MINNESOTA
PUBLIC UTILITIES COMMISSION

Staff Briefing Papers

Meeting Date	**February 5, 2026**	**Agenda Item 5***
Company	Greater Minnesota Gas, Inc.	
Docket No.	G-022/M-25-70 **In the Matter of Greater Minnesota Gas, Inc.'s Petition for Change in Contract Demand Entitlement for the 2025-2026 Heating Season**	
Issues	Should the Commission approve Greater Minnesota Gas, Inc.'s Petition for proposed change in contract demand entitlement capacity, Design Day, and Reserve Margin for the 2025-2026 Heating Season, effective April 1, 2025?	
Staff	Andrew M. Larson andrew.m.larson@state.mn.us	(651) 201-2259

✓**Relevant Documents**	**Date**
Greater Minnesota Gas – Initial Filing	March 31, 2025
Greater Minnesota Gas – Amended Petition for Contract Demand Entitlement	May 30, 2025
Department of Commerce, Division of Energy Resources—Comments	August 28, 2025
Greater Minnesota Gas – Reply Comments	September 5, 2025
Department of Commerce, Division of Energy Resources—Response to Reply Comments	January 22, 2026

Table of Contents

I. Background

Greater Minnesota Gas, Inc., (GMG or the Company) is a natural gas distribution company , which executes interstate pipeline contracts to provide natural gas services to its customers. GMG annually reviews and updates these contracts to ensure continued system reliability of firm natural gas supply deliveries to its customers.

On March 31, 2025, GMG filed an Initial Petition with the Minnesota Public Utilities Commission (Commission) for approval of a Change in Contract Demand Entitlement for the 2025 – 2026 Heating Season.

On May 30, 2025, GMG filed an Amended Petition with the Minnesota Public Utilities Commission (Commission) for approval of a Change in Contract Demand Entitlement for the 2025 – 2026 Heating Season.

On August 28, 2025, the Minnesota Department of Commerce, Division of Energy Resources (the Department) submitted Comments. The Department reviewed GMG's petition to determine whether the Company's proposals complied with all applicable statutes, rules and Commission orders; and to evaluate the reasonableness of the Company's proposed Change in Contract Demand Entitlement capacity and its Design Day and Reserve Margin Requirements.

On September 5, 2025, GMG submitted Reply Comments in which it addressed the Department's comments.

On January 22, 2026, the Department submitted Response to Reply Comments recommending Commission approval.

II. Discussion

A. Greater Minnesota Gas - Petition

Minnesota Rule, part 7825.2910, subpart 2 requires gas utilities to make a filing whenever there is a change to demand-related entitlement services provided by a supplier or transporter of natural gas.

The Automatic Adjustment of Charges rule, parts 7825.2390 through 7825.2920, requires gas utilities to file a request to increase or decrease demand, to redistribute demand percentages among classes, or to exchange one form of demand for another. "Demand" means the maximum daily volumes of gas that the utility has contracted with a supplier or transporter to receive.

A filing must contain:

A. a description of the factors contributing to the need for changing demand;

B. the utility's Design Day demand by customer class and the change in Design Day demand, if any, necessitating the demand revision;

C. a summary of the levels of winter versus summer usage for all customer classes; and

D. a description of Design Day gas supply from all sources under the new level, allocation, or form of demand.

To ensure the Company has access to sufficient capacity to cover the anticipated peak demand of its natural gas customers, GMG annually updates its natural gas transportation, storage entitlements, and supply contracts.

The Petition seeks approval of a change in Contract Demand Entitlements that will allow the Company to implement, through the Purchased Gas Adjustment (PGA), changes in its interstate pipeline transportation, storage entitlements, and other demand-related contracts for the upcoming year. In this contract demand entitlement filing, Greater Minnesota Gas, Inc. presented its case for the unanticipated acquisition of an additional 1,000 Dth of capacity. This low risk and fairly priced opportunity proved superior to the uncertainty of participating in the Northern Lights open season. A financial analysis of the Company's options showed that this was a sound decision.

Compared to the previous year, GMG projected a 792 Dekatherm (Dth) increase in Design Day requirements, with a nominal $179,747 increase in 2025-2026 demand-related contract costs effective April 1, 2025 and including additional capacity effective June 1, 2025.[1] The cost is mainly due the unexpected opportunity to acquire additional capacity effective June 1, 2025.

Table 1 shows GMG's total demand entitlement adjustment, as amended.

Table 1: GMG's Total Demand Entitlement Adjustment[2]

Entitlement 2024-2025	Proposed Entitlement 2025-2026	Entitlement Change	% Change From Previous Year
20,108 Dth	21,168 Dth	1,060 Dth	5.27%

GMG requested approval to implement demand cost changes effective April 1, 2025 and June 1, 2025.

1. Unanticipated Acquisition of Additional Capacity

GMG's policy is to ensure a sufficient reserve margin while protecting its ratepayers from paying unduly high costs for this level of reserve margin.[3] The Company employs a sound approach to gas supply portfolio management and remains alert to opportunities to acquire additional capacity at a reasonable price. In May 2025, the Company learned that a shipper

[1] GMG Amended Petition at 9.

[2] *Id.* at 4.

[3] *Id.* at 1-3.

turned back capacity on Northern Natural Gas's (NNG or Northern) pipeline. GMG was able to secure the capacity because it was willing to accept the beginning date of June 1, 2025. The price was favorable as well and much lower than the expected price on Northern's open season expansion project. As a result, the Company acquired 1,000 Dth/day of capacity on Northern and 300 Dth/day of System Management Services[4] (SMS) both beginning June 1, 2025. Although this additional capacity will increase the reserve margin, GMG takes the long-term view that it will best serve ratepayers with stable rates.

GMG was confronted with two options to increase capacity. First, it could have participated in Northern's 2027 open season, with availability starting in November 2027. However, in this case GMG would be exposed to significant price uncertainty. Furthermore, regulatory delays with Northern's frequent rate cases at FERC would expose the Company to additional risk and delays, as happened with Northern's Northern Lights expansion.

The second option was to secure turned back capacity from the shipper. By quickly agreeing to accept this capacity, GMG avoided the risk of receiving nothing after participating in the auction. As noted in its Initial Petition, GMG bid for 300 Dth of capacity, but only received 60 Dth. In the case of the released shipper capacity, GMG was able and willing to agree to take the capacity as of the quickly-approaching June 1, 2025 date.

The Company noted that the 300 Dth/day of SMS applies towards its initially planned acquisition of an additional 500 Dth/day of SMS. The remaining 200 Dth/day of SMS would be acquired at a future date.

GMG usually reviews its projections, demand entitlement, and reserve margin immediately prior to the start of the winter heating season. However, with the new capacity added in June 2025, it is extremely unlikely an additional contract demand request will be necessary.

2. The Filing Upon Change in Demand – Required Contents

Gas utilities shall file for a change in demand to increase or decrease demand, to redistribute demand percentages among classes, or to exchange one form of demand for another. The filing must contain the following four topics.[5]

a. Description of the Factors Contributing to the Need for Changing Demand

GMG's reserve margin must provide sufficient assurance that the Company can satisfy customer demand under demand day conditions.[6] The Commission established a conservative 5 percent minimum reserve margin for GMG going forward from 2020 given the context of

---

[4] System Management Service (SMS) is available to any shipper with an effective Firm Throughput Service agreement. SMS is a delivery point service providing no-notice firm delivery above or below the shipper's daily scheduled amount under its corresponding Firm Throughput Agreement up to the shipper's SMS entitlement without incurring daily delivery variance charges.

[5] See footnote 1 above for more details on this filing.

[6] GMG Amended Petition at 4-5.

GMG's business.[7] Given the nature of GMG's business, the Commission has historically approved higher reserve margins. GMG agreed that a conservative approach to reserve margin levels is reasonable, especially when considering the prospects of growth in anticipated customer needs. The Company has been able to maintain a conservative reserve margin and plan for growth while minimizing cost to ratepayers in the long-term. The proposed reserve margin, as amended, is 17.31 percent. The initially proposed rate margin was 11.27 percent. Table 2 shows GMG's initial and amended Petition design day requirement.

Table 2: Planned Customer Base for 2025-2026 Heating Season

	Amended Petition	Original Petition	Change
Design Day Requirement	18,045	18,126	(81)
Reserve Margin	3,123	2,042	1,081
Design Day Req. with Reserve Margin	21,168	20,168	1,000

The design day requirement decreased by 81 Dth in the Amended Petition due to the inclusion of an additional month, March 2025, of customer data.

b. Design Day Demand by Customer Class

Consistent with previous Commission directives and Department requests, GMG employed both a regression model separating residential and commercial customers' needs and a mathematical model in its design day analysis.[8] GMG stated that it incorporated three years of heating season data into its regression analysis.

Statistical Regression Analysis Based on Historic Data

For GMG's statistical modeling, it used an ordinary least square regression analysis methodology to predict peak day demand, as it has done for several years. The Company further stated that its regression analysis is predicated on a 90 heating degree day as its basis, based on an average design day temperature of -25°F. GMG's design day forecast for its existing customers for the 2025-2026 heating season is based on 18,045 Dth, which is a decrease of 81 Dth from GMG's 2024-2025 design day requirements. The derivation of the separate class regression design day forecasts can be seen in the Company's Attachment A, Pages 2 through 5 of 8.

GMG stated that, as its prior demand entitlement submissions have demonstrated, its Design Day modeling is appropriate. GMG said that:

> when GMG brings natural gas to a previously unserved area, many new customers ultimately avail themselves of the benefits that come with converting to gas use. Hence, sometimes actual throughput exceeds forecasted needs. However, when weather is unseasonably warm and/or propane prices are low and/or there are significant public concerns about the economy and inflation, new customers wait

[7] Docket No. G022/M-20-391

[8] GMG Amended Petition at 5-8.

> longer to convert to natural gas usage. Conversely, when the weather is very cold, customer usage patterns can be erratic and may vary from traditional usage patterns. Since such anomalies are unpredictable, they, too, can impact actual throughput. Such phenomena support GMG's continued use of its proven approach.[9]

GMG also employed a mathematical analysis based on actual gas thruput at its all-time peak use per customer sendout, which occurred on a day very close to peak demand day conditions.

The Company expects a lower peak day usage since the date of the last peak usage because most of GMG's new customers have been residential and will continue to be so in the next year.

c. Summary of the Levels of Winter versus Summer Usage

Table 3 shows a summary of GMG's customer usage for both the winter and summer seasons by customer class, based on usage for the twelve-month period that ended December 31, 2024.

Table 3: Seasonal Customer Usage by Class (Dth)[10]

	Winter	Summer	Total
Residential - Firm	586,215	215,458	801,674
Commercial - Firm	26,017	10,919	36,936
Industrial - Firm	229,419	103,897	333,316
Flexible Rate - Firm	0	0	0
Total Firm	*841,651*	*330,274*	*1,171,925*
Agricultural - Interruptible	*30,680*	*26,812*	*57,492*
Industrial - Interruptible	17,976	23,369	41,345
Flexible Rate - Interruptible	0	0	0
Total Interruptible	*17,976*	*23,369*	*41,345*
Total	890,307	380,455	1,270,762

GMG stated that its contract arrangements secure supply for both the summer months and the winter months to sufficiently serve its firm customer base throughout the year.

d. Adequate Reserve Margin

GMG's proposal presents a balanced portfolio which considers the Company's size and long-term planning requirements.[11] GMG has a variety of gas supply sources. The unexpected acquisition of additional capacity and SMS enhances this capability.

This year's demand profile, shown in Attachment B of GMG's Amended Petition, shows changes

[9] GMG Initial petition at 5.

[10] GMG Amended Petition at 8.

[11] *Id.* at 9.

in the Company's supply sources. Northern Natural Gas and Viking Gas Transmission are GMG's primary suppliers of gas. Attachment C lists a few supply contracts and shows changes for the 2025-2026 season.

GMG's gas contracts provide for delivery to alternate points in its distribution system. Supply may be redirected on a day-to-day basis as market conditions warrant. The Company also has the option to release capacity on a recallable basis.

Table 4 shows annual effect of the proposed change in contract demand entitlement. GMG's customers will experience a small cost increase due to these supply portfolio changes. GMG stated that the lack of a discernable adverse impact of customer rates resulting from the increased demand entitlement merits the Commission's approval.

Table 4: GMG - Impact of Contract Demand Entitlement Recovery Proposal– Change from most recent PGA[12]

Customer Class	Commodity Charge ($/Dth)	Commodity Charge (%)	Demand Charge ($/Dth)	Demand Charge (%)	Total Annual Change ($/Dth)	Total Annual Change (%)
Residential	$0.00	0.00%	$0.1231	7.25%	$10.56	2.18%
Commercial and Industrial	$0.00	0.00%	$0.1231	7.25%	$101.73	2.18%

B. Department Comments and Recommendations

1. Unanticipated Acquisition of Capacity

Regarding the acquisition of additional SMS, the Department noted that Parties discussed the issue in the 2011-2022 contract demand entitlement docket filing.[13]

The Department estimated that the additional 500 Dth of SMS will add $10,563 in incremental expense per month over the 5-month heating season. The Department asked GMG to verify its calculation in Reply Comments so that the Department can provide the Commission a complete list of cost changes, their magnitude, and where they are recovered for the 2025-2026 heating season.

The Department also noted that there remains 200 Dth (500 Dth initially planned less 300 Dth acquired effective June 1, 2025) of SMS for GMG to purchase sometime before the start of the heating season November 1, 2025. The Department asked GMG to identify the date on which it

12 GMG Amended Petition, Attachment D, page 2 of 6.

13 Department Comments at 5-7.

plans to take service of the additional 200 Dth of SMS.

The Department asked that GMG identify any changes in rates to existing agreements in Reply Comments.

The Department requested GMG to discuss the information it has received from Northern regarding the proposed rate changes in its pending rate case at the Federal Energy Regulatory Commission (FERC).

2. Estimation Methodology for Design Day

The Department analyzed GMG's econometric and mathematical modeling of design day demand and discussed the reasonableness of GMG's design day results.[14] The question of methodology has been a long-standing issue with GMG and the Department. Two regressions were run for each of GMG's 3 regions, one each for the residential and commercial classes. The results of the regressions were not that accurate compared to GMG's operational data on peak day gas consumption. The South region yielded negative baseload results, which are not possible.

GMG's second approach was to mathematically calculate average use per customer (UPC), which then is multiplied by the forecasted number of customers to give design day demand.

The Department believes that regionally separate and valid models using regionally specific data may better serve GMG with more appropriate outcomes. The Department requested GMG to continue to analyze both sets of models—those that rely on MSP weather and those that rely on regional weather—in future demand entitlement filings. More data could help to clarify regression results. Additionally, the regressions showed the presence or auto-correlation of error terms, which affects the validity of various statistical tests such as R-squared.

Therefore, the Department supported calculations based on the UPC from the 2018-2019 peak design day. The advantage of the mathematical method is that it is based on observed data, not estimations. The mathematical method serves as an accuracy check to the regressions, which exhibit the above problems due to GMG's small size and the unreasonable results such as autocorrelation and negative baseload.

3. Proposed Reserve Margin

The Department discussed GMG's high proposed reserve margin and questioned its choice.[15] The mathematical model estimated a design day of 18,045 Dth. The proposed $21,168 Dth demand entitlement yields a 17.31 percent reserve margin, the highest one proposed in ten years. GMG's proposed purchase of the unexpected 1,000 Dth capacity attracted the Department's scrutiny. GMG offered no analytical support, but only a discussion of the two options. GMG's case depended on two assumptions—that GMG would experience solid growth,

[14] Department Comments at 7-10.

[15] *Id.* at 10-13.

and that the rates associated with the 2027 Northern Lights open season would be higher than tariffed rates.

Regarding the first assumption, the Department noted, however, that instead of growth, GMG forecasted a small decrease in the 2025-2026 design day estimate. In response to a Department Information Request (IR), GMG stated that customer sales had been trending down in the last two years. It also did not add as many customers in 2024 as it had expected. The Department believed it highly unlikely that GMG would see such high growth rates in the near future.

Regarding the second assumption, in IR 6 the Department asked GMG for support of its assertion that rates from recent NNG capacity auctions have been higher than NNG's tariffed rates. GMG replied that NNG had increased the actual reservation rate for the2023 Northern Lights open season in the face of lower demand. Also, GMG's final rate for that capacity was $3.4441/Dth/day higher than Northern's then current rate, causing the Company to incur an additional $206,646 in demand costs over the contract's 5-year term. Also, for the 2025 Northern Lights open season, GMG would have had to make a $913,000 Contribution in Aid of Construction (CIAC) to add 500 Dth/day of firm capacity and still pay maximum tariffed rates.

Therefore, the Department asked GMG to compare the net present value (NPV) of the $206,646 demand cost over five years (the NNG 2023 Northern Lights offer) with the 1,000 Dth/day purchase for $167,944 (the unexpected acquisition effective June 1, 2025). The Department wondered if GMG ratepayers would be paying for unnecessary capacity.

4. Electrification – Decarbonization Efforts

The Commission asked CenterPoint a series of questions about incorporating the effect of increased electrification and decarbonization efforts on gas consumption in design day analysis in Docket No. G-008/M-24-146.[16] In response to this Commission interest, the Department created a list of modified questions for GMG's context. The questions, addressed to the residential, commercial, and industrial classes, dealt with the effects of electric heat pumps, non-heat pump electrification technologies, and the estimation of the effect of heat pumps on GMG's 2025-2026 forecasted monthly sales. The Company responded to these questions, stating that it did not make any of these adjustments to its analyses, nor did GMG consider any analyses that would incorporate these effects in forecasted design day and forecasted monthly sales.

C. GMG Reply Comments

In reply to the Department's Comments, GMG sought to add clarity to its reasoning in support of its proposed change in contract demand entitlement.[17] GMG remained confident that securing the additional capacity is a solid plan to meet future capacity needs while customers will continue to receive reasonable rates.

[16] Department Comments at 13-15.

[17] GMG Reply Comments.

1. SMS Purchase

Regarding the Department's request about the remaining 200 Dth of SMS, GMG agreed with the Department's analysis. The full 500 Dth of SMS is contracted for 12-months beginning June 1, 2025. 300 Dth of SMS came into service June 1, 2025, and the remaining 200 Dth of SMS will be in service from November 2025 through March 2026. The benefit of SMS is that it is an alternative to purchasing swing gas. SMS is recovered in the commodity component of GMG's purchased gas adjustment (PGA).

2. No Rate Changes to Existing Contracts

Regarding the Department's question about changes in rates to any existing contracts that are in the 2025-2026 filing, GMG replied that it did not change any rates. For at the time of filing of GMG's Amended Petition, NNG had not yet filed a rate case at FERC.

3. No NNG Rate Case Information

The Department also asked GMG to discuss any information it received about the rate impact on customers of proposed rate changes in its rate case at FERC. GMG replied that any such informal settlement discussions are confidential. However, the Company, as a member of the Midwest Region Gas Task Force (MRGTF), participates in FERC rate cases at a considerably lower cost to ratepayers. Thus, through MRGTF the Company is actively engaged in the NNG rate case. NNG's FERC rate case histories indicate that the settlement increase has been quite lower than the proposed increase, 32.5 percent compared to 121 percent in NNG's 2022 FERC rate case.

4. Present Value of 1,000 Dth and Northern Lights Purchases

In response to the Department's request for a comparison of the present value (PV) of the 1,000 Dth capacity purchase at current rates and the PV of securing the same capacity from the Northern Lights project, GMG found that the Shipper Capacity Release scenario gave the lowest PV cost regardless of rate structure. Table 5 shows the results of the four scenarios.

Table 5: PV of Purchase of 1,000 Dth Capacity from Shipper Capacity Release and Northern Lights with CIAC at either NNG Current Rates or NNG Proposed Rates[18]

Scenario	Contract	Rate Structure	Capacity (Dth)	Discount Rate	Begin Date	End Date	PV of Cost
1. Shipper Capacity Release	1,000 Dth Cap. Purchase	NNG Current Rates	1,000	8 %	June 2025	October 2032	$886,772
2. Northern Lights with CIAC paid Dec. 2025	Northern Lights	NNG Current Rates	1,000	8 %	November 2027	October 2032	$2,241,970
3. Shipper Capacity Release	1,000 Dth Cap. Purchase	NNG Proposed Rate Increase	1,000	8 %	June 2025	October 2032	$1,800,799
4. Northern Lights with CIAC paid Dec. 2025	Northern Lights	NNG Proposed Rate Increase	1,000	8 %	November 2027	October 2032	$2,867,368

The deciding factor against the "Northern Lights with CIAC paid Dec. 2025" scenario is the required $1,826,000 CIAC payment effective December 2025. The more conservative Northern Lights scenario was to assume the full proposed NNG rate increase.

GMG stressed that it tried to secure alternate capacity for the 2025-2026 heating season but was unsuccessful. Without the 1,000 Dth capacity purchase, there was a chance GMG could have fallen below the minimum 5 percent reserve margin. To rely on annual incremental reserve capacity is not prudent. GMG acquired the 1,000 Dth to prepare for future growth opportunities, as they may present themselves as unanticipated opportunities.

5. Recent Declining Trend in New Customer Growth

On the Department's comment on GMG's recent decrease in customer growth rates over the most recent five years, the Company stated that during that period several factors, such as post-pandemic uncertainty, periods of high inflation, warm weather, dampened new customer demand. In the past GMG has seen factors such as cold winters, periods of high costs for alternate fuels, and times of more settled economic circumstances increase natural gas demand in unserved areas. Furthermore, since many of GMG's projects are small, they often move from inquiry to construction within one year. These unexpected, short duration projects have dramatically increased growth for GMG, which is a unique experience among Minnesota's regulated gas utilities. Thus, GMG's acquisition of the shipper's 1,000 Dth is a cost effective and

[18] GMG Reply Comments at 3-4.

prudent action to prepare for future growth.

6. Sales Forecasting Capture of Electrification and Decarbonization Efforts

On the Department's question about adjusting forecasts for customer-initiated electrification and decarbonization efforts, GMG replied that its forecasting process will account for any such efforts because the Company's forecasting is based on actual gas consumption per actual degree day. Customer electrification and decarbonization efforts will register in the data which the forecasts rely on. On the other hand, artificial predictions of anticipated impact do not show the effects of efficiency measures.

D. Department Response to Reply Comments

1. Modified Present Value of 1,000 Dth and Northern Lights Purchases

The Department modified GMG's PV analysis to account for slower new customer growth, assuming the Company only purchased 500 Dth of incremental capacity in 2027 and the remaining 500 Dth of incremental capacity in 2029.[19] The adjusted results of the four scenarios showed that the 1,000 Dth purchase scenario was still preferable to the Northern Lights scenario, even though the PV of the Northern Lights scenarios decreased, but not by an amount sufficient to change the decision. Therefore, the Department concluded that the 1,000 Dth purchase was financially beneficial to ratepayers.

2. SMS Annual Cost

Given that GMG would take service for the remaining 200 Dth of SMS for the five months of the heating season, effective November 2025, the Department estimated the annual incremental costs associated with that 500 Dth of SMS under current rates given that make-up would be $583,050.[20]

3. Potential Rate Increases to Existing Agreements

NNG proposed new interim rates for its 2025 rate case in a filing it made at FERC on January 5th, 2026. The effective date for those revised interim rates was January 8, 2026.[21] The Department estimated that a potential settlement would result in a $64 annual cost increase in residential rates.

4. Electrification and Decarbonization Efforts

The Department appreciated GMG's discussion and noted that it was seeking to determine if the Company had made any explicit changes to its sales forecast for these changes.

---

[19] Department Response to Reply Comments

[20] *Id.* at 7.

[21] *Id.* at 7-8.

5. Compliance Requirements

GMG included all the information required in its filing regarding its sales forecast and the Company's proposed reserve margin is well more than the 5% threshold. Hence, the Department concluded GMG has complied with the Commission's reporting requirements.

Given the additional information GMG provided in Reply Comments, the Department recommended the Commission accept GMG's proposed 2025-2026 demand entitlement level.

The Department recommended the Commission approve Greater Minnesota's proposed 2025-2026 demand entitlement level, design-day estimate, and reserve margin.

E. Staff Analysis

GMG's filing shows the unique supply and demand market dynamics the Company faces as Minnesota's smallest regulated gas utility. On the supply side, GMG has little weight to win favorable gas offerings. Instead, the Company has adapted to opportunistically acquire additional capacity at a favorable price as it became available. On the demand side, GMG has learned that growth opportunities arise in unanticipated and rapidly developing timeframes that require complementary capacity to be already available. Thus, although the reserve margin may be above the required minimum, the Company's prudent approach on the supply side has prepared it to quickly act on new customer growth opportunities. Even though GMG's approach may appear at odds with typical gas utility market behavior, consideration of the Company's size and market context reveals that it has made prudent decisions based on its history of operations.

Staff found that it would be helpful to better understand GMG's financial context if it provided an explanation for its choice of an 8 percent discount rate.

On a technical note, Parties discussed the Net Present Value (NPV) of the two alternatives for purchasing capacity. Present Value (PV) is the appropriate metric. PV and NPV are both financial measures used to evaluate investments by adjusting for the time value of money. However, they serve different purposes. PV calculates the current worth of a series of future cash flows discounted at a specific rate such as 8 percent. In contrast, NPV considers both discounted inflows and outflows and provides an estimate of the net profitability of an investment. A positive NPV indicates a possibly profitable investment while a negative NPV indicates a most likely unprofitable investment.

In GMG's case, the objective is to identify among the two alternatives the lowest PV of a series of future payments for capacity. The best scenario shows the lowest PV. NPV is not applicable since there are no inflows or question of an investment's profitability.

Staff finds that GMG has provided appropriate information to support its proposed demand entitlement levels and cost changes and agrees with the Department's recommendations for approval.

III. Decision Options

1. Approve Greater Minnesota Gas's proposed 2025-2026 demand entitlement level, design-day estimate, and reserve margin modified by its Amended Petition. (GMG, Department)

2. Allow GMG to recover associated demand costs through the monthly Purchased Gas Adjustment effective April 1, 2025. (GMG, Department)