

Summary of Record Support For Issues Resolved in Joint Exhibit 1

1. Gross Revenue Conversion Factor (GRCF) of 1.403312

In Direct Testimony, the Department recommended using a GRCF of 1.403312, as opposed to the 1.408451 originally proposed by GMG.¹ GMG agreed to this recommendation in its Rebuttal Testimony.

2. Capital Structure and Regulatory Treatment of Shareholder Guarantees

Long-term Debt	50.44%
Short-term debt	0.68%
Common Stock Equity	48.87%

In order to obtain certain low-interest rate loans from the Small Business Administration (“SBA”), five GMG shareholders personally guaranteed these loans.² By putting their money at risk, these shareholders enabled the Company to secure the SBA loans saving customers nearly \$100,000 annually compared to conventional financing.³ In its Initial Filing and in its Rebuttal Testimony, GMG proposed treating these loan guarantees as equity, resulting in a capital structure with 51.08 percent equity.⁴

The Department initially objected to recognizing these shareholder guarantees as equity and recommended a capital structure with 46.66 percent equity.⁵ In Surrebuttal Testimony, after reviewing additional information on these guarantees provided by GMG in its Rebuttal Testimony, the Department recommended classifying one half of the SBA loans as equity, to reasonably balance the interests of the Company’s shareholders and its customers. This adjustment resulted in a capital structure with 48.87 percent equity.⁶

At hearing, GMG CEO Greg Palmer indicated that the Department’s revised recommendation made provides GMG a reasonable opportunity to maintain the shareholder guarantees and the benefits those guarantees provide customers, so GMG accepted the recommendation.⁷

¹ Ex. DOC-215 at 3-6 (Uphus Direct).

² Ex. GMG-103, Palmer Direct at 10; Ex. GMG-112 at 14-16 (Palmer Rebuttal).

³ Ex. GMG-112 at 14-16 (Palmer Rebuttal).

⁴ Ex. GMG-103, Palmer Direct at 10; Ex. GMG-112 at 18 (Palmer Rebuttal).

⁵ Ex. DOC-201 at 20, 65 (Addonizio Direct).

⁶ Ex. DOC-203 at 5, 15 (Addonizio Surrebuttal).

⁷ Tr. at 35 (Palmer).

3. Cost of long-term debt of 5.76%

In its Initial Filing, GMG requested an overall cost of capital reflecting a 5.61 cost of long-term debt and also including an overall flotation cost adjustment. To account for issuance costs associated with both debt and equity.⁸

The Department agreed with GMG's 5.61 percent cost of long-term debt and agreed that it is appropriate to recognize GMG's issuance costs associated with that debt, but disagreed with GMG's methodology for recognizing those costs.⁹ Instead, the Department recommended adjusting GMG's cost of long-term debt by 15 basis points, to reflect amortization of those costs, resulting in a final cost of long-term debt of 5.76 percent.¹⁰

GMG agreed to the Department recommendation with respect to long-term debt and removal of GMG's prior flotation cost adjustment, agreeing to the 5.76 percent cost of debt.¹¹ The parties continue to dispute the need for a separate flotation cost adjustment for equity issuances, as discussed in GMG's Initial Brief.

4. Cost of short-term debt of 8.0%

GMG's Initial Filing noted that its bank charged a short-term interest rate of 8.25 percent in September 2024 and requested a rate of 8.00 percent be used for the 2025 test year.¹² The Department agreed that GMG's proposed 8.00 percent cost of short-term debt was reasonable.¹³

5. 15 Basis Points for Flotation on Cost of Debt

See item 3, above.

6. Bad Debt Expense of \$21,600

GMG's Initial Filing based the Test Year budgeted bad debt expense based on the estimated 2024 amount, which resulted in a bad debt expense for the Test Year of 0.20 percent.¹⁴ The Department agreed with GMG's proposed 2025 Test Year bad debt expense of \$21,600, which reflects an \$800 adjustment from 2024 to 2025.¹⁵

⁸ Ex. GMG-103, Palmer Direct at 3, 12-13.

⁹ Ex. DOC-201 at 21-22 (Addonizio Direct).

¹⁰ Ex. DOC-201 at 21-22 (Addonizio Direct).

¹¹ Ex. GMG-112 at 16 (Palmer Rebuttal).

¹² Ex. GMG-103, Palmer Direct at 12.

¹³ Ex. DOC-201 at 22 (Addonizio Direct).

¹⁴ Ex. GMG-109 at 10 (Burke Rebuttal).

¹⁵ Ex. DOC-216 at 4 (Johnson Surrebuttal).

7. Late Fees of \$13,435

GMG did not include late fees in its Initial Filing,¹⁶ but agreed to include some amount of late fees in response to Direct Testimony from the Department and proposed \$6,723 in Test Year late fees based on 2023 due to aberrant increases or decreases in other years since 2021.¹⁷

The Department recommended averaging GMG's actual late fee revenues from 2021 through 2024, resulting in Test Year late fees of \$13,435.¹⁸ GMG agreed to the Department's recommendation to include \$13,435 in Test Year late fees.¹⁹

8. Salary – Sales Expense of \$18,000

GMG proposed a Test Year Salary-Sales expense of \$18,000 based off of 2023 actuals.²⁰ The Department initially disagreed and proposed using the annualized 2024 Salary-Sales balance of \$14,395 as the Test Year amount.²¹

GMG disagreed with the Department's proposal, noting that any downward adjustment in the Salary-Sales expense would need an offsetting adjustment to the administrative and general labor expense.²² After review of this statement, the Department agreed with GMG's proposed Salary-Sales expense.²³

9. Rebates Conversion Expense downward adjustment of \$900

In its Initial Filing, GMG proposed a rebates conversion expense of \$2,700 based on 2023 actuals.²⁴ The Department disagreed with GMG's use of 2023 actuals and proposed a rebates conversion expense of \$1,800 based on annualized 2024 year-to-date amounts as of November 30, 2024.²⁵ GMG accepted the Department's proposed rebated conversion expense, resulting in a downward adjustment of \$900.²⁶

¹⁶ See Greater Minnesota Gas' Request to Implement a New Base Cost of Gas, MPUC Docket No. G022/MR-24-351 at 1 (November 13, 2024) (eDockets No. 202411-211899-01).

¹⁷ Ex. GMG-109 at 8 (Burke Rebuttal).

¹⁸ Ex. DOC-216 at 26 (Johnson Surrebuttal).

¹⁹ Tr. at 13:15-:24.

²⁰ Ex. GMG-105, Schedule C-3 at 2 (Initial Filing – Vol. 3).

²¹ Ex. DOC-215 at 17 (Uphus Direct).

²² Ex. GMG-109 at 12 (Burke Rebuttal).

²³ Ex. DOC-216 at 5-6 (Johnson Surrebuttal).

²⁴ Ex. GMG-105, Schedule C-3 at 2 (Initial Filing – Vol. 3); Ex. DOC-215, Schedule AAU-D-1 at 13 (Uphus Direct).

²⁵ Ex. DOC-215 at 18 (Uphus Direct).

²⁶ Ex. GMG-109 at 12 (Burke Rebuttal).

10. Advertising Expense of \$69,600

GMG proposed an advertising expense of \$69,600 in its Initial Filing based on the adjusted Projected Current Fiscal Year 2024.²⁷ The Department initially object to GMG's proposed advertising expense and recommended a downward adjustment based on an historical average advertising expense from 2021 to 2024.²⁸ After reviewing GMG's updated, unaudited actual advertising expense of \$67,353 for 2024, the Department found GMG's proposed Test Year advertising expense was reasonable, as it was only a 3 percent increase over 2024 actual.²⁹

11. Gas Storage Inventory increase of \$222,239 to rate base

GMG originally included a 13-month average of \$487,157 for Test Year gas storage inventory to be included in rate base.³⁰ The Department initially disagreed and proposed a Test Year gas storage inventory of \$455,051 based on a historical average from 2021 to 2024.³¹

GMG explained in Rebuttal Testimony that GMG's gas storage inventory is not budget based on historical data but is projected from existing gas contracts that cover the projection period and GMG's normal storage injections and withdrawal amounts.³² Further, GMG provided additional calculations in Rebuttal Testimony showing that GMG's 13-month average for gas storage inventory for 2025 increased to \$709,397, an upward adjustment of \$222,239 to the rate base.³³

The Department acknowledged that GMG's specific storage contracts and forecast supported GMG's proposed adjustment to the rate base. The Department agreed that the adjustment to rate base was reasonable, resulting in a \$20,380 increase to the revenue deficiency.³⁴

12. No adjustment for "top ten" paid officers and employees

The Department initially recommended a reduction to the Test Year general and administrative expense by \$60,102 to top ten officers and employees compensation that exceeded \$150,000.³⁵ GMG provided testimony explaining that its two officers that

²⁷ Ex. GMG-103, Burke Direct at 36.

²⁸ Ex. DOC-215 at 18 (Uphus Direct).

²⁹ Ex. DOC-216 at 7 (Johnson Surrebuttal).

³⁰ Ex. GMG-105, Schedule B-1 at 1 (Initial Filing – Vol. 3)

³¹ Ex. DOC-215 at 30 (Uphus Direct).

³² Ex. GMG-109 at 15 (Burke Rebuttal).

³³ Ex. GMG-109 at 16 and Schedule RDB-REB-4 (Burke Rebuttal).

³⁴ Ex. DOC-216 at 9 (Johnson Surrebuttal).

³⁵ Ex. DOC-214 at 23 (Johnson Direct).

received compensation in excess of \$150,000 did not spend a significant amount of time on GMG's shareholder activities.³⁶ The Department withdrew its recommendation to reduce the Test Year general and administrative expense to top ten officers and employees compensation.³⁷

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³⁶ Ex. GMG-112 at 29-30 (Palmer Rebuttal).

³⁷ Ex. DOC-216 at 11-12 (Johnson Surrebuttal).