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

EXCEPTIONS OF THE OFFICE OF THE ATTORNEY GENERAL—RESIDENTIAL UTILITIES DIVISION TO THE SUMMARY OF PUBLIC TESTIMONY, FINDINGS OF FACT, CONCLUSIONS OF LAW AND RECOMMENDATION OF THE ADMINISTRATIVE LAW JUDGE

July 31, 2025

TABLE OF CONTENTS

INTRODUCTION

The Administrative Law Judge's Summary of Public Testimony, Findings of Fact, Conclusions of Law and Recommendation ("ALJ Report") is unique among recent rate cases. The ALJ recommends granting Greater Minnesota Gas ("GMG") almost every request that GMG did not voluntarily drop: from GMG's original request to increase revenues by approximately $1.4 million,[1] the ALJ recommends approving an increase of approximately $1.36 million,[2] using GMG's revenue apportionment from its rate case 15 years ago.[3]

The ALJ made this recommendation despite not only GMG's failure to meet its burden of proof with competent evidence, but its repeated failure to disclose all relevant facts to the Department of Commerce, OAG, and the Commission. Evidence provided by the Office of the Attorney General—Residential Utilities Division (OAG), on the other hand, shows that the Commission should limit GMG's rate increase by adjusting GMG's forecasted expenses and rate base, and by adjusting its sales forecast. The Commission should also adopt the OAG's revenue apportionment and rate design recommendations, which align better with reasonable measures of cost-causation and longstanding ratemaking principles than GMG's proposal. Whereas GMG largely failed to support its request, the OAG's recommendations are grounded in strong methodology and analysis, and will produce a just and reasonable result for ratepayers and GMG alike.

LEGAL STANDARD

Agency decision makers, including the Commission, are not bound by the recommendations of an ALJ. Instead the Commission must employ its expertise to render an

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[1] Summary of Public Testimony, Findings of Fact, Conclusions of Law and Recommendation ¶ 4 ("ALJ Report").
[2] ALJ Report at 2.
[3] ALJ Report ¶ 327.

independent decision.[4] Only the Commission has the "experience, technical competence, and specialized knowledge" necessary to evaluate "the evidence in the hearing record."[5] This is doubly true for an area like public utilities regulation generally, and rate cases specifically, where specialized knowledge and judgment take center stage and factual disputes are often limited.[6]

Under this framework, the Commission "is not bound by the findings and recommendations of the hearing examiner" and may "make new findings and decide contrary to the hearing examiner's recommendation."[7] The Commission must only explain its reasons for modifying or rejecting ALJ findings.[8] Indeed, the Commission is obligated to exercise its judgment to reach an independent decision.[9] In this case, that necessitates rejecting, modifying, or supplementing many of the ALJ's findings because they do not fully set out the facts in the record, do not appropriately apply the burden of proof, or fail to apply long-standing Commission practice.

I. THE ALJ'S REPORT MISTAKES GMG FOR AN INEXPERIENCED LITIGANT AND MISAPPLIES THE BURDEN OF PROOF.

GMG is no novice to the regulatory structure it has agreed to work under. It first became regulated over 20 years ago, when it informed the Commission that it was large enough to come under the Commission's jurisdiction.[10] The Commission's first order regarding GMG required it

[4] *City of Moorhead v. Minn. Pub. Utilities Comm'n*, 343 N.W.2d 843, 846 (Minn. 1984).
[5] Minn. Stat. § 14.60, subd. 4.
[6] Indeed, the Governor must consider in appointing commissioners whether they are "learned in the law" or "have engaged in the profession of engineering, public accounting, property and utility valuation, finance, physical or natural sciences, production agriculture, or natural resources." Minn. Stat. § 216A.03, subd. 1.
[7] *Hymanson v. City of St. Paul*, 329 N.W.2d 324, 326–27 (Minn. 1983).
[8] Minn. Stat. § 14.62, subd. 1.
[9] *City of Moorhead v. Minn. Pub. Utilities Comm'n*, 343 N.W.2d 843, 846 (Minn. 1984).
[10] *In re Greater Minnesota Gas, Inc. Extending Service to More than 2,000 Customers and Becoming Subject to Minn. Laws, Ch. 216B*, MPUC Docket No. G-022/M-03-117, ORDER AUTHORIZING RATES, REQUIRING GENERAL RATE CASE AND OTHER FILINGS at 1 (Aug. 28, 2003) (eDocket No. 1555490).

to backfile certain missed regulatory filings and to file its first rate case in 2004.[11] The instant rate case is GMG's fourth, and it has a wealth of experience and knowledge it can draw from in conducting a rate case. It has been advised by some of the most experienced utility legal counsel in the state for all four cases.[12] Likewise, its leadership are experienced utility professionals. Its current president has worked for utilities regulated by the Commission since 2008,[13] its CEO has worked in the energy industry for over 40 years,[14] and its Corporate Controller worked in the natural gas industry for 18 years before joining GMG.[15]

Yet despite its history of regulation and decades of combined regulatory experience amongst its leadership, GMG has failed to support many aspects of its case. Key facts informing the testimony in its initial filing were left out, and in some instances not clarified until rebuttal testimony or later despite ample opportunities to explain earlier in discovery. Additionally, some of GMG's statements made in testimony were later modified or contradicted by its own discovery responses.

GMG has made much of what it believes is its "unique" nature among Minnesota utilities, arguing that the OAG and the Department "seem to be treating the Company as if" it was a "typical investor-owned utility."[16] However, all utilities are required by statute to prove that their requested rate increases are just and reasonable, and important questions were raised by GMG's inconsistent discovery responses and testimony that OAG and the Department have a duty to address. Nevertheless, GMG's CEO suggested that requests that GMG support its case and provide the

[11] *Id.* at 3.
[12] *See generally* MPUC Docket Nos. G-022/GR-04-667, G-022/GR-06-1148, G-022/GR-09-962.
[13] Ex. GMG-103 at 1-3 (Chilson Direct).
[14] Ex. GMG-103 at 1-2 (Palmer Direct).
[15] Ex. GMG-103 at 1 (Burke Direct).
[16] Ex. GMG-112 at 5 (Palmer Rebuttal).

Commission with greater transparency were "solely for the purpose of meeting regulatory requirements."[17]

This resistance to regulation has been manifested in GMG's actions from the outset. For example, even though in its past rate cases the Commission ordered GMG to make changes to its Class Cost of Service Study (CCOSS), GMG simply filed its previous CCOSS as part of its initial filing, arguing that making the required updates would be too burdensome.[18] The ALJ ultimately recommends adopting GMG's CCOSS[19] even though the record demonstrates that GMG's claims of burden[20] were false; GMG was in fact able to produce a competent CCOSS and chose not to.[21]

Meanwhile, GMG had not been making other statutorily-required filings in over a year.[22] After GMG asserted that it had not seen any "unusual spikes in accounts receivable or in customers not paying their bills,"[23] the OAG attempted to verify the number of disconnections using the YR-02 dockets.[24] Instead, the OAG discovered that GMG had not filed any of these reports since at least January 1, 2024,[25] undermining the OAG's ability to assess the impacts of GMG's rate request on its customers.[26]

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[17] Ex. GMG-112 at 6 (Palmer Rebuttal).
[18] Ex. GMG-103, CJC-1 at 6 (Chilson Direct). GMG also cited as a reason for noncompliance that it does not own CCOSS-related software, even though CCOSSs, including GMG's, are often performed in Excel. *See, e.g.,* Ex. OAG-303, CS-D-15 (Stevenson Direct). *See also* Ex. GMG-103, CJC-1 at 5 (Chilson Direct); Ex. DOC-205 at 2-5 (Shah Surrebuttal); Ex. DOC-204 at 7-11 (Shah Direct).
[19] ALJ Report ¶ 319.
[20] ALJ Report ¶ 9.
[21] The issues with GMG's CCOSS are laid out fully later in these Exceptions.
[22] Docket No. G-022/PR-25-02, Supplemental Comments of the Office of the Attorney General – Residential Utilities Division at 3 (May 14, 2025).
[23] Ex. GMG-107 at 3 (Chilson Surrebuttal).
[24] Ex. OAG-305 at 3 (Stevenson Surrebuttal).
[25] Ex. OAG-305 at 3 (Stevenson Surrebuttal).
[26] GMG only filed these reports in the YR-02 docket after both the Citizens' Utility Board and the OAG made note of their failure to do so. Docket No. G-022/PR-25-02, Reply Comments of the Citizens Utility Board of Minnesota and Legal Services Advocacy Project at 9-10 (April 18, 2025); Ex. OAG-305 at 25 (Stevenson Surrebuttal) (April 11, 2025).

The ALJ's recommendations under the heading "Overview of GMG and the Rate Case Filing" repeat many of GMG's claims of uniqueness.[27] GMG argued that the Commission must "consider[] substance over form, facts and impact over labels, and GMG on its own merits[.]"[28] GMG may be the smallest rate-regulated utility in Minnesota, but its business is not small. On the contrary, GMG ended 2024 with over $44 million[29] in average rate base assets and had operating revenues last year of $15.77 million.[30] At the end of 2024, GMG served over 11,000 households and businesses in three different regions across the state, "substantial[ly]" more than it had during its previous rate case.[31] In short, it does substantial enough business to have investors and to be regulated by the Commission. GMG's status as a public utility brings with it certain responsibilities, such as providing sufficient information to assess its rate request and giving candid answers.[32] If it fails to meet its burden of proof with competent evidence, its rate request on those points must be denied.

The ALJ's findings also recommended accepting GMG's argument that its rates may be increased by the full amount because GMG serves customers who previously used propane or fuel oil, which are more expensive sources of heat than gas.[33] But this is not how cost of service regulation works. Just because its customers could be even more energy burdened than they are does not mean that their ability to pay GMG's already high rates is irrelevant.[34] GMG certainly provides a service that is valuable to its customers, but as a rate-regulated utility the question is not whether natural gas is competitive with alternative heating options. The question in a rate case

[27] ALJ Report ¶¶ 30-49.
[28] Ex. GMG-112 at 8 (Palmer Rebuttal).
[29] Ex. OAG-301, SL-D-12 at 2 (Lee Direct).
[30] Ex. GMG-109, RDB-REB 2 (Burke Rebuttal).
[31] Ex. GMG-112 at 7 (Palmer Rebuttal).
[32] Minn. Stat. § 216B.16, subd. 4.
[33] ALJ Report ¶¶ 31-34, 38-42.
[34] *See* Minn. Stat. § 216B.16, subd. 15(a).

is whether the utility has met its burden to show that its rates must increase for it to cover its cost of service plus a reasonable return. It failed to do so.

ANALYSIS

I. THE COMMISSION SHOULD REJECT THE ALJ'S RECOMMENDATION REGARDING GMG'S TEST YEAR SALES FORECAST.

The ALJ's rejection of the OAG's recommendations regarding GMG's sales forecast would result in an artificially inflated revenue requirement. First, the ALJ recommends adopting GMG's updated Test Year sales forecast[35] even though GMG only recalculated its revenues without recalculating its cost of service or operating expenses. Second, the ALJ's finding that GMG "met its burden to demonstrate the reasonableness of its forecasted addition of no small commercial customer accounts"[36] fails to mention that GMG consciously forecasted all new customers as residential customers even if they may not actually belong in that customer class – a choice that both demonstrates a shocking disregard for an accurate factual record, and is contrary to both historical trends and GMG's actual 2024 growth. The result of the ALJ's recommendations would be to adopt a demonstrably inaccurate Test Year sales revenue forecast, customer count forecast, and, ultimately, revenue deficiency.

A. Adopting The Revised Sales Forecast Without Recalculating Costs Is Mathematically Unsound.

In recommending a finding that GMG met its burden to establish the reasonableness of its "updated" sales forecast,[37] the ALJ's report left out crucial facts and misstates the OAG's position.[38] After GMG lowered its sales forecast in rebuttal testimony using its 2024 actual customer counts, the OAG's expert explained that this update would be reasonable only if GMG

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[35] ALJ Report ¶ 193.
[36] ALJ Report ¶ 194.
[37] ALJ Report ¶ 193.
[38] ALJ Report ¶ 191; Ex. OAG-305 at 4 (Stevenson Surrebuttal).

also updated the other actuals for 2024 – namely, operating costs and cost of service – and still forecasted customer growth in the test year.[39] The ALJ Report states this and then repeats GMG's contention that using 2024 actual customer counts increased the revenue requirement by $92,834,[40] heavily implying that the OAG agreed that increasing the revenue requirement by $92,834 included an update to 2024 actual operating costs and costs of service.

However, GMG did not actually update its costs. Instead, the $92,834 is from GMG's rebuttal testimony,[41] where the only operating cost that GMG updated was the cost of gas[42] and where GMG still used its higher projected rate base rather than its lower 2024 actuals.[43] GMG admitted that it never recalculated its rate base in its attempt to rebut a different OAG recommendation, discussed below.[44] While using 2024 actuals would mean lower revenues than in the initial filing, it would also mean lower costs if done fully and correctly, which would reduce or even eliminate GMG's belated $92,834 claimed increase to its revenue requirement. The fact that GMG only recalculated revenues while maintaining higher costs means there is no reliable record basis for determining an accurate revenue requirement if the "updated" 2024 Test Year sales forecast was adopted.

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[39] Ex. OAG-305 at 4 (Stevenson Surrebuttal).
[40] ALJ Report ¶ 191-192; GMG Initial Br. at 44.
[41] Ex. GMG-109, RDB-REB 3 (Burke Rebuttal).
[42] *Compare* Ex. GMG-105, Sched. C-3 at 2-3 (Initial Filing – Volume 3 – Financial Information) *to* Ex. OAG-305, CS-S-1 at 6-7 (Stevenson Surrebuttal). Ex. OAG-305, CS-S-1 is the information request response containing the information that GMG used to calculate the increased revenue requirement. The only difference between page 2-3 of Ex. GMG-105, Sched. C-3 and page 6-7 of Ex. OAG-305, CS-S-1 is in the blue highlighted box; every other entry in the schedule – every other cost – is identical.
[43] *Compare* Ex. GMG-105, Sched. B-1 at 1 (Initial Filing – Volume 3 – Financial Information) *to* Ex. OAG-305, CS-S-1 at 3 (Stevenson Surrebuttal). The rate base used for the new calculation, depicted at Ex. OAG-305, CS-S-1 at 3, line 1 is the same as the rate base used in the initial filing, depicted at Ex. GMG-105, Sched. B-1 at 1, line 18. The actual 2024 rate base was lower. Ex. OAG-301, SL-D-12 at 3, line 18 (Lee Direct).
[44] GMG Initial Br. at 55; ALJ Report ¶ 283.

Not only did GMG fail to recalculate its lower 2024 actual costs, it did not perform a CCOSS analysis using those lower costs. Just as different classes have different sales, they also have different class-specific costs, such as the cost of meters and services.[45] Several elements of GMG's CCOSS depend on total customer counts and customer consumption.[46] Because GMG did not update its 2024 actual costs, it could not have allocated its actual costs using its 2024 actual customer counts. In other words, GMG failed to update both its overall costs and to update each class's cost of service. The ALJ's recommendation to adopt GMG's updated sales forecast gives GMG the best of both worlds – the old, higher costs and the new, lower revenues – all while rendering uncertain each class's specific revenue responsibility.

Finally, it is not clear that GMG's revised customer count can even be relied upon. In support of its proposal to use its 2024 actual customer count, GMG stated that "fewer residential customers actually signed up for service and one transport customer stopped service."[47] The OAG asked for more information regarding the transport customer, and GMG admitted in discovery that "[t]he customer in question did not stop taking gas service from GMG. Rather, the customer stopped being a transport customer."[48] There was not enough time before discovery closed to ask which other statements regarding GMG's customer counts were similarly incorrect.[49] This revelation raises concerns about the accuracy of GMG's sales forecast in general.

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[45] Ex. OAG-305 at 3 (Stevenson Surrebuttal).
[46] Ex. OAG-305 at 3 (Stevenson Surrebuttal).
[47] Ex. GMG-109 at 6 (Burke Rebuttal).
[48] Ex. OAG-308 at 1 (GMG Response to OAG Information Request No. 7013).
[49] Ex. OAG-308 was due on April 4, information request responses are due within 8 business days, FIRST PREHEARING ORDER at 6 (Jan. 22, 2025)(eDocket No. 20251-214251-01), and formal discovery closed on April 9. FIRST PREHEARING ORDER at 3 (Jan. 22, 2025).

B. The Forecasted Addition of Zero New Small Commercial Customers is Unreasonable.

The ALJ Report recommends adopting GMG's forecasted Test Year addition of zero small commercial customers.[50] But the Report fails to mention both the severe methodological flaw in GMG's forecasting and the fact that its small commercial customer forecast was already too low by the time it filed its rate case. In its initial filing, GMG projected that it would add 400 new residential customers in the test year, and no other customers in any other customer class.[51] Adding 400 customers to the residential class appears reasonable, as GMG added an average of 429 residential customers per year between 2008 and 2023, and an average of 389 residential customers per year in recent years.[52]

However, GMG revealed in rebuttal testimony that, although it originally stated that all 400 of its Test Year customer additions were residential customers, it actually included new small commercial customers in that number, choosing to miscategorize them as residential customers for purposes of the Test Year.[53] GMG explained that "when GMG budgets for customer additions, it simply identifies all of [them] as residential customers unless there is a very specific reason to identify other customer types[.]"[54] GMG's small commercial customers use more gas on average than residential customers, so categorizing small commercial customers as residential customers reduces forecasted sales, increasing GMG's revenue deficiency, making it appear that GMG needs to increase rates more than it actually does.[55] GMG did not justify this disregard for accuracy or

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[50] ALJ Report ¶ 194.
[51] Ex. OAG-303, CS-D-3 at 5 (Stevenson Direct).
[52] Ex. OAG-303 at 8 (Stevenson Direct).
[53] Ex. GMG-109 at 5-6 (Burke Rebuttal).
[54] Ex. GMG-109 at 5 (Burke Rebuttal).
[55] Ex. OAG-305 at 3 (Stevenson Surrebuttal).

explain why it took this approach when it has had consistent small commercial customer growth every year.

Additionally, GMG's actual growth contradicts the justification for this approach discussed by the ALJ.[56] The ALJ adopted GMG's contention that from 2009 to 2023,[57] GMG grew by expanding to unserved markets, but that GMG's Test Year should not include small commercial customer additions because after 2023 it planned to grow along existing mains and it had not identified any commercial growth opportunities there.[58] In line with this contention, GMG projected that it would end 2024 with 946 small commercial customers and that it would not add any in the 2025 Test Year.[59]

However, by the end of August 2024, before it even filed its rate case, GMG already had grown to 961 small commercial customers.[60] By the end of 2024, it had 996.[61] Whereas GMG had alleged that it would not have any new small commercial customers because it had not identified them, it then proceeded to add another 50 of them before the Test Year even began. This calls into significant doubt the ALJ's recommended finding that GMG's Test Year should not include growth in the small commercial customer class – the premise of that finding[62] has proven demonstrably false.

Like GMG's proposal to use its 2024 actual customer count, GMG's miscategorization of customer growth results in inaccurate cost allocation. Several elements of GMG's CCOSS depend on total customer counts and customer consumption, so cost allocation between customer classes

[56] ALJ Report ¶¶ 184-188.
[57] ALJ Report ¶ 184.
[58] ALJ Report ¶¶ 186-187.
[59] ALJ Report ¶ 188.
[60] Ex. OAG-303, CS-D-6 at 4 (Stevenson Direct).
[61] Ex. GMG-109 at 6 (Burke Rebuttal).
[62] ALJ Report ¶¶ 186-187.

is also affected by placing customers into the wrong class.[63] Inaccurately categorizing new customers results in multiple vectors for inaccuracy and uncertainty in the CCOSS, making each class's revenue deficiency uncertain.[64]

The OAG's recommendation was based on the original Test Year sales forecast to maintain consistency in the data. The Commission should use GMG's original Test Year forecast, but increase the Test Year small commercial customer count to 990 rather than 946.[65] This properly matches the forecast data to the cost of service analysis and appropriately incorporates small commercial customer growth. The revenue requirement impact of this recommendation is a $13,840 reduction.[66]

C. The Commission Should Adopt the Following Findings Regarding GMG's Sales Forecast.

GMG provided a sales forecast with an inaccurate customer count forecast and it updated only its Test Year revenues without updating costs to improperly inflate its revenue deficiency. In contrast, the OAG's recommendation conservatively estimated small commercial customer growth and used consistent revenues and costs. The Commission should adopt the OAG's recommendation to use GMG's original Test Year sales forecast and increase the small commercial customer count to 990, and reject GMG's flawed Test Year forecast.

To reflect the OAG's factual-record-based recommendation, the ALJ's recommended findings beginning at paragraph 184 should be amended as follows:

184. GMG's Test Year included the addition of 400 residential customers and no customer additions of any other class.[67] GMG argued that it included additions of other types of customers

[63] Ex. OAG-305 at 3 (Stevenson Surrebuttal).
[64] Ex. OAG-305 at 3 (Stevenson Surrebuttal).
[65] Ex. OAG-303 at 10 (Stevenson Direct).
[66] Ex. OAG-305 at 25 (Stevenson Surrebuttal).
[67] Ex. OAG-303, CS-D-3 at 5 (Stevenson Direct).

in this forecasted growth, but that it categorizes them in its Test Year as residential customers as a default choice.[68]

185. The OAG argued that this methodology means the Test Year is based on incorrect data, and because different customer classes use gas differently, the Test Year revenues and cost allocation are both distorted by GMG's choice.[69]

186. Historically, GMG's growth from 2009 through 2023 resulted from the Company's extension of natural gas service to rural markets that were previously unserved by a natural gas utility.[70] GMG grew by an average of 389 residential customers per year from January of 2019 until December of 2023, and an average of approximately 429 residential customers each year from 2008 until 2023, making its forecasted addition of 400 residential customers reasonable.[71]

187. New commercial customers, including new Small Commercial customers, resulted primarily from the conversion of existing businesses in these unserved areas to natural gas service.[72]

188. All the developments that GMG has currently identified for future growth are residential developments, not commercial facilities. GMG stated it has not identified any new commercial loads to be added along its existing mains.[73]

189. Additionally, GMG stated it is not planning any large projects or major main extensions to unserved communities in 2025. GMG projects growth during the 2025 Test Year that follows from infill along its existing mains.[74]

190. GMG projected that its 2024 year-end roster of 946 Small Commercial customers would not grow during the 2025 Test Year.[75] However, by the time it filed its rate case, it already had grown to 970 small commercial customers, despite its claim that its growth after 2023 would be different from its growth between 2009-2023 and it would experience no small commercial customers growth in 2024 or 2025. By the end of 2024, it had grown to 996 small commercial customers.[76]

191. The OAG also demonstrated ~~argues~~ that GMG~~'s historical~~ added ~~of~~ roughly 30 Small Commercial customers annually from 2019 through 2023. ~~compels a different Small Commercial customer count for the 2025 Test Year.~~[77]

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[68] Ex. GMG-109 at 5-6 (Burke Rebuttal).
[69] Ex. OAG-305 at 3 (Stevenson Surrebuttal).
[70] Ex. OAG-303, Schedule CS-D-5 (Stevenson Direct).
[71] Ex. OAG-303 at 8 (Stevenson Direct).
[72] Ex. OAG-303, Schedule CS-D-5 (Stevenson Direct).
[73] Ex. OAG-305, Schedule CS-S-2 at 2 (Stevenson Surrebuttal).
[74] Ex. OAG-303, Schedule CS-D-5 (Stevenson Direct).
[75] Ex. GMG-105, Schedule E-1 (Initial Filing – Vol. 3 – Financial Information).
[76] Ex. GMG-109 at 6 (Burke Rebuttal).
[77] Ex. OAG-303 at 9 (Stevenson Direct).

~~190. The OAG acknowledges, however, that "it is possible GMG's theory that it has exhausted all opportunities to add small commercial customers is true," and that the "past is not always indicative of the future."~~[78]

192. GMG argued that if it was going to update its small commercial customer count using 2024 actuals, it should update its whole sales forecast using 2024 actuals.[79] The OAG agreed with GMG that it is reasonable to update the 2025 sales forecast with actual 2024 year-end customer count numbers, as long as GMG updates its operating costs and cost of service for the Test Year and still forecasted growth in its small commercial class.[80]

193. GMG adjusted the sales forecast to utilize the 2024 year-end actual customer counts, resulting in a downward adjustment of $185,507 for operating revenues in the Test Year. ~~and an increase in the Revenue Requirement of $92,834.~~ GMG argued that this resulted in an increase in its revenue requirement of $92,834.[81] However, GMG failed to update any of its costs using 2024 actuals, meaning its proposed adjustment to its revenue requirement was calculated incorrectly using data sets that did not match.[82] GMG's adjustment also did not include any Test Year growth in the small commercial class as recommended by the OAG.

194. GMG has not met its burden to demonstrate the reasonableness of its updated sales forecast. Using the updated sales forecast but the original costs of service and operating expenses as advocated by GMG would mean an artificially-increased overall revenue requirement and incorrect Class Cost of Service analysis.

195. GMG has also not met its burden to demonstrate the reasonableness of its forecasted addition of no new small commercial customer accounts during the Test Tear. It alleged in its initial filing that it would not add small commercial customers in 2024 or 2025, but it had already added 24 when it made this argument in late 2024 and it never explained the discrepancy or offered any evidence that the same would not happen again in 2025.

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[78] The OAG notes that acknowledging a possibility does not mean that GMG met its burden, particularly not in light of its 2024 growth.
[79] Ex. GMG-109 at 6 (Burke Rebuttal).
[80] Ex. OAG-305 at 4 (Stevenson Surrebuttal).
[81] Ex. GMG-109 at 6 (Burke Rebuttal).
[82] *Compare* Ex. GMG-105, Sched. C-3 at 2-3 (Initial Filing – Volume 3 – Financial Information) *to* Ex. OAG-305, CS-S-1 at 6-7 (Stevenson Surrebuttal). Ex. OAG-305, CS-S-1 is the information request response containing the information that GMG used to calculate the increased revenue requirement. The only difference between page 2-3 of Ex. GMG-105, Sched. C-3 and page 6-7 of Ex. OAG-305, CS-S-1 is in the blue highlighted box; every other entry in the schedule – every other cost – is identical. Additionally, *Compare* Ex. GMG-105, Sched. B-1 at 1 (Initial Filing – Volume 3 – Financial Information) *to* Ex. OAG-305, CS-S-1 at 3 (Stevenson Surrebuttal). The rate base used for the new calculation, depicted at Ex. OAG-305, CS-S-1 at 3, line 1 is the same as the rate base used in the initial filing, depicted at Ex. GMG-105, Sched. B-1 at 1, line 18. The actual 2024 rate base was lower. Ex. OAG-301, SL-D-12 at 3, line 18 (Lee Direct).

196. The Commission will therefore adopt GMG's original Test Year sales forecast, but increase the small commercial customer count from 946 to 990. This will reduce GMG's 2025 revenue requirement by $13,840.

D. GMG Should Be Required to Conduct a More Robust Sales Forecast for Its Next Rate Case.

In addition to GMG's miscategorization of its customer additions, GMG's forecast lacks statistical support. Because sales vary from year to year due to changes in the weather – warmer years mean customers don't need to heat their premises as much – constructing a model to "weather normalize" sales in past years allows utilities to more accurately forecast sales in the test year.[83] In addition, utilities can use a variety of demographic and economic data to better inform their sales forecasts.[84] Using these methods takes time, which is why the OAG recommends their use in the next rate case rather than this one.[85] However, these methods are not excessively complicated, nor has GMG shown that it would be unable to perform them; on the contrary, OAG's witness testified that GMG could use Microsoft Excel, the same program that GMG used for many documents in this case, to perform a more robust forecast.[86] Indeed, GMG appears to perform one of OAG's recommended changes in other filings with the Commission.[87] Although OAG's witness also noted other forecasting tools that were available, the OAG is not recommending they be used.[88] The OAG's recommendation that GMG conduct a more robust sales forecast is all the more important given the lack of confidence that can be placed in the forecast in the current rate case.

[83] Ex. OAG-303 at 13 (Stevenson Direct).
[84] Ex. OAG-303 at 13 (Stevenson Direct).
[85] Ex. OAG-303 at 16 (Stevenson Direct).
[86] Ex. OAG-303 at 16 (Stevenson Direct).
[87] *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) (showing that GMG weather normalizes data in other filings).
[88] Ex. OAG-303 at 16 (Stevenson Direct).

The Commission should require that GMG conduct a more robust forecast in its next rate case by adopting the following findings:[89]

1. The OAG expressed concern that Greater Minnesota Gas's sales forecast methodology lacked statistical support.[90] 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.[91] The OAG also explained that Greater Minnesota Gas did not conduct its sales forecast using economic and demographic data, whereas other utilities do.[92]

2. 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).[93]

3. Greater Minnesota Gas did not respond to this recommendation by the OAG in testimony. Greater Minnesota Gas's Gas Jurisdictional Annual Report indicates that Greater Minnesota Gas does weather normalize sales for that report.[94]

4. 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.

5. The Commission will 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.

II. THE COMMISSION SHOULD REJECT THE ALJ'S RECOMMENDATION TO APPROVE INAPPROPRIATE EXPENSES AND UNPROVEN RATE BASE.

GMG's revenue requirement should be reduced by removing $7,185 of membership dues expense that GMG failed to prove reflected a normal level of annual expense, would benefit

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[89] The OAG acknowledges that there are many filing requirements that were required of GMG in previous rate cases that GMG chose not to follow. However, that does not make this recommendation unnecessary. Instead, GMG should comply with requirements ordered by the Commission and if it believes them too onerous it may petition the Commission to relieve them of the requirement prior to filing a rate case.

[90] Ex. OAG-303 at 13 (Stevenson Direct).

[91] Ex. OAG-303 at 14 (Stevenson Direct).

[92] Ex. OAG-303 at 15 (Stevenson Direct).

[93] Ex. OAG-305 at 25 (Stevenson Surrebuttal).

[94] *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).

ratepayers, or was connected to the provision of gas service. In addition, $176,834 should be removed from GMG's asset balance for the Advanced Meter Reading (AMR) units in FERC Account 381 because GMG failed to demonstrate the basis on which it inflated that balance.

A. Membership Dues for Three Organizations Should Be Removed From the Test Year Because GMG Failed to Justify Why Ratepayers Should Pay For Them.

The ALJ recommended the Commission approve all but a small amount of GMG's requested rate recovery of $10,016 in dues expenses to pay for its membership in trade associations and other organizations.[95] However, GMG failed to justify $7,185 of its request across three organizations: American Gas Association (AGA), Minnesota Agrigrowth Council (MAC),[96] and the Midwest Region Gas Task Force (MRGTF). Dues for the AGA should be excluded because GMG failed to carry its burden to establish that the portion of dues that pay for lobbying has been removed and failed to establish the benefit to ratepayers of membership in the AGA. Dues for MAC should be removed because GMG failed to establish that ratepayers benefitted from this membership or that the membership is even related to the provision of natural gas service. GMG's request for the MRGTF dues should be reduced to reflect a normal level of annual spending.

1. American Gas Association (AGA) dues should be removed because the ALJ's recommendation does not account for all lobbying-related activities and GMG has not proven any benefit to ratepayers.

AGA dues should be removed entirely from the test year for two independent reasons: (1) GMG failed to remove the portion of AGA dues attributable to lobbying-related activities;[97] and (2) GMG failed to substantiate the extent of GMG's reliance on the AGA for training.[98] Lobbying-related activities are improper to include in rates when the utility has not shown that the lobbying

[95] Ex. GMG-103, RDB-3 (Burke Direct).
[96] The OAG referred to this as the AgriGrowth Council in briefing and testimony, but adopts the ALJ's acronym MAC here for consistency with the ALJ's report.
[97] Ex. OAG-302 at 9-12 (Lee Surrebuttal); GMG Initial Brief at 52.
[98] Ex. OAG-301 at 8-9 (Lee Direct); Ex. OAG-302 at 12-13 (Lee Surrebuttal).

advances ratepayer interests.[99] Similarly, when a utility fails to demonstrate how membership in an organization actually benefits ratepayers, dues for that organization should be excluded from the Test Year.[100]

GMG failed to present any evidence regarding the AGA's lobbying activities. The AGA is a trade organization of natural gas companies whose stated mission is to "develop[] and advocate[] for informed, innovative, and durable policy that fulfills our nation's energy needs, environmental aspirations and economic potential."[101] The AGA places great emphasis in its publications on its efforts to influence both legislation and policymaking at state and federal agencies.[102] Its invoices list a percentage of their dues that are attributable to "lobbying" as defined by the IRS.[103] However, while the AGA suggests that the lobbying percentage ranges from 3.4 percent to 5.1 percent,[104] there is no information justifying how such a low percentage could cover the organization's primary mission of "develop[ing] and advocat[ing] for . . . policy."[105] The AGA publishes vast quantities of material for use in others' lobbying alongside its reports celebrating the legislative and policy wins it personally achieves each year.[106] GMG did not rebut this evidence, instead stating that it had removed the portion of dues related to lobbying when it clearly had not.[107]

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[99] *In the Matter of the Application of CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Minnesota Gas for Authority to Increase Natural Gas Rates in Minnesota,* MPUC Docket No. G-008/GR-15-424, FINDINGS OF FACT, CONCLUSIONS, AND ORDER at 27 (Jun. 3, 2016) (eDocket No. 20166-121975-01).
[100] Ex. OAG-301, SL-D-3 at 2 (Lee Direct); *see also 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/GR-20-719, FINDINGS OF FACT, CONCLUSIONS, AND ORDER at 24-25 (Feb. 2, 2022) (eDocket No. 20222-182349-01).
[101] Ex. OAG-301 at 5 (Lee Direct).
[102] Ex. OAG-301 at 6 (Lee Direct).
[103] Ex. OAG-301 at 6-8 (Lee Direct).
[104] Ex. OAG-301, SL-D-3 at 4-7 (Lee Direct).
[105] Ex. OAG-301 at 5 (Lee Direct).
[106] Ex. OAG-301 at 7-8 (Lee Direct).
[107] Ex. GMG-109 at 17 (Burke Rebuttal); Ex. 302 at 11-12 (Lee Surrebuttal).

After the OAG demonstrated in direct testimony that GMG failed to remove any amount from the $3,702 it requested for AGA dues,[108] GMG responded in rebuttal that it had "already deducted that portion of AGA dues" – though it still had not, even according to its own discovery responses.[109] It was only in GMG's initial brief to the ALJ that GMG offered to forgo 4.3 percent of its dues request, totaling $159.[110] GMG has the burden of proof and doubts must be resolved in the ratepayers' favor.[111] GMG failed to demonstrate that its belated offer to drop $159 actually removed all lobbying-related expenses, leaving the Commission unable to determine whether that was sufficient. The full AGA dues request should therefore be removed.

Additionally, GMG failed to show that its AGA membership provides a ratepayer benefit. The ALJ pointed to the possibility that GMG might receive some training from the AGA,[112] but GMG failed to establish the extent to which it utilizes the educational and training opportunities that AGA provides. Utilities have the ability to establish benefits of membership dues, with little effort. For example, Dakota Electric Association provided a list of the trainings and conferences related to the provision of utility service that its staff had attended through their membership in the Minnesota Rural Electric Association in support of a rate case settlement.[113] By contrast, GMG failed to provide any examples of the types of industry information and training it receives from the AGA.[114] It stated in its rebuttal testimony that it "utilizes AGA for industry learning such as technical training, exposure to developing industry and safety issues, best practices guidance,

[108] Ex. OAG-301 at 5 (Lee Direct)
[109] Ex. GMG-109 at 17 (Burke Rebuttal); Ex. 301, SL-D-4 (Lee Direct); Ex. 302 at 10 (Lee Surrebuttal).
[110] GMG Initial Brief at 52.
[111] Minn. Stat. § 216B.03.
[112] ALJ Report ¶¶ 257, 259.
[113] *See In re Application of Dakota Elec. Ass'n for Authority to Increase Rates for Elec. Serv. in Minn.*, MPUC Docket No. E111/GR-24-400, Settlement Agreement, Attach. 4 (June 6, 2025).
[114] Ex. OAG-301 at 8-9 (Lee Direct).

education opportunities from industry experts, and much more," but failed to provide any evidence supporting these statements.[115] GMG's lack of supporting evidence left the Commission unable to assess the extent to which GMG actually uses any of the AGA's resources.[116] It is not reasonable for ratepayers to pay for an un- or under-utilized membership, and GMG has failed to demonstrate that it actually utilizes the portions of its AGA membership that *could* theoretically provide ratepayer benefits.

The Commission has found that utilities need to show how "membership dues connect to the provision or improvement of utility services" and that an itemized accounting of activities and costs allocated to each service would be necessary for recovery in some instances.[117] It is GMG's responsibility to demonstrate the connection between the dues expense it requested and the benefit to ratepayers; suggesting that *some* portion of AGA membership *might* benefit ratepayers is insufficient to justify recovery. GMG provided no evidence of employees actually participating in AGA trainings or using AGA materials in the provision of utility service. Its request for AGA dues should therefore be denied and $3,702 should be removed from test year operating expenses. The Commission should adopt the following revisions to the ALJ's recommended findings regarding AGA dues:

> 255. GMG projected a Test Year expense of $3,702 for the Minnesota jurisdictional portion of AGA dues. 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.[118]
>
> 256. The OAG presented evidence demonstrating that a greater proportion of AGA dues pays for lobbying-related activities than AGA indicates on its invoices: the AGA's 2024 Playbook, 2023 Year End Report, and its Resource Library of lobbying resources. For example, the 2023

[115] Ex. GMG-109 at 17 (Burke Rebuttal).
[116] Ex. OAG-302 at 13-14 (Lee Surrebuttal).
[117] *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/GR-20-719, FINDINGS OF FACT, CONCLUSIONS, AND ORDER at 24-25 (Feb. 2, 2022) (eDocket No. 20222-182349-01).
[118] Ex. OAG-301 at 5 (Lee Direct).

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." 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."[119]

257. GMG argued that it relies on the AGA for technical training, exposure to developing industry and safety issues, guidance on best practices and educational opportunities from industry experts.[120]

258. GMG further argued that it does not have an in-house training department and depends upon industry organizations such as the AGA for technical training. These trainings include instruction on gas storage, engineering, construction and maintenance, gas control, and piping materials, regulatory changes, interstate pipeline matters, and safety and preparatory practices.[121] GMG did not provide evidence, however, of its staff attending trainings or that it used any AGA materials related to the provision of utility service.

259. OAG objected to recovery of any AGA dues, ~~stating~~ demonstrating that GMG failed to remove that portion of its AGA dues attributable to lobbying-related activities and ~~that GMG did not demonstrate that the payments of these dues should be recovered from ratepayers.~~ failed to prove that it actually utilized its AGA membership for training purposes.[122]

~~259. As a small company, GMG reasonably relies on AGA for technical training and information on safety and other best practices issues and its AGA dues are thus directly connected to the provision or improvement of utility services. However, the portion of its AGA dues attributable to lobbying are not appropriate for recovery from customers.~~

260. ~~GMG provided evidence in the form of the AGA invoice for 2024 which states that the portion of GMG's dues allocable to lobbying is 4.3 percent.~~ GMG has not carried its burden to establish the reasonableness of the test year dues amount for the AGA because it has not established that its request is not attributable to lobbying-related activities or otherwise benefits ratepayers. GMG 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 lobbying-related activities. Without that information, GMG has failed to carry its burden to show that it is just and reasonable for ratepayers to pay for its AGA dues.

261. ~~GMG acknowledged that its initial request did not isolate the dues allocable to lobbying from the Test Year amount. It proposes a downward adjustment to the AGA dues in the amount of $159 to account for the 4.3 percent of those dues which the AGA attributes to its lobbying~~

[119] Ex. OAG-301 at 7-8 (Lee Direct) (citing AGA website).
[120] Ex. GMG-109 at 17 (Burke Rebuttal).
[121] Ex. GMG-109 at 17 (Burke Rebuttal).
[122] Ex. OAG-302 at 13-14 (Lee Surrebuttal).

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

2. Minnesota AgriGrowth Council (MAC) dues should be removed entirely because MAC membership is unrelated to the provision of gas service and MAC is a lobbying organization.

The ALJ recommended allowing GMG to recover 75 percent of MAC dues, for a total of $2,062.50, on the grounds that MAC is a lobbying organization that influences energy policy on behalf of agricultural business interests and because GMG suggested it might find a new customer at some point through its membership in MAC.[123] MAC dues should be removed entirely from the Test Year for two independent reasons: (1) because there is no legitimate connection between membership in this organization and the provision of gas service; and (2) because lobbying-related expenses have not been fully removed. When a utility fails to show membership in an organization is connected "to the provision or improvement of utility services," dues to that organization should be removed from the test year.[124]

MAC is not "connected to the provision or improvement of utility services" – it is an association that represents businesses in the agricultural industry.[125] It lists its "public policy priorities" as being related to workforce concerns in Minnesota's food and agricultural industries, farm technologies, investment in the food and agricultural sectors, and tax and energy policy to support Minnesota farmers.[126] The single priority here that *might* relate to natural gas service for GMG's customers is the last, and the ALJ found that MAC benefits ratepayers because MAC

[123] ALJ Report ¶ 263-271.
[124] *In re Petition by Great Plains Natural Gas Co., a Division of Montana-Dakota Utilities, Co., for Authority to Increase Natural Gas Rates in Minnesota*, MPUC Docket No. G-004/GR-19-511, FINDINGS OF FACT, CONCLUSIONS, AND ORDER at 9 (Oct. 26, 2020) (eDocket No. 202010-167656-01).
[125] Ex. OAG-301 at 15-16 (Lee Direct).
[126] Ex. OAG-301 at 16 (Lee Direct).

"provides analysis of energy policy from an agricultural perspective."[127] Not only is this a tenuous connection to utility service, but also the exhibit that the ALJ cites for that proposition reveals that MAC has taken no action on natural gas since at least 2023.[128] The exhibit otherwise suggests only that MAC has a broad interest in energy policy that may or may not harm or benefit GMG's ratepayers.[129] The ALJ makes no mention of the supermajority of MAC policy priorities that have nothing to do with energy.[130]

The ALJ also recommends including MAC dues in rates because GMG suggests that this membership provides it with "networking opportunities"[131] that could result in "*potential* new customers."[132] GMG did not provide any evidence that it has ever received any sales leads, much less actual new customers, through these "networking opportunities." Nor did GMG provide any analysis demonstrating that new revenues from one of these speculative customers would exceed the costs imposed on other customers of the speculative customer's addition; the ALJ's proposed finding that "adding new business customers to the GMG system benefits all other GMG customers"[133] is simply an incorrect statement of the way utility rates work.

The ALJ's findings also suggests that MAC's insight into the agricultural industry could lead to new expansion opportunities for GMG.[134] GMG had stated that MAC could provide insights that facilitate "exchange of knowledge and strategies to address…challenges" faced by the agricultural industry,[135] but failed to demonstrate that this knowledge about a different industry

[127] ALJ Report ¶ 266.
[128] Ex. OAG-301, Schedule SL-D-6 (Lee Direct).
[129] Ex. OAG-301, Schedule SL-D-6 (Lee Direct).
[130] Ex. OAG-301 at 16 (Lee Direct).
[131] Ex. GMG-109 at 18-19 (Burke Rebuttal).
[132] GMG Initial Br. at 52-53 (emphasis added).
[133] ALJ Report ¶ 268.
[134] ALJ Report ¶ 267.
[135] Ex. GMG-109 at 19 (Burke Rebuttal).

has affected GMG's natural gas operations in any way, instead stating generally that GMG would learn about regulations and policies that impact its customers, which "could" impact GMG in turn.[136] The connection to provision of natural gas services is far too tenuous to justify charging ratepayers for this membership.

Finally, MAC engages in lobbying-related activities that benefit its agribusiness constituency. This is evident both from its publicly-available materials and from its invoices.[137] GMG did not remove the lobbying-related portion of these dues from the test year and only admitted there were lobby-related costs in its reply brief.[138] GMG even argued that MAC dues should not be removed because MAC's lobbying is limited to the agricultural sector.[139] But this underscores the lack of connection between MAC dues and the provision of natural gas utility service; lobbying in an entirely different industry does not benefit ratepayers in any way. The ALJ's adoption of GMG's removal only of 25 percent of lobbying-related costs, provided in GMG's reply brief, is not supported. The full request for MAC dues should be removed to prevent that unjust and unreasonable outcome.

The Commission should adjust the ALJ's findings regarding MAC dues as follows:

263. MAC is a nonprofit, nonpartisan organization representing the agriculture industry in Minnesota~~.~~ that focuses on advocating for policies related to workforce concerns in Minnesota's food and agricultural industries, farm technologies, investment in the food and agricultural sectors, and tax and energy policy to support Minnesota farmers.[140] GMG alleges that involvement in MAC provides GMG with opportunities to access the Company's target business market, engage with potential new agricultural customers, and identify trends and market needs for the ~~rural Minnesota communities~~ agricultural businesses that GMG serves.[141] GMG did not provide any evidence that it had found any new customers or business opportunities through MAC.[142]

[136] Ex. GMG-109 at 19 (Burke Rebuttal).
[137] Ex. OAG-301 at 16-17 (Lee Direct).
[138] GMG Reply Brief at 26.
[139] Ex. GMG-109 at 19 (Burke Rebuttal).
[140] Ex. OAG-301 at 16 (Lee Direct).
[141] Ex. OAG-301, SL-D-6 (Lee Direct).
[142] Ex. OAG-302 at 14-15 (Lee Surrebuttal).

264. OAG objected to any recovery of MAC dues ~~stating that~~ because GMG failed to remove any portion of dues related to lobbying activities ~~and questioning the~~ because MAC is unrelated to the provision of natural gas, and because GMG had not demonstrated any benefit of GMG's membership in this agribusiness trade association to GMG's customers.[143]

265. GMG's primary markets for its large customer, industrial, and interruptible rate classes are agricultural customers; including growers of poultry, grain, pork, produce, dairy, and hemp.[144]

266. MAC's ~~provides analysis of energy policy from an agricultural perspective.~~ primary purpose is to provide services to agribusiness and advocate for policies that benefit its constituents.[145] It has not engaged in any policy advocacy related to natural gas, much less natural gas distribution utilities, since at least 2023.[146] GMG argued that the fact that MAC's lobbying is unrelated to natural gas means that it should be allowed to recover MAC dues.[147]

267. ~~Further,~~ GMG also argued that the networking opportunities provided by ~~participation in~~ MAC events and programming allows GMG to engage with potential new agricultural customers in order to bring natural gas to unserved areas of the state.[148] ~~Specifically, GMG engages agricultural producers who are searching for ways to capture methane and may assist GMG in developing a footprint in renewable natural gas.~~[149]

268. Moreover, the addition of new business customers to the GMG system does not necessarily benefit~~s~~ other GMG customers.

269. GMG's membership in this organization ~~directly~~ does not benefit~~s~~ ratepayers ~~and~~ or relate~~s~~ to its provision of natural gas. GMG should not be permitted to recover any of the projected Test Year expense of $2,750 for the Minnesota jurisdictional portion of MAC dues~~, less any amount attributable to lobbying activities~~.

~~270. MAC estimates that 25 percent of its membership dues may support lobbying activities.~~

~~271. GMG has acknowledged it did not initially remove that portion of MAC dues that may be attributable to lobbying from its dues expense. Therefore, GMG's organization dues should be reduced by $687.50 to account for MAC's lobbying expenses.~~

[143] Ex. OAG-301 at 14-17 (Lee Direct).
[144] Ex. OAG-301, SL-D-6 (Lee Direct).
[145] Ex. OAG-301 at 16 (Lee Direct).
[146] Ex. OAG-301, SL-D-6 (Lee Direct).
[147] Ex. GMG-109 at 19 (Burke Rebuttal).
[148] Ex. GMG-109 at 18 (Burke Rebuttal).
[149] GMG never stated that MAC actually assists GMG in developing a footprint in RNG; the statement was the far more speculative assertion that involvement "presents another avenue for GMG to find ways" of developing a footprint.

3. Dues expense for the Midwest Region Gas Task Force (MRGTF) should be amortized over three years because the expense is not incurred every year.

The ALJ's recommendation on MRGTF dues runs directly contrary to the evidence the ALJ cited and should therefore be rejected. The ALJ found that MRGTF dues are not incurred every year but recommended including these dues without any adjustment anyway.[150] The ALJ also failed to mention that the testimony cited in support of the recommendation demonstrated that even when GMG does incur dues, it does not incur the full amount.[151]

GMG requested annual recovery of the full $1,100 cost of membership in the MRGTF, even though it does not pay this amount to MRGTF every year.[152] On the contrary, GMG explained that it incurs membership dues to MRGTF only "in years where there are interstate pipeline rate case activities."[153] GMG paid MRGTF $550 in 2021, $0 in 2022, and $1,100 in 2023 and 2024,[154] although the 2024 expense is not certain because GMG also admitted in discovery that, as of December 20, 2024, it had not actually incurred the alleged 2024 dues expense for MRGTF.[155] While GMG does anticipate a transmission pipeline rate case in 2025, resulting in $1,100 in dues expense for that year, GMG could not demonstrate that it would incur MRGTF dues expense in the following years, stating that "it is reasonable to assume [a transmission pipeline rate case] will be filed prior to 2029…[and] rate cases have been filed on a roughly three-year schedule."[156] GMG later changed its answer, stating that "impl[ying] that there is only one interstate transmission company rate case every three years…does not comport with reality,"[157] despite GMG being the

[150] ALJ Report ¶ 277.
[151] Ex. OAG-301 at 12 (Lee Direct).
[152] Ex. GMG-103, RDB-3 (Burke Direct).
[153] Ex. OAG-301, SL-D-2 at 2 (Lee Direct).
[154] Ex. OAG-301 at 12 (Lee Direct).
[155] Ex. OAG-301, SL-D-2 at 2 (Lee Direct).
[156] Ex. OAG-301, SL-D-5 at 1-2 (Lee Direct).
[157] Ex. GMG-109 at 18 (Burke Rebuttal).

party to first state that, indeed, interstate transmission companies file these cases roughly every three years.[158]

Costs that are included in the test year are locked into rates and recovered every year. If a test year cost is only incurred in some years and not in others, GMG would be taking that money from ratepayers and pocketing it, effectively charging ratepayers for nothing. Thus, when a test year cost is not incurred every year, the proper treatment of that cost is to amortize it over a number of years so the test year includes a more representative amount.[159]

MRGTF dues in GMG's Test Year should be reduced by $733 to $367 to reflect a three-year amortization. While the OAG acknowledges this is a small dollar amount, adhering to the rate case principle of amortizing costs that are not annually incurred is important for consistency, and could cause other utilities or GMG in the future to claim much larger non-representative test-year costs should be included in rates. The ALJ's recommendation would result in GMG over-recovering its dues for MRGTF from ratepayers.

In sum, the OAG's recommendation is a standard rate case normalization and allows GMG to recover its likely costs for these dues, no more and no less. The ALJ's findings at paragraphs 275-277 should be amended, replaced, and supplemented as follows:

> 275. OAG did not dispute recovery of these costs but argued that the dues should not be incurred on an annual basis because ~~these costs are not incurred every year.~~ Greater Minnesota Gas pays dues to the MRGTF only in years in which there are interstate pipeline rate case activities.[160] It paid $550 to MRGTF in 2021, $0 in 2022, and $1,100 in 2023 and 2024.[161] 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.[162]

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[158] Ex. OAG-301, SL-D-5 at 2 (Lee Direct) ("[B]ased on Northern Natural Gas's recent pattern, rate cases have been filed on a roughly three-year schedule…Viking has historically followed a similar timeline pattern.").
[159] Ex. OAG-301 at 13 (Lee Direct).
[160] Ex. OAG-301, SL-D-2 at 2 (Lee Direct).
[161] Ex. OAG-301 at 12 (Lee Direct).
[162] Ex. OAG-301, SL-D-5 at 2 (Lee Direct).

276. 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.[163]

277. 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.[164] Northern Natural Gas and Viking Transmission both file rate cases on a roughly three-year cadence.[165] The OAG recommended amortizing MRGTF dues over three years.[166]

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

279. The dues expense for MRGTF should be amortized over three years. The Commission will therefore reduce the 2025 Test Year MRGTF dues expense by $733.

B. GMG Did Not Support $176,834 of Its 2025 Automatic Meter Reading (AMR) Unit Rate Base Balance.

The Commission should reduce the 2025 rate base balance for GMG's older AMR units because GMG increased it without justification. The ALJ recommended finding that GMG simply made an accounting error with its meters and that the overall rate base balance should not change,[167] but this misapprehends the problem identified by the OAG. GMG represented in its initial filing that its 2024 and 2025 balances for its older AMR units would be the same.[168] Once 2024 ended, it provided an update to the initial filing with 2024 actuals, which were lower for that account than in the initial filing.[169] In the update, it also added an "adjustment" of $176,834 back

[163] Ex. OAG-301 at 13 (Lee Direct).
[164] Ex. OAG-301 at 13 (Lee Direct).
[165] Ex. OAG-301, SL-D-5 at 2 (Lee Direct).
[166] Ex. OAG-301 at 14 (Lee Direct).
[167] ALJ Report ¶ 278-291.
[168] Ex. GMG-105, Sched. B-1 at 3 (Initial Filing – Volume 3).
[169] Ex. OAG-301, SL-D-12 at 4 (Lee Direct).

to that account so that the 2025 balance would remain what it was in the initial filing.[170] GMG failed to justify this adjustment, so it should be removed.

When GMG filed its rate case, it projected that the remaining balance of the AMR meters in FERC Account 381 at the end of 2024 would be $520,747.[171] GMG applied a $0 adjustment to this balance, so the 2025 test year balance was also $520,747.[172] This is shown in Figure 1 on line 6.

Figure 1: Summary of Rate Base Component Adjustments[173]

			Asset			Accumulated Depreciation			Accumulated Salvage			Net Utility Plant		
Line No.	Description	FERC Account	Projected 2024	Adjustment	Projected 2025	Projected 2024	Adjustment	Projected 2025	Projected 2024	Adjustment	Projected 2025	Projected 2024	Adjustment	Projected 2025
1	Distribution Plant													
2	Land & Land Rights	374	$ 77,539	$ -	$ 77,539	$ -	$ -	$ -	$ -	$ -	$ -	$ 77,539	$ -	$ 77,539
3	Mains	376	$ 36,163,633	$ 787,500	$ 36,951,133	$ 8,165,543	$ 732,342	$ 8,897,885	$ 1,559,211	$ 200,882	$ 1,760,093	$ 26,438,879	$ (145,724)	$ 26,293,155
4	Measuring & Reg. Station Equip. - General	378	$ 4,741,276	$ 250,000	$ 4,991,276	$ 762,805	$ 109,654	$ 872,459	$ 134,850	$ 24,956	$ 159,807	$ 3,843,621	$ 115,389	$ 3,959,010
5	Services	380	$ 12,814,964	$ 735,000	$ 13,549,964	$ 2,653,798	$ 263,651	$ 2,917,449	$ 846,875	$ 108,410	$ 955,285	$ 9,314,291	$ 362,940	$ 9,677,231
6	Meters	381	$ 520,747	$ -	$ 520,747	$ 256,570	$ 17,358	$ 273,928	$ -	$ -	$ -	$ 264,177	$ (17,358)	$ 246,819
7	Meter Installations	382	$ 4,062,076	$ 237,500	$ 4,299,576	$ 903,340	$ 114,894	$ 1,018,233	$ 218,991	$ 31,324	$ 250,315	$ 2,939,746	$ 91,283	$ 3,031,028
8	House Regulators	383	$ 74,345	$ -	$ 74,345	$ 42,812	$ 1,871	$ 44,683	$ 9,229	$ 620	$ 9,848	$ 22,305	$ (2,491)	$ 19,814
9	Other Equipment	387	$ 339,206	$ 65,000	$ 404,206	$ 307,510	$ 11,932	$ 319,442	$ -	$ -	$ -	$ 31,695	$ 53,068	$ 84,763
10	Subtotal Distribution Plant		$ 58,793,786	$ 2,075,000	$ 60,868,786	$ 13,092,377	$ 1,251,702	$ 14,344,079	$ 2,769,156	$ 366,191	$ 3,135,347	$ 42,932,253	$ 457,107	$ 43,389,360

Then, after 2024 had ended, GMG provided financial schedules in discovery that were updated to show the actual balances of each account at the end of 2024.[174] These updated schedules demonstrated that the actual balance for FERC Account 381 at the end of 2024 was $343,913.[175] Rather than using the actual amounts, GMG kept the 2025 FERC Account 381 balance at $520,747, changing the original $0 adjustment to $176,834 to plug the gap between the actual 2024 balance and the test year balance.[176] This is shown on line 6 of Figure 2.

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[170] Ex. OAG-301, SL-D-12 at 4 (Lee Direct).
[171] Ex. GMG-105, Sched. B-1 at 3 (Initial Filing – Volume 3).
[172] Ex. GMG-105, Sched. B-1 at 3 (Initial Filing – Volume 3).
[173] Ex. GMG-105, Sched. B-1 at 3 (Initial Filing – Volume 3) (highlight added).
[174] Ex. OAG-301, SL-D-12 at 4 (Lee Direct).
[175] Ex. OAG-301, SL-D-12 at 4 (Lee Direct).
[176] Ex. OAG-301, SL-D-12 at 4 (Lee Direct).

Figure 2: Summary of Rate Base Component Adjustments Updated with 2024 Actuals[177]

			Asset			Accumulated Depreciation			Accumulated Salvage			Net Utility Plant		
Line No.	Description	FERC Account	2024 Unaudited	Adjustment	Projected 2025 *	2024 Unaudited	Adjustment	Projected 2025 *	2024 Unaudited	Adjustment	Projected 2025 *	2024 Unaudited	Adjustment	Projected 2025 *
1	Distribution Plant													
2	Land & Land Rights	374	$ 77,539	$ -	$ 77,539	$ -	$ -	$ -	$ -	$ -	$ -	$ 77,539	$ -	$ 77,539
3	Mains	376	$ 35,953,651	$ 997,482	$ 36,951,133	$ 8,154,218	$ 743,667	$ 8,897,885	$ 1,535,068	$ 225,026	$ 1,760,093	$ 26,264,365	$ 28,790	$ 26,293,155
4	Measuring & Reg. Station Equip. - General	378	$ 4,491,276	$ 500,000	$ 4,991,276	$ 760,305	$ 112,154	$ 872,459	$ 133,600	$ 26,206	$ 159,807	$ 3,597,371	$ 361,639	$ 3,959,010
5	Services	380	$ 12,298,813	$ 1,251,151	$ 13,549,964	$ 2,643,726	$ 273,723	$ 2,917,449	$ 828,805	$ 126,479	$ 955,285	$ 8,826,282	$ 850,948	$ 9,677,231
6	Meters	381	$ 343,913	$ 176,834	$ 520,747	$ 247,346	$ 26,582	$ 273,928	$ -	$ -	$ -	$ 96,567	$ 150,252	$ 246,819
7	Meter Installations	382	$ 4,273,462	$ 26,115	$ 4,299,576	$ 908,060	$ 110,173	$ 1,018,233	$ 214,480	$ 35,835	$ 250,315	$ 3,150,922	$ (119,893)	$ 3,031,028
8	House Regulators	383	$ 74,345	$ -	$ 74,345	$ 42,812	$ 1,871	$ 44,683	$ 9,229	$ 620	$ 9,848	$ 22,305	$ (2,491)	$ 19,814
9	Other Equipment	387	$ 336,151	$ 68,054	$ 404,206	$ 307,271	$ 12,172	$ 319,442	$ -	$ -	$ -	$ 28,881	$ 55,882	$ 84,763
10	Subtotal Distribution Plant		$ 57,849,151	$ 3,019,635	$ 60,868,786	$ 13,063,737	$ 1,280,342	$ 14,344,079	$ 2,721,182	$ 414,166	$ 3,135,347	$ 42,064,232	$ 1,325,128	$ 43,389,360

In other words, after GMG's 2024 actual plant balance in FERC Account 381 was lower than originally projected, rather than revising its test year balance downward to reflect reality, GMG added $176,834 to the plant balance without justification.

OAG witness Lee asked GMG to explain why it initially did not have an adjustment to Account 381 and what the justification was for the new adjustment after GMG's 2024 actuals were lower than projected.[178] GMG did not even answer the question, instead discussing the depreciation methodology it applied to its meters in FERC Accounts 381 and 382.[179] GMG stated that it accidentally placed some meters into FERC Account 381 that should have been in FERC Account 382, but argued that the total plant balance remains the same regardless of whether it places the unsubstantiated $176,834 into FERC Account 381 or 382.[180] The ALJ found that this explained the problem. But this misses the point; the issue is that there is no basis for including $176,834 in *either* FERC account.[181]

GMG failed to substantiate the $176,834 of AMR-related plant balance, regardless of which account it placed that amount into, and the $176,834 should therefore be removed. That is, there is no evidence that there will be an extra $176,834 worth of meters anywhere on GMG's

[177] Ex. OAG-301, SL-D-12 at 4 (Lee Direct) (highlight added).
[178] Ex. OAG-302 at 8 (Lee Surrebuttal).
[179] Ex. GMG-109 at 20 (Burke Rebuttal).
[180] GMG Initial Brief at 56.
[181] Ex. OAG-302 at 7-8 (Lee Surrebuttal).

system in 2025; the OAG asked GMG to explain the basis for the $176,834 increase, but GMG failed to explain why this amount should be added to either account.[182] Instead, GMG argued that the appearance that the amount is unsupported arises from GMG's failure to update the 2025 Test Year with updated 2024 actuals,[183] which is essentially an admission that GMG simply wants its Test Year amount to remain higher regardless of its actual plant balances.[184]

The conclusion to be drawn from the record is that GMG simply wanted to keep its 2025 test year balance for FERC Account 381 at $520,747, and the "adjustment" it made was exclusively to its spreadsheet, adding whatever amount was necessary to get from the 2024 actual balance to the 2025 test year balance. GMG has the burden to prove that it has actually incurred the costs of service it claims to have incurred, including the actual existence of its claimed rate base.[185] Because GMG failed to provide any evidence for the existence of the $176,834 on its system, its Test Year plant balance should be reduced by that amount.

The ALJ's recommended findings at paragraphs 278-291 should be replaced as follows:

278. In its initial filing, Greater Minnesota Gas included a Test Year plant balance of $520,747 for meters in FERC Account 381.[186] The Test Year plant balance was the same as the balance for 2023 and the projected balance for 2024.[187] Greater Minnesota Gas also listed a $0 adjustment to FERC Account 381 between 2024 and 2025.[188]

280. After 2024 had ended, the Department requested that Greater Minnesota Gas update its financial information with 2024 actuals.[189] The 2024 year-end actual balance for FERC Account 381 was revised downward, to $343,913.[190] But the plant balance for the 2025 test year remained

[182] Ex. OAG-302 at 8 (Lee Surrebuttal).
[183] GMG Initial Brief at 55.
[184] And further proof that GMG did not recalculate its costs when it recalculated its revenues, as discussed above.
[185] *See In re N. States Power Co.*, 416 N.W.2d 719, 722-23 (Minn. 1987). A necessary condition of recovery is proof that a utility has incurred or even may incur an expense, which GMG has failed to show.
[186] Ex. GMG-105, Sched. B-1 at 2 (Initial Filing – Volume 3 – Financial Information).
[187] Ex. GMG-105, Sched. B-1 at 2 (Initial Filing – Volume 3 – Financial Information).
[188] Ex. GMG-105, Sched. B-1 at 3 (Initial Filing – Volume 3 – Financial Information).
[189] Ex. OAG-301, SL-D-12 at 1 (Lee Direct).
[190] Ex. OAG-301, SL-D-12 at 3 (Lee Direct).

$520,747, and Greater Minnesota Gas changed the FERC Account 381 adjustment from $0 to $176,834.[191]

281. 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.[192]

282. 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.[193] The OAG asked GMG 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.[194]

282. GMG responded that, in its initial filing, it had misplaced into FERC Account 381 meters that should have been placed into FERC Account 382.[195] The update that GMG provided in response to the Department had corrected this misplacement by decreasing FERC Account 381 and increasing FERC Account 382.[196] However, GMG explained, it did not update the 2025 Test Year balance for these accounts.[197]

283. GMG 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.[198]

284. The issue, however, is 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.[199] The OAG recommended removing this amount from the Test Year plant balance for FERC Account 381, and therefore from the overall Test Year plant balance, because GMG provided no explanation or basis for increasing the Test Year FERC Account 381 plant balance back to $520,747.[200]

285. GMG 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 adequate explanation for increasing FERC Account 381 by $176,834 between 2024 and 2025.

286. The Commission will therefore reduce the Test Year plant balance by $176,834.

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191 Ex. OAG-301, SL-D-12 at 4 (Lee Direct).
192 Ex. OAG-302 at 9 (Lee Surrebuttal).
193 Ex. OAG-302 at 7 (Lee Surrebuttal).
194 Ex. OAG-301 at 28 (Lee Direct).
195 Ex. GMG-109 at 20 (Burke Rebuttal).
196 Ex. GMG-109 at 20 (Burke Rebuttal).
197 Ex. OAG-301, SL-D-12 at 5 (Lee Direct).
198 Ex. GMG-109 at 20 (Burke Rebuttal).
199 Ex. OAG-302 at 8 (Lee Surrebuttal).
200 Ex. OAG-302 at 8-9 (Lee Surrebuttal).

III. The Commission Should Adopt the ALJ's Recommendation to Deny GMG Its Request for an Income Tax "Rider."

The ALJ recommended rejecting GMG's Income Tax Rider proposal because the Commission has previously successfully dealt with changes to the corporate tax code through a utility-wide investigation.[201] The OAG agrees with this conclusion, and further observes that, according to the Commission, riders are "a creation of the Minnesota Legislature," meaning that a rider cannot be used without a statute authorizing the Commission to establish it.[202] GMG's proposal should therefore also be denied because there is no statutory basis for creating this rider.

Riders are authorized by specific statutory provisions, and none of them refer to income taxes in any way.[203] The Commission has not allowed the creation of any income tax riders for any utility in at least the past 15 years.[204] Given the lack of statutory authorization and lack of any indication that a tax rider is an appropriate method of addressing taxation of utilities, the Commission should reject GMG's tax rider proposal. The ALJ's findings regarding the tax rider should be adopted, with the following revision to paragraph 301:

> 301. ~~Without reaching the question of whether the Commission has the authority to establish an income tax rider,~~ There is no statute authorizing creation of the income tax rider proposed by GMG, so there is no legal basis for creating the income tax rider requested by GMG. Additionally, it is clear that the Commission's preferred approach to the comparatively rarer occurrence of a significant change in federal tax rates is to conduct an industry-wide investigation. The last time corporate tax rates underwent significant revision, the Commission initiated an investigation that resulted in an order directing utilities to refund the over-recovery of taxes to their ratepayers.

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[201] ALJ Report ¶¶ 301-302.
[202] Ex. OAG-301 at 18 (Lee Direct).
[203] *See, e.g.,* Minn. Stat. § 216B.1635; Minn. Stat. § 216B.16, subd. 7b; Minn. Stat. § 216B.1691; Minn. Stat. § 216B.1696.
[204] Ex. OAG-301 at 21 (Lee Direct).

IV. THE COMMISSION SHOULD ORDER GMG TO END ITS PREFERENTIAL TREATMENT OF ITS SEASONAL INTERRUPTIBLE CUSTOMERS.

The ALJ included the discussion of GMG's interruptible customers in the ALJ's discussion of rate design,[205] but the significance of the issue warrants a separate discussion. GMG has interruptible customers who receive lower rates in exchange for agreeing not to use gas during periods of peak usage across GMG's distribution system.[206] Interruptible customers theoretically provide a benefit to the system because customers willing to curtail use during system peaks result in a lower peak, meaning the utility does not need to incur the cost of building a larger system to accommodate greater use and can reduce capacity-related contracts.[207] GMG also does not need to purchase gas as much gas during peaks, when gas is most expensive.[208] However, if interruptible customers do not interrupt their use or would not have used gas during system peaks in the first place, they are free-riders, receiving a monetary benefit paid for by other ratepayers without providing any benefit in return.

A great many of GMG's interruptible customers do not curtail their usage during system peaks, and GMG needs to address this problem to avoid potential reliability issues, so it can reduce capacity-related costs, and to avoid offering customers an unreasonably preferential rate. Minnesota law requires that rates "shall not be unreasonably preferential, unreasonably prejudicial, or discriminatory."[209] If an interruptible customer never curtails its usage, it is receiving the same firm service as other customers for a lower price without justification. Over the past five years, GMG has had an average of 90 customers on interruptible rates each year.[210] GMG has never

[205] ALJ Report ¶¶ 357-359.
[206] Ex. OAG-303 at 58-59 (Stevenson Direct).
[207] Ex. OAG-303 at 59 (Stevenson Direct).
[208] Ex. OAG-303 at 59 (Stevenson Direct).
[209] Minn. Stat. § 216B.03.
[210] Ex. OAG-303 at 60 (Stevenson Direct).

called on more than nine customers to curtail.[211] Moreover, no more than four customers have ever actually curtailed at one time.[212] The end result is that GMG's interruptible customers are receiving firm service at unreasonably preferential rates.

The ALJ highlights GMG's claim that making seasonal users to pay their fair share could lead them to leave the system,[213] but GMG provided no firm evidence supporting this alleged bypass risk. On the contrary, this argument is contradicted by GMG's own evidence that propane is more expensive than natural gas and will continue to be after this rate case.[214] The alleged bypass risk is also contradicted by GMG's contention that it extended service to customers who other utilities refused to serve.[215] If GMG extended service to customers that other companies neglected, there are no other natural gas companies for its large customers to flee to. In short, GMG's own evidence rebuts its fearmongering about bypass risk.

The OAG recommends that the Commission order GMG to end its practice of offering interruptible service to seasonal users who will never need to interrupt. The OAG also recommends that the Commission order GMG to either move some of its interruptible customers to firm rates or change its demand entitlement process to reflect the fact that GMG rarely uses its interruptible customers.

Regarding the customers who do stay on interruptible rates, the OAG recommends requiring GMG to inform those customers that they could be required to curtail usage if the price

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[211] Ex. OAG-303 at 60 (Stevenson Direct).
[212] Ex. OAG-303 at 60 (Stevenson Direct).
[213] ALJ Report ¶ 358.
[214] Ex. GMG-107 at 2-3 (Chilson Surrebuttal). GMG vaguely gestures to the possibility that some of its customers might be able to obtain lower prices for propane, Ex. GMG-107 at 5-6, but fails to provide any detail or corroborating evidence, making the claim impossible to verify.
[215] Ex. GMG-113 at 1 (Witness Statement of Gregory H. Palmer); Ex. GMG-112 at 2-3, 13 (Palmer Rebuttal).

of gas spikes.[216] GMG's tariff states customers must curtail "whenever requested by the Company."[217] Although GMG has not felt the need to curtail customers due to a gas price spike in the past, this could change, as it estimates that it will purchase roughly 28 percent of GMG's test year gas volumes from the spot market, which can experience price volatility.[218] To ensure that customers are not surprised by unexpected curtailments, GMG should clearly communicate with its interruptible customers prior to the 2025-2026 heating season that economic curtailment may occur.

To adopt the OAG's recommendation, the Commission should amend paragraphs 357-359 of the ALJ Report as follows:

357. The OAG also observed that GMG rarely asks its interruptible customers to curtail their usage, and even when GMG does ask them to curtail, many do not. Many of GMG's seasonal agricultural customers are on interruptible rates even though they do not use gas during heating season and will never be asked to curtail, meaning they are receiving preferentially lower rates but not providing any benefit to the system in return.[219] The OAG ~~also~~ recommended ~~altering the rates charged to GMG's interruptible customers and~~ either removing those of GMG's interruptible customers from interruptible service who rarely or never curtail usage, or requiring a change to GMG's demand entitlement process to reflect the fact that the majority of GMG's interruptible customers do not curtail usage. The OAG ~~maintains~~ demonstrated that GMG has had an average of 90 interruptible customers each year from 2019 to 2023. GMG has never called on more than nine customers to curtail, and no more than four customers have ever curtailed at one time. The OAG maintains that GMG's interruptible customers are receiving a preferential rate without providing a benefit to GMG's system.

358. GMG disagrees. It 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. It argued that if its interruptible customers were forced onto firm rates, these customers might 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.

359. The OAG responded 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

[216] Ex. OAG-303 at 64-65 (Stevenson Direct).
[217] Ex. OAG-303 at 63 (Stevenson Direct).
[218] Ex. OAG-303 at 64 (Stevenson Direct).
[219] Ex. GMG-109 at 29-30 (Burke Rebuttal); Ex. OAG-305 at 16-17 (Stevenson Direct).

engage in.[220] The OAG observed that these customers already receive benefits for not using gas in the winter.[221]

360. The record in this case ~~does not~~ supports making the changes recommended by the OAG. The bargain made by interruptible customers is that their service may be curtailed and that they pay a lower rate for service as a result of that agreement; because the majority of GMG's customers are never curtailed and never will be due to their seasonal use, they do not provide a benefit to the system and other ratepayers are unjustly subsidizing their lower rates. ~~the bargain is not a guarantee or requirement that the service must be curtailed~~.

361. The OAG also recommended that GMG should communicate to its interruptible customers that it may ask them to interrupt for economic reasons.[222] The Commission will 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."

V. The Commission Should Reject the ALJ's Class Cost Of Service Study Recommendation, Which Rewards GMG's Failure to Provide Required Information and Is Contrary to Longstanding Commission Practice.

The ALJ recommends that the Commission base its rate design determinations solely on GMG's Minimum System class cost of service study (CCOSS),[223] despite the proven flaws in GMG's specific CCOSS and longstanding Commission policy of reviewing multiple CCOSSs. Instead, the Commission should find that GMG's CCOSS does not provide a reasonable basis for determining just and reasonable rates and use the OAG's CCOSSs instead. In addition, the Commission should reject the ALJ's recommended findings regarding future CCOSS requirements, as they are based on allegations by GMG that are demonstrably incorrect.[224]

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[220] Ex. OAG-303 at 63 (Stevenson Direct).
[221] Ex. OAG-303 at 63 (Stevenson Direct).
[222] Ex. OAG-303 at 65 (Stevenson Direct).
[223] ALJ Report ¶¶ 318-319.
[224] ALJ Report ¶¶ 308, 320-324.

A. GMG's CCOSS Is Completely Compromised By Its Flawed Methodology and Flawed Data.

A CCOSS attempts to determine which classes of customers cause which costs.[225] CCOSSs are a somewhat subjective exercise: there are multiple ways to conduct a CCOSS and different choices by an analyst conducting a CCOSS will produce different results.[226] That said, a CCOSS should be conducted using the best data available and all choices must have an analytical foundation.[227]

Numerous flaws in both the methodology and data underlying GMG's CCOSS undermine its credibility, casting doubt on its ability to provide the Commission with valid insights about cost causation. First, GMG made a massive change to its CCOSS when it filed rebuttal testimony that it did not discuss in its testimony, and which the Department and OAG only discovered after the deadline for discovery had passed, depriving them of the ability to investigate the change. Second, GMG asserted in discovery that it had made a demand adjustment to its CCOSS, which is necessary for a minimum system CCOSS, but it did not actually do so. Beyond these two primary flaws, there are several other methodological flaws that further decrease the quality of GMG's CCOSS even after it made updates in its rebuttal testimony.

1. GMG made a last-minute change that caused a massive shift in class cost responsibility, but failed to mention it in testimony.

GMG made multiple changes to its CCOSS in its rebuttal testimony, but it did not even mention a change that had one of the largest impacts, which was to remove sales to its transport customers from its commodity cost allocator.[228] This one change increased commodity costs for

[225] Ex. OAG-303 at 3 (Stevenson Direct).
[226] Ex. OAG-303 at 21 (Stevenson Direct).
[227] *See* Ex. OAG-303 at 21 (Stevenson Direct); *see also* Ex. DOC-206 at 14 (Zajicek Direct).
[228] Ex. OAG-305 at 8-9 (Stevenson Surrebuttal).

the residential class by over $700,000 and for the small commercial class by over $100,000.[229] Because GMG did not mention the change, intervenors only discovered it when they received the original spreadsheet version of GMG's changed CCOSS in discovery on April 4.[230] March 28 was the last day on which intervenors could have sent follow-up discovery requests to understand the change and why it wasn't made earlier.[231] In response to a Department email asking why GMG failed to mention that it made this change, GMG stated that because it "continues to not support any rate design changes, it did not specifically address the increase in the residential class's revenue short fall" noted by the Department.[232] But failing to disclose a major change simply because it does not support the party's positions is inappropriate for a party with the burden of proof. And for a rate regulated utility, it is particularly troublesome and undermines the Commission's regulatory mandate.

GMG's failure to disclose this change also casts doubt on all of GMG's CCOSS. A CCOSS is only as reliable as the underlying data, which GMG is the gatekeeper of. Failing to discuss a change because the result of the change may be adverse to GMG's position raises the possibility that there are other important facts or data that GMG chose not to disclose to intervenors and the Commission, undermining the integrity of the entire record. The validity of the change itself is also extremely difficult to assess given that the explanation occurred only after the close of discovery. The Commission should reject GMG's CCOSS because GMG failed to show it reasonably estimates class cost causation.

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[229] Ex. OAG-305 at 8 (Stevenson Surrebuttal).
[230] Ex. DOC-209, MZ-S-2 at 1-2 (Zajicek Surrebuttal).
[231] Formal discovery closed on April 9, meaning the last day to send discovery was March 28. FIRST PREHEARING ORDER at 3 (Jan. 22, 2025).
[232] Ex. DOC-209, MZ-S-2 at 1 (Zajicek Surrebuttal).

2. GMG failed to perform a demand adjustment on its minimum system CCOSS, but alleged that it did.

The ALJ found that "the Department and the OAG maintain that GMG's Minimum System Study is unreliable because they assert GMG failed to perform a demand adjustment."[233] GMG's failure to perform a demand adjustment on its CCOSS is a fact, not an assertion. While GMG claimed to the OAG in discovery that it had performed a demand adjustment,[234] experts from both the OAG and the Department demonstrated that no demand adjustment existed.[235] In its initial and reply briefs, GMG dropped its claim that it performed a demand adjustment, staying silent on the topic altogether. GMG's failure to perform a demand adjustment is significant, as GMG used a minimum system CCOSS, which structurally overstates customer-related costs.[236] A demand adjustment is necessary to correct this shortcoming of the minimum system approach; without a demand adjustment, the minimum system CCOSS will over-classify shared distribution costs as customer-related.[237] This, in turn, will overstate the revenue deficiency of the residential class, which is by far the most numerous. The ALJ did not make a finding that GMG actually made a demand adjustment, or refute the OAG and the Department's determination that no demand adjustment was performed.[238] Nevertheless, the ALJ found that GMG met its burden of demonstrating the reasonableness of this cost in the absence of an explanation.[239] The Commission should not be so quick to brush aside GMG's material error. The fact that GMG did not perform a demand adjustment makes its CCOSS structurally unreliable, and the fact that GMG nevertheless

233 ALJ Report ¶ 316.
234 Ex. OAG-303, CS-D-11 (Stevenson Direct).
235 Ex. OAG-303 at 27-28 (Stevenson Direct); Ex. DOC-209 at 2-3 (Zajicek Surrebuttal).
236 Ex. OAG-303 at 27 (Stevenson Direct).
237 Ex. OAG-303 at 27 (Stevenson Direct).
238 *See* ALJ Report ¶¶ 303-319.
239 ALJ Report ¶ 319.

insisted that it did perform the adjustment casts further doubt on the reliability of GMG's CCOSS overall.

3. Additional flaws in GMG's CCOSS.

GMG's CCOSS contains numerous other methodological flaws that undermine its usefulness in guiding revenue apportionment. The ALJ failed to address any of these flaws, but they have significant impacts to the CCOSS and the Commission should not rely on GMG's CCOSS that includes these issues.

First, GMG made a mistake when it moved transportation customers to their own class for the CCOSS. The OAG recommended moving transportation customers to their own class,[240] and GMG followed this recommendation in its rebuttal CCOSS, designating them as TR-1 and TR-2 customers.[241] When it did so, however, GMG failed to include the sales to TR-2 customers in its demand allocator.[242] This means that the costs caused by TR-2 customers remained in the classes they were assigned to under GMG's original CCOSS, resulting in artificially high revenue deficiencies for the original classes and an artificially low revenue deficiency for transportation customers.[243] The OAG's CCOSSs correct for this failure.[244]

Second, GMG allocated demand-related costs using consumption data from January 2024, whereas the OAG advocated for using both January and February of the three most recent years, plus the test year.[245] GMG constructed its demand allocator using each customer class's share of peak demand usage at the coldest time of the most recent heating season, which occurred in

[240] Ex. OAG-303 at 56 (Stevenson Direct).
[241] Ex. GMG-109 at 23 (Burke Rebuttal); Ex. GMG-109, RDB-REB 8 (Burke Rebuttal).
[242] Ex. OAG-305 at 9 (Stevenson Surrebuttal).
[243] Ex. OAG-305 at 10 (Stevenson Surrebuttal).
[244] Ex. OAG-305 at 12 (Stevenson Surrebuttal).
[245] Ex. OAG-303 at 49-50 (Stevenson Direct).

January 2024.[246] However, the coldest days have occurred in February in four of the past five years and five of the past ten years.[247] To reduce the chances that January 2024 was anomalous, thus resulting in a demand allocator that does not reflect GMG's actual system in its test year, GMG should have computed its demand allocator using January and February consumption data from at least three prior years and the test year.[248] In the OAG's CCOSSs, the OAG recalculated its demand allocator using historical January and February data, thus correcting for this.[249]

Third, GMG excluded its interruptible customers from the demand allocator for the demand cost of gas even though it rarely interrupts them. "The demand cost of gas is the money a utility spends to reserve enough transportation capacity on pipelines for it to meet firm customer demand during a system peak."[250] In theory, interruptible customers should not pay for this because they receive a discount in exchange for not using gas during a peak event, and GMG therefore does not need to purchase as much capacity.[251] However, given that GMG does not interrupt the vast majority of its interruptible customers, the capacity GMG is purchasing covers interruptible customers as well. Not including them in the demand allocator means costs are overallocated to other rate classes. The OAG corrected for this in its CCOSSs by apportioning some of the demand cost of gas to interruptible customers using an estimate of sales to these customers during a system peak.[252]

Fourth, GMG classified its general plant costs as entirely customer-related even though they do not vary with the number of customers or clearly relate to any specific aspect of its

[246] Ex. OAG-303 at 49-50 (Stevenson Direct).
[247] Ex. OAG-303 at 50 (Stevenson Direct).
[248] Ex. OAG-303 at 50-51 (Stevenson Direct).
[249] Ex. OAG-303, CS-D-16 at 5 (Stevenson Direct).
[250] Ex. OAG-305 at 11 (Stevenson Surrebuttal).
[251] Ex. OAG-305 at 11 (Stevenson Surrebuttal).
[252] Ex. OAG-305 at 12-13 (Stevenson Surrebuttal).

business.[253] The problem here can be illustrated by the example of an office chair, which is an item of general plant. General plant includes the items of rate base that are general to the business: land, office furniture, transportation equipment and the like.[254] Customer-related costs vary as the number of customers changes.[255] General plant does not vary directly with the number of customers; GMG needs office chairs regardless of whether it serves 5,000 or 10,000 customers. General plant also does not vary directly with aggregate energy usage or peak demand;[256] again, GMG needs office chairs regardless of how much gas it sells overall and on a peak day. Changes to customer count, volume of gas sold, and peak demand could all require staffing changes, which could change the number of office chairs the company needs. But because general plant is not clearly customer-related, energy-related, or demand-related, it is more reasonable to split its classification among the three than to classify it as entirely customer-related, which may unjustly inflate the revenue deficiency for the residential class.[257] The OAG used this approach in its CCOSSs.[258]

Fifth, GMG does not collect specific meter and service data about its own system to inform the CCOSS and GMG revealed important information late in the process that made the task of approximating the lacking data even more inaccurate. The OAG observed that GMG's approach to allocating customer-related costs lacked specificity due to GMG's lack of accessible data regarding the installation costs of its meters and services.[259] Then GMG revealed in rebuttal that it (1) selects meters based on a customer's load and (2) uses some meters for multiple classes,

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[253] Ex. OAG-303 at 53-54 (Stevenson Direct).
[254] Ex. OAG-303 at 53 (Stevenson Direct).
[255] Ex. OAG-303 at 20 (Stevenson Direct).
[256] Energy-related costs vary with aggregate customer usage and demand-related costs vary with peak demand. Ex. OAG-303 at 20 (Stevenson Direct).
[257] Ex. OAG-305 at 10 (Stevenson Surrebuttal).
[258] Ex. OAG-303, CS-D-16 at 4 (Stevenson Direct).
[259] Ex. OAG-303 at 51-53 (Stevenson Direct).

which suggests that its meters were incorrectly classified as entirely customer-related, when they actually should be partially energy-related.[260] The combination of the lack of actual data regarding these costs and the late reveal of characteristics that would require different cost allocation than GMG used means that allocation of the installation costs of meters and services could be entirely inaccurate. The OAG was unable to correct for this issue in its CCOSSs because of the lack of data and late notice that the issue existed.

B. The Commission Should Reject the ALJ's Recommendation to Deviate From Longstanding Commission Practice of Considering Multiple CCOSSs.

The ALJ recommended relying solely on GMG's minimum system CCOSS, stating that "there is no single type of CCOSS that the Commission has approved for all cases,"[261] but this misstates the Commission's actual approach to CCOSSs in rate cases and should be rejected. The Commission has repeatedly recognized the value of considering *multiple* CCOSSs, stating in 2023 that

> The Commission has long held that no single cost study method can be judged superior to all others in all contexts, and the choice among methods involves disputes over assumptions, applications, and data. This conclusion is supported by the fact that the NARUC Manual identifies a variety of methods for allocating cost. While evaluating data from a variety of studies will not eliminate any study's weaknesses, it provides a broader range of perspectives from which to evaluate each study and can reduce the impact of any particular study's flaws.[262]

In a normal rate case with trustworthy data, there is substantial value in considering multiple CCOSS methodologies, because there are many contestable determinations that analysts must make when performing a CCOSS, and each decision can potentially shift very large amounts

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[260] Ex. OAG-305 at 10-11 (Stevenson Surrebuttal).
[261] ALJ Report ¶ 318.
[262] *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).

of money between customer classes.[263] To the extent that the Commission relies on cost of service to inform revenue apportionment in spite of the doubts regarding the integrity of GMG's data, the Commission should continue its historical practice of considering multiple cost classification methods.

The OAG performed two alternative CCOSSs to GMG's minimum system CCOSS. The problem with all minimum system CCOSSs is that they assume that the addition of customers is the main driver of distribution system costs, whereas it is more accurate to say that costs vary with the need to meet *demand*.[264] Another problem with the minimum system approach is that it is based on a hypothetical system that would carry no capacity but whose costs are calculated using a utility's actual costs for its smallest system components, which do still carry capacity.[265] This can be addressed with a demand adjustment, but as discussed above, GMG never performed a demand adjustment.

The first alternative CCOSS that the OAG performed was a Basic Customer CCOSS. Rather than making a default assumption that some minimum amount of shared distribution-system costs are customer-related the way that the minimum system does, the default assumption of the Basic Customer CCOSS is that shared costs are demand-related because the utility must design its distribution system to serve peak demand.[266] GMG agrees that meeting peak demand is one of the objectives driving the design of a distribution system.[267] This CCOSS is represented by the OAG's recommendation to classify shared distribution costs as 100 percent demand-related. The results of this CCOSS are shown in Figure 3.

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[263] Ex. OAG-303 at 21 (Stevenson Direct).
[264] Ex. OAG-303 at 24-25 (Stevenson Direct).
[265] Ex. OAG-303 at 27 (Stevenson Direct).
[266] Ex. OAG-303 at 32 (Stevenson Direct).
[267] Ex. GMG-103 at 24-25 (Burke Direct).

Figure 3: The OAG's Revised Basic Customer CCOSS[268]

Rate Class	Total	Present Rates - Total	Activation Fees/Reconnect Fees	Revenue (Shortfall) Overage	Percent Increas
Total	$ 19,826,519.26	$ 18,369,386.42	$ 34,700.00	$ (1,422,432.84)	7.74%
Residential	$ 10,774,557.10	$ 9,879,302.28	$ 34,700.00	$ (860,554.82)	8.71%
Small Commercial	$ 1,361,461.00	$ 1,270,892.85	$ -	$ (90,568.15)	7.13%
Commercial	$ 549,742.81	$ 451,074.16	$ -	$ (98,668.65)	21.87%
Medium Industrial	$ 517,430.57	$ 488,439.56	$ -	$ (28,991.01)	5.94%
Large Industrial	$ 3,459,446.97	$ 3,294,180.45	$ -	$ (165,266.52)	5.02%
Interruptible Industrial	$ 456,187.51	$ 587,390.13	$ -	$ 131,202.62	-22.34%
Interruptible Agricultural	$ 801,187.78	$ 871,592.80	$ -	$ 70,405.02	-8.08%
Transport	$ 1,906,505.52	$ 1,526,514.18	$ -	$ (379,991.34)	24.89%

The other alternative CCOSS is the OAG's peak and average CCOSS. This approach classifies shared distribution costs as partially demand-related and partially energy-related, as the distribution system distributes gas not only during peaks but at all other times.[269] Under this approach, the portion of a distribution main that is built to meet customer need throughout the year is energy-related and the additional costs of increasing the size of the main to meet peak demand is demand-related.[270] This CCOSS is represented by the OAG's recommendation to classify distribution costs as 68.2 percent demand-related and 31.8 percent energy-related. The results of this CCOSS are shown in Figure 4.

[268] Ex. OAG-305 at 13 (Stevenson Surrebuttal).
[269] Ex. OAG-303 at 36 (Stevenson Direct).
[270] Ex. OAG-303 at 36 (Stevenson Direct).

Figure 4: The OAG's Revised Peak & Average CCOSS[271]

Rate Class	Total	Present Rates - Total	Activation Fees/Reconnect Fees	Revenue (Shortfall) Overage	Percent Increase
Total	$ 19,826,519.26	$ 18,369,386.42	$ 34,700.00	$ (1,422,432.84)	7.74%
Residential	$ 10,950,001.37	$ 9,879,302.28	$ 34,700.00	$ (1,035,999.09)	10.49%
Small Commercial	$ 1,376,693.16	$ 1,270,892.85	$ -	$ (105,800.32)	8.32%
Commercial	$ 565,229.26	$ 451,074.16	$ -	$ (114,155.10)	25.31%
Medium Industrial	$ 529,781.50	$ 488,439.56	$ -	$ (41,341.94)	8.46%
Large Industrial	$ 3,498,861.22	$ 3,294,180.45	$ -	$ (204,680.77)	6.21%
Interruptible Industrial	$ 562,513.09	$ 587,390.13	$ -	$ 24,877.05	-4.24%
Interruptible Agricultural	$ 985,456.81	$ 871,592.80	$ -	$ (113,864.00)	13.06%
Transport	$ 1,357,982.85	$ 1,526,514.18	$ -	$ 168,531.33	-11.04%

It should be noted that the OAG's final recommended CCOSSs incorporated GMG's last-minute removal of transport sales from its commodity cost allocator, because if the data is accurate, this choice is theoretically sound.[272] However, due to the numerous flaws in the evidentiary record relating to cost allocation, the OAG recommends that the Commission place less weight on *any* CCOSS in guiding revenue apportionment than it normally would.[273] Instead, the Commission should primarily be guided by non-cost factors, which are less susceptible to the evidentiary flaws described above. To reflect the consideration of the OAG's methodologically-sound CCOSSs, the Commission should amend and supplement the ALJ findings at paragraphs 303-319 as follows:

303. Basic ratemaking principles hold that customers should be responsible for their respective service costs.

304. Cost causation studies are performed during a general rate case. A CCOSS is used to identify the costs and revenues associated with each service class and allocate the utility's total revenue requirement among those classes. 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.[274] The Commission has therefore historically relied on multiple different CCOSSs to inform its revenue apportionment decisions.[275]

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[271] Ex. OAG-305 at 14 (Stevenson Surrebuttal).
[272] Ex. OAG-305 at 9, 11-12 (Stevenson Surrebuttal).
[273] Ex. OAG-305 at 11, 14 (Stevenson Surrebuttal).
[274] Ex. OAG-303 at 21 (Stevenson Direct).
[275] *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).

305. For the CCOSS in this case, GMG used the same minimum system study method it used in its 2009 rate case, without the changes that the Commission had ordered it to make.[276] Greater Minnesota Gas stated that including those changes would be unduly burdensome.[277] 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.[278]

~~306. During the last rate case, the parties agreed to the cost classification among rate classes that followed from GMG's minimum system study. GMG continues to view this cost classification method as appropriate.~~

306. ~~In the hopes of simplifying and streamlining this case,~~ GMG proposed no change to its CCOSS or revenue allocation. GMG notes that it is a small company with a small customer base and limited financial and administrative resources.

307. GMG argued that it does not own CCOSS software and did not hire a consultant to develop its CCOSS. GMG explained that performing additional CCOSS would require substantial resources that GMG does not have. However, the CCOSS software used by several Minnesota utilities is Microsoft Excel, which is the same software that GMG used.[279] GMG also performed a CCOSS in rebuttal testimony that included many of the adjustments it had been ordered to include and had previously said would be unduly burdensome or require consultants to perform.[280]

308. Because GMG lacks the resources to perform a Zero Intercept study with GMG personnel, GMG chose not to incur the costs to perform such a study. Although the Department explained what a zero intercept study is, no party requested that GMG produce such a study.[281]

309. Moreover, because GMG's proposed rate increase is relatively flat across all of its classes, and GMG made no changes to its rate design from that of its prior rate case, it argued that the additional cost studies were unnecessary. GMG maintains that it decided how it wanted to increase its rates and then used its CCOSS simply to verify the fairness of its proposed rate increases across rate classes, contrary to standard ratemaking principles. The CCOSS was not used to support changes in the rate design.

310. Additionally, GMG is deeply critical of the premises underlying Zero Intercept system studies. It argues that the results of such studies "unfairly impact[] low-usage customers…."

[276] Ex. GMG-103, CJC-1 at 6 (Chilson Direct).
[277] Ex. GMG-103, CJC-1 at 6 (Chilson Direct).
[278] Ex. OAG-303 at 24 (Stevenson Direct).
[279] Ex. OAG-303 at 23, n. 54 (Stevenson Direct); Ex. OAG-303, CS-D-15 (Stevenson Direct); Ex. OAG-303, CS-D-17 (Stevenson Direct).
[280] GMG Initial Br. at 61-62; Ex. 109 at 24 (Burke Rebuttal).
[281] *See* Ex. DOC-206 at 29-30 (Zajicek Direct).

However, no party recommended that GMG perform a zero intercept study or that the Commission rely on one.

~~312. Notwithstanding the noncompliance in its initial filings, the Department noted that "it is comfortable proceeding in this case without requiring GMG to comply with all but one of the requirements …." The sole requirement the Department requested GMG comply with was for an explanatory filing; which GMG later provided.~~[282]

~~313. The Department and OAG later argued that the Commission should consider a range of CCOSS results as a starting point for rate design.~~

311. The ~~Department and~~ OAG disagreed with GMG's CCOSS for numerous reasons. ~~The Department argued that Commission's previous GMG rate case orders instructed GMG to include features in a future CCOSS that were omitted. The Department maintained that GMG's non-compliance indicated that its cost studies were flawed. Both the Department and the OAG maintain that GMG's Minimum System Study is unreliable because they assert GMG failed to perform a demand adjustment.~~ First, all minimum system studies are flawed because they assume that the addition of customers is a main driver of distribution system costs, but it is more accurate to say that distribution system costs are driven by the need to meet the peak demand and energy usage of customers.[283] Second, GMG failed to perform a demand adjustment, which is necessary for any minimum system study because utilities 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.[284] Although Greater Minnesota Gas stated that it performed a demand adjustment, it did not.[285]

312. The OAG identified numerous other flaws in GMG's CCOSS.[286]

313. The Department ~~first~~ recommended that the Commission consider a range of CCOSS results built upon two different CCOSS: the Company's Minimum System Study, as modified to include required changes from GMG's 2009 Rate Case Order, and the Department's Basic Customer Method.

314. The OAG ~~initially~~ recommended the Commission consider a range of CCOSS results built upon two different CCOSS: the OAG's Basic Customer Method and the OAG's Peak and Average Method.

315. The Basic Customer method classifies only costs that can be directly attributed to a customer as customer-related. This can be part of the cost of meters, service lines, customer

[282] See subsection V.D below for a discussion of this recommended finding.
[283] Ex. OAG-303 at 24 (Stevenson Direct).
[284] Ex. OAG-303 at 27 (Stevenson Direct).
[285] Ex. OAG-303 at 27-28 (Stevenson Direct).
[286] Ex. OAG-305 at 9-12 (Stevenson Surrebuttal); Ex. OAG-303 at 49-51 (Stevenson Direct); Ex. OAG-303 at 53-54 (Stevenson Direct); Ex. OAG-305 at 10-11 (Stevenson Surrebuttal).

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. Shared distribution system costs can 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.[287]

316. 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 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.[288]

317. 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. 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.[289]

318. 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.[290]

319. 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. 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.[291]

320. GMG updated its model to incorporate many adjustments that it previously had alleged it would require software or consultants to perform, including: (i) establish a separate class

[287] Ex. OAG-303 at 32 (Stevenson Direct).
[288] Ex. OAG-303 at 33-34 (Stevenson Direct).
[289] Ex. OAG-303 at 36 (Stevenson Direct).
[290] Ex. OAG-303 at 39 (Stevenson Direct).
[291] Ex. OAG-303 at 40 (Stevenson Direct).

for Transportation customers and their corresponding costs and revenues; (ii) reallocate costs to the appropriate rate class using the same methodology as approved in the 2009 rate case; and (iii) make additional changes to Capacity, Demand, and Commodity costs that GMG asserts better align the model with accepted cost-causation principles.[292] It also removed transportation sales from its commodity cost allocator, causing a $700,000 increase in the residential class's revenue deficiency and a $100,000 increase in the small commercial class's revenue deficiency.[293] However, GMG failed to mention this in testimony or alert intervenors, who only discovered it buried in a discovery response after it was too late to send follow-up discovery requests.[294] GMG explained that it did not give notice of the change because the results of the change did not support GMG's position.[295]

321. ~~There is no single type of CCOSS that the Commission has approved for all cases. Given this record, the Administrative Law Judge finds that the Minimum System method is a reasonable method for classification of costs in this case.~~ A last-minute change with such a significant impact and no opportunity to investigate further, coupled with GMG's lack of forthrightness about its initial CCOSS, raises major doubts about the integrity of either of GMG's CCOSSs. The OAG recommended that the OAG's CCOSSs be used, but cautioned that no CCOSS in this case could be relied upon too heavily because every CCOSS was based on GMG's representations about its system.[296]

322. The Commission ~~Administrative Law Judge~~ ~~also~~ finds that GMG failed to meet its burden of demonstrating the reasonableness of its CCOSS, as revised in Rebuttal Testimony. The Commission will consider the OAG's Basic Customer and Peak and Average CCOSSs because GMG's CCOSSs lack integrity.

C. The ALJ Is Wrong That Ordering GMG to Produce a Workable CCOSS In Its Next Rate Case Would Be Expensive.

The ALJ's findings that GMG was unable to produce a workable CCOSS due to resource constraints and its small size[297] should be rejected because they misunderstand the resources necessary to produce a workable CCOSS. The Commission should instead order GMG to make improvements to its next CCOSS so that the record in GMG's next rate case is more trustworthy.

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292 GMG Initial Br. at 61-62; Ex. 109 at 24 (Burke Rebuttal).
293 Ex. OAG-305 at 8-9 (Stevenson Surrebuttal).
294 *See generally* Ex. DOC-209, MZ-S-2 (Zajicek Surrebuttal).
295 Ex. DOC-209, MZ-S-2 at 1 (Zajicek Surrebuttal).
296 Ex. OAG-305 at 14 (Stevenson Surrebuttal).
297 ALJ Report ¶¶ 307-308, 322-324.

In its previous rate case, the Department recommended, GMG agreed to, and the Commission ordered improvements to the CCOSS in this rate case.[298] GMG failed to comply with all but one of these improvements, stating that compliance would be unduly burdensome.[299] GMG argued that it lacked access to "CCOSS software" and implied that it would need to hire consultants to conduct the CCOSS that the Commission had ordered it to conduct.[300] GMG repeated these protestations to the Department's and OAG's recommendations that the Commission order GMG to conduct a better CCOSS in its next rate case,[301] and the ALJ adopted GMG's arguments.[302]

However, the record shows that GMG was able to comply fully with the Commission's previous orders all along and simply chose not to. GMG's assertion that it does not have CCOSS software is false: it has Microsoft Excel and created its CCOSS in Excel, just as Xcel Energy,[303] CenterPoint Energy,[304] and the OAG do.[305] GMG similarly alleged in rebuttal testimony that it should not be required to conduct future CCOSSs with the methodological changes recommended by the Department because it does not have modeling software or budget to hire consultants.[306] But in the same rebuttal testimony, GMG made adjustments to its CCOSS that included some of the very adjustments recommended by the Department and the OAG, showing it was capable of doing so after all.[307] In fact, GMG's rebuttal CCOSS not only incorporated some recommendations from intervenors, it also included all of the changes that the Commission ordered in GMG's

[298] Ex. GMG-103, CJC-1 at 6 (Chilson Direct); Ex. DOC-205 at 2-5 (Shah Surrebuttal); Ex. DOC-204 at 7-11 (Shah Direct).
[299] Ex. GMG-103, CJC-1 at 6 (Chilson Direct); Ex. DOC-205 at 2-5 (Shah Surrebuttal); Ex. DOC-204 at 7-11 (Shah Direct).
[300] Ex. GMG-103, CJC-1 at 6 (Chilson Direct).
[301] Ex. GMG-109 at 25-26 (Burke Rebuttal).
[302] ALJ Report ¶¶ 307-308, 322-324.
[303] Ex. OAG-303 at 23, n. 54 (Stevenson Direct).
[304] Ex. OAG-303, CS-D-15 (Stevenson Direct).
[305] Ex. OAG-303, CS-D-17 (Stevenson Direct); Ex. OAG-303, CS-D-19 (Stevenson Direct).
[306] ALJ Report ¶ 323; Ex. 109 at 26 (Burke Rebuttal).
[307] Ex. GMG-109 at 23-24 (Burke Rebuttal).

previous rate case, belying GMG's previous allegation that these improvements were too unduly burdensome or costly for GMG to be able to incorporate them.[308]

For the majority of the Department's and OAG's future CCOSS recommendations, the only way ordering those improvements in GMG's next CCOSS would increase costs and rate case expense would be if GMG repeated its behavior in this case and knowingly failed to follow the Commission's order. That would require all parties to redo their CCOSSs multiple times, driving up rate case costs. If, on the other hand, the Commission orders the improvements and GMG complies with the order, GMG will avoid incurring the expense of it and every other party needing to remedy its substandard CCOSS. In other words, GMG should embrace the recommendations for its future CCOSS because they represent cost savings.

To prevent unnecessary expenses in GMG's next rate case and ensure a more accurate initial CCOSS is provided, the Commission should reject paragraphs 322 and 323 of the ALJ's recommended findings regarding future CCOSS recommendations and amend paragraph 324 as follows:

> ~~322. GMG disagreed that a requirement for GMG to implement further changes beyond the 2009 requirements to its CCOSS in the future was warranted. GMG maintains that the Department's proposal provides uncertain and speculative benefits, and downplays that significant cost impact of these changes.~~
>
> ~~323. Implementing the proposed changes would require significant resources; quite likely including additional personnel, consultant expense, and licenses for modeling software. These rate case expenses would ultimately be borne by GMG's ratepayers.~~
>
> 324. ~~The Administrative Law Judge finds that GMG demonstrated the reasonableness of its revised CCOSS in this rate case. To the extent that~~ The Commission determines that the Department's additional requirements should apply in GMG's future rate cases, as the Commission ~~should balance~~ has considered the costs and benefits of such requirements and determined that these requirements are unlikely to increase costs~~ given GMG's small size~~.

[308] GMG Initial Br. at 61-62; Ex. 109 at 24 (Burke Rebuttal).

D. The ALJ's Finding Regarding the Comment Period on Completeness Should Be Rejected.

The ALJ's finding that the Department recommended proceeding with the rate case during the comment period on the completeness of GMG's initial filing[309] should be rejected because it implies that the Department should litigate cases before they have even been referred to the Court of Administrative Hearings. The finding is a repetition of GMG's argument in briefing that the intervenors should have "resolved the issues" with GMG's CCOSS before the Commission even decided the completeness of GMG's application.[310] The Commission's notice of comment period on completeness asked "[d]oes Greater Minnesota Gas, Inc.'s application comply with the *filing requirements* of Minn. Stat. § 216B.16, Minn. Rules, parts 7825.3100 to 7825.4400, and relevant Commission Orders?"[311] It was not a comment period to determine the quality or persuasive weight of GMG's evidence, which is what the OAG has evaluated through discovery and ultimately critiqued, and which is what a contested case is for.[312] The ALJ's recommended finding at paragraph 312 should be rejected.

VI. The Commission Should Adopt the OAG's Revenue Apportionment to Avoid the Significant Flaws in GMG's Proposal.

The Commission must determine how recovery of the utility's revenue requirement will be apportioned among its customer classes, or the total amount of money the utility will recover from each class.[313] The Commission must also determine the utility's rate design, or how each class's rate will be structured.[314] With both revenue apportionment and rate design, the

[309] ALJ Report ¶ 312.
[310] GMG Initial Br. at 61.
[311] Notice of Comment Period on Completeness and Procedures at 1 (Nov. 6, 2024) (eDocket No. 202411-211653-01) (emphasis added).
[312] *See* Minn. Stat. § 216B.16, subd. 2(b).
[313] *Hibbing Taconite Co. v. Minn. Pub. Serv. Comm'n*, 302 N.W.2d 5, 9 (Minn. 1980).
[314] Ex. OAG-303 at 82 (Stevenson Direct).

Commission acts in a "legislative" capacity, "balancing both cost and non-cost factors and making choices among public policy alternatives" to determine the revenue apportionment and rate design most consistent with public interest.[315]

In addition to the "cost factors" that a CCOSS helps analyze, longstanding utility ratemaking principles require the Commission to consider "non-cost factors" in setting rates.[316] These include statutorily required non-cost factors, such as ratepayers' ability to pay[317] and avoiding unreasonable preference,[318] as well as numerous policy considerations such as equity, justice, avoiding rate shock, encouraging energy conservation, and others.[319] In other words, cost causation is a starting point for setting rates, not the ending point; indeed, a failure to consider non-cost factors in setting rates would be legally insufficient, particularly given the flawed evidentiary record in this case discussed above.

The ALJ's report omitted facts that cast significant doubt on GMG's preferred revenue apportionment, which the ALJ recommends adopting. In the rest of this section, the OAG will break down the issues regarding revenue apportionment. First, the OAG discusses important state policies that should guide the Commission in apportioning revenue, which the ALJ did not adequately consider. Second, the OAG presents its recommended revenue apportionment, which moderates the Residential class increase while still proposing reasonable increases for all customer classes.

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[315] *St. Paul Area Chamber of Commerce v. Minn. Pub. Serv. Comm'n*, 251 N.W.2d 350, 358 (Minn. 1977).
[316] *St. Paul Area Chamber of Commerce v. Minn. Pub. Serv. Comm'n*, 251 N.W.2d 350, 358 (Minn. 1977).
[317] Minn. Stat. § 216B.16, subd. 15(a).
[318] Minn. Stat. § 216B.03.
[319] *See, e.g.*, *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).

A. The Commission Should Consider Important Policy Objectives in Revenue Apportionment.

The OAG's revenue apportionment is informed by the statutory requirement that the Commission consider ratepayers' ability to pay in setting utility rates, with a particular focus on energy burden, the relative ability of classes to pass through costs, and rate shock.[320] Given that the sales forecast and CCOSSs are all based on questionable data from GMG, these non-cost policy considerations carry particular weight in guiding revenue apportionment in this case.

1. Energy burden is likely high for residential ratepayers in GMG's service territory.

GMG proposed a finding that its customers do not "experience[e] energy burden"[321] and the ALJ adopted this recommendation.[322] Energy burden refers to the proportion of a household's income that is spent on energy costs,[323] so all consumers of energy by definition experience energy burden. But the question for revenue apportionment is not whether GMG's residential customers are worse off than customers of other gas utilities; the question is whether residential customers are experiencing energy burden that impacts their ability to pay compared to other rate classes. Even so, the OAG presented evidence that GMG's residential customers likely experience a high energy burden, and GMG presented no evidence to the contrary. Instead, as discussed in the ALJ's report,[324] GMG focused on the fact that the OAG's witness did not examine intra-county incomes, which inappropriately shifts the burden of proof from GMG to the OAG.[325]

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[320] Minn. Stat. § 216B.16, subd. 5(a).
[321] Proposed Findings of Fact, Conclusions of Law, and Recommendation of Greater Minnesota Gas, Inc. at 49-50.
[322] ALJ Report ¶ 339.
[323] *See* Ex. OAG-303 at 66 (Stevenson Direct).
[324] ALJ Report ¶ 334.
[325] ALJ Report ¶ 332-333.

The OAG argued that Commission should consider the average residential energy burden in GMG's service territory in setting rates.[326] Analyzing energy burden gives a more detailed picture of affordability than the Commission would get just by looking at rates or bills alone because it looks at the relative impact of rates on a household's bottom line.[327] The OAG demonstrated that the average incomes in the regions that GMG serves are all lower than the statewide average income,[328] which, coupled with GMG's relatively higher rates,[329] could mean that its customers experience a higher energy burden than the average Minnesota household.

Additionally, GMG's own data suggests that its customers may be struggling to afford their lives. The average past due balance increased significantly in 2024, rising to the highest level in at least five years.[330] Late fees and reconnection fees also spiked to the highest level in that time period.[331] This was despite 2024 being a warmer year than 2023, which translates into less gas usage, which means lower bills.[332] In other words, even though bills should have gone down, indicators of economic stress went up. While GMG asserted that it had not seen "unusual spikes in accounts receivable or in customers not paying their bills" since interim rates went into effect on January 1, 2025,[333] it was comparing interim rates to its worst year for affordability metrics in at least five years.[334]

GMG argued that the OAG's observations may not apply to GMG's customers due to the OAG's use of county-level data.[335] Of far greater significance is the fact that GMG failed to

[326] Ex. OAG-303 at 68-69 (Stevenson Direct).
[327] *See* Ex. OAG-303 at 66 (Stevenson Direct).
[328] Ex. OAG-303 at 68 (Stevenson Direct).
[329] Ex. OAG-303 at 74-76 (Stevenson Direct).
[330] Ex. OAG-303 at 70 (Stevenson Direct).
[331] Ex. OAG-303 at 70-71 (Stevenson Direct).
[332] Ex. OAG-303 at 71 (Stevenson Direct).
[333] Ex. GMG-107 at 3 (Chilson Surrebuttal).
[334] Evidentiary Hearing Transcript at 22-25 (Chilson).
[335] GMG Initial Brief at 64-65; ALJ Report ¶¶ 332-333.

provide any evidence that its residential customers *do not* have a high energy burden, when *GMG* is the gatekeeper of data about its customers. GMG failed entirely to respond to the OAG's observations regarding GMG-specific signs of economic distress for the residential class. Even though it bears the burden of proof, GMG failed to produce evidence that its proposed residential rate increase would be reasonable, whereas the OAG produced evidence that the proposed residential rate increase would be unreasonable.

2. The Commission should aim to limit rate shock, which GMG's residential customers are more vulnerable to than its business customers.

The ALJ appropriately recommended finding that the Commission should take care to avoid rate shock,[336] but the ALJ's other findings regarding rate shock are contradicted by the evidence.[337] Whereas the ALJ adopted GMG's recommended finding that quoted the OAG witness discussing hypothetical rate increases that the OAG never proposed,[338] the reality is that the OAG took care to limit rate shock for all customers in its recommended apportionment.[339] In fact, the highest increase for any class recommended by the OAG is the same 11.32 percent increase that GMG apportioned to the interruptible agricultural class.[340] Moreover, the ALJ's recommended finding that GMG non-residential customers may bypass GMG's system under the OAG's recommended revenue apportionment fails to pass muster.[341]

Residential ratepayers and small businesses are uniquely vulnerable to increases in utility bills. This is because, as the Minnesota Supreme Court has long recognized, large businesses can

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[336] ALJ Report ¶ 326.
[337] ALJ Report ¶¶ 334-336.
[338] ALJ Report ¶ 337. The ALJ found that the OAG's recommendation would require apportioning "12, 13, 14 percent rate increase[s]" to other rate classes, but the OAG's recommendation did not include any increase of that size. Ex. 305 at 19 (Stevenson Surrebuttal).
[339] Ex. OAG-303 at 81 (Stevenson Direct).
[340] Ex. OAG-303 at 81 (Stevenson Direct).
[341] ALJ Report ¶ 335.

pass along the cost of a rate increase through the prices of its goods or services in a way that residential customers usually cannot.[342] Smaller businesses can pass on costs in theory, but if they are in more competitive markets or deal in goods or services with elastic demand, they are less able to pass on cost increases than larger businesses.[343] The specific effects of cost increases and abilities of customers to pass them on are difficult to predict,[344] but the Commission should keep these considerations in mind when apportioning rates.

The ALJ recommended finding that there is a "real risk" of bypass by GMG's business customers because GMG argued that the OAG's revenue apportionment would place too great a financial burden on "family-owned farms and small businesses."[345] However, this ignores the fact that the 11.32 percent agricultural increase proposed by the OAG is the same 11.32 percent increase that GMG itself proposed for the interruptible agricultural class, and that is the highest class increase that either party proposed.[346] As for small businesses, the OAG's proposed increase for the small commercial class is *lower* than GMG's proposed increase for that class.[347] The OAG's recommendations are therefore *more protective* of small businesses than GMG's proposal

[342] *St. Paul Area Chamber of Com. v. Minn. Pub. Serv. Comm'n*, 251 N.W.2d 350, 355 (Minn. 1977) ("It 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 than residential users.").
[343] Ex. OAG-303 at 77 (Stevenson Direct).
[344] Ex. OAG-303 at 78 (Stevenson Direct).
[345] ALJ Report 334 and 335; GMG Initial Brief at 65.
[346] Ex. OAG-305 at 19 (Stevenson Surrebuttal); Ex. GMG-105, Sched. E-2 at 1 (Initial Filing – Volume 3 – Financial Information). GMG's proposed interruptible agricultural rate increase can be determined from Ex. 105, Sched. E-2 at 1 as follows: (line 15-line 9)/line 9 = (1103707-991485)/991485 = 11.32 percent.
[347] Ex. OAG-305 at 19 (Stevenson Surrebuttal); Ex. GMG-105, Sched. E-2 at 1 (Initial Filing – Volume 3 – Financial Information). Similarly, GMG's proposed small commercial class can be determined from Ex. GMG-105, Sched. E-2 at 1 as follows (1367226-1272236)/1272236 = 7.47 percent.

and treat agricultural customers equally to GMG's proposal, which also negates GMG's argument that the OAG's recommendation could result in rate shock for these customers.[348]

Additionally, this supposed bypass risk was based on GMG's unsupported contention that the OAG's recommendation could cause GMG's larger customers classes to convert to an alternative fuel source, such as propane, or receive service from another provider.[349] But this argument is contradicted by GMG's own evidence that propane is more expensive than natural gas and will continue to be after this rate case.[350] Furthermore, GMG grew by extending service to areas other companies neglected,[351] which makes it doubtful that there are other natural gas companies willing to serve its large customers. GMG's suggestion that its larger customers might drop service is thus undermined by its own evidence.

B. The OAG's Revenue Apportionment Incorporates Policy Considerations and Insights from Multiple CCOSSs to Arrive at Just and Reasonable Rates.

The Commission should adopt the OAG's revenue apportionment. The OAG's revenue apportionment does the best job of handling the problems with GMG's sales forecast and CCOSS, while incorporating important affordability-related policy concerns and mitigating rate shock to all customer classes to arrive at a revenue apportionment that is just and reasonable. The OAG's revenue apportionment is shown in Figure 5.

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[348] ALJ Report ¶ 334.
[349] ALJ Report ¶ 335.
[350] Ex. GMG-107 at 2-3 (Chilson Surrebuttal). GMG vaguely gestures to the possibility that some of its customers might be able to obtain lower prices for propane, Ex. GMG-107 at 5-6, but fails to provide any detail or corroborating evidence, making the claim impossible to verify on this record.
[351] ALJ Report ¶ 31.

Figure 5: The OAG's Revised Revenue Apportionment Recommendation[352]

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

This revenue apportionment assumes that GMG receives its full requested revenue requirement.[353] If the Commission approves a lower revenue requirement, each class's increase should be reduced proportionally, with one caveat. If the Commission adopts the OAG's recommendation to increase small customer sales in the forecast, the Commission should first lower the small commercial class's increase by that amount before reducing all classes proportionally.[354]

In accordance with the foregoing, the Commission should amend and supplement paragraphs 328-339 of the ALJ Report as follows:

328. GMG proposed roughly equal percentage-of-margin increases over existing rates across all classes. GMG decided to use this allocation ~~balances allocating~~ and then checked it against the cost of service ~~established~~ in GMG's CCOSS~~, with each class's contribution to GMG's revenue levels~~. It also argued that it reflects important customer impact considerations,~~;~~ such as avoiding rate shock ~~and ensuring residential customers have affordable access to natural gas service~~.[355]

329. Both the Department and OAG proposed revenue apportionment strategies that assign a greater rate increase to larger customer classes and a lesser rate increase to Residential and Small Commercial customers.

[352] Ex. OAG-305 at 19 (Stevenson Surrebuttal).
[353] Ex. OAG-305 at 19 (Stevenson Surrebuttal).
[354] Ex. OAG-305 at 19-20 (Stevenson Surrebuttal).
[355] Ex. GMG-103 at 32 (Burke Direct); Ex. GMG-109 at 26-27 (Burke Rebuttal).

330. The Department's proposed revenue apportionment reduces the increase in revenue apportioned to the Residential class from 7.7 percent to 2.1 percent.[356]

331. The OAG's proposed revenue apportionment assigns ~~an 11~~ a 7 percent increase to the Small Commercial class and reduces the increase in revenue apportioned to the Residential class from 7.7 percent to 6.4 percent.[357]

332. ~~OAG witness Stevenson contended that~~ GMG's residential customers may be experiencing a high energy burden because GMG's rates are higher than those for other utilities[358] and its service area includes counties with average annual incomes lower than the State average.[359] ~~At the evidentiary hearing, Stevenson acknowledged that he did not evaluate intra-county income trends or where within each county GMG's customers took service.~~ Additionally, although there is funding available to assist low-income residential customers, funding is insufficient – only 23 percent of eligible households actually received assistance in 2023.[360] Measures of financial hardship specific to Greater Minnesota Gas's residential customers grew worse in 2024, with average past due balances, total late fees collected, and reconnection fees collected rising higher than in any of the previous 5 years.[361] The OAG expressed particular concern that they rose so high in 2024 despite 2024 having warmer winter temperatures than 2023.[362]

333. GMG argued that its 11,000 customers are a fraction of each county's population, as the counties Stevenson evaluated in his energy burden assessment have a collective population of over 456,000.[363] GMG provided no evidence regarding the level of energy burden experienced by its customers or their incomes.[364]

334. GMG argued that the Department's and OAG's approach places disproportionate financial burdens on family-owned farms and small businesses; many of which are operating on very thin margins. These customers, GMG contends, are just as susceptible to rate shock as Residential or Small Commercial customers.[365] However, the businesses have an ability to pass on increased costs that residential customers do not have.[366] Additionally, the OAG's proposed agricultural rate increase is the same as GMG's, and the OAG's proposed small commercial customer rate increase is lower than GMG's.[367]

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[356] Ex. DOC-212 at 9, n.17 (Hirasuna Surrebuttal).
[357] Ex. OAG-305 at 19 (Stevenson Surrebuttal).
[358] Ex. OAG-303 at 74 (Stevenson Direct).
[359] Ex. OAG-303 at 68-69 (Stevenson Direct).
[360] Ex. OAG-303 at 67-68 (Stevenson Direct).
[361] Ex. OAG-303 at 70-71 (Stevenson Direct).
[362] Ex. OAG-303 at 71 (Stevenson Direct).
[363] GMG Initial Brief at 64-65.
[364] GMG Initial Brief at 65.
[365] Ex. GMG-110 at 24 (Burke Surrebuttal); Ex. GMG-113 at 1 (Palmer Witness Statement).
[366] *St. Paul Area Chamber of Com. v. Minn. Pub. Serv. Comm'n*, 251 N.W.2d 350, 355 (Minn. 1977) ("It 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 than residential users."); Ex. 303 at 77 (Stevenson Direct).
[367] Ex. OAG-305 at 19 (Stevenson Surrebuttal).

335. There is not a ~~real~~ significant risk that if either the Department's or OAG's recommendations were implemented, they would incentivize GMG's business customers to bypass the GMG system by converting to an alternative fuel source, such as propane, or receive service from another provider. GMG demonstrated that propane is significantly more expensive than natural gas and is likely to remain so.[368] Additionally, GMG demonstrated that it serves customers who other natural gas providers would not extend service to.[369] There is little cause for concern that GMG's business customers would migrate to a more expensive fuel and there are not other providers for them to take gas service from.

~~336. If significant migration away from GMG's system were to occur; the rate design benefits claimed by the Department and OAG would be lost. Out-migration from the GMG system would place additional cost responsibilities on the Residential and Small Commercial customers.~~

~~337. Stevenson acknowledged at the evidentiary hearing that "ideally no one would get a 12, 13, 14 percent rate increase" and "that an 11 percent rate increase for that class could cause rate shock …." Yet, he did not change his recommendation; a change would require apportioning at least some of those amounts to other rate classes.~~

336. ~~The Administrative Law Judge finds that~~ The ~~existing~~ OAG's proposed revenue apportionment is reasonable. Residential and small commercial customers should receive a lower increase than other classes due to their inability to pass on costs, the likelihood that they have a high energy burden, and the low availability of energy assistance. Additionally, the OAG's proposed increase for larger business customers is not significantly higher than GMG's proposed revenue apportionment and will be just and reasonable. ~~Carrying forward the existing revenue apportionment results in avoiding a still-larger rate increases imposed upon family-owned farms and any class of customer being specially disadvantaged.~~

~~339. The Administrative Law Judge also finds that the hearing record does not support a finding that GMG's customers, in particular, are now experiencing energy burden.~~

VII. THE COMMISSION SHOULD ADOPT THE OAG'S RATE DESIGN AND RECONNECTION FEE RECOMMENDATIONS.

The Commission should adopt the OAG's recommendations regarding GMG's monthly facility fee and its reconnection fee. The OAG found that GMG's increase to the residential facility fee could be reasonable if GMG's full revenue requirement were approved, but recommends that GMG apply any reduction in the revenue requirement to reduce the proposed increase to the facility fee before reducing the proposed increase to the volumetric rate.[370] The OAG's

[368] Ex. GMG-107 at 2-3 (Chilson Surrebuttal); Ex. GMG-107, CJC-SR-1 (Chilson Surrebuttal).
[369] Ex. GMG-112 at 2 (Palmer Rebuttal).
[370] Ex. OAG-303 at 88 (Stevenson Direct).

recommendation for GMG's reconnection fee is to lower the fee and split it up into multiple months to lower the barrier to reconnecting.[371] The ALJ disagreed with both of these recommendations on cost-causation grounds, and in doing so failed to consider important non-cost factors and gave undue weight to the cost evidence provided by GMG.[372]

A. Any Reduction to the Revenue Requirement Should Be Applied to the Residential Facility Fee Before the Volumetric Rate.

If the Commission reduces GMG's revenue requirement, it should reduce the proposed increase to the residential facility fee before reducing the residential volumetric rate to encourage conservation. GMG's residential base rates have two parts: a monthly fixed customer charge or "facility fee" that does not vary with customer consumption and a distribution charge that depends on how much gas a customer consumes.[373] GMG proposes raising its facility fee by approximately 15 percent, from $8.50 to $9.75 per month.[374]

The OAG analyzed GMG's costs and found that increasing the facility fee could be reasonable in terms of cost causation if GMG received its full revenue requirement. The OAG's calculations suggested that a residential customer imposes more than $8.50 in costs each month, although due to the lack of high-quality data, the calculation is only an estimate.[375] Thus, an increase in the facility fee may comport with cost-causation principles as suggested by the ALJ, although the ALJ failed to mention the OAG's uncertainty about the accuracy of GMG's data and the possibility that GMG's alleged costs were inflated.[376]

[371] Ex. OAG-305 at 24 (Stevenson Surrebuttal).
[372] ALJ Report ¶¶ 346, 355-356.
[373] Ex. OAG-303 at 82-83 (Stevenson Direct).
[374] Ex. GMG-103 at 5 (Burke Direct).
[375] Ex. OAG-303 at 86-88 (Stevenson Direct).
[376] Ex. OAG-303 at 88.

A more concerning omission is the absence of any mention that increasing the facility fee could have an adverse impact on conservation, which Minnesota law requires consideration of.[377] A higher facility fee would mean a relatively lower distribution fee.[378] The distribution fee is charged on a per-CCF (100 cubic feet) basis, so a customer's bill is lower if they use less gas.[379] If the facility fee is higher and the distribution fee is lower, customers have less of an incentive to conserve because each CCF of conservation provides less savings than if the facility remained lower and the distribution fee was higher.[380] The proposed increase to the facility fee also means that the cost of using more gas would be relatively lower, potentially encouraging greater gas use.[381]

The standard for rate design is the same as for revenue apportionment, meaning that the Commission must balance cost and non-cost factors in choosing among policy alternatives.[382] Regarding increasing GMG's facility fee, these factors pull in opposite directions. On one hand, increasing the fee would be sound under cost-causation principles. On the other hand, Minnesota law requires that the Commission set rates to encourage conservation "to the maximum reasonable extent."[383] Thus, the OAG recommends that the Commission only increase the residential facility fee if it grants GMG its entire requested rate increase. However, if GMG does not receive its entire rate increase, the Commission should require it to reduce the residential facility-fee increase before reducing the increase to the residential distribution fee in order to encourage conservation. Paragraphs 340-346 of the ALJ Report should be amended as follows:

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377 Minn Stat § 216B.03.
378 Ex. OAG-303 at 85 (Stevenson Direct).
379 Ex. OAG-303 at 85 (Stevenson Direct).
380 Ex. OAG-303 at 85-86 (Stevenson Direct).
381 Ex. OAG-303 at 85-86 (Stevenson Direct).
382 *St. Paul Area Chamber of Commerce v. Minn. Pub. Serv. Comm'n*, 251 N.W.2d 350, 358 (Minn. 1977).
383 Minn. Stat. § 216B.03.

340. GMG proposed increasing all facility fees and distribution charges for all rate classes by approximately the same percentage rate.[384]

341. GMG proposed to increase facility fees by approximately 15 percent for all classes. GMG ~~maintains~~ argued that its proposal moves each class closer to its cost-of-service and addresses the substantial increase in the fixed costs necessary to provide service to GMG's customers — such as materials, supplies, labor, technology, and administrative costs — in the 15 years since GMG's last rate case.[385]

~~342. The Department and the OAG generally do not oppose GMG's rate design as it relates to distribution charges and facility fees.~~

343. OAG witness Stevenson ~~noted that~~ performed calculations to determine, with respect to Residential customers, how much each customer imposes in customer-related costs each month. He noted that he was not certain of the accuracy of his calculations because of the low quality of GMG's data, but it appears that residential customers may cause between $11.55 and $14.93 in customer-related costs per month, supporting GMG's proposed Residential facility fee of $9.75.[386]

344. Stevenson ~~confirmed~~ agreed that GMG's proposed facility fee is reasonable from a cost-causation perspective. However, he noted that Minnesota law requires that "to the maximum reasonable extent, the Commission shall set rates to encourage energy conservation,"[387] and that a higher facility fee means a lower distribution charge, which discourages energy conservation.[388]

345. Stevenson ~~also~~ therefore recommended that if the Commission authorizes a lower revenue requirement, that GMG should first reduce the increase to its facility fee before reducing the increase to its distribution charge in order to encourage conservation.[389]

346. The Administrative Law Judge disagreed on this last point,~~.~~ arguing that the facility fee is ~~already~~ may be lower than each customer's actual customer-related costs[390]~~; such that carrying forward the same sized cross subsidy is inappropriate if a lower revenue requirement is approved. Even with a lower revenue requirement, a facility fee of $9.75 per month represents a moderate move toward cost-of-service pricing~~. However, cost causation is not the only factor the Commission is required to consider in setting just and reasonable rates.

347. The Commission will order GMG to use the OAG's rate design recommendation by applying the reduction in revenue requirement to reduce the facility fee increase before reducing the distribution charge increase. This properly balances cost causation and conservation goals.

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384 Ex. GMG-103 at 12 (Burke Direct).
385 Ex. GMG-103 at 5-6 (Burke Direct).
386 Ex. OAG-303 at 86-88 (Stevenson Direct).
387 Minn. Stat. § 216B.03.
388 Ex. OAG-303 at 85 (Stevenson Direct).
389 Ex. OAG-303 at 88 (Stevenson Direct).
390 ALJ Report ¶ 346.

B. The Commission Should Reduce GMG's Reconnection Fees.

The Commission should reduce GMG's reconnection fee and split payment of reconnection fees across multiple months to reduce this barrier to reconnection. GMG charges $75 before it will restore gas service to a customer.[391] This is much higher than other regulated Minnesota gas utilities and presents a significant barrier to customers who rely on gas service to heat their homes.[392] While GMG has relatively low disconnections compared to other utilities, 2024 saw it disconnect the most customers since 2015.[393]

The ALJ disagreed with this recommendation because GMG argued that it costs more than $75 to reconnect a customer.[394] There are two issues with this argument. First, as long as a customer is disconnected, they are not paying for gas, meaning GMG is missing out on that revenue. Reconnecting a customer thus can pay for itself over time through a reconnected customer's distribution fee.[395] As a result, maintaining a prohibitively high reconnection fee actually cuts against the ALJ's argument that reducing the fee would deviate from cost-based principles, as a disconnected customer is not paying for any of the already-incurred distribution costs.

The other issue with the ALJ's recommendation is that a reconnection fee should not be entirely cost-based. GMG's residential customers rely on it to heat their homes, which they likely cannot do with alternative fuels anymore after connecting to GMG's system. When customers have been disconnected for nonpayment, they likely face economic hardship that makes $75 too great a barrier to this basic need. The reconnection fee should be set at a level that is not

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391 Ex. OAG-303 at 72 (Stevenson Direct).
392 Ex. OAG-303 at 72 (Stevenson Direct).
393 Ex. OAG-305 at 23 (Stevenson Surrebuttal).
394 Ex. GMG-109 at 33 (Burke Rebuttal).
395 Ex. OAG-305 at 24 (Stevenson Surrebuttal).

prohibitively expensive for customers in these circumstances. The ALJ failed to consider the impact on GMG's most economically vulnerable customers of its shockingly high reconnection fee.

Accordingly, the OAG recommends reducing GMG's reconnection fee to $50, which is still higher than other Minnesota gas utilities' reconnection fees. To make paying the fee less of a barrier and hardship, the Commission should require GMG to allow customers to pay their reconnection fees over the course of two months, $30 the first month, and $20 the next month.[396]

If the Commission does not reduce GMG's reconnection fee, it should still require GMG to allow customers to pay the reconnection fee in installments of $30 the first month, $25 the second month, and $20 the third month.[397] That way, struggling customers will never have an upfront payment of greater than $30.

The ALJ also disagreed with this proposal. The ALJ argued that splitting up the reconnection fee could confuse customers or cause concerns about "duplicative billing."[398] The ALJ did not provide any citation for this recommendation or explain what, precisely, the ALJ meant by "duplicative billing." The implication of this recommendation is that it is preferable for a disconnected customer to remain without heat than run the risk that the customer might be confused about being charged the reconnection fee over multiple months. In addition, the confusion can be easily remedied by noting on the reconnection fee line item that each payment is the first, second, or third of three.

[396] Ex. OAG-305 at 24 (Stevenson Surrebuttal).
[397] Ex. OAG-305 at 24 (Stevenson Surrebuttal).
[398] ALJ Report ¶ 356.

To ensure GMG's customers who have fallen on hard times have an opportunity to reconnect to the safe, affordable gas GMG offers, paragraphs 351 to 356 of the ALJ Report should be amended as follows:

351. ~~As a result of these efforts, GMG only assessed 85 reconnection charges across all customer classes during 2024.~~ However, the fact that GMG undertakes efforts to prevent a disconnection, many of which it is required to do just like every other utility,[399] does not change the high barrier to reconnection presented by its $75 reconnection fee.

352. GMG explained that when it must perform a disconnection, it charges a $75 reconnection fee to restore service.[400]

353. GMG ~~showed that the reconnection fee is reasonable considering~~ presented evidence that the average cost of reconnecting GMG's customers is $87.67 per reconnection. This cost reflects GMG's service area and geographic dispersion of its customer base. A skilled technician spends an average of about 90 minutes of work to perform a reconnection.[401]

354. GMG's higher reconnection costs ~~make comparisons to the reconnection fees of CenterPoint Energy or Xcel Energy inapplicable~~ make a higher reconnection fee than those charged by CenterPoint Energy or Xcel Energy reasonable, but do not justify the full $75. These large utilities have considerably different customer bases that are geographically consolidated primarily in metropolitan areas. Technicians for those utilities performing reconnections incur ~~much~~ less travel time.[402]

355. ~~The Administrative Law Judge finds that GMG's reconnection fee of $75 is reasonable and supported by the record.~~ However, it is inappropriate only to consider whether a reconnection fee equals the cost of reconnection. First, a disconnected customer provides no revenues to GMG, whereas a reconnected customer does provide revenues, thus potentially defraying the cost of reconnection and all other costs that are not paid by a disconnected customer. Second, the Commission is required to consider non-cost factors in setting rates, including a customer's ability to pay.[403] A reconnection fee that is too high presents an unjust burden for customers who cannot afford the upfront cost in order to reconnect to a basic necessity.

356. The OAG recommended that the Commission reduce GMG's reconnection fee to $50, paid in an installment of $30 one month and $20 the next month.[404] The Commission finds this to be a reasonable reconnection fee that balances GMG's relatively high cost of reconnection with customers' access to a basic necessity and their ability to pay the reconnection fee. The OAG additionally recommended that if the reconnection fee remains $75, the Commission should

[399] *See, e.g.,* Minn. Stat. § 216B.0976; Minn. Stat. § 216B.098.
[400] Ex. GMG-109 at 32 (Burke Rebuttal).
[401] Ex. GMG-109 at 32-33 (Burke Rebuttal).
[402] Ex. GMG-109 at 34 (Burke Rebuttal).
[403] Minn. Stat. § 216B.16, subd. 15(a).
[404] Ex. OAG-305 at 24 (Stevenson Surrebuttal).

require GMG 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.[405] ~~While the~~ The Administrative Law Judge ~~appreciates the OAG's intent~~ opposed this proposal, believing that it could be confusing for customers.[406] ~~, charging customers for reconnection costs across three separate billing cycles could cause customer confusion and concerns about duplicative billing. The Administrative Law Judge recommends rejecting the OAG's proposal.~~ The Commission disagrees with the ALJ, as bills could include information about why the reconnection fee is charged in installments, and the confusion a reconnected customer may experience about their bill is less of a concern than a customer being able to reconnect to an essential service, which is what splitting the reconnection fee into installments enables.

357. The Commission will therefore order GMG to reduce its reconnection fee to $50, paid in an installment of $30 one month and $20 the next month.

CONCLUSION

For all of the reasons detailed in these Exceptions, the ALJ's recommendations should be rejected and the Commission should protect residential and small-business customers by adopting the OAG's recommendations.

Dated: July 31, 2025

Respectfully submitted,

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[405] Ex. OAG-305 at 24 (Stevenson Surrebuttal).
[406] ALJ Report ¶ 356.