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

**FOR THE MINNESOTA PUBLIC UTILITIES COMMISSION
121 7th Place East
Suite 350
St. Paul, Minnesota 55101-2147**

MPUC Docket No. G011/GR-13-617

*In The Matter Of a Petition by Minnesota Energy Resources Corporation
for Authority to Increase Natural Gas Rates in Minnesota*

**RECOMMENDED DECISION ALTERNATIVES OF THE OFFICE OF THE
ATTORNEY GENERAL-ANTITRUST AND UTILITIES DIVISION**

September 19, 2014

**STATE OF MINNESOTA
OFFICE OF ADMINISTRATIVE HEARINGS
FOR THE
PUBLIC UTILITIES COMMISSION**

In The Matter Of a Petition by Minnesota
Energy Resources Corporation for Authority to
Increase Natural Gas Rates in Minnesota

MPUC Docket No. G011/GR-13-617

**RECOMMENDED DECISION ALTERNATIVES OF THE OFFICE OF THE
ATTORNEY GENERAL-ANTITRUST AND UTILITIES DIVISION**

The Office of the Attorney General – Antitrust and Utilities Division submits these Recommended Decision Alternatives in order to assist the Commission in its deliberations regarding Minnesota Energy Resources Corporation’s (“MERC”) request to increase rates. The following recommended Decision Alternatives represent the recommendations made by the OAG in its filed testimony, briefs, and exceptions to the ALJ’s Report. To the extent that the Decision Alternatives refer to, without reproducing in full, the OAG’s recommended changes to the ALJ’s Report, the full text of the OAG’s recommended changes can be found in the OAG’s Exceptions.

Additionally, the OAG believes that a clarification may be warranted for Decision Alternative 175. Given that Decision Alternative 174 already provides the Commission with the opportunity to accept MERC’s CCOSS, and given that Alternative 175 continues to suggest that the Commission adopt several of the modifications proposed by the OAG, it appears that Alternative 175 may have been intended to be an option to “Reject MERC’s CCOSS,” rather than to accept it. The OAG agrees that MERC’s CCOSS should be rejected, and that if it is rejected the Commission should consider the OAG’s modifications to Findings 626, 628, 629,

636, 637, and 638. If the OAG has correctly interpreted the true intention of Alternative 175, then the OAG recommends that the Commission adopt it; if not, then the OAG recommends that the Commission create a new Decision Alternative and reject MERC's CCOSS as inaccurate.

With that clarification, the OAG recommends that the Commission adopt the following Decision Alternatives:

Issue	OAG's Preferred Decision Alternative
ALJ Report	2
Property Tax Expense	4; 5 a, b, c, d
Unamortized Rate Case Expense	7
Non-Fuel O&M Expense	17
System Mapping Project	18
Travel, Entertainment, and Related Employee Expenses	21; 22; 23
Deferred Tax Asset for Net Operating Loss Carryforward	25
IBS Customer Relations	27a, as modified by MERC, a, b, c; 28; In the alternative, 29 or 31
Depreciation and Return on Cross Charges	34 In the alternative, 35
Uncollectible Expense	51; In the alternative, 54
Cost of Equity – Risk	114, including modification to Finding 112; In the alternative, 112
Cost of Equity – Method	116, and strike Finding 173
Cost of Equity – Growth Rate	121, strike Finding 122, and adopt modified Findings 120, 121, and 123
Cost of Equity – Dividend Yield	123
Cost of Equity – Market to Book	128; In the alternative, 129 or 130
Cost of Equity – Flotation Cost	132, strike Findings 98, 99, and 100, and adopt modified Finding 97; In the alternative, 131
Cost of Equity – Clarifications	134 a, b, c
Cost of Equity – Overall	138, strike Findings 172, 173, and 174, and adopt modified Finding 172
Cost of Capital – Overall	145
CCOSS – Precision	153, strike Finding 650 and 651
CCOSS – Income Tax Allocation	155; 158 In the alternative, 156 and 158
CCOSS – Meter Reading	162, including modification to Finding 649

CCOSS – Customer Records and Collection	164, including modification to Findings 643 and 644
CCOSS – Distribution Main Study	166, 169, 170, including modifications to Finding 631 and 634; In the alternative, 168
CCOSS – Distribution Main Allocation	172, including modification to Findings 626, 628, 629, 636, 637, and 638
CCOSS - Overall	175 (reject MERC’s CCOSS), 177, including modifications to Findings 626, 628, 629, 636, 637, and 638 In the alternative, 173.
CCOSS – Data Collection	179, 180, including modification to Finding 628 as necessary
CCOSS – Clarification	182, strike Finding 637
Revenue Apportionment	183, 185, 186, including modification of Finding 660 and additional findings suggested by OAG
Residential Basic Charge	188, strike Finding 676, include modification to Finding 668 and additional Findings suggested by OAG in exceptions
Large Customer Fixed Charge	190, including modification to Findings 669, 670, and 677
Housekeeping and Compliance	195, 196, 197,

Dated: September 19, 2014

Respectfully submitted,

LORI SWANSON
Attorney General
State of Minnesota

/s/ Ryan P. Barlow

RYAN P. BARLOW
Assistant Attorney General
Atty. Reg. No. 0393534

445 Minnesota Street, Suite 1400
St. Paul, Minnesota 55101-2131
(651) 757-1473 (Voice)
(651) 297-7206 (TTY)

ATTORNEYS FOR OFFICE OF THE
ATTORNEY GENERAL-ANTITRUST AND
UTILITIES DIVISION