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

FOR THE MINNESOTA PUBLIC UTILITIES COMMISSION
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MPUC Docket No. G-022/GR-24-350
OAH Docket No. 71-2500-40492

In the Matter of the Application of Greater Minnesota Gas, Inc. for Authority to Increase Rates for Natural Gas Utility Service in Minnesota

PROPOSED FINDINGS OF FACT AND CONCLUSIONS OF LAW OF THE OFFICE OF THE ATTORNEY GENERAL— RESIDENTIAL UTILITIES DIVISION

May 22, 2025

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STATE OF MINNESOTA
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INTRODUCTION

This matter came on for an Evidentiary Hearing before Administrative Law Judge ("ALJ") Jessica Palmer-Denig on April 16, 2025. Pursuant to the ALJ's First Prehearing Order of January 22, 2025, the Office of the Attorney General – Residential Utilities Division ("OAG") files its Proposed Findings of Fact and Conclusions of Law. The OAG submits proposed findings only for issues on which it has taken a position. That the OAG has remained silent on an issue on which it has not taken a position should not be interpreted as an endorsement of Greater Minnesota Gas's or any other party's position.

FINDINGS AND CONCLUSIONS

I. EXPENSES AND RATE BASE – UNRESOLVED ISSUES

A. MEMBERSHIP DUES EXPENSE

1. Greater Minnesota Gas (GREATER MINNESOTA GAS or the Company) requests recovery of $10,016 in dues expense related to its membership in trade associations and other organizations, and professional licenses for Greater Minnesota Gas's employees.[1] Greater Minnesota Gas's 2025 test year membership dues request is based on its 2024 budget.[2]

2. Under Minnesota law, the Commission must not permit recovery of a utility's travel, entertainment, and related employee expenses, including "dues and expenses for memberships in organizations or clubs," if the Commission finds these expenses unreasonable and unnecessary for the provision of utility service.[3] The burden to establish reasonableness is on the utility.[4]

3. The Commission typically will not "impose on customers the expense of dues when it has not been shown that customers receive any benefit from the organizations receiving the dues, as may be the case when the organizations are lobbying or social

[1] Ex. 103, RDB-3 (Burke Direct).
[2] Ex. 103, RDB-3 (Burke Direct).
[3] Minn. Stat. § 216B.16, subd. 17.
[4] Minn. Stat. § 216B.16, subd. 4.

in purpose, or where there is no connection between the expense and reasonable and reliable utility service."[5]

4. The Commission has also found that utilities need to show "how the membership dues connect to the provision or improvement of utility services" and that an itemized accounting of activities and costs allocated to each activity may be necessary for recovery in some instances.[6]

5. The OAG argued that Greater Minnesota Gas's inclusion of dues for three specific organizations was unreasonable and unnecessary for the provision of gas service in Minnesota.

6. For the reasons set forth below, the ALJ agrees and recommends that the Commission disallow a total of $7,185 for these three organizations.

1. American Gas Association

7. Greater Minnesota Gas included $3,702 in its 2025 test year for American Gas Association (AGA) dues.[7]

8. The AGA is a trade association that engages in lobbying and lobbying-related advocacy on behalf of its members. The AGA represents natural gas companies in the United States.[8]

9. When invoicing its members, the AGA reports the percentage of dues that fund "lobbying" activities as that term is defined by the Internal Revenue Service.[9]

10. The OAG argued that this self-reported percentage is unreliable because the AGA engages heavily in lobbying-related activities, which is not accurately represented by the low single-digit percentage identified by AGA on its invoices as the portion of dues associated with its lobbying activities.[10]

11. The OAG argued that AGA dues should be excluded from the test year because Greater Minnesota Gas failed to remove the portion of dues attributable to lobbying-related activities. The OAG contended that Greater Minnesota Gas had not removed the AGA's self-reported lobbying percentage[11] and had not analyzed its AGA dues expense to determine and remove the portion of dues that was attributable to

[5] Ex. 301, SL-D-3 at 2 (Lee Direct).
[6] *In re Application of Otter Tail Power Company for Authority to Increase Rates for Electric Service in the State of Minnesota*, MPUC Docket No. G-017/20-719, Findings of Fact, Conclusions, and Order at 24-25 (Feb. 2, 2022).
[7] Ex. 103, RDB-3 (Burke Direct).
[8] Ex. 301 at 5 (Lee Direct).
[9] Ex. 301, SL-D-2 at 7 (Lee Direct).
[10] Ex. 301 at 7 (Lee Direct).
[11] Ex. 302 at 12 (Lee Surrebuttal).

lobbying-related activities.[12] The OAG also argued that Greater Minnesota Gas had failed to show that the AGA's non-lobbying activities benefit ratepayers.[13]

12. The OAG presented three items of evidence demonstrating that a greater proportion of AGA dues pays for lobbying-related activities than AGA indicates on its invoices.

13. First, the AGA's 2024 Playbook promotes the use of natural gas and discusses the increased energy costs of mandated electrification.[14]

14. Second, the AGA's 2023 Year End Report illustrates the lobbying-related activities the AGA has engaged in and states that it "extensively engage[s] in the federal regulatory agenda through comments and intervening on initiatives that directly affect AGA members" and "filed comments in 50 pending regulatory matters impacting members and the natural gas industry."[15] It also states that the AGA "[had] 2,000 Capitol Hill meetings, individual calls, emails and letters [and] 29,000 State events, individual and group calls, emails and letters."[16]

15. Third, the AGA's website contains a "Resource Library" page offering dropdown menus to AGA "comments and testimony," "policy," and other document types.[17]

16. Greater Minnesota Gas responded that (1) it did remove the portion of dues attributable to lobbying and that (2) it does not have an in-house training department and relies on the AGA for both technical and regulatory training.[18]

17. The OAG demonstrated in surrebuttal that Greater Minnesota Gas had not removed any lobbying-related portion of AGA dues because the requested amount was the same as Greater Minnesota Gas's 2024 Minnesota jurisdictional amount, which did not have any lobbying-related amount removed.[19]

18. Greater Minnesota Gas has not carried its burden to establish the reasonableness of the test year dues amount for the AGA.

19. Greater Minnesota Gas has not established that its request is not attributable to lobbying-related activities or otherwise benefits ratepayers. Greater Minnesota Gas did not remove any amount attributable to lobbying-related activities from the test year. It also did not provide an analysis demonstrating how much of the AGA dues expense benefits ratepayers and in what way, nor how much is attributable to

[12] Ex. 302 at 13 (Lee Surrebuttal).
[13] Ex. 301 at 9 (Lee Direct); Ex. 302 at 13 (Lee Surrebuttal).
[14] Ex. 301 at 8 (Lee Direct).
[15] Ex. 301 at 8 (Lee Direct) (citing AGA website).
[16] Ex. 301 at 8 (Lee Direct) (citing AGA website).
[17] Ex. 301 at 7-8 (Lee Direct) (citing AGA website).
[18] Ex. 109 at 17 (Burke Rebuttal).
[19] Ex. 302 at 12 (Lee Surrebuttal).

lobbying-related activities. Without that information, Greater Minnesota Gas has failed to carry its burden to show that it is just and reasonable for ratepayers to pay for its AGA dues.

20. For these reasons, the Commission should disallow the entirety of Greater Minnesota Gas's request for AGA membership dues expense.

2. Midwest Region Gas Task Force Association

21. Greater Minnesota Gas included $1,100 in its 2025 test year for Midwest Region Gas Task Force (MRGTF) dues.[20]

22. The MRGTF is an association that intervenes in interstate gas transmission pipeline rate cases on behalf of regional gas utilities to protect their interests.[21]

23. Greater Minnesota Gas pays dues to the MRGTF only in years in which there are interstate pipeline rate case activities.[22] It paid $550 to MRGTF in 2021, $0 in 2022, and $1,100 in 2023 and 2024.[23] Greater Minnesota Gas anticipates that Northern Natural Gas will file a rate case in 2025, believes that it may extend into 2026, and believes that Viking Transmission may file a rate case by 2029.[24]

24. A utility's test year should reflect the costs of normal utility operations during a defined period. When utilities have costs that are not incurred every year, the Commission generally takes the amount requested and amortizes it for a certain number of years to allow recovery of the cost over the amortization period.[25]

25. Because Greater Minnesota Gas has not consistently paid dues to MRGTF each year and has not shown that it will incur these costs in each year going forward, the OAG recommended amortizing the $1,100 such that Greater Minnesota Gas will recover the full $1,100 dues amount evenly over an amortization period, as it incurs that dues amount.[26] Northern Natural Gas and Viking Transmission both file rate cases on a roughly three-year cadence.[27] The OAG recommended amortizing MRGTF dues over three years.[28]

26. Greater Minnesota Gas has not carried its burden to establish that $1,100 is a representative amount for the test year for MRGTF dues. The expense should be

[20] Ex. 103, RDB-3 (Burke Direct).
[21] Ex. 109 at 18 (Burke Direct).
[22] Ex. 301, SL-D-2 at 2 (Lee Direct).
[23] Ex. 301 at 12 (Lee Direct).
[24] Ex. 301, SL-D-5 at 2 (Lee Direct).
[25] Ex. 301 at 13 (Lee Direct).
[26] Ex. 301 at 13 (Lee Direct).
[27] Ex. 301, SL-D-5 at 2 (Lee Direct).
[28] Ex. 301 at 14 (Lee Direct).

amortized such that Greater Minnesota Gas recovers the full expense at the same cadence that it incurs the expense.

27. Because Northern Natural Gas and Viking Transmission file rate cases on approximately a three-year cadence, the dues expense for MRGTF should be amortized over three years. The Commission should therefore reduce the 2025 test year MRGTF dues expense by $733.

3. Minnesota AgriGrowth Council

28. Greater Minnesota Gas included $2,750 in its 2025 test year for Minnesota AgriGrowth Council (AgriGrowth Council) dues.[29]

29. The Minnesota AgriGrowth Council "is a nonprofit, nonpartisan member organization representing the agriculture and food industry."[30]

30. The OAG argued that these dues should be disallowed because membership in the AgriGrowth Council does not provide any benefit to ratepayers and is unrelated to the provision of natural gas service,[31] and because the AgriGrowth Council engages in lobbying-related activities and Greater Minnesota Gas did not remove the lobbying-related portion of dues from the test year.[32]

31. The OAG demonstrated that the AgriGrowth Council's purpose is supporting the policy preferences of Minnesota's food and agricultural industries.[33] In addition, the OAG demonstrated that the AgriGrowth Council engages in lobbying and indicates on its invoices that a portion of dues is attributable to lobbying, and observed that Greater Minnesota Gas did not remove any lobbying-related portion from its AgriGrowth Council dues expense.[34]

32. Greater Minnesota Gas responded that membership in the AgriGrowth Council provides it with networking opportunities that could result in new customers.[35] Greater Minnesota Gas also stated that membership provided it with insights into the agricultural industry.[36] Finally, it argued that the AgriGrowth Council's lobbying is unrelated to natural gas and does not affect Greater Minnesota Gas or its ratepayers.[37]

33. Greater Minnesota Gas has not carried its burden to show that inclusion of AgriGrowth Council dues in the test year is just and reasonable. The AgriGrowth

[29] Ex. 103, RDB-3 (Burke Direct).
[30] Ex. 301 at 14 (Lee Direct) (citing AgriGrowth Council website).
[31] Ex. 301 at 16 (Lee Direct).
[32] Ex. 301 at 17 (Lee Direct).
[33] Ex. 301 at 16 (Lee Direct).
[34] Ex. 301 at 17 (Lee Direct).
[35] Ex. 109 at 18 (Burke Rebuttal).
[36] Ex. 109 at 19 (Burke Rebuttal).
[37] Ex. 109 at 19 (Burke Rebuttal).

Council does not engage in activities related to provision of natural gas service, and Greater Minnesota Gas did not demonstrate any concrete benefit of membership to ratepayers. In addition, Greater Minnesota Gas did not remove the unrecoverable portion of dues attributable to lobbying from the test year.

34. For these reasons, the Commission should disallow recovery of AgriGrowth Council dues.

B. AUTOMATIC METER READING (AMR) UNIT PLANT BALANCE

35. In its initial filing, Greater Minnesota Gas included a test year plant balance of $520,747 for meters in FERC Account 381,[38] where it accounts for meters that went into service between 1996 and 2009.[39] The test year plant balance was the same as the balance for 2023 and the projected balance for 2024.[40] Greater Minnesota Gas also listed a $0 adjustment to FERC Account 381 between 2024 and 2025.[41]

36. Because FERC Account 381 is only used for meters that went into service between 1996 and 2009, no new plant additions should be added to that FERC Account.[42]

37. After 2024 had ended, the Department requested that Greater Minnesota Gas update its financial information with 2024 actuals.[43] The 2024 year-end actual balance for FERC Account 381 was revised downward, to $343,913.[44] But the plant balance for the 2025 test year remained $520,747, and Greater Minnesota Gas changed the FERC Account 381 adjustment from $0 to $176,834.[45]

38. The OAG argued that Greater Minnesota Gas failed to justify the $176,834 adjustment to FERC Account 381 and that the 2025 test year plant balance should be reduced by that amount.[46]

39. The OAG observed that the new adjustment amount was equal to the difference between the test year plant balance and the 2024 year-end plant balance.[47] The OAG asked Greater Minnesota Gas to justify increasing the FERC Account 381 balance from the 2024 actual balance to the 2025 test year balance and to explain why the adjustment to the FERC Account 381 balance changed from $0 to $176,834.[48]

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[38] Ex. 105, Sched. B-1 at 2 (Initial Filing – Volume 3 – Financial Information).
[39] Ex. 301, SL-D-10 at 2 (Lee Direct).
[40] Ex. 105, Sched. B-1 at 2 (Initial Filing – Volume 3 – Financial Information).
[41] Ex. 105, Sched. B-1 at 3 (Initial Filing – Volume 3 – Financial Information).
[42] Ex. 301 at 28 (Lee Direct).
[43] Ex. 301, SL-D-12 at 1 (Lee Direct).
[44] Ex. 301, SL-D-12 at 3 (Lee Direct).
[45] Ex. 301, SL-D-12 at 4 (Lee Direct).
[46] Ex. 302 at 9 (Lee Surrebuttal).
[47] Ex. 302 at 7 (Lee Surrebuttal).
[48] Ex. 301 at 28 (Lee Direct).

40. Greater Minnesota Gas responded that, in its initial filing, it had misplaced into FERC Account 381 meters that should have been placed into FERC Account 382.[49] The update that Greater Minnesota Gas provided in response to the Department had corrected this misplacement by decreasing FERC Account 381 and increasing FERC Account 382.[50] However, Greater Minnesota Gas explained, it did not update the 2025 test year balance for these accounts.[51]

41. Greater Minnesota Gas argued that misplacing the meters into FERC Account 381 and then relocating them in FERC Account 382 had no effect on the overall plant balance because they still add up to the same total amount.[52]

42. The OAG argued in response that the issue was not that $176,834 had been put into the wrong account, but that there was no basis for that amount of meters in any account.[53] The OAG concluded that it should be removed from the test year plant balance for FERC Account 381, and therefore from the overall test year plant balance, because Greater Minnesota Gas provided no explanation or basis for increasing the FERC Account 381 plant balance back to $520,747.[54]

43. Greater Minnesota Gas has not carried its burden to prove that the test year plant balance for FERC Account 381 should be $520,747. It did not provide an explanation for increasing FERC Account 381 by $176,834 between 2024 and 2025.

44. The Commission should therefore reduce the test year plant balance by $176,834.

II. INCOME TAX RIDER

45. Greater Minnesota Gas proposed creation of an "income tax rider" that would be "adjusted yearly based on its actual income tax rate [to provide] an efficient solution to address the impact of income tax changes without rate payers incurring additional rate case costs."[55]

46. Greater Minnesota Gas argued that the corporate tax rate was likely to change as a result of the 2024 presidential election, and a change to its income tax expense could necessitate a rate case if it did not have its "income tax rider."[56] It argued that rate case expenses have a large impact on its ratepayers because of its small customer base compared to larger utilities.[57]

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[49] Ex. 109 at 20 (Burke Rebuttal).
[50] Ex. 109 at 20 (Burke Rebuttal).
[51] Ex. 301, SL-D-12 at 5 (Lee Direct).
[52] Ex. 109 at 20 (Burke Rebuttal).
[53] Ex. 302 at 8 (Lee Surrebuttal).
[54] Ex. 302 at 8-9 (Lee Surrebuttal).
[55] Ex. 103 at 10 (Chilson Direct).
[56] Ex. 103 at 10 (Chilson Direct).
[57] Ex. 103 at 10 (Chilson Direct).

47. The OAG opposed creation of an income tax rider for three reasons.

48. First, the OAG argued that riders are only created by statute[58] and there is no statute authorizing creation of a rider for income tax expense.[59]

49. Second, the OAG argued that the Commission is already equipped to handle changes to income tax rates.[60] Specifically, in 2017, the federal government passed the Tax Cuts and Jobs Act, resulting in a reduction in corporate taxes.[61] In response, the Commission opened an investigation into the effects that the change in the tax code would have on the cost of service for all Minnesota utilities.[62] The Commission's investigation allowed for a consistent approach to reviewing the impact of the corporate tax rate changes on all Minnesota rate regulated utilities.[63]

50. Third, the OAG argued that Greater Minnesota Gas had not provided sufficient evidence to support the request for an income tax rider because it had not provided "certain or known information regarding what the tax rates will be in the future, what the dollar amount impact will be for these changes, or even when these changes will occur."[64]

51. Greater Minnesota Gas did not offer responsive testimony to the OAG.

52. Greater Minnesota Gas has not carried it burden to prove that creation of an income tax rider would be just and reasonable. There is no statute authorizing creation of an income tax rider, so there is no legal basis for doing so.

53. The Commission should deny Greater Minnesota Gas's request for creation of an income tax rider.

III. SALES FORECAST

54. Sales forecasts determine a utility's projected revenue in its test year.[65] Projected revenue is then compared to a utility's projected cost of service to determine its revenue deficiency.[66] A utility will set its base rates to recover most if not all of its revenue deficiency, and those base rates will not change until the next rate case.[67]

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[58] Ex. 301 at 18 (Lee Direct).
[59] *See* Ex. 301 at 22 (Lee Direct).
[60] Ex. 301 at 20 (Lee Direct).
[61] Ex. 301 at 20 (Lee Direct).
[62] Ex. 301 at 20 (Lee Direct).
[63] Ex. 301 at 20 (Lee Direct).
[64] Ex. 301 at 19-20 (Lee Direct).
[65] Ex. 303 at 3 (Stevenson Direct).
[66] Ex. 303 at 3 (Stevenson Direct).
[67] Ex. 303 at 3 (Stevenson Direct).

55. In discussing sales forecasts and test years, the Commission has explained: "The costs and revenues are for a 12-month period, based on current utility circumstances, but the rate case is not a projection for an actual year; instead, the rates based on this information remain in place until the Commission approves new rates in a subsequent rate case. The representative values reflect known and measurable changes that are anticipated to occur and are adjusted to remove the impacts of variable factors, such as weather."[68]

56. For Greater Minnesota Gas's sales forecast, it calculated the overall systemwide sales volume in the test year by multiplying the average use per customer for each customer class by the number of customers projected to be in each customer class in the test year.[69]

57. Greater Minnesota Gas calculated its average use per customer for each customer class in the test year by calculating the average use per customer for each customer class over the years 2019-2023.[70]

A. SMALL COMMERCIAL CUSTOMER COUNT

58. Greater Minnesota Gas's initial forecast indicated that it would add 400 residential customers by the end of the test year, and no customers of any other customer class.[71] Greater Minnesota Gas stated that it forecasted its growth based on its expansion plans, and that it had not identified potential small commercial customers in its 2025 expansion plan.[72]

59. The OAG evaluated Greater Minnesota Gas's forecast and found that adding 400 residential customers was reasonable, but that it was unreasonable to forecast adding zero small commercial customers.[73]

60. The OAG found adding 400 residential customers in the test year to be reasonable because Greater Minnesota Gas has added an average of 389 residential customers per year from January of 2019 until December of 2023, and an average of approximately 429 customers each year from 2008 until 2023.[74]

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[68] *In re Application of Otter Tail Power Co. for Authority to Increase Rates for Elec. Serv. in Minn.*, Docket No. E-017/GR-15-1033, FINDINGS OF FACT, CONCLUSIONS, AND ORDER, SUPPLEMENTARY FINDINGS—SALES FORECAST ¶ 1 (May 1, 2017) (eDocket No. 20175-131511-01).
[69] Ex. 303 at 7 (Stevenson Direct).
[70] Ex. 303 at 7 (Stevenson Direct).
[71] Ex. 303 at 7 (Stevenson Direct).
[72] Ex. 303, CS-D-5 at 1 (Stevenson Direct).
[73] Ex. 303 at 8 (Stevenson Direct).
[74] Ex. 303 at 8 (Stevenson Direct).

61. The OAG argued that adding zero small commercial customers in the test year was unreasonable because Greater Minnesota Gas has added an average of approximately 30 small commercial customers per year since 2019.[75]

62. The OAG also observed that Greater Minnesota Gas had underestimated small commercial customer growth in 2024. Although Greater Minnesota Gas initially projected that it would end 2024 with 946 small commercial customers,[76] it had 961 small commercial customers by August of 2024, the latest month for which data was available when Greater Minnesota Gas filed its rate case.[77] By the time the OAG filed direct testimony, October 2024 data was available, showing that the small commercial customer count had grown to 970.[78]

63. The OAG recommended that the final test year small commercial customer count should therefore be increased from 946 to 990 small commercial customers.[79] This was derived by estimating that Greater Minnesota Gas would add 20 new small commercial customers in the test year, which is lower than Greater Minnesota Gas's historical growth due to Greater Minnesota Gas's statement that it had not currently identified potential small commercial customers.[80]

64. Greater Minnesota Gas replied that when it budgets for new customers, it forecasts all new customer additions as residential customers unless there is a specific reason to classify them differently.[81] While GMG believed that it will add no new small commercial customers, it stated that if it were to add small commercial customers, it would subtract the same amount of residential customers to ensure revenues were not counted twice.[82] Accordingly, Greater Minnesota Gas argued that an increase to the small commercial customer count in the forecast would necessitate a decrease to the residential customer count.[83]

65. Greater Minnesota Gas also argued that if its test year customer count was going to be recalculated based on 2024 actuals, then its entire customer count should be recalculated because it added fewer residential customers in 2024 than it had anticipated.[84] Greater Minnesota Gas argued that this would decrease its operating revenue by $185,507 and result in a $92,834 increase to its revenue requirement.[85]

[75] Ex. 303 at 9 (Stevenson Direct).
[76] Ex. 303 at 9 (Stevenson Direct).
[77] Ex. 303 at 9 (Stevenson Direct).
[78] Ex. 303 at 10 (Stevenson Direct).
[79] Ex. 303 at 10 (Stevenson Direct).
[80] Ex. 301 at 10 (Stevenson Direct).
[81] Ex. 109 at 5 (Burke Rebuttal).
[82] Ex. 109 at 5-6 (Burke Rebuttal).
[83] Ex. 109 at 5-6 (Burke Rebuttal).
[84] Ex. 109 at 6 (Burke Rebuttal).
[85] Ex. 109 at 6 (Burke Rebuttal).

66. The OAG argued that Greater Minnesota Gas's forecasting methodology was unreasonable for two reasons.

67. First, the OAG argued that it is unreasonable to forecast all new customer additions as residential if not all new customers might be residential because that results in an inaccurate customer count forecast.[86] An inaccurate customer count forecast results in an inaccurate sales forecast and inaccurate revenue deficiency because small commercial customers use more gas than residential customers.[87] It could also result in an inaccurate Class Cost of Service Study because different customers have different costs, so misclassifying customers for the purpose of forecasting results in inaccurate class costs.[88] Because both revenues and costs are made inaccurate by an inaccurate customer count forecast, the revenue deficiencies for each class also become inaccurate.[89]

68. Second, the OAG argued that the methodology is unreasonable because it contradicts Greater Minnesota Gas's history of adding an average of approximately 30 small commercial customers each year.[90]

69. The OAG argued that an update to the sales forecast using 2024 actuals would be reasonable only if (1) the test year still included growth in both the residential and small commercial class; and (2) the cost of service, including rate base, and operating expenses were also recalculated to reflect the lower customer count.[91] The OAG observed that Greater Minnesota Gas only recalculated its revenues and the cost of gas, but not its cost or service or operating costs, meaning that Greater Minnesota Gas's proposal to recalculate only revenues would improperly inflate the revenue requirement.[92] The OAG therefore argued that the original forecast should be used, but that the small customer count should be increased from 946 to 990.[93]

70. Greater Minnesota Gas has not carried its burden to prove that its sales forecast is just and reasonable.

71. Greater Minnesota Gas's methodology of forecasting an increase solely of 400 residential customers is unreasonable because it does not reflect Greater Minnesota Gas's historical growth. Greater Minnesota Gas has grown by an average of between 389 and 429 residential customers per year since 2008, and by an average of 30 small commercial customers per year between 2019 and 2023. While Greater Minnesota Gas has not identified potential small commercial customer growth in 2025, it also

[86] Ex. 305 at 2 (Stevenson Surrebuttal).
[87] Ex. 305 at 2 (Stevenson Surrebuttal).
[88] Ex. 305 at 3 (Stevenson Surrebuttal).
[89] Ex. 305 at 2-3 (Stevenson Surrebuttal).
[90] Ex. 305 at 4-5 (Stevenson Surrebuttal).
[91] Ex. 305 at 4 (Stevenson Surrebuttal).
[92] Ex. 305 at 4 (Stevenson Surrebuttal).
[93] Ex. 305 at 10 (Stevenson Surrebuttal).

had not identified small commercial customer growth in the remainder of 2024, yet it grew to 996 such customers in that time.

72. Greater Minnesota Gas's proposal to recalculate its test year sales forecast and revenue requirement based on its 2024 actual customer counts is also not reasonable. Greater Minnesota Gas recalculated test year sales, but did not recalculate the test year cost of service or operating expenses. There is therefore no reliable record basis upon which to recalculate the entire customer count forecast using updated 2024 actual customer counts.

73. The Commission should therefore increase Greater Minnesota Gas's test year small commercial customer count from 946 to 990, but make no other changes to the customer count.

B. SALES FORECAST REQUIREMENTS FOR GREATER MINNESOTA GAS'S NEXT RATE CASE

74. The OAG expressed concern that Greater Minnesota Gas's sales forecast methodology lacked statistical support.[94] The OAG explained that utilities usually weather normalize their historical sales and sales forecasts to be able to compare because gas usage varies between warmer and colder years.[95] The OAG also explained that Greater Minnesota Gas did not conduct its sales forecast using economic and demographic data, whereas other utilities do.[96]

75. For its next rate case, the OAG recommended that Greater Minnesota Gas be required to weather normalize sales in its test year and use demographic and economic variables to project customer counts and sales for the residential and small business classes in its test year(s).[97]

76. Greater Minnesota Gas did not respond to this recommendation by the OAG in testimony. Greater Minnesota Gas's Gas Jurisdictional Annual Report suggests that Greater Minnesota Gas does weather normalize sales for that report.[98]

77. Requiring Greater Minnesota Gas to weather normalize its test year and use demographic information and economic variables to make the sales forecast in its next rate case more robust is just and reasonable.

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[94] Ex. 303 at 13 (Stevenson Direct).
[95] Ex. 303 at 14 (Stevenson Direct).
[96] Ex. 303 at 15 (Stevenson Direct).
[97] Ex. 305 at 25 (Stevenson Surrebuttal).
[98] *2023 Gas Jurisdictional Annual Reports*, MPUC Docket No. G-022/PR-24-02, Greater Minnesota Gas 2023 GJAR, sh. 30-Statement of Income (May 01, 2024)(eDocket No. 20245-206219-01).

78. The Commission should order Greater Minnesota Gas to weather normalize its test year and use demographic information and economic variables to make the sales forecast in its next rate case more robust.

IV. INTERRUPTIBLE CUSTOMERS

79. Greater Minnesota Gas offers lower rates to its interruptible customers to reflect the fact that these customers do not receive firm service and may need to curtail consumption during a system peak.[99]

80. Interruptible customers provide a benefit to the distribution system because they allow utilities to plan for lower overall peaks, which could enable reduced investment in physical infrastructure and capacity-related contracts. In addition, by curtailing customers on the coldest days, utilities can avoid buying gas when it is most expensive.[100]

81. Interruptible customers also affect the Class Cost of Service Study. Because they are supposed to interrupt their use on peak days, they are not allocated demand costs.[101]

82. Greater Minnesota Gas's tariff states that "Delivery of gas hereunder shall be subject to curtailment whenever requested by the Company."[102]

83. The OAG observed that Greater Minnesota Gas rarely asks its interruptible customers to curtail their usage, and even when Greater Minnesota Gas does ask them to curtail, many do not. The OAG explained that Greater Minnesota Gas had an average of 90 interruptible customers each year from 2019 to 2023.[103] Greater Minnesota Gas has never called on more than nine customers to curtail.[104] No more than four customers have ever curtailed at one time.[105]

84. The OAG argued that this means that these customers receive an unduly preferential rate, because they receive a discount but do not provide the benefit to the system for which they receive the discount.[106]

85. The OAG recommended that Greater Minnesota Gas should (1) not offer interruptible service to its seasonal users; (2) move some of its interruptible customers to firm rates or modify its demand entitlement process to reflect that its interruptible customers rarely interrupt, and (3) that it should communicate to its interruptible customers that it may ask them to interrupt for economic reasons.[107]

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[99] Ex. 303 at 58-59 (Stevenson Direct).
[100] Ex. 303 at 60 (Stevenson Direct).
[101] Ex. 303 at 63 (Stevenson Direct).
[102] Ex. 303 at 63 (Stevenson Direct).
[103] Ex. 303 at 60 (Stevenson Direct).
[104] Ex. 303 at 60 (Stevenson Direct).
[105] Ex. 303 at 60 (Stevenson Direct).
[106] OAG Initial Br. at 22.
[107] Ex. 303 at 65.

86. Greater Minnesota Gas argued that interruptible customers provide a benefit to the distribution system and should receive lower rates for the benefit they provide.[108] Greater Minnesota Gas asserted that it would need to incur more costs to lay more pipes if it moved interruptible customers to firm service.[109]

87. It also explained that the reason that it rarely interrupts many of its agricultural interruptible customers is that they do not consume gas in the winter, when peaks occur and interruption calls go out.[110] It argued that if its interruptible customers were forced onto firm rates, they may leave the gas system entirely to use more expensive fuels, and that this would hurt other customer classes because the other classes benefit from interruptible customers' sales.[111]

88. The OAG responded that it was unlikely that Greater Minnesota Gas would need to build out its distribution system more because the fact that interruptible customers rarely interrupt demonstrates that the distribution system can already handle them as if they received firm service.[112]

89. Additionally, the OAG argued that if seasonal interruptible customers will never be asked to interrupt because they aren't using gas during peak times, they should be placed onto firm rates because is not reasonable to give customers a discount to incentivize behavior they will never engage in.[113] The OAG observed that these customers already receive a benefit for not using gas in the summer in the form of a lower facility fee.[114]

90. Greater Minnesota Gas has not carried its burden to prove that keeping seasonal users on an interruptible rate is reasonable. Seasonal users already receive a benefit for their seasonal use because they receive a lower facility fee charge during their months of nonuse. Furthermore, they do not need an incentive to stop their usage during peak times. They should therefore be moved to firm rates.

91. The ALJ is convinced that it would be reasonable to require Greater Minnesota Gas to move some of its interruptible customers to firm rates, or change its demand entitlement process to reflect that the majority of its interruptible customers do not interrupt usage. The fact that Greater Minnesota Gas does not interrupt the majority of its interruptible customers demonstrates that its interruptible customers do not currently provide a benefit to the system in the form of lower peaks. They should not receive a discount if they do not provide a benefit.

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[108] Ex. 109 at 29 (Burke Direct).
[109] Ex. 109 at 29 (Burke Direct).
[110] Ex. 109 at 29 (Burke Direct).
[111] Ex. 109 at 30 (Burke Direct).
[112] Ex. 305 at 16 (Stevenson Surrebuttal).
[113] Ex. 303 at 63 (Stevenson Direct).
[114] Ex. 303 at 63 (Stevenson Direct).

92. The ALJ is also convinced that it would be reasonable to order Greater Minnesota Gas to inform its customers that it may call interruptions for economic purposes, such as high gas prices, in advance of the 2025-2026 heating season. Greater Minnesota Gas's tariff already allows it to call such interruptions because it requires "curtailment whenever requested by the Company." Because it has not called such interruptions before, its customers should be informed of the possibility.

93. The Commission should order Greater Minnesota Gas to (1) move its seasonal interruptible users to firm rates; (2) move some of its interruptible customers to firm rates or change its demand entitlement process to reflect that the majority of its interruptible customers do not interrupt usage; and (3) before the start of the 2025-2026 heating season, inform its remaining interruptible customers that it may call curtailments for economic reasons such as spikes in the price of gas.

V. CLASS COST OF SERVICE STUDY (CCOSS)

94. An important consideration in apportioning revenue responsibility among customer classes is "class cost of service," or how much it costs the utility to serve each customer class. For this reason, utilities and other rate-case parties develop class-cost-of-service studies ("CCOSSs") to inform their revenue-apportionment recommendations.

95. A CCOSS has three steps. First, costs are *functionalized* into major categories such as production, storage, transmission, and distribution. Then costs are *classified* into categories that represent why those costs were incurred. Generally, these categories are demand-related, energy-related, and customer-related. Finally, costs that can be directly assigned to a specific customer or class are assigned to that customer or class. Costs that cannot be directly assigned to a specific customer or class must be *allocated* to different customer classes using factors created in the CCOSS.[115]

96. While the CCOSS should be based on the real-life engineering principles of Greater Minnesota Gas's distribution system, there are many contestable determinations analysts must make when performing a CCOSS.[116] The Commission has therefore historically relied on multiple different CCOSSS to inform its revenue apportionment decisions.[117]

97. In its previous rate case, Greater Minnesota Gas and the Department agreed that Greater Minnesota Gas would make changes to its CCOSS methodology in its next rate case, and the Commission included this in its final order.[118] These changes included:

[115] Ex. 303 at 18 (Stevenson Direct).
[116] Ex. 303 at 21 (Stevenson Direct).
[117] *In re Appl. of Minn. Power for Auth. to Increase Rates for Elec. Serv. in Minn*., Docket No. E-015/GR-21-335, FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER at 58 (Feb. 28, 2023) (eDocket No. 20232-193486-01).
[118] Ex. 103, CJC-1 at 6 (Chilson Direct).

- classifying and allocating each Distribution-Operation and Maintenance Expenses on the same basis as the relevant basic cost-causing element;
- classifying and allocating General Plant on the same basis as Plant in Service;
- classifying and allocating Real Estate Taxes on the same basis as Plant in Service;
- classifying and allocating Income Taxes on the same basis as Net Taxable Income that fully reflects the CCOSS; and
- providing an explanatory filing identifying, and describing, each classification and allocation method used in the CCOSS and detailing the reasons for concluding that each method is appropriate and superior to other methods considered by the Company. While these explanations could rely, in part, on the Gas Distribution Rate Design Manual of the National Association of Regulatory Utility Commissioners, these explanations should also be based on the Company's specific system requirements (engineering and operating characteristics) and experience.[119]

A. GREATER MINNESOTA GAS'S FIRST CCOSS

98. When Greater Minnesota Gas filed the current rate case, it filed a CCOSS using the same methodology it had used in its previous case, without the changes that it had been ordered to make.[120] Greater Minnesota Gas stated that including those changes would be unduly burdensome.[121]

99. Greater Minnesota Gas's CCOSS classified distribution system costs according to the "minimum system" theory. A minimum system CCOSS attempts to determine the portion of the shared distribution system that is customer-related and not related to gas consumption. In a minimum system study, the utility estimates the cost of the distribution system if it were built with the minimum size equipment, such that it would carry no capacity and all costs of this hypothetical system would therefore be customer-related. Any costs of the real system that are not classified as customer-related in this way are therefore classified as demand-related. No costs are classified as energy-related.[122]

100. The OAG argued that all minimum system studies are flawed because "they assume that the addition of customers is a main driver of distribution system costs," whereas the OAG argues that distribution system costs are driven by the need to meet the peak demand and energy usage of customers.[123]

[119] Ex. 103, CJC-1 at 6 (Chilson Direct).
[120] Ex. 103, CJC-1 at 6 (Chilson Direct).
[121] Ex. 103, CJC-1 at 6 (Chilson Direct).
[122] Ex. 303 at 24 (Stevenson Direct).
[123] Ex. 303 at 24 (Stevenson Direct).

101. The OAG also argued that Greater Minnesota Gas's specific CCOSS was flawed because the OAG contended that Greater Minnesota Gas did not perform a demand adjustment. A demand adjustment is necessary for a minimum system CCOSS because "according to the minimum system method, the hypothetical minimum size main is supposed to carry no capacity, making its cost 100 percent customer-related. Actual mains do carry some capacity, so utilities will model their system with their smallest actual main and then use a demand adjustment to classify a larger portion of the cost of these mains as demand-related. Greater Minnesota Gas uses a 2-inch main for its minimum system, which carries capacity for its customers."[124] Although Greater Minnesota Gas stated that it performed a demand adjustment, neither the OAG nor the Department could identify a demand adjustment in Greater Minnesota Gas's CCOSS.[125]

102. The OAG critiqued Greater Minnesota Gas's CCOSS for including transportation customers, who use Greater Minnesota Gas's distribution system but purchase their gas from third parties, in their underlying rate classes rather than treating them as a separate class. Customers are grouped into classes because customers within a class likely have similar costs and load profiles. The OAG recommended creating a separate transportation rate class because they may cause different costs than the other customers in the underlying classes.[126]

103. The OAG also argued that Greater Minnesota Gas excluded transportation customers from its demand allocator, but that it should not have.[127] The demand allocator allocates costs related to the portion of physical distribution system infrastructure needed to serve customers during system peaks.[128] By excluding transportation customers from the demand allocator, Greater Minnesota Gas failed to allocates these costs to transportation customers even though they use the distribution system during system peaks.[129]

104. Additionally, Greater Minnesota Gas based its demand allocator on data from January 2024 because, like most utilities, it must allocate demand-related costs without knowing actual consumption on peak day because an actual peak day rarely occurs and because it does not have hourly or daily consumption data for most of its customers.[130] Greater Minnesota Gas used January 2024 because the coldest day in the 2023-2024 winter occurred in January 2024.[131]

105. The OAG argued that using this single month was insufficient because Greater Minnesota Gas's peak consumption has not always occurred in January. Greater Minnesota Gas's actual peak consumption occurred in February in 4 of the past 5

[124] Ex. 303 at 27 (Stevenson Direct).
[125] Ex. 303 at 27-28 (Stevenson Direct).
[126] Ex. 303 at 56 (Stevenson Direct).
[127] Ex. 303 at 47 (Stevenson Direct).
[128] Ex. 303 at 47-48 (Stevenson Direct).
[129] Ex. 303 at 48 (Stevenson Direct).
[130] Ex. 303 at 49 (Stevenson Direct).
[131] Ex. 303 at 50 (Stevenson Direct).

years and in 5 of the past 10 years. Greater Minnesota Gas's average use per customer in most of its customer classes over the past five years is higher in February than it is in January.[132]

106. Accordingly, the OAG argued that Greater Minnesota Gas should recalculate its demand allocator using data from both January and February for the previous three years and the test year in order to ensure that the demand allocator is based on a more representative sample of Greater Minnesota Gas's actual system.[133]

B. THE OAG'S ALTERNATIVE CCOSSS

107. The OAG sponsored two alternative CCOSSs. The OAG's CCOSSs reflect the following changes from Greater Minnesota Gas's minimum system CCOSS: First, each of the OAG's CCOSSs reflects two other methodologies that the Commission has used for classifying distribution costs – the Basic Customer Method and the Peak and Average Method. Second, both of the OAG's CCOSSs did the following:

- Classified General Plant costs and depreciation expenses as equally demand-, customer-, and energy-related;
- Included transport customers in the demand allocator.

1. The OAG's Basic Customer CCOSS

108. The Basic Customer method classifies only costs that can be directly attributed to a customer as customer-related. According to the OAG, "this can be part of the cost of meters, service lines, customer accounting as these are the only costs that vary directly with the number of customers. The rest of the distribution system is classified as demand-related."[134]

109. The OAG argued that shared distribution system costs could be classified as demand-related in this way because utilities "must design their systems to meet peak customer demand. The size and design of the shared distribution system must be able to handle the volume and pressure on a day when customer demand is at its greatest."[135]

110. The OAG created a Basic Customer CCOSS that classified shared distribution accounts such as the cost of distribution mains, land and land rights, and measuring and regulating station equipment, as well as the depreciation expense related to these accounts, as 100 percent demand related. It also classified general plant costs as equally demand-, energy-, and customer-related. The OAG still classified services, meters, or house regulators, and the depreciation associated with these accounts as customer-related. The OAG classified operation costs found in FERC accounts 870-881 as mostly demand-related, calculating the customer-related portion by

[132] Ex. 303 at 50 (Stevenson Direct).
[133] Ex. 303 at 50-51 (Stevenson Direct).
[134] Ex. 303 at 32 (Stevenson Direct).
[135] Ex. 303 at 32 (Stevenson Direct).

multiplying the distribution operations cost by the percent of rate base that it classified as customer-related. The remaining costs were classified as demand-related.[136]

2. The OAG's Peak and Average CCOSS

111. The Peak and Average method, like the Basic Customer method, only classifies costs that can be directly attributed to a customer as customer-related. All shared distribution costs are classified as either energy- or demand-related.[137] The reason for this approach is that a distribution system is built to serve two purposes: to deliver gas to ratepayers at all times, suggesting shared costs are partially energy-related, and to meet customer demand during system peaks, suggesting shared costs are partially demand-related.[138]

112. The Peak and Average method seeks to identify which portion of shared distribution costs is energy related, meaning it delivers gas at all times, and which portion is demand related, meaning it meets demand during system peaks. The percent of a main that is used to serve daily energy needs is determined by the system load factor. The system load factor is average consumption divided by peak consumption. It represents the percentage of the main that is used to serve average energy needs. The rest of the distribution system costs are classified as demand-related, as these are the costs necessary to handle system peaks.[139]

113. For its Peak and Average CCOSS, the OAG calculated Greater Minnesota Gas's load factor for the 2025 test year as roughly 31.8 percent, so under this approach, the OAG classified 31.8 percent of distribution costs as energy-related and 68.2 percent of distribution costs as demand related.[140] The OAG found the customer-related portion of shared distribution operations costs in FERC accounts 870-881 by multiplying the distribution operations cost by the percent of rate base that it classified as customer related, and then classifying the remaining costs using the Peak and Average method.[141]

3. The OAG's Other Changes

114. The OAG highlighted other changes it made to both of its CCOSSs that it argued made its CCOSS more theoretically sound.

115. First, the OAG included transportation customers in the demand allocator.[142]

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[136] Ex. 303 at 33-34 (Stevenson Direct).
[137] Ex. 303 at 36 (Stevenson Direct).
[138] Ex. 303 at 36 (Stevenson Direct).
[139] Ex. 303 at 39 (Stevenson Direct).
[140] Ex. 303 at 40 (Stevenson Direct).
[141] Ex. 303 at 40 (Stevenson Direct).
[142] Ex. 303 at 49 (Stevenson Direct).

116. Second, the OAG classified general plant costs as equally customer-, demand-, and energy-related, but observed that classifying them according to either the Basic Customer or Peak and Average method would also be reasonable.[143]

117. General plant includes the costs of land, office furniture, transportation equipment among other costs and are comprised of FERC accounts 389-397.[144] These costs were classified as 100 percent customer-related in Greater Minnesota Gas's CCOSS.[145]

118. The OAG argued that these costs should more appropriately be classified as equally customer-, demand-, and energy-related because they do not vary directly with the number of customers that Greater Minnesota Gas has. The OAG argued that "[m]any of the costs contained in these FERC accounts are necessary for the utility to function but cannot easily be classified as energy-, demand-, or customer-related."[146] The OAG provided the example of an office chair, which is necessary for the utility to function, but which does not vary in direct relation to either the number of customers, energy consumption, or peak demand.[147]

119. The OAG argued that general plant costs could also be classified using the Basic Customer or Peak and Average methods because "the two main purposes of a gas utility are to provide gas service year-round to its customers and to fulfill customer peak demand. The costs contained within FERC accounts 389-397 assist Greater Minnesota Gas fulfill these two basic requirements. Therefore, it would be reasonable to classify these costs as either 100 percent demand-related, as utilities must provide reliable firm service to its customers even on peak days (i.e., the Basic Customer approach), or 31.8 percent energy-related and 62.8 percent demand-related, as utilities must serve customers on all days of the year in addition to peak days (the Peak and Average approach)."[148]

120. While the OAG found any of these three approaches reasonable, it chose to classify general plant costs as equally customer-, demand-, and energy-related.[149]

121. The OAG allocated customer-related costs in the same way that Greater Minnesota Gas. Greater Minnesota Gas weighted the total number of customers in each class by the cost per customer, and then multiplied the weights by the number of customers in each class to created a weighted number of customers per class. The ratio of a class's weighted number of customers was used to allocate customer-related costs.[150]

[143] Ex. 303 at 54 (Stevenson Direct).
[144] Ex. 303 at 53 (Stevenson Direct).
[145] Ex. 303 at 53 (Stevenson Direct).
[146] Ex. 303 at 54 (Stevenson Direct).
[147] Ex. 303 at 54 (Stevenson Direct).
[148] Ex. 303 at 55 (Stevenson Direct).
[149] Ex. 303 at 55 (Stevenson Direct).
[150] Ex. 303 at 51-52 (Stevenson Direct).

122. The OAG found this method to be generally sound, but noted that other utilities conduct a meter and service study to calculate a more precise customer-related cost allocator. The OAG recommended that the Commission decide whether to order Greater Minnesota Gas to track the costs of services and meters by customer class in order to provide more accurate records, which would allow for a more accurate CCOSS.[151]

123. The OAG allocated energy-related costs in the same way as Greater Minnesota Gas.[152]

C. GREATER MINNESOTA GAS'S REVISED CCOSS

124. Greater Minnesota Gas revised its CCOSS in rebuttal testimony. The revised CCOSS included all of the changes that it had been ordered in its previous rate case to make. It discussed three additional changes in testimony: (1) it created a separate transportation customer class for its TR-1 and TR-2 transportation customers; (2) it added TR-1 transportation customers to its CCOSS; and (3) it added the transportation class to the demand allocator so that they would be allocated all demand-related costs except for demand costs from interstate pipelines.[153]

125. The OAG approved of these changes in principle. However, the OAG maintained that several problems remained. First, Greater Minnesota Gas continued to incorrectly allocate costs to the transportation class even after recalculating the demand allocator. Specifically, the OAG believed that Greater Minnesota Gas included only sales from TR-1 customers to allocate demand-related costs, failing to include sales from TR-2 customers.[154] Second, the OAG was concerned with Greater Minnesota Gas's classification of meters.[155] Third, the OAG was concerned that Greater Minnesota Gas did not allocate the demand cost of gas to its interruptible customers.[156]

126. The OAG argued that this could result in overstating the revenue deficiency of non-transportation customers and understating the revenue deficiency of the transportation class.[157] By creating a separate class for transportation customers, Greater Minnesota Gas removed sales revenue from the customer classes they had previously belonged to, which was proper, but by not including all transportation sales in the demand allocator, Greater Minnesota Gas left the transportation class's costs with the other customer classes, unfairly increasing their revenue deficiencies.[158]

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[151] Ex. 303 at 53 (Stevenson Direct).
[152] Ex. 303 at 51 (Stevenson Direct).
[153] Ex. 109 at 24 (Burke Rebuttal).
[154] Ex. 305 at 9 (Stevenson Surrebuttal).
[155] Ex. 305 at 10 (Stevenson Surrebuttal).
[156] Ex. 305 at 10 (Stevenson Surrebuttal).
[157] Ex. 305 at 10 (Stevenson Surrebuttal).
[158] Ex. 305 at 10 (Stevenson Surrebuttal).

127. Greater Minnesota Gas did not change how it classified its meters, but its rebuttal testimony made the OAG concerned about its classification of meter costs. Greater Minnesota Gas stated that it uses meters that can be used across various customer classes, and that it chooses the meter based on the customer's load.[159] The OAG argued that this means that meters should not be classified as 100 percent customer-related, as Greater Minnesota Gas had done, because meter costs vary at least partially in response to load, as opposed to varying in relation exclusively to the number of customers.[160] Thus, the OAG argued that the residential class may have been overallocated costs, increasing its revenue deficiency, because it is the largest customer class.[161]

128. Another critique the OAG raised was that Greater Minnesota Gas did not allocate the demand cost of gas to its interruptible customers. The demand cost of gas is the money a utility spends to reserve enough transportation capacity on transmission pipelines to meet firm customer demand during system peaks.[162]

129. While interruptible customers are not normally allocated the demand cost of gas, the OAG argued that Greater Minnesota Gas's customers should have been allocated it because Greater Minnesota Gas rarely calls on its interruptible customers to curtail. Because the majority of Greater Minnesota Gas's interruptible customers use the system peak during peak conditions, the OAG argued that they should be allocated the demand cost of gas.[163]

130. The most significant change to its CCOSS that Greater Minnesota Gas made in rebuttal was a change that it did not mention in rebuttal testimony. When it created the new transportation class, it removed sales to TR-1 transportation customers from its commodity cost allocator because these customers do not pay Greater Minnesota Gas gas commodity costs.[164] This resulted in shifting $700,000 of commodity costs to the residential class and $100,000 to the small commercial class.[165]

131. The Department and OAG discovered this change on April 4 when Greater Minnesota Gas provided in discovery the unlocked Excel spreadsheet that Greater Minnesota Gas used to create its revised CCOSS.[166] This was five days before the close of discovery and too late to send follow-up formal information requests.[167] The Department emailed Greater Minnesota Gas to ask why it did not address the change

[159] Ex. 109 at 25 (Burke Rebuttal).
[160] Ex. 305 at 10 (Stevenson Surrebuttal).
[161] Ex. 305 at 11 (Stevenson Surrebuttal).
[162] Ex. 305 at 11 (Stevenson Surrebuttal).
[163] Ex. 305 at 11 (Stevenson Surrebuttal).
[164] Ex. 305 at 8 (Stevenson Surrebuttal).
[165] Ex. 305 at 8 (Stevenson Surrebuttal).
[166] At 7-8. (Zajicek Surrebuttal).
[167] FIRST PREHEARING ORDER at 3 (Jan. 22, 2025)(eDocket No. 20251-214251-01).

or otherwise bring it to the Department's attention, and Greater Minnesota Gas responded that it did not mention the change because Greater Minnesota Gas did not support any rate design changes.[168]

132. The OAG stated that the decision to remove TR-1 customers from the commodity cost allocator was theoretically sound, but expressed concern that Greater Minnesota Gas made "a change with such a substantial impact so close to the close of the evidentiary record…where the intervenors had limited ability to conduct additional discovery."[169] The OAG observed that Greater Minnesota Gas "only makes a passing mention of the cost of gas but does not list the change to Greater Minnesota Gas's commodity cost allocator when discussing the three changes Greater Minnesota Gas made to its CCOSS."[170] The OAG argued this called into question the validity of Greater Minnesota Gas's entire CCOSS and the usefulness of any CCOSS in this proceeding.[171]

133. Nevertheless, the OAG updated its CCOSSs in response to Greater Minnesota Gas's rebuttal testimony. The OAG realized that it had inadvertently allocated the demand cost of gas using TR-1 customer sales in its initial CCOSSs and agreed with Greater Minnesota Gas that these customers should not be allocated the demand cost of gas.[172]

134. Because the OAG believed that Greater Minnesota Gas failed to include TR-2 sales in its demand allocator, the OAG estimated TR-2 sales and added it to the demand allocator Greater Minnesota Gas used in its revised CCOSS. The OAG also removed those sales from some non-transportation classes.[173]

135. The OAG also used Greater Minnesota Gas's late-adjusted sales allocator because it appeared that it could be plausible.[174]

136. The OAG apportioned some of the demand cost of gas to interruptible customers because Greater Minnesota Gas rarely interrupts its interruptible customers. The OAG estimated sales to this class during system peaks.[175]

137. Finally, the OAG removed the small commercial sales adjustment that it had made in its CCOSSs in direct testimony. The OAG explained that it still supported its recommendation to increase the small customer count for determining Greater Minnesota Gas's revenue deficiency, but the OAG removed this recommendation

[168] Ex. 209, MZ-S-2 at 1 (Zajicek Surrebuttal).
[169] Ex. 305 at 9 (Stevenson Surrebuttal).
[170] Ex. 305 at 9 (Stevenson Surrebuttal).
[171] Ex. 305 at 11-12 (Stevenson Surrebuttal).
[172] Ex. 305 at 12 (Stevenson Surrebuttal).
[173] Ex. 305 at 12 (Stevenson Surrebuttal).
[174] Ex. 305 at 12 (Stevenson Surrebuttal).
[175] Ex. 305 at 12-13 (Stevenson Surrebuttal).

from its CCOSSs to make its CCOSSs directly comparable to the Department's and Greater Minnesota Gas's.[176]

138. Overall, however, the OAG stressed that the Commission should give more weight to non-cost factors in determining revenue apportionment because every CCOSS in this case ultimately relied on Greater Minnesota Gas's inputs, and given the problems that the OAG identified in its sales forecast and the last-minute change to the sales allocator, the OAG argued that no CCOSS in this case would be particularly reliable.[177]

D. CCOSS CONCLUSION

139. The Administrative Law Judge concludes that the OAG's CCOSSs reflect a reasonable cost classification and allocation methodology and recommends that the Commission use them to inform the revenue apportionment in this case. However, due to the irregularities in the record, and the large changes Greater Minnesota Gas made in rebuttal testimony in particular, the Administrative Law Judge recommends that the Commission place less weight on any CCOSS than it would in rate cases in which the data underlying the CCOSSs is more reliable.

140. For Greater Minnesota Gas's next rate case, the Commission should require Greater Minnesota Gas to list transportation customers as an independent customer class.

141. In addition, for Greater Minnesota Gas's next rate case, the Commission should require Greater Minnesota Gas to use at least three years of historical January and February data, as well as test year January and February data, to calculate its demand allocator.

142. The OAG recommends that the Commission decide whether to order Greater Minnesota Gas to collect meter and service data by class to provide a more accurate CCOSS in its next rate case.

VI. REVENUE APPORTIONMENT

143. After the Commission sets the revenue requirement, it must determine how any increases in approved revenue will be split up among customer classes. This is called revenue apportionment.[178]

144. While the determination of which CCOSS is most reasonable will have some impact on the final revenue apportionment decision,[179] revenue apportionment decisions are guided not only by the cost factors analyzed in the CCOSS, but by numerous noncost

[176] Ex. 305 at 13 (Stevenson Surrebuttal).
[177] Ex. 305 at 13 (Stevenson Surrebuttal).
[178] Ex. 303 at 65 (Stevenson Direct).
[179] Ex. 303 at 65 (Stevenson Direct).

considerations as well.[180] The Commission has stated that itconsiders the totality of the evidence in the record, including evidence on cost causation and non-cost concerns such as: equity, justice, and reasonableness and the avoidance of discrimination, unreasonable preference, and unreasonable prejudice; continuity with prior rates to avoid rate shock; revenue stability; economic efficiency; encouragement of energy conservation; customers' ability to pay; ease of understanding and administration; and cost of service.[181]

145. Each of the parties presented a revenue apportionment recommendation. Greater Minnesota Gas proposed using the same formula for revenue apportionment that it had used in its 2009 rate case, which resulted in approximately equal percent increases for each customer class except the agricultural interruptible class.[182] Greater Minnesota Gas stated that it started with its desired revenue apportionment and then used its CCOSS "as a validation tool" to verify that the revenue apportionment was just and reasonable.[183] Greater Minnesota Gas did not revise its revenue apportionment recommendation in response to its updated CCOSS that it presented in rebuttal testimony.[184]

146. The OAG presented a revenue apportionment that began from its Basic Customer and Peak and Average CCOSSs and then analyzed the statutory requirement that the Commission "consider ability to pay as a factor in setting utility rates"[185] from multiple angles in making its final revenue apportionment recommendation.[186]

147. First, the OAG considered the concept of energy burden, which is defined as the percent of gross income a customer must spend on utility bills, and which enables ratemakers to consider the relative impact of rates on a household's bottom line.[187] The OAG explained that, although there is assistance for low-income households to pay heating bills, the assistance can be difficult to obtain and its funding runs out.[188] Only 23 percent of eligible households in Minnesota received assistance in 2023.[189]

148. The OAG examined county-level income data for the areas that Greater Minnesota Gas serves as well. The majority of Greater Minnesota Gas's residential customers

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[180] *St. Paul Area Chamber of Commerce v. Minn. Pub. Serv. Comm'n*, 251 N.W.2d 350, 358 (Minn. 1977).
[181] *In re Appl. of Minn. Power for Auth. to Increase Rates for Elec. Serv. in Minn.*, Docket No. E-015/GR-21-335, FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER at 50 (Feb. 28, 2023) (eDocket No. 20232-193486-01).
[182] *See* Ex. 103 at 5 (Burke Direct).
[183] Ex. 109 at 26 (Burke Rebuttal).
[184] *See* Ex. 109 at 26-27 (Burke Rebuttal).
[185] Minn. Stat. § 216B.16, subd. 15.
[186] Ex. 303 at 66 (Stevenson Direct).
[187] Ex. 303 at 66 (Stevenson Direct).
[188] Ex. 303 at 67 (Stevenson Direct).
[189] Ex. 303 at 68 (Stevenson Direct).

live in its southern district, which had an average annual income of $54,777.67 in 2023, which is 23 percent below the state average.[190] Incomes are lower in Greater Minnesota Gas's central and northern districts, where the average yearly incomes are approximately $48,844 and $51,034 respectively.[191] The OAG explained that a customer in Greater Minnesota Gas's central district with an average income that uses 180 therms could see a bill of over $200, or more than 4 percent of the customer's monthly income for gas alone.[192] Because gas costs increase in winter, such a customer could experience an even greater energy burden in some months.[193]

149. The OAG also reviewed measures of financial hardship specific to Greater Minnesota Gas's residential customers, including the average past due balances, total late fees collected by Greater Minnesota Gas, and reconnection fees collected by Greater Minnesota Gas.[194] While there was not a clear trend between 2019 and 2023, all three of these metrics increased significantly in 2024, rising higher than in any of the previous 5 years.[195] The OAG expressed particular concern that they rose so high in 2024 despite 2024 having warmer winter temperatures than 2023.[196]

150. Greater Minnesota Gas's residential rates are also higher than residential rates at other utilities. Although Greater Minnesota Gas's customer charge is $1 less than CenterPoint's and $.50 less than Xcel's, its distribution charge is 32 percent higher than CenterPoint's and 27 percent higher than Xcel's even though the other companies recently concluded their own rate cases.[197]

151. The OAG acknowledged that Greater Minnesota Gas is a smaller and more dispersed utility, which could lead to higher rates.[198] It noted, however, that Greater Minnesota Gas referenced two small Wisconsin natural gas utilities in its rate request, and Greater Minnesota Gas's residential distribution charge is significantly higher than both of theirs. Even though the Wisconsin utilities have higher customer charges, Greater Minnesota Gas's distribution charge is so much higher that Greater Minnesota Gas's residential customers' non-gas portion of their bills are still much higher than bills for the Wisconsin utilities' residential customers.[199]

152. In addition to the above, the OAG argued that residential customers are uniquely vulnerable to rate increases compared to other customer classes. This is because, as

[190] Ex. 303 at 68 (Stevenson Direct).
[191] Ex. 303 at 68 (Stevenson Direct).
[192] Ex. 303 at 68-69 (Stevenson Direct).
[193] Ex. 303 at 69 (Stevenson Direct).
[194] Ex. 303 at 69 (Stevenson Direct).
[195] Ex. 303 at 70-71 (Stevenson Direct).
[196] Ex. 303 at 71 (Stevenson Direct).
[197] Ex. 303 at 74 (Stevenson Direct).
[198] Ex. 303 at 75 (Stevenson Direct).
[199] Ex. 303 at 76 (Stevenson Direct).

the Minnesota Supreme Court has observed,[200] customers in other classes have the ability to pass along the cost of a rate increase through their business, whereas residential customers cannot.[201]

153. Finally, the OAG explained that it tried to limit rate shock as much as possible for all customer classes. Rate shock is the concept that large increases in utility rates can cause significant hardship for ratepayers.

154. Greater Minnesota Gas argued that the OAG was overly concerned about its residential customers.[202] First, Greater Minnesota Gas argued that it has lowered energy prices for its customers because many of them previously used propane and heating oil.[203] Greater Minnesota Gas explained that its residential customers would pay more to heat with propane and heating oil even if its rate request was approved in full.[204]

155. Although Greater Minnesota Gas agreed that its rates are higher than the Wisconsin utilities that the OAG cited to, Greater Minnesota Gas argued that those utilities have a "significantly distinct rate base from that of Greater Minnesota Gas."[205] According to Greater Minnesota Gas, the Wisconsin utilities have "mature, depreciated systems" and more services per mile.[206]

156. Greater Minnesota Gas also stated that it had not "seen indications of rate shock" from its residential customers after interim rates went into effect.[207] Specifically, Greater Minnesota Gas stated that it had "not seen any unusual spikes in accounts receivable or in customers not paying their bills."[208]

157. Regarding the ability of ratepayers to pass through costs, Greater Minnesota Gas argued that its commercial customers compete with other businesses that may have lower utility rates, so competitive pressure might prevent Greater Minnesota Gas's commercial customers from passing through the cost of a utility rate increase or could even drive them out of business.[209] Similarly, Greater Minnesota Gas argued that many of its non-residential customers are related to the agricultural and poultry industries, but that there are more production facilities than there is demand for

[200] *St. Paul Area Chamber of Com. v. Minn. Pub. Serv. Comm'n*, 251 N.W.2d 350, 355 (Minn. 1977) ("[i]t is not a leap of logic to then say that for the most part commercial users of electricity are more 'able to pay' a rate increase then residential users.").
[201] Ex. 303 at 77 (Stevenson Direct).
[202] Ex. 107 at 1 (Chilson Surrebuttal).
[203] Ex. 107 at 2 (Chilson Surrebuttal).
[204] Ex. 107 at 2-3 (Chilson Surrebuttal).
[205] Ex. 109 at 30 (Burke Rebuttal).
[206] Ex. 109 at 30 (Burke Rebuttal).
[207] Ex. 107 at 3 (Chilson Surrebuttal).
[208] Ex. 107 at 3 (Chilson Surrebuttal).
[209] Ex. 107 at 4 (Chilson Surrebuttal).

poultry and that farmers may decide to truck their crops to drying facilities rather than using the drying facilities on their farms.[210]

158. The OAG agreed that there were differences between the Wisconsin utilities and Greater Minnesota Gas, but observed that Greater Minnesota Gas had not provided evidence of the extent to which services per mile and the age of each utility's infrastructure are responsible for Greater Minnesota Gas's higher rates.[211] The OAG also observed that Greater Minnesota Gas used the Wisconsin utilities as a point of comparison for their Return on Equity (ROE) and expressed skepticism that they "should be used to justify Greater Minnesota Gas's recommended ROE but not to show that Greater Minnesota Gas charges higher rates to its customers."[212]

159. In addition, Greater Minnesota Gas disconnected more customers in 2024 than it had disconnected since 2016.[213]

160. The OAG also reported that, while reviewing Greater Minnesota Gas's residential disconnection data, the OAG noticed that Greater Minnesota Gas had not made any filings in MPUC Docket Nos. E, G-999/PR-24-02 or E, G-999/PR-25-02. The OAG's expert explained that not having the required reports made his review of the impact of Greater Minnesota Gas's proposed rate increases on the residential class more difficult.[214]

161. All regulated utilities in Minnesota must file residential disconnection-related data in the yearly YR-02 dockets.[215] Greater Minnesota Gas's failure to provide this relevant information prejudiced OAG's ability to assess the financial impacts of Greater Minnesota Gas's rates on residential customers.

162. Although the OAG was not convinced by Greater Minnesota Gas's arguments regarding noncost factors, the OAG did update its revenue apportionment recommendation in response to the CCOSS updates that it made in surrebuttal.[216] The OAG's final revenue apportionment recommended smaller rate increases to the residential and small commercial classes than to other rate classes, but the largest rate increase it recommended was the same as Greater Minnesota Gas's largest rate increase, which was 11.32 percent for the interruptible agricultural class.[217]

163. The OAG's final revenue apportionment recommendation is shown in the figure below. It depicts what the OAG's recommended class increases would be for Greater

[210] Ex. 107 at 4 (Chilson Surrebuttal).
[211] Ex. 305 at 20-21 (Stevenson Surrebuttal).
[212] Ex. 305 at 21 (Stevenson Surrebuttal).
[213] Ex. 305 at 23 (Stevenson Surrebutal).
[214] Ex. 305 at 25 (Stevenson Surrebuttal).
[215] Minn. Stat. § 216B.091; Minn. Stat. § 216B.096, subd. 11.
[216] Ex. 305 at 18 (Stevenson Surrebuttal).
[217] Ex. 305 at 19 (Stevenson Surrebuttal); Ex. 303 at 81 (Stevenson Direct).

Minnesota Gas's initial requested revenue requirement. If the final approved revenue requirement is lower than Greater Minnesota Gas's request, the OAG recommended that the Commission reduce all of the rate increase proportionally.

The OAG's Revised Revenue Apportionment Recommendation[218]

Rate Class	Present Rates - Total	Activation Fees/Reconnect Fees	Revenue (Shortfall) Overage	Base Rate increase	Final Revenue
Total	$ 18,369,386.42	$ 34,700.00	$ (1,422,432.84)	7.74%	$ 19,826,543.77
Residential	$ 9,879,302.28	$ 34,700.00	$ (845,128.49)	6.40%	$ 10,546,277.63
Small Commercial	$ 1,270,892.85	$ -	$ (88,109.58)	7.00%	$ 1,359,855.35
Commercial	$ 451,074.16	$ -	$ (97,546.88)	11.00%	$ 500,692.32
Medium Industrial	$ 488,439.56	$ -	$ (63,588.99)	10.50%	$ 539,725.71
Large Industrial	$ 3,294,180.45	$ -	$ (156,233.98)	9.00%	$ 3,590,656.69
Interruptible Industrial	$ 587,390.13	$ -	$ 133,113.08	8.50%	$ 637,318.29
Interruptible Agricultural	$ 871,592.80	$ -	$ 67,215.46	11.32%	$ 970,257.11
Transport	$ 1,526,514.18	$ -	$ (372,153.46)	10.17%	$ 1,681,760.67

164. The Administrative Law Judge recommends that the Commission adopt the OAG's revenue apportionment recommendation. The OAG's recommendation reasonably balances class cost allocations in its CCOSSs and noncost factors such as ability to pay, and would result in just and reasonable rates. Because the OAG's revenue apportionment table depicts the revenue apportionment with Greater Minnesota Gas's full increase, however, the Commission should instead use the relative increases provided in the OAG's recommendation applied to the ultimate revenue requirement that the Commission determines is reasonable.

VII. RATE DESIGN

165. Greater Minnesota Gas requested an approximately 15 percent increase to its customer charge, which it calls a facility fee, for all customer classes, although each class's percent increase varied slightly.[219] A customer charge relates to the costs incurred by a utility to connect a customer to the distribution system.[220] Greater Minnesota Gas's request would raise the residential customer facility fee from $8.50 per month to $9.75 per month and the small commercial class facility fee from $10 per month to $11.50 per month.[221]

166. The OAG analyzed Greater Minnesota Gas's costs and determined that residential customers likely imposed between $11.55 and $14.93 in customer-related costs per month, although the OAG explained that its calculation was not necessarily correct due to the limitations of Greater Minnesota Gas's data.[222] While this level of cost

[218] Ex. 305 at 19 (Stevenson Surrebuttal).
[219] Ex. 103 at 5 (Burke Direct).
[220] Ex. 303 at 82-83. (Stevenson Direct).
[221] Ex. 103 at 5 (Burke Direct).
[222] Ex. 303 at 88 (Stevenson Direct).

taken alone offered support for Greater Minnesota Gas's facility fee increase,[223] the OAG cautioned that an increase in the facility fee disincentivizes conservation.[224]

167. Minnesota law requires that "to the maximum reasonable extent, the Commission shall set rates to encourage energy conservation[.]"[225] The OAG demonstrated that an increase in the facility fee would discourage conservation. Once the revenue requirement is set, it can be recovered through either the fixed facility fee or a volumetric distribution charge, and a higher facility fee will mean a lower distribution charge.[226] A lower distribution charge means a lower marginal cost of gas, which encourages greater consumption.[227]

168. The OAG recommended that Greater Minnesota Gas's facility fee increase be approved only if Greater Minnesota Gas's full rate request is approved. If less than the full request is approved, the OAG recommended that the increase to the facility fee be reduced before the increase to the distribution charge is reduced.

169. The Administrative Law Judge recommends the Commission adopt the OAG's recommendation to apply any reduction in the approved revenue requirement by reducing the increase to the facility fee before reducing the distribution charge. The OAG's proposal reasonably balances the cost of service with the legal requirement that rates should incentivize conservation to the maximum reasonable extent.

VIII. RECONNECTION FEES

170. Greater Minnesota Gas charges a $75 reconnection fee before it will reconnect customers who have been disconnected for nonpayment.[228]

171. The OAG observed that this is a higher reconnection fee than other Minnesota utilities, as Xcel charges $22.50 to reconnect and CenterPoint charges $28. The OAG suggested that Greater Minnesota Gas's reconnection fee could prevent customers from reconnecting their gas after falling behind on bills. The OAG recommended lowering the reconnection fee.[229]

172. Greater Minnesota Gas argued that it incurs $87.67 in costs to reconnect a customer, meaning that the reconnection fee does not fully cover the cost of reconnection. It also argued that comparing its reconnection fee to Xcel and CenterPoint was unfair because their customer bases are more metropolitan and their employees do not have to travel for as long to reconnect customers.[230]

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[223] Ex. 303 at 88 (Stevenson Direct).
[224] Ex. 303 at 85 (Stevenson Direct).
[225] Minn. Stat. § 216B.03.
[226] Ex. 303 at 85 (Stevenson Direct).
[227] Ex. 303 at 85 (Stevenson Direct).
[228] Ex. 303 at 72 (Stevenson Direct).
[229] Ex. 303 at 72 (Stevenson Direct).
[230] Ex. 109 at 34 (Burke Rebuttal).

173. In response, the OAG recommended reducing Greater Minnesota Gas's reconnection fee to $50 and allowing customers to pay the fee over the course of two months, $30 the first month, and $20 the second month.[231] The OAG made two arguments in support of its proposal. First, reconnecting customers is in Greater Minnesota Gas's best interest because a disconnected customer does not provide any revenues to Greater Minnesota Gas, but once a customer is reconnected, that customer's revenues will defray the costs incurred to reconnect the customer. Second, the OAG argued that reconnection fees do not need to be entirely based on cost, and customers who are disconnected might be prevented from reconnecting solely due to the high upfront cost.[232]

174. The OAG additionally recommended that if the reconnection fee remains $75, the Commission should require Greater Minnesota Gas to allow its customers to pay the reconnection fee over the course of three months, with $30 due the first month, $25 due the second month, and $20 due the third month so that a disconnected customer does not have an upfront surcharge of more than $30.[233]

175. The Administrative Law Judge recommends that the Commission adopt the OAG's recommendation to lower Greater Minnesota Gas's reconnection fee to $50 and to require Greater Minnesota Gas allow its customers to pay the reconnection fee in installments of $30 the first month and $20 the second month. This will lower the barrier to reconnection for customers for whom the $75 reconnection fee was too high an upfront cost.

IX. RESOLVED ISSUES

A. AMR RETIREMENTS AND DEPRECIATION EXPENSE

176. The OAG raised two concerns regarding meters and AMR units related to FERC Account 381 that it requested Greater Minnesota Gas explain in rebuttal testimony. The OAG observed that (1) there were no plant retirements in the test year; and (2) Greater Minnesota Gas included the plant balance and depreciation expense for FERC Account 381 even though the OAG understood that FERC Account 381 would be fully depreciated by the end of 2025.[234]

177. Regarding the first concern, Greater Minnesota Gas replied that it historically does not budget for retirement of its facilities because its system is new and it doesn't have sufficient history to accurately predict retirements. Regarding retirements for FERC Account 381 specifically, it explained that, "as AMR units are replaced, they will be tracked and retired from the accounts where they were originally capitalized."[235]

[231] Ex. 305 at 23 (Stevenson Surrebuttal).
[232] Ex. 305 at 24 (Stevenson Surrebuttal).
[233] Ex. 305 at 24 (Stevenson Surrebuttal).
[234] Ex. 302 at 2 (Lee Surrebuttal).
[235] Ex. 109 at 21 (Burke Rebuttal).

178. The OAG observed that the Commission also reviews plant retirements in Greater Minnesota Gas's depreciation docket. Thus, the OAG stated that the issue could reasonably be addressed in Greater Minnesota Gas' next depreciation study filing.[236]

179. Regarding the concern about depreciation expense for FERC Account 381, Greater Minnesota Gas demonstrated that meters that were put into service in that account will not be fully depreciated by the end of 2025 by providing a depreciation expense analysis for the units in FERC Account 381. This analysis showed that the balances will not be fully depreciated until 2039.[237]

180. These two concerns of the OAG were therefore resolved and no action by the Commission is required.

B. SALES FORECAST – LARGE CUSTOMER REPORTING

181. In reviewing Greater Minnesota Gas's sales forecast, the OAG observed that Greater Minnesota Gas did not forecast any increase in the customer count for its large customers.[238]

182. The OAG opined that this could be a reasonable assumption for this sales forecast because the number of large customers Greater Minnesota Gas has added since 2019 has remained relatively constant.[239] However, the OAG also explained that Greater Minnesota Gas has seen "small but real growth in it is commercial, industrial and agricultural classes."[240]

183. The OAG was concerned that, if Greater Minnesota Gas did not forecast large customer growth but then did sign up a large customer, it could significantly exceed its revenue requirement, and inequities between customer classes could result because Greater Minnesota Gas uses each class's share of overall consumption to allocate some costs.[241] Adding a large customer means that that customer class's share of consumption would increase, but allocation of costs would not be updated until Greater Minnesota Gas's next rate case.[242]

184. The OAG recommended that the Commission order Greater Minnesota Gas to making a filing in this rate case docket if it added a large volume customer after the rate case concluded.[243]

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[236] Ex. 302 at 3 (Lee Surrebuttal).
[237] Ex. 302 at 4 (Lee Surrebuttal).
[238] Ex. 303 at 11 (Stevenson Direct).
[239] Ex. 303 at 11 (Stevenson Direct).
[240] Ex. 303 at 11 (Stevenson Direct).
[241] Ex. 303 at 12 (Stevenson Direct).
[242] Ex. 303 at 13 (Stevenson Direct).
[243] Ex. 303 at 13 (Stevenson Direct).

185. Greater Minnesota Gas argued that informing the Commission of new large customers would not provide meaningful information to the Commission and would be unduly burdensome.[244] Greater Minnesota Gas also argued that the same information is reported in Greater Minnesota Gas's Gas Jurisdictional Annual Report (GJAR).[245]

186. The OAG responded that the information would be useful to the Commission because, if Greater Minnesota Gas added large volume customers, it would likely increase revenues above its revenue requirement. Its rates could then be adjusted to help existing customers, but Greater Minnesota Gas would not adjust rates until it filed a new rate case. Rates for existing customers would then remain too high until Greater Minnesota Gas or the Commission initiated a new rate case.[246]

187. The OAG also argued that the GJAR, while it does contain some information about customer class sales, does not break the information down by individual customer, and the data in the GJAR does not match Greater Minnesota Gas's rate classes. This means it could be difficult to assess the impact of a new large volume customer on Greater Minnesota Gas's sales and revenues because it would be aggregated with all other large volume customers. Furthermore, it would be challenging to figure out which rate class this new customer would take service under, as the GJAR customer categories do not match Greater Minnesota Gas's rate classes.[247]

188. Despite its concerns, the OAG agreed to drop the recommendation that Greater Minnesota Gas make a filing when it adds a new large customer because, although the GJAR does not have granular data, it provides enough information to identify if there is a large spike in sales.[248]

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Respectfully submitted,

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[244] Ex. 109 at 7 (Burke Rebuttal).
[245] Ex. 109 at 7 (Burke Rebuttal).
[246] Ex. 305 at 5-6 (Stevenson Surrebuttal).
[247] Ex. 305 at 6 (Stevenson Surrebuttal).
[248] Ex. 305 at 6 (Stevenson Surrebuttal).

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