

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

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

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**FINDINGS OF FACT,
CONCLUSIONS OF LAW,
AND RECOMMENDATIONS**

In October 2024, the Minnesota Public Utilities Commission (Commission) referred this matter to the Office of Administrative Hearings (OAH) for a contested-case proceeding on a petition filed by Minnesota Power. Minnesota Power seeks Commission approval for the proposed acquisition of ALLETE, Inc., d/b/a Minnesota Power by entities controlled by the Canada Pension Plan Investment Board (CPP Investments) and Global Infrastructure Partners (GIP)¹ pursuant to Minn. Stat. § 216B.50 (2024) (the Acquisition).²

This matter came before Administrative Law Judge Megan J. McKenzie for an evidentiary hearing on April 1, 2, and 3, 2025. Public hearings were held virtually on January 10 and April 10, 2025, and in person in Cloquet and Duluth, Minnesota on April 7, 2025, Eveleth and Cohasset, Minnesota on April 8, 2025, and Little Falls, Minnesota on April 11, 2025. The record closed on May 29, 2025, with the filing of reply briefs.

The following appearances were made on behalf of the Parties to this proceeding, as of the close of the record:

Elizabeth Brama and Kodi Verhalen, Taft Law Firm; Matthew R. Brodin, Attorney, ALLETE, Inc., appeared on behalf of Minnesota Power (MP).

Ryan Barlow and Dan Lipschultz, Moss and Barnett; Brian E. Kowalski, Latham & Watkins LLP; Anna G. Rotman, Kirkland & Ellis LLP, appeared on behalf of CPP Investments and GIP.

Richard Dornfeld and Katherine Arnold, Assistant Attorneys General, appeared on behalf of the Minnesota Department of Commerce (Department).

¹ Throughout this document, CPP Investments and GIP will be referred to jointly as the “Partners.” ALLETE, Inc. d/b/a Minnesota Power and the Partners will be referred to collectively as “Petitioners.”

² Exhibit (Ex.) MP-1 (Initial Filing – Petition for Approval) (eDocket No. [20247-208768-01](#)); Ex. MP-2 (Initial Filing – Petition for Approval) (eDocket No. [20247-208768-02](#)) (TS); MP-44 (Initial Filing and Rebuttal Second Errata) (Petition, Bram, and Lapson)) (eDocket No. [20253-216899-01](#)).

Peter Scholtz and Katherine Hinderlie, Assistant Attorneys General, appeared on behalf of the Minnesota Office of Attorney General - Residential Utilities Division (OAG-RUD).

Andrew Moratzka, Amber Lee, and Eden Fauré, Stoel Rives, appeared on behalf of the Large Power Intervenors (LPI).

Hudson Kingston and Sarah Mooradian, Attorneys, appeared on behalf of CURE (CURE).

Brian Edstrom, Attorney, appeared on behalf of the Citizens Utility Board of Minnesota (CUB).

Kristin Henry and Patrick Woolsey, Attorneys, appeared on behalf of the Sierra Club.

Kristin Renskers, Will Keyes, and Eric Berube, Business Representatives, participated on behalf of International Brotherhood of Electrical Workers Local Union 31 (IBEW).

Kevin Pranis, Marketing Manager, appeared on behalf of the Laborers' International Union of North America District Council of Minnesota and North Dakota (LIUNA).

Charles Sutton, Representative, appeared on behalf of the International Union of Operating Engineers Local 49 (Local 49) and North Central States Regional Council of Carpenters (NCSRCC).

George Shardlow, Executive Director, participated on behalf of the Energy CENTS Coalition (ECC).

Robert Manning and Jorge Alonso participated on behalf of Commission Staff.

STATEMENT OF THE ISSUES

On October 7, 2024, the Commission issued its Order Requiring Additional Information and Granting Intervention, and Notice of and Order for Hearing in this Docket,³ referring the matter to the OAH to develop the record on the following issues:

³ *In the Matter of the Petition of Minnesota Power for Acquisition of ALLETE by Canda Pension Plan Investment Board and Global Infrastructure Partners*, Docket No. E015/PA-24-198, ORDER REQUIRING ADDITIONAL INFORMATION AND GRANTING INTERVENTION, AND NOTICE OF AND ORDER FOR HEARING (Oct. 7, 2024) (Order) (eDocket No. [202410-210754-01](#)).

1. Are there any potential harms to the public interest from the proposed transaction, including in relation to cost or risk?
2. Are there any potential benefits to ratepayers, the State of Minnesota, or the public interest from the proposed transaction?
3. Considering all relevant factors and applicable law, is the proposed transaction consistent with the public interest?
4. Are there regulatory requirements or commitments necessary to render the proposed transaction consistent with the public interest?
5. How do relevant and related dockets pending before the Federal Energy Regulatory Commission, Public Service Commission of Wisconsin, and/or other state, federal, or foreign government agencies impact the Commission's consideration of the proposed transaction?
6. How will the acquisition impact MP's union and non-union workforce and do the protections included in the acquisition agreement adequately protect that workforce?
7. How will the acquisition impact Minnesota Power's ability to comply with the carbon-free standard under Minn. Stat. § 216B.1691 (2024), including any modifications of plans associated with the Nemadji Trail Energy Center?

SUMMARY OF RECOMMENDATION

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.

FINDINGS OF FACT

I. PROCEDURAL HISTORY

1. On July 19, 2024, Minnesota Power filed a petition (Petition) seeking the Minnesota Public Utilities Commission's (Commission) approval for the proposed acquisition of ALLETE, Inc., d/b/a Minnesota Power by entities controlled by the Partners pursuant to Minn. Stat. § 216B.50.⁴

⁴ Ex. MP-1 (Initial Filing – Petition for Approval) (eDocket No. [20247-208768-01](#)); Ex. MP-2 (Initial Filing – Petition for Approval) (eDocket No. [20247-208768-02](#)) (TS); MP-44 (Initial Filing and Rebuttal Second Errata) (Petition, Bram, and Lapson)) (eDocket No. [20253-216899-01](#)).

2. On July 23, 2024, the Commission issued a Notice of Comment Period on Minnesota Power's Petition.⁵

3. On August 19, 2024, (CUB), LPI, IBEW, the DOC, and the OAG-RUD filed comments on Minnesota Power's Petition.⁶ LPI also petitioned to intervene.⁷

4. On August 26, 2024, Minnesota Power and CUB filed reply comments on Minnesota Power's Petition.⁸ Local 49 and NCSRCC also filed comments on Minnesota Power's Petition.⁹

5. On August 29, 2024, LIUNA filed reply comments on MP's Petition.¹⁰

6. On August 30, 2024, the ECC filed comments on Minnesota Power's Petition.¹¹

7. On September 6, 2024, the Commission issued a Notice of Commission Meeting scheduling the decision on various procedural issues associated with Minnesota Power's Petition for the September 19, 2024 Agenda Meeting.¹²

8. On September 9, 2024, CURE petitioned to intervene.¹³

9. On September 11, 2024, the Commission Staff issued Briefing Papers on Minnesota Power's Petition.¹⁴

10. On September 13, 2024, ECC petitioned to intervene.¹⁵

11. On September 16, 2024, Minnesota Power filed a report to update the Commission on the shareholder approval of the Acquisition.¹⁶

12. On September 17, 2024, the Commission Staff issued additional Briefing Papers, including new Decision Options.¹⁷

⁵ Notice of Comment Period (July 23, 2024) (eDocket No. [20247-208866-01](#)).

⁶ See Comments of CUB (Aug. 19, 2024) (eDocket No. [20248-209629-02](#)); LPI Initial Comment (Aug. 19, 2024) (eDocket No. [20248-209621-02](#)) Comments of IBEW (Aug. 19, 2024) (eDocket No. [20248-209614-01](#)); Comments of the Department (Aug. 19, 2024) (eDocket No. [20248-209601-01](#)); and Comments of the OAG (Aug. 19, 2024) (eDocket No. [20248-209588-02](#)).

⁷ LPI Petition to Intervene (Aug. 19, 2024) (eDocket No. [20248-209621-03](#)).

⁸ Ex. MP-4 (Reply Comments) (eDocket No. [20248-209786-01](#)); CUB Reply Comments (Aug. 26, 2024) (eDocket No. [20248-209785-02](#)).

⁹ Comments from IUOE and NCSRCC (Aug. 26, 2024) (eDocket No. [20248-209781-01](#)).

¹⁰ LIUNA Reply Comments (Aug. 29, 2024) (eDocket No. [20248-209852-01](#)).

¹¹ ECC Comments (Aug. 30, 2024) (eDocket No. [20248-209888-01](#)).

¹² Notice of Commission Meeting (Sep. 6, 2024) (eDocket No. [20249-210007-07](#)).

¹³ Petition to Intervene of CURE (Sep. 9, 2024) (eDocket No. [20249-210067-01](#)).

¹⁴ Staff Briefing Papers (Sep. 11, 2024) (eDocket No. [20249-210143-01](#)).

¹⁵ Petition to Intervene of ECC (Sep. 13, 2024) (eDocket No. [20249-210211-01](#)).

¹⁶ Ex. MP-5 (Shareholder Approval Update) (eDocket No. [20249-210246-01](#)).

¹⁷ Sieben New Decision Options (Sep. 17, 2024) (eDocket No. [20249-210277-01](#)).

13. On September 18, 2024, the Department filed a letter regarding the scheduling decision options contained in the Commission Staff Briefing Papers.¹⁸ LIUNA and IBEW also petitioned to intervene.¹⁹ Further, IBEW filed comments on the Commission Staff Briefing Papers.²⁰

14. On October 7, 2024, the Commission issued an Order on various procedural issues associated with Minnesota Power's Petition. In the Order, the Commission directed Minnesota Power to supplement its Petition by October 8, 2024 with certain information related to the acquisition of certain interests in GIP by BlackRock, Inc. (BlackRock) and referred the matter the Office of Administrative Hearings (OAH) for contested case proceedings to develop certain issues on the record.²¹ The Commission also granted intervention to CUB, CURE, ECC, LPI, IBEW, and LIUNA.²²

15. On October 8, 2024, Minnesota Power supplemented its Petition pursuant to the Commission's October 7, 2024 Order.²³

16. On October 28, 2024, the Administrative Law Judge issued a First Prehearing Order that included the following events and deadlines:²⁴

Deadline for Submission of Proposed Protective Order	November 15, 2024
Deadline for Petitioner Direct Testimony	December 12, 2024
Deadline for Intervenor Direct Testimony	February 4, 2025
Deadline for Rebuttal Testimony	March 4, 2025
Deadline for Surrebuttal Testimony	March 25, 2025
All Parties File Final Witness List and Exhibit List	March 27, 2025
Initial Briefs	May 1, 2025
Reply Brief and Proposed Findings of Facts	May 29, 2025
ALJ Report Issued	July 15, 2025

17. On November 14, the Parties submitted (i) a joint proposed Protective Order and (ii) a joint proposed Protective Order for Highly Confidential Trade Secret Data (the HCTS Protective Order).

18. On November 15, 2024, Sierra Club and IUOE and NCSRCC petitioned to intervene.²⁵

¹⁸ MP Acquisition Docket – Decision Option 11 Letter (Sep. 18, 2024) (eDocket No. [20249-210304-01](#)).

¹⁹ LINUA Petition for Intervention (Sep. 18, 2024) (eDocket No. [20249-210294-02](#)); Petition to Intervene by IBEW (Sep. 18, 2024) (eDocket No. [20249-210320-01](#)).

²⁰ IBEW Reply Comments (Sep. 18, 2024) (eDocket No. [20249-210321-01](#)).

²¹ Order Requiring Additional Information and Granting intervention, and Notice of and Order for Hearing (Oct. 7, 2024) (eDocket No. [202410-210754-01](#)). The issues to be addressed are set forth in Section V.

²² *Id.*

²³ Ex. MP-6 (Supplemental Filing) (eDocket No. [202410-210823-01](#)).

²⁴ First Prehearing Order (October 28, 2024) (eDocket No. [202410-211370-01](#)).

²⁵ Petition to Intervene of Sierra Club (Nov. 15, 2024) (eDocket No. [202411-212020-01](#)); IUOE and NCSRCC Joint Petition for Intervention (Nov. 15, 2024) (eDocket No. [202411-211967-02](#)).

19. On December 5, 2024, the ALJ issued the Protective Order.²⁶
20. On December 12, 2024, Minnesota Power and the Partners filed Direct Testimony supporting Minnesota Power's Petition.²⁷
21. On December 16, 2024, the ALJ issued the HCTS Protective Order.²⁸
22. On December 19, 2024, the ALJ issued a Second Prehearing Order.²⁹ The ALJ also granted intervention to Sierra Club and IUOE and NCSRCC.³⁰
23. On December 23, 2024, Minnesota Power filed the December 19, 2024 Federal Energy Regulatory Commission (FERC) Order approving the Acquisition.³¹
24. On December 31, 2024, the ALJ issued a Third Prehearing Order scheduling a virtual public hearing in this matter for January 10, 2025.³²
25. On January 6, 2025, Minnesota Power submitted electronic copies of notices provided by Minnesota Power and the Commission relating to the January 10, 2025 public hearing.³³
26. On January 10, 2025, a virtual public hearing on the Acquisition was held.
27. On February 3, 2025, based on consultation with the Parties and Commission Staff, Minnesota Power submitted a proposed public hearing schedule.³⁴
28. On February 4, 2025, LPI, LIUNA, IBEW, CUB, the Department, the OAG, Sierra Club, and CURE filed Direct Testimony.³⁵

²⁶ Protective Order and Protective Order for Trade Secret Data (December 12, 2024) (eDocket No. [202412-212750-01](#)).

²⁷ Exs. MP-9 (Cady Direct) (eDocket No. [202412-212968-03](#)); MP-10 (Scissons Direct) (eDocket No. [202412-212968-04](#)); MP-11 (Taran Direct) (eDocket No. [202412-212968-05](#)); MP-12 (Quackenbush Direct) (eDocket No. [202412-212972-01](#)); MP-13 (Alley Direct) (eDocket No. [202412-212968-10](#)); MP-14 (Bram Direct) (eDocket No. [202412-212968-09](#)); MP-15 (Anderson Direct) (eDocket No. [202412-212968-06](#)); MP-16 (Lapson Direct) (eDocket No. [202412-212973-01](#)); MP-17 (Krollman Direct) (eDocket No. [202412-212968-08](#)); MP-18 (Skelton Direct) (eDocket No. [202412-212968-07](#)); and MP-19 (Bulkley Direct) (eDocket No. [202412-212968-11](#)); MP-23 Direct Testimony Errata Filing (Bram and Scissons) (eDocket No. [20251-214388-01](#)).

²⁸ Protective Order for Highly Confidential Trade Secret Data (Dec. 16, 2024) (eDocket No. [202412-212992-01](#)).

²⁹ Second Prehearing Order (December 19, 2024) (eDocket No. [202412-213220-01](#)).

³⁰ Orders Granting Petitions to Intervene for the Sierra Club, IUOE and NCSRCC (Dec. 19, 2024) (eDocket No. [202412-213211-01](#)).

³¹ Ex. MP-21 (FERC Order Letter) (eDocket No. [202412-213310-01](#)).

³² Third Prehearing Order (December 31, 2024) (eDocket No. [202412-213440-01](#)).

³³ Ex. MP-22 (Evidence of Notice of the January 10 Hearing) (eDocket No. [20251-213579-01](#)).

³⁴ Ex. MP-24 (Proposed Public Hearing Schedule) (eDocket No. [20252-214872-01](#)).

³⁵ Exs. LPI-1001 (Walters Direct) (eDocket No. [20252-214957-02](#)); LPI-1002 (Walters Direct HCTS) (eDocket No. [20253-216809-02](#)); LIUNA-851 (Bryant Direct) (eDocket No. [20252-214955-01](#)); IBEW-801

29. On February 6, 2025, the Judge issued an Order Scheduling Public Hearings.³⁶

30. On February 7, 2025, the Partners filed a letter notifying the Judge that CUB's witness, Scott Hempling, committed multiple breaches of the HCTS Protective Order with respect to certain Partner HCTS data.³⁷

31. On February 10, 2025, CUB filed a response to the Partners' February 7, 2025 letter, confirming the disclosure identified in the Partners' February 7, 2025 letter.³⁸

32. On February 13, 2025, the Department filed a motion to compel discovery of certain redacted data and lift certain HCTS designations (Department's Motion to Compel).³⁹

33. On February 14, 2025, the Partners filed a Notice of Motion and Motion to Revoke Access and Strike Direct Testimony of Scott Hempling (Motion to Strike).⁴⁰

34. On February 25, 2025, CUB filed a response to the Partners' Motion to Strike, in which CUB chose to withdraw Scott Hempling's Direct Testimony and exclude it from the record.⁴¹

35. On February 27, 2025, LPI filed a response in support of the Department's Motion to Compel.⁴²

36. On February 28, 2025, the OAG filed a response in support of the Department's Motion to Compel.⁴³

(Keyes Direct) (eDocket No. [20252-214950-02](#)); CUB-505 (Jester Direct) (eDocket No. [20252-214944-03](#)); DOC-301 (Vavro Direct) (eDocket Nos. [20252-214941-03 \(Public\)](#), [20252-214941-04 \(TS\)](#), [20252-214942-02 \(HCTS\)](#)); DOC-303 (Addonizio Direct) (eDocket Nos. [20252-214941-01 \(Public\)](#), [20252-214941-02 \(TS\)](#), [20252-214942-01 \(HCTS\)](#)); OAG-400 (Lebens Direct) (eDocket No. [20252-214937-02](#)); OAG-401 (Lebens Direct HCTS) (eDocket No. [20252-214940-02](#)); Sierra Club-1100 (Lane Direct) (eDocket No. [20252-214960-01](#)); CURE-601 (Ellis Direct) (eDocket Nos. [20252-214963-09 \(Public\)](#), [20252-214952-07 \(HCTS\)](#)); and CURE-602 (Baker Direct) (eDocket Nos. [20252-214963-04 \(Public\)](#), [20252-214952-03 \(HCTS\)](#)). CUB also filed the Direct Testimony of Scott Hempling, but his testimony was withdrawn before the evidentiary hearing.

³⁶ Order Scheduling Public Hearings (Feb. 6, 2025) (eDocket No. [20252-215031-01](#)).

³⁷ CPPIB-GIP February 7, 2025 Letter to ALJ (Feb. 7, 2025) (eDocket No. [20252-215110-01](#)).

³⁸ CUB February 10, 2025 Letter to ALJ (Feb. 10, 2025) (eDocket No. [20252-215160-01](#)).

³⁹ DOC Motion to Compel Discover and Lift HCTS Designations (Feb. 13, 2025) (eDocket No. [20252-215370-01](#)).

⁴⁰ CPPIB-GIP Motion to Strike (Feb. 14, 2025) (eDocket Nos. [20252-215428-02](#)) (Public), [20252-215428-01 \(TS\)](#).

⁴¹ CUB's Response to Motion to Strike (Feb. 25, 2025) (eDocket No. [20252-215767-02](#)).

⁴² LPI Response in Support of Motion to Compel Discover and Lift HCTS Designations (Feb. 27, 2025) (eDocket No. [20252-215830-02](#)).

⁴³ OAG Response in Support of Motion to Compel Discover and Lift HCTS Designations (Feb. 28, 2025) (eDocket No. [20252-215888-02](#)).

37. On March 3, 2025, Scott Hempling filed a letter responding to the Partners' Motion to Strike.⁴⁴ The Judge also issued an Order allowing Scott Hempling to file his letter.⁴⁵ Further, the Partners filed a response in opposition to the Department's Motion to Compel.⁴⁶

38. On March 4, 2025, Minnesota Power, the Partners, and LIUNA filed Rebuttal Testimony.⁴⁷

39. On March 7, 2025, the Partners filed a letter responding to Scott Hempling's March 3, 2025 letter, which clarified their request for relief.⁴⁸

40. On March 11, 2025, the OAG filed a letter in opposition to the Partners' March 7, 2025 letter.⁴⁹ The Judge also issued an Order for in Camera Inspection of the documents at issue in the Department's Motion to Compel.⁵⁰

41. On March 12, 2025, the Judge issued an Order Rescheduling Public Hearing.⁵¹ The Judge also issued an Order on the Partners' Motion to Strike.⁵²

42. On March 17, 2025, the OAG filed a Notice of Motion and Motion to Lift Trade Secret Designation regarding certain Minnesota Power responses to information requests (OAG's Motion to Lift Trade Secret Designation).⁵³

43. On March 18, 2025, the ALJ issued an Order on the Department's Motion to Compel requiring production of certain documents.⁵⁴

⁴⁴ Hempling March 3, 2025 Letter to ALJ (March 3, 2025) (eDocket No. [20253-216007-01](#)).

⁴⁵ Order Allowing Letter (March 3, 2025) (eDocket No. [20253-215996-01](#)).

⁴⁶ CPPIB-GIP Response in Opposition of Motion to Compel Discover and Lift HCTS Designations (March 3, 2025) (eDocket No. [20252-215940-01](#)).

⁴⁷ Exs. MP-27 (Cady Rebuttal) (eDocket No. [20253-216055-03](#)); MP-28 (Scissons Rebuttal) (eDocket No. [20253-216055-04](#)); MP-29 (Taran Rebuttal) (eDocket No. [20253-216055-05](#)); MP-30 (Quackenbush Rebuttal) (eDocket No. [20253-216055-12](#)); MP-31 (Alley Rebuttal) (eDocket No. [20253-216055-09](#)); [MP-32 \(Alley Rebuttal HCTS\) \(eDocket No. 20253-216056-04\)](#); MP-33 (Bram Rebuttal) (eDocket No. [20253-216055-08](#)); [MP-34 \(Bram Rebuttal HCTS\) \(eDocket No. 20253-216056-03\)](#); MP-35 (Anderson Rebuttal) (eDocket No. [20253-216055-06](#)); MP-36 (Lapson Rebuttal) (eDocket No. [20253-216055-11](#)); MP-37 (Krollman Rebuttal) (eDocket No. [20253-216055-07](#)); MP-38 (Bulkley Rebuttal) (eDocket No. [20253-216055-10](#)); [MP-39 \(Bulkley Rebuttal HCTS\) \(eDocket No. 20253-216056-05\)](#); and LIUNA-853 (Bryant Rebuttal) (eDocket No. [20253-216057-01](#)); MP-44 Initial Filing and Rebuttal Second Errata (Petition, Bram, and Lapson) (eDocket No. [20253-216899-01](#)).

⁴⁸ CPPIB-GIP March 7, 2025 Letter to ALJ (March 7, 2025) (eDocket No. [20253-216161-01](#)).

⁴⁹ OAG March 11, 2025 Letter to ALJ (March 11, 2025) (eDocket No. [20253-216293-01](#)).

⁵⁰ Order for In Camera Inspection (March 11, 2025) (eDocket No. [20253-216288-01](#)).

⁵¹ Order Rescheduling Public Hearings (March 12, 2025) (eDocket No. [20253-216314-01](#)).

⁵² Order on Motion (March 12, 2025) (eDocket No. [20253-216304-01](#)).

⁵³ OAG Motion to Lift Trade Secret Designations (March 17, 2025) (eDocket Nos. [20253-216485-02](#) (Public), 20253-216485-03 (TS)).

⁵⁴ Order on Motion to Compel (March 18, 2025) (eDocket No. [20253-216543-01](#)).

44. On March 25, 2025, Minnesota Power, the Partners, IBEW, LPI, Sierra Club, CUB, the Department, ECC, and the OAG filed Surrebuttal Testimony.⁵⁵ The Department also filed a memorandum in support of the OAG's Motion to Lift Trade Secret Designation.⁵⁶

45. On March 26, 2025, CURE and the Department filed Surrebuttal Testimony.⁵⁷

46. On March 31, 2025, Minnesota Power filed a response in opposition to the OAG's Motion to Lift Trade Secret Designation.⁵⁸

47. The evidentiary hearing was held on April 1, 2, and 3, 2025.

48. Public hearings were held virtually on January 10 and April 10, 2025, and in person in Cloquet and Duluth, Minnesota on April 7, 2025, Eveleth and Cohasset, Minnesota on April 8, 2025, and Little Falls, Minnesota on April 11, 2025.

49. On April 18, 2025, based on discussions occurring on the record in the evidentiary hearing, Minnesota Power and the Partners filed Response Testimony to Hearing Exhibit OAG-412.⁵⁹

II. BACKGROUND

A. Utility Financing

50. Electric utilities are capital-intensive businesses. The provision of safe and reliable utility service requires significant amounts of long-lived physical infrastructure. Transmission lines, for example, may remain in service for 60 years or longer, and wind turbines have 25- to 35-year operating lives.⁶⁰

⁵⁵ Exs. MP-40 (Cady Surrebuttal) (eDocket No. [20253-216810-02](#)); MP-41 (Bram Surrebuttal) (eDocket No. [20253-216810-03](#)); DOC-304 (Addonzio Surrebuttal) (eDocket Nos. [20253-216799-01 \(Public\)](#), [20253-216799-02 \(TS\)](#), [20253-216801-01 \(HCTS\)](#)); OAG-402 (Lebens Surrebuttal) (eDocket No. [20253-216790-02](#)); OAG-403 (Lebens Surrebuttal TS) (eDocket No. [20253-216790-03](#)); CUB-506 (Jester Direct) (eDocket No. [20253-216800-02](#)); LPI-1003 (Walters Surrebuttal) (eDocket No. [20253-216807-02](#)); LPI-1004 (Walters Surrebuttal HCTS) (eDocket No. [20252-214959-02](#)); ECC-700 (Shardlow Surrebuttal) (eDocket No. [20253-216797-01](#)); Sierra Club-1001 (Lane Surrebuttal) (eDocket No. [20253-216796-01](#)) (Public), [20253-216798-01](#) (HCTS); and IBEW-802 (Keyes Surrebuttal) (eDocket No. [20253-216812-02](#)).

⁵⁶ OAG Memorandum in Support of OAG's March 17 Motion (March 25, 2025) (eDocket No. [20253-216782-01](#)).

⁵⁷ DOC-302 (Vavro Surrebuttal) (eDocket No. [20253-216835-01](#)); CURE-602 (Baker Surrebuttal) (eDocket Nos. [20253-216819-03](#) (Public), [20253-216818-02](#) (HCTS)); CURE-603 (Ellis Surrebuttal) (eDocket Nos. [20253-216834-02](#) (Public), [20253-216838-02](#) (HCTS)).

⁵⁸ Minnesota Power Response to OAG Motion (March 31, 2025) (eDocket No. [20253-217020-01](#)).

⁵⁹ Exs. MP-60 (Cady Response Testimony) (eDocket No. [20254-217895-01](#)); MP-61 (Cady Response Testimony HCTS) (eDocket No. [20254-217896-02](#)); CPPIB-GIP-206 (Bram Response Testimony) (eDocket No. [20254-217895-02](#)); CPPIB-GIP-207 (Bram Response Testimony HCTS) (eDocket No. [20254-217896-03](#)).

⁶⁰ Ex. DOC-303 at 10 (Addonzio Direct) (eDocket No. [20252-214941-01](#)).

51. Utilities recover the costs of these assets from ratepayers over the assets' operating life, rather than upfront. Because utilities cannot fund new capital projects with money provided by ratepayers, they must obtain the needed capital from investors. Funds sourced from capital markets bridge the gap between when utilities need capital to pay for a new project, and when ratepayers pay for the project.⁶¹

52. Investors typically will not provide capital unless the utility offers a sufficient return on that capital. The return compensates the investor for the opportunity cost of forgoing alternative spending and for assuming the risk associated with the investment.⁶²

53. Rates of return are to be determined by the forces of supply and demand in competitive environments.⁶³ Because utilities are not subject to market competition, regulatory agencies set prices and rates of return that ensure utilities provide an appropriate supply of satisfactory services at reasonable rates.⁶⁴

54. In rate case proceedings, regulatory agencies generally attempt to set rates for utility service that reflect a reasonable estimate of the utility's cost of service, referred to as a "revenue requirement." A revenue requirement is the approximate amount of money that a utility needs to collect from customers to pay all costs of service including a reasonable return for its investors. It can be expressed using the formula shown below.⁶⁵

$$\text{Revenue Requirement} = \text{Rate of Return} \times \text{Rate Base} + \text{Expenses} + \text{Taxes}$$

55. Companies, including utilities, fund their operations with a mix of short-term debt, long-term debt, and equity. Each type of financing has a different level of associated risk, and therefore, investors demand a different rate of return for each. Short-term debt is the least risky for investors, and as a result has the lowest required rate of return. Equity is the riskiest of the three and has the highest required rate of return. Long-term debt falls between the other two.⁶⁶

56. The overall rate of return for a company is the average of the required rate of return for each of these financing sources, weighted by the amount of each financing type the utility uses, and is otherwise known as the weighted average cost of capital (WACC), or just the "cost of capital." The table below presents the components of the overall rate of return approved in Minnesota Power's most recent rate case as an example.⁶⁷

⁶¹ Ex. DOC-303 at 10 (Addonizio Direct) (eDocket No. [20252-214941-01](#)).

⁶² Ex. DOC-303 at 11 (Addonizio Direct) (eDocket No. [20252-214941-01](#)).

⁶³ Ex. DOC-303 at 11-12 (Addonizio Direct) (eDocket No. [20252-214941-01](#)).

⁶⁴ Ex. DOC-303 at 12 (Addonizio Direct) (eDocket No. [20252-214941-01](#)).

⁶⁵ Ex. DOC-303 at 13 (Addonizio Direct) (eDocket No. [20252-214941-01](#)).

⁶⁶ Ex. DOC-303 at 14 (Addonizio Direct) (eDocket No. [20252-214941-01](#)); see also Ex. MP-11 at 10 (Taran Direct) (eDocket No. [202412-212968-05](#)).

⁶⁷ Ex. DOC-303 at 14 (Addonizio Direct) (eDocket No. [20252-214941-01](#)).

**Minnesota Power's Overall Rate of Return
Authorized by the Commission⁴**

Financing Type	Capital Structure		Cost		Weighted Cost
	Ratio				
Long-term Debt	47.00%	x	4.4035%	=	2.0696%
Common Equity	53.00%	x	9.7800%	=	5.1834%
Overall Rate of Return					7.2530%

57. Balancing short-term debt, long-term debt, and equity requires a company to consider competing factors. Interest and principal payments on debt are fixed obligations and are prioritized over payments to equity investors. Due to this extra certainty for debt investors, the cost of debt capital is lower than the cost of equity capital. Further, interest payments on debt are tax deductible, meaning that debt has tax advantages that equity does not. For these reasons, debt might seem like a more attractive option to a company raising capital.⁶⁸

58. As a company's debt load grows, however, so do its fixed payment obligations. As the company's fixed obligations grow, so does the risk that adverse circumstances will prevent the company from meeting those obligations. Debt adds financial risk due to the obligation to make interest payments, which places pressure on credit ratings. A failure to make a required interest or principal payment could trigger a costly bankruptcy, which could result in a complete loss of value for equity investors, and significant losses for debt investors. Investors will be aware of these risks and will require higher returns on both debt and equity as the proportion of debt financing increases. As a result, there is a limit on the amount of debt a company can have before the costs associated with an incremental increase in debt risk start to outweigh the benefits of its lower cost and tax advantages.⁶⁹

59. While every company has a theoretical, cost-minimizing capital structure, it is impossible to determine that structure with precision. As a result, these concepts are generally applied at a high level in utility regulation to ensure that utilities do not use excessive levels of debt or equity.⁷⁰

⁶⁸ Ex. DOC-303 at 15 (Addonizio Direct) (eDocket No. [20252-214941-01](#)).

⁶⁹ Ex. DOC-303 at 15 (Addonizio Direct) (eDocket No. [20252-214941-01](#)); Ex. MP-11 at 10 (Taran Direct) (eDocket No. [202412-212968-05](#)).

⁷⁰ Ex. DOC-303 at 19 (Addonizio Direct) (eDocket No. [20252-214941-01](#)).

B. Public Versus Privately Held Companies

60. A publicly traded company is an entity whose equity securities are owned by many investors and listed on a national securities exchange under the Securities Exchange Act of 1934.⁷¹

61. Publicly traded companies are required to regularly file reports with the Securities and Exchange Commission (SEC),⁷² including Form 10-Qs (quarterly reports) and Form 10-Ks (annual reports), which collectively provide a comprehensive, regularly updated view of the company's overall financial performance and strategic direction.⁷³ These filings include consolidated financial statements, management's discussion and analysis, risk factors, and forward-looking statements that help stakeholders—including regulators—understand the company's financial health, business strategy, and potential risks.⁷⁴

62. Privately held companies do not file the same reports with the SEC that are required of publicly traded companies.⁷⁵

C. ALLETE

63. ALLETE is a publicly traded company focused on energy and utility service. It was founded as the Duluth-Edison Electric Company in 1906. ALLETE changed its name several times before adopting its current name in 2001.⁷⁶ In its current form, an independent board of directors, meeting the New York Stock Exchange's independence standards, governs the company.⁷⁷ ALLETE's stock was first listed on the New York Stock Exchange in 1950.⁷⁸

64. As shown below, ALLETE does business through its operating divisions and subsidiaries. Under the trade name "Minnesota Power," ALLETE provides regulated electric service in northeast Minnesota. A subsidiary, Superior Water, Light & Power Company, provides electric, gas, and water service in Wisconsin.⁷⁹ Through other subsidiaries, ALLETE Clean Energy and New Energy Equity, ALLETE develops

⁷¹ See 15 U.S.C. § 78m (2023).

⁷² Ex. LPI-1001 at 26–27 (Walters Direct) (eDocket No. [20252-214957-02](#)); Ex. Sierra-1100 at 4 (Lane Direct) (eDocket No. [20252-214960-01](#)).

⁷³ Ex. LPI-1001 at 26 (Walters Direct); Ex. CURE-602 at 7-8 (Baker Surrebutal) (eDocket Nos. [20253-216819-03](#) (Public), [20253-216818-02](#) (HCTS)).

⁷⁴ Ex. LPI-1001 at 26 (Walters Direct) (eDocket No. [20252-214957-02](#)).

⁷⁵ Ex. LPI-1001 at 26 (Walters Direct) (eDocket No. [20252-214957-02](#)); Ex. CURE-602 at 7-8 (Baker Surrebutal) (eDocket Nos. [20253-216819-03](#) (Public), [20253-216818-02](#) (HCTS)).

⁷⁶ Ex. MP-1 at 4 (Initial Petition) (eDocket No. [20247-208768-01](#)).

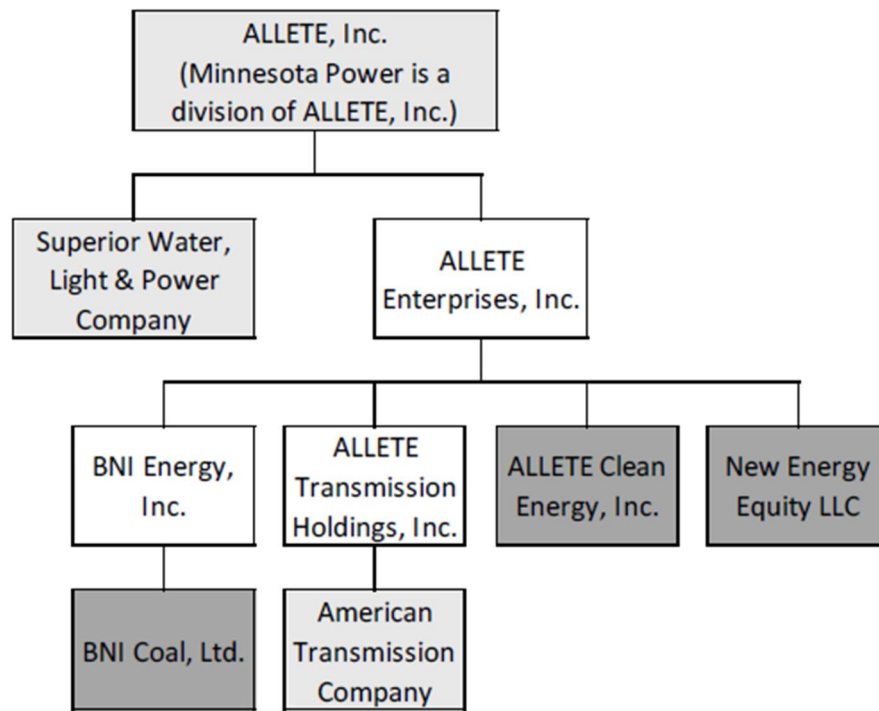
⁷⁷ Ex. DOC-305 at 1.

⁷⁸ Ex. MP-29 at 3 (Taran Rebuttal) (eDocket No. [20253-216055-05](#)).

⁷⁹ Ex. MP-1 at 4-5 (Initial Petition) (eDocket No. [20247-208768-01](#)).

independent power projects.⁸⁰ Through BNI Energy, ALLETE mines coal.⁸¹ ALLETE also holds a stake in American Transmission Company.⁸²

Figure 1⁸³



65. ALLETE’s primary business is providing rate-regulated electric service in northeast Minnesota. ALLETE has about 150,000 electric ratepayers in Minnesota.⁸⁴ Most of its revenue, however, comes from a handful of large industrial customers. Sales to these mining, paper, pipeline, and manufacturing customers typically account for about 60 percent of ALLETE’s total annual revenue.⁸⁵

66. ALLETE’s overall financial health is strong. In 2024, net income attributable to ALLETE’s core regulated operations increased from \$147.2 million in 2023 to \$160.9 million in 2024.⁸⁶ Higher electricity rates in Minnesota drove the revenue increase.⁸⁷ In February 2025, ALLETE reported that it hoped to achieve approximately \$5 billion in capital expenditures between 2025 and 2029. ALLETE commented that it was “well positioned to meet [its] financing needs due to adequate operating cash flows, available additional working capital and access to capital markets.”⁸⁸ ALLETE explained

⁸⁰ Ex. MP-1 at 5 (Initial Petition) (eDocket No. [20247-208768-01](#)).

⁸¹ Ex. MP-1 at 5 (Initial Petition) (eDocket No. [20247-208768-01](#)).

⁸² Ex. MP-1 at 4-5 (Initial Petition) (eDocket No. [20247-208768-01](#)).

⁸³ Ex. MP-1, Attach. A-1(Initial Petition) (eDocket No. [20247-208768-01](#)).

⁸⁴ Ex. MP-1 at 4 (Initial Petition) (eDocket No. [20247-208768-01](#)).

⁸⁵ Evid. Hr. Tr. Vol. 1 at 173:7-18 (Cady).

⁸⁶ Ex. MP-45 at 44 (ALLETE 2024 Form 10-K).

⁸⁷ Ex. MP-45 at 44 (ALLETE 2024 Form 10-K).

⁸⁸ Ex. MP-45 at 64 (ALLETE 2024 Form 10-K).

that it planned to “finance capital expenditures from a combination of internally generated funds, debt and equity issuance proceeds.”⁸⁹

67. As it plans its future operations, ALLETE must consider the Carbon Free Standard. Absent Commission modification, by 2030 ALLETE must generate or procure an equivalent of 80 percent of its electricity sales to retail customers from a carbon-free source. That percentage increases to 90 percent in 2035 and 100 percent in 2040.⁹⁰ ALLETE appears to be on track to meet these requirements. ALLETE was the first Minnesota utility to surpass the milestone of providing 50 percent renewable energy to customers.⁹¹

D. Private Equity

68. Private equity firms often raise capital from investors in commingled closed-ended funds with fixed lengths.⁹² Once a private equity firm has raised a closed-ended fund, it will then seek to invest substantially all the fund’s capital in companies within four to five years, which become part of the fund’s portfolio.⁹³ Once the fund’s investment period ends, the firm will generally have little ability to make new or follow-on investments in the fund’s portfolio companies.⁹⁴

69. Private equity firms typically seek to grow the portfolio company’s value during a four-to-six-year hold period before selling it or taking it public through an initial public offering.⁹⁵ Private equity firms typically seek returns that exceed the stock market. Private equity firms focus on growing cash flows by increasing portfolio company revenue, cutting costs, or acquiring competitors.⁹⁶ Private equity firms often target gross investment returns of 15 to 20 percent per year.⁹⁷

70. To achieve above-market investor returns, private equity firms often rely on “financial engineering.”⁹⁸ Financial engineering involves manipulating the portfolio company’s capital structure.⁹⁹ For example, private equity firms may engage in “dividend recapitalization” by adding debt to their portfolio companies’ balance sheets and then using the proceeds to collect dividends for themselves.¹⁰⁰ Additionally, private equity firms may “double leverage” the portfolio company by having a holding company issue debt and then reinvest that debt in the portfolio company as equity. This arrangement imposes

⁸⁹ Ex. MP-45 at 64 (ALLETE 2024 Form 10-K).

⁹⁰ Minn. Stat. § 216B.1691, subd. 2g (2024).

⁹¹ Tr. Duluth Pub. Hrg. (4-7-25) at 10:18-11:4 (Cady).

⁹² Ex. CURE-600 at 3-4 (Baker Direct) (eDocket Nos. [20252-214963-04 \(Public\)](#), [20252-214952-03 \(HCTS\)](#)).

⁹³ Ex. CURE-600 at 4 (Baker Direct).

⁹⁴ Ex. CURE-600 at 4 (Baker Direct).

⁹⁵ Ex. CURE-600 at 5 (Baker Direct).

⁹⁶ Ex. CURE-600 at 5 (Baker Direct) (eDocket Nos. [20252-214963-04 \(Public\)](#), [20252-214952-03 \(HCTS\)](#)).

⁹⁷ Ex. CURE-600 at 5 (Baker Direct) (eDocket Nos. [20252-214963-04 \(Public\)](#), [20252-214952-03 \(HCTS\)](#)).

⁹⁸ Ex. DOC-303 at 58-59 (Addonizio Direct) (eDocket No. [20252-214941-01](#)).

⁹⁹ Ex. DOC-303 at 58-59 (Addonizio Direct) (eDocket No. [20252-214941-01](#)).

¹⁰⁰ Ex. CURE-600 at 6 (Baker Direct) (eDocket Nos. [20252-214963-04 \(Public\)](#), [20252-214952-03 \(HCTS\)](#)); Ex. DOC-304 at 30-31 (Addonizio Surrebuttall) (eDocket Nos. [20253-216799-01 \(Public\)](#), [20253-216799-02 \(TS\)](#), [20253-216801-01 \(HCTS\)](#)).

the debt financing costs on the portfolio company while depriving it of the tax advantages.¹⁰¹ The portfolio company is typically responsible for paying back the debt, not the private equity firm.¹⁰²

71. In addition to financial engineering, private equity firms may engage in “governance engineering” or “operational engineering” to maximize returns. Governance engineering involves replacing management and restructuring compensation to align the manager incentives with investor interests.¹⁰³ Operational engineering refers to altering the portfolio company’s business practices to increase revenue.¹⁰⁴

E. The Partners

72. GIP and CPP are large private equity investors. GIP specializes in infrastructure-related investments.¹⁰⁵ CPP, as a professional investment organization, invests in a broad swath of asset classes.¹⁰⁶

73. GIP was founded in 2006. BlackRock acquired GIP in 2024. GIP currently has about \$115 billion in assets under management.¹⁰⁷ Since 2006, GIP has made investments through various “flagship” funds to acquire portfolio companies, including a variety of traditional natural gas and oil companies:

[NOT PUBLIC HCTS DATA REDACTED]

74. GIP also is the largest equity investor in a Rio Grande LNG export project.⁵⁴ According to a U.S. Department of Energy analysis, Rio Grande LNG will increase greenhouse gas emissions and will increase U.S. natural gas and electricity prices.¹⁰⁸

75. To date, sales of GIP’s flagship fund portfolio companies have delivered a **[NOT PUBLIC HCTS DATA REDACTED]**.¹⁰⁹

76. GIP’s most recent flagship fund, GIP Fund V, is seeking to raise \$25 billion to acquire infrastructure assets.¹¹⁰ According to GIP, Fund V’s objective is to generate attractive, risk-adjusted returns, with an annual IRR of 15 to 20 percent.¹¹¹ **[NOT PUBLIC HCTS DATA REDACTED]**.¹¹²

¹⁰¹ Ex. DOC-304 at 35 (Addonizio Surrebuttal) (eDocket Nos. [20253-216799-01 \(Public\)](#), [20253-216799-02 \(TS\)](#), [20253-216801-01 \(HCTS\)](#)).

¹⁰² Ex. CURE-600 at 4 (Baker Direct) (eDocket Nos. [20252-214963-04 \(Public\)](#), [20252-214952-03 \(HCTS\)](#)).

¹⁰³ Ex. DOC-303 at 60 (Addonizio Direct) (eDocket No. [20252-214941-01](#)).

¹⁰⁴ Ex. DOC-303 at 58, 60 (Addonizio Direct) (eDocket No. [20252-214941-01](#)).

¹⁰⁵ Ex. MP-14 at 8 (Bram Direct).

¹⁰⁶ Ex. CPP/GIP-202 at 18.

¹⁰⁷ Ex. MP-1 at 7-8 (Initial Petition) (eDocket No. [20247-208768-01](#)).

¹⁰⁸ Ex. CURE-600 at 25 (Baker Direct).

¹⁰⁹ Ex. MP-1 at 14 (Initial Petition) (eDocket No. [20247-208768-01](#)).

¹¹⁰ Ex. MP-33 at 14-15 (Bram Rebuttal).

¹¹¹ Ex. CURE-600, JB-D-3 at 2 (Baker Direct).

¹¹² Ex. DOC-303, CMA-D-12 at 13 (Addonizio Direct) (eDocket No. [20252-214941-01](#)).

77. According to GIP, “GIP Fund V will retain capital to invest in and support their existing portfolio company investments, including ALLETE, for the life of GIP Fund V plus any extensions.”¹¹³

78. GIP plans to employ several different strategies to achieve the targeted return for investors. These strategies include: **[NOT PUBLIC HCTS DATA REDACTED]**.

79. The Canadian government created the other partner, CPP, in 1997. CPP generates investment returns that the Canadian Pension Plan uses to pay beneficiaries.¹¹⁴ CPP is legally obligated to pursue the maximum rate of return for beneficiaries without incurring undue risk.¹¹⁵ CPPIB currently has about \$675.1 billion (Canadian dollars) in assets under management, with investments in 56 countries.¹¹⁶

80. CPP currently invests 18 to 28 percent of its assets in public equity, 15 to 23 percent in private equity, and 17 to 26 percent in real assets, with the remaining assets invested in public fixed income and credit.¹¹⁷ CPP pursues private investments because they offer diversification, long-term growth potential, and superior risk-adjusted returns relative to public equity investments.¹¹⁸

F. The Proposed Acquisition

81. ALLETE’s board of directors regularly evaluates opportunities that could maximize value for its shareholders.¹¹⁹ In October 2022 and again in March 2023, ALLETE’s board met with representatives of J.P. Morgan to discuss ways to maximize value, including a potential sale to a privately held company.¹²⁰

82. ALLETE’s then-current capital plan called for **[NOT PUBLIC HCTS DATA REDACTED]**.

83. J.P. Morgan informed ALLETE that **[NOT PUBLIC HCTS DATA REDACTED]**.

84. At that point, ALLETE’s shares had been trading **[NOT PUBLIC HCTS DATA REDACTED]**.

85. J.P. Morgan provided examples of **[NOT PUBLIC HCTS DATA REDACTED]**.¹²¹

¹¹³ Ex. MP-14 at 18 (Bram Direct).

¹¹⁴ Ex. MP-13 at 3-4 (Alley Direct).

¹¹⁵ Ex. MP-13 at 4 (Alley Direct).

¹¹⁶ Ex. MP-13 at 4 (Alley Direct).

¹¹⁷ Ex. CPP/GIP-202 at 18.

¹¹⁸ Ex. MP-13 at 7 (Alley Direct).

¹¹⁹ Ex. MP-1, Attach. L at 41 (Initial Petition) (eDocket No. [20247-208768-01](#)).

¹²⁰ Ex. MP-1, attach. L at 41 (Initial Petition) (eDocket No. [20247-208768-01](#)).

¹²¹ Ex. OAG-405 at 72.

86. Following the discussion at its March 2023 meeting, the ALLETE board directed J.P. Morgan to reach out to and prescreen potential private buyers.¹²² J.P. Morgan's search process focused on pension and infrastructure funds because they "could provide increased access to capital to enhance infrastructure investment as well as fast-track key growth strategies, express a commitment for a long-term hold and make commitments in regulatory processes."¹²³

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.

88. Upon outreach by J.P. Morgan, GIP, CPP, and four other parties expressed interest in potentially acquiring a company with ALLETE's characteristics.¹²⁵ By early September, however, the parties other than GIP and CPPIB had dropped out of the process because they could not offer a sufficient premium over ALLETE's market price.¹²⁶ This included one potential buyer that was willing to offer **[NOT PUBLIC HCTS DATA REDACTED]**.¹²⁷

89. At this point, GIP and CPP were not yet working together as partners because J.P. Morgan was controlling the confidentiality of the process; it would not introduce the two investors until late December.¹²⁸

90. On September 7, 2023, GIP submitted a nonbinding offer of \$71 per share, indicating that it could fund at least 50 percent itself but would likely need to partner with other investors to fully fund the purchase.¹²⁹ A few days later, CPP submitted a nonbinding offer of \$69.26 per share.¹³⁰

91. Following their initial offers, GIP and CPP continued to conduct due-diligence efforts with the assistance of ALLETE's management.¹³¹ In October, ALLETE set a December 2023 deadline for the prospective buyers to submit binding proposals, but later pushed the deadline back to January 2024 after both GIP and CPP requested more time to facilitate "equity consortium partnering discussions" with other investors.¹³²

¹²² Ex. MP-1, Attach. L at 41 (Initial Petition) (eDocket No. [20247-208768-01](#)).

¹²³ Ex. MP-1, Attach. L at 41–42 (Initial Petition) (eDocket No. [20247-208768-01](#)).

¹²⁴ See e.g. Tr. Co at 11:18-12:21 (Cady).

¹²⁵ Ex. MP-1, Attach. L at 42 (Initial Petition) (eDocket No. [20247-208768-01](#)).

¹²⁶ See Ex. MP-1, Attach. L at 43–44 (Initial Petition) (eDocket No. [20247-208768-01](#)).

¹²⁷ Ex. DOC-310 at 3.

¹²⁸ See MP-1, Attach. L at 47 (Initial Petition) (eDocket No. [20247-208768-01](#)).

¹²⁹ Ex. MP-1, Attach. L at 44 (Initial Petition) (eDocket No. [20247-208768-01](#)).

¹³⁰ Ex. MP-1, Attach. L at 44 (Initial Petition) (eDocket No. [20247-208768-01](#)).

¹³¹ Ex. MP-1, Attach. L at 44–45 (Initial Petition) (eDocket No. [20247-208768-01](#)).

¹³² Ex. MP-1, Attach. L at 45 (Initial Petition) (eDocket No. [20247-208768-01](#)).

92. In early December 2023, an online news website reported that ALLETE was exploring a sale.¹³³ This announcement caused ALLETE's share price to rise by approximately 8 percent—from about \$56 the day before the leak to almost \$61 at market close the day of the leak.¹³⁴

93. In late December 2023, J.P. Morgan introduced representatives of GIP and CPP to allow them to discuss pursuing an acquisition as partners.¹³⁵ GIP and CPP initially pursued an acquisition as a 50/50 partnership.¹³⁶

94. In January 2024, the ALLETE board met to consider ways of financing **[NOT PUBLIC HCTS DATA REDACTED]**.

95. During the meeting, ALLETE's management told the board that **[NOT PUBLIC HCTS DATA REDACTED]**.

96. On February 1, 2024, the Partners offered to purchase ALLETE for \$62.50 per share.¹³⁷ ALLETE rejected the offer the next day.¹³⁸

97. Three days later, the Partners submitted an updated written offer for \$64 per share, indicating that it was their "best and final" offer.¹³⁹

98. At a February 7 special meeting, ALLETE's board discussed the Partners' updated offer with a particular focus on the transaction premium and adjustments that the Partners had made to ALLETE's valuation.¹⁴⁰ The board directed J.P. Morgan to tell the Partners that the updated offer still did not reflect a sufficient valuation.¹⁴¹ The board also expressed an interest in discussing the standalone plan while pausing engagement with the Partners.¹⁴²

99. On February 14, ALLETE conveyed to the Partners that its preferred valuation would be closer to their initial, nonbinding bids.¹⁴³ The Partners indicated that they would not increase their offer.¹⁴⁴

100. Two days later, the board held a special meeting to review ALLETE's standalone plan.¹⁴⁵ The board was told that ALLETE could reasonably raise several

¹³³ Ex. MP-1, Attach. L at 46 (Initial Petition).

¹³⁴ See Ex. MP-1, Attach. L at 46 (Initial Petition).

¹³⁵ Ex. MP-1, Attach. L at 47 (Initial Petition).

¹³⁶ Ex. MP-1, Attach. L at 48 (Initial Petition).

¹³⁷ Ex. MP-1, Attach. L at 49 (Initial Petition) (eDocket No. [20247-208768-01](#)).

¹³⁸ Ex. MP-1, Attach. L at 49 (Initial Petition).

¹³⁹ Ex. MP-1, Attach. L at 50 (Initial Petition).

¹⁴⁰ Ex. MP-1, Attach. L at 50 (Initial Petition).

¹⁴¹ Ex. MP-1, Attach. L at 50 (Initial Petition).

¹⁴² Ex. MP-1, Attach. L at 50 (Initial Petition).

¹⁴³ Ex. MP-1, Attach. L at 50 (Initial Petition).

¹⁴⁴ Ex. MP-1, Attach. L at 50 (Initial Petition).

¹⁴⁵ Ex. MP-1, Attach. L at 51 (Initial Petition).

hundred million dollars of annual equity financing under the standalone plan¹⁴⁶ while **[NOT PUBLIC HCTS DATA REDACTED]**.¹⁴⁷

101. After extensively discussing the standalone plan, the board decided not to proceed with the Partners' offer of \$64 per share.¹⁴⁸ ALLETE prepared to move forward with its standalone financing plan.¹⁴⁹

102. After ALLETE rejected their second offer, GIP and CPPIB had continued to conduct due diligence with the support of ALLETE's management.¹⁵⁰ On March 30, the Partners made a third offer to buy ALLETE, this time for \$67 per share.¹⁵¹ This price reflected a premium of approximately 22 percent over ALLETE's 30-day volume-weighted average price before the initial publication that ALLETE was exploring a sale.¹⁵² It also reflected a premium of approximately \$1.5 billion dollars over ALLETE's book value.¹⁵³

103. At a special meeting five days later, the ALLETE board decided to move forward with the Partners' \$67 offer.¹⁵⁴

104. Throughout April 2024, ALLETE and the Partners negotiated other terms related to employee matters, regulatory matters, interim financing, and post-closing governance.¹⁵⁵ During this period, the Partners informed ALLETE that the contemplated ownership structure was now 60 percent owned by GIP and 40 percent owned by CPP.¹⁵⁶

105. As these negotiations progressed, CPPIB and GIP had to obtain approval from their investor committees. GIP committee presentations highlighted:

[NOT PUBLIC HCTS DATA REDACTED]

106. CPP gave its own assessment to its internal investment committee:

[NOT PUBLIC HCTS DATA REDACTED]

107. On Friday, May 3, 2024, ALLETE filed with the Commission a settlement agreement fully resolving Minnesota Power's pending rate case.¹⁵⁷

¹⁴⁶ Ex. MP-1, Attach. L at 51 (Initial Petition).

¹⁴⁷ Ex. OAG-404 at 3.

¹⁴⁸ Ex. MP-1, Attach. L at 51 (Initial Petition).

¹⁴⁹ Ex. MP-1, Attach. L at 51 (Initial Petition).

¹⁵⁰ Ex. MP-1, Attach. L at 51 (Initial Petition).

¹⁵¹ Ex. MP-1, Attach. L at 51 (Initial Petition).

¹⁵² Ex. MP-1, Attach. L at 51, 55 (Initial Petition) (eDocket No. [20247-208768-01](#)).

¹⁵³ Ex. CURE-601 at 20 (Ellis Direct).

¹⁵⁴ Ex. MP-1, Attach. L at 52 (Initial Petition(eDocket No. [20247-208768-01](#))).

¹⁵⁵ Ex. MP-1, Attach. L at 52–53 (Initial Petition).

¹⁵⁶ Ex. MP-1, Attach. L at 52–53 (Initial Petition).

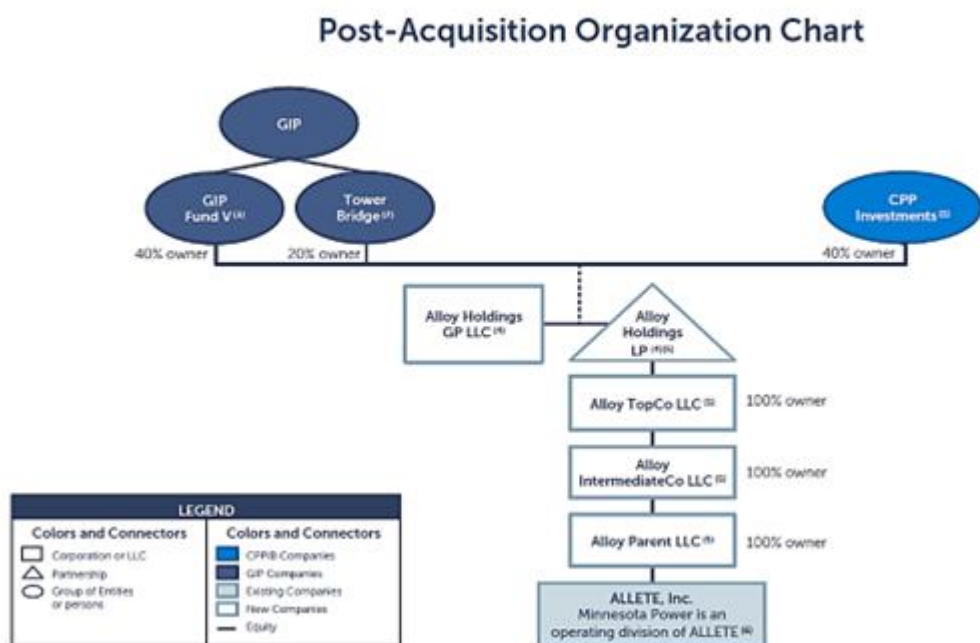
¹⁵⁷ *In re Appl. of Minn. Power*, MPUC Docket No. E-015/GR-23-155, ORDER ACCEPTING AND ADOPTING AGREEMENT SETTING RATES at 2 (Nov. 25, 2024).

108. Over the weekend, ALLETE officially accepted the terms of a deal under which the Partners would indirectly acquire all its shares through ALLETE's merger with a Partner-owned subsidiary (the merger agreement).¹⁵⁸

109. On Monday morning, ALLETE announced the merger agreement before the New York Stock Exchange opened via a joint press release with the Partners.¹⁵⁹ ALLETE then began executing its outreach plan to "communicate the benefits of the transaction" to affected stakeholders.¹⁶⁰

110. The proposed acquisition is structured as a merger whereby ALLETE would merge with Alloy Merger Sub LLC, with ALLETE as the surviving entity.¹⁶¹ Through this merger, ALLETE would become the wholly owned subsidiary of Alloy Parent LLC, which would be indirectly owned by the Partners through the following corporate structure:

Figure 2¹⁶²



111. As Figure 2 shows, GIP would control a 60 percent interest in ALLETE through two funds, GIP Fund V and Tower Bridge Infrastructure Partners, L.P.,¹⁶³ the latter of which GIP manages on behalf of the California Public Employees' Retirement System.¹⁶⁴ CPP would own the remaining 40 percent of ALLETE.¹⁶⁵

¹⁵⁸ Ex. MP-1 at 10, Attach. L at 55 (Initial Petition(eDocket No. [20247-208768-01](#))).

¹⁵⁹ Ex. MP-1, Attach. L at 55 (Initial Petition).

¹⁶⁰ Ex. MP-1, Attach. L at 55 (Initial Petition).

¹⁶¹ Ex. MP-1 at 10 (Initial Petition).

¹⁶² Ex. MP-1, Attach. A-2 (Initial Petition).

¹⁶³ See also Ex. OAG-400 at 6 (Lebens Direct).

¹⁶⁴ Ex. OAG-400 at 5 (Lebens Direct).

¹⁶⁵ Ex. OAG-400 at 6 (Lebens Direct).

112. Consistent with the merger's structure, the merger agreement is between ALLETE, Inc. and Alloy Parent and Alloy Merger Sub.¹⁶⁶ The merger agreement contains certain post-acquisition commitments, including:

- maintaining the headquarters of Minnesota Power in Duluth;
- honoring existing union contracts;
- maintaining ALLETE's current senior management team;
- maintaining historic levels of economic development and charitable contributions;
- maintaining corporate separateness (i.e., ring-fencing) between ALLETE and Alloy Parent;
- not attempting to recover the acquisition premium from utility customers;
- not attempting to recover the costs of executing the transaction from utility customers;
- not attempting to recover any transition costs from utility customers except if the transition costs produce savings;
- using commercially reasonable efforts to maintain Minnesota Power's debt/equity ratios and its corporate and facility ratings;
- not reducing the overall scope or resources dedicated to affordability programs; and
- continuing to provide the Commission access to Minnesota Power's books and records.¹⁶⁷

113. The merger agreement also allows ALLETE and Alloy Parent to agree on additional conditions that ALLETE deems advisable to obtain prompt regulatory approval of the merger.¹⁶⁸

114. The Partners are not parties to the merger agreement and have not executed definitive contracts specifying how they would co-govern ALLETE and the "Alloy" entities post-acquisition.¹⁶⁹

115. Before the proposed acquisition can close, approvals are needed from the Commission, the Federal Energy Regulatory Commission (FERC) and the Public Service Commission of Wisconsin (PSCW).¹⁷⁰

116. FERC issued an order approving the proposed acquisition in December 2024.¹⁷¹ In approving the acquisition, FERC clarified that "whether the Proposed Acquisition fulfills the respective state requirements for Minnesota Commission and Wisconsin Commission approval is a separate question from whether the Proposed Acquisition is consistent with the public interest under [the Federal Power Act (FPA)]

¹⁶⁶ Ex. MP-1, Attach. B at 6 (Initial Petition) (eDocket No. [20247-208768-01](#)).

¹⁶⁷ Ex. MP-1 at 18–22 (Initial Petition) (eDocket No. [20247-208768-01](#)).

¹⁶⁸ Ex. MP-1, Attach. B at 70–71 (Initial Petition).

¹⁶⁹ See Ex. MP-42 at 1 (Bram Surrebuttal).

¹⁷⁰ Ex. MP-40 at 1 (Cady Surrebuttal).

¹⁷¹ Ex. MP-40 at 3 (Cady Surrebuttal).

section 203, and our findings under FPA section 203 do not affect those agencies' evaluation of the Proposed Acquisition pursuant to their respective statutory authorities.”¹⁷²

117. Prior to approving the ALLETE-GIP-CCP deal, FERC approved BlackRock's \$12.5 billion acquisition of GIP.¹⁷³ In a concurring opinion accompanying that approval, FERC Chairman Christie expressed concerns about the power that “huge asset managers, like BlackRock” will wield when seeking to acquire interests in public utilities.¹⁷⁴ He then specifically called on “all utility regulators[]” to heed their responsibility “to make sure that [investor return] is not being needlessly extracted from consumers' pockets through exercises of market power or other forms of rent-seeking.”¹⁷⁵

118. Chairman Christie issued a similar warning in a concurring opinion accompanying a FERC order approving the extension of BlackRock's “blanket authorization” to acquire voting securities of any public utility:

I have expressed my concern in the past about the specter of a huge asset manager, such as BlackRock, using its substantial holdings to exert control over the operational decisions of a public utility. Owning 20 percent, or even less than that, of a utility's stock could well result in the exercise of substantial influence over a utility. So it is imperative that we carefully review requests under section 203 of the Federal Power Act to extend asset managers' blanket authorizations.

As I also have said before, a public utility has public service obligations; it is not just another company seeking to maximize returns to its shareholders. Many have been granted monopoly franchises by state governments in return for serving the public within their territories.

One threat is that asset managers, like BlackRock, will use their ownership of competing assets to exert market power in wholesale energy, capacity, and ancillary services markets.¹⁷⁶

119. PSCW approval is required because ALLETE operates Superior Water Light & Power (SWL&P) in Wisconsin.¹⁷⁷ SWL&P has 8 employees, compared to

¹⁷² ALLETE, Inc. & Alloy Parent LLC, 189 F.E.R.C. ¶ 61,215, at 21–22 (2024), <https://www.ferc.gov/media/e-14-ec24-105-000>.

¹⁷³ *In re Appl. for Authorization Under Section 203 of the Federal Power Act of Global Infrastructure Management, LLC*, FERC Docket EC24-58, ORDER AUTHORIZING DISPOSITION OF JURISDICTIONAL FACILITIES AND ACQUISITION OF SECURITIES RE GLOBAL INFRASTRUCTURE MANAGEMENT, LLC ET AL. (Sept. 6, 2024).

¹⁷⁴ Ex. CURE-600, JB-2 at 1 (Baker Direct).

¹⁷⁵ Ex. CURE-600 at JB-2 at 2 (Baker Direct) (emphasis in original).

¹⁷⁶ *In re BlackRock, Inc.*, Docket Nos. EC25-12-000, EC16-77-004, Order Extending Blanket Authorization to Acquire Securities, 2025 WL 1165762191 FERC ¶ 61,052 (2025) (Christie, Chairman concurring).

¹⁷⁷ See Ex. MP-1 at 4 (Initial Petition).

Minnesota Power's 1,100, and ALLETE has described SWL&P as "the training ground" for new PSCW staff.¹⁷⁸

120. In March 2025, a Wisconsin administrative law judge assembled the Record for Commission Review in the PSCW proceeding.¹⁷⁹ PSCW orally approved the proposed acquisition subject to certain conditions on March 13.¹⁸⁰ PSCW directed its Division of Energy Regulation and Analysis to draft a Final Decision consistent with its oral discussion.¹⁸¹

121. Many of Minnesota Power's employees worked on the proposed acquisition and its associated regulatory proceedings. Employees tracked the time they worked on the acquisition separately from other workstreams.¹⁸²

III. ALLEGED BENEFITS

A. Access to Needed Capital

1. Estimates of ALLETE's Capital Needs

122. Intervenors and the Petitioners disagree about the amount of capital ALLETE requires to meet the Carbon Free Standard. It is critical that the amount Minnesota Power will spend on regulated infrastructure is ultimately for the Commission to determine. The Commission has not approved all projects in the capital plan and some capital-intensive proposals may not be the most cost-effective or prudent path to Carbon Free compliance. The Commission has the ability and obligation to ensure ALLETE's capital expenditures are prudent investments for Minnesota ratepayers.

123. ALLETE's most recent Form 10-K filing with the SEC indicates a need for \$4.6 billion in investments for regulated operations (primarily Minnesota Power) from 2025 to 2029.¹⁸³ ALLETE estimates that its five-year capital plan will require roughly \$1 billion in equity financing.¹⁸⁴ The Petitioners assert that the purpose of these investments is to enable Minnesota Power to meet its carbon-free goals, including compliance with Minnesota's 2040 Carbon Free Standard, while continuing to provide safe, reliable, and affordable service to customers.¹⁸⁵

124. Intervenors identified multiple ways ALLETE could reduce or mitigate its capital needs.

¹⁷⁸ Evid. Hrg. Tr. Vol. 1 at 109–10 (Cady).

¹⁷⁹ Ex. MP-40 at 2 (Cady Surrebuttal).

¹⁸⁰ Ex. MP-40 at 2 (Cady Surrebuttal).

¹⁸¹ Ex. MP-40 at 2 (Cady Surrebuttal) (eDocket No. [20253-216810-02](#)).

¹⁸² Tr. Vol. 1 at 171:12-172:20 (Cady).

¹⁸³ Ex. MP-45 at 62 (ALLETE 2024 10-K) (eDocket No. [20253-216998-01](#)).

¹⁸⁴ Ex. MP-11 at 6 (Taran Direct); Ex. MP-28 at 7 (Scissons Rebuttal); Tr. Vol. 2 at 597:2-5 (Addonizio); Tr. Vol. 3 at 847:12-15 (Lane).

¹⁸⁵ Ex. MP-11 at 7 (Taran Direct) (eDocket No. [202412-212968-05](#)); Ex. MP-10 at 11 (Scissons Direct) (eDocket No. [202412-212968-04](#)); Ex. MP-9 at 13 (Cady Direct) (eDocket No. [202412-212968-03](#)).

125. ALLETE could reduce capital needs by making greater use of power purchase agreements (PPAs) to reduce capital spending on self-built generation.¹⁸⁶ Greater use of demand response, energy efficiency measures, and grid-enhancing technologies could also reduce the need for capital spending on generation.¹⁸⁷

126. ALLETE also could reduce its capital needs or raise capital by selling its stake in joint transmission projects, non-utility subsidiaries, or other non-core assets.¹⁸⁸ The record shows that the Partners plan to implement some of these strategies. **[NOT PUBLIC HCTS DATA REDACTED]**.¹⁸⁹

127. Finally, ALLETE could pursue slower dividend growth and reinvestment in retained earnings to reduce its capital needs.¹⁹⁰ Xcel Energy, Inc. is an example of one utility that has begun slowing its rate of dividend growth to reinvest. Paying out less in dividends would leave more cash available to fund any needed clean-energy investments.¹⁹¹

128. Given these opportunities to reduce capital spending, ALLETE's capital need projections are likely overstated.¹⁹² ALLETE has consistently overestimated its capital needs each year since 2019.¹⁹³ Since 2019, ALLETE has annually overestimated its capital expenditures by **[NOT PUBLIC HCTS DATA REDACTED]** of the forecasted capital spending relates to discretionary, non-regulated projects.¹⁹⁴ Assuming ALLETE's stated need for \$1 billion in equity over the next five years proves accurate, that level of equity need would not be unprecedented. Relative to total capitalization, ALLETE's stated capital needs would be in line with other publicly traded utilities, such as **[NOT PUBLIC HCTS DATA REDACTED]**.¹⁹⁵

129. Similarly, the proposed 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.¹⁹⁶

¹⁸⁶ Ex. DOC-303 at 39 (Addonizio Direct); Ex. OAG-400 at 24 (Lebens Direct); Ex LPI-1001 at 14 (Walters Direct); Ex. SIERRA-1100 at 17, 21 (Lane Direct); Ex. SIERRA-1102 at 11-14 (Corrected Lane Surrebuttal).

¹⁸⁷ Ex. SIERRA-1100 at 17-19 (Lane Public Direct).

¹⁸⁸ Ex. DOC-303 at 39 (Addonizio Direct) (eDocket No. [20252-214941-01](#)); Ex. DOC-304 at 8-9 (Addonizio Surrebuttal); Ex. OAG-400 at 24 (Lebens Direct); Ex. OAG-402 at 6 (Lebens Surrebuttal); Ex. SIERRA-1102 at 7 (Corrected Lane Surrebuttal).

¹⁸⁹ Ex. DOC-303, CMA-D-5 at 21, 27 (Addonizio Direct).

¹⁹⁰ Ex LPI-1001 at 13-14 (Walters Direct).

¹⁹¹ Ex. OAG-400 at 24 (Lebens Direct).

¹⁹² See Ex. LPI-1001 at 8 (Walters Direct); Ex. LPI-1003 at 2 (Walters Surrebuttal).

¹⁹³ See Ex. DOC-303 at 28-29 (Addonizio Direct) (eDocket No. [20252-214941-01](#)).

¹⁹⁴ Ex. DOC-303 at 27 (Addonizio Direct).

¹⁹⁵ Ex. DOC-304, CMA-S-2 at 34 (Addonizio Surrebuttal). **[NOT PUBLIC HCTS DATA REDACTED]**. Evid. Hrg. Tr. Vol. 2 at 637:12-638:4 (Addonizio).

¹⁹⁶ See Ex. SIERRA-1100 at 17-18 (Lane Public Direct); Ex. Sierra Club 1102 at 8 (Corrected Lane Surrebuttal); Evid. Hrg. Tr. Vol. 1 at 178:16-22 (Cady).

2. Ability of the Public Market to Meet ALLETE's Capital Needs

130. ALLETE asserts that the deal is necessary to preserve future access to capital because the public market will not provide the necessary capital. ALLETE states that a company can be “inconvenienced” if it needs to raise equity at a time when its stock is underpriced, as it “may have no choice but to issue shares at a disadvantageous price, potentially raising less capital than needed.”¹⁹⁷ ALLETE also asserts that accessing capital via the equity markets means the company is “vulnerable to economic cycles, geopolitical events, interest rate volatility, and other influencing factors.”¹⁹⁸ Finally, ALLETE states that market inefficiencies can cause a publicly traded stock to be “mispriced by the public market for noticeable periods of time for no discernable reason based on fundamentals.”¹⁹⁹

131. Intervenor's evidence disputing ALLETE's claims is more credible. First, ALLETE itself acknowledges there are no previous instances where it was unable to access capital from the public market when it needed to, given its size and customer base.²⁰⁰ This past success is consistent with a major reason that companies seek to become publicly traded: “to raise capital and potentially broaden opportunities for future access to capital.”²⁰¹ ALLETE provided no quantitative analysis of the difficulty or risk of financing its capital needs in the public market.²⁰² The idea that the public market cannot meet Minnesota Power's capital needs (versus ALLETE's needs more broadly) is contradicted by **[NOT PUBLIC HCTS DATA REDACTED]**.²⁰³

132. Second, ALLETE's professed doubts about public market adequacy conflict with statements made to investors in its annual SEC filings. In its 2023 annual report, ALLETE told investors that it had adequate access to capital markets.²⁰⁴ Most recently, in its 2024 annual report filed in February 2025, ALLETE again confirmed that it is “well positioned to meet our financing needs due to . . . access to capital markets.”²⁰⁵ Both the 2023 and 2024 10-K filings were signed by ALLETE's Chief Executive Officer, Chief Financial Officer, and every member of ALLETE's Board of Directors.²⁰⁶

133. Third, ALLETE's assertion that its size – exceeding \$3.5 billion in market capitalization – reduces its access to capital conflicts with market research establishing

¹⁹⁷ Ex. MP-12 at 13 (Quackenbush Direct); Ex. DOC-303 at 26 (Addonizio Direct).

¹⁹⁸ Ex. MP-11 at 14 (Taran Direct).

¹⁹⁹ Ex. MP-12 at 14 (Quackenbush Direct).

²⁰⁰ Ex. DOC-303, CMA-D-8 (Addonizio Direct) (eDocket No. [20252-214941-01](#)).

²⁰¹ Ex. OAG-400 at 13 (Lebens Direct).

²⁰² See Evid. Hrg. Tr. Vol. 1 at 286–293 (Taran) (conceding lack of quantitative analysis in testimony or schedules).

²⁰³ Ex. OAG-404 at 15.

²⁰⁴ Ex. SIERRA-1100 at 12 (Lane Direct).

²⁰⁵ Ex. MP-45 at 62 (ALLETE 2024 Form 10-K); Evid. Hrg. Tr. Vol. 1 at 280:6-281:18 (Taran).

²⁰⁶ Ex. Sierra Club-1100 at CL-7, at 68-69 (Lane Direct); Ex. MP-45 at 72-73 (ALLETE 2024 10-K).

that company size plays little role in investor decisions once a company reaches a market capitalization of \$250 million to \$500 million.²⁰⁷

134. Fourth, ALLETE's claims of concerns about mispricing events lack support. They Intervenor explain that mispricing events fall into three categories: (a) single-company events, (b) broad stock market moves affecting most publicly traded stocks, and (c) significant emergency events.²⁰⁸

- a. Single-company events are unlikely to prevent ALLETE from accessing capital. Sound financial theory establishes that a stock's price usually reflects equity valuation fundamentals over the long run.²⁰⁹ In short, investors place far more importance on a company's economic fundamentals than on reported earnings.²¹⁰ Market evidence further establishes that no significant gap exists between a company's value and its stock-market value, and that any gap can be explained by a company's historical performance relative to its peers or by the way the market is valuing an entire industry.²¹¹ If the public market were highly inefficient, investors would buy the affected stocks when their prices dipped, earning excess returns as the stock prices rebounded. But public market investors rarely earn returns exceeding passive market benchmarks. Most active investors underperform the market. An S&P Global study, for example, found that more than 90 percent of actively managed U.S. equity funds have underperformed a passively managed benchmark during both the past ten years and the past three years.²¹²
- b. Becoming a private company will not help ALLETE access capital during a broad market downturn. Privately held companies may even have less access to capital during broad market downturns than publicly traded ones.²¹³ Capital typically flows into investments that provide the highest expected risk-adjusted returns.²¹⁴ If a broad market move downward, such as during a recession, temporarily discounts publicly traded company equity, investors with capital available would likely prefer to invest in those discounted companies over alternatives.²¹⁵ Privately held companies

²⁰⁷ Ex. DOC-303 at 41 (Addonizio Direct) (citing Tim Koller et al., *VALUATION: MEASURING AND MANAGING THE VALUE OF COMPANIES* at 119 (7th ed. 2020)).

²⁰⁸ Ex. DOC-303 at 30 (Addonizio Direct) (eDocket No. [20252-214941-01](#)).

²⁰⁹ Ex. DOC-303 at 31 (Addonizio Direct).

²¹⁰ Ex. DOC-303 at 31 (Addonizio Direct) (citing Tim Koller et al., *VALUATION: MEASURING AND MANAGING THE VALUE OF COMPANIES* at 117 (7th ed. 2020)).

²¹¹ Ex. DOC-303 at 31 (Addonizio Direct) (citing Tim Koller et al., *VALUATION: MEASURING AND MANAGING THE VALUE OF COMPANIES* at 117 (7th ed. 2020)).

²¹² Ex. DOC-303 at 33 (Addonizio Direct) (citing David Di Gioia et al, *SPIVA® Global Mid-Year 2024 Scorecard*, S&P Global (Oct. 7, 2024)).

²¹³ Ex. DOC-303 at 34 (Addonizio Direct) (eDocket No. [20252-214941-01](#)).

²¹⁴ Ex. DOC-303 at 34 (Addonizio Direct).

²¹⁵ Ex. DOC-303 at 34 (Addonizio Direct).

whose equity is not discounted in the same way, by contrast, would not be as attractive an investment.²¹⁶

- c. Finally, emergency events like the COVID-19 pandemic's onset could make it difficult for both public and privately owned companies to access equity.²¹⁷ Companies guard against these types of events with credit facilities.²¹⁸ Companies pay significant fees and premiums to banks for the right to require banks to provide cash on demand.²¹⁹ If a company were planning a stock sale when such an event occurred, its credit facility should provide enough temporary liquidity to delay the sale until the capital markets recover.²²⁰ If a significant emergency event persisted, then capital-expenditure plans would need to be reevaluated anyway.²²¹

135. ALLETE has not established that there is a significant risk that the public markets will be unable to meet its probable capital needs. The repeated overestimates and discretionary nature of some of ALLETE's plans suggest that the equity ALLETE needs to meet Minnesota's 2040 carbon free law is less than the utility claims. And ALLETE has historically been able to meet its capital needs through the public markets. Even assuming that ALLETE has accurately forecasted its equity needs, its needs would be broadly consistent with other publicly traded utilities that plan to meet their needs through the public equity markets. Intervenor also presented persuasive market research and accepted financial theory establishing that public markets will more likely than not provide ALLETE with adequate access to equity capital.

B. Access to Expertise

136. The Petitioners also argue that the Partners' "deep industry expertise with respect to utility and energy infrastructure and renewables" is a benefit of the proposed acquisition.²²² Intervenor found the Partners' expertise to have negligible benefits because it was unsupported by any concrete examples, ALLETE already has quality, competent management, and the benefit was not meaningful enough to offset the acquisition's considerable downside risks.²²³

137. Intervenor presented evidence that Partners' expertise could be a risk rather than a benefit because the Partners will control all of ALLETE's strategic decisions, identified in a confidential term sheet between the Partners.²²⁴ Intervenor expressed concern that the Partners would use their expertise and extensive authority to benefit

²¹⁶ Ex. DOC-303 at 34 (Addonizio Direct).

²¹⁷ Ex. DOC-303 at 35 (Addonizio Direct).

²¹⁸ Ex. DOC-303 at 35 (Addonizio Direct).

²¹⁹ Ex. DOC-303 at 35 (Addonizio Direct).

²²⁰ Ex. DOC-303 at 35 (Addonizio Direct).

²²¹ Ex. DOC-303 at 35 (Addonizio Direct).

²²² Ex. MP-1 at 2 (Initial Petition) (eDocket No. [20247-208768-01](#)).

²²³ Ex. DOC-303 at 48 (Addonizio Direct) (eDocket No. [20252-214941-01](#)).

²²⁴ Ex. LPI-1005, DOC IR 0011.02 at 8-9.

affiliates enact governance, financial, or operational changes intended to maximize their near-term return at the expense of ALLETE's long-term health.²²⁵

138. The Partners' expertise is unlikely to provide a material benefit to Minnesota Power or its ratepayers. ALLETE already has quality management and "near perfect" reliability for its electric service.²²⁶ Further, the acquisition is more likely to lead to higher rates rather than lower rates for reasons discussed below.

C. Proposed Commitments

139. Petitioners have provided a schedule memorializing various commitments pertaining to how ALLETE would be governed following an acquisition.²²⁷ The schedule, attached to the rebuttal testimony of Jennifer Cady, lists 48 commitments, including some commitments that were originally made in the merger agreement, the Petition, or Petitioners' direct testimony as well as other commitments that are new as of rebuttal.²²⁸

140. Commitment 1 addresses the voluntary capital commitment made by Alloy Parent to the Commission:

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.²²⁹

141. Commitment 1 does not fully address the concerns already noted that Minnesota Power may fail to improve ALLETE's access to capital. First, ALLETE recently advised investors that it could adequately meet its capital needs for this same five-year period in the public markets.²³⁰ Second, the Commitment is on behalf of Alloy Parent, not the Partners.²³¹ The Partners would have an indirect ownership interest in Alloy Parent, but they have not committed to hold that interest for any period,²³² nor has Alloy Parent committed to hold ALLETE for any period. Third, a five-year capital commitment cannot alone fund Minnesota Power's efforts to achieve the energy transition because that transition will extend beyond five years.²³³ Fourth, the Commitment can be met by deferral or reinvestment of dividends, which is something ALLETE can do without going private.²³⁴ Fifth, nothing in the Commitment prevents ALLETE from borrowing the funds for any

²²⁵ Ex. DOC-303 at 65-69 (Addonizio Direct) (eDocket No. [20252-214941-01](#)); Ex. DOC-304 at 31, 36-38 (Addonizio Surrebuttal).

²²⁶ Evid. Hrg. Tr. Vol. 1 at 186 (Cady).

²²⁷ See Ex. MP-27, JJC-R-1 (Cady Rebuttal).

²²⁸ See Ex. MP-27, JJC-R-1 (Cady Rebuttal).

²²⁹ Ex. MP-27, JJC-R-1 at 1 (Cady Rebuttal).

²³⁰ Ex. MP-45 at 62 (ALLETE 2024 Form 10-K); Evid. Hrg. Tr. Vol. 1 at 280:6-281:18 (Taran).

²³¹ Evid. Hrg. Tr. Vol. 1 at 126 (Cady).

²³² Evid. Hrg. Tr. Vol. 1 at 126-27 (Cady).

²³³ Evid. Hrg. Tr. Vol 1 at 233 (Scissons).

²³⁴ Ex. OAG-400 at 25 (Lebens Direct).

equity infusions, and any additional debt in ALLETE and Alloy Parent's capital structure would increase upward pressure on ALLETE's cost of debt.²³⁵ Finally, the Commitment does not guarantee that new equity infusions will be provided at a reasonable cost. Instead, the Commitment states that it "will not be used to establish a higher or lower [return on equity]."²³⁶ This leaves substantial uncertainty about the future cost of equity that Minnesota Power's ratepayers will pay for the Partners' capital.

142. Commitment 2 states, "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 docket."²³⁷ Commitment 2 does not provide any benefit because Minnesota Power is required by law to provide this information in capital-structure filings.²³⁸

143. Commitment 3 states, "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."²³⁹ Commitment 3 does not provide any benefit because ALLETE and Minnesota Power are required to maintain the equity ratio range approved by the Commission regardless of whether the acquisition is approved.²⁴⁰

144. Commitment 4 states, "The Company commits to not make any dividend or distributions unless at least one senior unsecured credit rating is investment grade or above."²⁴¹ Commitment 4 would provide the Partners with an incentive to maintain at least one investment-grade senior unsecured credit rating for ALLETE but would not require it. Moreover, Commitment 4 would still allow ALLETE to issue dividends if its other senior unsecured credit ratings were below investment grade. At best, Commitment 4 is a weak protection against cost-of-debt increases.

145. Commitment 5 states, "If Minnesota Power's cost of debt increases above current levels within three years 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."²⁴² Commitment 5 is something of a concession; however, its time-limited nature severely diminishes its value. Any impact to Minnesota Power's cost of debt from the acquisition is unlikely to materialize in a significant way within three years of the acquisition closing.²⁴³

146. Commitment 6 states, "ALLETE will use commercially reasonable efforts to maintain its current corporate and facility ratings."²⁴⁴ Commitment 7 similarly states, "ALLETE will use commercially reasonable efforts to remain rated by at least two credit

²³⁵ See Ex. DOC-303 at 70–72 (Addonzio Direct) (eDocket No. [20252-214941-01](#)).

²³⁶ Ex. MP-27, JJC-R-1 at 1 (Cady Rebuttal).

²³⁷ Ex. MP-27, JJC-R-1 at 1 (Cady Rebuttal).

²³⁸ Evid. Hrg. Tr. Vol. 1 at 129–30 (Cady).

²³⁹ Ex. MP-27, JJC-R-1 at 1 (Cady Rebuttal).

²⁴⁰ Evid. Hrg. Tr. Vol. 1 at 130–31 (Cady).

²⁴¹ Ex. MP-27, JJC-R-1 at 1 (Cady Rebuttal).

²⁴² Ex. MP-27, JJC-R-1 at 1 (Cady Rebuttal).

²⁴³ Ex. DOC-304 at 41 (Addonzio Surrebuttal).

²⁴⁴ Ex. MP-27, JJC-R-1 at 1 (Cady Rebuttal).

rating agencies.”²⁴⁵ Commitments 6 and 7 provide little benefit because ALLETE has not established what “commercially reasonable” efforts are in either context or that it would be reasonable not to use “commercially reasonable” efforts.²⁴⁶

147. Commitment 8 states, “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.”²⁴⁷ ALLETE uses “ring fencing” to refer to accounting measures and other corporate policies designed to prevent ALLETE from being drawn into bankruptcy if upstream entities experience financial distress.²⁴⁸ This ring fencing is a necessary measure given the new risks the Acquisition’s corporate structure creates for ALLETE. Bankruptcy of ALLETE would be catastrophic, and the Partners proposed measures would decrease, but not eliminate, that risk. But Commitment 8 provides little protection against many of the other risks raised by Intervenor. The proposed ring-fencing measures are not adequate to fully insulate Minnesota Power’s ratepayers from higher debt costs resulting from exposure to the risks of debt held at Alloy Parent.²⁴⁹

148. Commitment 9 states that Alloy Parent will not use utility assets to guarantee Alloy Parent debt.²⁵⁰ Commitment 10 similarly states that Minnesota Power will be prohibited from loaning funds to or borrowing funds from its Alloy parent or other upstream entities.²⁵¹ Commitments 9 and 10 attempt to protect against the risks of the acquisition by maintaining the status quo.²⁵² But these commitments would not prevent the Partners from using ALLETE’s shares to guarantee Alloy Parent’s debt.²⁵³ They also do not insulate Minnesota Power’s ratepayers from higher debt costs resulting from exposure to the risks of debt held at Alloy Parent.²⁵⁴

149. Commitments 11–14 relate to ALLETE’s post-acquisition board of directors:

- a. Commitment 11 states, “In addition to the ALLETE CEO, the ALLETE board will include two independent members, with one member from Minnesota and one member from Wisconsin, each of whom will be a voting member.”²⁵⁵

²⁴⁵ Ex. MP-27, JJC-R-1 at 1 (Cady Rebuttal).

²⁴⁶ See Evid. Hrg. Tr. Vol. 1 at 133–35 (Cady).

²⁴⁷ Ex. MP-27, JJC-R-1 at 2 (Cady Rebuttal).

²⁴⁸ Evid. Hrg. Tr. Vol. 1 at 136 (Cady).

²⁴⁹ Ex. DOC-303 at 70 (Addonizio Direct) (eDocket No. [20252-214941-01](#)); Ex. DOC-304 at 35 (Addonizio Surrebuttal).

²⁵⁰ Ex. MP-27, JJC-R-1 at 2 (Cady Rebuttal).

²⁵¹ Ex. MP-27, JJC-R-1 at 2 (Cady Rebuttal).

²⁵² See Ex. MP-27, JJC-R-1 at 2 (Cady Rebuttal); Evid. Hr. Tr. Vol. 1 at 137–38 (Cady).

²⁵³ See Ex. MP-16 at 15 (Lapson Direct) (stating that Alloy Parent’s borrowings “would carry a limited guarantee of IntermediateCo, secured by a pledge of IntermediateCo’s holdings of shares of ALLETE”).

²⁵⁴ See Ex. DOC-303 at 70 (Addonizio Direct) (eDocket No. [20252-214941-01](#)); Ex. DOC-304 at 35 (Addonizio Surrebuttal).

²⁵⁵ Ex. MP-27, JJC-R-1 at 2 (Cady Rebuttal).

- b. Commitment 12 states that the ALLETE CEO's board seat will not count as the director from the State of Minnesota or State of Wisconsin on the post-acquisition Board of Directors.²⁵⁶
- c. Commitment 13 states that the CEO of ALLETE will be a voting member of the post-acquisition ALLETE board of directors.²⁵⁷
- d. Commitment 14 states that ALLETE's post-acquisition governance will be handled consistent with the following concepts:
 - The day-to-day operations of Minnesota Power will be handled by the Minnesota Power senior management team.
 - The members of the ALLETE board will be selected by the Partners based on their experience in relevant industries.
 - 13 total board members, with each investor having the right to appoint one director to the board for every 10 percent ownership of ALLETE, Inc. held indirectly through Alloy Parent.²⁵⁸

150. Commitments 11 through 14 do little to address risks related to the Partners' control of ALLETE's board.²⁵⁹ Although three directors (including the CEO) would be independent, all directors would be appointed by the Partners.²⁶⁰ The Partners, through their consent rights over material actions and their right to appoint board members, would fully control the board and therefore Minnesota Power.²⁶¹ If conflicts were to arise between the interests of Minnesota Power and its ratepayers and the interests of the Partners, the utility perspective might not be sufficiently considered.²⁶²

151. Commitments 15 and 16 pertain to affiliated interests:

- a. Commitment 15 states, "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."²⁶³
- b. Commitment 16 states, "Minnesota Power will identify any contracts over \$1 million with an entity identified pursuant to the commitment above and notify the Commission within 30 days of the execution of

²⁵⁶ Ex. MP-27, JJC-R-1 at 2 (Cady Rebuttal).

²⁵⁷ Ex. MP-27, JJC-R-1 at 2 (Cady Rebuttal).

²⁵⁸ Ex. MP-27, JJC-R-1 at 2 (Cady Rebuttal).

²⁵⁹ Ex. DOC-302 at 3 (Vavro Surrebuttal).

²⁶⁰ Evid. Hrg. Tr. Vol. 1 at 139 (Cady).

²⁶¹ Ex. DOC-302 at 4 (Vavro Surrebuttal); Ex. MP-42, JB-S-1 (Bram Surrebuttal).

²⁶² Ex. DOC-302 at 4 (Vavro Surrebuttal).

²⁶³ Ex. MP-27, JJC-R-1 at 2 (Cady Rebuttal).

each contract not already disclosed to the Commission, with a certification that the contract was negotiated executed at arm's length.”²⁶⁴

152. Commitments 15 and 16 do not commit to full compliance with the affiliated-interest statute.²⁶⁵ Nor do these commitments encompass entities managed or controlled by CPPIB, GIP, BlackRock or the limited partners of GIP Fund V or other GIP funds.²⁶⁶ They therefore do not ensure that the Commission would be notified of potentially harmful transactions that do not come within the statute's definition.

153. Commitments 17 and 18 state that the Company will not attempt to recover transaction or transition costs from utility customers.²⁶⁷ Commitments 17 and 18 would not provide affirmative benefits; they merely purport to prevent ratepayers from paying costs that would not have been incurred absent ALLETE's decision to pursue a sale.

154. Commitments 19 through 21 pertain to certain protections for, or assistance to, low-income customers and reflect an agreement that ALLETE and the Partners reached with Energy CENTS Coalition.²⁶⁸

- a. Commitment 19 states that 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.²⁶⁹
- b. Commitment 20 states that the Partners will provide a financial contribution of up to \$3.5 million to reduce residential arrears to pre-COVID-19 balances or lower.²⁷⁰
- c. Commitment 21 states that “Minnesota Power and the Partners affirm their understanding that the budget billing provisions in Minnesota Statutes § 216B.098, subdivisions 2 and 3, refer to all residential customers and is not limited to those who are formally income-qualified.”²⁷¹

155. Commitments 19 and 21 do not reflect a change from the status quo and thus are not benefits of the acquisition.²⁷² The CARE program is a ratepayer-funded program subject to ongoing Commission review.²⁷³ The Commission has consistently allowed Minnesota Power to recover through rates the administrative costs of the CARE

²⁶⁴ Ex. MP-27, JJC-R-1 at 3 (Cady Rebuttal).

²⁶⁵ See Minn. Stat. § 216B.48; Ex. DOC-302 at 15 (Vavro Surrebuttal).

²⁶⁶ Evid. Hrg. Tr. Vol. 1 at 140–41 (Cady).

²⁶⁷ Ex. MP-27, JJC-R-1 at 3 (Cady Rebuttal).

²⁶⁸ Evid. Hrg. Tr. Vol. 1 at 143–44 (Cady).

²⁶⁹ Ex. MP-27, JJC-R-1 at 3 (Cady Rebuttal).

²⁷⁰ Ex. MP-27, JJC-R-1 at 3 (Cady Rebuttal).

²⁷¹ Ex. MP-27, JJC-R-1 at 4 (Cady Rebuttal).

²⁷² Evid. Hrg. Tr. Vol. 1 at 145–46 (Cady).

²⁷³ Evid. Hrg. Tr. Vol. 1 at 188 (Cady).

program.²⁷⁴ Also, the affordability discount component of the CARE program is currently closed to new applicants, meaning it is no longer available to eligible, but not previously enrolled, customers who pay more than 3 percent of their annual income on Minnesota Power electric bill.²⁷⁵ With regard to Commitment 20, a commitment to pay down low-income residential arrears is in the public interest.²⁷⁶

156. Commitment 22 states that ALLETE's contributions to the Minnesota Power Foundation will not be reduced while Minnesota Power is owned by the Partners.²⁷⁷ Commitment 22 would not be a change from the status quo, and ALLETE did not have plans to reduce its contributions to the Minnesota Power Foundation before entering into the merger agreement.²⁷⁸ Moreover, ratepayers currently bear 50 percent of these costs,²⁷⁹ and the Commitment does not offer to reduce that burden.

157. Commitment 23 states that Minnesota Power will not seek rate recovery of flotation costs beginning with its next rate case and continuing as long as the Partners own Alloy.²⁸⁰ Flotation costs are the costs of issuing shares, and there is no evidence that ALLETE would incur flotation costs after a take-private acquisition.²⁸¹ Minnesota Power currently recovers flotation costs as part of its regulated return on equity (ROE).²⁸² Post-acquisition, Minnesota Power's ROE would still be calculated just as it is now.²⁸³ Commitment 23 does not offer a specific reduction in regulated ROE or rates to reflect the removal of the flotation costs currently included in the ROE. While Commitment 23 is in the public interest, the ultimate benefit of Commitment 23 is uncertain.

158. Commitment 24 states that 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.²⁸⁴ There is no evidence that Minnesota Power would incur investor relations costs post-acquisition.²⁸⁵ Minnesota Power currently recovers 50 percent of its investor relations costs, or \$174,000 per year, from ratepayers.²⁸⁶ A savings of \$174,000 per year is in the public interest, but is not a meaningful ratepayer benefit compared to the risks of the acquisition.

159. Commitment 25 states that the Partners will not charge fees for any business management or consulting services provided to ALLETE or Minnesota Power.²⁸⁷ Commitment 25 limits a potential abuse that is only created by the Acquisition.

²⁷⁴ Evid. Hrg. Tr. Vol. 1 at 188-189 (Cady).

²⁷⁵ Evid. Hrg. Tr. Vol. 1 at 189 (Cady); Evid. Hrg. Tr. Vol. 3 at 759-760 (Shardlow).

²⁷⁶ Evid. Hrg. Tr. Vol. 1 at 144 (Cady).

²⁷⁷ Ex. MP-27, JJC-R-1 at 4 (Cady Rebuttal).

²⁷⁸ Evid. Hrg. Tr. Vol. 1 at 146 (Cady).

²⁷⁹ Evid. Hrg. Tr. Vol. 1 at 146 (Cady).

²⁸⁰ Ex. MP-27, JJC-R-1 at 4 (Cady Rebuttal).

²⁸¹ See Evid. Hrg. Tr. Vol. 1 at 147 (Cady).

²⁸² Evid. Hrg. Tr. Vol. 1 at 147 (Cady).

²⁸³ Ex. MP-19 at 14 (Bulkley Direct).

²⁸⁴ Ex. MP-27, JJC-R-1 at 4 (Cady Rebuttal).

²⁸⁵ See Evid. Hrg. Tr. Vol. 1 at 148 (Cady).

²⁸⁶ Evid. Hrg. Tr. Vol. 1 at 148 (Cady).

²⁸⁷ Ex. MP-27, JJC-R-1 at 4 (Cady Rebuttal).

Commitment 25 would maintain the status quo and thus is not a benefit of the proposed acquisition.²⁸⁸ There is no evidence that any business management or consulting services that the Partners might provide to ALLETE or Minnesota Power would benefit ratepayers.

160. Commitment 26 states that Minnesota Power will not request rate recovery of board compensation or expenses for any board member not independent of the Partners.²⁸⁹ Commitment 26 would provide a rate-related benefit by preventing ratepayers from paying board compensation and expenses for the non-independent board members. Currently, ratepayers cover about half of Minnesota Power's board compensation and expenses, but the amount is not in the record.²⁹⁰ The dollar savings associated with Commitment 26 is also not in the record. Eliminating board compensation and expenses is in the public interest; however, the record does not reflect whether it would be a meaningful benefit to ratepayers.

161. Commitment 27 states, "The Company will have the burden to prove in its next 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."²⁹¹ Minnesota Power already has the burden of proof in rate cases, including the burden to prove that unreasonable costs are not being recovered in rates.²⁹²

162. Commitment 28 states that ALLETE will maintain its current senior management team subject to changes to account for voluntary departures or terminations in the ordinary course.²⁹³ Commitment 28 would maintain the status quo and thus is not a benefit of the proposed acquisition. There is no evidence that ALLETE had plans to remove any members of its senior management team before entering into the merger agreement.²⁹⁴ Additionally, this commitment does not include an express commitment not to pressure or encourage senior management to voluntarily depart during the two-year post-Acquisition period.²⁹⁵

163. Commitment 29 states, "Minnesota Power nonunion 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 agreements will be honored."²⁹⁶ Commitment 29 would maintain the status quo and thus is not a benefit of the proposed acquisition. Minnesota Power did not have plans to remove any nonunion employees or reduce their compensation or benefits before entering into the merger agreement. Minnesota Power also had no plans not to honor existing collective bargaining

²⁸⁸ See Evid. Hrg. Tr. Vol. 1 at 149 (Cady).

²⁸⁹ Ex. MP-27, JJC-R-1 at 4 (Cady Rebuttal).

²⁹⁰ Evid. Hrg. Tr. Vol. 1 at 150 (Cady).

²⁹¹ Ex. MP-27, JJC-R-1 at 4 (Cady Rebuttal).

²⁹² Evid. Hrg. Tr. Vol. 1 at 151 (Cady).

²⁹³ Ex. MP-27, JJC-R-1 at 4 (Cady Rebuttal).

²⁹⁴ See Evid. Hrg. Tr. Vol. 1 at 151 (Cady).

²⁹⁵ Ex. Sierra Club-1100 at 28 (Lane Direct) (eDocket No. [20252-214960-01](#)).

²⁹⁶ Ex. MP-27, JJC-R-1 at 4 (Cady Rebuttal).

agreements before entering into the merger agreement.²⁹⁷ The time-limited nature of this Commitment diminishes its illusory value even further.

164. Commitment 30 states that neither the Company nor the Partners intend to change Minnesota Power's longstanding practices with regard to contractors.²⁹⁸ Commitment 30 would maintain the status quo and thus is not a benefit of the proposed acquisition. Minnesota Power had no plans to change its longstanding practices with regard to contractors before it entered into the merger agreement.²⁹⁹

165. Commitments 31–33 reflect an agreement that Minnesota Power reached with the International Brotherhood of Electrical Workers (IBEW) Local 31.³⁰⁰ These commitments provide benefits to Minnesota Power's union workforce that Minnesota Power may not have been able to offer absent the proposed acquisition.³⁰¹

166. Commitment 34 states that "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 encourage diversity, equity and inclusion."³⁰² Commitment 34 would maintain the status quo and thus is not a benefit of the proposed acquisition. ALLETE was not contemplating discontinuing its Corporate Sustainability Report absent the proposed acquisition.³⁰³

167. Commitment 35 states that Minnesota Power will maintain historical levels of economic development in the State of Minnesota while Minnesota Power is owned by the Partners.³⁰⁴ Commitment 35 would maintain the status quo and thus is not a benefit of the proposed acquisition. Minnesota Power did not have plans to decrease its economic-development spending before entering into the merger agreement.³⁰⁵

168. Commitments 36–48 are styled as "affirmations of the regulatory compact."³⁰⁶ Generally, they promise to maintain the status quo and do not represent affirmative benefits.

169. Commitment 36 states that "rate recovery and allocation of rate recovery of Minnesota Power capital investments across customer classes are subject to Minnesota Public Utilities Commission ("Commission") authority."³⁰⁷ This is true whether or not the acquisition occurs.³⁰⁸

²⁹⁷ Evid. Hrg. Tr. Vol. 1 at 152 (Cady).

²⁹⁸ Ex. MP-27, JJC-R-1 at 4 (Cady Rebuttal).

²⁹⁹ Evid. Hrg. Tr. Vol. 1 at 152 (Cady).

³⁰⁰ Evid. Hrg. Tr. Vol. 1 at 152–53 (Cady).

³⁰¹ Evid. Hrg. Tr. Vol. 1 at 153 (Cady).

³⁰² Ex. MP-27, JJC-R-1 at 5 (Cady Rebuttal).

³⁰³ Evid. Hrg. Tr. Vol. 1 at 154 (Cady).

³⁰⁴ Ex. MP-27, JJC-R-1 at 5 (Cady Rebuttal).

³⁰⁵ Evid. Hrg. Tr. Vol. 1 at 154 (Cady).

³⁰⁶ Ex. MP-27, JJC-R-1 at 6 (Cady Rebuttal).

³⁰⁷ Ex. MP-27, JJC-R-1 at 6 (Cady Rebuttal).

³⁰⁸ Evid. Hrg. Tr. Vol. 1 at 155 (Cady).

170. Commitment 37 states that “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” and that “[s]o long as Minnesota Power and ALLETE remain the same entity, the Company will continue to make its annual capital structure filings with the Commission.”³⁰⁹ Commitment 37 is not a benefit because the Commission sets Minnesota Power’s capital structure by order, and ALLETE is required to maintain that capital structure.³¹⁰

171. Commitment 38 states that Minnesota Power will continue to provide ALLETE credit rating reports to the Commission within 30 days of receipt of the reports from the rating agencies.³¹¹ This is not a change from the status quo.³¹²

172. Commitment 39 states that a new tax-sharing agreement will be established between ALLETE and Alloy Parent and that Commission approval is required for ALLETE to sign the agreement.³¹³ This is simply a recognition of a legal requirement and not an affirmative benefit.³¹⁴

173. Commitment 40 states that “Minnesota Power will file the audited ALLETE Consolidated Financial Statements with Supplemental Schedules as a part of the annual capital structure petition.”³¹⁵ Commitment 41 states that “Minnesota Power will provide the Commission with audited financial statements and supplement schedules of ALLETE and with audited financial statements of Alloy Parent.”³¹⁶ Commitments 40 and 41 reflect an effort to replace the transparency currently provided by ALLETE’s required Securities and Exchange Commission (SEC) filings as a publicly traded company.³¹⁷ They would not be necessary without the transaction³¹⁸ and attempt to mitigate a loss of transparency rather than provide an affirmative benefit. Nor do these commitments promise to provide the same information that ALLETE is currently required to provide in SEC reports.³¹⁹

174. Commitment 42 states, “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 Minnesota Power’s operations under the jurisdiction of the Commission.”³²⁰ ALLETE is already required to allow the Commission and the Department to access its books and records related to regulated operations.³²¹ While the Commitment also applies to Alloy Parent, there is no commitment to provide access to

³⁰⁹ Ex. MP-27, JJC-R-1 at 6 (Cady Rebuttal).

³¹⁰ See Evid. Hrg. Tr. Vol. 1 at 156 (Cady).

³¹¹ Ex. MP-27, JJC-R-1 at 6 (Cady Rebuttal).

³¹² See Evid. Hrg. Tr. Vol. 1 at 156 (Cady).

³¹³ Ex. MP-27, JJC-R-1 at 6 (Cady Rebuttal).

³¹⁴ See Evid. Hrg. Tr. Vol. 1 at 157 (Cady).

³¹⁵ Ex. MP-27, JJC-R-1 at 6 (Cady Rebuttal).

³¹⁶ Ex. MP-27, JJC-R-1 at 6 (Cady Rebuttal).

³¹⁷ Evid. Hrg. Tr. Vol. 1 at 157–58 (Cady).

³¹⁸ Evid. Hrg. Tr. Vol. 1 at 158–59 (Cady).

³¹⁹ See, e.g., Ex. Sierra-1101 at 27 (Lane Surrebuttal).

³²⁰ Ex. MP-27, JJC-R-1 at 6 (Cady Rebuttal).

³²¹ Evid. Hrg. Tr. Vol. 1 at 159 (Cady).

books and records for any entity in the corporate hierarchy above Alloy Parent, even if those book and records relate to regulated operations.³²²

175. Commitment 43 states that Minnesota Power will remain headquartered in Duluth while the Partners own it.³²³ Minnesota Power had no plans to move its headquarters before signing the merger agreement, and this commitment simply reflects the status quo, not a benefit.³²⁴

176. Commitments 44–47 provide statements of commitment to Commission authority or Minnesota law:³²⁵

- a. Commitment 44 states that the Partners and Minnesota Power are committed to the regulatory process in Minnesota and the jurisdiction of the Commission.³²⁶
- b. Commitment 45 states that the Partners and Minnesota Power are committed to Commission determinations regarding capital and O&M costs, utility rate recovery, cost allocations, and utility capital.³²⁷
- c. Commitment 46 states that the Partners and Minnesota Power are committed to Commission determinations regarding resource planning, distribution planning, and resource acquisition decisions.³²⁸
- d. Commitment 47 states that “the Partners and Minnesota Power commit to efforts to achieve Minnesota’s Carbon Free Standard with least cost pathways to compliance ultimately determined by the Commission in [Integrated Resource Plans] and related dockets.”³²⁹

177. Commitments 44–47 are not benefits of the proposed acquisition; they are obligations that Minnesota Power will be required by law or Commission order to meet whether or not the acquisition closes.³³⁰ Minnesota Power’s commitment to the Commission’s authority does not preclude it appealing Commission orders that it disagrees with.³³¹ And the Commission may not have jurisdiction over Alloy Parent (or, by extension, the Partners) if the acquisition is approved.³³²

³²² Evid. Hrg. Tr. Vol. 1 at 159–60 (Cady).

³²³ Ex. MP-27, JJC-R-1 at 6 (Cady Rebuttal).

³²⁴ Evid. Hrg. Tr. Vol. 1 at 160 (Cady).

³²⁵ See Ex. MP-27, JJC-R-1 at 6–7 (Cady Rebuttal).

³²⁶ Ex. MP-27, JJC-R-1 at 6 (Cady Rebuttal).

³²⁷ Ex. MP-27, JJC-R-1 at 7 (Cady Rebuttal).

³²⁸ Ex. MP-27, JJC-R-1 at 7 (Cady Rebuttal).

³²⁹ Ex. MP-27, JJC-R-1 at 7 (Cady Rebuttal).

³³⁰ See Evid. Hrg. Tr. Vol. 1 at 160–62 (Cady).

³³¹ Evid. Hrg. Tr. Vol. 1 at 161–62 (Cady).

³³² Evid. Hrg. Tr. Vol. 1 at 129 (Cady).

178. Finally, Commitment 48 states that the Partners defer to Minnesota Power to maintain culture, relationships, and overall approach to operations.³³³ This Commitment does not offer an affirmative benefit; it simply maintains the status quo.³³⁴

179. The commitments offered by Petitioners, largely in attempt to mitigate the risks of the proposed acquisition, offer few affirmative benefits beyond certain benefits to labor and low-income interests. They do not provide new or additional benefits sufficient to counterbalance new risks arising as a result of the acquisition. Furthermore, these commitments are largely unenforceable by the Commission.

180. The most significant ratepayer benefit that Petitioners offer is up to \$3.5 million in low-income residential arrearage forgiveness to reduce arrearages for residential customers to pre-COVID balances.³³⁵ The proposed forgiveness will run through the ratepayer-funded CARE program.³³⁶ The arrearage forgiveness would certainly benefit the households that receive it. However, in 2019 – pre-COVID- customer past due amounts totaled approximately \$3.4 million.³³⁷ In February 2025, the company reported \$4.3 million in customer arrearages.³³⁸ The Partners could therefore meet this commitment by funding less than \$1 million in forgiveness.³³⁹ Even the full \$3.5 million benefit is modest when compared with the rate-related risks of the acquisition. It is also modest when compared with ratepayer concessions offered in other recently approved deals. These benefits have included:

- \$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 as 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); and
- \$21 million in rate credits, *In re Joint Report & Appl. of El Paso Elec. Co., Sun Jupiter Holdings LLC, & IIF U.S. Holding 2 L.P.*, No. 49849, 2020 WL 707291, at *8 (Jan. 28, 2020).

³³³ Ex. MP-27, JJC-R-1 at 7 (Cady Rebuttal).

³³⁴ See Evid. Hrg. Tr. Vol. 1 at 162–63 (Cady).

³³⁵ Evid. Hrg. Tr. Vol. 1 at 29 (Cady).

³³⁶ Evid. Hrg. Tr. Vol. 1 at 190 (Cady).

³³⁷ Evid. Hrg. Tr. Vol. 1 at 193 (Cady).

³³⁸ Evid. Hrg. Tr. Vol. 1 at 195 (Cady).

³³⁹ At various times throughout this proceeding, Minnesota Power has insisted that the Petitioner’s “intent” or “understanding” is different than what is reflect in the written documents. This is one such example. Minnesota Power’s apparent reliance on unenforceable “understandings” which conflict with the written record is, at best, naïve. Sophisticated parties, like the Partners, engaging in complex transactions, like the Acquisition, rely on written agreements. The Commission should do the same.

IV. POTENTIAL DETRIMENTS

A. Risks to ALLETE's 2040 Energy Transition

181. Petitioners assert that the Acquisition will facilitate the transition of ALLETE's regulated operations from fossil fuels to renewables. As discussed below, the Intervenor asserts that the Partners may prioritize other investments instead or make little new equity capital available.

182. Intervenor challenged ALLETE's assumption that the Partners will fund its capital plan absent a binding capital commitment. ALLETE's chief financial officer acknowledged that "investment 101" dictates that the Partners' willingness to invest additional capital in the future depends on the alternatives. Despite this acknowledgment, he expressed certainty that the Partners would make capital available to ALLETE absent a binding commitment.³⁴⁰ This confidence is misplaced because the Partners will have many alternatives. GIP Fund V is a fixed length fund and no new capital or investors will be introduced once it raises \$25 billion.³⁴¹ As a result, the Partners may have limited ability to make new or follow-on investments in portfolio companies.³⁴² ALLETE, lacking a binding capital commitment, may be unable to access to capital because it will be competing for a limited pool of equity with other portfolio companies that may offer a higher return.

183. In addition, the Partners may have inadequate capital to provide ALLETE. Post-transaction, ALLETE will be entirely dependent on Alloy Parent, a holding company created by the Partners, for equity capital. Alloy Parent, in turn, will generally have three potential sources of capital: debt issuance proceeds, GIP equity capital, and CPPIB equity capital. If Alloy Parent were in a distressed situation, and the Partners were unable or unwilling to provide equity capital to Alloy Parent, ALLETE would largely be cut off from financing.³⁴³ The Partners acknowledge this possibility. In a private investor memorandum, GIP states, **[NOT PUBLIC HCTS DATA REDACTED]**.³⁴⁴

184. The Partners' post-deal plans is evidence that they may not make new equity capital available to ALLETE. **[NOT PUBLIC HCTS DATA REDACTED]**.

185. Petitioners assert that the Acquisition is intended to finance ALLETE's planned transition to clean energy and facilitate compliance with the Carbon Free Standard.³⁴⁵ But Petitioners only commit to "efforts to achieve" the Carbon Free

³⁴⁰ Evid. Hr. Tr. Vol. 1 at 230:18-231:3 (Scissons) ("Q. [Y]ou understand that in the future whether or not they're willing to invest additional equity in ALLETE will depend on whether there are other more profit-maximizing opportunities available to them at that time? A. . . . [Y]es, I understand what you're saying.").

³⁴¹ Ex. MP-14 at 17 (Bram Direct); Ex. DOC-303 at 44 (Addonizio Direct) (eDocket No. [20252-214941-01](#)).

³⁴² Ex. MP-14 at 17 (Bram Direct); Ex. DOC-303 at 44 (Addonizio Direct) (eDocket No. [20252-214941-01](#)).

³⁴³ Ex. DOC-303 at 43 (Addonizio Direct) (eDocket No. [20252-214941-01](#)).

³⁴⁴ Ex. DOC-301, SLV-D-6 at 11 (Vavro Direct).

³⁴⁵ See, e.g., Ex. MP-1 at 15 (Petition) (eDocket No. [20247-208768-01](#)); Ex. MP-9 at 13, 18 (Cady Direct); Ex. MP-14 at 4, 32 (Bram Direct); Ex. MP-13 at 13, 19 (Alley Direct); Ex. MP-31 at 7, 15, 23, 52 (Alley Rebuttal); Ex. MP-33 at 3, 8, 14 (Bram Rebuttal); Evid. Hrg. Tr. Vol. 1 at 21:18-19, 24:3-4.

Standard.³⁴⁶ They do not make a binding commitment to achieve the emissions reductions required under the Standard.³⁴⁷

186. Additionally, despite ALLETE's stated clean energy-driven rationale for the acquisition, ALLETE is planning significant capital spending on fossil fuels. ALLETE's 2025-2039 Integrated Resource Plan (IRP) proposes to add over 1,000 megawatts of new natural gas generating capacity.³⁴⁸ The IRP proposes converting Boswell Unit 3 to natural gas by the end of 2029 and considers two refueling options for Boswell Unit 4: a 40 percent methane gas refuel by 2030 or cofiring with biomass and natural gas by 2035.³⁴⁹ If ALLETE and Partners over-invest in gas-fired generation, this could jeopardize ALLETE's transition to clean energy and place ratepayers at risk of funding additional projects.

187. Intervenor has established significant risks that the Partners will be unwilling or unable to provide ALLETE sufficient capital to transition its regulated operations in Minnesota from fossil fuels to renewable energy. The deal presents a risk that the Partners may invest too much in new or existing fossil-fueled resources, or may not invest enough in lower-cost renewable resources, either of which could harm Minnesota Power's ability to comply with the Carbon Free Standard. And the Partners will not be providing ALLETE with open-ended capital access. Instead, ALLETE will be limited to the capital available from a fund fixed in size. ALLETE will have to compete internally for these funds. While the Partners may anticipate making sufficient capital available to ALLETE, 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.

B. Risks to ALLETE's Long-Term Financial Health

1. Financial Engineering

188. Intervenor asserts the Partners are privately planning to engage in risky financial engineering to achieve the desired annual return. Intervenor states that these tactics could be detrimental to ALLETE's long-term financial health.³⁵⁰

189. The Partners expect an annual return of about **[NOT PUBLIC HCTS DATA REDACTED]** on their investment in ALLETE.³⁵¹ This return significantly exceeds the returns produced by publicly traded utilities. S&P Global, for example, reported that there were 55 return-on-equity determinations by regulatory bodies for electric utilities in 2024,

³⁴⁶ Ex. MP-27, JJC-R-1 at 7 (Cady Rebuttal).

³⁴⁷ See Ex. SIERRA-1102 at 19 (Corrected Lane Surrebuttal); Evid. Hrg. Tr. Vol. 1 at 203:8-11 (Cady); Ex. MP-27, JJC-R-1 at 7 (Cady Rebuttal).

³⁴⁸ Ex. SIERRA-1102, CLS-1 at 8, 25 (Corrected Lane Surrebuttal).

³⁴⁹ Ex. SIERRA-1002 at 21 (Corrected Lane Surrebuttal).

³⁵⁰ Ex. DOC-303 at 65-69 (Addonizio Direct) (eDocket No. [20252-214941-01](#)); Ex. DOC-304 at 31, 36-38 (Addonizio Surrebuttal).

³⁵¹ Ex. DOC-306 at 4; Ex. CURE-602, JB-8-HCTS at 3 (Baker Surrebuttal).

ranging from 9.20 percent to 10.50 percent, with an average of 9.74 percent.³⁵² More generally, the annual returns sought by the Partners also exceed credible cost of equity estimates for average-risk publicly traded companies. In most cases, the cost of equity for publicly traded companies is less than 8 percent.³⁵³ And the returns generated by publicly traded utilities specifically have totaled about 8.36 percent during the past decade.³⁵⁴

190. The Partners contend they will earn the difference between a reasonable regulated return and their desired return in two ways. First, the Partners cite ALLETE's unregulated operations as a source of returns. Yet, ALLETE's unregulated operations cannot plausibly make up the difference. **[NOT PUBLIC HCTS DATA REDACTED]**.³⁵⁵

191. Second, the Partners assert that they will be more directly involved in supporting ALLETE than a public investor and hope to realize the benefits of the gain in value that will result.³⁵⁶ GIP has publicly emphasized that the Partners plan to leave Minnesota Power's management in place and has downplayed GIP's potential involvement in running ALLETE.³⁵⁷ **[NOT PUBLIC HCTS DATA REDACTED]**.³⁵⁸

192. Petitioners are most likely to make up the difference between a plausible regulated return and the targeted return through financial engineering. The Partners state that only \$300 million of the initial deal cost, or 8 percent, will be debt financed, explaining that this is a much smaller percentage than many private equity deals.³⁵⁹ **[NOT PUBLIC HCTS DATA REDACTED]**.³⁶⁰

193. This initial debt is expected to grow over time through a mix of double leverage and dividend recapitalization activities. **[NOT PUBLIC HCTS DATA REDACTED]**.³⁶¹ And rather than disavow double leverage, GIP claims that ALLETE would benefit from this arrangement.³⁶²

194. CPPIB similarly plans to have ALLETE and Alloy Parent issue more debt than publicly indicated. **[NOT PUBLIC HCTS DATA REDACTED]**.³⁶³

195. The increased indebtedness stemming from financial engineering could adversely affect ALLETE's long-term financial health. Alloy Parent, ALLETE's proposed

³⁵² Ex. DOC-303 at 61 (Addonizio Direct) (citing Lisa Fontanella, *Average Authorized Energy ROEs Rise in 2024 Amid Elevated Rate Case Activity*, S&P Global (Jan. 16, 2025)).

³⁵³ Ex. DOC-303 at 61-62 (Addonizio Direct) (eDocket No. [20252-214941-01](#)).

³⁵⁴ Ex. CURE-600 at 21 (Baker Direct).

³⁵⁵ Ex. DOC-303, CMA-D-4 at 25 (Addonizio Direct) (eDocket No. [20252-214941-01](#)); Ex. DOC-304 at 28 (Addonizio Surrebuttal).

³⁵⁶ Ex. MP-14 at 29-31 (Bram Direct).

³⁵⁷ Ex. MP-33 at 25 (Bram Rebuttal).

³⁵⁸ Ex. DOC-304 at 30 (Addonizio Surrebuttal).

³⁵⁹ Ex. MP-14 at 29 (Bram Direct).

³⁶⁰ Ex. DOC-303, CMA-D-5 at 61 (Addonizio Direct) (eDocket No. [20252-214941-01](#)); Ex. CURE-602 at 15 (Baker Surrebuttal).

³⁶¹ Ex. DOC-303 at 68 (Addonizio Direct) (eDocket No. [20252-214941-01](#)); Ex. DOC-306 at 27.

³⁶² Ex. MP-33 at 27 (Bram Rebuttal).

³⁶³ Ex. CURE-602, JB-8-HCTS at 5 (Baker Surrebuttal).

holding company, will own no assets or investments other than ALLETE. As a result, ALLETE will ultimately pay interest and principal payments on both Alloy Parent's and ALLETE's debt.³⁶⁴ ALLETE's regulated operations in Minnesota, which currently represent roughly 70 percent of the company, will ultimately be responsible for servicing most of this debt. If the incremental debt load becomes too large, or interest rates rise such that Alloy Parent or ALLETE have trouble refinancing the extra debt when it expires, Under this scenario, Alloy Parent may try to extract cash from ALLETE to pay the incremental debt.³⁶⁵

196. While the Partners would be limited in how they could extract cash from ALLETE, the Partners could direct ALLETE to incrementally increase debt within its regulated capital structure, cut maintenance budgets, or forgo capital expenditures.³⁶⁶ Rating agencies would likely perceive any such actions as increasing the risk associated with investments in ALLETE.³⁶⁷ Given this concern, rating agencies monitor whether a company's parents and affiliates are exercising undue influence as a credit risk. S&P Global Ratings, for example, considers whether owners and affiliates are having a beneficial, neutral, or burdensome impact on the company's stand-alone credit profile.³⁶⁸ S&P Global cites double leverage, higher shareholder distribution policies, and aggressive financial expectations from owners as negative influences that could cause a credit rating downgrade.³⁶⁹

197. Intervenors also point to examples involving Northern States Power, a utility operating subsidiary of Xcel Energy, Inc., being downgraded due to indebtedness or risks stemming from affiliates. In 2002, rating agencies downgraded Northern States Power, a utility operating subsidiary of Xcel Energy, Inc., due to financial distress at Xcel Energy, Inc.'s main non-regulated subsidiary, NRG, before NRG filed for bankruptcy.³⁷⁰ More recently, S&P Global Ratings downgraded Northern States Power because of risks elsewhere in Xcel Energy, Inc.'s structure. **[NOT PUBLIC HCTS DATA REDACTED]**.³⁷¹

198. ALLETE's own recent downgrading is further evidence that the deal could lead to further credit rating deterioration. S&P has expressed concern with ALLETE's post-acquisition credit quality and put ALLETE on a negative outlook in May 2024 after the proposed acquisition was announced.³⁷² S&P stated, "The negative outlook reflects the possibility for higher leverage and weaker financial measures because of the

³⁶⁴ Ex. DOC-303, CMA-D-15 at 1 (Addonizio Direct) (eDocket No. [20252-214941-01](#)).

³⁶⁵ Ex. DOC-303 at 69 (Addonizio Direct).

³⁶⁶ Ex. DOC-303 at 69-70 (Addonizio Direct).

³⁶⁷ Ex. DOC-303 at 70 (Addonizio Direct).

³⁶⁸ Ex. DOC-303 at 70 (Addonizio Direct) (citing Peter Kernan, *General Criteria: Stand-Alone Credit Profiles: One Component of a Rating*, S&P Global Ratings (Aug. 14, 2024)).

³⁶⁹ Ex. DOC-303 at 70 (Addonizio Direct) (citing Peter Kernan, *General Criteria: Stand-Alone Credit Profiles: One Component of a Rating*, S&P Global Ratings (Aug. 14, 2024)).

³⁷⁰ Ex. DOC-303 at 71 (Addonizio Direct) (citing *Inquiry into the Potential Effects of Financial Difficulties at NRG and Xcel Energy, Inc. on Northern States Power Company and its Customers and Potential Mitigation Measures*, MPUC Docket No. E,G002/CI-02-1346, Minn. Dep't of Comm. Cmts. at 1 (Sept. 4, 2002) (eDocket No. [319276](#))).

³⁷¹ Ex. DOC-303, CMA-D-16 (Addonizio Direct) (eDocket No. [20252-214941-01](#)).

³⁷² Ex. LPI-1003, LPI-1004 at 7 (Walters Surrebuttal).

acquisition. We could lower our ratings on ALLETE if its leverage increases and its financial measures weaken such that its funds from operations (FFO) to debt falls below 17 percent.”³⁷³

199. The Partners’ plans already suggest that a downgrading is likely. **[NOT PUBLIC HCTS DATA REDACTED]**.

2. Untimely Exit

200. Intervenors observe that an additional risk of the deal is that if the Commission continues to regulate Minnesota Power just as it historically has and does not allow the Partners to earn the returns they expect, the Partners will seek an early exit to their investments and sell ALLETE.³⁷⁴

201. Private equity firms are investment managers that raise capital, typically from institutional investors (i.e., sovereign wealth funds, pension funds, insurance companies, endowments, and wealthy individuals), that then use that capital, often along with substantial amounts of debt, to acquire companies or other assets.³⁷⁵

202. Successful private equity investing necessitates careful evaluation of investments, structuring of deals, financial engineering, and operational engineering, as well as achievement of substantial returns in a specified timeframe.³⁷⁶

203. Because successful private equity investments hinge on the ability to make substantial returns in a specified timeframe, an inability to invest capital as planned may drive the Partners to employ earlier-than-expected exit strategies or a reevaluation of the investment’s (i.e., ALLETE’s) viability.³⁷⁷ In other words, exit strategies also constitute a key component of private equity investment, because investors must provide themselves a strategy to end involvement with their investments.³⁷⁸

204. Here, the Partners have not committed to owning ALLETE for any period of time. Despite the Partners’ characterizing their intended investment as “long term,”³⁷⁹ they do not define “long term,” and neither Partner has committed to a specific hold period for ALLETE.³⁸⁰

³⁷³ Ex. LPI-1003, LPI-1004 at 7, n.7 (Walters Surrebuttal) (citing S&P RatingsDirect, “Research Update: ALLETE Inc. Outlook Revised to Negative on Proposed Acquisition by Infrastructure Funds, Ratings Affirmed,” May 7, 2024).

³⁷⁴ See Ex. LPI-1001, Ex. LPI-1002 at 18-19 (Walters Direct).

³⁷⁵ Ex. CURE-600 at 3 (Baker Direct).

³⁷⁶ Ex. OAG-400 at 9 (Lebens Direct) (citing PAUL ALAN GOMPERS & STEVEN N. KAPLAN, ADVANCED INTRODUCTION TO PRIVATE EQUITY 11 (eBook ed. 2022)).

³⁷⁷ Ex. LPI-1001, LPI-1002 at 24 (Walters Direct).

³⁷⁸ See Ex. OAG-400 at 14 (Lebens Direct). Such strategies might include “selling to (1) a “strategic” buyer who would integrate a new acquisition into its existing operations; (2) a “financial” buyer, such as another private equity fund or a hedge fund; or (3) public investors through an initial public stock offering, or “IPO.” Ex. OAG-400 at 15 (Lebens Direct).

³⁷⁹ See, e.g., Ex. MP-13 at 12 (Alley Direct), Ex. MP-14 at 7 (Bram Direct).

³⁸⁰ Ex. SIERRA-1100 at 28 (Lane Direct).

205. The Partners conceded that “Some parties are concerned that the Partners may sell their investment in the future. That is possible. While there are no plans to do that at this time, most investments are eventually sold, and the Partners are not trying to conceal that it is possible down the road”³⁸¹

206. GIP’s overall investment strategy for Fund V anticipates holding assets for **[NOT PUBLIC HCTS DATA REDACTED]**.³⁸² Consistent with this timeframe, a confidential GIP presentation describes post-acquisition transfers of Partner interests as subject to **[NOT PUBLIC HCTS DATA REDACTED]**.

207. GIP’s investment analysis examines **[NOT PUBLIC HCTS DATA REDACTED]** And “GIP has not . . . made a determination regarding the specific length of time GIP will continue investments by GIP Fund V.”³⁸³

208. Similarly, CPPIB stated that “CPP Investments does not have a pre-determined hold period or fund life for its infrastructure investments.”³⁸⁴

209. Additionally, CPPIB identifies **[NOT PUBLIC HCTS DATA REDACTED]**.

210. Finally, the Partners’ term sheet provides that either GIP or CPPIB can **[NOT PUBLIC HCTS DATA REDACTED]**.

211. Based on the record evidence, the Intervenor has established significant risks that the Partners will engage in operational and financial engineering to increase returns. The strategies used to increase returns appear reasonably likely to amplify ALLETE’s indebtedness and decrease its creditworthiness. Credible concerns that ALLETE could be materially harmed if the Partners sought an early exit from their investment are apparent. If the Partners cannot extract substantial returns from ALLETE in line with their expectations, they may seek to exit and sell ALLETE, perhaps in the near-term, which would subject Minnesota Power’s customers to another proposed sale. Such an early exit would likely be uneconomic and inefficient, and the record demonstrates that such an exit by the Partners is highly plausible. These are material risks that weigh against a finding of public interest.

C. Risks to Minnesota Power’s Ratepayers

1. Projected Rate Increases

212. In negotiating the merger agreement with the Partners, ALLETE required a substantial premium to its market value.³⁸⁵ ALLETE rejected the Partners’ initial offer of \$62.50 per share and their second offer of \$64 per share before accepting a third offer of

³⁸¹ Evid. Hrg. Tr. Vol. 1 at 33:5-10 (Barlow).

³⁸² Ex. Sierra-1100 at 36 (Lane Direct).

³⁸³ Ex. SIERRA-1100 at 34, n.87 (Lane Direct) (citing Ex. SIERRA-1100, Attach. CL-2 at Petitioners’ Response to CUB130(a)).

³⁸⁴ Ex. SIERRA-1100 at 34, n.86 (Lane Direct).

³⁸⁵ Ex. MP-1, Attach. L at 49–52 (Initial Petition) (eDocket No. [20247-208768-01](#)).

\$67 per share.³⁸⁶ The last price reflects a 19 percent to 22 percent premium over the ALLETE common stock share price prior to news of the proposed acquisition influencing that price.³⁸⁷ The \$67 per share price also reflects a premium of \$1.5 billion over ALLETE's book value.³⁸⁸

213. Petitioners state “[t]he Acquisition is not expected to impact retail or municipal rates for utility customers nor materially affect other utility matters pending before the Commission.”³⁸⁹ Petitioners have represented that they will not seek recovery of several non-recurring costs related to the acquisition, including: (1) the acquisition premium paid to obtain ownership of ALLETE; (2) transaction costs relating to the acquisition; and (3) transition costs.³⁹⁰

214. However, the Partners’ targeted risk-adjusted return increases the risk of unsustainable rate hikes in the future.³⁹¹ GIP explains that the “scale of these investments and the speed at which they must be deployed make ALLETE an attractive investment opportunity and make GIP and CPP Investments the right partners for ALLETE.”³⁹²

215. The Partners’ not-public documents suggest they expect to earn **[NOT PUBLIC HCTS DATA REDACTED]** on their investment in ALLETE.³⁹³ This return significantly exceeds the returns produced by publicly traded utilities.³⁹⁴ S&P Global, for example, recently reported that there were 55 return-on-equity determinations by regulatory bodies for electric utilities in 2024, ranging from 9.20 percent to 10.50 percent, with an average of 9.74 percent.³⁹⁵ The returns sought by the Partners also exceed credible estimates from respectable cost of equity sources for average risk publicly traded companies, most of which are below 8 percent.³⁹⁶

216. As discussed elsewhere, concerns are present and plausible that the Partners will try to earn those higher returns for their investors using operational, governance, and financial engineering strategies.³⁹⁷ The Partners’ disavowal of “stereotypical” private equity tactics such as “debt leveraging, cost-cutting operational changes, and asset sales” to achieve their desired returns lacks credibility.³⁹⁸

217. If the Partners employ financial engineering strategies to increase the returns they earn from their investments in Alloy, the likely result is extra debt that causes

³⁸⁶ Ex. MP-1, Attach. L at 49–52 (Initial Petition).

³⁸⁷ Ex. MP-1, Attach. L at 2 (Initial Petition).

³⁸⁸ Ex. CURE-601 at 20 (Ellis Direct).

³⁸⁹ Ex. MP-1 at Summary of Filing (Initial Petition) (eDocket No. [20247-208768-01](#)).

³⁹⁰ Ex. MP-27 at Schedule 1, Commitments 17 and 18 (Cady Rebuttal).

³⁹¹ See Ex CURE-601 at 24 (Ellis Direct); Ex. DOC-304 at 26 (Addonizio Surrebuttal).

³⁹² Ex. MP-23 at 4 (Bram Direct).

³⁹³ Ex. DOC-303 at 63 (Addonizio Direct) (eDocket No. [20252-214941-01](#)); Ex. DOC-306 at 4; Ex. CURE-602 at JB-8-HCTS at 3 (Baker Surrebuttal).

³⁹⁴ Ex. DOC-303 at 61 (Addonizio Direct) (eDocket No. [20252-214941-01](#)).

³⁹⁵ Ex. DOC-303 at 61 (Addonizio Direct) (eDocket No. [20252-214941-01](#)).

³⁹⁶ Ex. DOC-303 at 61-62 (Addonizio Direct).

³⁹⁷ See e.g., Ex. DOC-304 at 28 (Addonizio Surrebuttal).

³⁹⁸ Ex. MP-32 at 9 (Alley Rebuttal); Ex. MP-33 at 5 (Bram Rebuttal).

ALLETE's cost of capital to rise, which would result in rates that are higher than they otherwise would have been absent the proposed acquisition.³⁹⁹

218. A forecast that ALLETE provided to the Partners in connection with the process leading to the execution of the Merger Agreement projects nearly **[NOT PUBLIC HCTS DATA REDACTED]** compound annual growth in residential rates over 2023-2032.⁴⁰⁰

219. Internal GIP and CPPIB presentations also document the Partners' private assumptions and projections about ALLETE's rates following approval of the acquisition. GIP projects **[NOT PUBLIC HCTS DATA REDACTED]**.⁴⁰¹ CPPIB projects **[NOT PUBLIC HCTS DATA REDACTED]**.⁴⁰² CPPIB's internal modeling suggests that by 2030 rates could be nearly **[NOT PUBLIC HCTS DATA REDACTED]** relative to 2023.⁴⁰³

220. These projected rate increases will likely exceed the inflation rate, adversely impacting the budgets of residential customers and the economic competitiveness of ALLETE's large industrial customers.⁴⁰⁴ And to implement these significant rate increases, the Commission can expect a bigger workload **[NOT PUBLIC HCTS DATA REDACTED]**.⁴⁰⁵

221. Meanwhile, ALLETE's latest Integrated Resource Plan includes a residential rate forecast through 2029.⁴⁰⁶ **[NOT PUBLIC HCTS DATA REDACTED]**.⁴⁰⁷

222. The Partners' private memoranda, modeling, and communications with potential investors establish that the Partners are planning on significant rate increases that will likely exceed the long-run rate of inflation. These increases, if permitted by the Commission, would likely be detrimental to the economic competitiveness of ALLETE's largest mining and industrial customers, and would cause electricity costs to increase as a percentage of residential customer incomes. The Acquisition creates an unacceptable risk of rate increase and rate shock in a critical and economically vulnerable area of Minnesota.

2. Service Quality Deterioration

223. Intervenors argue that the proposed acquisition poses risks to service quality as a result of cost-cutting efforts, overuse of debt, or a potential decision by the Partners to refocus investment away from ALLETE's regulated operations.⁴⁰⁸ Petitioners

³⁹⁹ Ex. DOC-304 at 42 (Addonizio Surrebuttal).

⁴⁰⁰ Ex. OAG-403 at 5 (Lebens Surrebuttal).

⁴⁰¹ Ex. DOC-306 at 17 (Minnesota Power IR Response).

⁴⁰² Ex. CURE-602, JB-10-HCTS at 19 (Baker Surrebuttal).

⁴⁰³ Ex. LPI-1001 at 12-13 (Walters Direct).

⁴⁰⁴ Ex. LPI-1001 at 12-13 (Walters Direct).

⁴⁰⁵ Ex. OAG-412 at 11 (GIP IR Response).

⁴⁰⁶ Ex. CURE-603 at 6 (Ellis Surrebuttal).

⁴⁰⁷ Ex. CURE-603 at 7 (Ellis Surrebuttal).

⁴⁰⁸ Ex. DOC-303 at 69-70 (Addonizio Direct) (eDocket No. [20252-214941-01](#)); Ex. DOC-301 at 29 (Vavro Direct); Ex. OAG-401 at 19-20 (Lebens Direct); Ex. OAG-402 at 5 (Lebens Surrebuttal).

maintain that the Commission's regulation of ALLETE's regulated service quality and reliability protects against these risks.⁴⁰⁹

224. The Partners use operational-engineering tools that are typical of private equity investors, including **[NOT PUBLIC HCTS DATA REDACTED]**.⁴¹⁰ The Partners, however, have stated that they do not expect significant reduced costs because of the Acquisition.⁴¹¹

225. The Partners have also made certain commitments to maintain the positions, compensation, and benefits of nonunion employees and to extend certain union contracts in the near term.⁴¹² These commitments are limited and allow for future corporate restructuring or downsizing, leaving a longer-term risk to ALLETE's service quality.⁴¹³

226. The Partners plan to use "double leveraging" to increase the amount of debt within ALLETE and Alloy Parent's combined capital structure. This planned use of double leveraging increases the risk that ALLETE will experience financial distress or be drawn into a parent bankruptcy.⁴¹⁴ Even short of bankruptcy, financial pressure to service increased debt obligations could negatively impact service quality for Minnesota Power's ratepayers.⁴¹⁵

227. Finally, the Partners could eventually decide that their money is better invested elsewhere and allocate capital away from ALLETE.⁴¹⁶ Depriving ALLETE of capital is contrary to the stated purpose of the Acquisition. But the Partners' capital-funding commitment has several shortcomings, discussed above, that limit its value in mitigating the risk that the Partners could underinvest in ALLETE. The Partners have also stated that "individual investment decisions for Minnesota Power will continue to be made based on an assessment of the risk of the given investment and the expectation of the return required for and available from that investment."⁴¹⁷

228. The Intervenor has raised a credible risk that the Acquisition could harm service quality. This risk is relevant to the public-interest inquiry, since any harm to service quality would be detrimental to ratepayers and the broader economy of northern Minnesota. While the probability of severe service-quality impairment appears remote,

⁴⁰⁹ GIP/CPPIB Initial Br. at 61–21.

⁴¹⁰ Ex. OAG-401 at 19–20 (Lebens Direct).

⁴¹¹ Ex. OAG-400 at 23 (Lebens Direct).

⁴¹² Ex. MP-27, JJC-R-1 at 4–5 (Cady Rebuttal).

⁴¹³ See Ex. DOC-301 at 29 (Vavro Direct) ("It is unclear whether the short-term nature of the employee-related commitments were meant to provide future flexibility in implementing corporate restructuring or downsizing initiatives. Such plans are ill-conceived if they sacrifice the institutional knowledge of an experienced utility workforce that is difficult to replace, potentially jeopardizing Minnesota Power's reliability and service quality.").

⁴¹⁴ Ex. DOC-303 at 15 (Addonizio Direct) (eDocket No. [20252-214941-01](#)).

⁴¹⁵ See Ex. DOC-303 at 69–70 (Addonizio Direct) (discussing risks of double-leverage); Ex. OAG-400 at 17 (Lebens Direct) (stating that additional debt in an organization's capital structure creates pressure to avoid unnecessary expenses).

⁴¹⁶ See, e.g., Ex. OAG-400 at 26 (Lebens Direct).

⁴¹⁷ Ex. MP-14 at 25 (Bram Direct).

there is a material risk that ALLETE's current "near perfect"⁴¹⁸ reliability could be impaired because of operational or financial changes made by the Partners.

3. Experience of Other Utilities

229. Upper Peninsula Power Company (UPPCO) is a utility serving around 52,000 customers in Michigan's upper peninsula.⁴¹⁹ UPPCO is a product of the region's "economy tied to its natural resources of forestry products, copper and iron ore."⁴²⁰ Its initial generation "was constructed for the primary purpose of powering the copper mining and forest products industry not to serve residential customers remote to those industries."⁴²¹ Thus, its history, relative size, and geographic remoteness make it similar to Minnesota Power in many respects that are not common to other utilities.⁴²²

230. In 2014, the Michigan Public Service Commission (the Michigan PSC) approved the sale of UPPCO to Balfour Beatty Infrastructure Partners for about \$298 million.⁴²³ That acquisition was premised, in part, on the belief that the acquiring investor would "provide UPPCO with the capital necessary to maintain and improve its existing delivery infrastructure."⁴²⁴ The sale was at a "substantial price for UPPCO over its book value" with a "substantial amount of debt," leading to financial risk if revenues cannot cover debt at different levels of the corporate structure.⁴²⁵ As part of issuing its approval, the Michigan PSC found that the acquisition would not result in subsidization of non-regulated activity through UPPCO customer rates.⁴²⁶

231. In 2015, UPPCO filed a rate case.⁴²⁷ In that rate case, UPPCO: (i) requested a large increase to its authorized return on common equity, (ii) requested substantial increases in expenses to recover increases in pension costs not discussed as part of the acquisition proceeding; (iii) revealed it had reduced distribution-system maintenance investment during the transfer of control, then proposed a large increase in maintenance costs for the future test year; and (iv) requested substantial costs to increase staffing levels.⁴²⁸ After the acquisition, UPPCO was also slow to terminate an above-market power purchase agreement with a previously affiliated entity and incurred high costs of debt.⁴²⁹ In 2018, UPPCO filed another rate case, seeking to raise rates by nearly

⁴¹⁸ Evid. Hrg. Tr. Vol. 1 at 186 (Cady).

⁴¹⁹ Ex. CURE-600 at 13 (Baker Direct).

⁴²⁰ Ex. CURE-600 at 10 (Schedule JB-4).

⁴²¹ Ex. CURE-600 at 10 (Schedule JB-4).

⁴²² Ex. CURE-600 at 12-13 (Baker Direct).

⁴²³ Ex. CURE-600 at 13 (Baker Direct); Ex. MP-12 at 20 (Quackenbush Direct).

⁴²⁴ Ex. CURE-600 at 13 (Baker Direct).

⁴²⁵ Ex. CURE-600 at 52 (Schedule JB-4).

⁴²⁶ Ex. MP-12 at 20 (Quackenbush Direct).

⁴²⁷ Ex. CUB-505 at 7 (Jester Direct).

⁴²⁸ Ex. CUB-505 at 8 (Jester Direct).

⁴²⁹ Ex. CUB-505 at 8 (Jester Direct).

\$10 million.⁴³⁰ Collectively, these post-acquisition developments exacerbated an affordability problem for UPPCO customers.⁴³¹

232. Seven years later, in 2021, the Michigan PSC approved a second sale of UPPCO to Axiom Infrastructure, which promised not to raise rates until 2023.⁴³² As part of issuing its approval, the Michigan PSC again found that the acquisition would not result in subsidization of non-regulated activity through UPPCO customer rates.⁴³³ The Michigan PSC also found the acquisition would not have an adverse effect on customer or rates or the provision of safe, reliable, and adequate electric service.⁴³⁴

233. In 2023, UPPCO filed a rate case that resulted in a 10.1 percent rate increase.⁴³⁵ In 2024, UPPCO filed a second rate case requesting a 16 percent rate increase and proposing to increase its profit margin on infrastructure investments from 9.9 percent to 10.7 percent.⁴³⁶ As of December 2024, UPPCO's rates were 9 cents per kilowatt-hour higher than the average rate at other investor-owned utilities in Michigan.⁴³⁷

234. Given the similarities between ALLETE and UPPCO, the Administrative Law Judge finds that the private-equity model offered by the Partners is not in the public interest.⁴³⁸

D. Risks to Regulatory Compact

1. Reduced Transparency

235. One of the primary differences between a utility that is part of a publicly traded company and one owned by private investors is transparency.⁴³⁹ If the proposed transaction is approved, ALLETE will no longer file the quarterly, annual, or other SEC reports required of publicly traded companies.⁴⁴⁰

236. SEC reports, such as Forms 10-Q (quarterly reports) and Forms 10-K (annual reports), along with associated disclosures like earnings call transcripts and investor presentations, currently provide a comprehensive, public view of ALLETE's overall financial performance and strategic direction.⁴⁴¹ Such reports include consolidated

⁴³⁰ Ex. CURE-600 at 13 (Baker Direct).

⁴³¹ Ex. CUB-505 at 9 (Jester Direct).

⁴³² Ex. MP-12 at 21 (Quackenbush Direct); Ex. CURE-600 at 14 (Baker Direct).

⁴³³ Ex. MP-12 at 21 (Quackenbush Direct).

⁴³⁴ Ex. MP-12 at 21 (Quackenbush Direct).

⁴³⁵ Ex. CURE-600 at 14 (Baker Direct).

⁴³⁶ Ex. CURE-600 at 14 (Baker Direct).

⁴³⁷ Ex. CURE-600 at 15 (Baker Direct), as corrected in Evidentiary Hearing: Tr. Vol. 3 at 849 (Baker).

⁴³⁸ Another cautionary tale is TXU/Energy Future Holdings. TXU/Energy Future Holdings, a utility with 1.7 million customers, was acquired by private equity owners in 2007, and then went bankrupt after its private equity owners could not cover debt payments with cash flow from rates.⁴³⁸ TXU/Energy Future Holdings began showing financial distress only two years after acquisition, and by 2017, just ten years after acquisition, its regulated utility portion was sold in bankruptcy to Sempra Energy.⁴³⁸

⁴³⁹ Ex. DOC-301 at 17 (Vavro Direct).

⁴⁴⁰ Ex. MP-1, Attach. L at 2 (Initial Petition) (eDocket No. [20247-208768-01](#)).

⁴⁴¹ Ex. LPI-1001 at 26 (Walters Direct).

financial statements, ALLETE management's discussion and analysis, risk factors, and forward-looking statements.⁴⁴² Publicly-traded companies must also file current reports after certain specified events—usually within four business days of the event.⁴⁴³

237. The primary reason that companies file SEC reports is to protect investors.⁴⁴⁴ Because SEC reports include both regulated and unregulated consolidated financial statements for ALLETE and all subsidiaries, they also allow stakeholders in Commission proceedings to evaluate the financial health and potential risks of the broader ALLETE enterprise.⁴⁴⁵

238. ALLETE's SEC filings are also actively covered by several investment analysts, who analyze and produce regular reports on ALLETE's filings and operations.⁴⁴⁶ These analysts would likely cease providing regular analysis of ALLETE if the proposed acquisition is approved.⁴⁴⁷

239. Whether or not the proposed transaction is approved, ALLETE will remain subject to FERC reporting requirements.⁴⁴⁸ FERC forms 1 and 3Q focus exclusively on the regulated utility's operations (i.e., Minnesota Power and Wisconsin Power and Light).⁴⁴⁹ These reports provide granular data specific to utility operations, including plant-in-service balances, construction work in progress, and operating costs, as governed by the Uniform System of Accounts.⁴⁵⁰

240. Whether or not the proposed acquisition is approved, ALLETE will also continue to make annual filings with the Commission, including, but not limited to, annual capital structure filings and Jurisdictional Annual Reports that explain the ownership, control, and financing of the regulated utility and consolidated ALLETE entity.⁴⁵¹ ALLETE will also continue to provide such information in these filings as required by Commission order, including its current obligation to provide credit rating agency reports.⁴⁵²

241. Petitioners claim ALLETE will continue to publish its Corporate Sustainability Report, which contains information related to environmental, social, and governance issues, including ALLETE's efforts to encourage diversity, equity, and inclusion efforts.⁴⁵³ The Petitioners have also committed to take certain actions designed to address concerns about transparency. For example, the Petitioners state they will provide compliance filings on equity infusions from and dividends to Alloy Parent just as

⁴⁴² Ex. LPI-1001 at 26 (Walters Direct).

⁴⁴³ Ex. CURE-602 at 7-8 (Baker Surrebuttal).

⁴⁴⁴ Ex. MP-36 at 11 (Lapson Rebuttal).

⁴⁴⁵ Ex. LPI-1001 at 27 (Walters Direct).

⁴⁴⁶ Ex. CURE-602 at 8 (Baker Surrebuttal).

⁴⁴⁷ Ex. CURE-602 at 8 (Baker Surrebuttal).

⁴⁴⁸ Ex. MP-1 at 22 and Attach. H (Initial Petition).

⁴⁴⁹ Ex. LPI-1001 at 27 (Walters Direct).

⁴⁵⁰ Ex. LPI-1001 at 27 (Walters Direct).

⁴⁵¹ Ex. MP-1 at 22-23 (Initial Petition) (eDocket No. [20247-208768-01](#)).

⁴⁵² Ex. MP-1 at 22-23 (Initial Petition).

⁴⁵³ Ex. MP-1 at 23 (Initial Petition).

ALLETE currently provides compliance filings in its capital structure docket.⁴⁵⁴ The Petitioners state they will file the audited ALLETE consolidated financial statements with supplemental schedules as part of the annual capital structure petition.⁴⁵⁵ The Petitioners state they will provide the Commission with audited financial statements and supplemental schedules of ALLETE and with audited financial statements of Alloy Parent.⁴⁵⁶ And the Petitioners state they will provide the Commission and Department with access to all books and records of the entities up to Alloy Parent that are related to ALLETE's operations under the jurisdiction of the Commission.⁴⁵⁷

242. If the acquisition is approved, ALLETE would be under no obligation to provide detailed financial information about GIP or CPP.⁴⁵⁸ The Partners have made no voluntary commitment to provide financial information about GIP or CPP.⁴⁵⁹ Nothing in Minnesota law otherwise requires a regulated utility to file public financial statements.⁴⁶⁰

243. FERC forms 1 and 3Q do not provide broader insights into ALLETE's financial health and strategy comparable to what is provided in SEC reports.⁴⁶¹ Likewise, an annual report filed with the Commission requires much less frequent reporting on ALLETE's financial health and accounting than SEC regulations require of publicly traded companies.⁴⁶²

244. Privatization of ALLETE and the discontinuation of ALLETE's SEC reporting obligations would significantly reduce information about ALLETE that is available to the Commission and Minnesota ratepayers.⁴⁶³

2. Less Cooperation

245. Petitioners argue that approving the proposed acquisition would not alter the Commission's oversight of ALLETE.⁴⁶⁴ Intervenors, on the other hand, assert that effective regulation depends to a large degree on the cooperation of the utility.⁴⁶⁵ And they contend that ALLETE would be less cooperative and transparent with its regulators if it were owned by the Partners.⁴⁶⁶

⁴⁵⁴ Ex. MP-27, JJC-R-1 at 1 (Cady Rebuttal).

⁴⁵⁵ Ex. MP-27, JJC-R-1 at 6 (Cady Rebuttal).

⁴⁵⁶ Ex. MP-27, JJC-R-1 at 6 (Cady Rebuttal).

⁴⁵⁷ Ex. MP-27, JJC-R-1 at 6 (Cady Rebuttal).

⁴⁵⁸ Ex. SIERRA-1102 at 27 (Lane Surrebuttal).

⁴⁵⁹ Ex. MP-36 at 28 (Lapson Rebuttal).

⁴⁶⁰ Ex. MP-36 at 14 (Lapson Rebuttal).

⁴⁶¹ Ex. LPI-1001 at 27 (Walters Direct); Ex. MP-1 at 22 and Attachment H (Initial Petition).

⁴⁶² Ex. CURE-602 at 8 (Baker Surrebuttal).

⁴⁶³ Ex. LPI-1001 at 27 (Walters Direct).

⁴⁶⁴ See, e.g., Ex. MP-14 at 46 (Bram Rebuttal) ("[T]here will be no change to the Commission's regulatory oversight as a result of this governance structure. . . . After the Acquisition, the Company will be regulated as it always has been, with the Commission having regulatory authority over rates and service quality.").

⁴⁶⁵ See, e.g., Ex. Sierra-1102 at 10 (Lane Surrebuttal).

⁴⁶⁶ See, e.g., Ex. LPI-1001 at 7 (Walters Direct).

246. ALLETE controls much of the information that the Commission reviews in making regulatory decisions.⁴⁶⁷ For example, if ALLETE presents the Commission with an investment plan that is biased toward capital investments, the Commission can try to mitigate this bias by modifying the plan, but it cannot create a new plan without the utility's cooperation.⁴⁶⁸ Similarly, while other parties can review and comment on ALLETE's plan, the utility will always have the most technical knowledge and information, a phenomenon known as "information asymmetry."⁴⁶⁹

247. Owning ALLETE would put the Partners in a position to shape Minnesota Power's regulatory advocacy. As ALLETE's owners, the Partners would have control of ALLETE's board, which guides ALLETE and Minnesota Power's day-to-day operations and approves their budgets and strategic plans.⁴⁷⁰ Partners also have consent rights over ALLETE or Minnesota Power **[NOT PUBLIC HCTS DATA REDACTED]**.

248. While the proposed acquisition would not change the Commission's authority over ALLETE, new ownership could increase the difficulty of regulating the utility if the utility becomes less cooperative or transparent. Throughout this proceeding, the Partners have objected to many information requests, provided nonresponsive answers, provided heavily redacted responses, and employed tiered trade-secret designations that hampered intervenor review.⁴⁷¹ In one example, the Partners designated several documents highly confidential trade secret ("HCTS") in their entirety but still redacted relevant, nonprivileged information in versions provided to intervenor representatives who had signed a nondisclosure agreement entitling them to review HCTS data.⁴⁷² Removal of the inappropriate redactions required a motion to compel and an order by the Administrative Law Judge.⁴⁷³

249. The Partners' lack of cooperation in this proceeding further establishes a material risk that ALLETE's transparency may suffer under their ownership.⁴⁷⁴ Any reduction in cooperation by the utility would harm the public interest by increasing the burden on regulators and the likelihood of worse regulatory outcomes for ratepayers.

E. Governance

250. Contrary to the Partners' public statements, Intervenors assert that the Partners intend to actively manage ALLETE. Intervenors contend that the Partners will ensure that ALLETE is actively managed by controlling: (1) the makeup and appointment

⁴⁶⁷ See Ex. Sierra-1102 at 10 (Lane Surrebuttal); Evid. Hrg. Tr. Vol. 1 at 120–21 (Cady).

⁴⁶⁸ Ex. SIERRA-1102 at 10 (Lane Surrebuttal).

⁴⁶⁹ Ex. SIERRA -1102 at 10–11 (Lane Surrebuttal).

⁴⁷⁰ Ex. SIERRA -1100 at 26 (Lane Direct).

⁴⁷¹ Ex. LPI-1001 at 7 (Walters Direct).

⁴⁷² See Order on Motion to Compel (Mar. 18, 2025) (ordering certain improper redactions removed from documents provided in response to DOC IRs 0013 and 0060).

⁴⁷³ See Order on Motion to Compel (Mar. 18, 2025) (ordering certain improper redactions removed from documents provided in response to DOC IRs 0013 and 0060).

⁴⁷⁴ See Ex. LPI-1001 at 7 (Walters Direct) (stating that Petitioners' "pattern of withholding critical information raises serious concerns about the veracity of their claims promising transparency in future operations, assuming Acquisition approval").

of the Board of Directors; and (2) the types of decisions the Board approves and how they are approved.⁴⁷⁵

1. Active Management

251. Unlike investors in public companies, private equity firms use their position as the controlling shareholder to make significant changes in the companies they invest in, such as changes to the board of directors, changes to strategy, changes in spending, and changes to a business's capital structure.⁴⁷⁶ Consistent with the strategies of private equity investors generally, the Partners plan to become deeply involved in ALLETE's governance.⁴⁷⁷

252. The Partners publicly maintain that they will not be involved in Minnesota Power's day-to-day operations,⁴⁷⁸ but the record shows that they intend to actively manage many aspects of ALLETE and Minnesota Power.

253. As part of GIP's investment strategy, GIP states its intention for **[NOT PUBLIC HCTS DATA REDACTED]**.⁴⁷⁹ To effect this strategy, GIP employs a **[NOT PUBLIC HCTS DATA REDACTED]**.⁴⁸⁰

254. Similarly, CPPIB has produced detailed plans for management of ALLETE, having developed a **[NOT PUBLIC HCTS DATA REDACTED]**.

255. Similar objectives are included among CPPIB's **[NOT PUBLIC HCTS DATA REDACTED]**.⁴⁸¹

2. Board Appointment and Composition

256. The Partners intend to drive and guide governance decisions, as shown by their plans to appoint the new ALLETE board of directors.⁴⁸²

257. GIP explained that "[t]he ALLETE board will be comprised of 13 directors, one of whom will be the chief executive officer (CEO) of ALLETE and two of whom will be additional independent directors—one from Minnesota and one from Wisconsin—who are not employed by the Partners or ALLETE. . . . The other ten members of the board will be appointed by the Partners, with the right to appoint a director for every 10 percent of

⁴⁷⁵ Ex. SIERRA-1100 at 27 (Lane Direct).

⁴⁷⁶ Ex. OAG-400 at 14 (Lebens Direct).

⁴⁷⁷ Ex. SIERRA-1100 at 26 (Lane Direct).

⁴⁷⁸ Ex. LPI-1001, Ex. LPI-1002 at 21 (Walters Direct).

⁴⁷⁹ Ex. OAG-401, BPL-D-5 at 47 (Lebens Direct).

⁴⁸⁰ Ex. OAG-401 at 21 (Lebens Direct).

⁴⁸¹ Ex. LPI-1003, Ex. LPI-1004, sched. 2, DOC IR 60.01 Attach Supp 2 HCTS at 48 (Walters Surrebuttal).

⁴⁸² See Ex. LPI-1001, Ex. LPI-1002 at 19 n.35 (Walters Direct) (noting "[n]either the members of the ALLETE Board following the Acquisition nor any process for changing the numbers of board members has been determined.").

ownership of ALLETE (with CPP Investments appointing four members, GIP Fund V appointing four members, and Tower Bridge appointing two members).⁴⁸³

258. Such a structure will grant the Partners authority to designate all board members, subject only to the requirement that two members need to be from Minnesota and Wisconsin.⁴⁸⁴

259. Because the ALLETE board will have 6 GIP directors and 4 CPPIB directors on a 13-person board,⁴⁸⁵ the Partners (constituting roughly 77 percent of the voting authority) will likely have complete control over the board's decisions. Given both Partners are private equity investors with similar profit motives, they will have little incentive not to vote as a bloc, effectively nullifying input of the independent board directors.⁴⁸⁶ If the proposed Acquisition is approved, the Partners will control the board. And the Partners have not committed to not "influencing ALLETE Board decisions regarding who should be on Minnesota Power's management team."⁴⁸⁷

3. Consent Rights

260. Not only will the Partners control the makeup and appointment of ALLETE's board, but they will also be able to override the board's decisions on important issues. Confidential term sheets addressing key governance provisions demonstrate GIP and CPPIB's intent to exercise consent rights over nearly all meaningful decision-making.

261. The Partners will retain consent rights over any decisions that could impact the value of their investment. CPPIB explained the types of decisions over which the Partners would maintain consent rights include "budgets, acquisitions or dispositions exceeding certain material dollar thresholds, issuance of additional equity interests, assumption of additional debt, fundamental changes to the purpose of the business, and dissolution or bankruptcy."⁴⁸⁸

262. Similarly, GIP stated that "The ALLETE board itself will have the authority to make decisions and govern the business, though . . . the Partners as the shareholders of ALLETE will retain consent rights over certain material actions of the Company."⁴⁸⁹ The terms over which the Partners maintain control (i.e., ALLETE actions requiring Partner approval), include, but are not limited to, the following:

[NOT PUBLIC HCTS DATA REDACTED]

263. The record reflects that ALLETE does not understand key governance terms discussed in the term sheet. **[NOT PUBLIC HCTS DATA REDACTED]** This

⁴⁸³ Ex. MP-33 at 41 (Bram Rebuttal).

⁴⁸⁴ See Ex. LPI-1001, Ex. LPI-1002 at 20:1-3 & n.37 (Walters Direct).

⁴⁸⁵ Ex. MP-33 at 41 (Bram Rebuttal).

⁴⁸⁶ See Ex. LPI-1005, DOC IR 0011.02 at 8-9.

⁴⁸⁷ Ex. SIERRA-1100 at 28 (Lane Direct).

⁴⁸⁸ Ex. MP-31 at 38 (Alley Rebuttal).

⁴⁸⁹ Ex. MP-33 at 41 (Bram Rebuttal) (emphasis added).

demonstrated lack of understanding suggests that ALLETE does not fully appreciate how much control the Partners will have over its post-transaction affairs.

264. Without an adequate governance structure, ALLETE and its ratepayers could be harmed by conflicts of interest arising from business relationships between the utility and Partners' affiliates or appointed directors, or an unchecked ability for the Partners to engage in risky financial, operational, and governance engineering as they make final budgeting and debt issuance decisions.⁴⁹⁰

265. The governance plan, as envisioned by the Partners, does not track other recent take-private transactions and inadequately balances investor, ratepayer, and community interests.⁴⁹¹ Further, the promised governance changes will facilitate ALLETE's loss of control over operations.

266. The Partners' planned level of control creates substantial risks to the public interest. Decision-making regarding ALLETE's business plans and operating and capital budgets will shift away from local oversight to the Partners, who have an incentive to drive an increase in ALLETE's near-term returns without regard for the utility's long-term health. At the same time, ALLETE's senior management does not appear to understand the significant impact of the changes to the Board of Director's makeup or processes. In sum, the proposed governance structures fail to adequately balance the needs of owners, ratepayers, and the community, and pose the risk of outsized influence by the Partners on the decision-making authority of company management.

F. Affiliated-Interest Statute Compliance

1. Plain Language of Minn. Stat. § 216B.48 (2024)

267. Minnesota's affiliated interest statute is generally intended to prevent conflicts of interest and cross subsidies between public utilities and their affiliates. Put differently, absent market competition the statute ensures, in the absence of arm's-length transactions, that ratepayers are protected if the utility enters into "sweetheart deals" with its affiliates.⁴⁹²

268. The statute provides that any person or corporation directly or indirectly holding at least 5 percent of the voting securities of a public utility is an affiliated interest. If that person or corporation also holds at least 5 percent of the voting securities of another corporation, then an affiliated interest exists between that corporation and the public utility too.⁴⁹³ When an affiliated interest exists, no contract or arrangement involving more than \$50,000 is valid or effective until the contract or arrangement has received written Commission approval.⁴⁹⁴

⁴⁹⁰ Ex. DOC-302 at 5 (Vavro Surrebuttal).

⁴⁹¹ Ex. DOC-302 at 8 (Vavro Surrebuttal).

⁴⁹² *In re Minn. Power's Petition for Approval of EnergyForward Res. Package*, 958 N.W.2d 339, 345 (Minn. 2021).

⁴⁹³ Minn. Stat. § 216B.48, subd. 1(1)-(3).

⁴⁹⁴ Minn. Stat. § 216B.48, subd. 3.

269. To comply with the statute, Petitioners propose requiring all of ALLETE's suppliers and any industrial customers with contracted rates to identify annually whether they are more than 5 percent owned by CPPIB, GIP, or BlackRock, and then report those entities on its annual affiliated interest report. ALLETE also would identify all contracts over \$1 million with any of those suppliers or customers and notify the Commission within 30 days of execution, attesting that the contract was negotiated at arm's length.⁴⁹⁵ Petitioners assert that their proposed approach is consistent with past Commission practice not to review transactions between regulated utility and the subsidiaries or affiliates of institutional investors.⁴⁹⁶

270. Intervenors object to Petitioners' proposed approach. Intervenors note that the Partners will hold more than a 5 percent interest in ALLETE and will be ALLETE's affiliates under the statute.⁴⁹⁷ Any other entities in which the Partners have at least 5 percent interest also will be ALLETE's affiliates.⁴⁹⁸ As a result, Intervenors assert that the plain language of the statute requires that any contracts between ALLETE and these entities exceeding \$50,000 require Commission approval.⁴⁹⁹

271. Intervenors also argue that even if Petitioners' approach complied with the statute, it would be inadequate to prevent probable conflicts of interest and cross subsidies. For example, Intervenors point to CPPIB's plan **[NOT PUBLIC HCTS DATA REDACTED]**. Similarly, Petitioners' approach is out of step with other recent take-private transactions. In the *El Paso Electric* proceeding, for example, J.P. Morgan made firm commitments to comply with affiliated interest statutes, rules, and regulations.⁵⁰⁰

2. Public and Private Equity Ownership

272. Intervenors also disagree with Petitioners' characterization of past Commission practice. Currently, no single public investor has a controlling interest in ALLETE. BlackRock holds a 13 percent interest, Vanguard has an 11.4 percent interest, State Street has a 4.2 percent interest, and no other investor has more than a 2 percent interest.⁵⁰¹ ALLETE's public investors have a mix of long and short-term investment timelines.⁵⁰² Given the diffuse and transient nature of ALLETE's current investors, none of them are able to exert decision-making authority over ALLETE. The same is true for Minnesota's other investor-owned utilities.⁵⁰³

273. Post-transaction, ALLETE would be the only utility in the state owned by only two entities – 60 percent by one and 40 percent by another.⁵⁰⁴ And the Partners' directors will govern ALLETE after the deal closes. The Partners will have control over

⁴⁹⁵ Ex. MP-35 at 17-18 (Anderson Rebuttal); Ex. MP-31 at 41-42 (Alley Rebuttal).

⁴⁹⁶ Ex. MP-15 at 9 (Anderson Direct).

⁴⁹⁷ Minn. Stat. § 216B.48, subd. 1(1).

⁴⁹⁸ Minn. Stat. § 216B.48, subd. 1(2)-(3).

⁴⁹⁹ Ex. DOC-301 at 11 (Vavro Direct).

⁵⁰⁰ Ex. DOC-301 at 13 (Vavro Direct).

⁵⁰¹ Ex. DOC-309 at 2.

⁵⁰² Ex. MP-12 at 12 (Quackenbush Direct).

⁵⁰³ Ex. DOC-302 at 16 (Vavro Surrebuttal).

⁵⁰⁴ Ex. DOC-302 at 16 (Vavro Surrebuttal).

[NOT PUBLIC HCTS DATA REDACTED].⁵⁰⁵ Given these facts, the Partners will have the means to steer contracts to their favored counterparts unlike ALLETE's current institutional investors.⁵⁰⁶

274. As a result, the risks of self-dealing and cross-subsidies would be unique to ALLETE. Given these factors, if ALLETE does not track its affiliates and submit its affiliated transactions as required, the work of the Commission to ensure that ratepayers are being protected from self-dealing will become extremely difficult, if not impossible.⁵⁰⁷

275. The Administrative Law Judge concurs with Intervenor's about the plain language of section 216B.48. The statute requires utilities to seek Commission approval for contracts or arrangements worth more than \$50,000. Even if compliance may be burdensome, that does not render Intervenor's interpretation unreasonable or absurd. In fact, the Partners' extensive holdings underscore the statute's purpose: identifying above-market contracts that might not be readily apparent. Here, the Partners' expansive interests coupled with their control over ALLETE heightens the very risks that the statute is intended to curb. The Commission should require full compliance with the statute.

G. Labor Risks

276. Private equity buyouts of publicly traded companies often result in job losses. A 2019 study by researchers at the University of Chicago and Harvard Business School found that employment shrinks 13 percent over two years after take-private buyouts of publicly listed firms compared with control firms.⁵⁰⁸ The bankruptcy risk for these firms, which would impact workers as well as other stakeholders, is ten times that of firms that were not taken private.⁵⁰⁹

277. GIP's recent experience with the SunPower bankruptcy illustrates the impact of its ownership on that company's workers. After the company filed for bankruptcy protection, it laid off about 1,000 employees to better achieve financial viability.⁵¹⁰

278. CPP's recent experience with Fortrex Solutions similarly illustrates additional labor-related issues have occurred during periods of private equity ownership without sufficient controls. In 2023, the U.S. Department of Labor found that Fortrex (then operating under a different name) employed at least 102 children in dangerous meat processing facilities in eight states including Minnesota.⁵¹¹ Fortrex also has a history of worker injuries and deaths.⁵¹² Despite being given opportunities, CPPIB has not condemned the child labor practices of its company, and this silence appears to reflect a

⁵⁰⁵ Ex. LPI-1005, DOC IR 0011.02 at 8.

⁵⁰⁶ Ex. DOC-302 at 16 (Vavro Surrebuttal).

⁵⁰⁷ Ex. DOC-302 at 16 (Vavro Surrebuttal).

⁵⁰⁸ Ex. CURE-600 at 7–8 (Baker Direct).

⁵⁰⁹ Ex. CURE-600 at 8 (Baker Direct).

⁵¹⁰ Ex. CURE-600 at 9 (Baker Direct).

⁵¹¹ Ex. CURE-602 at 22 (Baker Surrebuttal).

⁵¹² Ex. CURE-602 at 23 (Baker Surrebuttal).

lack of engagement regarding labor violations while other investors have spoken against these labor abuses.⁵¹³

279. While ALLETE has committed to a new labor agreement with IBEW Local 31 through April 30, 2028, what will happen after the expiration of the agreement is uncertain. Given the cited examples of the Partners' labor practices in other investments, the Administrative Law Judge recommends that the Commission scrutinize the labor practices of the Partners in evaluating the strength and length of the voluntary labor commitments offered by Petitioners.

V. SUMMARY OF PUBLIC COMMENTS

280. Public hearings were held virtually on January 10 and April 10, 2025, and in person in Cloquet and Duluth, Minnesota on April 7, 2025, Eveleth and Cohasset, Minnesota on April 8, 2025, and Little Falls, Minnesota on April 11, 2025.

281. Comments on the proposed Acquisition were gathered during in-person and virtual public hearings as well as through written comments during the public comment period, which closed on April 17, 2025. Due to the volume of comments, a summary of public comments is attached as **Addendum A**.

282. Any Conclusion of Law more properly considered a Finding of Fact is incorporated herein.

283. Any portion of the accompanying Memorandum more properly considered to be a Finding of Fact is incorporated herein.

Based on these Findings of Fact, the Administrative Law Judge makes the following:

CONCLUSIONS OF LAW

I. COMMISSION JURISDICTION

1. The Commission and the Administrative Law Judge have jurisdiction over the subject matter of the proceeding under Minn. Stat. § 216B.50, Minn. R. 7825.1700–.1800 (2023), and Minn. Stat. §§ 14.57–.62 (2024).

2. The Commission has jurisdiction over public utilities.⁵¹⁴ A public utility is a person, corporation, or other legal entity furnishing retail electric or gas service or producing electricity or gas for retail sale.⁵¹⁵

⁵¹³ Ex. CURE-602 at 23 (Baker Surrebuttal).

⁵¹⁴ Minn. Stat. § 216B.08 (2024); *In re Pet. by Excelsior Energy, Inc. for Approval of a Power Purchase Agreement*, 782 N.W.2d 282, 286 (Minn. App. 2010) (stating that the commission “has jurisdiction over public utilities”).

⁵¹⁵ Minn. Stat. § 216B.02, subd. 4 (2024).

3. The Commission's rules distinguish between a utility service provider and its "controlling corporation."⁵¹⁶ Courts also distinguish between a corporation's regulated utility operations and its unregulated operations that are generally beyond the Commission's control.⁵¹⁷ Alloy Parent and the Partners are not public utilities because they will not directly furnish retail electric service in Minnesota.

4. The Commission cannot accept jurisdiction over entities or matters where the legislature has not granted it express authority.⁵¹⁸ The Commission may only compel compliance with its orders when the underlying order is within its authority.⁵¹⁹

II. LEGAL STANDARD

A. Carbon Free Standard

5. Because Petitioners assert that the Acquisition is necessary to finance Minnesota Power's compliance with Minnesota's Carbon Free Standard (Minn. Stat. § 216B.1691), the Standard's requirements are relevant in determining whether the proposed acquisition is consistent with the public interest.⁵²⁰

6. Minn. Stat. § 216B.1691, subd. 2g, requires electric utilities to generate or procure 100 percent of the utility's total retail electric sales to retail customers in Minnesota from carbon-free energy technologies by 2040.

7. However, Minn. Stat. § 216B.1691 contains certain exceptions that allow the Commission to modify the legislation's requirements if needed to protect reliability or affordability.⁵²¹

⁵¹⁶ Minn. R. 7829.0100, subp. 23 (2023) (stating utility means a service provider), 7825.3100, subp. 19 (2023) (distinguishing between a utility and its controlling corporation).

⁵¹⁷ See, e.g., *City of Cohasset v. Minn. Power*, 798 N.W.2d 50, 55 (Minn. 2011) (concluding that a corporation constituted a public utility because it furnished a service enumerated in section 216B.02, subd. 4); *Minnegasco, a Div. of NorAm Energy Corp. v. Minn. Pub. Utils. Comm'n*, 549 N.W.2d 904, 909 (Minn. 1996) (distinguishing between Minnegasco's regulated natural gas operations and its unregulated affiliated appliance sales and service business).

⁵¹⁸ See *No Power Line, Inc. v. Minn. Env't Quality Council*, 262 N.W.2d 312, 321 (Minn. 1977) (subject-matter jurisdiction may not be granted to an agency by consent of the parties); cf. *Centra Homes, LLC v. City of Norwood Young Am.*, 834 N.W.2d 581, 586 (Minn. Ct. App. 2013) (parties may not stipulate or confer jurisdiction on district court by agreement); *Univ. of Minn. v. Woolley*, 659 N.W.2d 300, 306 (Minn. Ct. App. 2003) (same).

⁵¹⁹ Minn. Stat. § 216B.54 (2024).

⁵²⁰ In 2023, the Minnesota legislature passed the Carbon Free Standard, requiring electric utilities to provide 100 percent carbon-free power to customers by 2040. Additionally, the Standard provides benchmarks for compliance such that "an electric utility with 100,000 to 200,000 retail electric customers in Minnesota generate or procure electricity generation from a carbon-free energy technology equivalent to 80 percent of the utility's retail electric sales by 2030 and 90 percent by 2035." *In re Minn. Power's Appl. for Approval of its 2025-2039 Integrated Resource Plan*, Docket No. E015/RP-25-127, Appendix I at 1 (Mar. 3, 2025) (eDocket No. 20253-215986-11).

⁵²¹ Minn. Stat. § 216B.1691, subd. 2b.

8. The Carbon Free Standard also includes an affirmative requirement for the Commission to “maximize net benefits” to Minnesotans when implementing it, stating “[t]he commission shall take all reasonable actions within the commission's statutory authority to ensure this section [§ 216B.1691] is implemented in a manner that maximizes net benefits to all Minnesota citizens.”⁵²²

B. Public Interest Standard

9. The proposed sale of ALLETE is governed by Minn. Stat. § 216B.50, subd. 1. The subdivision provides:

No public utility shall sell, acquire, lease, or rent any plant as an operating unit or system in this state . . . without first being authorized so to do by the commission. . . . 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 its 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.

10. Section 216B.50 requires the Commission, when considering approval of the acquisition, merger, or consolidation of a public utility, to find that “the proposed action is consistent with the public interest” before giving “its consent and approval.”⁵²³

11. Petitioners must establish by a preponderance of the evidence that their proposed deal is consistent with the Minn. Stat. § 216B.50 public interest standard.⁵²⁴ To satisfy the preponderance-of-the-evidence standard, it must be more probable than not that a fact exists.⁵²⁵

12. To determine whether a transaction is consistent with the public interest, perceived detriments are weighed against perceived benefits to the public.⁵²⁶ In applying this balancing test, the Commission considers whether it is reasonably likely that a transaction will either benefit or harm ratepayers.⁵²⁷

13. The Commission approves transactions when the “benefits are sufficient to justify the proposal.”⁵²⁸ The Commission likewise rejects transactions where the “potential costs to ratepayers are too high, and the potential benefits too uncertain.”⁵²⁹

⁵²² Minn. Stat. § 216B.1691, subd. 9(a).

⁵²³ Minn. Stat. § 216B.50, subd. 1.

⁵²⁴ Minn. Stat. § 216B.50, subd. 1; Minn. R. 1400.7300, subp. 5 (2023).

⁵²⁵ *City of Lake Elmo v. Metro. Council*, 685 N.W.2d 1, 4 (Minn. 2004).

⁵²⁶ *In re Proposed Merger of Minnegasco, Inc. with & into Arkla, Inc.*, No. G-008/PA-90-604, 1994 WL 667637, at *3 (Nov. 27, 1990).

⁵²⁷ *In re Minn. Power's Pet. for Review of an Agreement with American Trans. Co.*, No. E-015/PA-04-2020, 2005 WL 3740333, at *3 (Dec. 2, 2005).

⁵²⁸ *In re Interstate Power Co.'s Pet. for Approval to Merge with IES Industries, Inc. & WPL Holdings, Inc.*, Docket No. E, G-001/PA-96-184, 1997 WL 406231 (Mar. 24, 1997).

⁵²⁹ *In re Pet. by N. States Power Co. for Approval of the Acquisition of the Mankato Energy Ctr.*, No. E-002/PA-18-702, 2019 WL 7172268, at *8 (Dec. 18, 2019).

14. The public interest includes compliance with Minn. Stat. § 216B.1691. The Commission must “take all reasonable actions within the commission's statutory authority” to ensure that the Carbon Free Standard “is implemented in a manner that maximizes net benefits to all Minnesota citizens.”⁵³⁰

15. The parties have argued that the public interest standard requires the Commission find that the deal either produces net benefits or, alternatively, avoids net harm. The proposed deal is inconsistent with the public interest under either standard because it results in net harm to the public interest.⁵³¹

16. The Petitioners have not established it is more likely than not that the deal's possible benefits will be realized or that they equal or outweigh the risks of harm. In terms of benefits, Petitioners have not shown that the Acquisition will improve ALLETE's access to capital or even whether ALLETE needs improved access. The other putative benefit identified by proponents of the deal is access to the Partners' expertise. This benefit appears to have limited value given the Partners' assurances that they intend to maintain ALLETE's existing management, staff, and business plan. Weighing against these possible benefits, there are foreseeable risks of harm to the energy transition, ALLETE's long-term financial health, and ratepayers. On balance, the risks of the deal, as proposed, outweigh the possible benefits.

17. The proposed commitments offered by Petitioners do not rebalance the transaction to avoid net harm. Many of the commitments simply restate existing legal requirements and therefore do not provide additional protections to counterbalance new risks arising as a result of the acquisition. Some of the proposed conditions may be unenforceable. And others offer little benefit to ratepayers or the regulatory compact. It also appears that many of the Petitioners' proposed commitments are out of step with other recent take-private transactions involving utilities.

18. Any Finding of Fact more properly considered to be a Conclusion of Law is incorporated herein.

19. Any portion of the accompanying Memorandum more properly considered to be a Conclusion of Law is incorporated herein.

Based upon these Conclusions of Law, and for the reasons explained in the accompanying Memorandum, the Administrative Law Judge makes the following:

RECOMMENDATIONS

Based upon these Findings of Fact and Conclusions of Law, the Administrative Law Judge recommends:

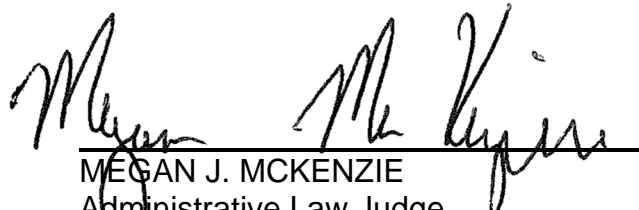
⁵³⁰ Minn. Stat. § 216B.1691, subd. 9(a).

⁵³¹ Minn. Stat. § 216B.50, subd. 1.

1. The Commission should deny the Petitioners' request for approval an acquisition of ALLETE, Inc. by entities under the control or management of Canada Pension Plan Investment Board and/or Global Infrastructure Partners.

2. The Commission should require Minnesota Power to provide the full accounting of costs that were incurred in negotiating the proposed acquisition and seeking its regulatory approvals, including the employee time spent in pursuing the acquisition. This information will assist the Commission in future proceedings where these costs may be at issue.

Dated: July 15, 2025



MEGAN J. MCKENZIE
Administrative Law Judge

NOTICE

Notice is hereby given that exceptions to this Report, if any, by any party adversely affected must be filed under the time frames established in the Commission's rules of practice and procedure, Minn. R. 7829.1275, .2700 (2023), unless otherwise directed by the Commission. Exceptions should be specific and stated and numbered separately. Oral argument before a majority of the Commission will be permitted pursuant to Minn. R. 7829.2700, subp. 3. The Commission will make the final determination of the matter after the expiration of the period for filing exceptions, or after oral argument, if an oral argument is held.

The Commission may, at its own discretion, accept, modify, or reject the Administrative Law Judge's recommendations. The recommendations of the Administrative Law Judge have no legal effect unless expressly adopted by the Commission as its final order.

MEMORANDUM

I. LEGAL STANDARD

The parties disagree regarding the legal standard in this case. Although the Administrative Law Judge does not find the standard outcome determinative, a brief discussion is appropriate.

In applying a public interest standard to transitions such as mergers and acquisitions, regulatory commissions often employ either a no-harm to consumers standard or a net-benefit to consumers standard. In this matter, Petitioners advocate for a no-harm standard; RUD, LPI and other intervenors advocate for a net-benefits standard.

Minn. Stat. § 216B.50 was enacted in 1974 as part of the adoption of State's comprehensive utility regulation statutes contained in Chapter 261B. The law has remained largely unchanged, except for a recent change to the dollar threshold, since that time.⁵³² The legislative findings associated with the adoption of the statute, and still existing in law today, state that "It is hereby declared to be in the public interest that public utilities be regulated as hereinafter provided in order to provide the retail consumers of natural gas and electric service in this state with adequate and reliable services at reasonable rates, consistent with the financial and economic requirements of public utilities..."⁵³³ The Legislature thus considers service reliability and reasonable rates to be essential functions of the State's regulatory scheme.

The Commission has previously 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."⁵³⁴ However, the 1990 *Minnegasco* case where the

⁵³² See Laws of Minnesota 1974, ch. 429, sec. 50; Laws of Minnesota 2023, ch. 60, art. 12, sec. 23.

⁵³³ Minn. Stat. § 216B.01 (2024); see also Laws of Minnesota 1974, ch. 429, sec. 50.

⁵³⁴ *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).

statement originates proceeded by stipulation from the parties and the order contains no analysis of where this standard originated from or why it was applied. The two subsequent cases identified by the parties that repeat this standard, from 2000 and 2007, were likewise largely uncontested.⁵³⁵ Of the three cases identified by the parties, none has a record approaching what exists in this case or includes any consideration of competing standards.

One additional Commission case identified by the Petitioners, the *Northern States Power Company/New Century Energies* matter, rejected a “no net harm” standard when a nonparty participant advocated for such a standard. The Commission stated:

If the perceived detriments do not outweigh the perceived benefits, the merger is deemed to be ‘consistent with the public interest.’ [Minn. Stat. § 216B.50] thus does not require that proposed mergers affirmatively benefit ratepayers or the public or that they otherwise promote the public interest. They cannot contravene the public interest, however, and must be shown to be compatible with it.⁵³⁶

However, *Northern States Power Company/New Century Energies* proceeded by stipulation, and the administrative law judge who reviewed the parties’ stipulations found that they “assure[ed] tangible net benefits to ratepayers and do not harm ratepayers or the public interest.”⁵³⁷ In approving the transaction, the Commission also found that the “merger...provides significant ratepayer benefits and protections” which included a rate decree and rate freeze.⁵³⁸

Most Commission cases examining whether a merger or acquisition is in the public interests have not included the *Minnegasco* affirmative finding language or rejected the idea that a merger must benefit the public. These cases looked for meaningful commitments and benefits to ratepayers that closely mirror those needed to satisfy the “net benefits” test.⁵³⁹ The Commission has routinely considered cost savings and

⁵³⁵ *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).

⁵³⁶ *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).

⁵³⁷ *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, OAH Docket 12-25-12509-2; Findings of Fact, Conclusions of Law, and Recommendation (February 7, 2000) (eDocket No. [473888](#)).

⁵³⁸ *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).

⁵³⁹ *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) ([T]he purchase would both achieve efficiencies in the electrical system and save costs

potential efficiencies when assessing the reasonableness of a merger or acquisition in fulfilling its statutory charge under Minn. Stat. § 216B.50 to determine whether a merger or acquisition is “consistent with the public interest.”⁵⁴⁰

The net benefit standard recognizes that mergers and acquisitions pose inherent risks to customers that cannot be anticipated or fully investigated before the merger. The net benefit standard protects customers who will ultimately bear the risks created by the transaction. The standard thus best fits the intent of the Legislature to ensure that utility services in Minnesota are provided reliably and at reasonable rates. The net benefit standard also best addresses how the Commission has, in practice, considered cases under Minn. Stat. § 216B.50 and comports with how many other jurisdictions analyze the public interest standard.⁵⁴¹

However, in this matter resolution of the correct standard is not necessary. The proposed transaction does not pass muster under either standard because the Acquisition would result in net harm to the public interest.

for ratepayers.”); *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-18-517, 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. & Wisconsin Energy Corp.*, MPUC Docket No. G-011/PA-14-664, Order Approving Merger Subject to Conditions at 8 (Jun. 25, 2015) (eDocket No. 20156-111752-01).

⁵⁴⁰ *In re Otter Tail Power Co.’s Pet. for Approval of a Transfer of Property*, MPUC Docket No. E-017/PA-21-793, Order Approving Petition and Requiring Compliance Filing at 3-4 (Oct. 24, 2022) (eDocket No. 202210-190069-01)(finding acquisition will “lower energy costs for ratepayers.”); *In re Appl. of N. States Power Co. for Approval to Merge with New Century Energies, Inc.*, MPUC Docket No. E, G-002/PA-99-1031, Order Approving Merger, As Conditioned at 11-12 (Jun. 12, 2000) (eDocket No. 789046)(finding numerous benefits of the proposed merger, including rate reductions).

⁵⁴¹ *E.g.*, *In re SCEcorp*, 40 Cal. Pub. Util. Comm’n 2d 159 (Cal. P.U.C. May 8, 1991) (denying the application for approval to merge two utility companies on the basis that applicants failed to prove by a preponderance of the evidence that the proposed merger was in the public interest); *In re Reorganization of Unisource Energy Corp.*, No. E-04230A-03-0933, Order No. 67454 (Ariz. Corp. Comm’n Jan. 4, 2005) (denying the proposed merger finding the risks of the proposed merger, e.g., that ratepayers will receive no tangible benefit, outweigh the benefits); *In re Appl. of Hawaiian Elec. Co. Inc., Haw. Elec. Light Co., Inc., Maui Elec. Co., Ltd., and NextEra Energy, Inc. for Approval of the Proposed Change of Control and Related Matters*, Docket No. 2015-0022, Order No. 33795, Dismissing Application Without Prejudice and Closing Docket (Haw. P.U.C. Jul. 15, 2016) (denying the application in part due to its failure to demonstrate it comports with the public interest since the benefits to ratepayers are neither certain enough nor great enough to offset the identified risks, uncertainties, and costs expected to result from the change in control); *Joint Report and Appl. of the Oncor Elec. Delivery Co. LLC and NextEra Energy, Inc. for Regulatory Approvals Pursuant to PURA ss 14.101, 39.262, and 39.915*, Docket No. 46238, Order on Rehearing (Tex. P.U.C. Jun. 7, 2017) (denying the proposed acquisition of all equity interests in Oncor by NextEra Energy due to risks to Oncor ratepayers, lack of tangible benefits, and the elimination of existing ring-fencing provisions); *In re Northwestern Corp. v. NorthWestern Corp.*, Docket No. D2006.6.82, Order No. 6754e, Final Order (Mont. Pub. Serv. Comm’n Aug. 1, 2007) (denying the joint application of NorthWestern Corporation and Babcock & Brown Infrastructure, Ltd., et al. because the proposed transaction presents the risk of harm to NorthWestern’s financial integrity and to Montana customers of NorthWestern, contravening the public interest).

II. ANALYSIS

All parties to this proceeding have engaged in various amounts of speculation as to what may or may not happen if the Acquisition is permitted or not permitted to proceed. Absent any speculation, what is presently known through the documentary evidence shows this transaction carries real and significant costs and risks to Minnesota ratepayers and few, if any, benefits. Accordingly, the proposed Acquisition is not in the public interest.

At the heart of this matter is the amount of capital Minnesota Power will require, and at what times, to comply with Minnesota's Carbon Free Standard. The 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."⁵⁴² 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.

In considering the true risks and benefits of the Acquisition, it is critical that the Petitioner's agreements and private discussions do not comport with their public statements. The nonpublic evidence reveals the Partner's intent to do what private equity is expected to do – pursue profit in excess of public markets through company control. The Partners themselves have carefully committed to do very little, instead largely making commitments through expected holding companies or Minnesota Power itself. A prime example of this phenomenon is the promised funding of the five-year capital plan. Access to capital is the primary benefit touted by the Petitioners. However, the Partners have not, in fact, promised to provide capital to ALLETE. ALLETE did not even ask for some commitment to provide equity as part of this merger negotiation and the merger agreement did not require the Partners to provide ALLETE with any additional equity.⁵⁴³ After intervenors filed their direct testimony in this matter, a commitment to fund ALLETE's five-year capital plan was made.⁵⁴⁴ However, the Partners have not promised an infusion of their equity to fund the plan; they have only committed that Alloy Parent will provide funding.⁵⁴⁵ A commitment by Alloy Parent is not the same thing as a commitment by the Partners. There is no guarantee that the Partners will provide capital to Alloy Parent or that Alloy Parent will not fulfill its obligation to ALLETE through debt or other mechanisms described by Intervenor.⁵⁴⁶ Furthermore, it is at best unclear how the Commission would enforce any of the commitments made by the Petitioners that are not already required by

⁵⁴² Minn. Stat. § 216B.1691, subd. 9.

⁵⁴³ Tr. Vol. 1. at 225:13-226: 18 (Scissons).

⁵⁴⁴ *Id.* at 231:13-23.

⁵⁴⁵ Ex. MP-27, JJC-R-1 at 1 (Cady Rebuttal).

⁵⁴⁶ Ex. MP-27, JJC-R-1 at 1 (Cady Rebuttal).

law. Once approved, the Commission cannot unapprove the Acquisition.⁵⁴⁷ The Commission can refer violations of its orders to the Attorney General's Office and seek penalties of up to \$1,000 per violation.⁵⁴⁸ Yet, the Commission lacks authority to force the Partners to take actions such as providing capital to Minnesota Power, retaining employees, making community investments, or withholding dividends. It is also unlikely that the Commission has the vast resources that would be required to monitor compliance with all of the commitments – meaning a violation would likely only become clear after a violation and substantial harm had already occurred.

There is no doubt the Carbon Free Standard is of critical importance to the future of Minnesota and our nation. However, the Carbon Free Standard does not and should not give private equity a free pass to acquire critical Minnesota public utilities to the detriment of Minnesota ratepayers. The Commission should disapprove the Acquisition.⁵⁴⁹

M. J. M.

⁵⁴⁷ As described above, the Partners' conduct in the course of this proceeding also raises cause for concern. Documents containing information highly relevant to the Partners' intentions were improperly redacted and only produced after an *in-camera* inspection by the Administrative Law Judge. Additionally, during the evidentiary hearing the Petitioners improperly attempted to introduce a new agreement, drafted the night before, after extensive cross-examination about the existing document and the Partners' control over the future ALLETE board of directors. The Administrative Law Judge finds absolutely no credibility in the assertion that the existing document contained a "drafting error" and instead finds that the admitted exhibit (LPI Exhibit 1005; see also Tr. Vol. 1 at 256:4-261:18) reflected the intent of the parties. The Partners are the definition of sophisticated parties and the privileged log review by the Administrative Law Judge alone reveals the involvement of numerous skilled national law firms and dozens of attorneys in this matter.

⁵⁴⁸ Minn. Stat. §§ 216B.54-61 (2024).

⁵⁴⁹ On July 11, 2025, just days prior to the due date for this Report, the Department and the Partners filed a settlement stipulation. While the timing of the filing did not allow adequate time for the Administrative Law Judge to incorporate this development into Report, and this Report does not explicitly consider the settlement agreement, the Administrative Law Judge has reviewed the stipulation and notes that her concerns regarding the Acquisition have not been resolved and it does not change the Administrative Law Judge's recommendation to disapprove the Acquisition.