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In the Matter of the 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 OAH Docket No. 65-2500-36528

MINNESOTA DEPARTMENT OF COMMERCE,
DIVISION OF ENERGY RESOURCES
EXCEPTIONS TO ADMINISTRATIVE LAW JUDGE'S REPORT

July 13, 2020

TABLE OF CONTENTS

INTRODUCTION

The Minnesota Department of Commerce, Division of Energy Resources ("Department" or "DER") respectfully submits to the Minnesota Public Utilities Commission ("Commission" or "MPUC") the following exceptions, clarifications, and corrections to the Findings of Fact, Conclusions of Law, and Recommendation ("Report") issued by Administrative Law Judge Ann O'Reilly regarding the petition filed by Great Plains Natural Gas Co., a Division of Montana Dakota Utilities Co., ("Great Plains" or "Company") for authority to increase natural gas rates in Minnesota.[1]

EXCEPTIONS

I. Return on Equity ("ROE")

Great Plains argued that it must have a 10.2 percent return on equity to induce investment in its regulated operations.[2] Company witness Ms. Ann Bulkley's own analysis showed that a 10.2 percent authorized ROE would be higher than any other ROE authorized in the United States for a gas distribution utility in the last two years.[3] The Report, however, recommends a 9.72 percent ROE for Great Plains—95 percent of the Company's original request.[4] This result is unsupported by the record and the Commission's past decisions. The Report's recommendation places too much weight on the Capital Asset Pricing Model ("CAPM") and allows the Company's proposed subjective judgments to compromise the Report's proposed Discounted Cash Flow Model ("DCF") results. These choices unreasonably inflate the final ROE recommendation by approximately 90 basis points. The Department respectfully requests

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[1] *In re Pet. by Great Plains Nat. Gas Co., a Div. of Mont.-Dak. Utils., Co., for Auth. to Increase Nat. Gas Rates in Minn.*, MPUC Docket No. G-004/GR-19-511, FINDINGS OF FACT, CONCLUSIONS OF LAW, & RECOMMENDATION (June 30, 2020) ("Report").

[2] Great Plains Initial Brief at 6–9.

[3] Ex. GP-16 at 12 (Bulkley Rebuttal).

[4] *Compare* Report ¶ 172, *with id.* ¶ 284, 295.

that the Commission place greater weight on the DCF analyses as directed by past decisions and follow its reasoning from Great Plains' last rate case to not rely on subjective risk judgments.

A. The Report Placed Too Much Weight on the Capital Asset Pricing Model ("CAPM")

The Report placed "significant weight" on the Department's Capital Asset Pricing Model results and, in part, relied on this determination to recommend an approximately 90 basis point ROE increase from the Department's Discounted Cash Flow-derived result.[5] The Commission, however, has recognized that the CAPM model requires "expert judgment at nearly every turn—determining the term of the risk-free, interest-bearing investment used as a benchmark, determining the time frame for calculating growth rates, determining the beta that represents market volatility, [and] determining the historical periods over which to measure returns."[6] As a result of these challenges, CAPM results "are highly sensitive to the choice of inputs, and therefore can be biased by the use of either improvident or inappropriate elements."[7] Similarly, Department witness Mr. Craig Addonizio explained:

> There can be significant variation in the estimates of any one of these estimates, and when they are combined in a single equation, there can be a compounding effect that increases the variation even more. Because of these issues, I do not use the results of my CAPM analysis directly to determine Great Plains' required return on equity. Rather, I use the results of my CAPM analysis indirectly to assess the reasonableness of my DCF analyses.[8]

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[5] *Id.* ¶ 271.

[6] *In re Appl. of Minn. Energy Res. Corp. for Auth. to Increase Rates for Nat. Gas. Serv. in Minn.*, MPUC Docket No. G-011/GR-17-563, FINDINGS OF FACT, CONCLUSIONS, & ORDER (Dec. 26, 2018).

[7] *In re Appl. of CenterPoint Energy Res. Corp., d/b/a CenterPoint Energy Minn. Gas for Auth. to Increase Rates for Nat. Gas Util. Serv. in Minn.*, MPUC Docket No. G-008/GR-15-424, FINDINGS OF FACT, SUMMARY OF PUBLIC TESTIMONY, CONCLUSIONS OF LAW, AND RECOMMENDATION at 27 (Mar. 17, 2016).

[8] Ex. DER-1 at 34 (Addonizio Direct).

Consistent with Commission and Mr. Addonizio's concerns regarding the CAPM model, the Commission has "historically placed its heaviest reliance" on the DCF model.[9] The Commission has explained that the "DCF method is appropriate for calculating a fair return on equity" and "produces consistent, reliable results, and has been consistently used by the Commission."[10]

Further, Mr. Addonizio did not recommend an ROE range.[11] He instead explained that the earnings growth rate estimates for the proxy group companies ultimately reflect the views of various equity analysts. As a result, certain ROE range segments may over or understate the reasonable ROE for the target company.[12] Thus, Mr. Addonizio appropriately limited his final ROE recommendation to the results of his surrebuttal DCF analyses.[13] Because the extremes of the DCF-derived ROE range may misrepresent the appropriate ROE and CAPM analyses are invariably subject to uncertainty, it is not reasonable to collectively use them to support an upwards ROE adjustment. Accordingly, the Department requests that Proposed Finding 271 be amended, as shown below:

> 271. In sum, the Administrative Law Judge finds that ~~gives significant weight to~~ the DOC-DER's CAPM results of **9.38 percent** confirms the reasonableness of its DCF results because it ~~This amount~~ is squarely within the range of DCF results in both Mr. Addonizio's initial and final DCF analyses (ranging from 8.03-9.75 percent and 7.90 – 9.67 percent, respectively)~~, falling closing to the high mean range~~.

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[9] *In re Appl. of CenterPoint Energy Res. Corp. d/b/a CenterPoint Energy Minn. Gas for Auth. to Increase Nat. Gas Rates in Minn.*, MPUC Docket No. G008/GR-15-424, FINDINGS OF FACT, CONCLUSIONS, & ORDER at 38 (June 3, 2016).

[10] *In re Request of Interstate Power Co. for Auth. to Change its Rates for Gas Serv. in Minn.*, MPUC Docket No. G-001/GR-95-406, FINDINGS OF FACT, CONCLUSIONS OF LAW, & ORDER at 36, 38 (Feb. 29, 1996).

[11] Ex. DER-9 at 80 (Addonizio Surrebuttal).

[12] Evidentiary Hearing Transcript at 58–59 (Mar. 10, 2020).

[13] Ex. DER-9 at 80 (Addonizio Surrebuttal).

B. The Report Contradictorily Used Great Plains' Unreasonable Proxy Group to Support Its CAPM Reliance

Despite finding that Great Plains' unreasonably used three companies and one estimated growth rate in its proxy group, the Report inexplicably applied Mr. Addonizio's DCF methodology to the Company's proxy group to support greater reliance on the CAPM model.[14]

The Report found the Department's DCF analyses to be more reliable than Great Plains' analyses for several reasons. First, the Report found that the Department properly excluded two companies from the proxy group that failed to meet the 60 percent operating income threshold.[15] Second, the Report found that the Department correctly excluded a third company that Great Plains had included in its proxy group because it lacked an issuer-level credit rating.[16] Third, the Report found that the Department properly excluded an unrepresentative estimated growth rate (Value Line's Northwest Natural estimate) that was five times higher than any other estimate for a proxy group company.[17] As a result, the Report recommended that the Commission rely on the Department's DCF results.[18]

Given that the Report found Great Plains' proxy group inappropriate, it is unreasonable to use DCF results derived from it.[19] It also is unreasonable to use these DCF results to support reliance on the CAPM model.[20] As explained above, the Commission has expressed a clear preference for the DCF model because of the uncertainty associated with CAPM results.[21] The Report should have instead applied the DCF model to the proxy group that it found reasonable.

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[14] Report ¶ 272–73.
[15] *Id.* ¶ 258–60.
[16] *Id.* ¶ 261.
[17] *Id.* ¶ 262.
[18] *Id.* ¶ 263.
[19] *Id.* ¶ 258–63.
[20] *Id.* ¶ 272–73.
[21] *See supra* Section I.A.

The Report should have then checked the reasonableness of these results by comparing them with the CAPM results. In making this comparison, the Report should have acknowledged—consistent with past Commission decisions—that the CAPM model endures significant uncertainty that makes it inappropriate for directly determining a ROE. Put simply, it makes little sense to rely on a proxy group that already has been found to be unreasonable. It makes even less sense to use results derived from it to support a deviation from DCF results that the Report found to be reasonable.

In these findings, the Report also erroneously suggests that Mr. Addonizio recommended adjusting Value Line's Northwest Natural growth rate estimate.[22] To the contrary, Mr. Addonizio recommended that Value Line's 27 percent growth rate simply be excluded.[23]

For these reasons, the Department respectfully recommends that Proposed Findings 272 and 273 be struck:

> ~~272. It is also more consistent with Ms. Bulkley's application of Mr. Addonizio's DCF analysis when applied to GP's Proxy Group (which included the three companies excluded by Mr. Addonizio). Using Mr. Addonizio's methodology for DCF, but applied to GP's larger proxy group, would result in a Two Growth DCF mean result of 9.47 percent before the application of flotation costs, and 9.52 percent after the addition of Mr. Addonizio's recommended flotation costs of five points.~~
>
> ~~273. When using the GP Proxy Group and adjusting the Value Line earning growth rate for Northwest Natural, as recommended by Mr. Addonizio, the mean Two Growth DCF is 9.58 percent before the addition of flotation costs, and 9.63 percent after the addition of five basis points flotation costs. In other words, applying Mr. Addonizio's methodology to GP's Proxy Group nets results closer to Mr. Addonizio's CAPM than his own Two Growth DCF results for the DOC-DER Proxy Group.~~

[22] *Compare* Report ¶ 272–73, *with* Ex. DER-9 at 29–31 (Addonizio Surrebuttal).
[23] Ex. DER-1 at 21 (Addonizio Direct).

C. The Department's Discounted Cash Flow Model ("DCF") Results Were Compromised by "Inserting Subjective Judgments"

Finally, the Department recommends that the Commission rely on the DCF analyses that were found to be reasonable by the Report. The subsequent adjustments applied to the DCF results by the Report should be rejected for at least two reasons. First, the Commission has rejected Great Plains' previous attempts—as recently at its last rate case—to obtain an upwards ROE adjustment based on subjective risk factors. Second, even if these factors were appropriate, the Company failed to demonstrate that they are applicable in this case. As a result, the Department recommends that Proposed Findings 274 through 278 be struck or revised, as discussed below.

1. The Commission Has Rejected Great Plains' Previous Efforts to Obtain an Upwards ROE Adjustment

The Report relies in part on an electric company rate case order to recommend a 90 basis point upwards adjustment to the Discounted Cash Flow-derived result.[24] This reliance is unwarranted because the Commission has recently considered whether it is appropriate for Great Plains itself to receive an upwards adjustment on the basis of subjective or qualitative risk factors. In Great Plains' last rate case, the Commission rejected the use of the same factors that the Report relied upon in the present case:

> The Commission concurs with the Department and the ALJ that these risks—together with all company-specific strengths—have been subsumed into the mix of characteristics of the companies in the proxy groups and that adjusting for isolated, company-specific characteristics cutting only in favor of a higher return would improperly skew the DCF analysis.

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[24] Report ¶ 278 (citing *In re Appl. of Otter Tail Power Co. for Auth. to Increase Rates for Elec. Serv. in Minn.*, MPUC Docket No. E-017/GR-15-1033, FINDINGS OF FACT, CONCLUSIONS & ORDER at 55 (May 1, 2017)).

> Making additional adjustments at this point for the characteristics cited by the Company would be likely to result in double-counting.[25]

As a result, the Commission concluded:

> In short, it would disrupt the workings and compromise the results of the DCF model by inserting subjective judgments at a stage that is designed to be free of them.[26]

Accordingly, the application of qualitative risks factors in this matter is inconsistent with how the Commission dealt with the same Great Plains' request in its 2015 rate case. A deviation from the 2015 decision in this case does not simply require a change in factual circumstances, but rather a decision that the theoretical assumption that previous Commissions made—specifically, that these qualitative risk factors are baked into DCF analyses—is flawed. For these reasons, the Department recommends revising Proposed Finding 274 and deleting Proposed Finding 278:

> 274. In addition to her DCF, CAPM, and other quantitative analyses, Ms. Bulkley undertook a qualitative review to determine a final ROE within the range of ROE results indicated in her mathematical analyses. She described this as reviewing GP's "risk profile." Specifically, Ms. Bulkley considered GP's small size, its customer concentration, capital expenditures, and regulatory environment when reaching her final ROE decision from the range of results presented in her quantitative analysis. Consistent with Great Plains' previous rate case, Mr. Addonizio ~~did not engage in this~~ concluded that type of additional analysis of qualitative factors is unreasonable ~~and simply selected the mean ROE from his Two Stage DCF equation~~.

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[25] *In re Pet. by Great Plains Nat. Gas Co., a Div. of MDU Res. Grp., Inc., for Auth. to Increase Nat. Gas Rates in Minn.*, Docket No. G-004/GR-15-879, FINDINGS OF FACT, CONCLUSIONS, & ORDER at 24 (Sept. 6, 2016).

[26] *Id.; see also In re Appl. of CenterPoint Energy Res. Corp. d/b/a CenterPoint Energy Minn. Gas for Auth. to Increase Nat. Gas Rates in Minn.*, MPUC Docket No. G008/GR-15-424, FINDINGS OF FACT, CONCLUSIONS, & ORDER at 42–43 (June 3, 2016) (accepting the ALJ's recommendation to reject CenterPoint's ROE adjustment based on company size and current economic conditions); *In re Appl. of Minn. Energy Res. Corp. for Auth. to Increase Rates for Nat. Gas Serv. in Minn.*, MPUC Docket No. G-011/GR-15-736, FINDINGS OF FACT, CONCLUSIONS, & ORDER at 26 (Oct. 31, 2016) (rejecting the use of company-specific risk factors).

….

~~278. The Commission recently determined that it is necessary to account for differences in investment risk between the proxy group and the utility for which the return is being set. In its May 2017 Order addressing Otter Tail Power Company's ROE, the Commission found that the higher business risks faced by Otter Tail (which included small size, equity price volatility, low institutional ownership, and trading volume), relative to the proxy group companies, supported a return above the mean DCF results. The Commission stated:~~

> ~~The record in this case establishes a compelling basis for selecting an ROE above the mean average within the DCF range, given Otter Tail's unique characteristics and circumstances relative to other utilities in the proxy group. These factors include the company's relatively smaller size, geographically diffuse customer base, and the scope of the Company's planned infrastructure investments. The Commission has also considered Otter Tail's recognized [sic] the Company's performance in completing major infrastructure projects substantially under budget, its history of providing reliable service with stable rates, and its record of effectively serving the needs of its customers, as measured by multiple customer satisfaction metrics.~~

2. Great Plains Did Not Demonstrate That Its Subjective Factors Are Applicable in This Case

Even if it were appropriate to consider subjective risk factors in every rate case, Great Plains' has not demonstrated that it is entitled to adjustments based on its self-selected risk factors in this matter. The Company specifically suggested, among other factors, that its size and customer concentration entitled it to an unspecified upward ROE adjustment.[27] Despite raising these issues, Great Plains failed to produce both the theoretical evidence and the factual record necessary to support an adjustment to the final DCF-derived results.

a. Company Size

Great Plains failed to produce any theoretically sound research demonstrating that smaller companies, and utilities in particular, experience a size effect.[28] In contrast,

[27] Ex. GP-14 at 80–106 (Bulkley Direct).

Mr. Addonizio provided academic research showing that the size effect theory remains debatable.[29] According to Cass Business School Finance Professor Mario Levis:

> [I]t is fair to say that, after almost 20 years of its discovery, the underlying logic and sometimes the practical significance of the so-called 'size effect' still remains a matter of debate.[30]

Moreover, unlike competitive market firms, public utilities like Great Plains benefit from regulatory support and monopoly service territories that lessen the impact of market volatility.[31] Thus, utilities may be less impacted to the extent that a size effect even exists.[32] As a result, the Department respectfully requests the following deletions of and revisions to Proposed Findings 275 and 276, respectively:

> ~~275. When deciding on a ROE within a range identified by the quantitative methods described herein (DCF, CAPM, etc.), is reasonable to look to qualitative factors that may justify an upward or downward departure from the mean quantitative results. For example, a company with a history of service issues or financial mismanagement should not be rewarded with an upward departure of ROE from that suggested by the quantitative economic analyses. At the same time, companies that face additional obstacles or risks from their publicly traded proxy group counterparts may be entitled to an upward departure to ensure that they are able to raise capital in the competitive market, in light of such additional risks. There are some risks or factors that are simply not captured by a mathematical equation or quantitative analysis. This is particularly true when comparing a small, non-publicly traded company to a large, publicly traded company.~~
>
> 276. The record in this proceeding shows that Great Plains is, in fact, ~~significantly~~ smaller than the publicly-traded proxy companies used in the experts' DCF analyses. ~~Unlike large, publicly traded companies, small utilities are less able to withstand adverse events that affect their revenue and expenses, such as weather variability, the loss of a large customer, or reduced demand.~~

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(Footnote Continued from Previous Page)

[28] Ex. GP-14 at 80 (Bulkley Direct); Ex. DER-1 at 65 (Addonizio Direct).

[29] Ex. DER-1 at 65–67 (Addonizio Direct).

[30] Ex. DER-1, CMA-22 at 2 (Addonizio Direct) (citing Mario Levis, *The Record on Small Companies: A Review of the Evidence*, 2 J. OF ASSET MGMT. 368, 369 (2002)).

[31] *Id.*

[32] *Id.* at 67.

b. Customer Concentration

Great Plains also did not adequately explain why its customer concentration makes it riskier than its proxy group. Indeed, four of the eight companies in Great Plains' proposed proxy group also had commercial/industrial delivery percentages that exceed 60 percent of total deliveries.[33] Further, Great Plains has availed itself of regulatory tools in this case (e.g., Revenue Decoupling and Margin Sharing mechanisms) that allow it to continue recovering costs even when the broader economy declines.[34] Because Great Plains has not demonstrated that its customer concentration is meaningfully different from the proxy group, the Department respectfully requests that Proposed Finding 277 be omitted:

> ~~277. In addition, GP has risk related to the concentration of industrial customers in its service territory focused on agriculture or the production of ethanol. Located in western Minnesota, GP is highly dependent upon its industrial/agricultural customer base, which represents 60.94 percent its 2017 deliveries. Its residential and commercial customers are also dependent on that same industrial base. Consequently, economic events that impact these agricultural and ethanol producers inevitably impact GP's entire customer base.~~

3. The Report Inappropriately Relied on Past ROEs Authorized For Other Utilities in Other Jurisdictions

The Report lastly compares the Department's DCF-derived recommendation—a recommendation that the ALJ found reasonable—to ROEs authorized for other utilities in other jurisdictions.[35] This comparison is theoretically unsound and unreasonable. Mr. Addonizio explained:

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[33] *Id.* at 69.
[34] Ex. GP-31 at 10–11 (Bosch Direct); Ex. GP-32 at 4–9 (Bosch Rebuttal); Ex. GP-28 (Fischer Direct); Ex. GP-29 at 3–4 (Fischer Rebuttal).
[35] Report ¶ 280–84.

> ROEs authorized even just a few months ago should be viewed with caution, and ROEs authorized farther in the past should be ignored altogether because they cannot be assumed to still accurately reflect investors' required return on equity.[36]

Additionally, authorized ROEs may deviate over time from the actual market-based ROEs required by investors because of changing market conditions and investors' attitudes towards risk change.[37] As a result, ROEs authorized in other jurisdictions that were possibly worthy of consideration become far less relevant due to the natural passage of time coupled with macroeconomic change. For these reasons, the Department respectfully requests the following revisions to Proposed Findings 280 through 284:

> 280. The Administrative Law Judge finds that the mean Two-Stage DCF results presented by the DOC-DER ~~is~~ are not the sole measure of the return for GP. Rather, such DCF results, while solidly supported, must be viewed in comparison to~~: (1) the Department's own~~ CAPM results~~ of 9.38 percent; (2) the~~ any ~~unique qualitative risks GP has compared to the proxy group companies; (3) and the competitive investment market in which it operates~~.
>
> ~~281. The record establishes that a ROE of 8.82 percent, as recommended by Mr. Addonizio, would be below all but two authorized ROEs for natural gas utilities in the country from 2009 to 2019. The only two lower authorized ROEs would be 8.70 percent for the National Fuel Gas Corp in 2017, and 8.80 for Central Hudson Gas and Electric Corporation in 2018. All other authorized ROEs for natural gas utilities in the United States would be higher — many significantly higher — than that suggested by Mr. Addonizio. Indeed, Mr. Addonizio's recommended ROE of 8.82 percent is 90 basis points below the average authorized ROE for natural gas distribution companies in 2019.~~
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> 283. The record shows that while it may be ~~is~~ reasonable and appropriate for the Commission to consider differences in business and investment risk in some rate cases ~~between GP and the proxy group companies~~, the record in this case does not support such consideration ~~and to select an authorized ROE for GP that is above the mean results for the proxy group of gas distribution companies~~.
>
> 284. ~~Due to the risks faced by GP and the average authorized ROEs for other natural gas companies throughout the country, i~~It is reasonable and appropriate for the Commission to select **the mean ~~high~~ average ROE** established in the DOC-DER's surrebuttal two-stage DCF analysis of **~~9.67~~8.82 percent**. This

[36] Ex. DER-9 at 70–71 (Addonizio Surrebuttal).
[37] *Id*.

amount is ~~closer~~ confirmed by ~~to~~ the DOC-DER CAPM result reached by Mr. Addonizio (9.38 percent) ~~than Mr. Addonizio's Two Stage DCF mean result (8.82 percent) and captures the additional risks of GP as compared to other companies in the proxy group~~. Because this ROE is the average of the returns to equity investments in the members of the DOC-DER Proxy Group, ~~I~~ it allows GP to be competitive in the capital market as compared to other natural gas utilities.

II. CORRECTIONS, CLARIFICATIONS, AND RELATED PROPOSED FINDINGS

The Department recommends the following corrections or clarifications to the following findings of fact, conclusions of law, and the Summary of Recommendation to correct minor errors and provide clarity in the record:

A. Conservation Cost Recovery Charge ("CCRC") and Conservation Cost Recovery Adjustment ("CCRA")

[Page 4 – Summary of Recommendation] Finally, the Judge recommends that the Company's proposed Conservation Improvement Program (CIP) expense of $566,621 be used as the basis for its Conservation Cost Recovery ~~Adjustment (CCRA)~~ Charge (CCRC) rate and that any changes to the Conservation Cost Recovery Adjustment (CCRA) factor should be determined in the Company's next annual CIP tracker and financial incentive proceeding, rather than in the instant rate case.

[Findings of Fact] 134. Based upon this data, the DOC-DER concluded that the Company's proposal of $566,621 was reasonable to include in the 2020 test year CIP expenses, because that amount reflects actual 2018 CIP expenditures.[218] The DOC-DER further opined that it would be unreasonable for the Company to include in the test year expenditures the amounts that GP budgeted for 2019 because, historically, the Company spent less than budgeted.[219] Moreover, any amounts incurred over the 2018 actual expenses incurred could be collected through the CCR~~C~~A Factor each year. [220]

[Recommendation] 8. Use the Company's proposed CIP expense of $566,621 as the basis for its CCR~~A~~C rate and require that any changes to the CCRA factor be determined in the Company's next annual CIP tracker and financial incentive proceeding.

B. Sales Forecast

305. Using these classes, GP forecasted sales for test year 2020 as follows:[530]

2020 projected total customers:	22,028~~07~~.40 customers
2020 projected total sales:	3,813,170 Dk
2020 projected total transportation:	4,6~~6~~75,000 Dk

324. Because of the lack of data available before 2004 and between 2004 and 2007, the DOC-DER also recommends that the Commission require GP to retain customer data such that, in the event the Company proposes different rate structures in the future, past data would remain available. ~~to compare the different rate structures in subsequent rate cases~~ That is, going-forward, just because the Company decides to change the rate structure does not mean the customer's historical consumption data has changed or becomes unusable.[568] GP agrees to this recommendation.[569]

C. Class Cost of Service Study ("CCOSS")

350. As a result, the DOC-DER recommended against approval of the two minimum-size methods, as initially proposed filed by GP (MS1 and MS2).[621] The DOC- DER also recommended that GP provide, in its rebuttal testimony, an improved minimum-size method (the MS3) using the current unit replacement cost (per foot) of the installed distribution pipes for each pipe type and size.[622] Finally, the DOC-DER recommended that GP provide a revised ~~medium~~minimum-size CCOSS using the outcome of the revised minimum-size method, with the adjustments to the classification and/or allocation of the FERC accounts that the DOC-DER recommended.[623]

356. Finally, the Commission should perform an improved minimum-size CCOSS using reliable and supported per-foot replacement costs for each type and size of installed distribution pipes, and file such a study in the next general rate case, as recommended by the DOC-DER.

CONCLUSION

For the reasons stated above, and consistent with its testimony and post-trial briefs in this matter, the Department respectfully requests that the Commission adopt the Report together with the exceptions, clarifications, and corrections identified herein.

Dated: July 13, 2020

Respectfully submitted,

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