

April 20, 2020

Mr. Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G022/S-19-727

Dear Mr. Seuffert:

Attached are the Comments of the Minnesota Department of Commerce, Division of Energy Resources (Department), in the following matter:

In the Matter of the Petition of Greater Minnesota Gas, Inc. for Approval of 2020 Capital Structure and Permission to Issue Securities.

The petition was filed on November 21, 2019 by:

Kristine A. Anderson
Corporate Attorney
Greater Minnesota Gas, Inc.
202 South Main Street, P.O. Box 68
Le Sueur, MN 56058

The Department recommends **approval, with modifications**, and is available to answer any questions the Minnesota Public Utilities Commission may have.

Sincerely,

/s/ JOHN KUNDERT
Financial Analyst

JK/ja
Attachment



Before the Minnesota Public Utilities Commission
Comments of the Minnesota Department of Commerce
Division of Energy Resources

Docket No. G022/S-19-727

I. SUMMARY OF THE UTILITY’S PROPOSAL

On November 21, 2019, Greater Minnesota Gas, Inc. (GMG or the Company) filed a petition (Petition) for approval of its 2020 capital structure and permission to issue securities. The Company is seeking:

- approval of its proposed 2020 capital structure and total capitalization;
- approval of its proposed contingency ranges for its equity ratio, short-term debt ratio, and total capitalization;
- approval to issue securities provided that the Company’s capital structure remains within the requested ranges; and
- approval of its 2020 capital structure to remain valid until the Commission issues a 2021 capital structure order.

Table 1 summarizes GMG’s actual capital structure as of September 30, 2019, its projected capital structure on December 31, 2020, and the differences between the two.

Table 1
GMG’s Actual and Proposed Capital Structures
(\$ Millions)

	Actual Sept. 30, 2019		Projected Dec. 31, 2020		Difference
	Amount	Percent	Amount	Percent	
Common Equity	14.1	33.51%	16.5	37.01%	2.5
Preferred Shares	-	0.00%	-	0.00%	-
Short-Term Debt	1.5	3.54%	1.5	3.35%	0.0
Long-Term Debt	<u>26.5</u>	62.95%	<u>26.7</u>	59.64%	<u>0.2</u>
Total Capitalization	<u>42.0</u>	100.00%	<u>44.7</u>	100.00%	<u>2.7</u>
Contingency			0.8	1.76%	
Total with Contingency			<u>45.5</u>	101.76%	

Source: Petition, Attachment 3

GMG's proposed capital structure reflects:

- the refinancing of \$1.8 million and the net issuance of \$0.2 million of long-term debt;
- no change in short-term debt; and
- GMG's projected net income for 15 months ending December 31, 2020 of \$2.5 million.

Specific provisions for which the Company seeks approval include:

- a total capitalization of \$44.7 million, excluding the proposed contingency;
- a total capitalization contingency of \$0.8 million, or 1.8 percent;
- an equity ratio floor of 33.0 percent initially, increasing to 35.00 percent by March 31, 2021;
- the ability to issue short-term debt not to exceed 10 percent of total capitalization at any time while the 2020 capital structure is in effect;
- the flexibility to issue long-term debt provided that the Company remains within the equity and short-term debt contingency ranges and does not exceed them for more than 60 days; and
- approval of the 2020 capital structure until the Minnesota Public Utilities Commission (Commission) issues a 2021 capital structure order.

II. FILING REQUIREMENTS AND COMPLIANCE WITH PRIOR COMMISSION ORDERS

Rules Minnesota 7825.1000 – 7825.1500 and the Commission's May 12, 2009 Order in Docket No. E,G999/CI-08-1416 (the 08-1416 Order) contain the filing requirements for capital structure petitions.

The Department of Commerce's (Department) review indicates that GMG's Petition meets the requirements set forth in Minnesota Rules 7825.1000–7825.1500.

Points 1 and 3 of the Commission's Order in Docket No. E,G999/CI-08-1416 state, respectively:

- A. In addition to the information currently provided, the utilities' annual capital structure filings shall include an exhibit providing a general projection of capital needs, projected expenditures, anticipated sources, and anticipated timing, with the understanding that such exhibit is not intended to require dollar-for-dollar on the uses identified in the exhibit or to limit issuances to project-specific financing. The exhibit need not list short-term, recurring security issuances.
3. Starting with the utilities' next annual capital structure filings, the utilities shall include a report of actual issuances and uses of the funds from the prior year. The report will be for information purposes only and need not cover short-term, recurring security issuances.

With respect to Point 1 of the Order, GMG stated in its Petition that it plans to issue securities to fund capital expenditures to maintain and reinforce existing plant and invest in new plant to support customer growth. Attachment No. 11 to GMG's Petition contains a summary of GMG's anticipated 2020 capital expenditures, including

- \$1.8 million for customer additions and main extensions,
- \$0.4 million for system replacement and reinforcement, and
- \$0.3 million for vehicles and office equipment.

With respect to Point 3, Attachment No. 9 to GMG's Petition indicates that during 2019, GMG took out one new significant loan, several vehicle loans and renewed of two lines of credit. Attachment No. 10 to GMG's Petition summarizes GMG's sources and uses of funds during the prior year.

Ordering Point 4 of the 08-1416 Order requires utilities to provide the following information within 20 days of each non-recurring issuance of securities:

- (1) the specific purposes for individual issuances;
- (2) the type of issuances;
- (3) the timing of issuances;
- (4) the amount of issuances;
- (5) issuance costs; and
- (6) interest rates.

GMG satisfied these reporting requirements for its 2019 debt issuance activity in five compliance filings. One filing was made in May 2019, two in July 2019, one in October 2019 and one on March 2020 in Docket No. G022/S-18-749 (the 2019 Capital Structure Docket).

The Commission's April 19, 2019 Order in the 2019 Capital Structure Docket also imposed a number of requirements on the Company:

- a requirement that GMG's 2020 capital-structure filing include a plan that would be expected to result in a 37.0% equity ratio by December 31, 2020, assuming normal weather, or an explanation of why such an increase is not possible.
- Inclusion of a plan that reflects the increase in GMG's minimum equity ratio from 33.0 percent to 34.0 percent beginning March 31, 2020 or explain why such an increase is not possible.
- a requirement that the Company propose a step-increase in its equity ratio from 34.0 percent to 35.0 percent beginning March 31, 2021, or explain why such an increase is not possible.

As noted above, the Company's Petition projects an equity ratio of 37.01 percent by December 31, 2020, consistent with the Commission's Order. GMG's monthly compliance filings provided information that demonstrated that the Company's equity ratio did not fall below the Commission's required 33 percent minimum. GMG's filing also referenced the Commission's requested equity floor of 34.0 percent in its filing. The Department discusses this issue in detail below.

After review, the Department concludes that GMG complied with all of the requirements imposed by the Commission's Order in the 2019 Capital Structure Docket.

III. DEPARTMENT ANALYSIS

A. GMG'S PROPOSED CAPITAL STRUCTURE

Minn. Stat. §216B.49, subd. 3 states that:

It is unlawful for any public utility organized under the laws of this state to offer or sell any security or, if organized under the laws of any other state or foreign country, to subject property in this state to an encumbrance for the purpose of securing the payment of any indebtedness unless the security issuance of the public utility is first approved by the commission, either as an individual issuance or as one of multiple possible issuances approved in the course of a periodic proceeding reviewing the utility's proposed sources and uses of capital funds. Approval by the commission must be by formal written order.

Further, Minn. Stat. §216B.49, subd. 4 states in part that:

If the commission shall find that the proposed security issuance is reasonable and proper and in the public interest and will not be detrimental to the interests of the consumers and patrons affected thereby, the commission shall by written order grant its permission for the proposed public financing.

Based on the above statutes, the Department discusses the reasonableness of GMG's actual and projected capital structures, as well as its request that the Commission allow the issuance of various securities.

B. SUMMARY OF GMG'S CURRENT CAPITAL STRUCTURE AND RECENT FINANCIAL PERFORMANCE

Table 2 below summarizes the changes in GMG's capital structure during the first nine months of 2019. GMG's common equity increased by \$0.8 million during this period. This improvement was the result of an increase in its net income, and an increase in long-term debt as well as principal payments on outstanding debt.

Interestingly, the Company's capital structure actually contracted slightly during this period from \$42.5 to \$42.0 million. The Department asked GMG about this change and the Company explained that it has to do with the seasonality of GMG's business.

Table 2
Summary of Change in GMG’s Capital Structure During 2019
(\$ Millions)

	Actual Dec. 31, 2018		Actual Sept. 30, 2019		Difference
	Amount	Percent	Amount	Percent	
Common Equity	13.3	31.28%	14.1	33.51%	0.8
Preferred Shares	-	0.00%	-	0.00%	-
Short-Term Debt*	<u>3.9</u>	9.29%	<u>1.5</u>	3.54%	<u>(2.5)</u>
Long-Term Debt	<u>25.3</u>	59.43%	<u>26.5</u>	62.95%	<u>1.2</u>
Total Capitalization	42.5	100.00%	42.0	100.00%	(0.5)

Sources and Notes:

2018 data from GMG's audited financial statements, provided in response to Department Information Request No. 1. GMG marked its entire response Trade Secret rather than specifically marking only the Trade Secret information within the document, and the Department has not included it as an attachment. However, the Department does not consider the data in the table above to be trade secret.

2019 data from Petition, Attachment 3.

* Includes current portion of long-term debt

Table 3 below summarizes selected financial metrics from GMG’s actual financial statements from recent years and its projections for 2020.

As shown in the upper portion of Table 3, GMG’s pre-tax financial performance during 2018 was comparable to its performance in 2017. For the 12 months ended September 30, 2019, the Company’s performance improved. GMG forecasts similar improvements in 2020.

Table 3
Summary of GMG's Recent Financial Performance
(\$ Millions)

		Actual					Projected	
		2014	2015	2016	2017	2018	Sept 30th 2019	2020
<u>Income Statement Data</u>								
Revenue	[1]	12.1	9.7	10.9	12.3	13.9	14.5	15.8
Cost of Sales	[2]	7.5	4.7	4.9	5.9	6.4	6.3	6.8
Gross Margin	[3] = [1] - [2]	4.5	5.0	6.0	6.4	7.5	8.2	9.0
as % of Revenue	[4] = [3] / [1]	37.6%	51.7%	54.8%	52.3%	54.0%	56.4%	57.2%
Operating Expenses	[5]	2.7	3.5	3.9	4.0	4.4	5.0	5.1
as % of Gross Margin	[6] = [5] / [3]	60.3%	69.1%	64.8%	62.1%	58.3%	60.7%	57.1%
Pre-Tax Operating Income	[7] = [3] - [5]	1.8	1.5	2.1	2.4	3.1	3.2	3.9
as % of Gross Margin	[8] = [7] / [3]	39.7%	30.9%	35.2%	37.9%	41.7%	39.3%	42.9%
Income Tax Expense/(Benefit)	[9]	0.0	0.2	0.1	0.7	0.5	0.5	0.8
Net Utility Operating Income	[10] = [7] - [9]	1.8	1.3	2.0	1.7	2.6	2.7	3.1
as % of Gross Margin	[11] = [10] / [3]	39.0%	26.8%	32.8%	26.7%	34.6%	32.8%	34.6%
Interest Expense	[12]	0.9	1.1	1.2	1.2	1.3	1.3	1.3
as % of Gross Margin	[13] = [12] / [3]	19.0%	21.0%	19.9%	19.2%	17.9%	16.4%	14.2%
Interest Coverage Ratio	[14] = [7] / [12]	2.1	1.5	1.8	2.0	2.3	2.4	3.0
Net Income	[15] = [10] - [12]	0.9	0.3	0.8	0.5	1.3	1.3	1.8
as % of Gross Margin	[16] = [15] / [3]	20.0%	5.8%	12.9%	7.5%	16.7%	16.3%	20.4%
<u>Rate of Return</u>								
Net Plant	[17]	27.0	32.1	34.8	36.2	38.7	41.8	42.9
Deferred Tax Asset	[18]	1.8	1.6	1.5	0.8	0.2	0.2	-
Approximate Rate Base	[19] = [17] + [18]	28.8	33.7	36.3	37.0	38.8	42.0	42.9
Approximate Average Rate Base	[20]	27.0	31.3	35.0	36.7	37.9	39.5	42.5
Approximate Pre-Tax Rate of Return	[21] = [7] / [20]	6.7%	4.9%	6.0%	6.6%	8.3%	8.2%	9.1%
Approximate After-Tax Rate of Return	[22] = [10] / [20]	6.6%	4.3%	5.6%	4.7%	6.9%	6.8%	7.3%
Average Debt	[23]	17.8	21.7	24.3	25.5	27.0	27.2	27.0
Average Debt Cost	[24] = [12] / [23]	4.86%	4.84%	4.92%	4.82%	4.99%	4.96%	4.76%
<u>Sources and Notes:</u>								
2014-2018 data from GMG's audited financial statements. GMG has marked these statements trade secret, and the Department has not included them as attachments.								
2019 data and 2020 projected data from Petition, Attachment No. 6								
The Department notes that the data presented here was marked trade secret by GMG. However, the Department has included this same data in public comments in several of GMG's prior capital structure dockets without objection from the Company.								

From a borrowing perspective, GMG’s interest coverage ratio (pre-tax operating income divided by interest expense) continued its steady increase.

C. REASONABLENESS OF GMG’S PROPOSED CAPITAL STRUCTURE

As shown in Table 1 above, GMG’s proposed capital structure reflects an increase in total capitalization of \$2.7 million. The Company’s need for additional capital continues to be driven primarily by its continuing system expansion efforts, although expenditures in this area are expected to be lower in 2020 than in recent years.

Table 4 below presents GMG’s current and projected capital structures.

Table 4
Summary of GMG’s Actual and Proposed Capital Structures
(\$ Millions)

	Actual		Projected		Difference
	Sept. 30, 2019		Dec. 31, 2020		
	Amount	Percent	Amount	Percent	
Common Equity	14.1	33.51%	16.5	37.01%	2.5
Preferred Shares	-	0.00%	-	0.00%	-
Short-Term Debt	1.5	3.54%	1.5	3.35%	0.0
Long-Term Debt	26.5	62.95%	26.7	59.64%	0.2
Total Capitalization	42.0	100.00%	44.7	100.00%	2.7
Contingency			0.8	1.76%	
Total with Contingency			45.5	101.76%	

Source: Petition, Attachment 3

As shown, GMG’s proposed \$2.7 million increase in capitalization is comprised of \$2.5 million in equity and \$0.2 million in total debt. The small increase in total debt indicates the Company’s heavier reliance on equity funding for its system expansion efforts, which results in the projected common equity ratio slightly above 37.00 percent.

The average equity ratio of publicly traded gas utilities with bond ratings from AA- to BBB- to is 45.86 (44.20 + 1.66) percent, significantly higher than both GMG’s current and projected equity ratios.¹ Based on this, even with the projected improvement in 2020, the Department remains concerned about GMG’s financial health.

¹ See Department Attachment No. 1.

The potential effects of the Coronavirus on GMG's finances increase this concern. In Department information request (IR) no. 5 we asked the Company about the impact of the pandemic on GMG's financials.² The Company stated:

The COVID-19 pandemic has caused increased expenses, greater customer arrears, and a loss in productivity of GMG's resources. At this time, GMG cannot determine whether the impacts will be material. GMG will continue to manage the business in the best way that it can. In the event that GMG becomes aware of a specific pandemic-related impact that would cause GMG to adjust its capital structure, GMG will proactively notify the Department and Commission of the same as soon as is practicable.

D. REASONABLENESS OF THE PROPOSED CONTINGENCY RANGES

1. Equity Ratio Range

As noted above, GMG has requested an equity ratio contingency range of at least 33.00 percent initially and increasing to 34.0 percent by March 31, 2020. GMG's request is consistent with Order point 7 of the Commission's Order in the 2019 Capital Structure Docket. That same Order in Docket No. G022/S-18-749 requires the Company to increase its equity ratio from 34.00 percent to 35.0 percent beginning March 31, 2021. In its response to Department information requests (IR) nos. 3 and 4, GMG confirmed that, barring unforeseen events, it expects to meet these requirements.³

Based on the Commission's Order in GMG's 2018 Capital Structure Dockets, the Department recommends that the Commission approve an equity ratio contingency range floor of at least 34.00 percent, increasing to 35.0 percent on March 31, 2021. The Department also recommends that the Commission require GMG to include a proposal to increase its equity ratio floor from 35.0 percent to 36.0 percent by March 31, 2022 in its next filing.

The Commission often allows utilities to exceed approved ranges for a period of 60 days without Commission notification. However, in recent years the Commission has not granted that extra flexibility to GMG with respect to its equity ratio, and required GMG to maintain an equity ratio at or above its approved floor at all times. Given GMG's current, low equity ratio and the risks inherent in the Company's expansion strategy, the Department recommends that the Commission impose this same restriction again in this Docket.

² See Department Attachment No. 2.

³ See Department Attachments Nos. 3 and 4.

Additionally, in recent years the Commission required GMG to make monthly compliance filings demonstrating that GMG's equity ratio remained at or above the approved floor. The Department recommends that the Commission impose this same requirement on the Company again in this Docket.

2. Short-term Debt Ratio

In its Petition, GMG requested a short-term debt contingency cap of ten percent of its total capitalization. The Department considers this request to be reasonable, but emphasizes that GMG's equity ratio must remain at or above the approved floor at all times.

The Department recommends that the Commission allow GMG to violate the proposed short-term debt contingency cap of ten percent for up to 60 days, but not the proposed equity ratio floor.

3. Long-term Debt Ratio

In its Petition, GMG did not request a specific contingency range for its long-term debt ratio. Rather, the Company requested the flexibility to issue long-term debt provided that it remains within its equity and short-term debt contingency ranges and does not exceed them for more than 60 days. In other words, if GMG were to reduce its short-term debt ratio to zero after March 31, 2020, the maximum long-term debt ratio that would keep the Company within the proposed equity range would be 66.00 percent (equal to 100 percent minus 34.00 percent).

GMG's proposal is consistent with its past several capital structure Dockets, and the Department concludes that it is reasonable, with one minor clarification. The Department recommends that the Commission permit the Company to issue long-term debt if it remains within its equity contingency range at all times, and remains within its short-term debt contingency range and does not exceed it for more than 60 days.

4. Total Capitalization

In its Petition, GMG requested Commission approval of a total capitalization of \$44.7 million, with a contingency of \$0.8 million, or 1.8 percent, for a maximum capitalization of \$45.5 million. GMG's proposed capitalization contingency is significantly less than the 10 percent capitalization contingency approved by the Commission in GMG's last several capital structure Dockets. The Department concludes that a 10 percent contingency is appropriate to protect the Company from unforeseen capital needs. The Department recommends a total capitalization of \$44.7 million with a 10 percent contingency (\$4.5 million) for a total of \$49.2 million as shown in Table 6 below. The Department reiterates, however, that if GMG uses this total capitalization contingency, its equity ratio must remain above the approved floor.

Table 5
Department Alternative Contingency

	Proposed Cap Structure		Recommended Cap Structure		Difference
	Dec. 31, 2020		Dec. 31, 2020		
	Amount	Percent	Amount	Percent	
Common Equity	16.5	37.01%	16.5	37.01%	-
Preferred Shares	-	0.00%	-	0.00%	-
Short-Term Debt					
Line of Credit	-	0.00%	-	0.00%	-
Current Portion of Long-Term Debt	1.5	3.35%	1.5	3.35%	-
Total Short-Term Debt	1.5	3.35%	1.5	3.35%	-
Long-Term Debt	26.7	59.64%	26.7	59.64%	-
Total Capitalization	44.7	100.00%	44.7	100.00%	-
Contingency	0.8	1.76%	4.5	10.00%	3.7
Total with Contingency	45.5	101.76%	49.2	110.00%	3.7

Source: Petition, Attachment 6, Part 1

E. RECOMMENDATIONS FOR 2020 CAPITAL STRUCTURE FILING

As noted above, the Commission’s Order in the 2019 Capital Structure Docket imposed requirements on future capital structure petitions from GMG. First, the Order set an increased equity ratio target for GMG to either propose in its subsequent petition or explain why such an increase was not possible. Second, the Order required specified increases in GMG’s equity ratio floor.

The Department recommends that the Commission impose similar requirements on future capital structure filings in this Docket in order to provide GMG with adequate time to plan appropriately to improve its equity ratio in 2021 and 2022. Specifically, the Department recommends that the Commission require GMG:

- to file its next capital structure petition by January 1, 2021;
- to propose in its next capital structure petition a plan that would be expected to result in a 38.0 percent equity ratio by December 31, 2021;
- to propose in its next capital structure petition a step-increase in its equity ratio floor from 34.00 percent to 35.00 percent beginning March 31, 2021, and
- to propose in its next capital structure petition a step-increase in its equity ratio floor from 35.00 percent to 36.00 percent by March 31, 2022.

The Department understands that events may transpire between now and the time of GMG’s next capital structure filing that make the increases impossible, and thus the Department’s recommendations are intended to set expectations with respect to GMG’s next filing, but still allow for some flexibility.

V. CONCLUSION AND RECOMMENDATIONS

GMG's financial performance in 2019 was better than 2018, but the Company's equity ratio remains low relative to its peers and the Department remains concerned about the risks associated with GMG's leverage. GMG's proposed 2020 capital structure represents an improvement, and the Department recommends that the Commission approve it and encourage further improvement by imposing requirements for modest increases in GMG's next capital structure filing.

The Department recommends that the Commission:

1. approve GMG's proposed 2020 capital structure;
2. require that GMG maintain at all times an equity ratio contingency range of at least 34.00 percent, increasing to 35.0 percent beginning March 31, 2021;
3. require GMG to make monthly compliance filings on or before the 15th of each month containing a balance sheet, income statement, and cash flow statement for the first of the prior two months;
4. approve a short-term debt contingency cap of 10 percent (i.e., GMG's short-term debt is not to exceed 10 percent of its total capitalization, including the contingency, for more than 60 days);
5. approve a total capitalization contingency of \$4.5 million above the estimated 2020 year-end total capitalization of \$44.7 million, for a total capitalization of \$49.2 million;
6. require GMG to file a new securities issuance and capital structure petition by January 1, 2021;
7. require GMG to propose in its next capital structure petition a plan that:
 - a. would be expected to result in a 38.0 percent equity ratio by December 31, 2021, assuming normal weather, or explain why such an increase is not possible; and
 - b. reflects the increase in GMG's minimum equity ratio from 34.0 percent to 35.0 percent beginning March 31, 2021, or explain why such an increase is not possible; and
8. require GMG to propose in its next capital structure petition a step-increase in its equity ratio floor from 35.0 percent to 36.0 percent beginning March 31, 2022, or explain why such an increase is not possible.

/ja

Company	Ticker	Credit Rating	Short-Term Debt Ratio	Long-Term Debt Ratio	Common Equity Ratio	Other Equity Ratio	Total
Atmos Energy Corporation	ATO	A	4.77%	36.24%	58.99%	0.00%	100.00%
Northwest Natural Holding Company	NWN	A+	7.85%	46.55%	45.60%	0.00%	100.00%
ONE Gas, Inc.	OGS	A	13.02%	33.29%	53.68%	0.00%	100.00%
South Jersey Industries, Inc.	SJI	BBB	17.59%	52.90%	29.51%	0.00%	100.00%
Spire Inc.	SR	A-	13.74%	39.24%	42.54%	4.47%	100.00%
NiSource Inc.	NI	BBB+	11.24%	50.79%	32.38%	5.58%	100.00%
Southwest Gas Holdings, Inc.	SWX	BBB+	3.93%	47.77%	46.72%	1.58%	100.00%
Minimum			3.93%	33.29%	29.51%	0.00%	
Average			10.31%	43.83%	44.20%	1.66%	
Median			11.24%	46.55%	45.60%	0.00%	
Maximum			17.59%	52.90%	58.99%	5.58%	

Copyright © 2019, S&P Global Market Intelligence

Reproduction of any information, data or material, including ratings (“Content”) in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers (“Content Providers”) do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content. A reference to a particular investment or security, a rating or any observation concerning an investment that is part of the Content is not a recommendation to buy, sell or hold such investment or security, does not address the suitability of an investment or security and should not be relied on as investment advice. Credit ratings are statements of opinions and are not statements of fact.

 **COMMERCE
DEPARTMENT**
Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: G022/S-19-727

Requested From: Greater Minnesota Gas, Inc.

Type of Inquiry: Financial

Nonpublic Public

Date of Request: 4/13/2020

Response Due: 4/23/2020

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).

Assigned Analyst(s): John Kundert

Email Address(es): john.kundert@state.mn.us

Phone Number(s): 651.600.1182

ADDITIONAL INSTRUCTIONS:

Each response must be submitted as a text searchable PDF, unless otherwise directed. Please include the docket number, request number, and respondent name and title on the answers. If your response contains Trade Secret data, please include a public copy.

Request Number: 5
Topic: Coronavirus Pandemic
Reference(s): Not Applicable

Request:

Have or will the effects of the Coronavirus pandemic impact GMG's proposed capital structure in 2020 or 2021 in any significant manner? If so, please explain these impacts.

GMG RESPONSE:

The COVID-19 pandemic has caused increased expenses, greater customer arrears, and a loss in productivity of GMG's resources. At this time, GMG cannot determine whether the impacts will be material. GMG will continue to manage the business in the best way that it can. In the event that GMG becomes aware of a specific pandemic-related impact that would cause GMG to adjust its capital structure, GMG will proactively notify the Department and Commission of the same as soon as is practicable.

To be completed by responder

Response Date: April 14, 2020

Response by: Kristine Anderson

Email Address: kanderson@greatermngas.com

Phone Number: 507-209-2110



Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: G022/S-19-727

Requested From: Greater Minnesota Gas, Inc.

Type of Inquiry: Financial

Nonpublic Public

Date of Request: 4/13/2020

Response Due: 4/23/2020

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).

Assigned Analyst(s): John Kundert

Email Address(es): john.kundert@state.mn.us

Phone Number(s): 651.600.1182

ADDITIONAL INSTRUCTIONS:

Each response must be submitted as a text searchable PDF, unless otherwise directed. Please include the docket number, request number, and respondent name and title on the answers. If your response contains Trade Secret data, please include a public copy.

Request Number: 3
Topic: Equity Ratio Floor
Reference(s): Commission's Order in G002/S-18-749

Request:

The Commission's April 19, 2019 Order in Docket G022/S-18-749 required GMG to increase its equity floor to 34.0 percent by March 31, 2020. Please explain whether GMG met this requirement.

GMG RESPONSE:

GMG anticipates that it will meet the Commission's requirement to increase its equity floor to 34.0 percent by March 31, 2020. Specifically, the equity ratio reflected in GMG's most recent compliance filing is 37.26%, as reflected by GMG's compliance filing made on April 13, 2020 predicated on financials as of February 29, 2020.

To be completed by responder

Response Date: April 14, 2020
Response by: Kristine Anderson
Email Address: kanderson@greatermngas.com
Phone Number: 507-209-2110



Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: G022/S-19-727

Requested From: Greater Minnesota Gas, Inc.

Type of Inquiry: Financial

Nonpublic Public

Date of Request: 4/13/2020

Response Due: 4/23/2020

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).

Assigned Analyst(s): John Kundert

Email Address(es): john.kundert@state.mn.us

Phone Number(s): 651.600.1182

ADDITIONAL INSTRUCTIONS:

Each response must be submitted as a text searchable PDF, unless otherwise directed. Please include the docket number, request number, and respondent name and title on the answers. If your response contains Trade Secret data, please include a public copy.

Request Number: 4
Topic: Equity Ratio Floor
Reference(s): Commission's Order in G002/S-18-749

Request:

The Commission's April 19, 2019 Order in Docket G022/S-18-749 requires GMG to increase its equity floor to 35.0 percent by March 31, 2021. Please explain whether GMG expects to meet this requirement.

GMG RESPONSE:

Yes. As reflected in GMG's Petition, its proposed capital structure is designed to ensure an equity floor of 35.0 percent by March 31, 2021, assuming normal weather and other general conditions. GMG predicts that its equity ratio will not drop below 35.0% thereafter. In the unlikely event that GMG is not able to reach the requisite equity floor level, GMG will provide an explanation of the circumstances contributing to that result in accordance with the Commission's Order.

To be completed by responder

Response Date: April 14, 2020

Response by: Kristine Anderson

Email Address: kanderson@greatermngas.com

Phone Number: 507-209-2110

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

Minnesota Department of Commerce
Comments

Docket No. G022/S-19-727

Dated this **20th** day of **April 2020**

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Kristine	Anderson	kanderson@greatermngas.com	Greater Minnesota Gas, Inc. & Greater MN Transmission, LLC	1900 Cardinal Lane PO Box 798 Faribault, MN 55021	Electronic Service	No	OFF_SL_19-727_S-19-727
Cody	Chilson	cchilson@greatermngas.com	Greater Minnesota Gas, Inc. & Greater MN Transmission, LLC	1900 Cardinal Ln PO Box 798 Faribault, MN 55021	Electronic Service	No	OFF_SL_19-727_S-19-727
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1400 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_19-727_S-19-727
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_19-727_S-19-727
Brian	Gardow	bgardow@greatermngas.com	Greater Minnesota Gas, Inc. & Greater MN Transmission, LLC	1900 Cardinal Ln PO Box 798 Faribault, MN 55021	Electronic Service	No	OFF_SL_19-727_S-19-727
Nicolle	Kupser	nkupser@greatermngas.com	Greater Minnesota Gas, Inc. & Greater MN Transmission, LLC	1900 Cardinal Ln PO Box 798 Faribault, MN 55021	Electronic Service	No	OFF_SL_19-727_S-19-727
Greg	Palmer	gpalmer@greatermngas.com	Greater Minnesota Gas, Inc. & Greater MN Transmission, LLC	1900 Cardinal Ln PO Box 798 Faribault, MN 55021	Electronic Service	No	OFF_SL_19-727_S-19-727
Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes	OFF_SL_19-727_S-19-727
Will	Seuffert	Will.Seuffert@state.mn.us	Public Utilities Commission	121 7th PI E Ste 350 Saint Paul, MN 55101	Electronic Service	Yes	OFF_SL_19-727_S-19-727