

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

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

**INITIAL COMMENTS AND  
ARGUMENTS AND EXCEPTIONS  
OF THE MINNESOTA DEPARTMENT  
OF COMMERCE**

Although the Minnesota Department of Commerce appreciates the Administrative Law Judge’s thorough record review, the Public Utilities Commission should reject the report’s conclusion.<sup>1</sup> Following the evidentiary hearing, Petitioners made new commitments memorialized in their July 11 settlement stipulation with the Department.<sup>2</sup> These commitments sufficiently respond to concerns discussed in the report. Among other provisions, the stipulation contains an equity capital commitment, makes a unique clean-firm technology investment, provides meaningful ratepayer financial benefits, enhances service-quality standards, and improves governance provisions. Subject to these agreed-upon commitments, the Department respectfully recommends that the Commission approve the proposed acquisition as consistent with the public interest.<sup>3</sup>

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<sup>1</sup> FINDINGS OF FACT, CONCLUSIONS OF LAW, AND RECOMMENDATION AND ADDENDUM (July 17, 2025) (eDocket No. 20257-221020-01).

<sup>2</sup> Settlement Stipulation of the Department of Commerce, ALLETE d/b/a Minnesota Power, Canada Pension Plan Investment Board (“CPPIB”), and Global Infrastructure Partners (“GIP”) (July 11, 2025) (eDocket No. 20257-220879-01).

<sup>3</sup> Minn. Stat. § 216B.50, subd. 1.

## ARGUMENT

To approve the acquisition, the Commission must find that a preponderance of the evidence establishes the acquisition is consistent with the public interest.<sup>4</sup> This standard means that it is more likely than not that the acquisition's possible benefits equal or outweigh the possible harm.<sup>5</sup> The Administrative Law Judge's report identified concerns relating to ALLETE's long-term financial health, clean energy transition, rate increases, service quality, and governance.<sup>6</sup> The report, however, did not expressly address the new commitments memorialized in the stipulation. These added commitments are sufficiently beneficial to make the acquisition consistent with the public interest.<sup>7</sup> The Commission should approve the acquisition subject to these agreed-upon commitments as discussed below and in the jointly proposed redlines to section III(C) of the report.<sup>8</sup>

### **I. THE STIPULATION PROVIDES MATERIAL, ENFORCEABLE COMMITMENTS.**

The Administrative Law Judge expressed concern that Petitioners offered an insufficient volume of clearly enforceable affirmative benefits as a counterbalance to potential risks posed by the acquisition.<sup>9</sup> But, as acknowledged in her report, the Administrative Law Judge did not have an opportunity to expressly address requirements memorialized in the stipulation that create new material benefits or are structured to be directly enforceable against the regulated utility.

The stipulation creates meaningful benefits that do not simply restate existing legal obligations. The stipulation requires ALLETE to reduce its return on equity by 13 basis points and

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<sup>4</sup> Minn. Stat. § 216B.50, subd. 1 (2024); Minn. R. 1400.7300, subp. 5.

<sup>5</sup> *Id.*; *City of Lake Elmo v. Metro. Council*, 685 N.W.2d 1, 4 (Minn. 2004).

<sup>6</sup> Report, Findings of Fact ¶¶ 179-80, 187, 211, 228, 266.

<sup>7</sup> Minn. Stat. § 216B.50, subd. 1 (2024).

<sup>8</sup> See Petitioners' Arguments & Exceptions, Attach. B – Joint Redlines to ALJ Report Section III(C) (Aug. 4, 2025).

<sup>9</sup> Report, Findings of Fact ¶¶ 135, 179-80.

waive its right to file a general rate case this year or anytime before November 1, 2026.<sup>10</sup> It also requires Petitioners to contribute \$50 million to a non-recoverable clean firm technology fund.<sup>11</sup> The stipulation further includes provisions that will enhance service quality reporting and penalties for noncompliance.<sup>12</sup> In short, many provisions will provide significant and near-term benefits to ratepayers or will help facilitate ALLETE's energy transition.

Beyond creating meaningful new benefits, the stipulation also is structured to make provisions directly enforceable against the regulated utility where appropriate. For example, the Commission can bar dividend payments unless Petitioners demonstrate that they have complied with their five-year capital commitment.<sup>13</sup> This provision (in the unlikely circumstances it became necessary for the Commission to exercise it) would effectively slow ALLETE's dividend growth rate. Some intervenors made functionally the same recommendation to address ALLETE's capital needs: ALLETE should slow its dividend growth rate and use the retained earnings to help fund its energy transition.<sup>14</sup> The clean firm technology fund provision likewise requires ALLETE to create a regulatory liability that could be recovered in a future ratemaking proceeding to the extent that Petitioners failed to make required contributions.<sup>15</sup> The new service quality provisions also are directly enforceable against ALLETE.<sup>16</sup>

In sum, the stipulation responds to concerns identified by the report about the significance and enforceability of ratepayer benefits offered by Petitioners. Accordingly, the Department recommends that the Commission adopt the following proposed finding:

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<sup>10</sup> See, e.g., Stipulation ¶¶ 1.14 (return on equity reduction), 1.43 (rate case stay-out).

<sup>11</sup> *Id.* ¶ 1.63 (non-recoverable clean firm tech fund).

<sup>12</sup> *Id.* ¶ 1.64 (enhanced service quality reporting and enforcement).

<sup>13</sup> *Id.* ¶ 1.4-1.5.

<sup>14</sup> See, e.g., Ex. OAG-400 at 25 (Lebens Direct).

<sup>15</sup> Stipulation ¶1.63.

<sup>16</sup> *Id.* ¶ 1.64.

180a. After the evidentiary hearing, Petitioners and the Department executed a stipulation in which Petitioners agreed to about 30 new terms relating to capital, governance, ratepayer benefits, service quality, and enforceability. Given these commitments, the stipulation is sufficiently responsive to concerns raised by the Administrative Law Judge and Intervenors regarding the adequacy and enforceability of commitments initially offered by the Petitioners. The stipulation creates significant, material commitments that are largely enforceable against the regulated utility. These commitments will provide meaningful financial and service quality benefits to Minnesota Power's ratepayers and support investments in the utility's clean energy transition. In this way, the stipulation is sufficient to make the acquisition consistent with the public interest with respect to material benefits and enforceability.

## **II. THE STIPULATION HELPS PROTECT ALLETE'S LONG-TERM FINANCIAL HEALTH.**

The report expresses concern that the Partners could cause excess indebtedness or otherwise harm ALLETE's creditworthiness.<sup>17</sup> The stipulation, however, includes numerous provisions intended to monitor ALLETE's financial health and limit distributions that could adversely impact ALLETE's credit rating.

The stipulation memorializes commitments intended to monitor and protect ALLETE's long-term financial health:

- It prohibits ALLETE from making any dividend or distributions to Alloy Parent unless at least one senior unsecured credit rating is investment grade or above.<sup>18</sup>
- It prohibits Petitioners from using utility assets as collateral for debts incurred by Alloy Parent or the Partners.<sup>19</sup>
- It prohibits ALLETE from loaning or borrowing funds from Alloy Parent entities, the Partners, or the Partners' other subsidiaries in effort to insulate ALLETE from a parent bankruptcy.<sup>20</sup>

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<sup>17</sup> Report, Finding of Fact ¶ 211.

<sup>18</sup> Stipulation ¶ 1.6.

<sup>19</sup> *Id.* ¶ 1.16-1.17.

<sup>20</sup> *Id.* ¶ 1.21.

- It prohibits ALLETE from guaranteeing nonutility affiliate obligations.<sup>21</sup>
- It requires Petitioners to obtain and file a non-consolidation opinion helping ensure that ALLETE will not be subject to substantive consolidation with a parent or affiliate's bankruptcy estate.<sup>22</sup>
- It limits ALLETE's ability to make dividend payments or distributions to Alloy Parent unless it maintains an investment grade credit rating.<sup>23</sup>
- It requires ALLETE to make commercially reasonable efforts to remain rated by at least two credit rating agencies.<sup>24</sup>
- It prohibits ALLETE from opting out of being rated by a ratings agency.<sup>25</sup>

Collectively, these terms should help ensure that the Commission retains sufficient oversight into ALLETE's indebtedness and corporate distributions. It also should help alleviate concerns about a parent or affiliate bankruptcy enveloping the regulated utility.

Given these commitments, the Department proposes that the Commission adopt the following finding:

- 221a. The stipulation is responsive to concerns identified by the Administrative Law Judge and Intervenors pertaining to indebtedness and creditworthiness. The agreement limits dividend or distribution payments by ALLETE to Alloy Parent or the Partners when the regulated utility's credit rating is less than credit grade, it places limitations on direct credit support as well as cross default loan provisions. These additional protections, along with the non-consolidation opinion requirement, will help ensure that ALLETE is protected from excessive indebtedness or a bankruptcy elsewhere in Petitioners' corporate structures. The commitments ensure that the acquisition's impacts on ALLETE's long-term financial health are consistent with the public interest.

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<sup>21</sup> *Id.* ¶ 1.22.

<sup>22</sup> *Id.* ¶ 1.20.

<sup>23</sup> *Id.* ¶ 1.9.

<sup>24</sup> *Id.*

<sup>25</sup> *Id.*

### **III. THE STIPULATION IS RESPONSIVE TO CONCERNS RAISED ABOUT RISKS TO ALLETE'S ENERGY TRANSITION.**

The report concludes that the transaction might negatively affect ALLETE's energy transition.<sup>26</sup> The stipulation, however, includes a capital commitment and a unique investment in clean firm technology to facilitate ALLETE's energy transition.

The stipulation responds to concerns that the Partners may not provide sufficient capital to finance ALLETE's energy transition. Under the stipulation, as discussed above, the Commission may bar dividend payments unless Petitioners demonstrate ongoing compliance with their five-year capital commitment.<sup>27</sup> This provision will create strong incentives for the Partners to deliver on their capital obligations to ALLETE. The stipulation also requires Petitioners to contribute \$50 million in investor capital for clean-firm technology investments approved by the Commission.<sup>28</sup> Importantly, this \$50 million fund will not be recoverable from Minnesota ratepayers, defraying energy transition project costs.

Considering these new commitments, the Commission should adopt the following proposed finding:

- 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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<sup>26</sup> Report, Finding of Fact ¶ 187.

<sup>27</sup> Stipulation ¶¶ 1.4-1.5.

<sup>28</sup> *Id.* ¶ 1.63.

#### IV. THE STIPULATION RESPONDS TO CONCERNS ABOUT ADVERSE RATEPAYER IMPACTS.

The report identifies as a potential risk that Petitioners will pursue rate increases that could negatively impact ALLETE's customers.<sup>29</sup> It also posits that the Partners could detrimentally impact ALLETE's service quality.<sup>30</sup> To mitigate these concerns, the stipulation includes provisions responsive to both issues.

##### A. The Stipulation Provides Customers with Financial Benefits.

The stipulation provides several meaningful financial benefits for ALLETE's regulated utility customers in Minnesota. First, the stipulation requires Minnesota Power to waive its right to file a rate case before November 1, 2026.<sup>31</sup> This provision almost certainly will deliver financial benefits for customers. In ALLETE's last four rate cases, it obtained sizeable interim rate increases as shown in the table below:

Rate Case Docket	Interim Rate Increase	Total Request
E-015/GR-16-664	\$34.6 million (5.6%)	\$55.1 million (9.1%) <sup>32</sup>
E-015/GR-19-442	\$36.1 million (5.8%)	\$65.9 million (10.6%) <sup>33</sup>
E-015/GR-21-335	\$87.3 million (14.23%) <sup>34</sup>	\$108.3 million (17.6%) <sup>35</sup>
E-015/GR-23-155	\$102.6 million (13.8%)	\$127.9 million (17.25%) <sup>36</sup>

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<sup>29</sup> Report, Finding of Fact ¶ 222.

<sup>30</sup> *Id.*, Finding of Fact ¶ 228.

<sup>31</sup> Stipulation ¶ 1.43.

<sup>32</sup> *In re Minn. Power's Appl. for Auth. to Increase Rates for Elec. Serv. in Minn.*, Docket No. E-015/GR-16-664, ORDER SETTING INTERIM RATES at 1 (Dec. 30, 2016) (eDocket No. 201612-127718-01).

<sup>33</sup> *In re Minn. Power's Appl. for Auth. to Increase Rates for Elec. Serv. in Minn.*, Docket No. E-015/GR-19-442, ORDER SETTING INTERIM RATES at 4 (Dec. 23, 2019) (eDocket No. 201912-158586-01).

<sup>34</sup> ALLETE agreed to limit the interim rate increase to 7.11% for residential class customers. *In re Minn. Power's Appl. for Auth. to Increase Rates for Elec. Serv. in Minn.*, Docket No. E-015/GR-21-335, ORDER SETTING INTERIM RATES at 4-5 (Dec. 30, 2021) (eDocket No. 202112-181086-03).

<sup>35</sup> *Id.*

<sup>36</sup> *In re Minn. Power's Appl. for Auth. to Increase Rates for Elec. Serv. in Minn.*, Docket No. E-015/GR-23-155, ORDER SETTING INTERIM RATES at 1, 3 (Dec. 19, 2023) (eDocket No. 202112-181086-03).

While a one-year rate case stay-out's exact value depends on the size of the utility's claimed revenue deficiency and the final rates ultimately approved by the Commission, experience suggests that the stay-out will be meaningful.

Second, the stipulation requires ALLETE to reduce its authorized return on equity ("ROE") by 13 basis points from 9.78% to 9.65%, and adjust its rates the month after the acquisition closes and the Commission's approval order becomes final.<sup>37</sup> For perspective, a single basis point was annually worth about \$182,000 during ALLETE's last rate case.<sup>38</sup> ALLETE's ROE would remain fixed until the Commission set final rates in a future rate case, which would likely take ten to thirteen months to resolve.<sup>39</sup> As a result, assuming a November 2026 rate case filing, customers would likely benefit from the ROE reduction until late 2027 or early 2028.

Third, the stipulation requires ALLETE to promptly return land-sale revenues owed to customers.<sup>40</sup> Since October 2021, ALLETE has sold about \$75.4 million worth of land that was previously included in utility rate base.<sup>41</sup> The stipulation requires ALLETE to begin timely returning these funds to customers.<sup>42</sup> While these revenues were always owed back to customers, the stipulation ensures that customers no longer lose the time value of their money by having ALLETE indefinitely hold it. In addition, the stipulation creates a process for timely returning

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<sup>37</sup> Stipulation ¶ 1.14.

<sup>38</sup> *In re Minn. Power's Appl. for Auth. to Increase Rates for Elec. Serv. in Minn.*, Docket No. E-015/GR-23-155, Direct Testimony of Craig Addonizio at 37 (Mar. 18, 2024) (eDocket No. 20243-204451-01).

<sup>39</sup> Minn. Stat. § 216B.16, subd. 2(a), (f).

<sup>40</sup> Stipulation ¶ 1.45.

<sup>41</sup> *In re Minn. Power's Petition for Land Sales Approval*, Docket No. E015/PA-20-675, Compliance Filing at 2 (Oct. 15, 2024) (eDocket No. 202411-211811-01).

<sup>42</sup> Stipulation ¶ 1.45.



future land-sale revenues to customers.<sup>43</sup> Resolving the land-sales issue financially benefits customers.

**B. The Stipulation Enhances Service Quality Protections.**

Besides providing new financial benefits, the stipulation requires ALLETE to meet more stringent 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.<sup>44</sup> If ALLETE fails to meet these standards, following an implementation period, the utility will need to make non-recoverable \$250,000 underperformance payments.<sup>45</sup> This, again, will encourage ALLETE to ensure that its service quality remains strong.

Given these commitments, the Department recommends that the Commission adopt the following proposed findings:

- 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.
- 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 non-recoverable \$250,000 underperformance payment for each violation. These requirements, memorialized in the stipulation, will

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<sup>43</sup> *Id.* ¶ 1.46.

<sup>44</sup> *Id.* ¶ 1.64.

<sup>45</sup> *Id.*

sufficiently protect service quality rendering the acquisition consistent with the public interest.

**V. THE STIPULATION IMPROVES ALLETE’S PREVIOUSLY PROPOSED POST-ACQUISITION GOVERNANCE STRUCTURE.**

The report concludes that the proposed governance structure fails to adequately balance owners, ratepayers, and community needs and interests.<sup>46</sup> But the stipulation includes material changes responsive to these governance concerns.

The stipulation requires Petitioners to make improvements to ALLETE’s contemplated post-acquisition governance structure. The stipulation requires Petitioners to create a fourteen-member board for ALLETE.<sup>47</sup> The Partners will select ten directors based on their respective ownership interests.<sup>48</sup> The Partners will select another three directors by agreement.<sup>49</sup> And ALLETE’s CEO will be the final director.<sup>50</sup> Of the thirteen non-CEO directors, six must meet the New York Stock Exchange’s independence definition. The Partners will appoint the remaining seven directors to represent their respective interests consistent with their fiduciary obligations to ALLETE under Minnesota law.<sup>51</sup> In sum, there will be seven Partner directors and seven directors not employed by GIP or CPPIB, six of whom will meet a formal independence definition. The stipulation further requires that a majority of independent directors vote to place ALLETE into voluntary bankruptcy.<sup>52</sup>

These changes are material improvements relative to Petitioners’ original proposal that the Administrative Law Judge reviewed. These unaffiliated directors will provide an independent

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<sup>46</sup> Report, Finding of Fact ¶ 266.

<sup>47</sup> Stipulation ¶ 1.23(b).

<sup>48</sup> *Id.* ¶ 1.23(b)(vi).

<sup>49</sup> *Id.*

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

<sup>51</sup> *Id.* ¶¶ 1.23(b)(i), 1.25; Ex. DOC-305 (describing NYSE director independence requirements).

<sup>52</sup> Stipulation ¶ 1.28.

perspective on ALLETE's board. They will help protect ALLETE's long-term value by helping to ensure board decisions are made on the merits, rather than on extraneous considerations such as short-term financial performance. They also will bring greater objectivity and neutrality to management decisions. Additionally, the bankruptcy provision will provide more protection against any effort to liquidate assets used to provide regulated utility service.

Given the stipulation's timing, the Administrative Law Judge did not have an opportunity to meaningfully consider or expressly address the benefits of these governance changes. Given these changed circumstances, the Department respectfully requests that the Commission adopt the following proposed finding:

- 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.

## **CONCLUSION**

The Department appreciates the Administrative Law Judge's comprehensive review of the evidentiary record. Because the stipulation was only finalized two business days before the report was due, the Administrative Law Judge did not have an opportunity to review it in great detail or substantively address it. Because the stipulation is broadly responsive to many key concerns

discussed in the report, the Commission should find that the acquisition is consistent with the public interest subject to the agreed-upon conditions.

Dated: August 4, 2025

Respectfully submitted,

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