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**BEFORE THE MINNESOTA OFFICE OF ADMINISTRATIVE HEARINGS  
600 North Robert Street  
St. Paul, Minnesota 55101**

**FOR THE MINNESOTA PUBLIC UTILITIES COMMISSION  
121 7th Place East  
Suite 350  
St. Paul, Minnesota 55101-2147**

**MPUC Docket No. E-015/PA-24-198  
OAH Docket No. 25-2500-40339**

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

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**INITIAL BRIEF  
OF THE OFFICE OF THE ATTORNEY GENERAL—  
RESIDENTIAL UTILITIES DIVISION**

**May 1, 2025**

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**INTRODUCTION**

This case presents something unique in Minnesota’s history: a consortium of private equity investors proposing to acquire a publicly traded utility company. That company, Duluth-based Minnesota Power, would have the Commission believe that the proposed acquisition won’t change the way Minnesota Power does business, its commitments to its employees, or the Commission’s oversight. But private equity investors don’t pay \$3.9 billion and expect to get nothing in return. Rather, the record in this case demonstrates that Minnesota Power’s prospective acquirers plan to achieve the outsized returns that characterize private equity by controlling the board of directors, raising rates, taking on debt, and reselling Minnesota Power at a profit.

Minnesota law recognizes that well-functioning utilities and affordable rates are a public good and requires the Commission to review acquisitions like this to ensure that they are consistent with the public interest. The prospective acquirers’ plans hold risks for Minnesota Power’s ratepayers, the energy transition, and effective Commission oversight of the utility. And, while the acquisition would greatly benefit ALLETE’s shareholders and executives, the potential public benefits of a sale appear marginal or illusory. The ALJ and the Commission should find that the risk of giving over control of Minnesota Power to private interests outweighs any potential benefit, and that the proposed acquisition is therefore not consistent with the public interest.

**BACKGROUND**

**I. THE PETITIONERS**

On July 19, 2024, ALLETE, Inc. d/b/a Minnesota Power filed a petition under Minn. Stat. § 216B.50, seeking Commission approval to engage in a merger whereby entities controlled or

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managed by Global Infrastructure Partners (GIP) and Canada Pension Plan Investment Board (CPP) would acquire all outstanding shares of ALLETE.<sup>1</sup>

ALLETE is a diversified energy company based in Duluth.<sup>2</sup> ALLETE's largest business unit is Minnesota Power, a regulated utility with the exclusive right to provide retail electric service to approximately 150,000 customers in a 26,000-square-mile service territory in northern Minnesota.<sup>3</sup> Large industrial customers, such as taconite mines and wood-products manufacturers, provide more than 70 percent of Minnesota Power's retail sales.<sup>4</sup> ALLETE, or its corporate predecessor Minnesota Power and Light, has been publicly traded on the New York Stock Exchange since 1950.<sup>5</sup>

GIP is the trading name of the private equity firm Global Infrastructure Management, LLC.<sup>6</sup> GIP specializes in investing in, owning, and/or operating energy, transport, digital infrastructure, water, and wastewater companies.<sup>7</sup> As of March 2024, GIP had more than \$100 billion in assets under management.<sup>8</sup> In October 2024, GIP was acquired by BlackRock, Inc., the world's largest asset manager, which controls more than \$11 trillion in assets.<sup>9</sup>

CPP manages Canada Pension Plan funds in the best interests of 22 million participating contributors and beneficiaries.<sup>10</sup> As of March 2024, nearly \$200 billion, or 42 percent of CPP's

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<sup>1</sup> Ex. MP-1 at 1, 3. This Brief will refer to ALLETE, GIP, and CPP collectively as "the Petitioners."

<sup>2</sup> Ex. MP-1 at 3, 5.

<sup>3</sup> Ex. MP-1 at 4.

<sup>4</sup> See Ex. MP-45 at 10.

<sup>5</sup> Ex. OAG-400, sched. BPL-D-4 at 1 (Lebens Direct).

<sup>6</sup> Ex. MP-1 at 7.

<sup>7</sup> Ex. MP-1 at 7.

<sup>8</sup> Ex. MP-1 at 7-8.

<sup>9</sup> Ex. MP-6 at 1 n.2; Ex. DOC-303 at 4 (Addonzio Direct); Ex. DOC-301 at 6 (Vavro Direct).

<sup>10</sup> Ex. MP-1 at 6.

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total assets, were invested directly and indirectly in public and private companies across the United States economy, including in the real estate, infrastructure, and energy industries.<sup>11</sup>

**II. IN EARLY 2023, ALLETE DECIDES TO PURSUE A PRIVATE EQUITY BUYOUT TO MAXIMIZE VALUE TO ITS SHAREHOLDERS.**

ALLETE's board of directors regularly evaluates acquisition and buyout opportunities that could maximize value to shareholders and other stakeholders.<sup>12</sup> In October 2022 and again in March 2023, the board met with representatives of J.P. Morgan to discuss ways to maximize value, including a potential sale to a privately held company.<sup>13</sup>

J.P. Morgan's March 2023 presentation to the board notes that [HIGHLY CONFIDENTIAL TRADE SECRET DATA BEGINS] [REDACTED]

[REDACTED] [HIGHLY CONFIDENTIAL TRADE SECRET DATA ENDS]<sup>14</sup> ALLETE's then-current capital plan

called for [HIGHLY CONFIDENTIAL TRADE SECRET DATA BEGINS] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] [HIGHLY CONFIDENTIAL TRADE SECRET DATA ENDS]

J.P. Morgan informed ALLETE that [HIGHLY CONFIDENTIAL TRADE SECRET DATA BEGINS] [REDACTED]

[REDACTED]

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<sup>11</sup> Ex. MP-1 at 6.

<sup>12</sup> Ex. MP-1, attach. L at 41.

<sup>13</sup> Ex. MP-1, attach. L at 41.

<sup>14</sup> Ex. OAG-405 at 42.

<sup>15</sup> Ex. OAG-405 at 74.

<sup>16</sup> Ex. OAG-405 at 74.

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[REDACTED]

[REDACTED]

[REDACTED] [HIGHLY CONFIDENTIAL TRADE SECRET DATA ENDS]

At that point, ALLETE's shares had been trading [HIGHLY CONFIDENTIAL TRADE SECRET DATA BEGINS] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] [HIGHLY CONFIDENTIAL TRADE SECRET DATA ENDS]

J.P. Morgan provided examples of [HIGHLY CONFIDENTIAL TRADE SECRET DATA BEGINS] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

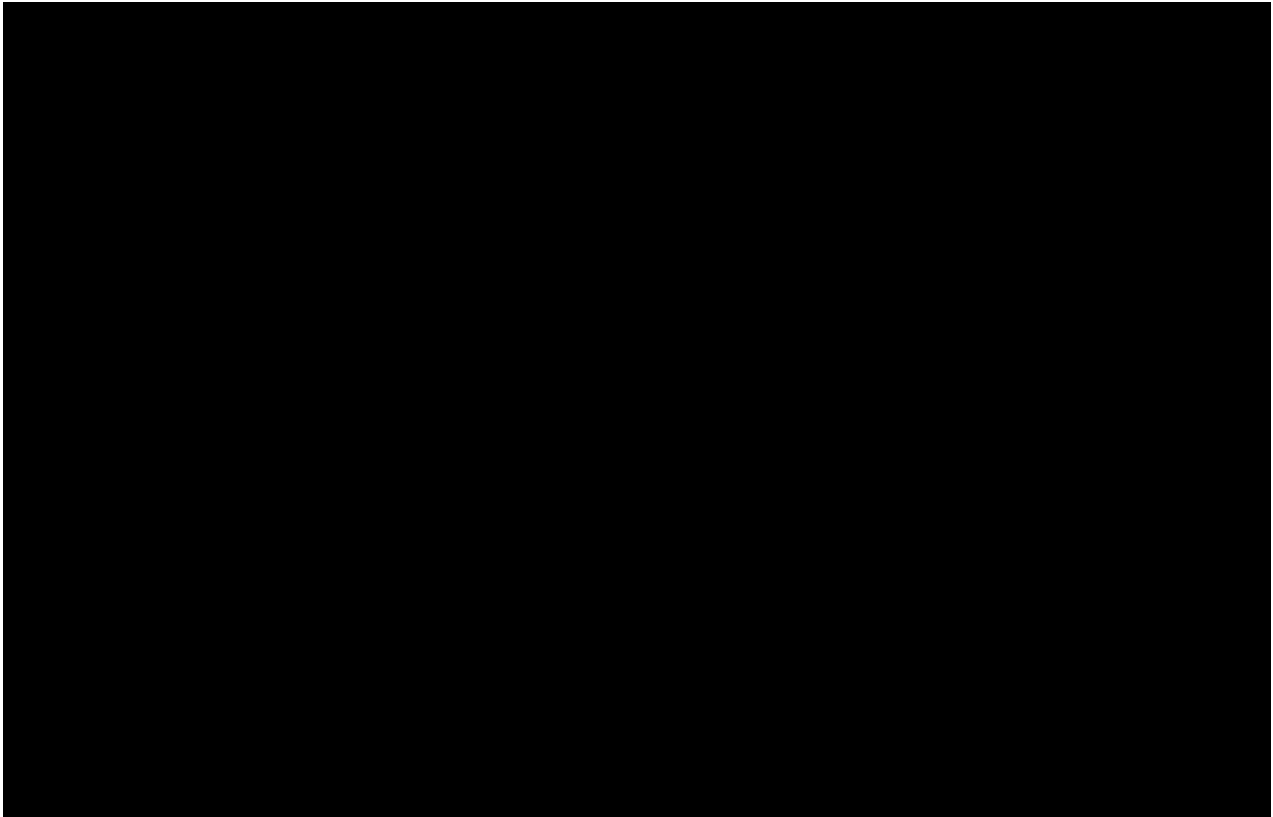
[HIGHLY CONFIDENTIAL TRADE SECRET DATA ENDS]<sup>21</sup> Figure 1 below sets forth the full list of examples:

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<sup>17</sup> Ex. OAG-405 at 68; *accord id.* at 46.  
<sup>18</sup> Ex. OAG-405 at 68.  
<sup>19</sup> Ex. OAG-405 at 58.  
<sup>20</sup> Ex. OAG-405 at 58.  
<sup>21</sup> Ex. OAG-405 at 72.

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*Figure 1 –*  
**[HIGHLY CONFIDENTIAL TRADE SECRET DATA BEGINS]**



**[HIGHLY CONFIDENTIAL TRADE SECRET DATA ENDS]**

Following the discussion at its March 2023 meeting, the ALLETE board directed J.P. Morgan to reach out to and prescreen potential private buyers.<sup>22</sup> 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.”<sup>23</sup>

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<sup>22</sup> Ex. MP-1, attach. L at 41.

<sup>23</sup> Ex. MP-1, attach. L at 41–42.



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**III. ALLETE’S DEMAND FOR A HIGH ACQUISITION PREMIUM FORCES SEVERAL POTENTIAL BUYERS TO DROP OUT OF THE BIDDING PROCESS.**

Upon outreach by J.P. Morgan, GIP, CPP, and four other parties expressed interest in potentially acquiring a company with ALLETE’s characteristics.<sup>24</sup> By early September, however, the parties other than GIP and CPP had dropped out of the process because they could not offer the kind of premium over market that ALLETE was looking for.<sup>25</sup>

At this point, GIP and CPP were not yet working together as partners because J.P. Morgan was carefully controlling the confidentiality of the process; it would not introduce the two investors until late December.<sup>26</sup>

On September 7, 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.<sup>27</sup> A few days later, CPP submitted a nonbinding offer of \$69.26 per share.<sup>28</sup>

Following their initial offers, GIP and CPP continued to conduct due-diligence efforts with the assistance of ALLETE’s management.<sup>29</sup> In October, ALLETE set a December 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.<sup>30</sup>

On November 1, Minnesota Power filed a rate case seeking \$90 million in new annual revenue, a 12 percent net increase over then-current rates.<sup>31</sup>

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<sup>24</sup> Ex. MP-1, attach. L at 42.

<sup>25</sup> See Ex. MP-1, attach. L at 43–44.

<sup>26</sup> See MP-1, attach. L at 47.

<sup>27</sup> Ex. MP-1, attach. L at 44.

<sup>28</sup> Ex. MP-1, attach. L at 44.

<sup>29</sup> Ex. MP-1, attach. L at 44–45.

<sup>30</sup> Ex. MP-1, attach. L at 45.

<sup>31</sup> *In re Application of Minn. Power*, MPUC Docket No. E-015/GR-23-155, ORDER ACCEPTING AND ADOPTING AGREEMENT SETTING RATES at 1 (Nov. 25, 2024).

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In early December, an online news website reported that ALLETE was exploring a sale.<sup>32</sup> This announcement caused ALLETE’s share price to rise by approximately eight percent—from about \$56 the day before the leak to almost \$61 at market close the day of the leak.<sup>33</sup>

In late December, J.P. Morgan introduced representatives of GIP and CPP to allow them to discuss pursuing an acquisition as partners.<sup>34</sup> GIP and CPP (the Partners) initially decided to pursue an acquisition as a 50/50 partnership.<sup>35</sup>

On February 1, 2024, the Partners offered to purchase ALLETE for \$62.50 per share.<sup>36</sup> ALLETE rejected the offer the next day.<sup>37</sup>

Three days later, the Partners submitted an updated written offer for \$64 per share, indicating that it was their “best and final” offer.<sup>38</sup>

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.<sup>39</sup> The board directed J.P. Morgan to tell the Partners that the updated offer still did not reflect a sufficient valuation.<sup>40</sup> The board also expressed an interest in further discussing with management a plan for self-financing its capital needs, while temporarily pausing engagement with the Partners.<sup>41</sup>

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<sup>32</sup> Ex. MP-1, attach. L at 46.

<sup>33</sup> See Ex. MP-1, attach. L at 46.

<sup>34</sup> Ex. MP-1, attach. L at 47.

<sup>35</sup> Ex. MP-1, attach. L at 48.

<sup>36</sup> Ex. MP-1, attach. L at 49.

<sup>37</sup> Ex. MP-1, attach. L at 49.

<sup>38</sup> Ex. MP-1, attach. L at 50.

<sup>39</sup> Ex. MP-1, attach. L at 50.

<sup>40</sup> Ex. MP-1, attach. L at 50.

<sup>41</sup> Ex. MP-1, attach. L at 50.

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On February 14, ALLETE conveyed to the Partners that its preferred valuation would be closer to the bids received in Round 1 of the process.”<sup>42</sup> The Partners indicated that they would not increase their offer.<sup>43</sup>

**IV. AFTER REJECTING THE PARTNERS’ FIRST TWO OFFERS, ALLETE’S BOARD PREPARES TO PROCEED WITH A STANDALONE FINANCING PLAN.**

Two days later, the board held a special meeting to review ALLETE’s standalone financing plan—also known as the “Within Financing Limits Plan”<sup>44</sup>—under which ALLETE could raise capital without going private.<sup>45</sup> According to company management, ALLETE could feasibly raise several hundred million dollars of annual equity financing under this plan<sup>46</sup> while [HIGHLY

**CONFIDENTIAL TRADE SECRET DATA BEGINS]** [REDACTED]

[REDACTED]

[HIGHLY CONFIDENTIAL TRADE SECRET DATA ENDS]<sup>47</sup> Doing so would, however, require [HIGHLY CONFIDENTIAL TRADE SECRET DATA BEGINS] [REDACTED]

[REDACTED] [HIGHLY CONFIDENTIAL TRADE SECRET DATA ENDS]<sup>48</sup>

Additionally, [HIGHLY CONFIDENTIAL TRADE SECRET DATA BEGINS] [REDACTED]

[REDACTED]

[HIGHLY CONFIDENTIAL TRADE SECRET DATA ENDS]

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<sup>42</sup> Ex. MP-1, attach. L at 50.

<sup>43</sup> Ex. MP-1, attach. L at 50.

<sup>44</sup> Ex. MP-1, attach. L at 51.

<sup>45</sup> Ex. MP-1, attach. L at 51.

<sup>46</sup> Ex. MP-1, attach. L at 51.

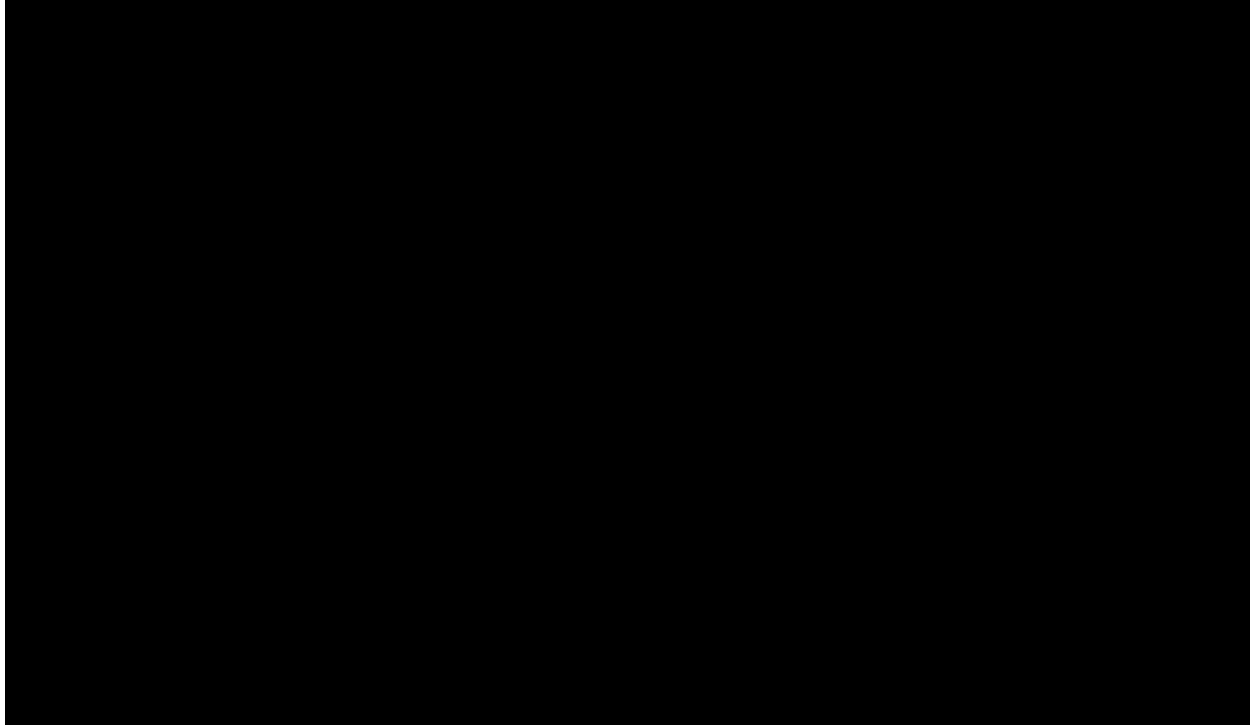
<sup>47</sup> Ex. OAG-404 at 3.

<sup>48</sup> Ex. OAG-404 at 3–4.

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*Figure 2<sup>49</sup> –*

**[HIGHLY CONFIDENTIAL TRADE SECRET DATA BEGINS]**



**[HIGHLY CONFIDENTIAL TRADE SECRET DATA ENDS]**

After extensively discussing the standalone plan, the board decided not to proceed further with the Partners' offer of \$64 per share.<sup>50</sup>

**V. ALLETE AGREES TO THE PARTNERS' THIRD OFFER OF \$67 PER SHARE AND NEGOTIATES ADDITIONAL DEAL TERMS.**

After ALLETE rejected their second offer, CPP and GIP had continued to conduct due diligence with the support of ALLETE's management.<sup>51</sup> On March 30, the Partners made a third offer to buy ALLETE, this time for \$67 per share,<sup>52</sup> or a 22 percent premium over ALLETE's 30-day volume-weighted average price prior to the initial publication of the rumor that ALLETE was exploring a sale.<sup>53</sup>

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<sup>49</sup> Ex. OAG-404 at 15.

<sup>50</sup> Ex. MP-1, attach. L at 51.

<sup>51</sup> Ex. MP-1, attach. L at 51.

<sup>52</sup> Ex. MP-1, attach. L at 51.

<sup>53</sup> Ex. MP-1, attach. L at 51, 55.

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At a special meeting five days later, the ALLETE board decided to move forward with the Partners' \$67 offer and to negotiate additional terms.<sup>54</sup>

Throughout April 2024, ALLETE and the partners negotiated additional terms related to employee matters, regulatory matters, interim financing, and post-closing governance.<sup>55</sup>

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.<sup>56</sup>

**VI. AFTER SETTling MINNESOTA POWER'S RATE CASE, ALLETE PUBLICLY REVEALS THE MERGER AGREEMENT.**

On Friday May 3, 2024, ALLETE filed with the Commission a settlement agreement fully resolving Minnesota Power's pending rate case.<sup>57</sup>

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).<sup>58</sup>

On Monday morning, ALLETE announced the merger agreement before market open via a joint press release with the Partners.<sup>59</sup> ALLETE then began executing its outreach plan to "communicate the benefits of the transaction" to affected stakeholders.<sup>60</sup>

**VII. PROPOSED ACQUISITION STRUCTURE AND COMMITMENTS**

The proposed acquisition is structured as a merger whereby ALLETE would merge into Alloy Merger Sub LLC, with ALLETE as the surviving entity.<sup>61</sup> Through this merger, ALLETE

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<sup>54</sup> Ex. MP-1, attach. L at 52.

<sup>55</sup> Ex. MP-1, attach. L at 52–53.

<sup>56</sup> Ex. MP-1, attach. L at 52–53.

<sup>57</sup> *In re Application of Minn. Power*, MPUC Docket No. E-015/GR-23-155, ORDER ACCEPTING AND ADOPTING AGREEMENT SETTING RATES at 2 (Nov. 25, 2024).

<sup>58</sup> Ex. MP-1 at 10, attach. L at 55.

<sup>59</sup> Ex. MP-1, attach. L at 55.

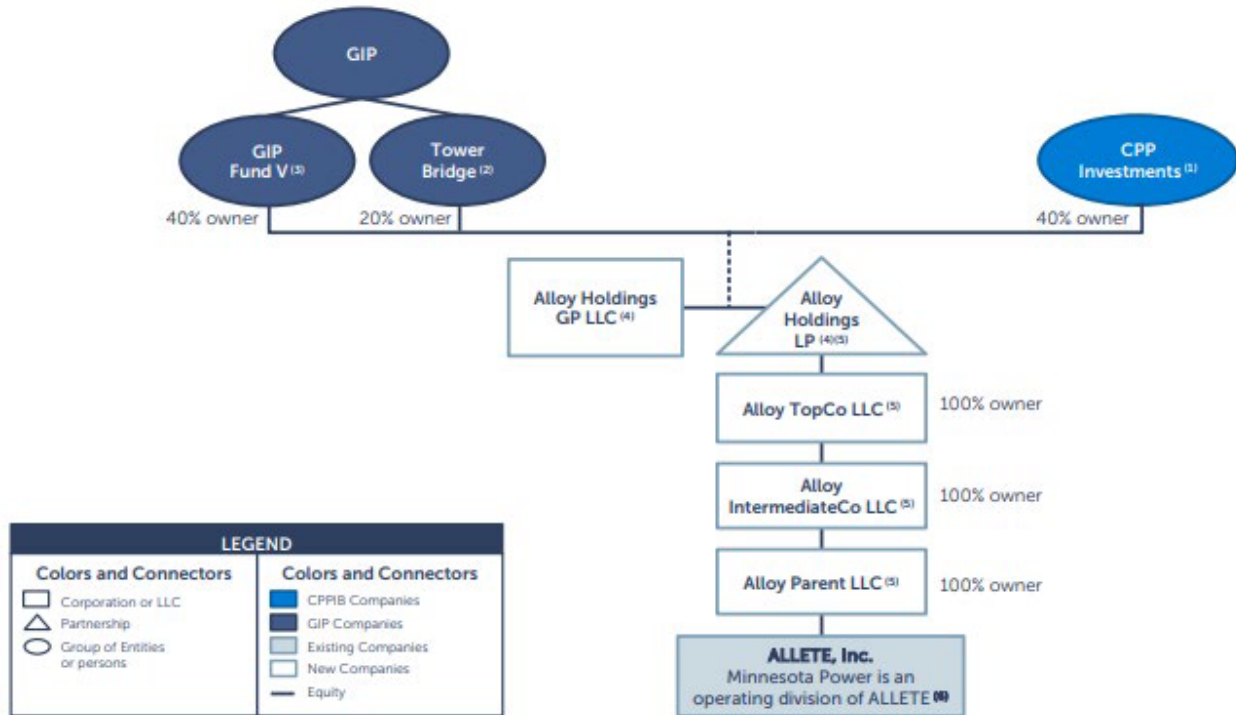
<sup>60</sup> Ex. MP-1, attach. L at 55.

<sup>61</sup> Ex. MP-1 at 10.

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would become the wholly owned subsidiary of Alloy Parent LLC, which would be indirectly owned by the Partners through the following corporate structure:

**Figure 3 –  
Simplified Post-Closing Organization Chart<sup>62</sup>**



As Figure 3 shows, GIP would control a 60 percent interest in ALLETE through two funds, GIP Fund V and Tower Bridge Infrastructure Partners, L.P.,<sup>63</sup> the latter of which GIP manages on behalf of the California Public Employees' Retirement System (CalPERS).<sup>64</sup> CPP would own the remaining 40 percent of ALLETE.<sup>65</sup>

<sup>62</sup> Ex. MP-1, attach. A-2.

<sup>63</sup> See also Ex. OAG-400 at 6 (Lebens Direct).

<sup>64</sup> Ex. OAG-400 at 5 (Lebens Direct).

<sup>65</sup> Ex. OAG-400 at 6 (Lebens Direct).

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Consistent with the merger's structure, the agreement is between ALLETE, Inc. and Alloy Parent and Alloy Merger Sub.<sup>66</sup> 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 to the extent 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.<sup>67</sup>

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.<sup>68</sup>

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.<sup>69</sup> The primary evidence of Partners' intent with respect to governance is contained in

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<sup>66</sup> Ex. MP-1, attach. B at 6.

<sup>67</sup> Ex. MP-1 at 18–22.

<sup>68</sup> Ex. MP-1, attach. B at 70–71.

<sup>69</sup> See Ex. MP-42 at 1 (Bram Surrebuttal).

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a preliminary agreement between GIP and CPP.<sup>70</sup> This agreement is not a final document, and Partners revised it at least once during this proceeding.<sup>71</sup>

**VIII. THE PARTNERS' PLANS FOR ALLETE ARE CONSISTENT WITH THE INVESTMENT STRATEGIES OF PRIVATE EQUITY INVESTORS IN GENERAL.**

Like typical private equity investors, the Partners do not seek to passively invest in target companies. Instead, the Partners' stated plans for ALLETE reflect common private equity strategies, including governance control, the use of debt to boost returns, and strategic sales.

**A. Private Equity Investors Generally Seek to Acquire Controlling Interests that Give Them Influence Over a Target's Operations and Finances with the Goal of Maximizing Their Return Upon Exit.**

Private equity firms are investment managers that raise capital, typically from institutional investors such as sovereign wealth funds, pension funds, insurance companies, endowments, and wealthy individuals, and then use that capital, often along with substantial amounts of debt, to acquire companies or other assets.<sup>72</sup> Private equity investors, commonly referred to as "limited partners," invest by contributing capital to funds established by private equity firms.<sup>73</sup> While limited partners provide most of the capital, it is the "general partner"—an entity controlled, owned, or managed by the private equity firm—that selects a fund's investments.<sup>74</sup> In this case, GIP and CPP plan to share control of Alloy Holdings GP LLC, the general partner of the Alloy group of companies.<sup>75</sup>

Successful private equity investing relies on careful evaluation of investments, structuring of deals, financial engineering, and operational engineering.<sup>76</sup> Unlike investors in public

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<sup>70</sup> See Ex. DOC-301, sched. SLV-D-6 (Vavro Direct).

<sup>71</sup> See Ex. MP-42 at 1–2 (Bram Surrebuttall).

<sup>72</sup> Ex. CURE-600 at 3 (Baker Direct).

<sup>73</sup> Ex. OAG-400 at 9 (Lebens Direct).

<sup>74</sup> Ex. OAG-400 at 10 (Lebens Direct).

<sup>75</sup> Ex. MP-1, attach A-2 at 1 & n.4.

<sup>76</sup> Ex. OAG-400 at 9 (Lebens Direct).



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companies, private equity firms use their position as the controlling shareholder to make significant changes to 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.<sup>77</sup> Changes to capital structure include strategically increasing the amount of debt, or "leverage," within a business or its corporate hierarchy to drive higher returns.<sup>78</sup> The downside of leverage, however, is that the interest and principal repayment schedules can put pressure on management to cut expenses while weakening a company's credit rating.<sup>79</sup> In extreme cases, overleveraging can result in a company's liquidation or reorganization through bankruptcy.<sup>80</sup>

Another key difference between public and private equity investors involves exit strategies.<sup>81</sup> An exit strategy is a plan for ending involvement with a particular investment.<sup>82</sup> For public investors, a typical exit strategy is simply to sell their shares through the same public market where they originally purchased the shares at a time when they feel the shares are fully valued.<sup>83</sup> Private equity exit strategies are often more specific regarding timing; many private equity funds have a pre-planned lifespan after which the general partner will sell the fund's investments with the goal of maximizing the return for the limited partners.<sup>84</sup>

Private equity exit strategies 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."<sup>85</sup>

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<sup>77</sup> Ex. OAG-400 at 14 (Lebens Direct).

<sup>78</sup> Ex. OAG-400 at 16 (Lebens Direct).

<sup>79</sup> Ex. OAG-400 at 17 (Lebens Direct).

<sup>80</sup> Ex. OAG-400 at 18 (Lebens Direct).

<sup>81</sup> Ex. OAG-400 at 14 (Lebens Direct).

<sup>82</sup> Ex. OAG-400 at 14 (Lebens Direct).

<sup>83</sup> Ex. OAG-400 at 15 (Lebens Direct).

<sup>84</sup> Ex. OAG-400 at 15 (Lebens Direct).

<sup>85</sup> Ex. OAG-400 at 15 (Lebens Direct).

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Each exit strategy has its pros and cons. A strategic buyer can help a company open up an expanded customer base; on the downside, however, this type of acquisition can lead to culture clashes or layoffs.<sup>86</sup> A financial buyer can bring dealmaking experience but, on the downside, may emphasize aggressive performance targets and introduce excessive leverage.<sup>87</sup> Finally, an IPO allows access to vast pools of capital but tends to be an expensive process and leads to increased disclosures and scrutiny.<sup>88</sup>

**B. The Partners' Plans for ALLETE Include Taking on Debt, Using Control of ALLETE's Board to Increase the Company's Value, and Ultimately to Exit by Selling ALLETE for a Profit.**

Most of the strategies used by private equity investors in general, such as increasing sales, cutting expenses, adding leverage, and exercising board control, can also be applied to a privately owned utility.<sup>89</sup> The Partners plan to use typical private equity strategies if they are allowed to acquire ALLETE.

Like private equity investors generally, the Partners plan to use significant amounts of debt. The Partners' leveraging strategy is not described in any detail in the petition or testimony, which discusses \$300 million in new debt that would be used to fund the initial purchase of ALLETE.<sup>90</sup>

**[HIGHLY CONFIDENTIAL TRADE SECRET DATA BEGINS]** [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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<sup>86</sup> Ex. OAG-400 at 16 (Lebens Direct).

<sup>87</sup> Ex. OAG-400 at 16 (Lebens Direct).

<sup>88</sup> Ex. OAG-400 at 16 (Lebens Direct).

<sup>89</sup> Ex. OAG-400 at 18 (Lebens Direct).

<sup>90</sup> Ex. DOC-303 at 64 (Addonizio Direct).

<sup>91</sup> Ex. DOC-303 at 65–66 (Addonizio Direct).

<sup>92</sup> Ex. DOC-303 at 66 tbl.6 (Addonizio Direct).

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[REDACTED]

[REDACTED]

[REDACTED] **[HIGHLY  
CONFIDENTIAL TRADE SECRET DATA ENDS]**

Consistent with the strategies of private equity investors generally, the Partners plan to become deeply involved in ALLETE's governance. The Partners maintain that they will not be involved in Minnesota Power's day-to-day operations, but they are nonetheless seeking control of the ALLETE board, which guides the company's day-to-day operations and approves the utility's budget and strategic plans.<sup>95</sup>

GIP's investment strategy includes **[HIGHLY CONFIDENTIAL TRADE SECRET  
DATA BEGINS]** [REDACTED]

[REDACTED]

[REDACTED] **[HIGHLY CONFIDENTIAL TRADE SECRET  
DATA ENDS]**<sup>96</sup> To effectuate this strategy, GIP employs a **[HIGHLY CONFIDENTIAL  
TRADE SECRET DATA BEGINS]** [REDACTED]

[REDACTED]

[REDACTED] **[HIGHLY CONFIDENTIAL TRADE SECRET  
DATA ENDS]**<sup>97</sup>

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<sup>93</sup> Ex. DOC-303 at 68 tbl.7 (Addonizio Direct).

<sup>94</sup> Compare Ex. DOC-303 at 66 tbl.6 with *id.* at 68 tbl.7 (Addonizio Direct).

<sup>95</sup> Ex. Sierra-1100 at 26 (Lane Direct).

<sup>96</sup> Ex. OAG-401, sched. BPL-D-5 at 47 (Lebens Direct).

<sup>97</sup> Ex. OAG-401 at 21 (Lebens Direct).

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CPP's plans for ALLETE are even more granular. CPP has developed a **[HIGHLY CONFIDENTIAL TRADE SECRET DATA BEGINS]** [REDACTED]

[REDACTED]

- | [REDACTED]
- | [REDACTED]
- | [REDACTED]
- | [REDACTED]

**[HIGHLY CONFIDENTIAL TRADE SECRET DATA ENDS]**<sup>98</sup>

Similar objectives are included among CPP's **[HIGHLY CONFIDENTIAL TRADE SECRET DATA BEGINS]** [REDACTED]

- | [REDACTED]
- | [REDACTED]
- | [REDACTED]
- | [REDACTED]
- | [REDACTED]
- | [REDACTED]
- | [REDACTED]

**[HIGHLY CONFIDENTIAL TRADE SECRET DATA ENDS]**<sup>99</sup>

Finally, consistent with private equity investors more generally, the Partners have already begun planning for a potential exit. While Partner witnesses describe their intended investment as

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<sup>98</sup> Ex. LPI-1004, sched. 2, DOC IR 60.01 Attach Supp 2 HCTS at 15 (Walters Surrebuttal).

<sup>99</sup> Ex. LPI-1004, sched. 2, DOC IR 60.01 Attach Supp 2 HCTS at 48 (Walters Surrebuttal).

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“long term,”<sup>100</sup> they do not define “long term,” and neither Partner has committed to a specific hold period for ALLETE.<sup>101</sup>

GIP’s overall investment strategy for Fund V anticipates holding assets for [HIGHLY CONFIDENTIAL TRADE SECRET DATA BEGINS] [REDACTED] [HIGHLY CONFIDENTIAL TRADE SECRET DATA ENDS].<sup>102</sup> Consistent with this timeframe, one

draft of the Partners’ preliminary agreement regarding transfers of their interests includes [HIGHLY CONFIDENTIAL TRADE SECRET DATA BEGINS] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] [HIGHLY CONFIDENTIAL TRADE SECRET

DATA ENDS] Finally, the preliminary agreement draft provides that either GIP or CPP can

[HIGHLY CONFIDENTIAL TRADE SECRET DATA BEGINS] [REDACTED]

[REDACTED]

[REDACTED] [HIGHLY

CONFIDENTIAL TRADE SECRET DATA ENDS]

In an internal presentation, CPP identifies [HIGHLY CONFIDENTIAL TRADE SECRET DATA BEGINS] [REDACTED]

[REDACTED]

[REDACTED]

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<sup>100</sup> See, e.g., Ex. MP-13 at 12 (Alley Direct), Ex. MP-14 at 7 (Bram Direct).

<sup>101</sup> Ex. Sierra-1100 at 34 (Lane Direct).

<sup>102</sup> Ex. Sierra-1100 at 37 (Lane Direct HCTS).

<sup>103</sup> Ex. LPI-1004, sched. 2, DOC IR 0013.02 Attach Supp 3 HCTS at 29 (Walters Surrebuttal).

<sup>104</sup> Ex. LPI-1004, sched. 2, DOC IR 0013.02 Attach Supp 3 HCTS at 29 (Walters Surrebuttal).

<sup>105</sup> Ex. LPI-1004, sched. 2, DOC IR 0013.02 Attach Supp 3 HCTS at 29 (Walters Surrebuttal).

<sup>106</sup> Ex. LPI-1004, sched. 2, DOC IR 60.01 Attach Supp 2 HCTS at 10 (Walters Surrebuttal).

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[REDACTED] [HIGHLY CONFIDENTIAL  
TRADE SECRET DATA ENDS] GIP's investment analysis examines [HIGHLY  
CONFIDENTIAL TRADE SECRET DATA BEGINS] [REDACTED]  
[REDACTED] [HIGHLY CONFIDENTIAL TRADE SECRET  
DATA ENDS]<sup>108</sup>

**THE LEGAL STANDARD**

Under Minnesota Statutes section 216B.50, the Commission may not approve a public-utility merger or acquisition unless it finds that the transaction is consistent with the public interest.<sup>109</sup> It is a petitioner's burden to establish that a proposed transaction is consistent with the public interest by a preponderance of the evidence.<sup>110</sup>

In evaluating whether a proposed transaction is consistent with the public interest, the Commission considers its potential benefits and potential harms, well as whether any harms can be mitigated.<sup>111</sup> The Commission will reject a transaction if the "potential costs to ratepayers are too high, and the potential benefits too uncertain."<sup>112</sup>

Consistent with these precedents, the Commission has asked the parties to address, among other things:

- Whether there are any potential harms to the public interest from the proposed acquisition, including in relation to cost or risk;

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<sup>107</sup> Ex. LPI-1004, sched. 2, DOC IR 60.01 Attach Supp 2 HCTS at 16 (Walters Surrebuttal).

<sup>108</sup> See Ex. LPI-1004, sched. 2, DOC IR 0013.02 Attach Supp 3 HCTS at 19–22 (Walters Surrebuttal).

<sup>109</sup> See Minn. Stat. § 216B.50, subd. 1.

<sup>110</sup> See *id.*; Minn. R. 1400.7300, subp. 5.

<sup>111</sup> See *In re Proposed Merger of Minnegasco, Inc.*, No. G-008/PA-90-604, 1994 WL 667637, at \*5 (Minn. P.U.C. Nov. 27, 1990) ("Having balanced possible benefits with possible costs, noting the safeguards adopted by the parties and required by this Order, the Commission finds that the merger between Arkla and Minnegasco is consistent with the public interest.").

<sup>112</sup> *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 (Minn. P.U.C. Dec. 18, 2019).

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- Whether there are any potential benefits to ratepayers, Minnesota, or the public interest from the proposed acquisition;
- Whether the proposed acquisition is consistent with the public interest, considering all relevant factors and applicable law; and
- Whether regulatory requirements or commitments are necessary to render the proposed acquisition consistent with the public interest.<sup>113</sup>

**ARGUMENT**

The proposed acquisition is not consistent with the public interest because the potential harms outweigh the potential benefits. First, the acquisition would expose ratepayers to the risk that rates would increase unsustainably, as well as the risk that Minnesota Power’s service quality could be impaired in the long run. Second, the acquisition poses risks to the energy transition due to uncertainties about the Partners’ future priorities. Third, the acquisition would impair regulatory oversight by giving control of ALLETE to new owners, reducing transparency, and making regulating affiliated interests more difficult. Finally, the potential benefits of the proposed acquisition are marginal and insufficient to offset its many risks.

**I. THE PROPOSED ACQUISITION HOLDS RISKS FOR RATEPAYERS.**

The proposed acquisition holds substantial risks for ratepayers. First, the rate increases on which the transaction is premised are unsustainable. Second, the Partners plan to increase the amount of debt in ALLETE’s corporate hierarchy, which will intensify the risk of rate increases because it will tend to increase ALLETE and Minnesota Power’s borrowing costs. Third, the cost-cutting and use of leverage that is prevalent among private equity investors, as well as ALLETE’s dependence on two investors, creates risks that its service quality may suffer over the long term.

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<sup>113</sup> ORDER REQUIRING ADDITIONAL INFORMATION AND GRANTING INTERVENTION, AND NOTICE OF AND ORDER FOR HEARING at 8 (Oct. 7, 2024).

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**A. The Proposed Acquisition Would Increase the Risk of Unaffordable Rate Hikes.**

If approved, GIP and CPP's proposal to acquire ALLETE would magnify the risk that Minnesota Power's rates will rise at an unsustainable rate. First, by negotiating for a substantial premium over ALLETE's market price, ALLETE materially increased Partners' incentive to raise rates. Second, the record contains indications of Partners' intent to do just that.

In negotiating the deal, ALLETE insisted on receiving a substantial premium to its market value, rejecting an initial offer of \$62.50 per share and a second offer of \$64 per share before accepting a third offer of \$67 per share.<sup>114</sup> The last price reflects a premium of \$1.5 billion over ALLETE's book value.<sup>115</sup> This premium materially increases the risk of unsustainable rate hikes in the future because the Partners would be incentivized to seek increases to Minnesota Power's ROE and/or grow its rate base substantially to recoup the premium.<sup>116</sup>

While Minnesota Power has stated that it will not attempt to recover the acquisition premium from utility customers,<sup>117</sup> this appears to simply be an assurance that the utility will not include the premium as a line item in a future rate case. This commitment does not fully mitigate the risk of substantial future rate increases motivated by the acquisition premium.<sup>118</sup>

If the acquisition goes through, the Partners will have the means to influence Minnesota Power's rate-case strategy through their control of ALLETE's board. According to one version of Partners' preliminary agreement, **[HIGHLY CONFIDENTIAL TRADE SECRET DATA**

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<sup>114</sup> Ex. MP-1, attach. L at 49–52.

<sup>115</sup> Ex. CURE-601 at 20 (Ellis Direct).

<sup>116</sup> See Ex CURE-601 (Ellis Direct) at 24 (“The only way GIP/ CPP can justify this premium is if they expect to increase MP's ROE and/or growth above what ALLETE's investors expected prior to the transaction.”).

<sup>117</sup> Ex. MP-1 at 21.

<sup>118</sup> See, e.g., Ex CURE-603 at 39 (Ellis Surrebuttal) (“The acquisition premium, plus a return, will ultimately be paid by MP customers.”).



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**BEGINS]** [REDACTED]

[REDACTED]

[REDACTED] **[HIGHLY CONFIDENTIAL TRADE SECRET DATA ENDS]**<sup>119</sup> Certain investor materials state the Partners' view that **[HIGHLY CONFIDENTIAL TRADE SECRET DATA BEGINS]**

[REDACTED] **[HIGHLY CONFIDENTIAL TRADE SECRET DATA ENDS]**<sup>120</sup>

The record also contains several projections of Minnesota Power's future rates. None of these projections, if they came to pass, would be affordable for Minnesota Power's ratepayers. A forecast that ALLETE provided to the Partners in connection with the process leading to the execution of the merger agreement projects nearly **[TRADE SECRET DATA BEGINS]** [REDACTED] **[TRADE SECRET DATA ENDS]** compound annual growth in residential rates over 2023–2032,<sup>121</sup> well above projected inflation.<sup>122</sup> The Partners' rate-increase projections have been even higher than ALLETE's. GIP's internal projections as of January 2024, for example, had residential rates growing by **[HIGHLY CONFIDENTIAL TRADE SECRET DATA BEGINS]**

[REDACTED]

[REDACTED] **[HIGHLY CONFIDENTIAL TRADE SECRET DATA ENDS]**

CPP, likewise, expects Minnesota Power's rates to increase **[HIGHLY CONFIDENTIAL TRADE SECRET DATA BEGINS]** [REDACTED]

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<sup>119</sup> Ex. DOC-301, sched. SLV-D-6 at 23 (Vavro Direct).

<sup>120</sup> Ex. OAG-412 at 6.

<sup>121</sup> Ex. OAG-403 at 5 (Lebens Surrebuttal).

<sup>122</sup> Ex. OAG-403 at 12 (Lebens Surrebuttal).

<sup>123</sup> Ex. CURE-602 at 9 and sched. JB-7 at 31 (Baker Surrebuttal).

<sup>124</sup> Ex. CURE-602 at 9 and sched. JB-7 at 11 (Baker Surrebuttal).

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] **[HIGHLY CONFIDENTIAL TRADE SECRET DATA ENDS]**

These figures are, of course, all point-in-time estimates. But the Partners, if they acquire ALLETE, will have the incentive and the means to steer Minnesota Power’s regulatory strategy toward realizing these forecasts. This is true even though the Commission will retain authority over Minnesota Power’s rates, as discussed in greater detail below.

**B. The Increased Leverage that the Partners Are Planning Would Compound Rate-Increase Risks.**

Another way that the proposed acquisition creates risks to rates is through its potential to increase ALLETE’s cost of debt.<sup>129</sup> As discussed above, private equity investors like the Partners generally seek higher investment returns in part by implementing changes in an acquired company’s financial structure.<sup>130</sup> This may include a significant increase in the amount of debt financing, which can raise the acquired company’s cost of capital.<sup>131</sup> Because of how cost of equity is estimated in utility rate cases, the Commission will likely be able to mitigate the effects of potential increases in Minnesota Power’s cost of equity.<sup>132</sup> Potential increases to Minnesota Power’s cost of debt, however, will be much harder to identify, measure, and adjust for.<sup>133</sup>

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<sup>125</sup> Ex. LPI-1004, sched. 2, DOC IR 60.01 Attach Supp 2 HCTS at 17 (Walters Surrebuttal).  
<sup>126</sup> Ex. LPI-1004, sched. 2, DOC IR 60.01 Attach Supp 2 HCTS at 19 (Walters Surrebuttal).  
<sup>127</sup> Ex. LPI-1004, sched. 2, DOC IR 60.01 Attach Supp 2 HCTS at 10 (Walters Surrebuttal).  
<sup>128</sup> Ex. LPI-1004, sched. 2, DOC IR 60.01 Attach Supp 2 HCTS at 19 (Walters Surrebuttal).  
<sup>129</sup> Ex. DOC-303 (Addonizio Direct) at 51.  
<sup>130</sup> Ex. DOC-303 at 53 (Addonizio Direct).  
<sup>131</sup> Ex. DOC-303 at 53 (Addonizio Direct).  
<sup>132</sup> Ex. DOC-303 at 53 (Addonizio Direct).  
<sup>133</sup> Ex. DOC-303 at 53 (Addonizio Direct).

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The Partners are planning to use \$300 million in new debt to fund the initial purchase of ALLETE,<sup>134</sup> which they have characterized as “very low debt leverage.”<sup>135</sup> Over time, however, the Partners plan to have Alloy Parent take on additional debt to finance equity infusions into ALLETE. Both GIP and CPP forecast an increasing percentage of debt held at Alloy Parent over 2024–2039,<sup>136</sup> **[HIGHLY CONFIDENTIAL TRADE SECRET DATA BEGINS]** [REDACTED] **[HIGHLY CONFIDENTIAL TRADE SECRET DATA ENDS]** the total debt in ALLETE and Alloy Parent’s consolidated capital structure.<sup>137</sup> There is no guarantee that the Partners would limit their leverage to these levels.

Additional debt at the parent level can be a credit negative for a company like ALLETE.<sup>138</sup> Alloy Parent will own no assets or investments other than ALLETE, so all of the incremental interest and principal on debt issued by Alloy Parent or ALLETE will need to be paid out of cash flows generated by ALLETE.<sup>139</sup> As a result, borrowers may demand a higher interest rate on Minnesota Power’s debt due to the risks presented by this “double leverage,” even without ALLETE experiencing a credit-rating downgrade.<sup>140</sup>

Minnesota Power has committed not to charge ratepayers for any increase in its cost of debt for three years unless it can demonstrate that the increased cost of debt was not caused by the acquisition.<sup>141</sup> Department witness Addonizio, however, testified that this is a “weak concession” because a utility’s ratemaking cost of debt changes slowly as new debt issuances get averaged into

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<sup>134</sup> Ex. DOC-303 at 64 (Addonizio Direct).

<sup>135</sup> Ex. MP-14 at 28 (Bram Direct).

<sup>136</sup> Ex. DOC-303 (Addonizio Direct) at 66, 68.

<sup>137</sup> Compare Ex. DOC-303 at 66 tbl.6 *with id.* at 68 tbl.7 (Addonizio Direct).

<sup>138</sup> Ex. DOC-303 (Addonizio Direct) at 70.

<sup>139</sup> Ex. DOC-303 (Addonizio Direct) at 69.

<sup>140</sup> Ex. DOC-303 at 72 (Addonizio Direct).

<sup>141</sup> Ex. MP-27 sched. 1 at 1 (Cady Rebuttal).

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its existing stock of debt.<sup>142</sup> In other words, if the Partners employ the leverage they are planning, any impact to Minnesota Power's cost of debt is unlikely to materialize in a significant way within three years of the acquisition closing. The risk of increased debt costs is a longer-term risk that ALLETE and the Partners have failed to mitigate against.

**C. The Proposed Acquisition Holds Risks for Service Quality.**

The Partners' proposed acquisition of ALLETE creates risks to Minnesota Power's service quality in three ways. First, the cost-cutting that private equity investors use to boost their returns poses a risk to reliable service over the long term. Second, Partners' planned use of debt to finance capital infusions materially increases the risk that ALLETE will experience financial distress or cash-flow problems in the future. And, finally, ALLETE's dependence on just two sources of capital, GIP and CPP, means that the Partners could decide that their money is better spent elsewhere, leaving ALLETE without access to equity capital.

Private equity investors engage in operational engineering to increase revenue and profits,<sup>143</sup> including through cost-cutting. GIP, for example, uses cost-cutting measures such as

**[HIGHLY CONFIDENTIAL TRADE SECRET DATA BEGINS]** [REDACTED]  
[REDACTED] **[HIGHLY CONFIDENTIAL TRADE SECRET DATA ENDS]**<sup>144</sup> The Partners have stated that they do not expect significant reduced costs in the near

future as a result of the acquisition.<sup>145</sup> They 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.<sup>146</sup> These commitments, however, are limited in duration and allow for future

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<sup>142</sup> Ex. DOC-304 at 41 (Addonizio Surrebuttal).

<sup>143</sup> Ex. DOC-303 at 60 (Addonizio Direct).

<sup>144</sup> Ex. OAG-401 at 19–20 (Lebens Direct).

<sup>145</sup> Ex. OAG-400 at 23 (Lebens Direct).

<sup>146</sup> Ex. MP-27, sched. 1 at 4–5 (Cady Rebuttal).

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corporate restructuring or downsizing—including by a future owner—leaving a longer-term risk to Minnesota Power’s service quality.<sup>147</sup>

The Partners also plan to engage in financial engineering. “Financial engineering” refers to adjusting the percentages and types of equity and debt used to finance a firm in order to increase the firm’s value.<sup>148</sup> The Partners’ planned increase in debt financing heightens the risk that ALLETE will experience financial distress or be drawn into a parent bankruptcy.<sup>149</sup> Notably, it appears that Alloy Parent’s borrowings would be secured by ALLETE’s shares,<sup>150</sup> meaning that a default could result in the forced sale of those shares. But even short of bankruptcy or a forced sale, financial pressure to service increased debt obligations could negatively impact service quality for Minnesota Power’s ratepayers.

Finally, if the acquisition were approved, there would be a risk that Partners eventually decide their money is better invested elsewhere and allocate capital away from ALLETE.<sup>151</sup> Depriving ALLETE of capital is contrary to the purpose of the acquisition, and the OAG does not doubt that Partners would prefer to invest profitably in ALLETE and Minnesota Power. However, as discussed in more detail later, the Partners have been careful to avoid any binding commitments to meet ALLETE’s capital needs.<sup>152</sup> They have also been unwilling to commit not to impose conditions on capital infusions.<sup>153</sup>

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<sup>147</sup> Ex. DOC-301 at 29 (Vavro Direct).

<sup>148</sup> Ex. DOC-303 at 59 (Addonizio Direct).

<sup>149</sup> Ex. DOC-303 at 15 (Addonizio Direct).

<sup>150</sup> 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”).

<sup>151</sup> See Ex. OAG-400 at 26 (Lebens Direct).

<sup>152</sup> In rebuttal testimony, Alloy Parent committed to fund Minnesota Power’s five-year capital plan with certain caveats. For reasons discussed later, the strength of this commitment is at best unclear. See Ex. OAG-402 at 4 (Lebens Surrebuttal).

<sup>153</sup> See Ex. OAG-407 at 1–2.

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The Partners have also been very clear 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.”<sup>154</sup> If the Partners become dissatisfied with Minnesota Power or ALLETE’s returns, there is a risk that they could underfund ALLETE with or without continuing to extract cash. While this risk may appear remote, even risks that have a relatively small chance of occurring are something the Commission should give weight to, especially if the magnitude of the potential harm is great.

For the foregoing reasons, the proposed acquisition poses material risks for Minnesota Power’s ratepayers that ALLETE and the Partners have failed to mitigate.

**II. THE PROPOSED ACQUISITION HOLDS RISKS FOR THE ENERGY TRANSITION.**

A stated purpose of the proposed acquisition is to provide Minnesota Power with access to capital that will help it execute the energy transition.<sup>155</sup> Paradoxically, because of risks related to the Partners’ priorities and potential exit strategy, the acquisition may end up impairing Minnesota Power’s ability to comply with Minnesota’s Carbon Free Standard (CFS).

The CFS requires an electric utility to generate or procure 100 percent of its sales to Minnesota retail customers from carbon-free energy technologies by 2040.<sup>156</sup> The statute also sets intermediate goals of 80 percent by 2030 and 90 percent by 2035.<sup>157</sup> Minnesota Power currently plans to meet these goals in part by ceasing coal-fired generation at Boswell Energy Center Unit 3 by December 31, 2029, and at Boswell Unit 4 by 2035.<sup>158</sup>

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<sup>154</sup> Ex. MP-14 at 25 (Bram Direct).

<sup>155</sup> Ex. MP-9 at 6 (Cady Direct).

<sup>156</sup> Minn. Stat. § 216B.1691, subd. 2g.

<sup>157</sup> *Id.*

<sup>158</sup> Ex. Sierra-1100 at 33 (Lane Direct).

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There is a risk that Minnesota Power could seek to postpone Boswell 3 and 4's cease-coal dates after ALLETE is under new ownership.<sup>159</sup> There is already a risk that Minnesota Power's plans could change without new ownership.<sup>160</sup> However, the risk of Minnesota Power extending the operation of its coal fleet is greater under private ownership because private firms tend to hold onto coal assets longer than publicly traded utilities, who are subject to pressure from activist shareholders to reduce greenhouse gas emissions.<sup>161</sup>

While the Partners claim to support Minnesota Power's planned transition to clean energy sources, there is no guarantee that they would not seek to change its planned coal-retirement dates if the acquisition is approved.<sup>162</sup> The Partners have not committed to following Minnesota Power's announced coal retirement schedule for the Boswell units,<sup>163</sup> and their commitment to fund ALLETE's five-year capital plan only extends to 2029, which is before Boswell's current cease-coal date.<sup>164</sup> The lack of a firm commitment is concerning because priorities can change<sup>165</sup> and the Partners have been clear that their future investment decisions will 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,"<sup>166</sup> not necessarily based on Minnesota Power's current goals.

The risk of evolving capital-spending priorities is illustrated by Minnesota Power's recently filed 2025–2039 integrated resource plan (IRP). In the IRP, Minnesota Power proposes a resource mix that includes far more new natural gas resources than new renewable energy

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<sup>159</sup> Ex. Sierra-1100 at 37 (Lane Direct).

<sup>160</sup> See Ex. Sierra-1100 at 37–42 (Lane Direct) (providing several examples of utilities changing the date of planned fossil-fuel plant retirements).

<sup>161</sup> Ex. Sierra-1100 at 42 (Lane Direct).

<sup>162</sup> Ex. Sierra-1100 at 34 (Lane Direct).

<sup>163</sup> Ex. Sierra-1100 at 43 (Lane Direct).

<sup>164</sup> Ex. Sierra-1102 at 16 (Lane Surrebuttal).

<sup>165</sup> Ex. Sierra-1100 at 43 (Lane Direct).

<sup>166</sup> Ex. MP-14 at 25 (Bram Direct).

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resources.<sup>167</sup> The IRP's emphasis on fossil fuels undermines the idea that the proposed acquisition is being driven primarily by a need for capital investment in clean and renewable energy resources.<sup>168</sup>

Even if the Partners remain fully committed to Minnesota Power's clean-energy goals throughout their ownership of ALLETE, they have not committed to hold ALLETE for any particular period of time.<sup>169</sup> The Partners could therefore exit and sell their shares prior to Minnesota Power ceasing coal generation, and there is no guarantee that the next owners of ALLETE will support those plans.<sup>170</sup> While a future owner's priorities are unknowable, it is likely that whoever buys ALLETE from the Partners would seek to control its budgets and business plans, just as the Partners have done.<sup>171</sup>

It is true that the Commission would need to approve any future sale of ALLETE. But a proposed sale could present the Commission with a dilemma in which there is no good outcome. In a future sale proceeding, the Commission could be forced to decide between denying the sale and being left with the status quo—ownership by investors who are no longer interested in owning ALLETE—or approving the sale to a prospective owner who may not be supportive of ALLETE's transition to clean energy.<sup>172</sup> There would be nothing the Commission could do in this situation to force the Partners to continue providing equity capital to ALLETE, even though ALLETE would be fully dependent on the Partners for external equity capital.<sup>173</sup>

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<sup>167</sup> Ex. Sierra-1102 at 21 (Lane Surrebuttal).

<sup>168</sup> Ex. Sierra-1102 at 21–22 (Lane Surrebuttal).

<sup>169</sup> Ex. Sierra-1100 at 34 (Lane Direct).

<sup>170</sup> Ex. Sierra-1100 at 34 (Lane Direct).

<sup>171</sup> Ex. Sierra-1100 at 34 (Lane Direct).

<sup>172</sup> Ex. Sierra-1102 at 17 (Lane Surrebuttal).

<sup>173</sup> Ex. Sierra-1102 at 17 (Lane Surrebuttal).



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Finally, the CFS does not require the Boswell units to be retired on Minnesota Power's current schedule. In lieu of generating or procuring energy directly to satisfy the standard, a utility can use renewable energy credits to comply.<sup>174</sup> The Commission is in the process of determining how utilities will have to comply the Standard, and a decision is not anticipated until the end of the year.<sup>175</sup> Given the many uncertainties around how the CFS will be implemented and Minnesota Power's various compliance options, nothing short of a binding commitment from the Partners can guarantee that the current schedule will hold.<sup>176</sup>

**III. THE PROPOSED ACQUISITION THREATENS EFFECTIVE REGULATORY OVERSIGHT.**

The Petitioners argue that the proposed acquisition would not change the Commission's authority over Minnesota Power.<sup>177</sup> But there are at least three ways in which the acquisition would threaten effective regulatory oversight if approved. First, effective regulation depends to a large degree on the cooperation of utilities. In a change-of-control acquisition like this one, it matters *who* the acquirer is, and there are indications that the Partners could prove to be less-than-cooperative owners. Second, the acquisition threatens effective regulation through the loss of the comprehensive reporting regime imposed on publicly traded companies by the U.S. Securities and Exchange Commission. Finally, the Partners' extensive holdings would make policing conflicts of interest much more difficult for the Commission and other stakeholders.

**A. Minnesota Power, Under the Partners' Control, Would Be Less Transparent and Likely Less Cooperative, Impeding Effective Oversight.**

A key theme of the Petitioners in this case has been that the acquisition is consistent with the public interest because Minnesota Power would remain subject to Commission oversight and

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<sup>174</sup> Ex. Sierra-1100 at 40 (Lane Direct) (citing Minn. Stat. § 216B.1691, subd. 4(b)).

<sup>175</sup> Ex. Sierra-1100 at 40 (Lane Direct).

<sup>176</sup> Ex. Sierra-1100 at 40 (Lane Direct).

<sup>177</sup> See, e.g., Ex. MP-27 at 2 (Cady Rebuttal); Ex. MP-28 at 8 (Scissons Rebuttal); Ex. MP-29 at 28–29 (Taran Rebuttal); Ex. MP-31 at 32 (Alley Rebuttal); Ex. MP-33 at 46 (Bram Rebuttal).

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regulation.<sup>178</sup> But the Petitioners paint far too simplistic a picture: the Commission does not make decisions in a vacuum.<sup>179</sup> Minnesota Power controls, to a great degree, the information that the Commission reviews in making its decisions.<sup>180</sup> If the acquisition is approved, the Partners would be in a position to influence Minnesota Power's regulatory filings and advocacy. And there are indications that Minnesota Power would be less transparent under the control of the Partners, making the Commission's oversight more difficult.

If the proposed acquisition is approved, the Partners will control ALLETE's board. While the Partners may not be directly involved in Minnesota Power's daily operational decisions, the board will guide ALLETE and Minnesota Power's day-to-day operations and approve their budgets and strategic plans.<sup>181</sup> "When asked in discovery if the Partners would commit to never influencing ALLETE Board decisions regarding who should be on Minnesota Power's management team, the Partners did not answer."<sup>182</sup> Partners and ALLETE also have not committed to having the majority of the ALLETE board members be independent of the Partners and any affiliate.<sup>183</sup> On the contrary, only 3 out of 13 board members will be independent of the Partners,<sup>184</sup> and **[HIGHLY CONFIDENTIAL TRADE SECRET DATA BEGINS]** [REDACTED]

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<sup>178</sup> See, e.g., Ex. MP-14 at 43 (Bram Rebuttal) ("[W]ith Minnesota Power remaining subject to Commission regulation, [ALLETE's] strategies will continue to be directed at satisfying Commission directives and Minnesota Power's obligations to provide safe and reliable utility service, the cost of which will remain subject to Commission regulation."), 46 ("[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.").

<sup>179</sup> Tr. vol. 1 at 120 (Cady).

<sup>180</sup> See Ex. Sierra-1102 at 10 (Lane Surrebuttal); Tr. vol. 1 at 120–21 (Cady).

<sup>181</sup> Ex. Sierra-1100 at 26 (Lane Direct).

<sup>182</sup> Ex. Sierra-1100 at 28 (Lane Direct).

<sup>183</sup> Ex. Sierra-1100 at 29 (Lane Direct).

<sup>184</sup> See Ex. MP-27, sched. 1 at 2 (Cady Rebuttal).

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**[REDACTED] [HIGHLY CONFIDENTIAL TRADE  
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The Partners' control of ALLETE would allow them to shape regulation. Sierra Club witness Lane used the example of an IRP proceeding to illustrate how a utility sets the information frame for Commission decisions. If the IRP that a utility presents to the Commission is biased toward capital investments over operating expenses, "the Commission can try to mitigate this bias by disallowing certain aspects of the IRP, but it cannot craft a new resource plan without utility cooperation."<sup>186</sup> Similarly, while other parties can review and comment on a utility's IRP proposal, the utility will always have the most technical knowledge and information, a phenomenon known as "information asymmetry."<sup>187</sup> In sum, although the Commission has authority to approve, reject or modify IRPs, it faces a disadvantage in trying to vet the prudence of a utility's investment decisions.<sup>188</sup>

The proposed acquisition would not change the Commission's authority over Minnesota Power, but as the foregoing discussion demonstrates, this is largely beside the point. The ease of regulating a utility is highly dependent on its willingness to cooperate and work collaboratively with the Commission and other stakeholders. And some of the litigation tactics employed in this proceeding suggest that the ease of regulating ALLETE could be adversely affected by the acquisition.

For example, after insisting on a special "highly confidential" classification for certain trade-secret data in this case, viewable by only a subset of party representatives, the Partners

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<sup>185</sup> See Ex. MP-42, sched. 1 at 2–3 (Bram Surrebuttal).

<sup>186</sup> Ex. Sierra-1102 at 10 (Lane Surrebuttal).

<sup>187</sup> Ex. Sierra-1102 at 10–11 (Lane Surrebuttal).

<sup>188</sup> Ex. Sierra-1102 at 11 (Lane Surrebuttal).

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continued to redact relevant, nonprivileged information in highly confidential documents.<sup>189</sup> This required a multi-month effort by the Department,<sup>190</sup> which culminated in a motion to compel and an order by the ALJ,<sup>191</sup> simply to get a handful of redactions removed on documents that were already protected from public view as highly confidential trade secret data. The Partners' effort to keep information from parties and the Commission, which is outside the norm for Minnesota utility regulation, illustrates the risk that regulating Minnesota Power will become more burdensome if the Commission allows the Partners to control it.

**B. Going Private Would Diminish Transparency.**

Going from a publicly held company to a privately held one would materially decrease the availability and reliability of information about ALLETE's various businesses. This would occur because, as a publicly traded company, ALLETE is currently subject to comprehensive reporting requirements set by the U.S. Securities and Exchange Commission (SEC).<sup>192</sup>

SEC reports, such as Form 10-Qs and 10-Ks, along with associated disclosures like earnings call transcripts and investor presentations, currently provide a comprehensive view of ALLETE's overall financial performance and strategic direction.<sup>193</sup> The required disclosures, which include consolidated financial statements, management's discussion and analysis, risk factors, and forward-looking statements, help regulators and other stakeholders understand

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<sup>189</sup> 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).

<sup>190</sup> See Department Motion to Compel Discovery, Declaration of Katherine Arnold ¶¶ 3–16 (Feb. 13, 2025) (detailing Department's efforts to have Partners remove improper redactions from documents attached to the response to DOC IRs 0013 and 0060 and provide a proper privilege log).

<sup>191</sup> 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).

<sup>192</sup> Ex. LPI-1001 at 26–27 (Walters Direct); Ex. Sierra-1100 at 4 (Lane Direct).

<sup>193</sup> Ex. LPI-1001 at 26 (Walters Direct).

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ALLETE's financial health, business strategy, and potential risks.<sup>194</sup> Under private equity ownership many of these layers of accountability would be weakened or removed.<sup>195</sup>

In rebuttal, ALLETE commits to filing its consolidated financial statements annually along with the audited financial statements of Alloy Parent.<sup>196</sup> These commitments, however, would not provide all the information that the SEC currently requires, and cannot fully replace the scrutiny that comes with being a publicly owned utility.

Public ownership "forces a company to regularly report performance metrics, engage with a diverse shareholder base, and face questions from regulatory bodies and the media."<sup>197</sup> Moreover, ALLETE currently is "actively covered by several investment analysts" from firms like Bank of America, J.P. Morgan, and Wells Fargo.<sup>198</sup> This level of outside analysis is unlikely to continue if ALLETE is taken private.<sup>199</sup> Moreover, the information that ALLETE is offering to provide pertains only to ALLETE and Alloy Parent. ALLETE would be under no obligation to provide, and is not committing to provide, any financial information about its new parents, GIP and CPP, or their broader portfolios.<sup>200</sup> GIP and CPP's portfolios are likely to be riskier than Minnesota Power, and their risk could impact the utility.<sup>201</sup> This presents a significant "known unknown" for the Commission if the acquisition occurs.

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<sup>194</sup> Ex. LPI-1001 at 26 (Walters Direct).

<sup>195</sup> Ex. LPI-1001 at 27 (Walters Direct); Ex. Sierra-1100 at 32 (Lane Direct).

<sup>196</sup> Ex. MP-27, sched. 1 at 6 (Cady Rebuttal).

<sup>197</sup> Ex. Sierra-1100 at 32 (Lane Direct).

<sup>198</sup> Ex. CURE-602 at 8 (Baker Surrebuttal).

<sup>199</sup> Ex. CURE-602 at 8 (Baker Surrebuttal).

<sup>200</sup> Ex. Sierra-1102 at 27 (Lane Surrebuttal).

<sup>201</sup> Ex. Sierra-1100 at 32 (Lane Direct).

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**C. The Proposed Acquisition Would Make It More Difficult to Police Self-Dealing.**

Policing self-dealing between utilities and their affiliates is an important purpose of regulation. When utilities procure products or services, they have a natural incentive to award contracts to affiliated businesses even if alternative providers would be more competitive. This type of self-dealing can result in a utility passing along above-market costs to ratepayers.<sup>202</sup> Since utility customers cannot “take their business elsewhere” if self-dealing drives up their rates, they rely on the Commission to review affiliated-interest agreements for reasonableness under Minnesota Statutes section 216B.48.

If the Commission approves the proposed acquisition, ALLETE will become affiliated with the vast network of companies contained in the Partners’ portfolios.<sup>203</sup> GIP manages more than \$100 billion in assets worldwide, while CPP manages nearly \$200 billion in assets in the United States alone.<sup>204</sup> GIP, moreover, is a wholly owned subsidiary of BlackRock, which manages over \$11 trillion in assets worldwide.<sup>205</sup> The existence of hundreds if not thousands of new affiliates would magnify the risk that above-market costs will be passed on to ratepayers because of contracts that are not negotiated at arm’s length.<sup>206</sup> While the Commission would have oversight of these transactions, the proposed acquisition will make this oversight more difficult for two reasons. The first reason is the sheer number of opportunities that will exist for self-dealing. The second is Partners’ lack of commitment to report self-dealing contracts as required by statute.

First, although it is unknown how many contracts ALLETE or Minnesota Power might make in the future with BlackRock, GIP, or CPP affiliates, the opportunities would be many due

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<sup>202</sup> Ex. DOC-301 at 3 (Vavro Direct).

<sup>203</sup> See Ex. DOC-301 at 14 (Vavro Direct).

<sup>204</sup> Ex. DOC-301 at 6 (Vavro Direct).

<sup>205</sup> Ex. DOC-301 at 6 (Vavro Direct).

<sup>206</sup> Ex. DOC-301 at 3 (Vavro Direct).

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to the breadth of their holdings.<sup>207</sup> In a press release announcing its acquisition of GIP, BlackRock touted its “broad network of global corporate relationships as a long-term investor in both their debt and equity” that would “help us lead critical investments in infrastructure to improve outcomes for communities around the globe and generate long-term investment benefits for clients.”<sup>208</sup> There is also evidence that GIP and CPP plan to use their business relationships in ways that could ultimately be subsidized by Minnesota ratepayers.

For example, CPP apparently plans to engage [HIGHLY CONFIDENTIAL TRADE SECRET DATA BEGINS] [REDACTED]

[REDACTED] [HIGHLY CONFIDENTIAL TRADE SECRET DATA ENDS]<sup>209</sup> Likewise, GIP intends to provide Minnesota Power support and expertise through its CEO Council, which consists of companies in the utility subsector who share best practices, including expertise, relationships, operations and maintenance practices, and purchasing power.<sup>210</sup> Many of these CEOs [HIGHLY CONFIDENTIAL TRADE SECRET DATA BEGINS] [REDACTED]

[REDACTED] [HIGHLY CONFIDENTIAL TRADE SECRET DATA ENDS]<sup>211</sup> The Partners would have control of ALLETE’s board and could use this control to guide Minnesota Power toward doing business with affiliates in a way that benefits the Partners’ broader portfolios.<sup>212</sup> This would mean a new level of complexity and difficulty for the Commission in regulating self-dealing.

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<sup>207</sup> Ex. DOC-301 at 14 (Vavro Direct).

<sup>208</sup> Ex. OAG-400, sched. 1 at 2 (Lebens Direct).

<sup>209</sup> Ex. DOC-301 at 14–15 (Vavro Direct).

<sup>210</sup> Ex. DOC-301 at 15 (Vavro Direct).

<sup>211</sup> Ex. DOC-301 at 15 (Vavro Direct).

<sup>212</sup> See Ex. OAG-400 at 18 (Lebens Direct) (“A private equity firm could also use the utility’s monopoly position to maximize the profitability of the firm’s broader investment portfolio by

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Second, ALLETE and the Partners' commitments regarding affiliated-interest reporting do not promise full compliance with the affiliated-interest statute. The statute requires Commission review of any contract with a value greater than \$50,000 between a public utility and an "affiliated interest."<sup>213</sup> The definition of "affiliated interest" is broad. It includes not only "every corporation and person owning or holding directly or indirectly five percent or more of the voting securities of [a] public utility" but also "every corporation five percent or more of whose voting securities is owned by any person or corporation owning five percent or more of the voting securities of such public utility."<sup>214</sup>

ALLETE initially proposed continuing, post-acquisition, what it described as the Commission's "historical approach" to regulating affiliated interests.<sup>215</sup> According to ALLETE, the historical approach involves filing contracts between Minnesota Power and subsidiaries of ALLETE, as well as filing an annual report that lists ALLETE shareholders that own greater than five percent of the outstanding shares of its stock.<sup>216</sup>

In rebuttal testimony, ALLETE and the Partners make two additional commitments: First, they would require Minnesota Power's suppliers and industrial customers with contracted rates to identify whether they are more than five percent owned by CPP, GIP, or Blackrock and list those entities in its annual report. Second, they would identify any contracts over \$1 million with an entity identified under the first commitment and notify the Commission within 30 days of execution, certifying that the contract was negotiated at arm's length.<sup>217</sup>

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influencing the business decisions of affiliated companies. Overlapping board memberships between the utility and its parent entities could directly or indirectly support those efforts.").

<sup>213</sup> Minn. Stat. § 216B.48, subs. 3, 4.

<sup>214</sup> Minn. Stat. § 216B.48, subd. 1.

<sup>215</sup> Ex. MP-15 at 9 (Anderson Direct).

<sup>216</sup> Ex. MP-15 at 7 (Anderson Direct).

<sup>217</sup> Ex. MP-27, sched. 1 at 2–3 (Cady Rebuttal).



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While these are improvements on ALLETE’s initial proposal, they are still insufficient to comply with the affiliated-interest statute. For example, the statute sets a \$50,000 monetary threshold for Commission approval,<sup>218</sup> while Minnesota Power’s self-declared reporting threshold is 20 times higher—\$1 million. Moreover, Minnesota Power’s proposal does not commit to disclosing contracts with all entities that meet the statutory definition of “affiliated interest.”

Minnesota Power’s position on affiliated-interest compliance is “oddly out of step with other recent take-private transactions,” in which utilities or their acquirers had “made firm commitments to comply with affiliated interest statutes, rules, and regulations.”<sup>219</sup> ALLETE and the Partners’ failure to simply commit to comply with the law, as utilities in similar situations have done, ought to give the Commission pause. This failure likely means one of two things: it either (1) tells the Commission about the degree of cooperation the Partners are likely to exhibit post-acquisition or (2) demonstrates that Partners’ affiliates are so numerous that regulating their relations with Minnesota Power in accordance with Minnesota law is infeasible. Regardless, it is neither advisable nor consistent with the law for the Commission to accept a commitment that amounts to less than full compliance with the affiliated-interest statute.

**IV. THE PROPOSED ACQUISITION’S BENEFITS ARE MARGINAL OR ILLUSORY.**

In contrast to the many serious risks posed by the acquisition, its potential benefits are limited. The premise for the acquisition is to provide ALLETE and Minnesota Power improved access to capital. But it is far from clear that the acquisition would improve ALLETE’s access to capital. ALLETE currently trades on the New York Stock Exchange, where it has access to vast pools of capital. Moreover, the Petitioners’ claim that the public market is inadequate is based on the *size* of ALLETE’s capital need, but there are multiple avenues to mitigate that need. Third,

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<sup>218</sup> Minn. Stat. § 216B.48, subd. 4.

<sup>219</sup> Ex. DOC-301 at 13 (Vavro Direct).

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the Petitioners offer few tangible ratepayer benefits. And finally, the Petitioners' numerous "commitments" and "affirmations" are largely illusory: most simply attempt to mitigate the risks of the acquisition by promising to maintain the status quo.

**A. Whether the Proposed Acquisition Will Improve ALLETE's Access to Capital Is Unclear.**

According to the ALLETE, the primary goal of becoming a private company is to enable Minnesota Power to obtain a reliable source for additional capital to continue investing in clean energy.<sup>220</sup> Per ALLETE, this will allow it to avoid the volatility associated with seeking significant financing on the public market, while gaining owners that "have an ability to exercise more patience with respect to quarterly earnings and dividends."<sup>221</sup> But there is little hard evidence that the proposed acquisition will improve ALLETE's access to capital—and some evidence that the acquisition may impair it.

The Petitioners claim that the acquisition is the best way to obtain the capital that ALLETE needs going forward,<sup>222</sup> but they cite no instance where ALLETE or Minnesota Power was unable to obtain necessary capital in the public market.<sup>223</sup> Indeed, a major reason that companies seek to become publicly traded is "to raise capital and potentially broaden opportunities for future access to capital."<sup>224</sup> ALLETE asserts that the public market will no longer meet its capital needs because ALLETE's stated capital need is large relative to its market capitalization<sup>225</sup> but provides no quantitative analysis of the difficulty or risk of financing ALLETE's capital needs in the public

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<sup>220</sup> Ex. MP-9 at 7 (Cady Direct).

<sup>221</sup> Ex. MP-9 at 7 (Cady Direct).

<sup>222</sup> Ex. Sierra-1102 at 6 (Lane Surrebuttal).

<sup>223</sup> Ex. Sierra-1102 at 6 (Lane Surrebuttal).

<sup>224</sup> Ex. OAG-400 at 13 (Lebens Direct).

<sup>225</sup> *See, e.g.*, Ex. MP-11 at 13 (Taran Direct).

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market.<sup>226</sup> Moreover, the idea that the public market cannot meet Minnesota Power's capital needs (versus ALLETE's needs more broadly) is contradicted by [HIGHLY CONFIDENTIAL TRADE SECRET DATA BEGINS] [REDACTED] [REDACTED] [HIGHLY CONFIDENTIAL TRADE SECRET DATA ENDS]<sup>227</sup> For purposes of the Commission's public-interest analysis, the relevant capital need is Minnesota Power's need, not any need related to ALLETE's unregulated businesses.

ALLETE's claim that the impetus for the acquisition was reliable access to capital is also undermined by its failure to get any long-term capital-funding commitments from the Partners.<sup>228</sup> Rather, the only capital commitment ALLETE pushed for in its negotiations with the Partners was a higher price at which to buy out its existing shareholders.<sup>229</sup>

Only after intervenors' direct testimony called into question the capital benefits of the transaction did ALLETE and the Partners present a capital commitment.<sup>230</sup> This delayed commitment, presented as part of ALLETE and Partners' rebuttal testimony, is underwhelming.

It states, in part:

To alleviate concerns about the availability of investment funds, 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

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<sup>226</sup> See Tr. Vol. 1 at 286–293 (Taran) (conceding lack of quantitative analysis in testimony or schedules).

<sup>227</sup> Ex. OAG-404 at 15.

<sup>228</sup> See Tr. vol. 1 at 232 (Scissons) (conceding that ALLETE did not initially ask for this commitment).

<sup>229</sup> See *supra* pp. 6–10.

<sup>230</sup> See Tr. vol. 1 at 231–32 (Scissons) (stating that Partners made the commitment after the intervenors filed their direct testimony and disclaiming knowledge of whether the commitment was ALLETE's idea or Partners' idea).

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Power's 5-year capital investment plan reflected in its February 2025 10-K filing, subject to prospective reasonable and prudent plan adjustments.<sup>231</sup>

There are several reasons this commitment is inadequate to meet its stated purpose of “alleviat[ing] concerns about the availability of investment funds” post-acquisition. First, the commitment is by Alloy Parent, not the Partners. And while the Partners would have an indirect ownership interest in Alloy Parent, they have not committed to hold that interest for any period,<sup>232</sup> nor has Alloy Parent committed to hold ALLETE for any period.

Second, a five-year commitment is not sufficient to fund Minnesota Power's efforts to achieve the energy transition. At the hearing, ALLETE conceded that it will require additional capital beyond its five-year plan to meet the CFS, yet ALLETE did not seek or obtain any commitment to fund its needs beyond the next five years.<sup>233</sup>

Additionally, Alloy Parent does not commit to provide any new equity; if it chose, it could simply reinvest dividends rather than infusing new capital.<sup>234</sup> This is something that ALLETE can already do without going private.<sup>235</sup> Further, nothing would prevent Alloy Parent from borrowing the funds for any new equity infusions—indeed, that appears to be the plan.<sup>236</sup> And any additional leveraging of infused equity capital would turn magnify the risks related to ALLETE's cost of debt discussed earlier.<sup>237</sup>

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<sup>231</sup> Ex. MP-27, sched. 1 at 1 (Cady Rebuttal).

<sup>232</sup> Tr. vol. 1 at 126–27 (Cady).

<sup>233</sup> Tr. vol. 1 at 233 (Scissons).

<sup>234</sup> Indeed, Partners' internal documents are clear that they have *no* obligation to provide further capital beyond the initial purchase of ALLETE. See Ex. LPI-1004, sched. 2, DOC IR 60.01 Attach Supp 2 HCTS at 39 (Walters Surrebuttal) (stating that CPP [HIGHLY CONFIDENTIAL TRADE SECRET DATA BEGINS] [REDACTED] [HIGHLY CONFIDENTIAL TRADE SECRET DATA ENDS]).

<sup>235</sup> Ex. OAG-400 at 25 (Lebens Direct) (stating that ALLETE could dividend growth in order to reinvest and that Xcel Energy has already begun doing so).

<sup>236</sup> See Ex. DOC-303 at 65–69 (Addonizio Direct).

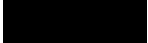


<sup>237</sup> See *supra* part I.B.

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Finally, there is no commitment to an ROE or ROE cap that could mitigate the cost of equity that flows to ratepayers. On the contrary, the Partners expressly disavow the idea of establishing ROE parameters that would apply to the capital they are committing to Minnesota Power.<sup>238</sup> Thus, there is no guarantee that any additional capital that the Partners provide to ALLETE will be low-cost.

**B. ALLETE’s Capital Need Can Be Mitigated.**

ALLETE’s stated capital need, as of direct testimony, was \$4.2 billion for regulated operations over 2024 to 2028.<sup>239</sup> In rebuttal, ALLETE updated this forecast to \$4.8 billion over 2025 to 2029.<sup>240</sup> Intervenor witnesses, however, testified that ALLETE’s stated capital need was likely inflated.

OAG witness Lebens identified several ways to mitigate ALLETE’s capital needs. First, Minnesota Power could use power purchase agreements (PPAs) to buy power from third-party facilities rather than owning them itself.<sup>241</sup> Second, Minnesota Power could help facilitate its customers’ producing their own electricity to lessen the need for utility-owned facilities.<sup>242</sup> Third, ALLETE could sell non-core assets, such as ALLETE Clean Energy, New Energy Equity, BNI Energy, and ALLETE’s equity interest in American Transmission Company, and redeploy that capital to help fund the energy transition.<sup>243</sup> (While ALLETE may claim that selling non-core assets is drastic, **[HIGHLY CONFIDENTIAL TRADE SECRET DATA BEGINS]**   
 

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<sup>238</sup> Ex. MP-27, sched. 1 at 1 (Cady Rebuttal).

<sup>239</sup> Ex. MP-29 at 4 (Taran Rebuttal); *see also* MP-11 at 3 (Taran Direct).

<sup>240</sup> Ex. MP-29 at 4 (Taran Rebuttal).

<sup>241</sup> Ex. OAG-400 at 24 (Lebens Direct).

<sup>242</sup> Ex. OAG-400 at 24 (Lebens Direct).

<sup>243</sup> Ex. OAG-400 at 24 (Lebens Direct).

<sup>244</sup> Ex. OAG-404 at 4.

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[REDACTED] [HIGHLY CONFIDENTIAL TRADE SECRET DATA ENDS] Fourth, ALLETE could slow dividend growth and use the increased retained earnings to help fund the energy transition.<sup>246</sup> And, fifth, Minnesota Power could encourage customers to participate in load-flexibility programs, which could help reduce the costs of integrating intermittent renewable generation into its system.<sup>247</sup>

Other witnesses raised similar points.<sup>248</sup> For example, Department witness Addonizio testified that ALLETE does not need to pursue every project in its capital plan and that some of the projects that Minnesota Power assumes it will own could be owned by third parties and used to serve ratepayers via PPAs.<sup>249</sup> Sierra Club witness Lane suggested that, if the proposed acquisition were approved, the Partners might put even more pressure on Minnesota Power to invest capital when lower-cost opportunities, like PPAs, are available.<sup>250</sup>

ALLETE and the Partners do not dispute that ALLETE's capital needs can be mitigated. In fact, they provide no response at all to Mr. Lebens' suggestions that Minnesota Power rely more on customer energy production and load flexibility to mitigate capital needs or sell non-core assets to raise cash. To the extent that the Partners and ALLETE do respond to Mr. Lebens' capital-mitigation testimony, they argue that (1) a "PPA-only" strategy would be infeasible and (2) decreasing dividend payments is not feasible because common-equity shares carry "dividend obligations."<sup>251</sup> But these arguments are misplaced.

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<sup>245</sup> See Ex. OAG-412 at 16.

<sup>246</sup> Ex. OAG-400 at 25 (Lebens Direct).

<sup>247</sup> Ex. OAG-400 at 25 (Lebens Direct).

<sup>248</sup> See, e.g., Ex. DOC-303 at 38–39 (Addonizio Direct); Ex. Sierra-1100 at 16–21 (Lane Direct).

<sup>249</sup> Ex. DOC-303 at 38–39 (Addonizio Direct).

<sup>250</sup> Ex. Sierra-1100 at 16–17 (Lane Direct).

<sup>251</sup> Ex. OAG-402 at 7 (Lebens Surrebuttal).

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First, Mr. Lebens did not argue that ALLETE should pursue a PPA-only strategy, as one ALLETE witness suggested; rather, his opinion is that an optimized mix of PPAs and company-owned assets can help mitigate ALLETE's capital needs.<sup>252</sup> Second, Mr. Lebens explained that common equity shares carry no long-term dividend "obligations," contrary to what ALLETE's witnesses suggest.<sup>253</sup> These witnesses fail to rebut Mr. Lebens' testimony that slowing dividend growth and reinvesting the proceeds is a viable strategy for mitigating ALLETE's capital needs, even if doing so put downward pressure on share prices.<sup>254</sup>

**C. The Proposed Acquisition Holds Few Tangible Ratepayer Benefits.**

In addition to the claimed benefit of access to capital, the Petitioners tout the Partners' "deep industry expertise with respect to utility and energy infrastructure and renewables."<sup>255</sup> They also make several new commitments in rebuttal testimony under the rubric of "Ratemaking and Affordability."<sup>256</sup> For the reasons discussed below, these purported benefits do very little to offset the transactions' risks.

With respect to Partners' expertise, those intervenor witnesses who assessed their expertise generally found its benefit to be negligible because it was unsupported by any concrete examples,<sup>257</sup> Minnesota Power already has quality, competent management,<sup>258</sup> and the benefit was not meaningful enough to offset the acquisition's considerable downside risks.<sup>259</sup> While Partners'

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<sup>252</sup> Ex. OAG-402 at 10–11 (Lebens Surrebuttal).

<sup>253</sup> Ex. OAG-402 at 7 (Lebens Surrebuttal).

<sup>254</sup> Ex. OAG-402 at 8 (Lebens Surrebuttal).

<sup>255</sup> Ex. MP-1 at 2.

<sup>256</sup> See Ex. MP-27, sched. 1 at 3–4 (Cady Rebuttal).

<sup>257</sup> Ex. DOC-303 (Addonizio Direct) at 47–48.

<sup>258</sup> Ex. DOC-303 (Addonizio Direct) at 48.

<sup>259</sup> Ex. DOC-301 (Vavro Direct) at 8–9.

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expertise could benefit ratepayers to the extent that it helps mitigate rate increases,<sup>260</sup> all indications are that the acquisition will lead to higher rather than lower rates.<sup>261</sup>

A handful of the commitments in ALLETE witness Cady's rebuttal testimony offer concrete ratepayer benefits, but these benefits are modest in relation to the transaction's risks, including the potential rate increases. For example, Minnesota Power commits that it will not seek rate recovery of flotation costs, investor-relations costs, or compensation and expenses for any board member that is not independent from the Partners.<sup>262</sup>

The value of these commitments is limited, for several reasons. First, there is no evidence that these expenses will be incurred after ALLETE goes private.<sup>263</sup> Under cost-of-service regulation, utilities are not entitled to recover revenues from ratepayers for costs that they will not incur. While the elimination of existing costs would benefit ratepayers to the extent that the savings are passed on through rates, ALLETE is not conceding anything by committing not to recover costs it will not incur. Further, ALLETE has not proposed any reduction in its ROE to reflect the removal of flotation costs, despite admitting that flotation costs are currently included in its ROE.<sup>264</sup> Finally, to the extent that the amounts that would be saved for these expense categories are in the record, the savings are modest. For example, Minnesota Power currently recovers about half of its investor-relations costs from ratepayers, or approximately \$174,000 per

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<sup>260</sup> Ex. OAG-400 at 26 (Lebens Direct).

<sup>261</sup> *See supra* part I.A–B.

<sup>262</sup> Ex. MP-27, sched. 1 at 4 (Cady Rebuttal).

<sup>263</sup> *See, e.g.*, Ex MP-33 at 20 (Bram Rebuttal) (stating that ALLETE's capital needs will be met "without investor relations costs [or] flotation costs").

<sup>264</sup> Tr. vol. 1 at 147 (Cady).



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year.<sup>265</sup> Minnesota Power also recovers a portion of its board compensation and expenses from ratepayers, although the dollar amount is not in the record.<sup>266</sup>

It is also worth noting what the Petitioners are *not* offering ratepayers. They are not offering rate freezes or overall rate reductions. They are not making any commitments as to the *cost* of future equity infusions, such as an ROE ceiling. And they are not making any commitments to maintain or improve service quality. Notably, ALLETE [HIGHLY CONFIDENTIAL

TRADE SECRET DATA BEGINS] [REDACTED]

[REDACTED]

[REDACTED] [HIGHLY CONFIDENTIAL TRADE SECRET DATA ENDS]<sup>267</sup> Moreover, GIP [HIGHLY

CONFIDENTIAL TRADE SECRET DATA BEGINS] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] [HIGHLY

CONFIDENTIAL TRADE SECRET DATA ENDS]

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<sup>265</sup> Tr. vol. 1 at 148 (Cady).

<sup>266</sup> Tr. vol. 1 at 150 (Cady).

<sup>267</sup> Ex. OAG-405 at 72.

<sup>268</sup> Ex. OAG-412 at 25.

<sup>269</sup> Ex. OAG-412 at 25.

<sup>270</sup> Ex. CPPIB-GIP-207 at 6–7 (Bram Response).

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In sum, the Petitioners offered no rate freezes or credits despite [HIGHLY CONFIDENTIAL TRADE SECRET DATA BEGINS] [REDACTED] [REDACTED] [HIGHLY CONFIDENTIAL TRADE SECRET DATA ENDS] The only substantial ratepayer concession Partners make is to commit to provide up to \$3.5 million to forgive certain low-income-customer arrearages.<sup>271</sup> Arrearage forgiveness would certainly benefit the low-income households who receive it. However, the public interest applies to all customers, not just low-income customers.<sup>272</sup> And to the extent that the transaction results in higher rates, it will harm all customers, including low-income customers who receive arrearage forgiveness.<sup>273</sup> Those future rate increases would put additional pressure on customer bills and may cause increased arrearages.

**D. Many of the Petitioners' Commitments Simply Affirm that Minnesota Power Will Comply with the Law or Maintain the Status Quo.**

The Petitioners have provided a schedule memorializing various commitments pertaining to the post-acquisition behavior of ALLETE.<sup>274</sup> The schedule, attached to the rebuttal testimony of Jennifer Cady, memorializes 48 commitments and affirmations, including some commitments that were originally made in the merger agreement, the petition, or the Petitioners' direct testimony and others that are new as of rebuttal.<sup>275</sup> Despite the claimed number of commitments, their value to ratepayers and the community is nominal at best.<sup>276</sup>

Many of the Petitioners' commitments are not affirmative benefits but rather reflect an effort to mitigate the risks of the acquisition by promising to maintain the status quo.<sup>277</sup> For

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<sup>271</sup> Ex. MP-27, sched. 1 at 3 (Cady Rebuttal).

<sup>272</sup> Tr. vol. 3 at 755 (Shardlow).

<sup>273</sup> Tr. vol. 3 at 756 (Shardlow).

<sup>274</sup> See Ex. MP-27, sched. 1 (Cady Rebuttal).

<sup>275</sup> See Ex. MP-27, sched. 1 (Cady Rebuttal).

<sup>276</sup> Ex. LPI-1001 at 38 (Walters Direct).

<sup>277</sup> See Ex. MP-27, sched. 1, Commitments 2, 4–14, 17–19, 22, 25, 28–31, 34–35 (Cady Rebuttal).

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example, among the commitments classified as “Workforce and Labor Protections,” ALLETE commits to “maintain the current senior management team” and allow nonunion employees “the same or better position and compensation and benefits for two years” while disclaiming any intent to “change Minnesota Power’s longstanding practices with regards to contractors” such as requiring contractors to pay their workers the prevailing wage.<sup>278</sup> These commitments simply maintain the status quo; they do not provide any new benefits to ratepayers or the public interest.<sup>279</sup>

Still other commitments, many of which Petitioners label as “affirmations,”<sup>280</sup> simply state an intent to act consistent with law or existing regulatory practice. For example, Commitment 36 is a statement of regulatory fact: “rate recovery and allocation of rate recovery of Minnesota Power capital investments across customer classes are subject to [Commission] authority.”<sup>281</sup> 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.”<sup>282</sup> This commitment simply affirms that the Commission has authority over ALLETE’s capital structure, that ALLETE is required to comply with the Commission’s capital-structure orders, and that ALLETE will continue to attempt to do so.<sup>283</sup>

The record contains no indication that, before the Partners proposed to acquire ALLETE, there were any discussions of firing senior management, reducing employees’ compensation or

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<sup>278</sup> Ex. MP-27, sched. 1 at 4 (Cady Rebuttal).

<sup>279</sup> See Tr. vol. 1 at 151–152 (Cady) (acknowledging the Minnesota Power had no plans to act contrary to these commitments prior to entering the merger agreement).

<sup>280</sup> See Ex. MP-27, sched. 1 at 6–7 (Cady Rebuttal) (listing “affirmations”); see also *id.*, Commitments 3, 21, 27 (affirming aspects of existing law or regulatory practice).

<sup>281</sup> Ex. MP-27, sched. 1 at 6 (Cady Rebuttal).

<sup>282</sup> Ex. MP-27, sched. 1 at 6 (Cady Rebuttal).

<sup>283</sup> See Tr. vol. 1 at 155–56 (Cady).

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benefits, or paying contractors wages that are below the prevailing rate.<sup>284</sup> Nor was there any question that Minnesota Power would continue to be subject to the Commission's jurisdiction or follow existing regulatory practices. The commitments offered to address these possibilities need to be understood as just that: attempts to mitigate potential harms of the acquisition, not affirmative benefits to ratepayers or the public.

**CONCLUSION**

Fundamentally, this case is about assessing whether the potential harms of the proposed acquisition of ALLETE outweigh the potential benefits. As discussed above, the acquisition poses numerous, serious risks for ratepayers, the energy transition, and the Commission's oversight of Minnesota Power. It offers few benefits to anyone other than ALLETE's shareholders. Accordingly, the ALJ and the Commission should find that the risk of giving over control of Minnesota Power to private interests outweighs the potential benefits and deem the proposed acquisition inconsistent with the public interest.

Dated: May 1, 2025

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<sup>284</sup> See Tr. vol. 1 at 151–52 (Cady).

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