

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

ALLETE, Inc.
Alloy Parent LLC

Docket No. EC24-105

Joint Protest of Public Citizen and Private Equity Stakeholder Project

On September 6, 2024, the Commission authorized BlackRock to acquire Global Infrastructure Partners (GIP).¹ On July 19, 2024, GIP filed a joint application with the Canada Pension Plan Investment Board to acquire ALLETE Inc., a holding company that includes 165,000 captive customers through its Minnesota Power and Superior Water, Light and Power Company franchised utility subsidiaries. BlackRock's proposed acquisition of ALLETE and its franchised utilities fails the public interest test required under Section 203 of the Federal Power Act² because BlackRock's extensive horizontal control of utility and end-user voting shares subject to blanket authorization threatens competition, rates and regulation. The proposed ALLETE transaction and approved acquisition of GIP change the "facts, policies, and procedures the Commission relied upon in granting" BlackRock's blanket waivers to control up to 20% of the voting shares of utilities, and as such first requires BlackRock to "inform the Commission within 30 days of any material change in circumstances that would reflect a departure from the facts, policies, and procedures the Commission relied upon in granting the" blanket authorization.³ The Commission must therefore hold this proceeding in abeyance until the Commission completes its review of how the GIP acquisition and proposed ALLETE transaction materially change the facts of BlackRock's blanket authorization, as required by the Commission's BlackRock-GIP order.⁴ Absent changes to or revocation of that

¹ Docket No. EC24-58, https://elibrary.ferc.gov/eLibrary/filelist?accession_num=20240906-3099

² 16 U.S.C. § 824b(a)(4).

³ April 19, 2022 *Order Extending Blanket Authorization to Acquire Securities*, Docket No. EC16-77-002, at page 12, paragraph M, https://elibrary.ferc.gov/eLibrary/filelist?accession_num=20220419-3080

⁴ September 6, 2024 "Order Authorizing Disposition of Jurisdictional Facilities and Acquisition of Securities," 188 FERC ¶ 61,166, Docket No. EC24-58 at ¶58, https://elibrary.ferc.gov/eLibrary/filelist?accession_num=20240906-3099

blanket authorization, the Commission cannot find the proposed transaction to “be consistent with the public interest” as required by law.

Commissioner Mark C. Christie noted in his concurring statement on the Commission’s approval of BlackRock’s acquisition of GIP the “influence that large shareholders, BlackRock or otherwise, can potentially exert across the consumer-serving utility industry should not be underestimated. Such horizontal shareholdings pose the threat of decreased innovation, reduced competition, and ultimately higher prices to consumers, as well as the prospect of chilling investment” in generation . . . You do not need a Ph.D. in economics to see the potential for anticompetitive conduct and outcomes when an investment entity like a huge asset manager seeks to own generation assets that will be — or should be — competitors.”⁵ This is most certainly the case with BlackRock’s proposed acquisition of ALLETE.

BlackRock already controls 13.01% of ALLETE voting shares,⁶ held through the Commission’s blanket authorization. BlackRock’s control of 13% of ALLETE’s voting shares exposes the active conflict of interest in the Commission’s blanket authorization policy, as BlackRock can use its control of ALLETE’s voting shares to further its financial self-interest ahead of ALLETE’s captive customers. The Commission’s blanket authorization policy fails to remedy BlackRock’s self-interest in voting those shares.

BlackRock also controls 10.81% and 10.41%,⁷ respectively, of Cleveland Cliffs and US Steel—two industrial taconite facility customers of ALLETE representing 70% of Minnesota Power’s entire industrial demand.⁸ BlackRock’s control of 13% of ALLETE’s voting shares and more than 10% of two of its largest customers raises concerns about horizontal competition and conflict of interest that are ignored in the application. The application is silent on how BlackRock can simultaneously manage its non-controlling ownership of voting shares of utilities that compete with its active, direct holdings—an

⁵ Docket No. EC24-58, at ¶2, https://elibrary.ferc.gov/eLibrary/filelist?accession_number=20240715-5129

⁶ BlackRock's most recent quarterly filing, submitted to the Commission August 14, 2024 https://elibrary.ferc.gov/eLibrary/filelist?accession_number=20240814-5165

⁷BlackRock's most recent quarterly filing, submitted to the Commission August 14, 2024 https://elibrary.ferc.gov/eLibrary/filelist?accession_number=20240814-5165

⁸At page 10, <https://www.sec.gov/ix?doc=/Archives/edgar/data/66756/000006675624000007/ale-20231231.htm>

income prioritization conflict for BlackRock that threatens competition, rates and regulation.

According to BlackRock's most recent quarterly filing, submitted to the Commission on August 14, 2024,⁹ it controls voting shares in excess of 10% of at least 19 different electric utilities operating in FERC-jurisdictional markets: Avista Corp; Black Hills Corp; Chesapeake Utilities; Consolidated Edison; Essential Utilities; Eversource Energy; Exelon Corp; Idacorp; MGE Energy; New Jersey Resources Corp; Northwestern Energy; OGE Energy; Otter Tail Corp; PNM Resources; Portland General Electric; Public Service Enterprise Group; Sempra; UGI Corp; and Unitil Corp. This same disclosure reveals BlackRock controls 18.68% and 10.57%, respectively, of the voting shares of SunRun and FirstSolar; 13.63% of coal supplier Peabody Energy; additional companies that sell services to utilities (Hannon Armstrong 15.4% and Ormat Technologies 13.93%), and entities with MBR affiliates (Stepstone Group, 12.12%).

The proposed ALLETE purchase fundamentally transforms BlackRock's business model from that of a non-controlling asset manager to acquiring securities that will result in the transfer of control over a public utility, rendering the facts and conditions of the blanket authorization to be null and void. Evidence of BlackRock's transformation from a passive to active investor includes the fact that GIP's CEO, Adebayo Ogunlesi, will be promoted to Blackrock's board of directors and global executive committee, giving him oversight of Blackrock's overall business (both active and non-controlling investments). This promotion of GIP's CEO to BlackRock's board of directors undermines the application's claim that "the strategic and day-to-day operations and activities of [GIP] will continue to be organized and managed separately from BlackRock."¹⁰ GIP cannot be "managed separately from BlackRock" when GIP's current CEO will literally serve on BlackRock's board and global executive committee. BlackRock's failure to segregate its non-controlling investment management operations from its active control of ALLETE and other Commission-jurisdictional assets clearly violates the terms of the Commission's blanket authorization order and is therefore a fatal error of the application.

⁹ https://elibrary.ferc.gov/eLibrary/filelist?accession_number=20240814-5165

¹⁰ Application, at page 16.

The application's failure to remedy how the proposed ALLETE acquisition violates BlackRock's blanket authorization must result in either the Commission rejecting the application for being inconsistent with the public interest; modifying the terms of the blanket authorization; or requiring divestiture of BlackRock's non-controlling investment management operations from its active investments. At a minimum, the Commission should require applicants to include in its market power screens all MBR entities where BlackRock controls voting shares of affiliates in excess of 10%, even when that control is subject to the Commission's blanket authorization.

ALLETE filed petitions to approve the acquisition on July 19th at the Minnesota Public Utilities Commission¹¹ (MNPU) and the Public Service Commission of Wisconsin¹² (PSCW). The Citizens Utility Board of Minnesota (CUB) submitted a comment stating that it is "concerned about the inherent conflict of interest that arises between ratepayers wanting to pay as little as possible for safe and reliable electric service and private equity investors wanting to maximize their return on investment."¹³ In addition, Minnesota Attorney General Keith Ellison filed a comment that includes an analysis of whether the transaction is consistent with the public interest. The analysis states: "*If the transaction is consummated, ALLETE and Minnesota Power will become subsidiaries of Global and Canada Pension. Global is itself set to be acquired by BlackRock, one of the world's largest asset managers. All of these entities have numerous other investments in energy and nonenergy industries, presenting opportunities for cross-subsidization and self-dealing that could harm Minnesota Power's ratepayers and the public interest more broadly.*"¹⁴ The comment letter recommends the case be sent to an evidentiary hearing to determine whether the proposed transaction may have negative implications for its ratepayers, Minnesota and

¹¹ July 19, 2024 *Initial Filing – Petition for Approval* Docket Number PA-24-198
www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={20E3CC910-0000-CB1E-9F69-13722A140B90}&documentTitle=20247-208768-01

¹² July 19, 2024 Verified Petition For Declaratory Ruling Or, In The Alternative, For Approvals Of A Holding Company Takeover Docket No 5820-DR-100
<https://apps.psc.wi.gov/ERF/ERFview/viewdoc.aspx?docid=509235>

¹³ August 26, 2024 *Comments of the Citizens Utility Board of Minnesota* Docket PA-24-198
www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={007D6C910-0000-C83D-A721-A9B636DE555E}&documentTitle=20248-209629-02

¹⁴ August 19, 2024 *Comments of the Office of the Attorney General* Docket PA-24-198
www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId=%7B10186B91-0000-C13B-AB1F-393C704BB6FE%7D&documentTitle=20248-209588-02

the public interest. In addition, the MN Department of Commerce also voiced concerns over the deal saying it “raises significant issues related to affiliated interests”.¹⁵

The Commission must hold this proceeding in abeyance until it completes its review of how BlackRock’s GIP acquisition and proposed ALLETE transactions materially change the facts of BlackRock’s blanket authorization.

Respectfully submitted,

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¹⁵Lovrien, Jimmy, *Minnesota Attorney General, others concerned over possible Allete sale*, Duluth News Tribune, August 30, 2024, www.duluthnewstribune.com/news/local/minnesota-attorney-general-others-concerned-over-possible-allete-sale