

Private Equity Firm Trying to Move Minnesota Power into the Shadows

In May of 2024, New York-based private equity firm Global Infrastructure Partners (GIP), a subsidiary of BlackRock, announced its plan to buy ALLETE, MN Power's parent company. The deal would include GIP investing alongside the Canada Pension Plan Investment Board to [make ALLETE a private company](#). If this deal goes through, ALLETE would no longer be traded on the New York Stock Exchange and the company would be exempt from the current oversight of public companies by federal financial regulators. ALLETE would also no longer be required to publicly disclose company profits and financial conditions in the way that a publicly-traded company is required to. This regulatory and reporting loophole is typical for the shadowy private equity industry. Private equity dealmaking typically occurs without significant oversight by regulators, and financial details are not required to be disclosed to the public.

Private equity ownership of public utilities could mean a shift in how the utility is run and funded. When a private equity firm buys a controlling stake in a company, the firm typically seeks to increase profits through things like cost-cutting, restructuring, and strategic planning. The private equity firm may also bring in new management or sell off parts of the business to make it more profitable. Essentially, the firm tries to increase short-term revenue while trying to minimize costs.

The Private Equity Playbook Harms Ratepayers

Utilities are a growing area of interest for private equity firms, having been described as having an ["underappreciated growth profile"](#) by at least one private equity investor. However the involvement of private equity in the utility space raises a lot of concerns for ratepayers. For example, the Duquesne Light Company, an electric utility in Pittsburgh, has been owned by a mix of US and foreign private equity investors [since 2017](#). Earlier this year, the utility experienced outages after [equipment issues caused a mass temporary power outage](#) after exposure to high temperatures. Following the outage, the company had limited communication with tens of thousands of customers experiencing outages, even [acknowledging](#) "while this storm was out of our control, our limited communication with you about outage progress was not. We know that we can do better." In addition, Duquesne Light Company's union workers represented by IBEW 29 [voted to authorize a strike](#) during 2023 contract negotiations. The union similarly threatened to [walk out during contract negotiations](#) in 2019.

Additionally, in 2023 the state of Kansas is sued Australian-based private equity firm Macquarie Energy, for allegedly [price gouging ratepayers](#) during the 2021 Winter Storm Uri in the southern US, where 276 people died due to loss of access to power. The Wall Street Journal estimated that the firm made about [\\$215 million in profits](#) during the storm. The State of Kansas claims the private equity firm [manipulated natural gas prices](#) highlighting a 200 times increase during the February storm.

BlackRock Purchase of GIP Complicates Things for Minnesotans

Complicating matters for ALLETE, in September GIP announced it is being bought by BlackRock, the world's largest asset manager, which manages \$10 trillion in assets and invests in nearly every corner of the economy. BlackRock CEO Larry Fink had this to say after the company [announced the purchase of GIP](#):

“Infrastructure represents a generational investment opportunity. Through the combination of BlackRock and GIP, we are well positioned to capitalize on the long-term structural trends that will continue to drive the growth of infrastructure and deliver superior investment opportunities for clients globally,” said Laurence D. Fink, BlackRock Chairman and CEO.

This series of takeovers means ALLETE would be owned by a private equity company that is owned by BlackRock. The relationship between BlackRock, GIP, and ALLETE has raised suspicions of [federal regulators](#) and the [MN Attorney General](#). Attorney General Ellison points to a potential lack of ratepayer benefits, loss of transparency, and significant benefits to executives and shareholders in his comments to the MN Public Utilities Commission (PUC) earlier this year. The PUC will need to approve the acquisition in order for the deal between ALLETE and GIP to go through.

BlackRock's purchase of GIP comes with conflicts of interest as [BlackRock has significant stakes in Minnesota Power's largest customers](#) – U.S. Steel and Cleveland Cliffs which make up [70% of Minnesota Power's industrial demand](#). If Minnesota Power is privately held, these conflicts of interest will be harder to suss out and regulators and the public will have far less information about the profit-seeking motivations for changes to proposed rates or to the infrastructure that Minnesota Power owns and controls.

GIP's Purchase of ALLETE Must be Found in the Public Interest

The deal between ALLETE and GIP can't go through without approval from the Minnesota Public Utilities Commission (MPUC). Public utilities in Minnesota can only be sold [“if the commission finds that the proposed action is consistent with the public interest”](#). The Administrative Law Judge working on this case for the MPUC will be taking public comments in January and April of 2025, and parties to the case will be providing expert testimony and briefing on whether this is a good or bad deal for Minnesota's ratepayers, electric reliability, and the environment. If it is not in the public interest, the MPUC can refuse approval of the deal.