

Staff Briefing Papers Volume I: Introduction and Financial Issues

Meeting Date **October 9, 2025**

Agenda Item **2*****

Company Greater Minnesota Gas, Inc.

Docket No. G-022/GR-24-350

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

G-022/MR-24-351

In the Matter of Greater Minnesota Gas, Inc.'s Petition for Approval of a New Base Cost of Gas

Issues Should the Commission adopt all of the recommendations in the ALJ Report? If not, what level of revenue is appropriate for the Company during the test year? How should that revenue be collected from its customers?

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The attached materials are work papers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.



Relevant Documents

Date

Post-Hearing Summary of Resolved Issues

Greater Minnesota Gas, Department of Commerce and OAG –
Resolved Issues List

April 17, 2025

Initial Briefs

Greater Minnesota Gas

May 8, 2025

Department of Commerce

May 8, 2025

OAG

May 8, 2025

Reply Briefs

Greater Minnesota Gas

May 22, 2025

Department of Commerce

May 22, 2025

OAG

May 22, 2025

Proposed Findings of Fact (if filed separately from reply brief)

Greater Minnesota Gas

May 22, 2025

Department of Commerce

May 22, 2025

OAG

May 22, 2025

ALJ Report

ALJ – Findings of Fact, Conclusions of Law, and Recommendation

July 11, 2025

Exceptions to ALJ Report

Greater Minnesota Gas

July 31, 2025

Department of Commerce

July 31, 2025

OAG

July 31, 2025



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I. Introduction

On July 11, 2025, the Administrative Law Judge (ALJ) Jessica Palmer-Denig issued her Findings of Fact, Conclusions of Law, and Recommendation (ALJ Report).

On July 31, 2025, Greater Minnesota Gas, Inc. (GMG or the Company), the Minnesota Department of Commerce, Division of Energy Resources (Department), and the Minnesota Office of the Attorney General – Residential Utilities Division (OAG) filed comments taking exception or requesting clarification to various aspects of the ALJ Report.

The main issue before the Commission at this meeting is whether to adopt the ALJ Report, including her recommendations regarding the disputed financial issues in the following tables. These briefing papers include a more detailed discussion of disputed and resolved issues.

If the Commission does not accept the ALJ Report (and recommendations) in its entirety, then, based on Commission modifications to the ALJ Report, the Commission will need to decide the Company's appropriate test year revenue level and how that revenue will be collected from customers.

II. Background

On November 1, 2024, GMG filed a general rate case (Petition) with the Minnesota Public Utilities Commission (Commission) requesting a \$1.4 million annual increase, or 7.7 percent, to its Minnesota retail natural gas rates, effective January 1, 2025, based on a rate of return on common equity capital of 10 percent. GMG serves approximately 12,000 customers and has proposed throughput of approximately 2,116,723 dekatherms of natural gas.¹

On December 11, 2024, the Commission ordered an interim rate increase, subject to refund, of \$1.4 million, or 7.7 percent, on an annualized basis. Interim Rates went into effect on January 1, 2025.

On the same date, the Commission issued its Notice and Order for Hearing, setting the matter for contested case hearing.² The Minnesota Office of Administrative Hearings assigned ALJ Denig to conduct the case.

¹ GMG -Initial Filing, Vol 3., Schedule E-1, pg. 4 of 4.

² On pages 2-3 of its Notice And Order For Hearing, the Commission asked parties to address the following issues: (1) Whether the test year revenue increase sought by the Company is reasonable or will result in unreasonable or excessive earnings; (2) Whether the rate design proposed by the Company is reasonable; (3) Whether the Company's proposed capital structure and return-on-equity are reasonable; (4) Whether the base cost of gas proposed in Docket No. G-022/MR-24-351 needs to be updated; (5) Reasons for the significant changes of the following costs since the last rate case including: i. Cost of Gas Expense – 182.8 percent increase; ii. Distribution Expense – 739.7 percent increase; iii. Customer Accounts – 47.8 percent increase; iv. General & Administrative – 318.7 percent increase; v. Depreciation and Amortization – 572.8 percent increase; vi. Taxes Other than Income – 259.0 percent increase; vii. Income Taxes – 200.6 percent increase; (6) How much Top 10 executive compensation



The active parties in this case are: (1) GMG, (2) the Department, and (3) the OAG.

All involved parties submitted testimony, participated in the evidentiary hearings and submitted briefs to the ALJ.

Virtual public hearings were held March 18-20, 2025, via an interactive telephone and internet connection on the WebEx platform.³

The evidentiary hearing was held on April 16, 2025.⁴

On July 11, 2025, the ALJ issued her Findings of Fact, Conclusions of Law and Recommendation (ALJ Report).

On July 31, 2025, GMG, Department, and OAG, filed exceptions to the ALJ Report.

III. Public Comments

A. Comments made at Public Hearings

Two people provided oral comments at the three public hearings in this proceeding. One commenter generally opposed a rate increase. Another commenter noted that he understood the need for a rate increase but maintained that the 7.7 percent increase requested by the Company was too high.

B. Written Comments

In addition to comments made at the public hearings, the Commission received one written comment regarding GMG's rate request, generally opposing the rate increase.

IV. Disputed Financial Issues

A. Auto and Truck Expense

1. Introduction

GMG projected a Test Year Auto and Truck Expense of \$138,000,⁵ driven by the acquisition of a new vehicle for a measurement technician.

should be recovered in rates; and (7) Whether the income tax rider proposal should be adopted.

³ Public hearing and written comments are available through the eDockets system.

⁴ Evidentiary hearing transcripts are also available electronically through the eDockets system.

⁵ GMG -Initial Filing, Vol 3., Schedule C-3, pg. 2 of 3.

2. Case Record

ALJ Report ¶¶ 245-251

Ex. GMG-105, Schedule C-3 at 3 (Initial Filing – Vol. 3)

Ex. GMG-103 at 20 (Burke Direct)

Ex. GMG-109 at 10 (Burke Rebuttal)

Ex. DOC-215 at 11-12, Schedule AAU-D-1 at 2, 6-7 (Uphus Direct)

Ex. DOC-216, Schedule MAJ-S-11 (Johnson Surrebuttal)

Department Exceptions at 22

3. Party Positions

GMG stated that this new vehicle requires specialized equipment and will incur regular maintenance and gasoline expenses. GMG also anticipated higher maintenance costs on its existing fleet of vehicles going forward, noting that it had already incurred over \$9,000 in 2025 vehicle repair expenses between January 1 and March 24, 2025. GMG argued that while the proposed expense reflects a 16 percent increase over 2022 expenses (\$118,734) and a 13 percent increase over 2023 expenses (\$121,761), such variations are not unreasonable given the addition of a new vehicle, the relatively small base of the expense, and the clearly identified drivers of the increase.

The Department opposed GMG's projection, highlighting the 62 percent increase over 2024 expenses. The Department recommended an adjusted expense of \$130,427, representing a disallowance of approximately \$7,500 from GMG's proposal. This recommendation was based on annualizing GMG's 2024 year-to-date actual expenses (as of November 30, 2024) and applying a 5 percent rate of inflation factor.

4. ALJ Report

The ALJ found that GMG had demonstrated the reasonableness of its projected auto and truck expense. The ALJ concluded that GMG would incur expenses for outfitting a new truck necessary for its new measurement technician and that it reasonably anticipates ongoing higher costs to maintain its aging vehicle fleet. The ALJ noted that, despite the percentage increases (16 percent over 2022 and 13 percent over 2023), such variations are not unreasonable given the addition of a new vehicle and the relatively small expense base of auto and truck expense, with clearly identified drivers for the increase. Accordingly, the ALJ recommended that GMG's projected auto and truck expense be reflected in the new rates.

Specifically, the ALJ made the following Findings:

245. GMG projected a Test Year Auto and Truck Expense of \$138,000.

246. The increase over 2023 actual and annualized 2024 year-to-date results from GMG's acquisition of an additional vehicle for its fleet, to be used by its new measurement technician. This vehicle must be outfitted with specialized equipment and will result in regular maintenance and gasoline expenses.



247. GMG also anticipates higher maintenance costs on its existing fleet of vehicles going forward. For example, between January 1 and March 24, 2025, GMG incurred over \$9,000 in 2025 vehicle repair expenses.

248. The Department objected to GMG's projected Auto and Truck Expense, noting the significant percentage increase GMG projected over 2024 expenses. The Department recommended annualizing 2024 year-to-date as of November 30, 2024, and applying a five percent rate of inflation, resulting in a recommended disallowance of approximately \$7,500.

249. GMG demonstrated that it would incur expenses related to outfitting a new truck that is necessary for its new measurement technician, and that it reasonably anticipates ongoing higher costs to maintain its aging vehicle fleet.

250. While percentage increases can sometimes be illuminating, comparing the 2025 Test Year expense to the 2022 expense of \$118,734, GMG's request represents a 16 percent increase. When compared to the 2023 expense of \$121,761, GMG's request is for only a 13 percent increase over this amount.

251. Given the addition of a new vehicle, the relatively small base of Auto and Truck Expense, and the clearly identified drivers of the increase, such variations are not unreasonable. GMGs projected Auto and Truck Expense should be reflected in the new rates.

5. Exceptions to the ALJ Report

The Department disagreed with the ALJ's approach and argued that GMG had not provided adequate support for its proposed higher expense. The Department further asserted that its own methodology was "appropriately prudent" and "supported and inflation-adjusted," reflecting the known and increased costs. The Department continued to recommend annualizing GMG's estimated 2024 expense and applying a 5 percent inflation rate—higher than the typical 2–3 percent—to account for new and rising costs, resulting in an adjusted expense of \$130,427. This approach, according to the Department balances caution with consideration for the Company's justification for the expense.

The Department recommended the following adjustments be made to the ALJ Report.

245. GMG projected a Test Year Auto and Truck Expense of \$138,000, a 62% increase over actual 2024 expenses.

246. GMG stated the increase over 2023 actual and annualized 2024 year-to-date results from GMG's acquisition of an additional vehicle for its fleet, to be used by its new measurement technician. This vehicle must be outfitted with specialized equipment and will result in regular maintenance and gasoline expenses.

248. The Department objected to GMG's projected Auto and Truck Expense, noting the significant percentage increase GMG projected over 2024 expenses.

The Department recommended using annualized 2024 expenses, and applying a five percent rate of inflation, resulting in a recommended disallowance of approximately \$7,500. The Department continued to recommend the same adjustment even after GMG provided the Department with actual 2024 expenses that were significantly lower than its expected 2024 expenses (\$85,365 vs. \$113,864).

~~249. GMG demonstrated that it would incur expenses related to outfitting a new truck that is necessary for its new measurement technician, and that it reasonably anticipates ongoing higher costs to maintain its aging vehicle fleet.~~

~~250. While percentage increases can sometimes be illuminating, comparing the 2025 Test Year expense to the 2022 expense of \$118,734, GMG's request represents a 16 percent increase. When compared to the 2023 expense of \$121,761, GMG's request is for only a 13 percent increase over this amount.~~

~~251. Given the addition of a new vehicle, the relatively small base of Auto and Truck Expense, and the clearly identified drivers of the increase, such variations are not unreasonable GMGs~~ GMG has not provided adequate support in the record for its proposed auto and truck test year expense. The Department's projected adjustment for the proposed Auto and Truck Expense should be reflected in the new rates as it is supported and inflation-adjusted.

6. Staff Analysis

Staff notes while GMG has pointed to legitimate factors such as the addition of a new vehicle and higher expected maintenance costs, its proposed expense represents a significant increase over actual 2024 levels. The Department's method, which annualizes recent actual costs and applies an inflation factor, results in a more reasonable and verifiable projection. Therefore, Staff supports the Department's adjustment to the auto and truck expense.

7. Decision Options

101. Allow GMG to include \$138,000 in auto and truck expense under Distribution Expense for the 2025 Test Year. [ALJ, GMG]
102. Allow GMG to include \$130,427 in auto and truck expense under Distribution Expense for the 2025 Test Year. [Department]

[If the Commission makes this determination, it may want to adopt one or more of the following recommended by the Department:]

- a. Replace ALJ Findings 245, 246, 248, and 251 with Department's proposed language.
- b. Reject ALJ Findings 249 and 250.

B. Education and Training Expense

1. Introduction

GMG proposed \$10,200 for education and training in the 2025 test year.⁶

2. Case Record

ALJ Report ¶¶ 228-233

Ex. GMG-103 at 20 (Burke Direct)

Ex. GMG-105, Schedule C-3 at 3 (Initial Filing – Vol. 3)

Ex. GMG-109 at 13 (Burke Rebuttal)

Ex. DOC-216 at 16 (Johnson Surrebuttal)

Ex. DOC-215, Schedule AAU-D-1 at 17 (Uphus Direct)

Department Exceptions at 20

3. Party Positions

GMG argued the primary driver for this projected increase is the addition of one new metering and measurement technician in 2025. This new technician will require specialized training from outside sources to ensure the new employee is trained to current standards, which GMG argued will substantially benefit its customers. GMG contended that while the projected 192% increase over 2024 expenses might appear significant, such percentage increases can be misleading when the underlying base number is relatively small. GMG also noted that its actual expense in this category in 2022 was \$13,881, higher than the proposed 2025 expense, indicating that the 2025 projection is not an unreasonable outlier.

The Department objected to GMG's projected Education and Training Expense, specifically highlighting the 192 percent increase it represents over GMG's 2024 expenses in this category. The Department recommended a different approach, suggesting that the expense be set by annualizing 2024 year-to-date expenses \$3,493. This approach resulted in a recommended downward adjustment of just under \$3,791, leading to a proposed 2025 test year expense of \$6,409.⁷

4. ALJ Report

The ALJ found that GMG's projected Education and Training Expense "is reasonable and should be approved." The ALJ agreed that while 192 percent increase might seem high, it can be "misleading when the underlying base number is fairly small". The ALJ highlighted that GMG's actual expense in 2022 (\$13,881) was higher than the proposed 2025 expense, suggesting that the projected amount is not out of line with past costs.

Specifically, the ALJ made the following Findings:

⁶ GMG -Initial Filing, Vol 3., Schedule C-3, pg. 3 of 3.

⁷ Ex. DOC-216 at 16 (Johnson Surrebuttal).



228. GMG projected a Test Year Education and Training Expense of \$10,200.

229. The primary driver of this expense, and the resulting increase over 2023 actuals and annualized 2024 year-to-date, is the Company's addition of one new metering and measurement technician in 2025.

230. The Department objected to GMG's Education and Training Expense for 2025, noting that it constitutes a 192% increase over GMG's 2024 expenses in this category. The Department recommended using annualized 2024 expenses, rather than GMG's budgeted expenses, resulting in a downward adjustment of just under \$3,800.

231. GMG's proposed increase to the Education and Training Expense accounts relates to specialized training GMG will need to procure from outside sources in order to ensure that the Company's new employee is trained to current standards. GMG's approach recognizes the increased expense of this employee's education and training needs, a matter that substantially benefits GMG's customers.

232. While percentage increases may be a relevant guide as to reasonableness in some circumstances; in isolation, the percentage increase in a particular category can be misleading when the underlying base number is fairly small, as is the case here. Further, the projected Education and Training Expense is not a lone outlier, as GMG's actual expense in this category in 2022 was \$13,881, a figure greater than the proposed expense.

233. GMG's projected Education and Training Expense reflects the need to train a single new metering and measurement technician, is reasonable, and should be approved.

5. Exceptions to the ALJ Report

While the ALJ accepted GMG's proposed \$10,200 figure as reasonable, citing 2022 spending levels, the Department pointed out that 2022 was an unusual year. GMG itself described 2022 as a "catch-up year" during which employees received delayed training that hadn't occurred during the COVID-19 pandemic. In contrast, the Department's \$6,409 recommendation reflects a more typical year of training needs while still accounting for additional costs tied to the new technician.

The Department recommended the following adjustments be made to the ALJ Report.

230. The Department objected to GMG's Education and Training Expense for 2025, noting that it constitutes a 192% increase over GMG's 2024 expenses in this category. Based on historical expenses and the information provided by GMG regarding new anticipated training expenses, the Department recommended a 2025 test year expense of \$6,409, an 83% increase over 2024 expenses. The Department recommended using annualized 2024 expenses, rather than GMG's budgeted expenses, resulting in a downward adjustment of just under \$3,800.



~~231. GMG's proposed increase to the Education and Training Expense accounts relates to specialized training GMG will need to procure from outside sources in order to ensure that the Company's new employee is trained to current standards. GMG's approach recognizes the increased expense of this employee's education and training needs, a matter that substantially benefits GMG's customers.~~

~~232. While percentage increases may be a relevant guide as to reasonableness in some circumstances; in isolation, the percentage increase in a particular category can be misleading when the underlying base number is fairly small, as is the case here. Further, the projected Education and Training Expense is not a lone outlier, as GMG's actual expense in this category in 2022 was \$13,881, a figure greater than the proposed expense. GMG's requested expense is an outlier, with actual expenses in recent years ranging from \$4,668 in 2021 to \$3,493 in 2024. The sole exception was the expense of \$13,881 in 2022, which the Company noted was due to "catch-up" training that had been delayed since 2019 due to the pandemic.~~

233. GMG's projected Education and Training Expense reflects the need to train a single new metering and measurement technician, is not reasonable, and should not be approved. The Department's proposed adjustment results in a reasonable Education and Training Expense for the test year.

6. Staff Analysis

Staff notes that the Department questioned GMG's reliance on 2022 as a benchmark because that year reflected typical "catch-up" training costs following the COVID-19 pandemic. However, GMG has identified a need to train its new metering and measurement technician and has demonstrated that training costs in other years were comparable to, or greater than, the proposed level. Staff finds that GMG's projection is not speculative but is supported by historical experience and current operational needs. Thus, Staff agrees with GMG's proposed training expense of \$10,200 for the 2025 Test Year.

7. Decision Options

103. Allow GMG to include \$10,200 in education and training expense under Administrative & General Expense for the 2025 Test Year. [ALJ, GMG]
104. Allow GMG to include \$6,409 in education and training expense under Administrative & General Expense for the 2025 Test Year. [Department]

[If the Commission makes this determination, it may want to adopt one or more of the following recommended by the Department:]

- a. Replace ALJ Findings 230, 232, and 233 with Department's proposed language.
- b. Reject ALJ Findings 231.



C. Postage Expense

1. Introduction

GMG proposed a 2025 Test Year postage expense of \$5,400, representing a 34 percent increase over its 2024 budgeted amount of \$4,039.⁸

2. Case Record

ALJ Report ¶¶ 234--237

Ex. GMG-105, Schedule C-3 at 3 (Initial Filing – Vol. 3)

Ex. GMG-109, at 13 (Rebuttal Testimony and Exhibits of Burke)

Ex. DOC-215, Schedule AAU-D-1 at 19-20 (Uphus Direct)

Ex. DOC-216 at 17-18 (Johnson Surrebuttal)

Department Exceptions at 20

3. Party Positions

GMG attributed the increase primarily to higher shipping costs, driven by vendor price adjustments, fuel surcharges and an anticipated increase in shipment volume due to operational needs. GMG maintained that these projections were known and measurable and that the higher budget was justified to ensure uninterrupted mailing and shipping operations.

The Department initially reviewed GMG's 2024 year-to-date postage expense of \$3,727, annualized it to \$4,065, and recommended this lower amount as a more accurate representation of current spending. This initial recommendation resulted in a proposed reduction of \$1,335 from GMG's Test Year request.⁹ Following GMG's later filing of actual 2024 postage expense of \$3,623 (unaudited), the Department recalculated its recommendation. Recognizing that GMG's proposal reflected a 49 percent increase over actual 2024 spending, the Department applied the 2021–2024 historical average of actual postage expenses, yielding \$4,431 as the appropriate Test Year figure.¹⁰

This update reduced the Department's proposed adjustment to \$969, a \$366 change from its original recommendation, as shown in Table 101.

⁸ Ex. GMG-105, Schedule C-3 at 3 (Initial Filing, Vol. 3).

⁹ Ex. DOC - Uphus Direct at 22.

¹⁰ Ex. DOC-216 at 17-18 (Johnson Surrebuttal).


Table 101: Department's Updated Recommended Postage Expense Adjustment ¹¹

Line	Description	Amount
1	2021 Actual	^a \$ 4,009
2	2022 Actual	^a \$ 5,623
3	2023 Actual	^a \$ 4,468
4	2024 Actuals **	^a \$ 3,623
5	2021-2024 Average	^b \$ 4,431
6	2025 Test Year	^a \$ 5,400
7	DOC Updated Adjustment	^c \$ (969)
8	DOC Original Adjustment	^d \$ (1,335)
9	Change in DOC Adjustment	^e \$ 366

** 2024 Actuals are unaudited

^a AAU-SR-1 at 6 (Uphus Direct).

^b Sum of Lines 1 to 4, Divided by 4.

^c Line 6 Less Line 5.

^d Ex. DOC-___ at 21-22 (Uphus Direct).

^e Line 7 Less Line 8.

4. ALJ Report

The ALJ found GMG's Postage Expense to be reasonable and recommended approval. The ALJ noted that GMG's proposed Test Year amount of \$5,400 falls within the range of its prior actual costs, which fluctuated between approximately \$3,700 and \$5,600 from 2021 to 2024. The ALJ stated that while percentage increases can be illuminating, the proposed amount "accounts for fluctuations, and reflects the fact that postage costs charged by the US Postal Service, United Parcel Service, and FedEx continue to rise."

Specifically, the ALJ made the following Findings:

234. The Postage Expense is for general business-related postage and GMG projected a Test Year Postage Expense of \$5,400.

235. The Company evaluated its Postage Expense actuals from 2022 and 2023 of \$5,623 and \$4,468, respectively, and made assumptions regarding increases to the shipping costs.

236. The Department objected to GMG's postage budget for the Test Year and initially contended that postage expense should be set based on 2024 expenses, resulting in an adjustment of approximately \$1,300. Later, the Department recommended that the Postage Expense be based on an average of the actual costs from 2021 to 2024, resulting in a reduction of \$969.

237. GMG's postage expenses between 2021 and 2024 fluctuated from around \$3,700 to just over \$5,600. GMG's proposed Test Year amount is within the range of its prior actual costs, accounts for fluctuations, and reflects the fact that

¹¹ Ex. DOC - Uphus Direct at 24.



postage costs charged by the US Postal Service, United Parcel Service, and FedEx continue to rise. GMG's Postage Expense is reasonable and should be approved.

5. Exceptions to ALJ

The Department maintained that its adjustment is "supported and reasonable" because it is accurate to review postage expense historically and use an average to determine a reasonable level for test-year purposes. The Department argued that the ALJ's finding (that setting the amount near the high end of recent actual experiences was reasonable due to fluctuations) was "contrary to the Commission's practice of using historical averages for costs that fluctuate from year to year". According to the Department, this practice allows for reasonable cost recovery without violating the statutory requirement to resolve doubt in the ratepayer's favor.

The Department recommended the following adjustments be made to the ALJ Report.

235. The Company evaluated its Postage Expense actuals from 2022 and 2023 of \$5,623 and \$4,468, respectively, and made assumptions regarding increases to the shipping costs. GMG offered no explanation for why those years should be used rather than 2024, which had lower postage expenses of \$3,623.

236. The Department ~~objected to GMG's postage budget for the Test Year and~~ initially contended that the postage expense should be set based on 2024 expenses, resulting in an adjustment of approximately \$1,300. Later, the Department recommended that the Postage Expense be based on an average of the actual costs from 2021 to 2024, resulting in a reduction of \$969.

237. ~~GMG's postage expenses between 2021 and 2024 fluctuated from around \$3,700 to just over \$5,600. GMG's proposed Test Year amount is within the range of its prior actual costs, accounts for fluctuations, and reflects the fact that postage costs charged by the US Postal Service, United Parcel Service, and FedEx continue to rise. The Department's adjustment is supported and reasonable because it is accurate to look at postage expense historically and take an average to determine a reasonable level of expense for test-year purposes.~~ GMG's Postage Expense is reasonable and should be approved adopted.

6. Staff Analysis

Staff supports the Departments methodology as it aligns with the Commission's established practice of addressing fluctuating expense categories by relying on a multi-year average.

7. Decision Options

105. Allow GMG to include \$5,400 in postage expense under Administrative & General Expense for the 2025 Test Year. [ALJ, GMG]



106. Allow GMG to include \$4,431 in postage expense under Administrative & General Expense for the 2025 Test Year. [Department]

[If the Commission makes this determination, it may want to adopt one or more of the following recommended by the Department:]

- a. Replace ALJ Findings 235-237 with Department's proposed language.

D. Repair and Maintenance Expense

1. Introduction

GMG proposed \$24,000 for repair and maintenance in the 2025 Test Year.¹² The primary driver for this increase is a significant rise in the cost of the Company's snow removal, lawncare, and office cleaning contracts.

2. Case Record

ALJ Report ¶¶ 238-244

Ex. GMG-105, Schedule C-3 at 3 (Initial Filing – Vol. 3)

Ex. GMG-109 at 14 (Burke Rebuttal)

Ex. DOC-215 at 23 (Uphus Direct)

Ex. DOC-216 at 19-20 (Johnson Surrebuttal)

Department Exceptions at 21

3. Party Positions

GMG noted the cost of office cleaning service for GMG's office and southern service center increased by 33 percent in mid-2024, accounting for 47 percent of the five-year average of this expense. In addition, due to a vendor change at the end of 2024, lawncare rates increased by 23 percent, and snow removal and salt application rates increased by 30 percent.¹³ GMG argued that these are known and quantifiable increases to contract rates and its projected expense reflects the actual operating condition.

The Department objected to GMG's budgeted repair and maintenance expense, noting that GMG's proposal represented a 58 percent increase from its actual 2024 expenses. The Department recommended annualizing 2024 year-to-date actual expenses and increasing them by 30 percent (to account for increases in the Company's costs) with an additional adjustment for inflation. This approach resulted in a disallowance of approximately \$4,200, leading to a test Year expense of \$19,787.¹⁴

¹² Ex. GMG-105, Schedule C-3 at 3 (Initial Filing, Vol. 3).

¹³ Ex. GMG-109 at 14 (Burke Rebuttal).

¹⁴ DOC - Uphus Direct at 23-24 and Johnson Surrebuttal at 19-20.

4. ALJ Report

The ALJ found that GMG provided clear evidence that its repair and maintenance expense was reasonable. GMG showed that contract costs have gone up, and its \$24,000 request reflects the actual, unavoidable costs the company is now facing. As a result, the ALJ recommended approval of GMG's full \$24,000 expense for the Test Year.

Specifically, the ALJ made the following Findings:

238. GMG's Repair and Maintenance Expense includes several items, such as snow removal, lawncare, and office cleaning contracts. GMG projected a Test Year Repair and Maintenance Expense of \$24,000.

239. The primary driver of this expense and the Test Year increase is a significant rise in the cost of the Company's snow removal, lawncare, and office cleaning contracts.

240. The office cleaning service for GMG's office and southern service center accounts for 47 percent of the five-year average of the Repair and Maintenance Expense. This cost increased by 33 percent in mid-2024.

241. Similarly, the snow removal and lawncare expenses historically account for about 24 percent of the five-year average of the Repair and Maintenance Expense.

242. Due to factors outside of GMG's control, the Company had to change its snow removal and lawncare vendor at the end of 2024. The change resulted in a 23 percent increase to lawncare rates and a 30 percent increase to earlier snow removal and salt application rates.

243. The Department objected to GMG's budgeted Repair and Maintenance Expense. It recommended annualizing 2024 year-to-date actual expenses, with an adjustment for inflation, resulting in a disallowance of approximately \$4,200.

244. GMG met its burden to demonstrate the reasonableness of its Repair and Maintenance Expense. GMG demonstrated known and quantifiable increases to contract rates. GMG projects a reasonable Test Year expense that recognizes the actual conditions in which GMG is operating.

5. Exceptions to ALJ Report

The Department disagreed with the ALJ's finding that GMG showed clear increases in contract rates. The Department argued that the ALJ did not explain why GMG should receive more than the actual increases it experienced. The Department maintained its recommendation as it more accurately reflects the true cost increases.

The Department recommended the following adjustments be made to the ALJ Report.



2025

Staff Briefing Papers for Docket No. G-022/GR-24-350 and G-022/MR-24-351 on October 9,

238. GMG's Repair and Maintenance Expense includes several items, such as snow removal, lawncare, and office cleaning contracts. GMG projected a Test Year Repair and Maintenance Expense of \$24,000, a 58 percent increase over its actual 2024 expenses.

243. The Department objected to GMG's budgeted Repair and Maintenance Expense. It recommended annualizing 2024 year-to-date actual expenses and then increasing them by 30 percent to account for increases in the Company's costs, with an adjustment for inflation, resulting in a disallowance of approximately \$4,200.

~~244. GMG met its burden to demonstrate the reasonableness of its Repair and Maintenance Expense. GMG demonstrated known and quantifiable increases to contract rates. GMG projects a reasonable Test Year expense that recognizes the actual conditions in which GMG is operating. The Department's proposed test year adjustment for repair and maintenance expenses is reasonable because it reflects the known and measurable increases in GMG's service contracts.~~

6. Staff Analysis

Although GMG presented evidence of substantial increases in cleaning, lawncare, and snow removal costs tied to vendor contracts, Staff agrees with the Department's analysis that a 58 percent increase in a single year is excessive. Ratepayers should not be asked to absorb such a sharp rise without clear and convincing proof that these higher expenses will actually be incurred in full. Staff supports the Department's recommended \$19,787 Test Year expense.

7. Decision Options

107. Allow GMG to include \$24,000 in repair and maintenance expense under Administrative & General Expense for the 2025 Test Year. [ALJ, GMG]
108. Allow GMG to include \$19,787 in repair and maintenance expense under Administrative & General Expense for the 2025 Test Year. [Department]

[If the Commission makes this determination, it may want to adopt one or more of the following recommended by the Department:]

- a. Replace ALJ Findings 238, 243, and 244 with Department's proposed language.

E. Annual Incentive Pay

1. Introduction

GMG offered its employees short-term incentive compensation or annual incentive pay (AIP) based on their performance in the prior year. In its initial filing, GMG included 2025 Test Year wages under Accounts 9280 (Wages – Employees) and 9290 (Wages – Officers), which



incorporated accruals for short-term incentive (AIP) compensation expense to be paid in 2026.¹⁵

2. Case Record

ALJ Report ¶¶ 202-213

Ex. GMG 103 at 8 (Palmer Direct)

Ex. GMG-112 at 19-21, Table GHP-REB-2 (Palmer Rebuttal)

Ex. DOC-213 at 19-20 (Johnson Direct)

Ex. DOC-216 at 21-22 (Johnson Surrebuttal)

Evid. Hearing Tr. at 80–82 (Johnson); Ex. DOC-214 at Schedule MAJ-D-5 (Johnson Direct)

Evid. Hearing Tr. at 82 (Johnson); Ex. DOC-216 at 12 (Johnson Surrebuttal)

Department Exceptions at 18-19

3. Party Positions

GMG explained that incentive payments are allocated between the Company and Greater Minnesota Transmission based on the work performed by each employee. GMG proposed a total AIP expense of \$92,442 and provided a list of employees eligible for AIP, including those whose AIP exceeded the 15 percent cap of base pay, as shown in the Trade Secret document GMG submitted in response to Department information request (IR) No. 134.¹⁶

After reviewing GMG's supporting documentation, the Department initially recommended the Commission disallow \$20,069 in AIP expense exceeding 15 percent of base pay, consistent with Commission precedent in Xcel Energy's most recent electric rate case,¹⁷ which limited recovery of performance pay costs by capping any individual's performance pay at 15 percent of base pay.

In rebuttal, GMG argued that recovery of its short-term performance pay plan is reasonable because, for all but one employee, the program is tied solely to individual job performance rather than shareholder or financial outcomes. GMG noted that one employee's short-term performance pay included both a job-performance component and an additional incentive tied to GMG's financial performance. GMG further explained that the employee responsible for CIP/ECO received performance pay based on meeting program goals. Thus, for the test year, this financial-performance-based incentive totals \$32,162 and depending on the cap applied—15 percent (Xcel precedent), 20 percent (Minnesota Power precedent), or 25 percent (CenterPoint precedent)—between \$11,276 and none of the amount would be disallowed. GMG contended that the incentive is reasonable because the company's financial performance

¹⁵ Ex. GMG -Initial Filing, Vol 3., Schedule C-3, pg. 3 of 3.

¹⁶ GMG's Response to Department IR No. 134; see Ex. DOC-214, MAJ-D-4 (Johnson Direct).

¹⁷ *In the Matter of the Application of Northern States Power Company, dba Xcel Energy, for Authority to Increase Rates for Electric Service in the State of Minnesota*, Docket No. E-002/GR-21-630- FINDINGS OF FACT, CONCLUSIONS, AND ORDER at 4 (July 17, 2023).

is directly influenced by employee-controlled factors such as safety, reliability, and regulatory compliance, all of which also benefit ratepayers.¹⁸

In its surrebuttal, the Department noted that while the Xcel Electric decision on AIP focused on shareholder interests, it supported applying a 15 percent cap to financial-performance-based incentives. According to GMG's report, one employee's pay is tied to the company's financial performance. The test-year incentive for this employee totaled \$32,162, of which \$11,276 exceeded the cap. Therefore, the Department recommended that GMG's Test-Year general and administrative expenses be reduced by \$11,276 to reflect the capped AIP adjustment.¹⁹

4. ALJ Report

The ALJ supported GMG's proposed AIP expense of \$92,442, finding the program reasonable given appropriate officer pay, minimal shareholder-focused activity, full payouts despite weak earnings. The ALJ found:

202. GMG has only 25 employees and has experienced challenges in recruitment and retention of well-qualified employees.

203. GMG offers employees the ability to obtain an annual increase in their compensation by earning a short-term incentive or "performance pay" addition to their base compensation. GMG's program links the criteria for obtaining these increases to specific aspects of the employee's job duties.

204. As an example, the employee primarily responsible for GMG's energy conservation programs will earn short-term performance pay if certain energy conservation goals are achieved.

205. GMG has just one Certified Management Accountant who is qualified to work with auditors to complete the Company's audited financial statements. GMG's short-term performance pay for that individual is paid out in June, after the most critical audit-related tasks for the year are completed. A departure from GMG by that employee before or during the annual audit process, would significantly impact the Company's ability to operate.

206. None of this performance pay is contingent on GMG's earnings or financial performance. Notwithstanding "poor economic performance by the Company" during the past two years, GMG paid the full amount of short-term performance pay to eligible employees."

207. The Department initially proposed that GMG's recovery of performance pay costs be limited by applying a cap on any individual's performance pay equal to 15

¹⁸ Ex. GMG-112 at 22 (Palmer Rebuttal).

¹⁹ Ex. DOC-216 at 21-22 (Johnson Surrebuttal).

percent of that employee's base pay. The proposed cap resulted in a disallowance of more than \$20,000 in compensation expenses.

208. The Department based this recommended disallowance on Commission decisions applying such a cap to the compensation plans of large utilities, like Xcel Energy.

209. In Rebuttal Testimony, the Department modified its recommendation regarding performance pay, in recognition that GMG's performance pay lacks a financial "trigger" and does not promote shareholder interests.

210. However, the Department continued to recommend applying a 15 percent cap to the performance pay of the one GMG employee whose performance pay has any tie to the financial performance of the Company. This modification lowered the Department's recommended disallowance from approximately \$20,000 to \$11,276.

211. The one employee in question is one of GMG's officers. Department witness Mark Johnson (Johnson) acknowledged that he did not challenge the reasonableness of that officer's total compensation. Moreover, he agreed that GMG's officers "do not spend a significant amount of time on shareholder focused activities, such as increasing earnings per share."

212. GMG has met its burden to demonstrate the reasonableness of its performance pay program. Importantly:

- (a) the overall reasonable compensation level of GMG's officers is reasonable;
- (b) GMG's officers do not spend significant hours on shareholder-focused activities;
- (c) GMG has paid out its full performance pay during the past two years despite weak earnings; and
- (d) GMG has never paid its shareholders a dividend.

213. Under these circumstances, no disallowance in the Test Year is appropriate.

5. Exceptions to the ALJ Report

The Department disagreed with the ALJ's recommendation. The Department emphasized that in 2023, the Commission approved a 15 percent cap on short-term annual incentive compensation (AIP) expense. The Commission should not exempt GMG from this cap for the one employee whose AIP is tied to financial performance. Despite GMG's small size, the cap does not hinder retention and protects ratepayer interests, ensuring customers do not pay for incentives that primarily benefit employees and shareholders. The 15 percent cap should be upheld for all AIP linked to financial performance.

The Department recommended the following adjustments be made to the ALJ Report.

a. ~~Performance Pay~~ Annual Incentive Pay Program

202. GMG has only 25 employees and ~~has experienced challenges in~~ is committed to recruitment and retention of well-qualified employees.

203. GMG offers select employees the ability to obtain an annual increase in their compensation by earning a short-term incentive or “performance pay” addition to their base compensation. GMG’s program links the criteria for obtaining these increases to specific aspects of the employee’s job duties. GMG proposed \$92,442 in annual incentive program pay for the test year.

~~204. As an example, the employee primarily responsible for GMG’s energy conservation programs will earn short term performance pay if certain energy conservation goals are achieved.~~

~~205. After the Company’s last rate case, the Commission approved a 15% cap of the employee’s base salary on short-term annual incentive compensation expense in several Minnesota rate cases. GMG identified that \$20,069 of its AIP expense is above the 15% cap. The Department initially recommended denying the AIP expense included in the test year that is over the 15% cap. GMG has just one Certified Management Accountant who is qualified to work with auditors to complete the Company’s audited financial statements. GMG’s short term performance pay for that individual is paid out in June, after the most critical audit-related tasks for the year are completed. A departure from GMG by that employee before or during the annual audit process, would significantly impact the Company’s ability to operate.~~

~~206. None of this performance pay is contingent on GMG’s earnings or financial performance. Notwithstanding “poor economic performance by the Company” during the past two years, GMG paid the full amount of short term performance pay to eligible employees.~~

~~207. The Department initially proposed that GMG’s recovery of performance pay costs be limited by applying a cap on any individual’s performance pay equal to 15 percent of that employee’s base pay. The proposed cap resulted in a disallowance of more than \$20,000 in compensation expenses.~~

~~208. The Department based this recommended disallowance on Commission decisions applying such a cap to the compensation plans of large utilities, like Xcel Energy.~~

~~209. In Rebuttal Testimony, the Department modified its recommendation regarding performance pay, in recognition that GMG’s performance pay lacks a financial “trigger” and does not promote shareholder interests. GMG stated that~~



for all but one employee, GMG's AIP has no connection to any shareholder interests. Following this explanation, the Department reduced its recommended adjustment to GMG's AIP expense to \$11,276, reflecting no AIP cap for all employees whose incentive pay is not connected to shareholder interests.

~~210. However, the Department continued to recommend applying a 15 percent cap to the performance pay of the one GMG employee whose performance pay has any tie to the financial performance of the Company. This modification lowered the Department's recommended disallowance from approximately \$20,000 to \$11,276.~~

~~211. The one employee in question is one of GMG's officers. Department witness Mark Johnson (Johnson) acknowledged that he did not challenge the reasonableness of that officer's total compensation. Moreover, he agreed that GMG's officers "do not spend a significant amount of time on shareholder focused activities, such as increasing earnings per share.~~

~~212. GMG has not met its burden to demonstrate the reasonableness of its performance pay program. Importantly:~~

- ~~(a) the overall reasonable compensation level of GMG's officers is reasonable;~~
- ~~(b) GMG's officers do not spend significant hours on shareholder focused activities;~~
- ~~(c) GMG has paid out its full performance pay during the past two years despite weak earnings; and~~
- ~~(d) GMG has never paid its shareholders a dividend.~~

213. Under these circumstances, ~~no~~ the Department's recommended \$11,276 disallowance in the Test Year is appropriate.

6. Staff Analysis

Staff concurs with the Department's recommendation to limit GMG's recovery of annual incentive pay to a 15 percent cap on financial-performance-based incentives, in accordance with the Commission's established practice. The Commission may also want to require the Company to submit annual compliance filings and refunds, giving the Commission an opportunity to evaluate the operation and performance of the incentive compensation plan.

7. Decision Options

109. Allow GMG to include \$92,442 of Annual Incentive Pay (AIP) expense in the 2025 Test Year. [ALJ, GMG]



110. Order GMG to apply a 15 percent cap to the performance pay to employee whose performance pay has any tie to the financial performance of the Company. [Department]
111. Order GMG to reduce its proposed Annual Incentive Pay (AIP) expense by \$11,276 in the 2025 Test Year [Department]

[If the Commission makes this determination, it may want to adopt one or more of the following recommended by the Department:]

- a. Replace ALJ Findings 202, 203, 205, 209, and 213 with Department's proposed language.
 - b. Reject ALJ Findings 204, 206-208, and 210-212.
112. Require GMG to file annual compliance filings evaluating the operation and performance of its incentive compensation plan and the associated refund. [Staff]

F. Long-Term Incentive

1. Introduction

GMG stated that as a small company, it relies on its compensation program to retain key employees and minimize business disruption when departures occur, and that its long-term incentive (LTI) compensation is a retention program.

2. Case Record

ALJ Report ¶¶ 214-226
 Ex. GMG-112 at 19-23 (Palmer Rebuttal)
 Ex. DOC-214 at 21, Schedule MAJ-D-4 (Johnson Direct)
 Ex. DOC-216 at 24-25 (Johnson Surrebuttal)
 Department's Initial Brief at 23
 Department's Exceptions at 18-19

3. Party Positions

GMG said it offers LTI only if employees remain for three years and it is not tied to shareholder performance. GMG explained that its LTI expense is recognized as 1/3 of each employee's long term incentive commitment by year. The amounts expensed will be accrued in 2025 with 1/3 being paid out in 2026 for service from 2023 through 2025, 1/3 in 2027 for service 2024 through 2026 and 1/3 in 2028 for service 2025 through 2027. The Company proposed a total LTI expense of \$48,300 for Test Year, which will be paid out three years after it is awarded to

specific employees as identified in the Trade Secret document GMG provided in response to Department IR No. 115.²⁰

In its direct testimony, the Department recommended disallowing recovery of retention agreement payments based on the Commission's long-standing practice of excluding LTI expense in rate cases, reducing GMG's Test-Year general and administrative expenses by \$48,300.²¹

In its rebuttal, GMG disagreed with the Department. GMG argued that its long-term incentive plan differs from programs previously disallowed by the Commission, which were tied to shareholder performance. In contrast, GMG's long-term incentive plan is tied to shareholder performance. Instead, it is tied to each eligible employee's retention over a prospective three-year period.²²

In its surrebuttal, the Department discussed Xcel Electric's 2021 Rate Case,²³ in which the Commission denied recovery of time-based LTI costs due to their tie to shareholder-return performance and rejected environmental LTI costs because Xcel Energy did not show unique benefits justifying separate rate recovery. The Department stated that if the Commission includes LTI expense in GMG's Test Year, it should clarify that the exception is solely because GMG's plan is not tied to shareholder-return-based performance.

4. ALJ Report

The ALJ supported recovery of GMG's retention pay program (LTI), finding it's a necessary and key tool to attract and retain qualified staff in support of safe, reliable, and affordable service. The ALJ found:

214. GMG offers retention agreements for certain key employees.

215. There is no financial component to these agreements and no financial "trigger" that must be met before payment. The employee simply needs to continue to be employed by GMG, with payment of the additional compensation made on the third anniversary of the agreement.

216. GMG has structured its compensation package in this manner to support retention of its key personnel to ensure the safe, reliable operation of the business.

217. With only 25 total employees, abrupt loss of even one or two key personnel, before the completion of significant work projects, can present significant

²⁰ GMG's Response to Department IR No. 115; see Ex. DOC-214, MAJ-D-4 (Johnson Direct).

²¹ Ex. DOC-214 at 21 (Johnson Direct).

²² Ex. GMG-112 at 19-23 (Palmer Rebuttal).

²³ Docket No. E-002/GR-21-630.

challenges for the Company. GMG has worked hard to recruit well-qualified employees and retain them for long tenures.

218. GMG does not offer the array of benefits offered by larger utilities, such as a defined benefit plan.

219. GMG tailors the retention agreements to address the Company's operational duties. For example, while GMG's CEO receives no retention agreement as part of his compensation, three Supervisory Gas Technicians do.

220. GMG has some service centers with two or three employees, with just one employee at each location qualified to manage the construction projects for that area. If one or more of those managing employees left the Company during the construction season, their departure would make completion of the project on-time and on-budget, more difficult. Accordingly, retention pay is paid to these managers in January to encourage them to stay through year-end, when their construction projects are complete.

221. The Department recommended disallowing recovery of any retention agreement payments, based upon "the Commission's long-standing practice of not allowing long-term incentive compensation expense (LTI) in rate cases."

222. The Administrative Law Judge disagrees. GMG's retention agreements are fundamentally different than the long-term incentive compensation programs disallowed in those past cases. For example, the Commission denied recovery of CenterPoint Energy's long-term incentive compensation program, finding it:

is designed *chiefly* to serve shareholders' interests; its benefits to ratepayers are indirect and could be better served by other means; and its time horizon for rewarding corporate financial performance carries the potential to divert attention from the much longer planning horizons critical to providing safe, reliable, and affordable utility service.

223. The Commission has also denied various components of Xcel Energy's long-term incentive compensation program that ties payment to financial performance, stating:

the shareholder-return-based performance element of the time-based LTI program for non-executives may incentivize employees to prioritize shareholder interests over customer interests in order to increase their potential time-based LTI payout amount.

224. Allowing recovery of GMG's retention agreement costs does not "divert attention from the much longer planning horizons critical to providing safe, reliable, and affordable utility service," as the Commission noted in the CenterPoint case. Encouraging technical staff to complete that year's critical tasks



focuses, rather than distracts, from the mission of providing safe, reliable, and affordable service.

225. The Department contends that there is another basis for disallowance, in that it maintains that GMG has not made an adequate showing that its retention pay program offers unique benefits that justify recovery. The Administrative Law Judge disagrees with this position as well. GMG has established that the retention agreements are a key component of its efforts to attract and retain personnel in order to provide safe and reliable natural gas service and that the program is uniquely tailored to suit this purpose.

226. The record supports allowing recovery for GMG's retention pay program.

5. Exceptions to ALJ Report

The Department continued to support its position that GMG's LTI should be excluded from the Test Year in accordance with the Commission's long-standing practice. If the Commission determines that GMG may include LTI in the Test Year, the exception should be clarified as solely because GMG's plan is not tied to shareholder-return-based performance.

The Department recommended the following adjustments be made to the ALJ Report.

b. ~~Retention Agreements~~ Long-Term Incentive Compensation

214. GMG offers retention agreements for certain key employees. GMG included \$48,300 of long-term compensation in the proposed test year.

215. ~~There is no financial component to these agreements and no financial "trigger" that must be met before payment.~~ To receive long-term incentive compensation, the employee simply needs to continue to be employed by GMG, with payment of the additional compensation made on the third anniversary of the agreement.

~~216. GMG has structured its compensation package in this manner to support retention of its key personnel to ensure the safe, reliable operation of the business.~~

~~219. GMG tailors the retention agreements to address the Company's operational duties. For example, while GMG's CEO receives no retention agreement as part of his compensation, three Supervisory Gas Technicians do.~~

~~220. GMG has some service centers with two or three employees, with just one employee at each location qualified to manage the construction projects for that area.²⁴⁷ If one or more of those managing employees left the Company during the construction season, their departure would make completion of the project on-time and on-budget, more difficult. Accordingly, retention pay is paid to these~~

~~managers in January to encourage them to stay through year-end, when their construction projects are complete.~~

221. The Department recommended disallowing recovery of any retention agreement payments, based upon “the Commission’s long-standing practice of not allowing long-term incentive compensation expense (LTI) in rate cases.” The Department’s alternative recommendation is that if the Commission finds it is reasonable for GMG to include LTI expenses in the test year, the Commission clearly specify that this is a departure from past precedent due to the fact that, unlike other utilities LTI plans, GMG’s LTI plan does not include a shareholder return-based performance element.

222. ~~The Administrative Law Judge disagrees. The Report states that~~ GMG’s ~~retention agreements~~ long-term incentive compensation program is ~~are~~ fundamentally different than the long-term incentive compensation programs disallowed in ~~those~~ past cases. For example, the Commission denied recovery of CenterPoint Energy’s long-term incentive compensation program, finding it:

is designed chiefly to serve shareholders’ interests; its benefits to ratepayers are indirect and could be better served by other means; and its time horizon for rewarding corporate financial performance carries the potential to divert attention from the much longer planning horizons critical to providing safe, reliable, and affordable utility service.

224. GMG has not shown that ~~A~~allowing recovery of GMG’s retention agreement costs does not “divert attention from the much longer planning horizons critical to providing safe, reliable, and affordable utility service,” as the Commission noted in the CenterPoint case. ~~Encouraging technical staff to complete that year’s critical tasks focuses, rather than distracts, from the mission of providing safe, reliable, and affordable service.~~

[ALT 224. GMG’s LTI compensation is unlike that of other Minnesota rate-regulated utilities because it does not include a shareholder-return-based performance element. Based on the specific facts of this case, including the lack of a shareholder-return-based performance element in GMG’s LTI, it is reasonable for GMG to recover this expense from ratepayers.]

225. The Department contends that there is another basis for disallowance, in that it maintains that GMG has not made an adequate showing that its ~~retention~~ long-term compensation ~~pay~~ program offers unique benefits that justify recovery.²⁵⁹ ~~The Administrative Law Judge disagrees with this position as well.~~ GMG has not established that ~~retention agreements are a key component of its efforts to attract and retain personnel in order to~~ the long-term compensation program ensures the provision of ~~provide~~ safe and reliable natural gas service ~~and that the program is uniquely tailored to suit this purpose.~~



226. The record does not supports allowing recovery for GMG's ~~retention-pay~~ long-term incentive compensation program.

6. Staff Analysis

Staff supports the Department's recommendation based on the Commission's long-standing practice of excluding LTI expense in rate cases. If the Commission considers allowing GMG's LTI expense in its Test Year, the exception should be noted that GMG's plan is not tied to shareholder-return-based performance.

7. Decision Options

- 113. Approve GMG's Long-Term Incentive (LTI) expense of \$43,800 in the 2025 Test Year. [ALJ, GMG]
- 114. Deny GMG's Long-Term Incentive (LTI) expense of \$43,800 in the 2025 Test Year. [Department]

[If the Commission makes this determination, it may want to adopt one or more of the following recommended by the Department:]

- a. Replace ALJ Findings 214-215, 221-222, and 224-226 with Department's proposed language.
 - b. Adopt the Department's alternate Proposed Finding 224
 - c. Delete Proposed Findings 216, 219, and 220.
- 115. Clarify that the approval of GMG's Long-Term Incentive (LTI) expense of \$43,800 in the 2025 Test Year as an exception made solely because GMG's plan is not tied to shareholder-return-based performance. [Staff, if decision option 113 is selected]

G. Organizational Dues

1. Introduction

GMG proposed 2025 test year organizational dues of \$10,016 related to 12 organizations.

2. Case Record

Minn. Stat. § 216B.16, subd. 17 and subd. 17(6)
 ALJ Report ¶¶ 252-277
 Ex. GMG-103 at 17-18, Schedule RDB-3 (Burke Direct)
 Ex. GMG-109 at 17-18 (Burke Rebuttal)
 Ex. OAG-301, Schedule SL-D-3 at 2 (Lee Direct)
 Ex. OAG-301, Schedule SL-D-2 at 7 (Lee Direct)
 Ex. OAG-301, Schedule SL-D-6 (Lee Direct)
 Ex. OAG-301 at 5-17 (Lee Direct)
 Ex. OAG-302 at 9-18 (Lee Surrebuttal)

OAG Exceptions at 16-27

3. Party Positions

In its initial filing, GMG proposed organizational due of \$10,016 for the 2025 test year related to 12 organizations, as shown in Table 102.

Table 102: GMG's Organizational Dues²⁴

Organization	# of Employees	Business Purpose	2023 Actual	2024 Actual/Budget	2025 Budget
American Gas Association (AGA)	all	Provides essential industry information and training opportunities.	\$ 3,485	\$ 3,703	\$ 3,702
Greater Mankato Growth	all	Promotes development of business, industry, and civic interests in community.	\$ 206	\$ 206	\$ 206
Institute of Management Accountants (IMA)	1	Professional license renewal	\$ -	\$ 134	\$ 135
Midwest Energy Association (MEA)	all	Provides essential industry information and training opportunities.	\$ 885	\$ 886	\$ 886
Midwest Region Gas Task Force	all	Provides essential industry information and training opportunities.	\$ 1,100	\$ 1,100	\$ 1,100
Minnesota AgriGrowth Council	all	Provides essential Agriculture and Food industry information	\$ 2,750	\$ 2,750	\$ 2,750
Minnesota Bar Association	1	Bar license renewal fee	\$ 206	\$ 206	\$ 206
Minnesota Board of AELSLAGID	2	Biannual Professional license renewal	\$ -	\$ 135	\$ -
MN Blue Flame Gas Association	all	Provides essential industry information.	\$ 513	\$ 537	\$ 557
Prairieland Utility Coordination Committee	all	Provides essential industry information and training opportunities.	\$ 110	\$ 110	\$ 110
Elko New Market	all	Promotes development of business, industry, and civic interests in community.	\$ 132	\$ 132	\$ 132
Faribault Chamber of Commerce	all	Promotes development of business, industry, and civic interests in community.	\$ 233	\$ 233	\$ 233
Total			\$ 9,620	\$ 10,132	\$ 10,016

The OAG argued that GMG failed to justify \$7,185 of its total requested organizational dues of \$10,016 across three organizations: the Midwest Region Gas Task Force (MRGTF), American Gas Association (AGA), and Minnesota AgriGrowth Council (MAC).

²⁴ Ex. GMG-103, Schedule RDB-3 (Burke Direct).

Below are OAG's analysis and GMG's responses for each of three dues expense:

- a) American Gas Association: is an organization that represents more than 200 local energy companies that deliver clean natural gas throughout the United States.²⁵

The OAG stated that GMG failed to separate lobbying-related costs, and that GMG did not demonstrate a tangible benefit to ratepayers or provide evidence showing that any portion of AGA dues directly supports utility service. The OAG confirmed that historically Commission has excluded lobbying expenses from rate recovery to the extent that the lobbying is not demonstrated to advance ratepayer interests²⁶. Therefore, the OAG concluded that GMG's AGA dues should be fully removed from GMG's test year request of \$3,702.²⁷

In its rebuttal, GMG stated that the Company included only the portion of its AGA dues related to non-lobbying and non-legislative activities in the Test Year expense. GMG explained that, due to its lack of an in-house training department, it relies on AGA conferences, workshops, and publications for employee training across operations, safety, engineering, and regulatory matters. AGA is the leading association for natural gas utilities and provides critical resources such as technical training, safety guidance, best practices, and regulatory updates. It also supplies timely information on regulatory and industry developments through newsletters and roundtables. These resources enhance GMG's ability to operate safely and reliably, directly benefiting customers and ratepayers.

After reviewing GMG's actual 2024 expenses, the OAG stated that the record shows a larger share of AGA dues must be excluded than the 4.3 percent indicated on the 2024 AGA invoice²⁸. The OAG further noted that removing only 4.3 percent of dues (or a reduction of \$159 from GMG's proposed amount) is inadequate to capture the full scope of AGA's lobbying activities. Commission policy requires that dues expenses be reasonable and that lobbying-related costs are not recoverable. In addition, GMG offered no evidence of reliance on AGA training. OAG concluded that GMG bears the burden of proof and failed to establish that the costs were recoverable. Therefore OAG proposed the full AGA dues request of \$3,702 should be excluded.

- b) Minnesota AgriGrowth Council: is a nonprofit, nonpartisan member organization representing the agriculture and food industry.²⁹

²⁵ Ex. OAG-301 at 5 (Lee Direct).

²⁶ 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-008/15-424, Findings of Fact, Conclusions, and Order at 27 (Jun. 3, 2016).

²⁷ Minn. Stat. § 10A.01, subd. 21.

²⁸ GMG's Response to OAG IR No. 005; see Ex. OAG-301, Schedule SL-D-2, pg.7 of 11 (Lee Direct).

²⁹ Ex. OAG-301 at 14 (Lee Direct).

GMG included \$2,750 in the Test Year for MAC due and stated that the business purpose for MAC is that it “[p]rovides essential Agriculture and Food industry information” and noted that “its large customer, industrial, and interruptible rate classes (MS1, LS1, IND1, AG1) are agricultural customers . . . [and] increasing that customer base benefits all of GMG’s rate payers.”³⁰

The OAG disagreed with GMG’s reasoning for recovering MAC dues expenses, stating that the organization’s activities do not directly relate to the natural gas utility sector and that the Company failed to explain how membership benefits Minnesota ratepayers³¹. In addition to a lack of direct ratepayer benefits, OAG noted that the Company did not adjust the Test Year expense to remove the portion of dues attributable to lobbying-related activities. As indicated on the 2023 and 2024 invoices³², 25 percent of MAC’s activities (or approximately \$687.50) were related to lobbying activities. Therefore, the lack of an adjustment for dues expenses would lead to ratepayers having to pay for lobbying activities that may or may not benefit Minnesota ratepayers.³³

In its rebuttal, GMG maintained its initial position that MAC provides several benefits to ratepayers, including networking opportunities that could expand the customer base—allowing system costs to be shared by more customers—as well as industry insights on trends and challenges affecting the agricultural sector, such as supply chain issues and climate-related regulations.³⁴ GMG stated it was not aware of any specific natural gas regulatory or legislative proceedings with which the Minnesota AgriGrowth Council has been involved since 2023.³⁵

The OAG rejected GMG’s rebuttal, asserting that the Company has not added new large agricultural customers in recent years because of its membership in MAC. Accordingly, OAG recommended that the MAC dues expense be removed from rates, noting that this recommendation is consistent with the Commission’s orders in past rate cases.

- c) The Midwest Region Gas Task Force: is a group of small natural gas companies and municipalities that ship gas on a pipeline network operated by Northern Pipeline.³⁶

In its direct testimony, the OAG noted that GMG requested annual recovery of \$1,100 for MRGTF dues, but these costs are not incurred every year and therefore should not be fully included in the Test Year. The OAG pointed out that the Company only paid

³⁰ GMG’s Response to OAG IR No. 1003; see Ex. OAG-301, Schedule SL-D-6 (Lee Direct).

³¹ Ex. OAG-301 at 15 (Lee Direct).

³² GMG’s Response to OAG IR No. 005; see Ex. OAG-301, Schedule SL-D-2 pg. 10 of 11 (Lee Direct).

³³ Ex. OAG-301 at 17 (Lee Direct).

³⁴ Ex. GMG-109 at 18-19 (Burke Rebuttal).

³⁵ GMG’s Response to OAG IR No. 1003; Schedule SL-D-6, pg. 2 of 2 (Lee Direct).

³⁶ Ex. OAG-301 at 10 (Lee Direct).



these dues in 2021, 2023, and 2024, and only when interstate pipeline rate cases occur (typically happen every three years).³⁷ Therefore, the OAG recommended amortizing the MRGTF dues over three years, consistent with how GMG proposed to handle rate case costs. Without normalization, GMG would recover \$3,300 from ratepayers over three years while likely paying only \$1,100, resulting in an over-recovery of \$2,200. By including \$367 per year instead, GMG would recover its likely costs without overcharging customers.

GMG said the MRGTF helps the Company and other small regional gas utilities to jointly intervene in federal rate cases filed by interstate pipeline companies, including Northern Natural Gas and Viking Gas Transmission. This collaboration provides greater influence and lowers legal expenses, which benefits ratepayers. GMG also argued that OAG's proposed three-year amortization of these costs—based on the assumption of only one pipeline rate case every three years—is inconsistent with actual experience, as rate cases occur regularly. Furthermore, GMG anticipates a case in 2025. Accordingly, GMG should recover the full requested amount.³⁸

In its surrebuttal, OAG asserted that the Company's historical expenses demonstrate that it does not incur this cost every year and that the amount fluctuates annually. OAG stated, "As state law requires utilities to prove that the rates they seek to collect from customers are just and reasonable, and any doubt as to reasonableness should be resolved in the ratepayer's favor."³⁹ Therefore, OAG continued to recommend that this cost be amortized over a three-year period, resulting in a cost of \$367 to be included in the Test Year.⁴⁰

4. ALJ Report

The ALJ recommended that the Commission approve GMG's organizational dues expenses with deductions for lobbying related activities totaling \$846.50 from GMG's requested rate recovery of \$10,017—\$159 from AGA dues and \$687.50 from MAC expenses.⁴¹ The ALJ found:

a) American Gas Association

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.

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

³⁷ GMG's Response to OAG IR No. 005; see Ex. OAG-301, Schedule SL-D-2 at 2-3 of 11 (Lee Direct).

³⁸ Ex. GMG-109 at 18 (Burke Rebuttal).

³⁹ Minn. Stat. § 216B.16, subd. 4; Minn. Stat. § 216B.03.

⁴⁰ Ex. OAG-302 at 17-18 (Lee Surrebuttal).

⁴¹ ALJ Report ¶¶ 252-277.

AGA dues in the amount of \$159 to account for the 4.3 percent of those dues which the AGA attributes to its lobbying expense

262. GMG's organizational dues expense should be reduced by \$159, to remove the portion of its AGA dues attributable to lobbying.

b) Minnesota AgriGrowth Council

269. GMG's membership in this organization directly benefits ratepayers and relates to its provision of natural gas. GMG should be permitted to recover 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.

c) Midwest Region Gas Task Force

276. GMG explained that amortizing over three years assumes there is only one interstate transmission company rate case that impacts GMG's ratepayers every three years.

277. GMG demonstrated that between 2021 and 2025 there have been or will be costs associated with Task Force membership for four out of the five years. GMG's test year expenses for the Task Force is reasonable and GMG should be permitted to recover the Test Year dues expense of \$1,100.

5. Exceptions to ALJ Report

The OAG objected to the ALJ's approval of GMG's three membership dues. The OAG asserted that GMG failed to justify \$7,185 of its request across these organizations and maintained its initial recommendations:

- AGA dues should be excluded because GMG did not demonstrate that lobbying costs were removed or that membership benefits ratepayers.
- MAC dues should be removed because GMG failed to show any benefit to ratepayers or that the membership is related to the provision of natural gas service.
- MRGTF dues should be reduced by \$734 to reflect a normal level of annual spending.

In its Exceptions, the OAG submitted revisions to ALJ Findings No. 255 through 279 regarding the three discussed organizational dues.

Specifically, the OAG recommended the following adjustments be made to the ALJ Report.

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.

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 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."

2567. 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.

2578. 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. 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.

2589. 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.

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

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. 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. GMG did not provide any evidence that it had found any new customers or business opportunities through MAC.

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.

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. It has not engaged in any policy advocacy related to natural gas, much less natural gas distribution utilities, since at least 2023. GMG argued that the fact that MAC's lobbying is unrelated to natural gas means that it should be allowed to recover MAC dues.~~

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. ~~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.~~

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

269. GMG's membership in this organization directly does not benefit ratepayers ~~and or~~ relates 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.~~

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. It paid \$550 to MRGTF in 2021, \$0 in 2022, and \$1,100 in 2023 and 2024. 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.

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.

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

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.

6. Staff Analysis

Staff agrees with OAG's recommendation that the Commission deny recovery of the AGA and MAC dues because GMG did not clearly demonstrate direct benefit of these memberships to gas service consumers. Staff notes that in past rate cases the Commission has denied similar claims from utilities for organizational dues that do not benefit ratepayers.⁴²

Regarding the requested \$1,100 in MRGTF dues, since GMG could not demonstrate that this expense is incurred annually, staff also supports OAG's recommendation to amortize the dues over a three-year period, resulting in a cost of \$367 to be included in the Test Year.

7. Decision Options

- 116. Adopt the ALJ's recommendation to approve all GMG's Organizational Dues with deductions of \$159 from MRGTF dues and \$687.50 from MAC dues. [ALJ, GMG]
- 117. Deny GMG's requested recovery for AGA and MAC dues. [OAG]

[If the Commission makes this determination, it may want to adopt one or more of the following recommended by the OAG:]

- a. Replace ALJ Findings 255, 257-258, 260-261, 263-264, and 266-269 with OAG's proposed language.
 - b. Adopt OAG's Proposed Finding 256
 - c. Reject ALJ Findings 259, 270, and 271.
- 118. Order GMG to amortize the total MRGTF dues of \$1,100 over a three-year period, resulting in a cost of \$367 to be included in the Test Year. (OAG)

[If the Commission makes this determination, it may want to adopt one or more of the following recommended by the OAG:]

- a. Replace ALJ Findings 275 with OAG's proposed language.
- b. Adopt OAG's Proposed Findings 276-279
- c. Reject ALJ Findings 276-277.

H. Automatic Meter Reading - FERC Accounts 381 and 382

1. Introduction

GMG implemented automatic meter reading (AMR) technology which helps improve safety and operational efficiency. GMG said the AMR system has eliminated employee injuries from dog bites—the Company's most common prior injury—since its installation in 2017. It also increased

⁴² See, Xcel Energy Electric rate case (Docket No E-002/GR-21-630) and Great Plains Natural Gas Company (Docket No. G-004/GR-19-511).

efficiency by eliminating the need for two full-time meter readers, allowing technicians to read meters much faster. This improvement is especially notable given that the number of meters has more than quadrupled since GMG's previous general rate case.

2. Case Record

ALJ Report ¶¶ 278-291

Ex. GMG -Initial Filing, Vol 3., Schedule B-3, pg. 2

Ex. GMG-109 at 20 (Burke Rebuttal)

Evid. Hearing Tr. at 91-94 (Lee)

Ex. OAG-301 at 23-30, Schedule SL-D-12 at 3-6 (Lee Direct)

Ex. OAG-302 at 6-7 (Lee Surrebuttal)

OAG Exceptions at 27-31

3. Party Positions

GMG stated that AMR units built-in, non-replaceable batteries are starting to fail, and the Company will need to replace those AMR units as they reach the end of their lifecycles.⁴³

In its response to OAG IR#1007,⁴⁴ GMG provided detail of the accounting treatment for AMR device such as group number, FERC account, the Company's timeline for installing new AMR meters and provided the number of new AMR meters to be installed each year from 2025 through 2039 and description for each group number.

In addition, as shown on Table 103, GMG provided detail on the meters and AMR units recorded within each FERC account.

Table 103: Group Number Categories for AMR Units and Meters⁴⁵

Group #	FERC Acct	Description	Life	Difference
90	381	Commercial Meters	30	In service 1996 - 2009
95	381	Residential Meters	30	In service 1996 - 2009
100	382	Commercial Meter Sets	50	In service 1996 - current
101	382	Commercial AMR	30	In service 2015 – 2017
110	382	Residential Meter Sets	50	In service 1996 – current
111	382	Residential AMR	30	In service 2015 - 2017

The OAG pointed out that GMG stated AMR batteries are failing and that units may be retired or replaced before their 10–20 year useful life. However, GMG's 2025 Test Year schedules show

⁴³ Ex. GMG-103, Chilson Direct at 9.

⁴⁴ GMG's Response to OAG IR# 1007, Schedule SL-D-8 (Lee Direct).

⁴⁵ GMG's Response to OAG IR# 1006, Schedule SL-D-10 (Lee Direct).

no plant retirements, with the Company asserting it “does not budget for plant retirement.”⁴⁶ OAG noted this testimony conflicted with GMG’s acknowledgment that AMR units will require replacement and raised concern that GMG’s treatment of AMR units could cause ratepayers to overpay for plant and depreciation balances.

The OAG also identified an unexplained \$176,834 increase in the 2025 Test Year plant balance for FERC Account 381 (legacy meters),⁴⁷ despite GMG no longer adding new meters to that account. Removing this adjustment would reduce the beginning balance to \$96,567, which would likely be fully depreciated by the end of 2025.⁴⁸ The OAG requested that GMG provide clarification and make adjustment in its rebuttal testimony. If GMG could not provide sufficient justification for the \$176,834 increase, the OAG recommended removing both the adjustment and the plant balances with related depreciation expense for FERC Account 381 from the 2025 Test Year, and recalculating the Schedule B-1 amounts for that account.

In its rebuttal, GMG explained that it had inadvertently made an error when combining groups for the meters and incorrectly classified certain amounts with Account 381 that should have been included in Account 382. GMG noted that because these two FERC accounts are subject to the same depreciation schedule, the misclassification did not impact the Company’s overall revenue requirement. The Company stated it corrected the misclassification in the 2024 unaudited actual plant balance and reclassified the affected meters and AMRs to FERC Account 382.⁴⁹ GMG further argued that the OAG incorrectly assumed all meters in Account 381 would be fully depreciated in 2026. While no new meters have been added, the account still carries book value, and most of the meters were installed more recently. The oldest group, installed in 1996, will be fully depreciated in 2026, but other meters will remain in service until 2039. GMG provided its depreciation schedule in support.⁵⁰

GMG also explained it does not budget for plant retirements because its system is relatively new and lacks sufficient history to forecast retirements accurately. For AMR units, GMG is only beginning to plan for replacements, which will occur as units fail. Retired AMR units will be tracked and removed from the appropriate accounts. GMG concluded that no adjustment to its plant balances is necessary or appropriate.⁵¹

In its surrebuttal, the OAG stated that GMG only provided an explanation regarding its depreciation methodology for FERC Accounts 381 and 382 but failed to provide a sufficient explanation for the \$176,834 increase. Therefore, the OAG recommended that GMG’s 2025

⁴⁶ GMG’s Response to OAG IR# 1008, Schedule SL-D-11 (Lee Direct).

⁴⁷ Ex-OAG-301, Schedule SL-D-12 at 4 (Lee Direct).

⁴⁸ Ex-OAG-301 at 28 (Lee Direct).

⁴⁹ GMG’s Response to Department IR# 131 (Schedule SL-D-12 at 5-6 Lee direct).

⁵⁰ Ex. GMG-109, RDB-REB-7 (Burke Rebuttal).

⁵¹ Ex. GMG-109 at 21 (Burke Rebuttal).

Test Year beginning plant balance be updated to reflect the actual 2024 ending plant balance by removing the \$176,834 from FERC Account 381.⁵²

4. ALJ Reports

Generally, the ALJ report identified an accounting error made by GMG with its meters but concluded the overall rate base balance should not be impacted. The ALJ found:

288. During the evidentiary hearing, OAG witness Shoua Lee acknowledged that the amount included in the Projected 2025 Test Year for FERC Account 381—\$520,747—was the same amount GMG included in 2023. There was no increase to FERC Account 381 for a “plugged amount” between 2024 and 2025.

289. The reasonableness of GMG’s combined meter plant balances is confirmed by looking to the combined amounts for FERC Accounts 381 and 382. The combined figures show a modest increase from \$4.36 million in 2023 to \$4.6 million in 2024, and \$4.8 million in 2025.

290. When presented as a combination of Accounts 381 and 382, the OAG did not object to the amount of the overall increase in the two accounts.

291. GMG’s projected customer meter plant balances are reasonable, and no adjustment is appropriate.

5. Exceptions to ALJ Report

The OAG disagreed with the ALJ’s conclusion that the issue with certain meter-related and AMR-related amounts into wrong FERC account was just an accounting error but no change in Test Year plant balance. The OAG recommended the Commission should reduce GMG’s 2025 Test Year rate base by \$176,834 related to its older AMR units because GMG failed to justify this amount. GMG initially projected a \$520,747 balance for FERC Account 381 at year-end 2024, but actuals came in at \$343,913. Rather than revising its Test Year downward, GMG inserted a \$176,834 “adjustment” to keep the 2025 balance unchanged. When questioned, GMG offered no explanation for this amount, instead referencing depreciation methods and account reclassification. The OAG argued, and the record supports, that there is no evidence the \$176,834 reflects real plant investment. Because GMG did not substantiate its claim, the Test Year plant balance should be reduced accordingly.

In its Exceptions, the OAG submitted revisions to the ALJ’s Findings No. 278 through 291 regarding GMG’s 2025 AMR Unit Rate Base Balance.⁵³

Specifically, the OAG recommended the findings ¶¶ 278-291 be replaced as follows:

⁵² Ex. OAG-302 at 8-9 (Lee Surrebuttal).

⁵³ [OAG Exceptions to the ALJ Report at 30-31.](#)

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

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

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.

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. 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.

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. The update that GMG provided in response to the Department had corrected this misplacement by decreasing FERC Account 381 and increasing FERC Account 382. However, GMG explained, it did not update the 2025 Test Year balance for these accounts.

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.

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. 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.

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.

6. Staff Analysis

Staff supports the OAG's recommendation, as GMG has not provided a clear or sufficient explanation for the additional \$176,834 reflected in FERC Account 381 for the 2025 Test Year. Although GMG stated that this amount was reclassified from Account 381 to Account 382, the Test Year balances should reflect accurate plant values, regardless of whether the reclassification affects depreciation. Accordingly, the Commission may wish to direct the Company to remove this amount from rate base.

7. Decision Options

119. Approve GMG's projected customer meter plant balances in full. [ALJ, GMG]
120. Adopt the OAG's recommendation to reduce GMG's 2025 Test Year rate base by \$176,834. [OAG]

[If the Commission makes this determination, it may want to adopt one or more of the following recommended by the OAG:]

- a. Reject ALJ Findings 278-291.
- b. Adopt OAG's Proposed Findings 278-286

I. Income Tax Rider

1. Introduction

GMG proposed an income tax rider to manage the risk of future changes in income tax rates. The purpose of this rider was to avoid the need for an earlier filing of a new rate case if tax rates changed significantly. GMG proposed that the rider be adjusted annually based on the Company's actual income tax rate, accounting for any future changes. GMG described it as a "bidirectional rider," meaning that if corporate tax rates decreased, customers would receive early rebates without waiting for a future rate case or other Commission action.

2. Case Record

ALJ Report ¶¶ 294-302
 Ex. GMG-103 at 10-11 (Chilson Direct)
 Ex. GMG-108 at 1 (Chilson Witness Statement)
 Ex. DOC-215 at 9 (Uphus Direct)
 Ex. OAG-301 at 18-22 (Lee Direct)
 Ex. DOC-215 at 9 (Uphus Direct)
 OAG Exceptions at 32

3. Party Positions

GMG emphasized that postponing new rate case filings is a crucial objective for its management, as its small customer base bears the costs of a rate case, and in the current

proceeding, rate case expenses were expected to exceed ten percent of the total requested increase. The proposed rider aimed to substantially reduce regulatory expense by providing a mechanism to adjust rates for income tax rate changes without a full rate case. The annual rider amount would be determined by dividing the difference in annual taxes by the budgeted "send-out volume" for the forthcoming year and then applied to customers' bills (as either a charge or credit) starting in January of the following year.

The Department objected, stating the rider was unnecessary without an expected tax change and could undermine the rate case process. The OAG argued the Commission lacks authority to approve such a rider without legislative direction.

4. ALJ Report

The ALJ did not address whether the Commission has the authority to establish an income tax rider. Instead, the ALJ noted that the Commission's usual approach to significant changes in federal tax rates—a rare occurrence—is to conduct an industry-wide investigation. In the most recent instance of a major corporate tax rate change, the Commission undertook such an investigation and ordered utilities to return any excess tax collections to customers. Consistent with this practice, the ALJ recommended denying GMG's request for an income tax rider.

Specifically, the ALJ stated:

294. GMG proposed an income tax rider to manage the risk of changes in income tax rates that might oblige the earlier filing of a new rate case.

295. GMG proposed a rider that would be adjusted annually based upon the Company's actual income tax rate. The adjustments would account for any future changes to the Company's actual tax rate. GMG proposed a "bidirectional rider": If corporate tax rates decreased GMG's customers would receive an early pass-through of rebates without need to wait for the completion of a future rate case or other Commission action.

296. Postponing filing for new rates is an important objective of GMG's management. GMG's relatively small size means that a smaller customer base bears the costs of a rate case. Moreover, in the present proceeding, rate case expenses are expected to exceed ten percent of the total requested increase.

297. The proposed rider could substantially reduce regulatory expense by providing a mechanism to adjust rates to account for income tax rate changes without a full rate case and the accompanying expenses.

298. GMG proposed that the difference in the annual amount of taxes would be divided by budgeted "send-out volume" for the forthcoming year to identify the annual rider amount per dekatherm.



299. The resulting annual rider amount would then be applied to customers' bills beginning in January of the following year, either as a charge or a credit.

300. Both the Department and OAG objected to GMG's proposal. The Department argued that without a foreseeable impact the rider would be inappropriate and undermine the rate case construct. The OAG argued that the Commission lacks the authority to approve the rider, absent express legislative approval.

301. Without reaching the question of whether the Commission has the authority to establish an income tax rider, 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.

302. The Commission should deny GMG's request for an income tax rider.

5. Exceptions to ALJ Report

The OAG concurred with the ALJ's conclusion that GMG's proposed Income Tax Rider should be denied but recommended revising the ALJ's finding to underscore that, according to the Commission, riders are "a creation of the Minnesota Legislature" and therefore cannot be implemented without explicit statutory authority. Specifically, the OAG recommended:

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.

6. Staff Analysis

Staff concurs with the Department and OAG's analysis that GMG has not met its burden to demonstrate that creating an income tax rider would be just and reasonable.

Staff also notes that the OAG highlighted the Commission's past practice in 2017, when the federal government passed the Tax Cuts and Jobs Act, which reduced corporate tax rates. In response, the Commission opened an investigation into the impact of the tax code change on the cost of service for all Minnesota utilities. Therefore, approving the proposed income tax rider could create risks of over- or under-recovery and unnecessary administrative complexity.



7. Decision Options

121. Allow GMG to establish an annual income tax rider. [GMG]

122. Deny GMG's request to establish an income tax rider. [ALJ, Department, OAG]

[If the Commission makes this determination, it may want to adopt one or more of the following recommended by the OAG:]

a. Replace ALJ Finding 301 with OAG's proposed language.

V. Resolved Financial Issues

A. Advertising Expense

1. Introduction

GMG proposed \$69,600 for its 2025 Test Year advertising expenses. This amount was categorized into three sub-parts: \$60,000 for distribution expense, \$6,000 for customer services and information expense, and \$3,600 for administrative and general expense.

2. Case Record

ALJ Report ¶¶ 108-112

Ex. GMG-105, Schedule C-3 (Initial Filing – Vol. 3); Ex. GMG-103 at 36 (Burke Direct)

Ex. GMG-109 at 7 (Burke Direct)

Ex. DOC-215 at 25 (Uphus Direct)

Ex. DOC-216 at 7 (Johnson Surrebuttal)

3. Party Positions

GMG disagreed with the Department's initial proposal to use a historical average, contending that the majority of its advertising expenses stem from safety-related customer mailings. GMG argued that these costs increase as its customer base grows and are affected by rising postage rates, making historical averages an inaccurate reflection. To support its position, GMG provided updated, unaudited actual advertising expenses for 2024 which were \$2,609 higher than its original estimate for that year.

The Department initially recommended setting the 2025 Test Year advertising expense at \$67,000, reflecting a \$2,600 downward adjustment from GMG's proposal. The adjustment was based on the historical average advertising expenses from 2021 through 2024. Table 104 below shows how the Department allocated this reduction across customer classes. However, after GMG submitted updated actual advertising expense data for 2024, the Department withdrew its recommended adjustment and accepted GMG's proposed amount in full.


Table 104: Department's Advertising Expense Adjustment Allocation ⁵⁴

Line No.	Operating Expense Account	Test Year ^a Amount (A)	Expense ^b Allocation (B)	DOC Adjustment ^c Allocation (C)
1	Distribution	\$ 60,000	86.21%	\$ (2,241)
2	Customer Service & Information	\$ 6,000	8.62%	\$ (224)
3	Administrative & General	\$ 3,600	5.17%	\$ (134)
4	Total Advertizing Expense	\$ 69,600	100%	\$ (2,600)

^a Ex. GMG-____, Vol. 3-Sch. C-3.

^b Current Line Column A Divided by 69,600.

^c Current Line Column B Multiplied by -2,600.

2. ALJ Report

After the Department withdrew its objection, the parties agreed to GMG's proposed 2025 test year advertising expense of \$69,600. The ALJ supported and recommended approval of this amount.

The ALJ noted the following in her findings:

112. The parties' agreement is reasonable. The Administrative Law Judge recommends approving GMG's advertising expenses of \$69,600.

4. Staff Analysis

The Parties' handling of this issue appears to be reasonable.

5. Decision Options

123. Allow GMG to include \$69,600 in advertising expense for the 2025 Test Year. [ALJ, GMG, Department]

B. Bad Debt Expense

1. Introduction

GMG proposed a bad debt expense of \$21,600 for the Test Year, basing its estimate on customer payment trends observed in 2024.

2. Case Record

ALJ Report ¶¶ 86-91

Ex. GMG-105, Schedule C-3 at 2 (Initial Filing – Volume 3)

⁵⁴ Ex. DOC-215 at 27 (Uphus Direct).

Ex. GMG-109 at 10-11 (Burke Rebuttal)

Ex. DOC-215 at 13-15, Schedule AAU-D-1 at 28 (Uphus Direct)

Ex. DOC-216 at 4 (Johnson Surrebuttal)

3. Party Positions

The Department objected, noting GMG had departed from the methodology used in its prior rate case and contending the proposal overstated expected write offs. Applying a four-year average bad debt rate to projected 2025 revenues, the Department recommended \$16,700—a \$4,900 reduction from GMG’s request.

GMG responded that while a four-year average may have been suitable in earlier rate cases—such as those in the early 2000s—economic conditions and customer circumstances have changed significantly.

As shown in Table 105, bad debt totals in 2021–2023 were unusually low, likely due to unique factors such as pandemic-related stimulus payments, increased energy assistance, and other aid programs. GMG argued that these anomalies make a multi-year average less representative of current realities. Because the bad debt expense account is an allowance based on expected annual losses, GMG contended that relying on a year that mirrors present conditions will produce a more accurate and reasonable forecast.

Table 105: RDB-REB 2 ⁵⁵

		2009 Test Year	2021	2022	2023	2024 As Filed	2024 Actuals **	2025 Test Year
Residential & Small Commercial								
Facility Fees		\$ 345,984	\$ 968,132	\$ 1,018,095	\$1,062,858	\$1,110,082	\$1,114,796	\$ 1,169,271
Sales		\$ 3,453,619	\$6,836,758	\$ 9,552,680	\$8,535,273	\$8,224,454	\$8,135,823	\$ 9,657,927
Total Revenues		\$ 3,799,603	\$7,804,890	\$10,570,775	\$9,598,131	\$9,334,536	\$9,250,619	\$10,827,198
Bad Debt Expense		\$ 16,468	\$ 20,400	\$ (1,602)	\$ 9,773	\$ 20,800	\$ 20,400	\$ 21,600
% of Revenue		0.43%	0.26%	-0.02%	0.10%	0.22%	0.22%	0.20%

After further consideration, the Department acknowledged that the years included in its analysis were influenced by pandemic-related interventions and therefore may not reflect the current economic circumstances. As a result, the Department revised its position and agreed with GMG that the 2024 figure provides a more appropriate basis for the Test Year.

⁵⁵ Ex. GMG-109 at 10-11 (Burke Rebuttal).

4. ALJ Report

With the Department's withdrawal, the parties agreed to GMG's proposed \$21,600 Bad Debt expense for the 2025 test year, and the ALJ endorsed that amount.

The ALJ noted the following in her findings:

86. A bad debt expense account is used to estimate the amount that the Company will lose from customers who do not pay their bills.

87. GMG proposed a Test Year bad debt expense of \$21,600 based upon trends the Company observed in 2024.

90. The Department believes that the historical average is generally more reliable during periods of variability, but recognized that the periods covered by its proposed bad debt analysis included the COVID-19 pandemic. Accordingly, the Department agreed with GMG that the 2024 bad debt expense was more reflective of the current economic circumstances of customers and now recommends a Test Year bad debt expense of \$21,600.

91. The Administrative Law Judge recommends approving a Test Year bad debt expense of \$21,600.

5. Staff Analysis

The Parties' handling of this issue appears to be reasonable.

5. Decision Options

124. Allow GMG to include \$21,600 in bad debt expense under Customer Account Expense for the 2025 Test Year. [ALJ, GMG, Department]

C. Sales Expense - Salary

1. Introduction

GMG proposed a Test Year salary-sales expense of \$18,000, basing this figure on its 2023 actual expenses. The salary-sales expense is for the wages paid specifically for technicians working with potential customers.

2. Case Record

ALJ Report ¶¶ 98-103

Ex. GMG-109 at 12 (Burke Rebuttal)

Ex. DOC-213, Schedule AAU-D-1 (Uphus Direct)

Ex. DOC-213 at 17 (Uphus Direct)

Ex. DOC-216 at 5-6 (Johnson Surrebuttal)



3. Party Positions

GMG argued that these sales expenses are directly linked to activities recorded on employee timecards. GMG further contended that if any downward adjustment were made to the salary-sales expense, it would require an offsetting upward adjustment to the Administrative and General Labor expense since the employees would still be performing other work, and their labor costs would still be incurred by the Company.

The Department initially disagreed with GMG's proposal, recommending instead the use of the annualized 2024 salary-sales balance of \$14,395, which would have resulted in a downward adjustment of \$3,605. However, the Department ultimately accepted GMG's explanation that sales labor costs are tracked through employee timecards, and that reducing this account would not decrease overall wages but merely shift them to another category, such as Administrative and General Labor. On that basis, the Department agreed with GMG's proposed \$18,000 salary-sales expense.

4. ALJ Report

The ALJ found that the parties' agreement was reasonable and therefore recommended approving GMG's Test Year salary-sales expense of \$18,000.

The ALJ noted the following in her findings:

98. The salary-sales account reports the wages for technicians working with potential customers.

103. The parties' agreement is reasonable. The Administrative Law Judge recommends approving GMG's Test Year salary-sales expense of \$18,000.

5. Staff Analysis

The Parties' handling of this issue appears to be reasonable.

6. Decision Options

125. Allow GMG to include \$18,000 in salary-sales expense for the 2025 Test Year. [ALJ, GMG, Department]

D. Rebate Expense

1. Introduction

GMG proposed a 2025 Test Year rebates expense of \$2,700 based on its 2023 actual expenses of \$2,711. The rebates conversion expense account is used to track rebates for customers who convert from propane to natural gas.



2. Case Record

ALJ Report ¶¶ 104-107

Ex. GMG-105, Schedule Ex. DOC-215, Schedule AAU-D-1 at 13 (Uphus Direct)

Ex. GMG-109 at 12 (Burke Direct)

Ex. DOC-215 at 18-19 (Uphus Direct)

3. Party Positions

The Department disagreed with GMG's proposal to base the expense on 2023 actuals. Instead, recommended using the annualized 2024 year-to-date amount, which resulted in an estimated expense of \$1,800. This recommendation represented a downward adjustment of \$900 from GMG's original request.

GMG subsequently accepted the Department's proposed adjustment due to the inherent difficulty in accurately forecasting the complex factors that influence a customer's decision to convert from propane to natural gas.

4. ALJ Report

The parties agreed to The Department's proposed \$1,800 rebate expense for the 2025 test year, and the ALJ endorsed that amount.

The ALJ noted the following in her findings:

104. The rebates conversion expense account is used to track rebates for customers who convert from propane to natural gas. GMG proposed a 2025 Test Year rebates expense of \$2,700 based on 2023 actuals.

107. The parties' agreement is reasonable. The Administrative Law Judge recommends approving the Department's downward adjustment of \$900 to GMG's proposed rebate conversion expense.

5. Staff Analysis

The Parties' handling of this issue appears to be reasonable.

6. Decision Options

126. Approve a 2025 Test Year rebate conversion expense of \$1,800. [ALJ, GMG, Department]

E. Gross Revenue Conversion Factor and Income Tax Expense

1. Introduction

GMG initially proposed a (gross revenue conversion factor) GRCF of 1.40845, derived by rounding the Federal and Minnesota tax rates up to the nearest whole percent for ease of calculation.⁵⁶ The GRCF represents the amount of gross revenue needed to produce one additional dollar of operating income.

2. Case Record

ALJ Report ¶¶ 70-74

Ex. GMG-105, Schedule F-2 (Initial Filing – Volume 3)

Ex. GMG-109 at 9 (Burke Rebuttal)

Ex. DOC-215 at 4-6 (Uphus Direct).

3. Party Positions

The Department reviewed GMG's calculation and recommended a lower GRCF of 1.403312. As shown in Table 106, this revision removed the effects of rounding the federal and state tax rates to whole percentages, which the Department argued had the effect of slightly inflating the GRCF and resulting in higher income tax expense.

Table 106: Department's Recommended 2025 GRCF Compared to GMG's Proposal⁵⁷

Line No.	Description	DOC	GMG
1	Federal Tax Rate (21% x (100% less 9.8%))	18.94%	19%
2	Minnesota Tax Rate	9.80%	10%
3	Total Tax (Line 1 plus Line 2)	28.74%	29%
4	Operating Income Percent (100% less Line 3)	71.26%	71.00%
5	Gross Revenue Conversion Factor (1 Divided by Line 4)	1.403312	1.408451

This slight rounding adjustment reduced the estimate income tax expense by \$4,032.⁵⁸

GMG agreed with the Department's change in tax calculation.

4. ALJ Report

The parties agreed to the Department's revised GRCF and accepted the resulting \$4,032 reduction to income tax expense. The ALJ found the agreement to be reasonable and

⁵⁶ GMG -Initial Filing, Vol 3., Schedule F-2.

⁵⁷ Ex. DOC-215 at 5-7 (Uphus Direct).

⁵⁸ Ex. DOC-215 Uphus Direct (AAU-D-1, pg. 1-2 of 30).

recommends approving a GRCF of 1.403312 and the corresponding reduction in the Company's income tax expense.

The ALJ noted the following in her findings:

70. The Gross Revenue Conversion Factor (GRCF) is the incremental amount of gross revenue that is required to generate an additional dollar of operating income.

74. The parties' agreement is reasonable. The Administrative Law Judge recommends approving a GRCF of 1.403312 and a reduction in the Company's income tax expense of \$4,032 to account for the reduction in GRCF.

5. Staff Analysis

The Parties' handling of this issue appears to be reasonable.

6. Decision Options

127. Approve a GRCF of 1.403312 and reduce income tax expense by \$4,032 [ALJ, GMG, Department]

F. Gas Storage Inventory

1. Introduction

GMG contracted with storage suppliers to purchase gas in the summer at lower prices and store it for withdrawal during higher-demand, higher-cost winter months. The Company said that its approach to gas storage benefits customers by smoothing rates across seasons and reducing exposure to short-term market price spikes.

2. Case Record

ALJ Report ¶¶ 113-119

Ex. GMG-103 at 11 (Burke Direct)

Ex. GMG-109 at 15-16 (Burke Rebuttal)

Ex. DOC-215 at 29-30 (Uphus Direct)

3. Party Positions

GMG projected the 2025 Test year gas storage inventory in the amount of \$487,157.⁵⁹ The Company explained that the Test Year cost was based on a thirteen-month average balance of storage categories, reflecting the expected seasonal injections and withdrawals.⁶⁰

⁵⁹ Ex. GMG-103, Vol 3. Statement B, Schedule B-1.

⁶⁰ Ex. GMG-103 at 11 (Burke Direct).

The Department initially disagreed with GMG's proposed gas storage inventory and stated that from 2021 to 2023, GMG's gas storage inventory balance trended downward, then spiked in 2024. GMG attributes the 2024 increase to the "warmest winter on record," which reduced customer usage. Considering the downward trend and treating 2024 as an outlier, the 2025 projected test year balance for gas storage inventory appears overstated and proposed using a historical average of gas storage inventory balances from 2021 through 2024, which would result in a decrease adjustment of \$32,106 to GMG's proposed gas storage inventory balance as shown on Table 107.

Table 107: Department's Recommend Gas Storage Inventory Adjustment⁶¹

Line	Description		Amount
1	2021 Actual	^a	\$ 480,619
2	2022 Actual	^a	\$ 400,765
3	2023 Actual	^a	\$ 384,696
4	2024 YTD	^a	\$ 554,124
5	2021-2024 Average	^b	\$ 455,051
6	2025 Test year	^a	\$ 487,157
7	Adjustment	^c	\$ (32,106)

^a AAU-D-1 at 5 (Uphus Direct)

^b Total of Line 1 through 4 divided by 4

^c Line 5 less Line 6

In its rebuttal, GMG disagreed with the Department's recommendation. GMG stated that using historical averages to project gas storage costs is not appropriate because its storage inventory is based on existing gas contracts and planned storage activity, not past usage. GMG has fixed-volume contracts for injections into the Northern Natural Gas System, and costs for these injections align with the Test Year budget. For its Michigan storage accounts, GMG said it relies on market prices; recent increases in the 7-month gas price strip required updating the projected inventory balance. GMG reported that its updated 13-month average storage balance for 2025 is \$709,397,⁶² resulting in a new rate base of \$45,142,390, an increase of \$222,239. This adjustment raises the revenue deficiency from \$1,422,431 to \$1,442,812, an increase of \$20,380.^{63 64}

⁶¹ Ex. DOC-215 at 31, Table 10 (Uphus Direct).

⁶² Ex. GMG-109, Exhibit RDB-REB 4 (Burke Rebuttal).

⁶³ *Id.*, at 15-16 (Burke Rebuttal).

⁶⁴ *Id.*, Exhibit RDB-REB 5 (Burke Rebuttal).

The Department stated that GMG's calculation appears reasonable and that a \$222,239 adjustment to rate base is necessary, ultimately resulting in a \$20,380 increase to the revenue deficiency. The Department recommended withdrawing its initial proposal to reduce GMG's 2025 gas storage inventory by \$32,106 and concurred with GMG's position to increase gas storage inventory by \$222,239.⁶⁵

4. ALJ Report

The parties agreed to GMG's proposed gas storage inventory of \$709,397 for the 2025 Test Year. ALJ found:

119. The parties' agreement is reasonable. The Administrative Law Judge recommends approving GMG's gas storage inventory of \$709,397.

5. Staff Analysis

The Parties' handling of this issue appears to be reasonable.

6. Decision Options

128. Approve a 2025 Test Year gas storage inventory of \$709,937. [ALJ, GMG, Department]

G. Top Ten Paid Officers and Employee Compensation

1. Introduction

In its Order dated December 11, 2024, the Commission required GMG to provide information on compensation for its ten highest paid (top ten) executives.⁶⁶

2. Case Record

ALJ Report ¶¶ 120-122

Ex. GMG-112 at 25-30 (Palmer Rebuttal)

Ex. DOC-213 at 23 (Johnson Direct)

Ex. DOC-214 at Schedule MAJ-D-6 (Johnson Direct).

Ex. DOC-216 at 11-12 (Johnson Surrebuttal).

3. Party Positions

In response to the Department Information Request (IR) No. 113, GMG provided its updated 2025 top ten executive compensation expenses, totaling \$995,912, and identified two officers with base salaries exceeding \$150,000⁶⁷, this information has been designated as Trade Secret.

⁶⁵ Ex. DOC-216 at 9 (Johnson Surrebuttal).

⁶⁶ NOTICE OF AND ORDER FOR HEARING at 3 (December 11, 2024).

⁶⁷ GMG's Response to Department IR No. 113; see Ex. DOC-214, MAJ-D-6 (Johnson Direct).

In its direct, the Department recommended denying AIP expense included in the test year that is over the 15% cap in consistent with recent Commission practices. Thus, GMG's test-year general and administrative expenses should be reduced by \$20,069 for the top ten executive compensation expense adjustment.⁶⁸

In its rebuttal,⁶⁹ GMG stated its top ten employees account for 40% of its workforce, with requested compensation averaging under \$100,000 per employee annually—significantly lower than compensation levels at other utilities. GMG argued that the proposed \$150,000 cap applies only to base pay, not total compensation. GMG also noted that the two officers in question do not devote significant time to shareholder activities and that only one employee—who receives no incentive or retention pay—has base compensation above the threshold. GMG contended this level of pay is reasonable given the employee's responsibilities.

Based on GMG's rebuttal testimony, the Department agreed that GMG's two officers do not spend a significant amount of time on GMG's shareholder activities. Therefore, it no longer proposed an adjustment to the compensation of the top ten paid officers and employees in this case.⁷⁰

4. ALJ Report

The parties agreed to GMG's proposed compensation for the ten highest paid officers and employees for the 2025 test year. The ALJ found:

122. Based upon this testimony, the Department agreed that GMG's two officers do not spend a significant amount of time on GMG's shareholder activities, and the Department no longer proposes an adjustment for the top ten paid officers and employees' compensation

5. Staff Analysis

Staff agrees with the Department's recommendation regarding the adjustment to the compensation of the top ten highest-paid employees in this case. This is particularly relevant for GMG's two officers whose base salaries exceed \$150,000 annually and who work only a limited portion of their time to shareholder-focused activities. Staff further observes that the Commission may wish to evaluate such top ten compensation adjustments on a case-by-case basis in future rate proceedings. Should GMG's organizational structure or officers' responsibilities change, compensation expenses may need to be treated differently in future rate cases.

⁶⁸ Ex. DOC-213 at 23 (Johnson Direct).

⁶⁹ Ex. GMG-112 at 26-32 (Palmer Rebuttal).

⁷⁰ Ex. DOC-216 at 11-12 (Johnson Surrebuttal).

6. Decision Options

129. Approve GMG's Top Ten Compensation 2025 Test Year expense of \$995,912. [ALJ, GMG, Department]

VI. Financial Issues Addressed

The following financial matters were addressed in the rate case or identified by the Commission for further record development to explain significant changes since the last rate case.

A. Rate Case Expense

1. Introduction

GMG proposed a rate case expense of \$150,000, consisting of \$75,000 for outside legal fees and \$75,000 for PUC/ALJ fees, amortized over three years at \$50,000 per year.⁷¹ GMG included this \$50,000 in its 2025 Test Year Operating Expense.⁷² In its testimonies, GMG referenced this expense as part of the regulatory expenses and separated it into two schedules: regulatory and rate case expenses.⁷³

2. Case Record

Ex. GMG Vol. 3 – Financial Information - Schedule C-3 and Schedule F-4
 Ex. GMG –112 at 5-6 (Palmer Rebuttal)
 Ex. GMG - Evidentiary Hearing Exhibit No. 114 – Attachment GMG IR#2
 Ex. DOC-209 at 15-16 (Zajicek Surrebuttal)
 Ex. DOC-216 at 29-30 (Johnson Surrebuttal).

3. Party Positions

GMG expressed concern that the cost of regulation could overwhelm the company. GMG stated that the Company did everything it could to keep rate case and regulatory expenses to a minimum, and implied that the Department's approach creates unnecessary costs for ratepayers. Specifically, GMG said the number of witnesses used by the Department and the OAH in the rate case was inappropriate when compared to CenterPoint Energy's last rate case in Docket 23-173.⁷⁴

No party raised concerns on this expense or its amortization. However, the Department responded that its analysts had worked hard to efficiently fulfill its obligation to review GMG's rate case. The Department was required to spend additional time on this case because GMG

⁷¹ Docket No. G-022/GR-24-350, Vol.3, Schedule F-4.

⁷² *Id.*, Schedule C-3, pg. 3 of 3 line 55.

⁷³ Docket No. G-022/GR-24-350, Vol.2 - Compliance Matrix, Exhibit CJC-1, pg. 6 of 7.

⁷⁴ Ex. GMG –112 at 5-6 (Palmer Rebuttal).

failed to meet requirements ordered by the Commission in its last rate case, specifically related to the Class Cost of Service Study (CCOSS).⁷⁵ The Department also identified numerous errors, including in GMG's income tax expense calculations, reclass of Small Business Administration loans, class cost of service study, and formula errors in GMG's late-filed settlement spreadsheet. The missing information and errors required the Department to spend more time writing up, analyzing and fixing GMG's information.⁷⁶

4. ALJ Report

The ALJ's Report did not include any findings regarding this issue.

5. Staff Analysis

The Department, in response to GMG's Information Request No. 002, provided the total actual and expected labor hours and costs from both the Department and OAH for the rate case, which exceeded GMG's estimate for PUC/ALJ fees. Staff notes that in Otter Tail Power's 2020 and CenterPoint Energy's 2021, rate cases had presented similar request, and the Commission allowed those utilities to include a portion of test-year rate case expenses.⁷⁷ Given that GMG has not requested a rate increase in the past 15 years, the proposed rate case expense of \$150,000, amortized over three years, is reasonable.

6. Decision Options

130. Allow GMG to recover its rate case expense amount of \$150,000 over a 3-year amortization in the amount of \$50,000 per year. [GMG]

B. Base Cost of Gas

1. Introduction

When a gas utility files a general rate case, Minn. R. 7825.2700, subp. 2 directs the utility to establish a new base cost of gas for the purpose of establishing interim rates. A utility's base gas cost for any given customer class refers to the average cost per unit of gas purchased over a 12-month period for that customer class.⁷⁸ In particular, while the Commission permits gas utilities to adjust rates periodically to reflect changes in the cost of acquiring gas (the purchased gas adjustment, or PGA), Commission rules direct a utility to calculate its base cost of gas without any purchased gas adjustment.⁷⁹

⁷⁵ Ex. DOC –209 at 15-16 (Zajicek Surrebuttal).

⁷⁶ Ex. DOC-216 at 29-30 (Johnson Surrebuttal).

⁷⁷ In the Matter of the Application of Otter Tail Power Company for Authority to Increase Rates for Electric Service in the State of Minnesota, Docket No. E-017/GR-20-719, February 1, 2022- Finding of Facts, and Order #47 & 48.

⁷⁸ Minn. R. 7825.2400, subp. 4a and 5; and 7825.2700, subp. 2.

⁷⁹ Minn. R. 7825.2400, subp. 4a and 5.

Purchased gas costs or the cost of gas is charged to customers through the PGA; however, there are components related to the change in cost of gas that are included in a base rate case. Those components are fuel inventory, retail cost of gas revenue, late payment revenue, purchased gas expense, and bad debt expense.

Since purchased gas costs are collected through the PGA and those costs are fully offset by revenues from the PGA, they have no impact on test year revenue deficiency. However, in order to accurately reflect the secondary cash working capital calculation, the cost of gas revenue and purchased gas expense are included in the test year cost of service.

2. Case Record

Docket No. G-022/MR-24-351, Petition, Attachment A
Docket No. G-022/MR-24-351, Department Comments at 3
Ex. DOC-205 at 2 and 20 (Shah Direct)
Minn. R. p. 7825.2700, subp. 2

3. Party Positions

In its initial filing in Docket No. G-022/MR-24-351, GMG proposed recovery of test-year demand gas costs of \$2,477,873 and commodity gas costs of \$6,473,172 for a total test year cost of gas of \$8,951,044.⁸⁰

On November 12, 2024 the Department recommended that the Commission approve GMG's proposed base cost of gas (BCOG) and request the Company to provide update cost of gas information in this proceeding and in its companion general rate case Docket No. G-022/GR-24-350.⁸¹ In addition, GMG's final cost of gas in the Base Cost of Gas should equal the cost of gas approved for use in the general rate case.⁸²

On Dec 11, 2024, the Commission approved the Company's proposed base cost of gas and ordered the following:

GMG shall file updated information on the commodity cost of gas both in this proceeding and in the general rate case in Docket No. G-022/GR-24-350. GMG shall work with the Department and Commission Staff to determine the appropriate timing for providing this updated information and whether this updated information should be applied to GMG's base cost of gas and reflected in the accompanying general rate casefile updated information on the commodity

⁸⁰ Docket No. G-022/MR-24-351, Petition, Attachment A.

⁸¹ Docket No. G-022/MR-24-351- DOC Comments at 3.

⁸² Minn. R. p. 7825.2700, subp. 2.

cost of gas both in this proceeding and in the general rate case in Docket No. G-022/GR-24-350.⁸³

In its February 28, 2025 direct testimony, the Department stated that natural gas commodity costs are recovered from ratepayers through the base cost of gas set in the rate case and through the PGA for subsequent changes. Although commodity prices typically do not affect the non-gas distribution margin, they can influence certain costs, such as bad debt expense, which may indirectly impact non-gas margins. Therefore, the Company should comply with the above requirement.⁸⁴

GMG responded that its bad debt expense was based on a fixed dollar figure rather than a percentage of revenue; storage costs were based on fixed contract pricing and hence both expenses do not fluctuate. In addition, GMG stated that it did not include late fees in its revenue calculations. Thus, GMG contends its situation is not subject to the same risks identified by the Department, though it remains willing to work with Staff on providing updated cost of gas information in this docket and its companion rate case.

The Company has not complied with the requirement on providing updated cost of gas for the BCOG. Therefore, the Department will revisit the BCOG requirement later. Based on the information available at the time, the Department recommended increasing the rate case cost of gas by \$143,264⁸⁵ and including late fee revenues in the 2025 Test Year.

4. ALJ Report

The ALJ did not address this issue in her findings.

5. Staff Analysis

Staff notes, in compliance with the Minn. R. p. 7825.2700, subp. 2, the Company's final cost of gas in the Base Cost of Gas should equal the cost of gas approved for use in the general rate case. The Commission may wish to explore this issue with the parties at the October 9th agenda meeting.

6. Decision Options

131. Require GMG to comply with the base cost of gas requirements identified in the Commission's December 11, 2024 Order Approving Base Gas Cost in Docket No. G-022/MR-24-351. [Department]

⁸³ In the Matter of Greater Minnesota Gas, Inc.'s Petition for Approval of a New Base Cost of Gas, Docket No. G-022/MR-24-351, Order Approving Base Gas Cost, December 11, 2024, at 2.

⁸⁴ Ex. DOC- 205 at 2 (Shah Direct).

⁸⁵ *Id.*, at 16-17.

C. Secondary Calculation

1. Introduction

In its initial filing, GMG included calculations for Cash Working Capital and Interest Synchronization adjustments—also known as secondary calculations—although GMG did not label them as such in its filings.

2. Case Record

Initial Filing Vol. 3, Statement D, Schedule D-3

Initial Filing Vol. 3, Statement C, Schedule C-5

Initial Filing Vol. 3, Statement B, Schedule B-4

Ex. GMG-103, Schedule CJC-1 at 5 of 7 (Chilson Direct)

Ex. DOC-215 at 29-31, Schedule AAU-D-2 Attachment 4 & Attachment 10 (Uphus Direct)

Ex. DOC-216 at 27 (Johnson Surrebuttal)

3. Party Positions

Cash Working Capital:

In its initial filing, GMG stated Cash Working Capital (CWC) is a component of net rate base which is the money that GMG needs to have on hand to pay for expenditures that are required to provide service before it is collected from ratepayers.⁸⁶

The Company applied lead/lag study factors⁸⁷ to its operating expenses to determine a cash working capital balance of \$1,551,347 to be included in rate base for 2025 Test Year.⁸⁸

In it direct, the Department initially recommended increasing GMG's CWC by \$11,595 to reflect all its suggested operating expense and income tax adjustments. The Department said the CWC should be adjusted to reflect the Commission approved 2025 Test Year expense level.⁸⁹

In its Surrebuttal, the Department stated that the nature of the CWC iterative process adjustment is that the calculated amount for the Test Year CWC component is directly tied to most of the proposed operating expense amounts and is therefore affected by changes to the Test Year operating expenses. Therefore, Department updated its CWC adjustment

⁸⁶ Ex. GMG-103 at 10 (Burke Direct).

⁸⁷ Ex. GMG-103, Schedule CJC-1 at 5 of 7 (Chilson Direct).

⁸⁸ Initial Filing Vol. 3, Statement B, Schedule B-4.

⁸⁹ Ex. DOC-215 at 29 and AAU-D-2 Attachment 4 (Uphus Direct).

amount, increasing it by \$15,842 to reflect the application of its collective expense adjustments.⁹⁰ This CWC change also affected the Department's rate base calculation.⁹¹

Interest Synchronization:

The Department explained that Interest Synchronization is used for ratemaking purposes to determine the amount of interest expense to be used in the calculation of income tax expense. Thus, when an adjustment is made to GMG's weighted cost of debt, rate base or operating income, it is also necessary to make an interest-synchronization adjustment.⁹² In its initial filing, GMG provided the total interest expense amount \$1,451,562. The Company calculated this amount by multiplying the average rate base by the weighted cost of debt (short- and long-term).⁹³ GMG then used this calculated interest expense in its income tax computation in determining net income.⁹⁴

Upon its initial review of GMG's interest expense, the Department recommended increasing the interest expense by \$19,731 reflecting the Department's adjustments to the debt/equity capitalization ratio and the approved weighted cost of debt.

In its Surrebuttal, however, the Department instead recommended increasing GMG's 2025 tax expense by \$33,016 to account for the interest synchronization adjustment.⁹⁵

4. ALJ Report

The ALJ Report did not include any findings regarding either the CWC or the Interest Synchronize issue.

5. Staff Analysis

Staff notes that the final cash working capital level is a function of the Commission-approved revenues, expenses, and tax calculations. Therefore, this calculation will need to be revised after the Commission determines the final revenue requirement. Once the final adjustments are ordered, the Company will recalculate the CWC level for inclusion in final rates.

Similarly, the interest synchronization calculation serves as a check to ensure that the utility's tax expense reflects the interest included in rates, thereby avoiding over- or under-recovery of tax dollars. Accordingly, the final level of interest synchronization depends on the Commission-approved rate base, debt/equity capitalization ratio, and weighted cost of debt. Once the

⁹⁰ Ex. DOC-216 at 27 (Johnson Surrebuttal).

⁹¹ Ex. DOC-216, MAJ-S-2 (Johnson Surrebuttal).

⁹² Ex. DOC-215 at 31 (Uphus Direct).

⁹³ Initial Filing Vol. 3, Statement D, Schedule D-3.

⁹⁴ Id., Statement C, Schedule C-5.

⁹⁵ Ex. DOC-216, MAJ-S-10 (Johnson Surrebuttal).



Commission issues its determinations on these items, the interest synchronization calculation can be finalized.

6. Decision Options

132. Approve GMG's proposal that the final revenue requirement (if different from the Company's) will be updated for secondary calculations - Cash Working Capital and Interest Synchronization. [GMG, DOC]

D. Depreciation and Amortization Expense

1. Introduction

In its Order dated December 11, 2024, the Commission required GMG to provide information regarding its Depreciation and Amortization expense.⁹⁶

2. Case Record

Ex. DOC-214, MAJ-D-3 (Johnson Direct), GMG's Response to Department IR No. 135

3. Party Positions

GMG explained that its depreciation and amortization costs have increased because the company invested about \$35 million in new equipment and facilities over the past 15 years to expand service and improve safety—like replacing Town Border Stations and removing bridge-crossing pipelines.

Despite having more assets, most of GMG's depreciation rates haven't changed since 2004, except for a few minor updates. These rates have been reviewed and approved by the Minnesota Public Utilities Commission in several cases, including adjustments for asset salvage value.

Even with these investments, the cost of depreciation per dekatherm of gas has only slightly increased, as shown in Table 109 below.

⁹⁶ NOTICE OF AND ORDER FOR HEARING at 2 (December 11, 2024).


Table 109: Depreciation & Amortization⁹⁷

	Test Year 2009	Test Year 2025	Change	Change %	Per Customer Cost			Per Dekatherm Cost		
					Test Year 2009	Test Year 2025	Change	Test Year 2009	Test Year 2025	Change
Specifics				480.1%						
Depreciation Expense	\$319,593	\$1,853,935	\$1,534,342		\$86.78	\$156.27	\$69.49	\$0.63	\$0.88	\$0.24
Fixed Asset Salvage Expense	-	\$329,135	\$329,135		-	\$27.74	\$27.74	-	0.16	\$0.16
Total	\$319,593	\$1,853,935	\$1,534,342		\$86.78	\$156.27	\$69.49	\$0.63	\$0.88	\$0.24

4. ALJ Report

The ALJ's Report did not include any findings regarding this issue.

5. Decision Options

133. Approve GMG's proposed Depreciation and Amortization expense of \$1,853,935 in the 2025 Test Year. [GMG]

E. Taxes Other than Income

1. Introduction

In its Order dated December 11, 2024, the Commission required GMG to provide information regarding its Taxes Other than Income.⁹⁸

2. Case Record

Ex. DOC-214, MAJ-D-3 (Johnson Direct)

Ex. DOC-214, GMG's Response to Department IR No. 135 (Johnson Direct)

3. Party Positions

Since GMG's last rate case, its non-income tax expenses have increased significantly. This is partly due to hiring more staff, which increased payroll taxes. Another factor is a \$470,000 rise in property taxes, driven by the addition of new facilities and equipment.

⁹⁷ Ex. DOC-214 at 13 (Johnson Direct).

⁹⁸ NOTICE OF AND ORDER FOR HEARING at 2 (December 11, 2024).



The ad valorem tax, which is based on equipment cost and revenue, is higher for GMG because its system is newer and more valuable than older utilities. GMG has tried appealing these tax values to ease the burden on customers, but the results have been minimal.

Even with higher overall taxes, the tax cost per dekatherm of gas has actually gone down, as shown in Table 110 below.

Table 110: Taxes Other Than Income Taxes ⁹⁹

				Per Customer Cost			Per Dekatherm Cost			
	Test Year 2009	Test Year 2025	<u>Change</u>	Change %	Test Year 2009	<u>Test Year 2025</u>	Change	Test Year 2009	<u>Test Year 2025</u>	Change
Specifics		\$ 844,151	\$ 609,001	259.0%	\$ 63.85	\$ 71.15	\$ 7.30	\$ 0.47	\$ 0.40	(\$0.07)
	Payroll Taxes	\$ 34,957	\$ 172,151	\$ 137,194	9.49	14.51	5.02	\$ 0.07	\$ 0.08	\$ 0.01
	Property Taxes	\$ 200,193	\$ 672,000	\$ 471,807	54.36	56.64	2.29	\$ 0.40	\$ 0.32	(\$0.08)
	Total	\$ 235,150	\$ 844,151	\$ 609,001	\$63.85	\$71.15	\$7.30	\$ 0.47	\$ 0.40	(\$0.07)

4. ALJ Report

The ALJ Report did not include any findings regarding this issue.

5. Decision Options

134. Approve GMG's proposed Taxes and other Tax Income expense of \$844,151 in 2025 the Test Year. [GMG]

VII. General Housekeeping and Compliance Issues

All of the compliance filing requirements in the decision options are standard rate case compliance items. These requirements ensure that GMG files various financial and rate design schedules that reflect the Commission's decision, revised tariff sheets, a draft customer notice, and an interim rate refund plan.

Staff also recommends the Commission order GMG to include a set of financial summaries that includes: a schedule showing the calculation of GMG's authorized cost of capital, a rate base summary, an operating income statement summary, a gross revenue deficiency calculation, and a statement of total allowed revenues.

⁹⁹ Ex. DOC-214 at 14 (Johnson Direct).



Decision Options for General Housekeeping and Compliance Issues

901. State that the final order in this docket shall contain summary financial schedules including: a calculation of GMG's authorized cost of capital, a rate base summary, an operating income statement summary, a gross revenue deficiency calculation, and a statement of the total allowed revenues. Direct parties to work with Commission staff to prepare such schedules for inclusion in the Order, should modifications be necessary to reflect the Commission's final decision.
902. Require GMG to make the following compliance filings within 30 days of the date of the final order in this docket:
- a. Revised schedules of rates and charges reflecting the revenue requirement and the rate design decisions herein, along with the proposed effective date, and including the following information:
 - i. Breakdown of Total Operating Revenues by type;
 - ii. Schedules showing all billing determinants for the retail sales (and sale for resale) of electricity. These schedules shall include but not be limited to:
 - a) Total revenue by customer class;
 - b) Total number of customers, the customer charge and total customer charge revenue by customer class; and
 - c) For each customer class, the total number of energy and demand related billing units, the per unit energy and demand cost of energy, and the total energy and demand related sales revenues.
 - iii. Revised tariff sheets incorporating authorized rate design decisions;
 - iv. Proposed customer notices explaining the final rates, the monthly basic service charges, and any and all changes to rate design and customer billing.
 - b. A summary listing of all other rate riders and charges in effect, and continuing, after the date final rates are implemented.
 - c. Direct GMG to file a computation of the CCRC based upon the decisions made herein for inclusion in the final Order. Direct GMG to file a schedule detailing the CIP tracker balance at the beginning of interim rates, the revenues (CCRC and CIP Adjustment Factor) and costs recorded during the period of interim rates, and the CIP tracker balance at the time final rates become effective.
 - d. If final authorized rates are lower than interim rates, a proposal to make refunds of interim rates consistent with the Commission's decisions in this proceeding, including interest to affected customers.
903. Authorize comments on all compliance filings within 30 days of the date they are filed. However, comments are not necessary on GMG's proposed customer notice.



904. Move that the written order memorializing these decisions may rearrange, reorganize, or renumber the items included as necessary for clarity; standardize or correct abbreviations, phraseology, punctuation, and format; and correct errors as necessary for consistency with the Commission's decision and may amend the ALJ's findings as necessary to be consistent with the Commission's decision.
905. Move that the Commission direct the staff to draft an order consistent with the Commission's decisions with such changes necessary for organization, consistency, and clarity.



VIII. Decision Options

Disputed Financial Issues

Auto and Truck Expense

101. Allow GMG to include \$138,000 in auto and truck expense under Distribution Expense for the 2025 Test Year. [ALJ, GMG]

Or

102. Allow GMG to include \$130,427 in auto and truck expense under Distribution Expense for the 2025 Test Year. [Department]

[If the Commission makes this determination, it may want to adopt one or more of the following recommended by the Department:]

- a. Replace ALJ Findings 245, 246, 248, and 251 with Department's proposed language.
- b. Reject ALJ Findings 249 and 250.

Education and Training Expense

103. Allow GMG to include \$10,200 in education and training expense under Administrative & General Expense for the 2025 Test Year. [ALJ, GMG]

Or

104. Allow GMG to include \$6,409 in education and training expense under Administrative & General Expense for the 2025 Test Year. (Department)

[If the Commission makes this determination, it may want to adopt one or more of the following recommended by the Department:]

- a. Replace ALJ Findings 230, 232, and 233 with Department's proposed language.
- b. Reject ALJ Findings 231

Postage Expense

105. Allow GMG to include \$5,400 in postage expense under Administrative & General Expense for the 2025 Test Year. [ALJ, GMG]

Or

106. Allow GMG to include \$4,431 in postage expense under Administrative & General Expense for the 2025 Test Year. [Department]

[If the Commission makes this determination, it may want to adopt one or more of the following recommended by the Department:]

- a. Replace ALJ Findings 235-237 with Department's proposed language

Repair and Maintenance Expense

107. Allow GMG include \$24,000 in repair and maintenance expense under Administrative & General Expense for the 2025 Test Year. [ALJ, GMG]

Or

108. Allow GMG to include \$19,787 in repair and maintenance expense under Administrative & General Expense for the 2025 Test Year. [Department]

[If the Commission makes this determination, it may want to adopt one or more of the following recommended by the Department:]

- a. Replace ALJ Findings 238, 243, and 244 with Department's proposed language.

Annual Incentive Pay (AIP)

109. Allow GMG to include \$92,442 of Annual Incentive Pay (AIP) expense in the 2025 Test Year. [ALJ, GMG]

Or

110. Order GMG to apply a 15 percent cap to the performance pay to employee whose performance pay has any tie to the financial performance of the Company. [Department]

And

111. Order GMG to reduce its proposed Annual Incentive Pay (AIP) expense by \$11,276 in the 2025 Test Year. [Department]

[If the Commission makes this determination, it may want to adopt one or more of the following recommended by the Department:]

- a. Replace ALJ Findings 202, 203, 205, 209, and 213 with Department's proposed language.
b. Reject ALJ Findings 204, 206-208, and 210-212.

112. Require GMG to file annual compliance filings evaluating the operation and performance of its incentive compensation plan and the associated refund. [Staff]

Long-Term Incentive (LTI)

113. Approve GMG's Long-Term Incentive (LTI) expense of \$43,800 in the 2025 Test Year. [GMG, ALJ]

Or

114. Deny GMG's Long-Term Incentive (LTI) expense of \$43,800 in the 2025 Test Year. [Department]

[If the Commission makes this determination, it may want to adopt one or more of the following recommended by the Department:]

- a. Replace ALJ Findings 214-215, 221-222, and 224-226 with Department's proposed language.
 - b. Adopt the Department's alternate Proposed Finding 224
 - c. Reject ALJ Findings 216, 219, and 220.
115. Clarify that the approval of GMG's Long-Term Incentive (LTI) expense of \$43,800 in the 2025 Test Year is as an exception made solely because GMG's plan is not tied to shareholder-return-based performance. [Staff, if decision option 113 is selected]

Organizational Dues

116. Adopt the ALJ's recommendation to approve all GMG's Organizational Dues with deductions of \$159 from MRGTF dues and \$687.50 from MAC dues. [ALJ, GMG]

Or

117. Deny GMG's requested recovery for AGA and MAC dues. [OAG]

[If the Commission makes this determination, it may want to adopt one or more of the following recommended by the OAG:]

- a. Replace ALJ Findings 255, 257-258, 260-261, 263-264, and 266-269 with OAG's proposed language.
- b. Adopt OAG's Proposed Finding 256
- c. Reject ALJ Findings 259, 270, and 271.

And

118. Order GMG to amortize the total MRGTF dues of \$1,100 over a three-year period, resulting in a cost of \$367 to be included in the Test Year. [OAG]

[If the Commission makes this determination, it may want to adopt one or more of the following recommended by the OAG:]

- a. Replace ALJ Findings 275 with OAG's proposed language.
- b. Adopt OAG's Proposed Findings 276-279.
- c. Reject ALJ Findings 276-277.

Automatic Meter Reading (AMR units) - FERC Accounts 381 and 382

- 119. Approve GMG's projected customer meter plant balances in full. [ALJ, GMG]
- 120. Adopt the OAG's recommendation to reduce GMG's 2025 Test Year rate base by \$176,834. [OAG]

[If the Commission makes this determination, it may want to adopt one or more of the following recommended by the OAG:]

- a. Reject the ALJ's Findings 278-291.
- b. Adopt OAG's Proposed Findings 278-286.

Income Tax Rider

- 121. Allow GMG to establish an annual income tax rider. [GMG]

Or

- 122. Deny GMG's request to establish an income tax rider. [ALJ, Department, OAG]

[If the Commission makes this determination, it may want to adopt one or more of the following recommended by the OAG:]

- a. Replace ALJ Finding 301 with OAG's proposed language.

Resolved Financial Issues

Advertising Expense

- 123. Allow GMG to include \$69,600 in advertising expense for the 2025 Test Year. [ALJ, GMG, Department]

Bad Debt Expense

- 124. Allow GMG to include \$21,600 in bad debt expense under Customer Account Expense for the 2025 Test Year. [ALJ, GMG, Department]

Sales Expense- Salary

125. Allow GMG to include \$18,000 in salary-sales expense for the 2025 Test Year. [ALJ, GMG, Department]

Rebate Expense

126. Approve a 2025 Test Year rebate conversion expense of \$1,800. [ALJ, GMG, Department]

Gross Revenue Conversion Factor and Income Tax Expense

127. Approve a GRCF of 1.403312 and reduce income tax expense by \$4,032 [ALJ, GMG, Department]

Gas Storage Inventory

128. Approve a 2025 Test Year gas storage inventory of \$709,937. [ALJ, GMG, Department]

Top Ten Paid Officers and Employee Compensation

129. Approve GMG's Top Ten Compensation 2025 Test Year expense of \$995,912. [ALJ, GMG, Department]

Rate Case Expense

130. Allow GMG to recover its rate case expense amount of \$150,000 over a 3-year amortization in the amount of \$50,000 per year. [GMG]

Base Cost of Gas

131. Require GMG to comply with the base cost of gas requirements identified in the Commission's December 11, 2024 Order Approving Base Gas Cost in Docket No. G-022/MR-24-351.

Secondary Calculations

132. Approve GMG's proposal that the final revenue requirement (if different from the Company's) will be updated for secondary calculations - Cash Working Capital and Interest Synchronization. [Department]

Depreciation and Amortization Expense

133. Approve GMG's proposed Depreciation and Amortization expense of \$1,853,935 in the 2025 Test Year.

Taxes Other than Income

134. Approve GMG's proposed Taxes and other Tax Income expense of \$844,151 in the 2025 Test Year.

Decision alternatives for General Housekeeping and Compliance Issues

901. State that the final order in this docket shall contain summary financial schedules including: a calculation of GMG's authorized cost of capital, a rate base summary, an operating income statement summary, a gross revenue deficiency calculation, and a statement of the total allowed revenues. Direct parties to work with Commission staff to prepare such schedules for inclusion in the Order, should modifications be necessary to reflect the Commission's final decision.
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 - a. Revised schedules of rates and charges reflecting the revenue requirement and the rate design decisions herein, along with the proposed effective date, and including the following information:
 - v. Breakdown of Total Operating Revenues by type;
 - vi. Schedules showing all billing determinants for the retail sales (and sale for resale) of electricity. These schedules shall include but not be limited to:
 - a) Total revenue by customer class;
 - b) Total number of customers, the customer charge and total customer charge revenue by customer class; and
 - c) For each customer class, the total number of energy and demand related billing units, the per unit energy and demand cost of energy, and the total energy and demand related sales revenues.
 - vii. Revised tariff sheets incorporating authorized rate design decisions;
 - viii. Proposed customer notices explaining the final rates, the monthly basic service charges, and any and all changes to rate design and customer billing.
 - b. A summary listing of all other rate riders and charges in effect, and continuing, after the date final rates are implemented.
 - c. Direct GMG to file a computation of the CCRC based upon the decisions made herein for inclusion in the final Order. Direct GMG to file a schedule detailing the CIP tracker balance at the beginning of interim rates, the revenues (CCRC and CIP Adjustment Factor) and costs recorded during the period of interim rates, and the CIP tracker balance at the time final rates become effective.

- d. If final authorized rates are lower than interim rates, a proposal to make refunds of interim rates consistent with the Commission's decisions in this proceeding, including interest to affected customers.
903. Authorize comments on all compliance filings within 30 days of the date they are filed. However, comments are not necessary on GMG's proposed customer notice.
904. Move that the written order memorializing these decisions may rearrange, reorganize, or renumber the items included as necessary for clarity; standardize or correct abbreviations, phraseology, punctuation, and format; and correct errors as necessary for consistency with the Commission's decision and may amend the ALJ's findings as necessary to be consistent with the Commission's decision.
905. Move that the Commission direct the staff to draft an order consistent with the Commission's decisions with such changes necessary for organization, consistency, and clarity.