceptions. Petitioners attach specific value to maintenance of the status quo regarding labor, economic development, and charitable contributions, which are not new benefits of the Acquisition, but rather extensions of the current situation. LPI believed that evaluating the Clean-Firm Technology fund as being worth $50 million fails to account for the fact that the

court did not make findings on key issue); E.E.O.C. v. Fed. Reserve Bank of Richmond, 698 F.2d 633, 660–61 (4th Cir. 1983) (reversing because lower court clearly erred in relying on plaintiffs' statistical evidence of discrimination); Holsey v. Armour & Co., 683 F.2d 864, 865 (4th Cir. 1982) (reversing "because the district court may have improperly allocated the burden of proof"); Flowers v. Crouch-Walker Corp., 552 F.2d 1277, 1284 (7th Cir. 1977) (reversing dismissal at close of plaintiff's discrimination case where evidence "consisted almost entirely of the testimony of a single witness, whose credibility was not challenged" and the basic facts were not in dispute); Golf City, Inc. v. Wilson Sporting Goods, Co., 555 F.2d 426 (5th Cir. 1977) (adoption of findings not at issue); Sims v. Greene, 161 F.2d 87 (3d Cir. 1947) (adoption of findings not at issue).

fund will not be available immediately and so urges the Commission not to accept at face value the $132 million in "net benefits" attributed to the Stipulation.

LPI argued that Failure of the parties to the stipulation to provide Attachment C or anything like it with the stipulation, and without evidence and support, should be additional reason for the Commission to disregard the alleged values in the Attachment.

Evidentiary Hearing and Report Fairness

Both OAG and LPI took exception to characterization of the decision of opposing parties not to cross-examine certain witnesses as "litigation tactics". Petitioners had the support of many, sophisticated lawyers who should have been able to respond to unexpected events and had ample opportunity to submit testimony and introduce information prior to the hearing. Further, they argued it is not unusual nor inappropriate for parties to waive cross-examination, and it is not prejudicial for the ALJ not to call those witnesses who have been waived or ask questions of them.

LPI argued that, contrary to Petitioners' arguments, Minnesota law allows adoption of proposed Findings. LPI contended that, despite 70 pages of "Exceptions", Petitioners failed to specifically contradict any specific findings and failed to raise any credible concerns around the substantive issues addressed in the Report. This is because, in LPI's view, there are no such concerns to be raised. LPI asserted that the failure of the ALJ Report to cite Petitioners' witnesses and evidence was the result of the ALJ rejecting that testimony as non-credible, rather than some failure to consider it. LPI provided similar citations as the OAG, regarding adoption of Proposed Findings being acceptable in Minnesota.

LPI also noted that the ALJ did not adopt the Proposed Findings of Opposing Parties, but in fact significantly added to them, adding sections on risks of rate increase and rate shock not in the proposal, as well as findings regarding bidders for ALLETE. LPI argued that Petitioners bore the burden of proof in this proceeding and failed to meet it. LPI argued that Petitioners should look to provide more credible evidence or generate new solutions to mitigate the risk of harm shown in the ALJ Report, not disparage the Report.

Standard of Review

LPI believed the ALJ properly applied the standard of review and recommended that the Commission apply the "net benefit" standard. In the alternative, however, LPI supported the ALJ's finding that, even under the "no net harm" standard, the proposed deal is inconsistent with the public interest.

LPI argued that the Petitioners failed to provide a reasoned theory to overcome the many deficiencies.

ALJ Report

LPI argued that overturning the ALJ Report based on the exceptions presented by Petitioners would be procedurally improper. The ALJ was not persuaded by the Petitioners' evidence.

LPI recommended that the Commission adopt the ALJ Report, including specific recommendation that MP provide a full accounting of costs that were incurred in negotiating the proposed acquisition and seeking its regulatory approvals, including employee time spent in pursuing the acquisition.

5. Sierra Club

Like other Opposing Parties, Sierra Club argued that the report was impartial, fair, and thorough. Sierra Club rejected the idea that the report is somehow one-sided or unfair, or that the ALJ failed to consider the evidence. The ALJ Report documented that the ALJ thoroughly evaluated Petitioners' evidence and found it less credible than the Intervenors. Sierra Club argued that the Commission should give significant weight to the Findings regarding credibility from ALJ when it does its own independent review of the evidence.

Sierra Club argued that Petitioners failed to rebut the ALJ Findings that "petitioners' agreements and private discussions do not comport with their public statements", nor do they rebut the ALJ's finding that misleading representations about last-minute changes to a key agreement setting out Petitioner commitments had "absolutely no credibility." Sierra Club argued that Petitioners failed to show that the ALJ Report is anything other than unbiased and well-supported.

Sierra Club noted that the Department found the ALJ Report to include a "thorough record review" and instead focused its comments on arguing that the ALJ did not adequately consider the Stipulation. Sierra Club argued that the ALJ did consider the Stipulation and found it did not change the Report's conclusions. This is unsurprising in Sierra Club's view, because the Stipulation mostly restated the existing Commitments.

Sierra Club argued that the proposed Findings from the Petitioners in Attachment D present a biased view of the evidence, with significant findings around the benefits of the Acquisition, and very little to address the risks. Sierra Club recommended the Commission consider the entirety of the record, fully documented in the ALJ report, and exercise its own independent judgement.

Sierra Club agreed with OAG and LPI that the ALJ applied the proper standard of review.

Carbon Free Standard

Sierra Club agreed with the ALJ that MP's ability to meet the Carbon Free Standard does not depend on the Acquisition. Sierra Club argued that the commitment that Alloy Parent would

provide capital did not amount to a commitment that the Partners would provide either entity with equity capital. Petitioners only committed to "efforts to achieve" the Carbon-Free Standard, an illusory statement that is not a meaningful commitment.

Sierra Club also disputed that the ALJ Report called for a delay in compliance. The ALJ specifically described compliance as "a critically important legal requirement". The ALJ found that Petitioners failed to prove by a preponderance of evidence that they will be unable to meet the Carbon Free standard absent the Acquisition, nor provide evidence or guarantees that the standard will be met as a result of the Acquisition. Sierra Club argued there is no evidence that rejection of the Acquisition would result in any delay in achieving the standard.

Sierra Club agreed with Petitioners that the Clean Firm Technology fund can help advance the transition but argued that $50 million pales in comparison to MP's capital plans, which total $5 billion over 5 years, and nearly $20 billion over the next 20 years. Sierra Club also noted that the proposal contained an "exemption" allowing MP to use the fund for resources that do not meet the company's own definition of "clean firm technology" if the Department approves.

Access to Capital

Sierra Club argued that Petitioners failed to provide evidence that rejection of the Acquisition will endanger MP's access to capital or the carbon free standard. Sierra Club did not dispute that capital will be needed but argued that true capital need may not be as large as claimed. ALLETE has overestimated its capital needs since 2019, and both intervenors and the ALJ Report identified ways to mitigate future capital needs, including PPAs, demand response, energy efficiency, and grid enhancement, or by selling its stake in transmission projects or in non-utility subsidiaries.

Further, Sierra Club argued there is no showing that MP, absent the acquisition, cannot meet its capital needs relying on public markets. Sierra Club argued that the record shows Petitioners have historically had no difficulty raising capital through public equity markets, and no evidence that such problems would arise in the future, even if ALLETE's capital needs increase.

Sierra Club disputed that a promise by Alloy Parent to provide capital was adequate, because it did not include any commitments of new capital from the Partners. Partners have made no commitment to hold ALLETE for any length of time, nor have they made commitments beyond 5 years. The acquisition makes ALLETE dependent on Partners for capital and, Sierra Club argued, no Commitment or law authorizes the Commission to require the Partners to provide capital.

Overspending and Rate Increases

Sierra Club argued that the acquisition would potentially make ALLETE more aggressive in spending, arguing that Partners will have incentive to direct the Company to seek higher rate increases and to prioritize capital spending plans, which produce returns, even if alternatives

are lower costs. Sierra Club noted that IRPs and Certificates of Need, which Petitioners present as limiting this risk, are subject to risk that Partners will limit the range of options presented to the Commission. Effective Commission oversight depends on utility cooperation and transparency, and Sierra Club asserted that the Acquisition could result in reductions to both.

Control of the Board

Sierra Club argued that changes in the Stipulation do little to challenge Partners' control of the Board, as a few "independent" directors appointed by the Partners will not change the balance of power. The promise to allow ALLETE management oversight of "day to day operations" means little to Sierra Club in view of Partners' consent rights over every significant decision made by ALLETE.

Transparency

The ALJ report found, correctly in Sierra Club's view, that the Acquisition would reduce transparency, and the proposed new reporting is insufficient to make up for loss of SEC Reporting. Sierra Club argued that commitments to open books are flawed because they do not open the Partners' books. The ALJ found that Partners have made no meaningful commitment to provide access to finances of the Partners even to the degree that they are relevant to regulated operations. This information is needed, according to Sierra Club, to understand how Partners' financial situation impacts ALLETE and for the Commission to carry out its regulatory responsibilities.

In conclusion, Sierra Club argued that the ALJ Report correctly found that the Acquisition is not consistent with the public interest. The Proposed Settlement does not, in Sierra Club's view, adequately mitigate the risks or provide sufficient benefits to offset those risks. Sierra Club therefore recommended the Commission reject the Stipulation and disprove the Acquisition.

6. LIUNA

LIUNA argued that the proposed transaction would not change MP or ALLETE's obligations or lessen current Commission authority and control.

LIUNA highlighted several provisions of the settlement agreement — including a reduced ROE, a rate case stay-out, debt controls, a ring-fencing commitment, greater transparency in affiliate transactions, and service quality penalties — as evidence that the agreement is not only equivalent to, but an improvement over, the status quo for both MP customers and the state of Minnesota.

LIUNA reinforced the arguments made from the clean energy organizations and other parties that it will be difficult for ALLETE to raise the capital necessary to meet carbon-free and other regulatory obligations reliably and affordably without the transaction, especially with new economic and policy headwinds.

Additionally, LIUNA argued that the OAG, LPI, and CUB comments showed little effort to grapple with the real efforts to address concerns or the real consequences of denying the acquisition. LIUNA argued that opposing parties took inconsistent positions, failed to engage with the ALJ report's flaws or terms of the settlement in a serious manner, or were quick to dismiss or minimize the substantial concessions extracted by the Department.
LIUNA urged the Commission to consider the broadening coalition that recognizes the acquisition as not only beneficial for customers, workers, and the climate, but also essential for MP to meet state goals and regulatory obligations.

7. Citizens Utility Board

CUB opposed Petitioners' objections regarding consideration of Petitioners' evidence. CUB found it a more logical supposition that the ALJ considered both sets of Findings of Fact and strongly agreed with one set over the other. The ALJ explained her assessment, finding Opposing Parties position more persuasive. CUB noted that the ALJ afforded Petitioners a fair administrative hearing and offered her informed recommendation that the Petition be denied.

CUB also argued that Petitioners ignored the plain language of the Carbon-Free Standard in their arguments, noting that the Standard requires the Commission to "take all reasonable actions within the commission's statutory authority to ensure this section is implemented in a manner that maximizes net benefits to all Minnesota citizens". Particularly because Petitioners used this statute to justify the petition, CUB argued that this language is of value when considering whether to use a "no net harm" or "net benefit" standard for evaluation of the Petition, and suggests consideration of net benefit.

CUB also objected to Petitioners' comments that Opposing Parties "speculate" that capital markets may provide adequate capital if the Petition is denied. CUB argued that it relied on ALLETE's own Annual Reports and securities filings, which state that ALLETE is capable of meeting its capital needs through those markets. CUB noted that all 10-k's include risk analyses similar to that cited by ALLETE in regards to capital markets, calling attention to both Xcel and Otter Tail's 10-k's contain similar language. CUB contrasted ALLETE's statements in its 10-k's both prior to and after agreeing to the Acquisition, and argued that the language was similar in both, suggesting that ALLETE's reasoning that the Acquisition was needed

8. CURE

In Reply Comments, CURE argued, like others, that the ALJ covered the entire record, and that Petitioners' Exceptions arise from the fact that the ALJ considered and rejected their arguments.

CURE asserted that the parties supporting the acquisition misconstrued the record and did not correctly apply the legal standard before the Commission. Additionally, CURE argued that MP and the Partners failed to meet their burden of proving the acquisition is consistent with the

public interest or that the Partners' involvement is necessary, therefore the acquisition should be denied.

Independence of Supporting Commentors, Witnesses and Parties

CURE specifically took issue with Petitioners' characterization of the summary of public comments as unfair. CURE argued that it is factually true that most comments from people in favor came from individuals and groups that have financial ties to MP or its charitable program. Of the 81 public comments the Energy and Policy Institute identified as 'in favor' of the acquisition, 72 were identifiably from individuals and organizations that appear to have ties to MP or ALLETE.[84] CURE argued that any remaining supportive comments did not engage closely with the record and that should be taken into account when weighing their significance. CURE specifically noted that some of these comments appear to assume that the Stipulation places specific financial duties on the Partners, which it does not, and that Boswell will be replaced by "clean energy", despite the IRP proposal to replace Boswell with a fossil gas or biomass generation facility which will continue to emit carbon.

CURE also opposed the exceptions regarding the analysis of UPPCO. CURE characterized the witness Petitioners called to counter evidence regarding UPPCO as attempting to "argue that the UPPCO debacle was not his fault, even though its sale was approved under his supervision as a regulator," and that the testimony was 'conflicted'. CURE reiterated that UPPCO (Upper Peninsula Power Company) is under private equity ownership and a severe financial burden for the people of Michigan, which demonstrates a potential future for MP under similar ownership.

CURE also characterized LIUNA as directly profiting from Partners' investment funds, though it clarifies in a letter that CURE is not accusing their specific witness of directly benefiting from these investments, and that it still considers that witness an expert in her role at LIUNA. CURE argued that this testimony only demonstrates that Partners keep their investors happy. CURE characterized LIUNA's witness as having 'expertise in investing pension funds', her role at LIUNA, but little expertise in the impact of private equity on labor unions or skilled employment, nor on customer bills, the environment or other issues relevant to Minnesota. CURE argued that, given this, the ALJ had no reason to rely on this expert.

Department Testimony

CURE argued that the Department's expert testimony and briefing in opposition proved this acquisition is too risky and harmful to the people of Minnesota to be in the public interest, even with the added conditions in the Stipulation.

Rate Impacts and the Benefits cited by Petitioners

CURE concurred with the Department that MP's withholding of $75.4 million in land profits

[84] https://energyandpolicy.org/financial-support-influenced-allete-blackrock-comments/

since 2021 is unacceptable, while arguing the funds should be committed to ratepayer benefits such as low-income programs and renewable energy investment, regardless of the outcome of the acquisition.

CURE described the reduced ROE and rate case stay-out provisions in the settlement as exceptionally temporary, noting a large rate shock would undoubtedly occur in 2028. As an alternative, CURE noted that only a rate case stay-out for the entirety of private equity ownership can protect Minnesotans from foreseeable harm, while encouraging MP's ROE to be set at 6 percent.

Carbon Free Standard

CURE argued that the Commission should also consider whether the Petitioners intend to use the $50 million Clean Firm Technology commitment to invest in carbon capture and sequestration, given that the American Petroleum Institute and others have requested those technologies be considered carbon free in Docket 24-352.

CURE quoted the ALJ's finding that:

> Petitioners did not prove by a preponderance of evidence that they will be unable to meet 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. Furthermore, the Legislature did not demand utilities, or the Commission, pursue the Carbon Free Standard at all costs. The Commission is tasked with ensuring Minnesota Power's path to compliance "maximizes net benefits to all Minnesota citizens." Ultimately, even if declining to approve the Acquisition eventually resulted in some complication or short delay in Minnesota Power meeting the Carbon Free Standard, this is not a reason to approve the transaction given its serious risk to Minnesota ratepayers.

Low Income Protections

CURE supported the low-income programs endorsed by Energy Cents Coalition. CURE appreciated ECC's clarification that representing low-income customers does not equate to full ratepayer protection in this acquisition, and argued that the resulting rate increases would disproportionately impact low-income and marginalized communities. Additionally, CURE highlighted the ALJ's finding that the Partners' plans for significant rate increases are likely to exceed inflation, leading to an unacceptable risk of rate increase and rate shock.

CURE argued that the rate impacts of this Acquisition will still be hardest on low-income customers, despite the comparatively small sum of new money provided to assist these customers. CURE believed rate impacts of the Acquisition would more than offset these funds,

given Petitioners' own projections of returns and rates following from the Acquisition.

For these reasons, CURE recommended that the Commission deny the petition but require MP to commit its prior and future land profits to actual renewable energy development and low-income programs.

DECISION OPTIONS

OAG's Motion to Lift Trade-Secret Designations

1. Grant OAG's August 4, 2025 motion to lift the trade-secret designations from SIERRA IR 0026.06 Attach TS and from ALLETE's response to OAG IR No. 42. Require Minnesota Power to file public, unredacted versions of the documents within 10 days of the order. (OAG, CUB, CURE)

OR

2. Grant in part and deny in part OAG's August 4, 2025 motion to lift the trade-secret designations from SIERRA IR 0026.06 Attach TS and from ALLETE's response to OAG IR No. 42. Deny the motion as to projected rates for large industrial customer classes only, and grant the remainder of the motion. Require Minnesota Power to file public versions of the documents with redactions removed consistent with this decision within 10 days of the order. (OAG alternative)

OR

3. Deny OAG's August 4, 2025 motion to lift trade-secret designations. (MP, Partners)

Approval or Denial of Proposed Transaction

4. Approve Minnesota Power's Petition subject to the terms of the July 11, 2025 Settlement Stipulation. (MP, Partners, Department, ECC, IBEW, IUOE Local 49, LIUNA, NCSRCC)

OR

5. Approve Minnesota Power's Petition subject to the terms of the July 11, 2025 Settlement Stipulation, with the modified and additional conditions set forth below.

OR

6. Find that the proposed transaction is inconsistent with the public interest and therefore deny the petition of Minnesota Power for the Acquisition of ALLETE. (ALJ, OAG, CUB, CURE, LPI, Sierra Club)

Modified and Additional Conditions *[The Commission may adopt any combination of the following if Decision Option 5 is selected.]*

7. Require Minnesota Power to apply the modified return on equity agreed to in paragraph 1.14 of the Settlement Stipulation to reduce rates beginning with the first full month after close of the Acquisition and the Commission Order is final.

    A. Require Minnesota Power, within 10 days of the order, to file an amended tariff with

updated rate calculations and a customer notice bill insert for Commission approval. (Staff)

B. Delegate authority to the Executive Secretary to approve the updated tariff and customer notice. (Staff)

8. Require Minnesota Power to file in this docket a quarterly report documenting any adjustments to the 5-year capital investment plan, with an explanation of why the adjustments are reasonable, prudent, and consistent with the goals of Settlement Stipulation Paragraphs 1.3–1.4 to ensure the availability of investment funds and the enforceability of the capital commitment. (Staff)

9. Modify Paragraph 1.5 of the Settlement Stipulation as shown below. Delegate authority to the Executive Secretary to approve the capital commitment compliance filings if no party to this Acquisition proceeding files an objection within 30 days of the compliance filing, or to issue a notice of comment period and schedule the matter for a Commission meeting.

> To ensure compliance with this commitment to fund Minnesota Power's 5-year capital plan, before ALLETE pays any dividend to Alloy Parent during the first five years after closing, Minnesota Power shall make a filing in its most recent annual capital structure docket demonstrating compliance with this commitment. Minnesota Power and the Department shall coordinate to determine what information should be included in the compliance filings under this provision. Minnesota Power may not pay the dividend until the Commission has issued a notice or order approving the compliance filing. (Staff)

10. Require ALLETE to file quarterly updates on the amount of residential arrears paid due to commitment in Paragraph 1.48 of the Settlement Stipulation. Additionally, require ALLETE to file a report when the commitment in Paragraph 1.48 of the Settlement Stipulation has been fulfilled, with sufficient detail for the Department and Commission to verify completion of this program. (Staff)

11. Require ALLETE to file annual reporting on the Clean Firm Technology fund referenced in Paragraph 1.63 of the Settlement Stipulation, including sources of funding, total disbursements from the fund by project and FERC Account, and status of projects funded, until all projects financed entirely or partly by the Fund are completed, in service, and, if appropriate, included in rate base used to establish final rates in an Commission-approved rate case. (Staff)

12. Set Minnesota Power's ROE at 6% as long as it is owned by the Partners. (CURE)

Adoption or Rejection of ALJ Report *[Choose either Decision Option 13 or 14.]*

13. Adopt the ALJ Report to the extent it is consistent with the Commission's decisions. (OAG, CUB, CURE, LPI, Sierra Club)

    A. Delegate authority to the Executive Secretary to modify the ALJ report as specified herein and to otherwise modify, reject, or add any findings or conclusions consistent with the Commission's decisions. (Staff)

OR

14. Reject the ALJ Report. (MP, Partners)

    AND

    A. Adopt the modified ALJ Report Section III.C (Findings 139–178) and new Section III.CC (Findings 284–325), regarding Petitioners' proposed commitments, filed as Attachment B to the Petitioner's August 4, 2025 Exceptions, to the extent consistent with the Commission's decision. (MP, Partners)

    AND

    B. Adopt the Petitioners' Update of Joint Proposed Findings of Fact and Conclusions of Law, filed as Attachment D to the Petitioners' August 4, 2025 Exceptions, to the extent consistent with the Commission's decisions. (MP, Partners)

    AND *[if the Commission selects 12.A and/or 12.B]*

    C. Delegate authority to the Executive Secretary to modify, reject, or add any findings or conclusions in Attachment C and Attachment D to Petitioners' Exceptions consistent with the Commission's decisions.

Modification of ALJ Report *[If Decision Option 13 is selected, the Commission may also consider the following proposed modifications to the ALJ Report.]*

15. Adopt the modifications to ALJ Report Section III.C (findings 139–178) and new Section III.CC (findings 284–325), regarding Petitioners' proposed commitments, as shown in Attachment B to the Petitioners' August 4, 2025 Exceptions. (MP, Partners, Department)

16. Adopt the following findings as proposed in the Department's August 4, 2025 exceptions relating to the Settlement Stipulation: *[Only if Decision Option 4 or 5 is selected]*

    A. 180a, regarding the Settlement Stipulation generally. (Department)

B. 221a, regarding credit-rating restrictions on dividend or distribution payments by ALLETE, limitations on direct credit support, non-consolidation opinion. (Department)

C. 187a, regarding the five-year capital commitment and non-recoverable clean firm technology investment fund. (Department)

D. 222a, regarding ROE reduction, waiver of right to file rate case before Nov. 1, 2026, land-sale revenue refund. (Department)

E. 228a, regarding service-quality standards, reporting, and underperformance payments. (Department)

F. 266a, regarding post-acquisition governance concerns and bankruptcy-related protections. (Department)

17. Modify ALJ finding 155, regarding affordability program commitments, to clarify:

    A. That the CARE program commitment in the Settlement Stipulation will benefit the public interest compared to the status quo because the rate-recoverability of affordability programs alone does not guarantee that utilities will support raising surcharges to fund their expansion and because this commitment affords an opportunity to, potentially, establish a higher baseline level of investment in the CARE program in Docket No. E-015/M-11-409. (Staff interpretation of ECC)

    B. There is public benefit in having an infusion of funds into affordability programming that comes from shareholders and not from other ratepayers. (ECC)

    C. The total amount that petitioners estimate they will pay toward arrearage forgiveness does not adequately capture the magnitude of the value arrearage forgiveness would have for each customer receiving it, from the customer's perspective. (Staff interpretation of ECC)

18. Reject the statement in ALJ Report Addendum A, ¶ 4, that "It is unclear whether [commenters in support of the Acquisition] felt obligated to support Minnesota Power due to the financial support they are provided by the Company." (MP, Partners)

19. Adopt the following ALJ Report modifications as proposed in LIUNA's August 4, 2025 exceptions: (Staff interpretations of LIUNA)

    A. Reject findings 73 and 74 regarding the Partners' oil and gas holdings. (LIUNA)

    B. Reject finding 87 regarding Minnesota Power's motivations for selecting the Partners. (LIUNA)

C. Reject finding 117 regarding Federal Energy Regulatory Commission Chairman Christie's statements on the purchase of GIP by BlackRock. (LIUNA)

D. Modify finding 124 to add that the record does not show that the alternatives proposed by intervenors could adequately meet ALLETE's anticipated capital needs. Also find there is evidence that such measures would expose ratepayers and stakeholders to unacceptable risks while jeopardizing the utility's ability to meet legal requirements including the Carbon Free Standard. (LIUNA)

E. Modify finding 125 to state that the record does not establish the availability of cost-competitive, local power purchase agreements sufficient to adequately substitute for available capital to meet Minnesota Power's requirements in alignment with the values of the utility, stakeholders, and state policy goals. (Staff interpretation of LIUNA)

F. Modify finding 126 to add that demand response, energy-efficiency measures, and grid-enhancing technologies have already been incorporated into resource plans and that the record does not show there are opportunities for incremental advances sufficient to mitigate the utility's capital needs. (LIUNA)

G. Reject finding 129 regarding incentives to grow rate base. (LIUNA)

H. Modify findings 133 and 135 to find that access to capital at the scale ALLETE has forecasted it will need to meet the Carbon Free Standard would be high risk; therefore, it is unlikely the Company would be able to meet its capital needs through public markets without the Acquisition. (LIUNA)

I. Reject finding 186 regarding ALLETE's 2025–2039 resource plan. (LIUNA)

J. Modify findings 272–273 to state that the proposed governance structure balances the interests of GIP investors against the interests of CPP investors, which will reduce the risk of either partner engaging in improper affiliate transactions that could harm ALLETE for the benefit of outside interests. (LIUNA)

K. Reject finding 276 and find that the 2019 University of Chicago and Harvard Business School study cited by witness Baker found that the impacts of private equity ownership vary based on factors including characteristics of the operating company and economic circumstances. (LIUNA, IBEW)

20. Reject the ALJ's finding that there is credible evidence of potential labor risks arising from private equity acquisitions, including the possibility of layoffs or erosion of worker protections. (IBEW, LIUNA)

<u>Other Compliance Filings</u>

21. Require Minnesota Power to make a compliance filing, within 30 days of the order, identifying the full accounting of costs it incurred in negotiating the proposed transaction and in seeking regulatory approvals, including but not limited to the employee time spent in pursuing the acquisition. (ALJ, LPI)

Further Process

22. Authorize the Executive Secretary to open a Commission investigation docket to clarify how the affiliated interests statute, Minn. Stat. § 216B.48, applies to ownership of publicly traded corporations by passive institutional investors via index and other broad-market mutual funds.