

Staff Briefing Papers - Volume IV: Class Cost of Service

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

Issues Should the Commission adopt the ALJ's recommendations regarding GMG's class cost of service studies submitted in this proceeding?

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✓ **Relevant Documents**

Date

Relevant documents are listed on the cover page of Vol. I of the briefing papers.

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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.

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I. Introduction

The principal purpose of a Class Cost of Service Study (CCOSS or cost study) is to reveal how the total revenue requirement (the total revenue required to pay all operating and capital costs of providing service) is broken-down by customer classes.

The cost allocation deals with which customer group is responsible for what portion of the overall revenue requirement or cost responsibility. Its main usefulness lies in providing a starting point for a discussion of rate design.

A cost study is performed in three steps. The three steps capture the functions – production, transmission and the final distribution – that characterize delivery of energy to the final consumers.

The first step, known as Functionalization, involves organizing costs according to their primary functions. This is typically guided by the Uniform System of Accounts established by the Federal Energy Regulatory Commission (FERC), which classifies costs into categories such as production, transmission, and distribution.

The production function includes all the costs involved in the production/generation of power. The transmission function includes all costs associated with the transport of power from one geographical location to another. The distribution function includes all costs associated with the transport of power from the transmission system to the end-use consumer.

The second step, known as Classification, involves grouping the functionalized costs based on how they are ultimately recovered through customer billing. Generally, energy costs fall into three categories: demand (or capacity) charges, energy charges, and customer charges. These components form the primary basis for monthly energy bills.

The third step is Allocation, where the classified cost categories are distributed among the various customer classes—such as residential, commercial, and industrial. Customer-related costs are allocated based on the number of customers in each class; demand or capacity costs are assigned according to the demand each class places on the system during designated peak hours; and energy costs are allocated based on the total energy consumption required to serve each customer class.

II. Nature of Utility Costs, CCOSS Models, and Scope for Controversy

Utility costs consist of direct costs and shared (or joint) costs.

Certain cost components are considered direct costs because they can be easily traced to the specific function or activity that generates them. Identifying the responsible function or customer class is relatively simple, making it straightforward to assign these costs accordingly. However, direct costs represent only a small fraction of a utility's total expenses.

By their nature, public utilities incur a large portion of shared costs—expenses that span



multiple functions, activities, or services. These costs are inherently challenging to isolate and allocate accurately to specific functions, making the process of assigning them more complex than with direct costs.

Due to the shared nature of many utility costs, expenses related to generation, transmission, and distribution must be estimated using assumptions and modeling. Unlike direct costs, joint and common costs cannot be directly assigned to specific functions or customer classes. Instead, a cost study seeks to identify appropriate allocators—factors that distribute these shared costs among service categories (such as residential, commercial, and industrial) in a way that reflects cost causation.

Common costs refer to those costs that are shared because the underlying operations share a common facility, and the provision of one service constrains the provision of another. Joint costs, on the other hand, involve operations in which provision of one service leads to provision of another service as a byproduct. As a result, the provision of one service does not constrain the production of the other service, and the two services are produced in a fixed proportion. So, the distinguishing feature of a common cost is congestibility, and the distinguishing feature of a joint cost is joint or proportionate variation.

In the gas utility context, an administrative overhead cost is an example of a common cost. An administrative overhead cost, such as the total cost of billing different classes of customers, shares common facilities (e.g., computers) and operations (e.g. printouts of bills). However, if the billing-related activities increase for one group of customers, they must necessarily decrease for other groups of customers, for a given set up of facilities. This cost, therefore, satisfies the congestibility condition of common costs.

A corresponding example of a joint cost is the cost of serving customers during the peak and off-peak periods. Even though new capacity may be built to meet the coincident peaks of all customers, its use occurs across all periods. It is easy to see that increasing the capacity to serve customers during the peak does not constrain the capacity available to serve off-peak demands. Consequently, if more capacity is built to serve peak demands, proportionately more capacity becomes available to serve off-peak demands.

The foundation of cost studies are subjective and different costs emerge as the assumptions and models are changed. The National Association of Regulatory Utility Commissioners (NARUC) prepared an Electric Utility Cost Allocation Manual in 1992 to act as a primer on this subject.¹ This document notes that “a high degree of subjective judgment is required to categorize . . . elements . . . where an element performs multiple functions”² and classification

¹ Although this manual was developed specifically for use in rate-making for electric utilities, it is also a resource that is commonly used to allocate costs of providing natural gas service. The Department did not include the full NARUC manual in Testimony for the current proceeding. Full manual can be found at the following: [NARUC Electric Utility Cost Allocation Manual](#).

² NARUC Electric Utility Cost Allocation Manual, at 72.

of costs can be controversial.³

Since the majority of utility costs—including those for natural gas distribution—are jointly incurred, the methods used for cost classification and allocation are often a source of controversy and debate.

III. Statutory Requirements

Minnesota (Minn) Rules (R) part (pt.) 7825.4300 requires that a cost-of-service study be filed in support of the rates proposed by a utility in a rate case. Section C of the rule specifically states:⁴

A cost-of-service study by customer class of service, by geographic area, or other categorization as deemed appropriate for the change in rates requested, showing revenues, costs, and profitability for each class of service, geographic area, or other appropriate category, identifying the procedures and underlying rationale for cost and revenue allocations. Such study is appropriate whenever the utility proposes a change in rates which results in a material change in its rate structure.

IV. Previous Commission Decisions

At the conclusion of GMG's 2009 rate case, the Commission required the Company to meet the following requirements regarding a CCOS in its next rate case:⁵

- Classify and allocate General Plant on the same basis as Plant in Service.
- Classify and allocate Real Estate Taxes on the same basis as Plant in Service.
- Classify and allocate each Distribution-Operation and Maintenance Expenses on the same basis as the relevant basic cost-causing element.
- Classify and allocate Income Taxes on the same basis as Net Taxable Income that fully reflects the CCOS.
- Provide an explanatory filing identifying, and describing, each classification and allocation method used in the CCOS and detailing the reasons for concluding that each method is appropriate and superior to other methods considered by the Company. While these explanations could rely, in part, on NARUC's Gas Distribution Rate Design Manual, these explanations should also be based on the Company's specific system requirements (engineering and operating characteristics) and experience.

³ *Id.* at 95-96.

⁴ 2024 Minnesota Statutes. <https://www.revisor.mn.gov/rules/7825.4300>

⁵ *In the Matter of the Application of Greater Minnesota Gas, Inc., for Authority to Increase Rates for Natural Gas Service in the State of Minnesota*, Docket No. G-022/GR-09-962, FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER, Order Point #1, at 7 (August 19, 2010).



V. GMG Petition

A. Introduction

GMG filed a Minimum System cost study based on a two-inch distribution main to classify distribution costs and used modeling consistent with the Company's 2009 rate case. GMG stated that providing an updated CCOSS to comply with previous Commission Orders would be unduly burdensome and increase rate case expense.⁶ GMG's CCOSS was based on pro forma revenues and costs for the 2025 Test Year at present and proposed rates.

B. Case Record

ALJ Report ¶¶ 303-324

Ex. GMG-103 at 6, Exhibit CJC-1, and 21-33 (Burke Direct)

Ex. GMG-104 at 1, 9, Schedule E-2

Ex. GMG-109 at RDB-REB 8, and 21-26 (Burke Rebuttal)

Ex. GMG-110 at RDB-SR-2, RDB-SR-3, and 1-24 (Burke Surrebuttal)

GMG Initial Brief at 58-63

GMG Reply Brief at 33-36, 40-41

GMG Exceptions to ALJ Report at 1-2

Ex. DOC-205 at 71, Schedule SS-SR-1 (Shah Surrebuttal)

Ex. DOC-206 at MZ-D-11, and 1-47 (Zajicek Direct)

Ex. DOC-207 at MZ-D-2, MZ-D-6 (Zajicek Direct – Attachments)

Ex. DOC-208 at 1-9 (Zajicek Rebuttal)

Ex. DOC-209 at 2-17 (Zajicek Surrebuttal)

DOC Initial Brief at 27-37

DOC Reply Brief at 10-13

DOC Exceptions to ALJ Report at 22-25, Appendix A at 23-28

Ex. OAG-303 at 1-2, 11, 17-58, errata, and schedules (Stevenson Direct)

Ex. OAG-304 at 1-13 (Stevenson Rebuttal)

Ex. OAG-305 at 7-14 (Stevenson Surrebuttal)

OAG Initial Brief at 25-40

OAG Reply Brief at 16-19

OAG Exceptions to ALJ Report at 36-53

C. Party Positions

1. GMG – Direct Testimony

The Minimum System method estimates the cost a utility would have incurred to build its distribution system at some minimal capacity, and assigns this sum to customer costs. Any additional cost the utility incurred to build its system is then attributed to customers' demand for capacity beyond the minimum level, thus assigned to capacity costs. To use this method, a utility first calculates the length of pipe it has in its distribution system. Then it identifies a

⁶ Ex. GMG-103 at 6, Exhibit CJC-1 (Burke Direct).



distribution pipe of “minimum practical size,” meaning the pipe with the smallest diameter that fairly represents what is actually installed within a utility’s distribution system. The utility calculates the average cost per foot to buy and install this small-diameter pipe, and then multiplies this by the length of pipe in the utility’s distribution system. The result is designated as customer cost; while the remainder of the distribution system cost is designated capacity cost.

GMG’s cost study assigns the total revenue requirement to each customer class based on cost-causation. The Company followed the three traditional steps in performing its cost study: (1) functionalization; (2) classification; and (3) allocation. Functionalization involves separating rate base (primarily plant in service) and expense items into operational components based on the various characteristics of utility operation. Classification of costs relates to further refining the functionalized costs in the terms of cost-defining characteristics of services rendered: (1) customer; (2) demand or capacity; and (3) commodity. Allocation of costs divides functionalized and classifies costs across the various rate classes, such as residential, commercial, industrial, and agriculture. GMG determined that its distribution system is 71.58 percent customer-related and 28.42 percent demand-related.⁷

Additionally, GMG stated that its recommended CCOSS appropriately captures the cost-causation characteristics across all rate classes and produced results that objectively reflect the true cost of serving each rate class and the customers within them.

Table 401 illustrates GMG’s proposed CCOSS.

⁷ Ex. GMG-104 at 9, Schedule E-2.

Table 401: GMG – Minimum System CCROSS Summary⁸

		Firm					Interruptible	
		Residential	Commercial		Industrial		Industrial	Agriculture
Cost Component	Total	RD	SCS	CS	MS	LS	IND	AG
Capacity Costs	\$6,398,883	\$3,919,093	\$531,120	\$182,106	\$184,681	\$1,466,323	\$62,774	\$52,786
Commodity Costs	\$6,591,192	\$2,769,974	\$369,856	\$142,269	\$171,602	\$2,147,830	\$423,747	\$565,914
Customer Costs	\$6,836,445	\$4,800,653	\$438,528	\$363,605	\$188,295	\$441,520	\$38,958	\$564,886
Total	\$19,826,519	\$11,489,720	\$1,339,504	\$687,980	\$544,578	\$4,055,673	\$525,479	\$1,183,586
%	100%	58.0%	6.8%	3.5%	2.7%	20.5%	2.7%	6.0%
Present Rates - Retail	\$16,842,872	\$9,879,302	\$1,270,893	\$451,074	\$488,440	\$3,294,180	\$587,390	\$871,593
Present Rates - Transport	\$1,526,514	\$15,307	\$1,343	\$3,679	\$56,358	\$1,210,963	\$118,971	\$119,893
Present Rates - Total	\$18,369,387	\$9,894,610	\$1,272,236	\$454,753	\$544,798	\$4,505,143	\$706,361	\$991,485
Activation Fees/Reconnect Fees	\$34,700	\$34,700						
Revenue (Shortfall) Overage	(\$1,422,433)	(\$1,629,810)	(\$67,267)	(\$233,227)	\$220	\$449,471	\$180,882	(\$192,101)
Proposed Revenues - Retail	\$18,070,869	\$10,641,938	\$1,365,831	\$481,809	\$520,812	\$3,483,037	\$622,800	\$954,642
Proposed Revenues - Transport	\$1,721,774	\$15,305	\$1,395	\$4,240	\$63,385	\$1,351,673	\$136,711	\$149,065
Proposed Revenues - Total	\$19,792,643	\$10,657,243	\$1,367,226	\$486,050	\$584,197	\$4,834,710	\$759,511	\$1,103,707
Activation Fees/Reconnect Fees	\$34,700	\$34,700						
Revenue (Shortfall) Overage	\$824	(\$797,777)	\$27,723	(\$201,930)	\$39,619	\$779,037	\$234,032	(\$79,879)

GMG noted that its CCROSS supports the reasonableness of the proposed rate structure and was used as the cost basis for the proposed revenue allocation and rate design in this proceeding.

2. Department of Commerce – Direct Testimony

The Department determined that GMG submitted an embedded Minimum System Method CCROSS similar to the Company's 2009 rate case and thus did not make the Commission's requested changes from that proceeding. In response, GMG noted the requested changes would result in adverse residential customer impact, but later submitted a CCROSS with the required changes in an information request.⁹ The Department contended that GMG should have developed its CCROSS methodology based on cost-causation principles, while reserving broader cost allocation considerations for the rate design phase. The Department determined that GMG's Minimum System CCROSS included plastic and steel pipes ranging from 2 to 6 inches

⁸ Ex. GMG-104 at 1, Schedule E-2.

⁹ Ex. DOC-207 at MZ-D-6 (Zajicek Direct).



in diameter, with items such as meters directly assigned as customer costs. Given the data available, the Department concluded that GMG's CCOSS calculation is satisfactory and followed the NARUC Gas Manual's methodology.¹⁰

The Department noted that when the Minimum System CCOSS is performed, a "demand adjustment"¹¹ is necessary to account for the carrying capacity of the pipe's diameter and avoid classifying too much cost to the customer component. If no adjustment is performed, the CCOSS will classify a portion of the distribution main costs as customer-related instead of demand-related. The Department argued that GMG did not perform a demand adjustment, and thus did not account for the gas transported by the 2-inch mains used as the minimum sized equipment. Therefore, the Department concluded that GMG's Minimum System CCOSS overestimated the customer costs and underestimated the demand costs.

Table 402 illustrates GMG's CCOSS results and the respective rate increases by customer class.

Table 402: GMG CCOSS Results¹²

Rate Class	Class Revenue Surplus/(Deficiency)	Operating Revenues At Current Rates	CCOSS Recommended Rates	Percent Increase
Residential	(\$1,629,810)	\$9,894,610	\$11,489,720	16.1%
Commercial SCS	(\$67,267)	\$1,272,236	\$1,339,503	5.3%
Commercial CS	(\$233,227)	\$454,753	\$687,980	51.3%
Industrial MS	\$220	\$544,798	\$544,578	0.0%
Industrial LS	\$449,471	\$4,505,143	\$4,055,672	-10.0%
Interruptible Industrial	\$180,882	\$706,361	\$525,479	-25.6%
Interruptible Agriculture	(\$192,101)	\$991,485	\$1,183,586	19.4%
Total Company	(\$1,422,433)	\$18,369,387	\$19,826,519	7.9%

The Department indicated other concerns with GMG's CCOSS. First, GMG did not separate its transportation class customers, making it impossible to determine whether these customers drive costs differently from customer classes. Second, GMG's allocation treated each customer as having their own distribution line for cost allocation. Therefore, if one customer class has more customers with multiple meters at a single building than other classes, GMG's method would over-allocate costs to that class. Third, GMG used combined values for meters, regulators, and fittings for all the customer classes, without factoring the substantially different meter costs between some aggregated classes. The Department argued that this aggregation leads to cost misallocations in the CCOSS, with customer classes that typically have higher

¹⁰ Portions of the NARUC Gas Manual are provided in Attachment 2 to the DOC testimony. Ex. DOC-207 at MZ-D-2 (Zajicek Attachments).

¹¹ Ex. DOC-206 at 26-27 (Zajicek Direct). A demand adjustment refers to adjustments made because even the smallest size equipment, such as a 2" diameter pipe, serves some level of customer demand. The demand adjustment theoretically brings the diameter of the mains to zero inches.

¹² Ex. DOC-206 at 35 (Zajicek Direct).



meter, regulator, and fitting costs being under-allocated, while other classes within the combined group are over-allocated.

The Department recommended that, in GMG's next rate case, the Company incorporate the following items in a more detailed CCOSS model:

- More detailed breakdown of costs by FERC account;
- Using a cost escalator, such as the commonly used Handy Whitman cost escalator;
- The transportation class customers as their own class, rather than including in similar classes;
- Calculation and inclusion of a demand adjustment to its Minimum System Method study;
- Aggregate customers that share the same distribution line for the purposes of allocating distribution costs;
- Breaking out values for meters, regulators, and fittings by each customer class, not grouped into larger buckets; and
- Inclusion of required changes from the 2009 Rate Case Order.

The Department submitted two cost studies based on different methods of classifying distribution costs. The first is GMG's Minimum System CCOSS, but modified to include the required changes from GMG's 2009 Rate Case Commission Order. The second is a Basic Customer CCOSS.

Table 403 compares GMG's original CCOSS and the Department's two cost studies.

Table 403: Department - CCOSS Range¹³

Rate Class	Operating Revenues At Current Rates	GMG CCOSS Rates	GMG CCOSS Percent Increase	Department - Minimum System CCOSS Rates	Department - Minimum System CCOSS Percent Increase	Department - Basic Customer CCOSS Rates	Department - Basic Customer Percent Increase
Residential	\$9,894,610	\$11,489,720	16.1%	\$11,561,732	16.8%	\$11,181,594	13.0%
Commercial SCS	\$1,272,236	\$1,339,503	5.3%	\$1,324,374	4.1%	\$1,404,240	10.4%
Commercial CS	\$454,753	\$687,980	51.3%	\$707,820	55.6%	\$603,087	32.6%
Industrial MS	\$544,798	\$544,578	0.0%	\$543,520	-0.2%	\$549,105	0.8%
Industrial LS	\$4,505,143	\$4,055,672	-10.0%	\$3,923,628	-12.9%	\$4,620,667	2.6%
Interruptible Industrial	\$706,361	\$525,479	-25.6%	\$522,180	-26.1%	\$539,595	-23.6%
Interruptible Agriculture	\$991,485	\$1,183,586	19.4%	\$1,243,265	25.4%	\$928,229	-6.4%
Total Company	\$18,369,387	\$19,826,519	7.9%	\$19,826,519	7.9%	\$19,826,519	7.9%

The Department generally considered the Minimum System CCOSS results to be more consistent with cost causation principles. However, it recommended that GMG's rates fall between the Basic Customer CCOSS and the Department's Minimum System Method CCOSS, which reflects the demand adjustment and required changes from the 2009 Rate Case.¹⁴

3. OAG – Direct Testimony

The OAG noted that GMG's Minimum System CCOSS should not be used for revenue apportionment or rate design, as it premised on the assumption that distribution system costs vary directly with customer count instead of customer consumption and the need to meet peak demand. The OAG stated that distribution equipment should only be classified as customer-related to the extent of the service line connecting the customer to the shared distribution system, along with the cost of the meter and customer accounting. Concurrently, the OAG determined that GMG did not perform a demand adjustment or adjust the demand or customer-related classification of its distribution mains. As a result, GMG over-classified shared

¹³ Ex. DOC-206 at 44 (Zajicek Direct).

¹⁴ Further discussion can be found in Vol. 5 Rate Design briefing papers.

distribution costs as customer-related.

The OAG asked GMG in an information request to perform a Basic Customer CCOSS, which is illustrated in Table 404 below.

Table 404: GMG – Basic Customer CCOSS Summary
Alternate Allocation of Specific FERC accounts for Information Request 708¹⁵

Cost Component	Total	Firm					Interruptible	
		Residential	Commercial	Industrial	Industrial	Agriculture		
		RD	SCS	CS	MS	LS	IND	AG
Capacity Costs	\$5,429,258	\$3,325,231	\$450,639	\$154,511	\$156,696	\$1,244,130	\$53,262	\$44,787
Commodity Costs	\$6,591,192	\$2,769,974	\$369,856	\$142,269	\$171,602	\$2,147,830	\$423,747	\$565,914
Customer Costs	\$7,806,070	\$5,481,539	\$500,725	\$415,175	\$215,002	\$504,142	\$44,483	\$645,005
Total	\$19,826,519	\$11,576,743	\$1,321,220	\$711,956	\$543,300	\$3,896,102	\$521,493	\$1,255,706
%	100%	58.4%	6.7%	3.6%	2.7%	19.7%	2.6%	6.3%
Present Rates - Retail	\$16,842,872	\$9,879,302	\$1,270,893	\$451,074	\$488,440	\$3,294,180	\$587,390	\$871,593
Present Rates - Transport	\$1,526,514	\$15,307	\$1,343	\$3,679	\$56,358	\$1,210,963	\$118,971	\$119,893
Present Rates - Total	\$18,369,387	\$9,894,610	\$1,272,236	\$454,753	\$544,798	\$4,505,143	\$706,361	\$991,485
Activation Fees/Reconnect Fees	\$34,700	\$34,700						
Revenue (Shortfall) Overage	(\$1,422,433)	(\$1,716,834)	(\$48,983)	(\$257,203)	\$1,498	\$609,041	\$184,868	(\$264,221)
Proposed Revenues - Retail	\$18,070,869	\$10,641,938	\$1,365,831	\$481,809	\$520,812	\$3,483,037	\$622,800	\$954,642
Proposed Revenues - Transport	\$1,721,774	\$15,305	\$1,395	\$4,240	\$63,385	\$1,351,673	\$136,711	\$149,065
Proposed Revenues - Total	\$19,792,643	\$10,657,243	\$1,367,226	\$486,050	\$584,197	\$4,834,710	\$759,511	\$1,103,707
Activation Fees/Reconnect Fees	\$34,700	\$34,700						
Revenue (Shortfall) Overage	\$824	(\$884,801)	\$46,006	(\$225,907)	\$40,897	\$938,608	\$238,019	(\$151,999)

The OAG noted that GMG's Basic Customer CCOSS incorrectly classified shared distribution costs as customer-related rather than demand-related, which contradicts the fundamental definition of a Basic Customer CCOSS.

The OAG's proposed Basic Customer CCOSS made the following adjustments:

- Classified shared distribution accounts as 100 percent demand-related;
- Classified general plant costs as equally demand-, energy-, and customer-related;
- Classified depreciation expenses as demand-related;

¹⁵ Ex. OAG-303 at 1-2, 11, Schedule CS-D-13 (Stevenson Direct).



- Classified FERC accounts 870-881 as mostly demand-related;
- Classified income taxes based on the percentage of rate base that is customer-, energy-, and demand-related.

Table 405 summarizes the OAG's Basic Customer CCOSS results.

Table 405: OAG Basic Customer CCOSS¹⁶

Rate Class	Total Cost	Present Rates - Total	Activation Fees/Reconnect Fees	Revenue (Shortfall) Overage	Percent Increase
Total	\$19,841,107	\$18,397,814	\$34,700	\$(1,408,593)	7.64%
Residential	\$9,898,595	\$9,894,610	\$34,700	\$30,714	-0.31%
Small Commercial	\$1,252,728	\$1,300,664	\$0	\$47,935	-3.69%
Commercial	\$583,864	\$454,753	\$0	\$(129,111)	28.39%
Medium Industrial	\$550,533	\$544,798	\$0	\$(5,735)	1.05%
Large Industrial	\$5,875,017	\$4,505,143	\$0	\$(1,369,874)	30.41%
Interruptible Industrial	\$569,452	\$706,361	\$0	\$136,909	-19.38%
Interruptible Agricultural	\$1,110,917	\$991,485	\$0	\$(119,432)	12.05%

As the Residential and Small Commercial customer classes incurred a small rate decrease from present rates to be at cost, the OAG argued that GMG's proposed rate increases for these customer classes are unreasonable.

The OAG also performed a Peak and Average CCOSS and made the following adjustments:

- Classified shared distribution costs as 31.8 percent energy-related and 62.8 percent demand-related;
- Classified depreciation expenses to match its corresponding rate base component;
- Classified FERC accounts 870-881 as mostly demand-related;
- Classified a portion of Administrative and General and Payroll Taxes using the Peak and Average method.

¹⁶ Ex. OAG-303 at 35 (Stevenson Direct).

Table 406 summarizes the OAG's Peak and Average CCOSS results.

Table 406: OAG Peak and Average CCOSS¹⁷

Rate Class	Total Cost	Present Rates - Total	Activation Fees/Reconnect Fees	Revenue (Shortfall) Overage	Percent Increase
Total	\$19,841,107	\$18,397,814	\$34,700	\$(1,408,593)	7.64%
Residential	\$9,777,938	\$9,894,610	\$34,700	\$151,371	-1.52%
Small Commercial	\$1,228,466	\$1,300,664	\$0	\$72,197	-5.55%
Commercial	\$575,169	\$454,753	\$0	\$(120,415)	26.48%
Medium Industrial	\$543,489	\$544,798	\$0	\$1,309	-0.24%
Large Industrial	\$5,773,539	\$4,505,143	\$0	\$(1,268,396)	28.15%
Interruptible Industrial	\$688,463	\$706,361	\$0	\$17,898	-2.53%
Interruptible Agricultural	\$1,254,042	\$991,485	\$0	\$(262,557)	26.48%

Similar to the OAG's Basic Customer CCOSS, the Residential and Small Commercial customer classes incurred a small rate decrease from present rates to be at cost. Concurrently, the OAG argued that GMG's proposed rate increases for these customer classes are excessive and do not follow cost causation principles.

The OAG indicated that, with exception of TR-1 (General Transportation Service) transportation class customers, GMG allocated demand-related distribution costs based on each customer class' January 2024 consumption.¹⁸ GMG argued that TR-1 transportation customers pay demand and gas costs directly to Northern Natural Gas (NNG), thus should not have to pay demand-related costs.¹⁹ The OAG disagreed, stating that exemption from demand-related costs should apply only to interruptible TR-1 customers and that demand costs of gas are distinct from demand-related costs of GMG's distribution system. In GMG's Minimum System CCOSS, the residential class revenue deficiency falls from \$1,629,810 to \$754,796 if TR-1 customer sales are included in the demand-related costs allocation.²⁰

Regarding GMG's demand allocator, the OAG recommended that GMG (1) incorporate February actual consumption in addition to January; (2) incorporate more historical data in addition to 2024; and (3) use its January and February test year sales. The OAG noted that, in four of the past five years, GMG's actual peak consumption occurred in February.

¹⁷ Ex. OAG-303 at 41 (Stevenson Direct).

¹⁸ *Id.* at 6, Schedule CS-D-8.

¹⁹ *Id.* at Schedule CS-D-20.

²⁰ Calculated as the share of 2025 TS1 consumption scaled to 2024 volumes. See GMG's CCOSS with TR-1 Customers, Ex. OAG-303 at 1, Schedule CS-D-21 (Stevenson Direct).



Regarding GMG's customer-related allocator, the OAG argued that, in order to provide more accurate records and CCOSS in future rate cases, GMG should track the cost of services and meters by customer class. Additionally, the OAG cited that small commercial and residential customers were allocated a similar percentage of customer costs, which are unlikely to be occurring.

In summary, the OAG recommended the following changes for GMG's preferred CCOSS.

- For this rate case, classify shared distribution costs as either 100 percent demand-related or 31.8 percent energy-related and 68.2 percent demand-related.
- For this rate case and future rate cases, use TR-1 customer sales to allocate demand-related costs.
- For this rate case, use at a minimum three years of January and February consumption data in addition to January and February test year sales data to allocate demand-related costs.
- The Commission should decide whether to have GMG collect data on services and meters by customer class for either this rate case or GMG's next rate case.
- For this rate case, classify General Plant costs as equally demand-, energy-, and customer-related.
- In its next CCOSS, list Transportation customers as a separate class, as doing so could lead to fairer cost allocation and more accurate rate design.

4. GMG – Rebuttal Testimony

GMG reaffirmed its decision to forego a cost escalator and retain the same CCOSS design used in the Company's 2009 rate case. GMG noted that the parties previously agreed the methodology produced a fair and relatively equal allocation of rate increases, particularly that the Residential class would not subsidize other classes. While GMG examined various CCOSS model inputs, the Company opted not to incorporate design changes to prevent adverse residential customer impact.

In response to information requests, GMG revised its Minimum System CCOSS, noting three changes as follows:

- TR-1 (General Transportation Service) transport customers added to the study and TR-2 (Utility Transportation Service) transportation customers moved from their underlying rate class into the transportation class.
- Demand costs added to the transportation class, excluding the pipeline demand charges for interstate pipelines that the TR-1 customers pay directly.
- Interstate pipeline related demand charges removed from interruptible customers, since those customers do not use gas on peak days.

Table 407 reflects GMG's revised Minimum System CCROSS results.

Table 407: GMG – Revised Class Cost of Service Summary²¹

		Firm					Interruptible		Transport
		Residential	Commercial	Industrial			Industrial	Agriculture	TR-1 & TR-2
Cost Component	Total	RD	SCS	CS	MS	LS	IND	AG	
Capacity Costs	\$5,585,159	\$3,008,968	\$407,366	\$139,579	\$172,178	\$1,123,897	\$23,543	\$19,797	\$689,831
Commodity Costs	\$6,591,192	\$3,484,484	\$465,490	\$176,024	\$193,835	\$1,349,169	\$353,570	\$527,939	\$40,679
Customer Costs	\$7,650,168	\$5,371,408	\$491,379	\$339,300	\$157,532	\$412,007	\$36,354	\$515,008	\$327,182
Total	\$19,826,519	\$11,864,860	\$1,364,235	\$654,903	\$523,545	\$2,885,073	\$413,467	\$1,062,744	\$1,057,692
%	100%	59.8%	6.9%	3.3%	2.6%	14.6%	2.1%	5.4%	5.3%
Present Rates - Retail	\$16,842,872	\$9,879,302	\$1,270,893	\$451,074	\$488,440	\$3,294,180	\$587,390	\$871,593	
Present Rates - Transport	\$1,526,514	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,526,514
Present Rates - Total	\$18,369,386	\$9,879,302	\$1,270,893	\$451,074	\$488,440	\$3,294,180	\$587,390	\$871,593	\$1,526,514
Activation Fees/Reconnect Fees	\$34,700	\$34,700							
Revenue (Shortfall) Overage	(\$1,422,433)	(\$1,950,857)	(\$93,343)	(\$203,829)	(\$35,106)	\$409,107	\$173,923	(\$191,151)	\$468,823
Proposed Revenues - Retail	\$18,070,869	\$10,641,938	\$1,365,831	\$481,809	\$520,812	\$3,483,037	\$622,800	\$954,642	
Proposed Revenues - Transport	\$1,721,774	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,721,774
Proposed Revenues - Total	\$19,792,643	\$10,641,938	\$1,365,831	\$481,809	\$520,812	\$3,483,037	\$622,800	\$954,642	\$1,721,774
Activation Fees/Reconnect Fees	\$34,700	\$34,700							
Revenue (Shortfall) Overage	\$823	(\$1,188,222)	\$1,596	(\$173,094)	(\$2,733)	\$597,964	\$209,333	(\$108,102)	\$664,082

GMG noted an increase in the revenue shortfall for the residential class from (\$797,777) to (\$1,188,222) in the revised CCROSS, thus GMG did not recommend it be used to determine final proposed rates. GMG agreed to identify a separate cost group for transportation customers in future class cost of service studies.

Regarding aggregating data for meter, regulator, and fitting costs, GMG acknowledged that meter installations are subject to group depreciation and split installation costs between residential and commercial customers. GMG noted that tracking meter installations by customer class would be virtually impossible as customers can move between classes based on load. While some meter sizes are exclusive to commercial, industrial, agricultural and transport customers, GMG acknowledged there is no set meter size for each customer class, which is why meter costs are aggregated in the CCROSS.

²¹ Ex. GMG-109 at RDB-REB 8 (Burke Rebuttal).



GMG argued that changing its CCOSS approach is not warranted, as it would involve acquisition of substantial resources the Company does not have, along with ratepayers bearing the additional costs. GMG deemed it more appropriate to continue using the existing rate design and validating with the existing CCOSS model.

5. Department of Commerce – Rebuttal Testimony

The Department concurred with the OAG that, similar to Xcel Energy and CenterPoint Energy, GMG's transportation customers should pay a portion of demand-related distribution system costs. If these costs were implemented in GMG's minimum system CCOSS, the resulting residential rate increase would be 7.28 percent. The Department recommended a demand allocator adjustment to accurately attribute demand-related costs to the transportation customer class. Additionally, the Department recommended this change for future rate cases.

The Department also concurred with the OAG in classifying General Plant costs as equally demand-, customer- and commodity-related instead of 100 percent customer-related, as General Plant serves other functions. Additionally, the Department recommended this change for future rate cases.

Table 408 reflects the Department's proposed CCOSS changes.

Table 408: Updated Department CCOSS Range²²

Rate Class	Operating Revenues At Current Rates	Altered GMG CCOSS Rates	GMG CCOSS Percent Increase	Updated DOC - Minimum System CCOSS Rates	DOC - Minimum System CCOSS Percent Increase	Updated Basic Customer CCOSS Rates	Basic Customer Percent Increase
Residential	\$9,894,610	\$10,595,554	7.08%	\$11,561,732	8.92%	\$9,817,962	-0.77%
Commercial SCS	\$1,272,236	\$1,220,752	-4.05%	\$1,324,374	-4.07%	\$1,221,867	-3.96%
Commercial CS	\$454,753	\$644,886	41.81%	\$707,820	47.29%	\$538,179	18.35%
Industrial MS	\$544,798	\$503,145	-7.65%	\$543,520	-6.89%	\$485,549	-10.88%
Industrial LS	\$4,505,143	\$3,743,961	-16.90%	\$3,923,628	-18.92%	\$4,133,306	-8.25%
Interruptible Industrial	\$706,361	\$514,024	-27.23%	\$522,180	-27.45%	\$520,620	-26.30%
Interruptible Agriculture	\$991,485	\$1,169,113	17.92%	\$1,243,265	24.08%	\$907,433	-8.48%
Addition of Transportation Customers	NA	\$1,435,084	NA	\$1,255,941	NA	\$2,201,602	NA
Total Company	\$18,369,387	\$19,826,519	7.9%	\$19,826,519	7.9%	\$19,826,519	7.9%

The Department added an additional line for transportation demand costs when completing its analysis, as GMG did not include a demand adjustment for transportation costs in its Minimum System CCOSS. As a result, the Department recommended setting rates between the Department's Basic Customer and Minimum System CCOSS shown in Table 408.

The Department reaffirmed that the Minimum System CCOSS aligns more closely with cost-causation principles and recommended that GMG develop a new CCOSS model for use in future rate cases.

6. OAG – Rebuttal Testimony

The OAG noted that the Department's Basic Customer CCOSS differs in how it classifies General Plant costs and calculates GMG's demand allocator, most notably by excluding transportation customer sales. The OAG argued that since transportation customers utilize the distribution system during peak periods, they should contribute to the cost of the demand-related

²² Ex. DOC-208 at 6 (Zajicek Rebuttal).

infrastructure required to deliver gas to their premises.

Additionally, the OAG reclassified General Plant costs to be equally split among demand-, energy-, and customer-related, in contrast to the Department's approach, which kept them 100 percent customer-related. The OAG argued that because General Plant assets typically support multiple functions simultaneously, dividing the costs equally among these categories is a reasonable compromise.

Table 409 illustrates the differences in the OAG and Department's Basic Customer CCOSS, as well as GMG's Minimum System CCOSS.

Table 409: Differences between GMG Minimum System CCOSS, Department and OAG's Basic Customer CCOSS²³

Category	Location in CCOSS	GMG CCOSS	Stevenson Basic Customer CCOSS	Zajicek Basic Customer CCOSS
Small Commercial Revenue	Page 1 Line No. 9	\$1,272,236	\$1,272,236	\$1,272,236
Distribution Operations	Page 3 Line No. 6	100 percent customer related	Split based on rate base	100 percent demand related
FERC Accounts 374, 376, 378	Page 4 Line Nos. 4-6	Classified using minimum system	100 percent demand related	100 percent demand related
General Plant	Page 5 Line No. 12	100 percent customer related	Equal split	100 percent customer related
Depreciation on FERC Accounts 376 and 378	Page 5 Line Nos. 4-5	Classified using minimum system	100 percent demand related	100 percent demand related
Income Taxes	Page 5 Line No. 14	100 percent customer related	Split based on net plant	100 percent customer related
Real Estate Taxes	Page 5 Line No. 15	100 percent demand related	100 percent demand related	100 percent demand related
Cap Cost	Page 6 Line No. 3	Jan 2024 sales w/o TR-1 customers	Jan 2024 sales w/o TR-1 customers	Jan 2024 sales with TR-1 customers

The OAG reasoned that, in addition to its Peak and Average CCOSS, its Basic Customer CCOSS adjustments make it more accurate and suitable for revenue apportionment.

7. GMG – Surrebuttal Testimony

GMG had several concerns with the OAG and Department's CCOSS recommendations, which are detailed as follows.

²³ Ex. OAG-303 at Schedules CS-D-8, CS-D-16 and CS-D-17 (Stevenson Direct). Ex. DOC-206 at MZ-D-11 (Zajicek Direct).

a. Incorrect Allocation of Costs and Revenues Associated with Transportation Customers

When the Department moved the Transportation customer costs into a separate class, GMG argued that the related revenues were not moved in alignment, thereby inflating the revenue for each customer class.

Additionally, GMG indicated that the Department's total capacity, commodity and customer costs were \$18.4 million, rather than the \$19.8 million from GMG's initial filing. Table 410 indicates the mathematical error, which the Department relied on for rebuttal testimony.

Table 410: Department CCROSS, Altered based on OAG testimony Response to IR 701 – Schedule E-2 Class Cost of Service Study²⁴

Cost Component	Total	Firm					Interruptible		Reference
		Residential	Commercial	Industrial	Industrial	Agriculture			
		RD	SCS	CS	MS	LS	IND	AG	
Capacity Costs	\$5,001,049	\$3,062,968	\$415,097	\$142,325	\$144,338	\$1,146,005	\$49,061	\$41,255	Cap Cost Alloc
Commodity Costs	+ \$6,633,339	\$2,787,686	\$372,221	\$143,179	\$172,699	\$2,161,564	\$426,457	\$569,533	Com Cost Alloc
Customer Costs	+ \$6,757,047	\$4,744,899	\$433,435	\$359,382	\$186,108	\$436,392	\$38,505	\$558,325	Cust Cost Alloc
Total	= \$18,391,435								Demand Related Costs of Transportation Class Costs removed from the total
Total	≠ \$19,826,519	\$10,595,554	\$1,220,752	\$644,886	\$503,145	\$3,743,961	\$514,024	\$1,169,113	\$1,435,084
%	93%	53.4%	6.2%	3.3%	2.5%	18.9%	2.6%	5.9%	7.2%
Percent Change	7.9%	7.1%	-4.0%	41.8%	-7.6%	-16.9%	-27.2%	17.9%	
Present Rates - Retail	\$16,842,872	\$9,879,302	\$1,270,893	\$451,074	\$488,440	\$3,294,180	\$587,390	\$871,593	Present & Proposed Rates
Present Rates - Transport	\$1,526,514	\$15,307	\$1,343	\$3,679	\$56,358	\$1,210,963	\$118,971	\$119,893	Transport Revenues were not removed
Present Rates - Total	\$18,369,387	\$9,894,610	\$1,272,236	\$454,753	\$544,798	\$4,505,143	\$706,361	\$991,485	
Activation Fees/Reconnect Fees	\$34,700	\$34,700							
Revenue (Shortfall) Overage	(\$1,422,432)	(\$735,644)	\$51,484	(\$190,133)	\$41,653	\$761,182	\$192,338	(\$177,628)	Line 4 - Line 6
Proposed Revenues - Retail	\$18,070,869	\$10,641,938	\$1,365,831	\$481,809	\$520,812	\$3,483,037	\$622,800	\$954,642	Present & Proposed Rates
Proposed Revenues - Transport	\$1,721,774	\$15,305	\$1,395	\$4,240	\$63,385	\$1,351,673	\$136,711	\$149,065	Transport Revenues were not removed
Proposed Revenues - Total	\$19,792,643	\$10,657,243	\$1,367,226	\$486,050	\$584,197	\$4,834,710	\$759,511	\$1,103,707	
Activation Fees/Reconnect Fees	\$34,700	\$34,700							
Revenue (Shortfall) Overage	\$824	\$96,389	\$146,474	(\$158,836)	\$81,052	\$1,090,748	\$245,488	(\$65,406)	Line 12 - Line 4

GMG noted that the Department submitted two additional CCROSS models that included adjustments to property taxes, payroll taxes, and FERC accounts. However, GMG observed that

²⁴ Ex. GMG-110 at RDB-SR-2 (Burke Surrebuttal).



these models removed certain costs without also removing the corresponding revenues. As a result, the Company argued the models are based on inaccurate data and should not be adopted.

b. Allocation of General Plant to Capacity and Commodity Costs

GMG argued that its costs to acquire a new office building, furniture, additional vehicles and office equipment are a direct result of customer growth and should be allocated as customer-related, as opposed to evenly split across the three components.

c. Allocation of Pipeline Demand Costs to TR-1 Transportation Customers

GMG noted that its Interruptible and TR-1 Transportation customers should not contribute to pipeline demand costs, as they do not purchase gas or use capacity reserved on interstate transmission pipelines during a design day. GMG argued that pipeline demand costs should be allocated solely to firm retail customers, since these costs remain unchanged regardless of the presence of Interruptible or Transportation customers.

d. Allocation of System Capacity Costs to Interruptible Customers

GMG stated that O&M, Rate Base Expense, Depreciation, and Tax costs should be distributed across all customer classes and asserted that its revised CCOS offers a more appropriate allocation of remaining capacity costs compared to the Department and OAG models. Table 411 illustrates GMG's split of remaining capacity costs.

**Table 411: GMG's Revised Capacity Cost Allocation – CCOSS²⁵**

		Firm					Interruptible		Transport
		Residential	Commercial		Industrial		Industrial	Agriculture	TR-1 & TR-2
<u>Description</u>	<u>Total</u>	<u>RS</u>	<u>SCS</u>	<u>CS</u>	<u>MS</u>	<u>LS</u>	<u>IND</u>	<u>AG</u>	<u>Varies</u>
Peak Day January 13, 2024	16,269	10,089	1,366	468	577	3,768			
January 2024 MCF Sales	234,498	145,424	19,688	6,746	8,321	54,318			
% 2024 Peak Responsibility (Mcf)	100.00%	62.02%	8.40%	2.88%	3.55%	23.16%	0.00%	0.00%	0.00%
<u>Allocation of Capacity Costs</u>									
Gas Related - Capacity Cost	\$2,477,873	\$1,536,656	\$208,039	\$71,282	\$87,930	\$573,965	\$0	\$0	\$0
With Transport									
Peak Day January 13, 2024	16,269	7,709	1,044	358	441	2,879	123	104	3,612
January 2024 MCF Sales	306,915	145,424	19,688	6,746	8,321	54,318	2,325	1,955	68,136
% 2024 Peak Responsibility (Mcf)	77.80%	47.38%	6.41%	2.20%	2.71%	17.70%	0.76%	0.64%	22.20%
<u>Allocation of Remaining Capacity Costs</u>									
Remaining Capacity Costs	\$3,107,286	\$1,472,311	\$199,327	\$68,297	\$84,248	\$549,932	\$23,543	\$19,797	\$689,831
Total Capacity Costs	5,585,159	3,008,968	407,366	139,579	172,178	1,123,897	23,543	19,797	689,831

e. Allocation of the Gas Purchase Portion of Commodity Costs to TR-1 Transportation Customers

GMG argued that Company gas purchases should not be allocated to TR-1 Transportation Customers, as they purchase gas from other sources. GMG's updated CCOSS only included customers that purchase gas from GMG. Table 412 illustrates the commodity cost allocation that GMG deemed appropriate.

²⁵ Ex. GMG-110 at RDB-SR-7 (Burke Surrebuttal).

Table 412: GMG Allocation of Commodity Costs – CCOS²⁶

Description	Total	Firm					Interruptible		Transport
		Residential	Commercial	Industrial			Industrial	Agriculture	TR-1 & TR-2
		RS	SCS	CS	MS	LS	IND	AG	Varies
Test Year Projected Consumption (Mcf)		888,184	118,652	44,868	49,408	343,899	90,124	134,570	10,369
%	100.00%	52.87%	7.06%	2.67%	2.94%	20.47%	5.36%	8.01%	0.62%
<u>Allocation of Commodity Costs</u>									
Commodity	\$6,591,192	\$3,484,484	\$465,490	\$176,024	\$193,835	\$1,349,169	\$353,570	\$527,939	\$40,679
Total Commodity Costs	\$6,591,192	\$3,484,484	\$465,490	\$176,024	\$193,835	\$1,349,169	\$353,570	\$527,939	\$40,679

* Transport only includes TR2 customers

f. Allocation of FERC Accounts 374,376, and 378 to Capacity, Ignoring the Minimum System Study or Altering its Use.

GMG noted that in one of the Department's CCOS models, the costs in FERC accounts 374, 376, and 378 were allocated entirely to Capacity, which discarded the principle of the Minimum System study. As most of GMG's mains were installed to serve Residential and Small Commercial customers, GMG argued that it was unreasonable for 2 percent of non-Residential and Small Commercial customers to bear a disproportionate share of GMG's distribution plant costs. Table 413 illustrates the Department model in question.

Table 413: Department's modified CCOS – Altered Response to IR 709 – Cost of Service Schedules – Modified FERC Accts 12.5.24²⁷

FERC	Description	Total	Capacity	Commodity	Customer	Reference
374	Land & Land Rights	\$77,539	\$77,539			Was originally split Capacity and Customer
376	Mains	\$26,366,017	\$26,366,017			Was originally split Capacity and Customer
378	Measuring & Regulating Station Equip	\$3,901,316	\$3,901,316			Was originally split Capacity and Customer
380	Services	\$9,495,761			\$9,495,761	
381	Meters	\$255,498			\$255,498	
382	Meter Installations	\$2,985,387			\$2,985,387	
383	House Regulators	\$21,060			\$21,060	
387	Other Equipment	\$58,229			\$58,229	
389-397	General	\$1,542,156	\$514,052	\$514,052	\$514,052	
	Subtotal - Plant In Service	\$44,702,963	\$30,858,924	\$514,052	\$13,329,987	

GMG argued that allocating the costs of Mains and Measuring & Regulator Station equipment based on peak month usage is inappropriate, as it results in disproportionately low cost allocations for Residential and Small Commercial customers, while placing an unfairly high cost burden on larger customers with higher usage who are typically located near the interstate

²⁶ Ex. GMG-110 at RDB-SR-9 (Burke Surrebuttal).

²⁷ *Id.* at RDB-SR-10 (Burke Surrebuttal).



pipeline connections. GMG emphasized that Residential and Small Commercial customers are often situated downstream from large customers and utilize pipeline infrastructure that does not provide any benefit to those larger customers.

GMG maintained that the Minimum System CCOSS fairly allocates the Mains and Measuring & Regulator Station Equipment costs.

GMG noted that the OAG also chose the allocate FERC accounts 374, 376, 378, and some of Account 387 to Capacity, as illustrated in Table 414 below. Similar to the Department, GMG stated that reallocating costs to a small group of customers in this way unfairly reduces the share assigned to Firm customers.

Table 414: OAG Basic Customer – Response to IR 7006 – Sch E-2 – Class Cost of Service Study²⁸

Description	FERC	Classification basis	Total	Capacity
Land & Land Rights	374	Basic Customer	\$77,539	\$77,539
Mains	376	Basic Customer	\$26,366,017	\$26,366,017
Measuring & Regulating Station Equip	378	Basic Customer	\$3,901,316	\$3,901,316
Services	380	GMG	\$9,495,761	
Meters	381	GMG	\$255,498	
Meter Installations	382	GMG	\$2,985,387	
House Regulators	383	GMG	\$21,060	
Other Equipment	387	50-50 split	\$58,229	\$29,114.68
General	389-397	Equal Split	\$1,542,156	\$514,052
Subtotal - Plant In Service			\$44,702,963	\$30,888,038

In regard to the OAG's Peak and Average Study, GMG noted a similar pattern in allocating FERC accounts to Capacity which resulted in Plant Addition costs being allocated to the largest users of gas instead of the customers the Plant additions were installed for. Table 415 illustrates the OAG model in question.

²⁸ Ex. GMG-110 at RDB-SR-12 (Burke Surrebuttal).

Table 415: OAG Peak Average – Response to IR 7006 – Sch E-2 – Class Cost of Service Study²⁹

Description	FERC	Classification basis	Total	Capacity	Commodity
Land & Land Rights	374	Peak & Average	\$77,539	\$52,882	\$24,657
Mains	376	Peak & Average	\$26,366,017	\$17,981,623	\$8,384,393
Measuring & Regulating Station Equip	378	Peak & Average	\$3,901,316	\$2,660,697	\$1,240,618
Services	380	GMG	\$9,495,761		
Meters	381	GMG	\$255,498		
Meter Installations	382	GMG	\$2,985,387		
House Regulators	383	GMG	\$21,060		
Other Equipment	387	Equal Split	\$58,229	\$19,409.78	\$19,409.78
General	389-397	Equal Split	\$1,542,156	\$514,051.97	\$514,051.97
Subtotal - Plant In Service			\$44,702,963	\$21,228,664	\$10,183,131

g. Adjusting the model in ways that result in “totals” that do not correctly compute or make sense

GMG expressed concern that the Department’s CCOS adjustments unfairly allocated significant costs to customer classes that did not incur them, citing mathematical errors in peak day calculations, January 2024 sales, Peak Responsibility, and Total Capacity Costs.

Additionally, GMG noted that the OAG’s CCOS adjustments suggest Residential customers are subsidizing larger Commercial, Industrial, and Transportation classes, due to the misallocation of pipeline demand and gas commodity costs to these larger customer groups.

GMG argued that its revised CCOS (1) established a separate class for Transportation Customers; (2) reallocated costs to the appropriate rate class using the same methodology as GMG’s 2009 rate case; (3) separated capacity costs to ensure that pipeline demand costs were only allocated to Firm non-Transportation customers, while the remaining gas commodity costs were assigned solely to customers that purchase gas from GMG; and (4) made additional changes to Capacity, Demand, and Commodity costs to better align the model with accepted cost-causation principles.

Additionally, GMG indicated that Residential customer rates would continue being subsidized by other rate classes, which aligns with public policy and practices of other Minnesota utilities.

8. Department of Commerce – Surrebuttal Testimony

The Department maintained that GMG did not perform a demand adjustment in its minimum system CCOS, and therefore customer costs are overstated, while demand costs are understated.

The Department reiterated that the CCOS should be based on cost causation considerations

²⁹ Ex. GMG-110 at RDB-SR-13 (Burke Surrebuttal).



and that GMG made inappropriate decisions in its CCOSS in order to support its rate design goals.

The Department noted that, to separate transportation customers in the CCOSS, GMG removed 436,649 MCF³⁰ from its Test Year Projected Consumption used in calculating Commodity Cost Allocation Factors. The change most notably affected the recommended rate increase for the residential class, which moved from 16 to 23 percent. In response to an inquiry, GMG said the change wasn't disclosed because it doesn't support rate design changes, and the TR-1 customer commodity cost was removed since they don't purchase gas from GMG.

The Department concluded that (1) GMG provided inaccurate CCOSS models until rebuttal testimony, and upon discovering the error, corrected it but did not inform parties; or (2) the Company's rebuttal testimony erroneously removed additional MCF from its commodity cost allocator.

The Department updated its recommended CCOSS models, but acknowledged that the significant range differences have limited use as a tool for rate design. The updated CCOSS models factor in (1) changes to the commodity cost allocation; (2) pipeline demand changes in using the demand allocator that GMG used in its initial CCOSS; and (3) an updated demand allocator for other remaining costs.

³⁰ MCF is an abbreviation for "thousand cubic feet," a standard measurement used in the United States to quantify natural gas production and consumption.

Tables 416 details the Department's updated CCOSS models, as well as GMG for comparative purposes.

Table 416: GMG and Department CCOSS³¹

Rate Class	Operating Revenues At Current Rates	GMG Rebuttal CCOSS Rates	GMG Rebuttal CCOSS Percent Increase	GMG Altered CCOSS Rates	GMG Altered CCOSS Percent Increase	Department - Updated Basic Customer CCOSS Rates	Department - Updated Basic Customer Percent Increase	Department - Updated Minimum System CCOSS Rates	Department - Updated Minimum System CCOSS Percent Increase
Residential	\$9,894,610	\$11,850,204	19.95%	\$10,934,389	10.51%	\$10,156,797	2.65%	\$11,116,119	12.35%
Commercial SCS	\$1,272,236	\$1,364,659	7.38%	\$1,266,672	-0.44%	\$1,267,786	-0.35%	\$1,266,411	-0.46%
Commercial CS	\$454,753	\$653,380	44.85%	\$660,630	45.27%	\$553,923	21.81%	\$685,569	50.76%
Industrial MS	\$544,798	\$524,226	7.33%	\$519,112	-4.71%	\$501,516	-7.94%	\$523,225	-3.96%
Industrial LS	\$4,505,143	\$2,896,450	-12.07%	\$3,870,736	-14.08%	\$4,260,081	-5.44%	\$3,779,742	-16.10%
Interruptible Industrial	\$706,361	\$415,651	-29.24%	\$519,451	-26.46%	\$526,047	-25.53%	\$517,909	-26.68%
Interruptible Agriculture	\$991,485	\$1,061,028	21.73%	\$1,173,677	18.38%	\$911,997	-8.02%	\$1,234,834	24.54%
Addition of Transportation Customers	NA	\$1,063,369	-30.34%	\$881,853	NA	\$1,648,371	NA	\$702,710	NA
Total Company	\$18,369,387	\$19,826,519	7.9%	\$19,826,519	7.9%	\$19,826,519	7.9%	\$19,826,519	7.9%

The Department reaffirmed that the Minimum System CCOSS best aligns with cost causation principles and noted it could not determine which GMG CCOSS was accurate due to the MCF adjustment. The Department recommended that rates fall somewhere between GMG's edited rebuttal CCOSS, but above its Basic Customer CCOSS.

9. OAG – Surrebuttal Testimony

The OAG supported GMG's decision in the revised CCOSS to separate transportation customers and assign TR-1 customers responsibility for demand-related infrastructure, but not demand-related gas costs. However, the OAG expressed concern about the significant financial impact of removing TR-1 customer sales from the commodity cost allocator, as GMG made the change late in the evidentiary process, which limited intervenors' opportunity for additional discovery. The OAG noted that the change increased residential commodity costs by over \$700,000 and small commercial costs by over \$100,000.

Additionally, the OAG raised concerns about GMG's recalculated demand allocator, meter classification, and decision not to allocate demand-related gas costs to interruptible customers.

Regarding the demand allocator, the OAG noted that GMG used January 2024 sales when allocating demand-related costs in the CCOSS. Although GMG initially reported selling 68,136

³¹ Ex. DOC-209 at 14 (Zajicek Surrebuttal).

dekatherms to TR-1 customers in January 2024, its revised CCOSS shows the same 68,136 dekatherms attributed to both TR-1 and TR-2 customers. The OAG speculated that GMG only included TR-1 sales to allocate demand-related costs to both TR-1 and TR-2 customers.

In its revised CCOSS, GMG removed TR-2 sales revenue from other classes, but did not remove TR-2-related costs. If TR-2 sales weren't included in the demand allocator, the OAG concluded that corresponding costs weren't properly assigned.

The OAG noted that GMG classified all meter costs as 100 percent customer related. However, based on GMG's rebuttal, the OAG argued that meter selection is partially influenced by load and should therefore be partly energy related. Additionally, the OAG argued that since most of GMG's interruptible customers use the system during peak periods, they should be allocated a share of gas demand costs.

The OAG reaffirmed its opposition to GMG's Minimum System CCOSS and argued that it should not be used for revenue apportionment. Tables 417 and 418 detail the OAG's revised Basic Customer and Peak and Average CCOSS.

Table 417: OAG Revised Basic Customer CCOSS³²

Rate Class	Total Cost	Present Rates - Total	Activation Fees/Reconnect Fees	Revenue (Shortfall) Overage	Percent Increase
Total	\$19,826,519.26	\$18,369,386.42	\$34,700.00	(\$1,422,432.84)	7.74%
Residential	\$10,774,557.10	\$9,879,302.28	\$34,700.00	(\$860,554.82)	8.71%
Small Commercial	\$1,361,461.00	\$1,270,892.85	\$0	(\$90,568.15)	7.13%
Commercial	\$549,742.81	\$451,074.16	\$0	(\$98,668.65)	21.87%
Medium Industrial	\$517,430.57	\$488,439.56	\$0	(\$28,991.01)	5.94%
Large Industrial	\$3,459,446.97	\$3,294,180.45	\$0	(\$165,266.52)	5.02%
Interruptible Industrial	\$456,187.51	\$587,390.13	\$0	\$131,202.62	-22.34%
Interruptible Agricultural	\$801,187.78	\$871,592.80	\$0	\$70,405.02	-8.08%
Transport	\$1,906,505.52	\$1,526,514.18	\$0	(\$379,991.34)	24.89%

³² Ex. OAG-305 at 13 (Stevenson Surrebuttal).

**Table 418: OAG Revised Peak and Average CCOSS³³**

Rate Class	Total Cost	Present Rates - Total	Activation Fees/Reconnect Fees	Revenue (Shortfall) Overage	Percent Increase
Total	\$19,826,519.26	\$18,369,386.42	\$34,700.00	(\$1,422,432.84)	7.74%
Residential	\$10,950,001.37	\$9,879,302.28	\$34,700.00	(\$1,035,999.09)	10.49%
Small Commercial	\$1,376,693.16	\$1,270,892.85	\$0	(\$105,800.31)	8.32%
Commercial	\$565,229.26	\$451,074.16	\$0	(\$114,155.10)	25.31%
Medium Industrial	\$529,781.50	\$488,439.56	\$0	(\$41,341.94)	8.46%
Large Industrial	\$3,498,861.22	\$3,294,180.45	\$0	(\$204,680.77)	6.21%
Interruptible Industrial	\$562,513.09	\$587,390.13	\$0	\$24,877.04	-4.24%
Interruptible Agricultural	\$985,456.81	\$871,592.80	\$0	(\$113,864.01)	13.06%
Transport	\$1,357,982.85	\$1,526,514.18	\$0	\$168,531.33	-11.04%

The OAG made several changes to its revised CCOSS, as follows:

- Implemented GMG's demand allocator from its revised CCOSS, while not allocating demand cost of gas to TR-1 customers;
- Shifted 1,393 dekatherms from other classes to TR-2 sales, based on average usage per TR-2 customer;
- Implemented GMG's adjusted sales allocator;
- Apportioned some demand cost to GMG's interruptible customers, as GMG has rarely interrupted them; and
- Removed the small commercial sales adjustment made in previous direct testimony.

In summary, the OAG recommended the following changes with GMG's CCOSS:

- Classify distribution costs as either 100 percent demand-related or 68.2 percent demand-related and 31.8 percent energy-related.
- Classify General Plant costs as equally demand-, customer-, and energy-related.
- Use TR-1 customer consumption to allocate demand-related distribution system costs.
- Use February consumption data in addition to January to allocate demand-related costs.
- Use at least three years of historical data in addition to the January and February test year consumption to allocate demand costs.

³³ Ex. OAG-305 at 14 (Stevenson Surrebuttal).



- Allocate demand-related distribution and General Plant costs using GMG's demand allocator with the forementioned modifications. Allocate customer-related distribution and General Plant costs using the same method as GMG's CCOSS. Allocate energy-related costs and energy-related General Plant costs using the same method as GMG's CCOSS.
- For GMG's next rate case, the Commission should decide whether it wants GMG to collect meter and service data by class to provide a more accurate CCOSS.
- For GMG's next rate case, require GMG to list Transportation customers as their own class.

10. GMG – Initial Brief

GMG reaffirmed its revised Minimum System Method CCOSS as reasonable, noting that parties accepted the study-based cost classification in the 2009 rate case. Additionally, GMG proposed no CCOSS or revenue allocation changes in the current proceeding in order to simplify the process, streamline the rate case, and reduce expense.

GMG indicated that while the Department initially agreed to proceed in the current rate case without enforcing the 2009 CCOSS requirements, it later requested a revised CCOSS reflecting those changes, which GMG provided on November 25, 2024. Thus, both GMG and the parties had access to a CCOSS with the Department's requested changes early in the proceeding.

GMG argued it met its burden of proving its CCOSS was reasonable and that no alternative studies sufficiently rebutted the presumption that the current rate allocation and design are just, reasonable, or in need of change.

GMG agreed to incorporate the 2009 CCOSS changes in future rate cases, but argued the Department's additional requested changes offer speculative benefits and overlook the potential cost impacts to GMG's ratepayers.

11. Department of Commerce – Initial Brief

The Department reaffirmed support for its surrebuttal CCOSS, citing major uncertainty in modeling GMG's cost causation. Additionally, the Department argued that GMG failed to (1) follow previous Commission orders regarding its CCOSS; (2) provide timely, accurate information on costs and revenues; and (3) notify parties after discovering serious errors in its CCOSS model. The Department noted the wide range of its CCOSS results due to GMG's removal of 436,649 MCF in projected consumption from its Commodity Cost Allocation Factor in rebuttal.

The Department argued that GMG's CCOSS was reverse-engineered to justify the Company's preferred rate design and the 2009 revenue allocation reflected fairness at that time, not for

perpetuity. As such, the Department argued that GMG contradicted the Minn. Stat. § 216B.03 requirement that “[r]ates shall not be unreasonably preferential ... or discriminatory.”

In surrebuttal testimony, GMG claimed that the Department’s CCOSS models contained major errors. However, the Department deemed most of GMG’s critiques were unfounded.³⁴ For example, GMG criticized the Department’s CCOSS model for having a Peak Responsibility that totaled 77.67 percent rather than 100 percent. The Department found the calculation accurate, as the capacity costs were properly allocated to transportation customers, with the remaining CCOSS amounts also assigned to that class rather than others.

12. OAG – Initial Brief

The OAG argued that GMG’s failure to disclose the commodity cost allocator change raises concerns about other possible CCOSS omissions. Additionally, because the change wasn’t explained in detail, neither the OAG nor Department could properly assess it. The OAG noted that any doubts are to be resolved in favor of consumers, which could justify rejecting GMG’s CCOSS.

The OAG summarized other methodological flaws in GMG’s CCOSS, as follows:

- GMG’s handling of transportation customers may have continued to distort the CCOSS results by excluding TR-2 customer sales from the demand allocator, even after assigning them to a separate class.
- GMG did not collect specific data about its own system to inform the CCOSS, which makes it more approximate.
- GMG allocated demand-related costs using consumption data from January 2024, whereas the OAG advocated for using both January and February of the three most recent years, plus the test year.
- GMG excluded its interruptible customers from the demand allocator for the demand cost of gas even though it rarely interrupts them.
- GMG classified its general plant costs as entirely customer-related even though they do not vary with the number of customers or clearly relate to any specific aspect of its business.

The OAG argued that multiple CCOSS methodologies should be considered and continued to affirm its revised Basic Customer and Peak and Average class cost of service studies, which are detailed in surrebuttal testimony above.

³⁴ After reviewing GMG’s rebuttal testimony, the Department agreed that a correction was necessary to the allocation for pipeline demand charges in the Department’s CCOSS. This change is reflected in the Department’s updated CCOSSs provided in surrebuttal. Ex. DOC-209 at 12–13 (Zajicek Surrebuttal). The Department notes that OAG-RUD also agreed with this correction. See Ex. OAG-305 at 8 (Stevenson Surrebuttal).

Additionally, the OAG emphasized that non-cost policy factors should influence GMG's revenue apportionment, including the area's high energy burden, sensitivity to rate increases, and the need to minimize rate shock.

13. GMG – Reply Brief

GMG maintained that its initial filing clearly explained how the CCOS was prepared, and neither the Department nor the OAG objected to its use. GMG argued that any remaining concerns about its revised CCOS or methodology could have been addressed during the evidentiary hearing. Additionally, GMG denied allegations of intentionally withholding information or misrepresenting CCOS adjustments.

GMG reaffirmed its position to maintain the current revenue apportionment, as it was determined just and reasonable in the 2009 rate case. Based on Table 419, GMG noted that its proportion of customers has stayed remarkably constant in the last 15 years.

Table 419: Comparison of GMG's Customer Mix

Rate Class	2009 YE Customers ³⁵		2024 YE Customers ³⁶		Change in %
	#	% of Total	#	% of Total	
Residential - Firm	3,399	90.54%	9,925	88.59%	-1.95%
Small Commercial - Firm	272	7.25%	996	8.89%	1.64%
Commercial - Firm	35	0.93%	57	0.51%	-0.42%
Industrial - Firm	8	0.21%	29	0.26%	0.05%
Industrial - Firm	6	0.16%	68	0.61%	0.45%
Agricultural - Interruptible	29	0.77%	91	0.81%	0.04%
Industrial - Interruptible	3	0.08%	6	0.05%	-0.03%
Transport	2	0.05%	31	0.28%	0.22%
TOTAL	3,754		11,203		

GMG questioned why the Department continued to raise concerns about its noncompliance with the 2009 rate case order, noting that the Department had acknowledged GMG's approach during the completeness review without objection.

Finally, GMG recommended that aside from the CCOS changes it committed to include in future rate cases, no further requirements should be imposed, as their benefits are speculative and would increase ratepayer costs. Instead, GMG deemed it best to rely on the Commission's existing statutory and regulatory mechanisms.

³⁵ Ex. DOC-205 at 71, Schedule SS-SR-1 (Shah Surrebuttal).

³⁶ Ex. GMG-110 at 3, Schedule RDB-SR-3 (Burke Surrebuttal).

14. Department of Commerce – Reply Brief

The Department argued that GMG misinterpreted Minn. Stat. § 216B.16 by asserting that its existing rate allocation and design are presumed reasonable under new rates on an element-by-element basis. The Department emphasized that the statute in question places the burden on utilities to demonstrate that each “component” of the proposed rates is fair and just. Therefore, GMG must once again establish the reasonableness of each element of its proposed rates.

Additionally, the Department argued that as GMG’s customer base and service territory have expanded significantly since its last rate case 15 years ago, it must demonstrate that its proposed rate allocation and design are fair and just. The Department recommended rejecting GMG’s proposed rate allocation and design.

15. OAG – Reply Brief

The OAG argued that GMG’s use of the same CCOSS from the 2009 rate case is unreasonable, notably because the Commission ordered changes that GMG mostly failed to implement. The OAG noted that intervenors requested reasonable changes, many of which could be made using Microsoft Excel, as shown by the OAG and GMG in rebuttal testimony. Resultingly, this demonstrated that the changes were not as burdensome as GMG initially claimed.

While GMG argued that CCOSS objections should have been raised during the completeness review, the OAG countered that the review only determines if filings meet basic requirements—not the quality or persuasive weight of evidence, which is the purpose of the contested case process.

GMG also claimed its past rate design is presumed reasonable for the current proceeding, but the OAG disagreed, asserting that GMG must prove its proposed rates and cost allocations are fair and just once again.

D. ALJ Report

The ALJ determined that GMG met its burden of proof in demonstrating the reasonableness of its revised CCOSS, as presented in its Rebuttal Testimony. The ALJ also found the use of the Minimum System method to be a reasonable approach for cost classification in this proceeding. Furthermore, if additional CCOSS requirements are considered in GMG’s future rate cases, the ALJ recommended that the Commission weigh the costs and benefits in light of GMG’s small size.

The ALJ noted the following in her findings:

304. Cost causation studies are performed during a general rate case. A CCOSS is used to identify the costs and revenues associated with each service class and allocate the utility’s total revenue requirement among those classes.

305. For the CCOSS in this case, GMG used the same minimum system study method it used in its 2009 rate case.

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

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

308. GMG does not own CCOSS software and did not hire a consultant to develop its CCOSS. GMG explained that performing additional CCOSS would require substantial resources that GMG does not have.

309. Because GMG lacks the resources to perform a Zero Intercept study with GMG personnel, GMG chose not to incur the costs to perform such a study.

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

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

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

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

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

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

316. The Department and OAG disagreed with GMG's CCOSS for numerous reasons. The Department argued that Commission's previous GMG rate case orders instructed GMG to include features in a future CCOSS that were omitted. The Department maintained that GMG's non-compliance indicated that its cost studies were flawed. Both the Department and the OAG maintain that GMG's Minimum System Study is unreliable because they assert GMG failed to perform a demand adjustment.

317. GMG updated its model to: (i) establish a separate class for Transportation customers and their corresponding costs and revenues; (ii) reallocate costs to the appropriate rate class using the same methodology as approved in the 2009 rate case; and (iii) make additional changes to Capacity, Demand, and Commodity costs that GMG asserts better align the model with accepted cost-causation principles.

318. There is no single type of CCOSS that the Commission has approved for all cases. Given this record, the Administrative Law Judge finds that the Minimum System method is a reasonable method for classification of costs in this case.

319. The Administrative Law Judge also finds that GMG met its burden of demonstrating the reasonableness of its CCOSS, as revised in Rebuttal Testimony.

320. The Department recommended numerous adjustments for GMG to implement into its CCOSS in future rate cases, including:

- a more detailed breakdown of costs by FERC account;
- the transportation classes grouped as their own classes, rather than included in a similar class;
- calculation and inclusion of a demand adjustment to its Minimum System Method study;
- aggregating customers that share the same distribution line for the purpose of allocating distribution costs;
- breaking out meters, regulators, and fittings by each customer class from GMG's larger groupings of these items; and
- inclusion of the required changes from the 2009 Rate Case Order.

321. GMG argues that during the course of the rate case, it created a separate cost group for Transportation customers and included the required changes from the 2009 rate case in its updated CCOSS. GMG submitted this updated CCOSS in Rebuttal Testimony and agreed that it is appropriate to include these changes in future cost studies.

322. GMG disagreed that a requirement for GMG to implement further changes beyond the 2009 requirements to its CCOSS in the future was warranted. GMG maintains that the Department's proposal provides uncertain and speculative benefits, and downplays that significant cost impact of these changes.

323. Implementing the proposed changes would require significant resources; quite likely including additional personnel, consultant expense, and licenses for modeling software. These rate case expenses would ultimately be borne by GMG's ratepayers.

324. The Administrative Law Judge finds that GMG demonstrated the reasonableness of its revised CCOSS in this rate case. To the extent that the Commission determines that additional requirements should apply in GMG's future rate cases, the Commission should balance the costs and benefits of such requirements given GMG's small size.

E. ALJ Report – Exceptions

1. GMG

GMG noted that although the ALJ did not comment on the Department's recommended CCOSS adjustments for future rate cases, the ALJ acknowledged that implementing would likely require GMG to hire an external CCOSS expert or consultant, add additional personnel, and pay for CCOSS modeling software licenses.

GMG estimated that implementing the forementioned changes, at a conservative estimate of \$50,000, would translate to a \$4.50 increase per customer—comparable to CenterPoint Energy spending \$4.1 million on CCOSS studies, which GMG argued would be imprudent.

GMG maintained its opposition to the Department's proposed CCOSS adjustments for future rate cases and requested that the Commission's final order override any previous orders while clearly outlining GMG's CCOSS filing requirements for its next rate case.

2. Department

The Department took exception to the ALJ's recommendation to adopt GMG's CCOSS, stating that the CCOSS purpose is to "identify, as accurately as possible, each customer class' causal responsibility for each cost the utility incurred in providing service."³⁷ The Department argued that the ALJ's findings overlooked GMG's failure to implement the previously ordered CCOSS changes from the 2009 rate case and that GMG's CCOSS obscured actual costs by customer class.

³⁷ *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, FINDINGS OF FACT, CONCLUSIONS, AND ORDER at 40 (February 1, 2022).

Additionally, the Department noted that the ALJ did not acknowledge GMG's lack of transparency, lack of demand adjustment and cost escalator, or unresolved questions in the removing of 436,649 MCF in projected consumption from its rebuttal CCOSS.

The Department reaffirmed support for its Basic Customer and Minimum System CCOSS, as the Commission has found multiple CCOSS results to be useful.

The Department acknowledged that ratepayer costs and benefits of its proposed CCOSS changes for GMG's next rate case should be considered, as the ALJ noted. However, the Department noted that GMG's refusal to comply with past Commission orders resulted in significant unnecessary time and resources during the present rate case. The Department reaffirmed its recommended CCOSS requirements for GMG's next rate case, which are detailed below.

- Split General Plant equally between demand, customer, and capacity costs in future CCOSSs or develop a new classification method for General Plant.
- Develop a new CCOSS model that includes:
 - a more detailed breakdown of costs by FERC account;
 - the transportation classes as their own classes, rather than included in similar classes;
 - calculation and inclusion of a demand adjustment to its Minimum System Method study;
 - aggregation of customers that share the same distribution line for the purposes of allocating distribution costs;
 - breaking out values for meters, regulators, and fittings by each customer class, not grouped into larger buckets; and
 - inclusion of ordered changes from the 2009 Rate Case Order.

The Department proposed the following amendments to the ALJ's proposed findings.

CCOSS Methodology

304. Cost causation studies are performed during a general rate case. A CCOSS is used to identify the costs and revenues associated with each service class as accurately as possible and allocate the utility's total revenue—requirement among those classes. Although it is appropriate to take policy goals into consideration in setting rates for each customer class, such considerations should be transparently addressed in the rate design step.

305. For the CCOSS in this case, GMG used the same minimum system study method it used in its 2009 rate case. Although GMG was aware that the Commission's order in the 2009 rate case required GMG to make specified changes to its CCOSS in its next rate case, GMG "intentionally chose to not change its CCOSS or revenue allocation among classes since the fairness of the current revenue allocation was previously settled, and shifting allocations based on new CCOSS methodologies undermines that principle."

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

308. GMG does not own CCOSS software and did not hire a consultant to develop its CCOSS. GMG ~~explained~~ argued that performing additional CCOSS would require substantial resources that GMG does not have. However, GMG also testified that it had already performed a CCOSS that followed the changes ordered in the 2009 rate case, and did not initially file it or share it with the other parties because GMG did not want to make any changes to its rate design.

308a. Since GMG's revenue allocation was last set, "[b]oth the number of GMG's service areas and the number of its customers within each service area have increased dramatically." This growth, however, has not been uniform across different customer classes. For example, from 2008 to 2023, GMG's revenues have increased by 2.37 times for residential customers, 6.62 times for commercial customers, and 99.0 times from firm transportation customers. In light of this dramatic and uneven growth, it is not reasonable to presume that the revenue allocation set in 2009 remains fair and reasonable.

~~309. Because GMG lacks the resources to perform a Zero Intercept study with GMG personnel, GMG chose not to incur the costs to perform such a study.~~

~~310. Moreover, because GMG's proposed rate increase is relatively flat across all of its classes, and GMG made no changes to its rate design from that of its prior rate case, it argued that the additional cost studies were unnecessary. GMG maintains that it used its CCOSS simply to verify the fairness of its proposed rate increases across rate classes. The CCOSS was not used to support changes in the rate design.~~

~~311. Additionally, GMG is deeply critical of the premises underlying Zero-Intercept system studies. It argues that the results of such studies "unfairly impact[] low-usage customers...."~~

313. The Department and OAG later argued recommended that the Commission should consider a range of CCOSS results as a starting point for rate design. This recommendation was based, in part, on the Commission's long-standing preference for considering a range of CCOSS results.



316. The Department and OAG disagreed with GMG's CCOSS for numerous reasons. The Department argued that Commission's previous GMG rate case orders instructed GMG to include features in a future CCOSS that were omitted. The Department maintained that GMG's non-compliance, lack of transparency regarding changes made to its CCOSS in rebuttal testimony, and direct statements that it had made modeling choices for the express purpose of generating results that supported its preferred rate design indicated that its cost studies were flawed. Both the Department and the OAG ~~maintain~~ demonstrated that GMG's Minimum System Study is unreliable because ~~they assert~~ GMG failed to did not actually perform a demand adjustment it had claimed to make. The Department also noted that GMG failed to use a cost escalator. A cost escalator is important for generating accurate results from a Minimum System method study because it normalizes historical costs to account for changes in the value of the dollar and changes in prices over time.

317. GMG claimed that it updated its model to: (i) establish a separate class for Transportation customers and their corresponding costs and revenues; (ii) reallocate costs to the appropriate rate class using the same methodology as approved in the 2009 rate case; and (iii) make additional changes to Capacity, Demand, and Commodity costs that GMG asserts better align the model with accepted cost-causation principles.

317a. In Rebuttal Testimony, GMG removed 436,649 MCF of projected consumption from its calculation of Commodity Cost Allocation Factors in its rebuttal CCOSS. Although GMG provided an itemized list of changes it made to its CCOSS in its testimony, it did not acknowledge this change. When the Department followed up with GMG to get additional information on why this change was not disclosed, GMG said that it did not address it because GMG "continues to not support any rate design changes." Based on the compressed timeline for the contested case proceedings and GMG's lack of transparency, the Department was not able to determine whether the removal of 436,649 MCF from projected consumption was appropriate. As a result, the Department provided a range of CCOSS results, shown in Table 1 and Table 2 below.³⁸

318. There is no single type of CCOSS that the Commission has approved for all cases. Given this record, the range of results between the edited Company rebuttal CCOSS and the Department's basic customer CCOSS ~~Administrative Law Judge finds that the Minimum System method is a reasonable method for classification of costs~~ are a reasonable starting point for revenue allocation in this case.

³⁸ Relevant table is on pp. 24 of this briefing paper.

~~319. The Administrative Law Judge also finds that GMG met its burden of demonstrating the reasonableness of its CCOSS, as revised in Rebuttal Testimony.~~

Future CCOSS Recommendations

320. The Department recommended ~~numerous adjustments~~ changes for GMG ~~to implement into~~ should be required to make to its CCOSS in future rate cases, ~~including:~~ Specifically, the Department requested that the Commission order GMG to provide:

- a more detailed breakdown of costs by FERC account;
- the transportation classes grouped as their own classes, rather than included in a similar class;
- calculation and inclusion of a demand adjustment to its Minimum System Method study;
- aggregation ~~ing~~ on ~~of~~ customers that share the same distribution line for the purpose of allocating distribution costs;
- a ~~breaking~~ out ~~of~~ meters, regulators, and fittings by each customer class from GMG's larger groupings of these items; and
- inclusion of the required changes from the 2009 Rate Case Order.

321. GMG argues that during the course of the rate case, it created a separate cost group for Transportation customers and included the required changes from the 2009 rate case in its updated CCOSS. GMG submitted this updated CCOSS in Rebuttal Testimony and agreed that it is appropriate to include these changes in future cost studies. However, given GMG's lack of transparency regarding the changes it made to its CCOSS, the Department and OAG-RUD were unable to determine GMG's rebuttal CCOSS was accurately performed and in alignment with GMG's description of the CCOSS.

323. GMG's refusal to follow Commission orders and develop on appropriate CCOSS has not saved its ratepayers money, but has resulted in the expenditure of significant unnecessary resources as the Department and OAG-RUD have needed to dig through flawed models, submit information requests, and re-do work after serious errors were uncovered. These recommendations are aimed at preventing similar issues from reoccurring. Implementing the proposed changes would require significant resources; quite likely including additional personnel, consultant expense, and licenses for modeling software. These rate case expenses would ultimately be borne by GMG's ratepayers.

324. The Department's recommended requirements for GMG to implement into its CCOSS in future rate cases are reasonable and are adopted. The Administrative Law Judge finds that GMG demonstrated the reasonableness of its revised CCOSS in this rate case. To the extent that the Commission determines that additional requirements should apply in GMG's future rate cases, the Commission should balance the costs and benefits of such requirements given GMG's small size.

3. OAG

The OAG took exception to the ALJ's finding to solely rely on GMG's Minimum System CCOSS, noting the Commission has repeatedly recognized the value of considering multiple CCOSSs, stating the following from 2023:

The Commission has long held that no single cost study method can be judged superior to all others in all contexts, and the choice among methods involves disputes over assumptions, applications, and data. This conclusion is supported by the fact that the NARUC Manual identifies a variety of methods for allocating cost. While evaluating data from a variety of studies will not eliminate any study's weaknesses, it provides a broader range of perspectives from which to evaluate each study and can reduce the impact of any particular study's flaws.³⁹

The OAG emphasized that GMG's Minimum System CCOSS failed to reasonably estimate class cost causation or support just and reasonable rates, and argued it should be rejected in favor of the OAG's CCOSSs, which are guided by non-cost factors and less susceptible to evidentiary flaws.

The OAG indicated that GMG's failure to disclose major CCOSS changes, such as the removal of transport customer sales from the commodity cost allocator, is inappropriate for a party with the burden of proof and undermines the Commission's regulatory mandate.

The OAG took exception to the ALJ's finding that the Department and OAG merely asserted GMG failed to perform a demand adjustment. The OAG and Department experts demonstrated no such adjustment existed—making it a factual determination rather than a simple assertion. The OAG noted that the ALJ neither found that GMG made a demand adjustment nor refuted the OAG's and Department's conclusion that no such adjustment was performed. Additionally, the ALJ did not address other methodological flaws with GMG's CCOSS that have significant impacts.

Finally, the OAG took exception to the ALJ's finding that GMG's inability to produce a workable CCOSS was due to resource constraints and its small size, arguing that GMG was able to comply

³⁹ *In the Matter of the Application of Minnesota Power for Authority to Increase Rates for Electric Service in Minnesota*, Docket No. E-015/GR-21-335, FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER at 58 (February 28, 2023).

with previous Commission orders and possessed the necessary software but chose not to use it. The OAG noted that most of its future CCOSS recommendations would not result in increased costs unless GMG knowingly disregarded the Commission's order, as it did in this case.

The OAG proposed the following amendments to the ALJ's proposed findings.

CCOSS Methodology

304. Cost causation studies are performed during a general rate case. A CCOSS is used to identify the costs and revenues associated with each service class and allocate the utility's total revenue requirement among those classes. While the CCOSS should be based on the real-life engineering principles of Greater Minnesota Gas's distribution system, there are many contestable determinations analysts must make when performing a CCOSS. The Commission has therefore historically relied on multiple different CCOSSs to inform its revenue apportionment decisions.

305. For the CCOSS in this case, GMG used the same minimum system study method it used in its 2009 rate case, without the changes that the Commission had ordered it to make. Greater Minnesota Gas stated that including those changes would be unduly burdensome. A minimum system CCOSS attempts to determine the portion of the shared distribution system that is customer-related and not related to gas consumption. In a minimum system study, the utility estimates the cost of the distribution system if it were built with the minimum size equipment, such that it would carry no capacity and all costs of this hypothetical system would therefore be customer-related. Any costs of the real system that are not classified as customer-related in this way are therefore classified as demand-related.

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

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

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

308. Because GMG lacks the resources to perform a Zero Intercept study with GMG personnel, GMG chose not to incur the costs to perform such a study.

Although the Department explained what a zero intercept study is, no party requested that GMG produce such a study.

309. Moreover, because GMG's proposed rate increase is relatively flat across all of its classes, and GMG made no changes to its rate design from that of its prior rate case, it argued that the additional cost studies were unnecessary.

GMG maintains that it decided how it wanted to increase its rates and then used its CCOSS simply to verify the fairness of its proposed rate increases across rate classes, contrary to standard ratemaking principles. The CCOSS was not used to support changes in the rate design.

310. Additionally, GMG is deeply critical of the premises underlying Zero Intercept system studies. It argues that the results of such studies "unfairly impact[] low-usage customers...." However, no party recommended that GMG perform a zero intercept study or that the Commission rely on one.

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

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

311. The ~~Department and~~ OAG disagreed with GMG's CCOSS for numerous reasons. ~~The Department argued that Commission's previous GMG rate case orders instructed GMG to include features in a future CCOSS that were omitted. The Department maintained that GMG's non-compliance indicated that its cost studies were flawed. Both the Department and the OAG maintain that GMG's Minimum System Study is unreliable because they assert GMG failed to perform a demand adjustment. First, all minimum system studies are flawed because they assume that the addition of customers is a main driver of distribution system costs, but it is more accurate to say that distribution system costs are driven by the need to meet the peak demand and energy usage of customers. Second, GMG failed to perform a demand adjustment, which is necessary for any minimum system study because utilities model their system with their smallest actual main and then use a demand adjustment to classify a larger portion of the cost of these mains as demand-related. Greater Minnesota Gas uses a 2-inch main for its minimum system, which carries capacity for its customers. Although Greater Minnesota Gas stated that it performed a demand adjustment, it did not.~~

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

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

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

315. The Basic Customer method classifies only costs that can be directly attributed to a customer as customer-related. This can be part of the cost of meters, service lines, customer accounting as these are the only costs that vary directly with the number of customers. The rest of the distribution system is classified as demand-related. Shared distribution system costs can be classified as demand-related in this way because utilities must design their systems to meet peak customer demand. The size and design of the shared distribution system must be able to handle the volume and pressure on a day when customer demand is at its greatest.

316. The OAG created a Basic Customer CCOSS that classified shared distribution accounts such as the cost of distribution mains, land and land rights, and measuring and regulating station equipment, as well as the depreciation expense related to these accounts, as 100 percent demand related. It also classified general plant costs as equally demand-, energy-, and customer-related. The OAG still classified services, meters, or house regulators, and the depreciation associated with these accounts as customer-related. The OAG classified operation costs found in FERC accounts 870-881 as mostly demand-related, calculating the customer-related portion by multiplying the distribution operations cost by the percent of rate base that it classified as customer-related. The remaining costs were classified as demand-related.

317. The Peak and Average method, like the Basic Customer method, only classifies costs that can be directly attributed to a customer as customer-related. All shared distribution costs are classified as either energy- or demand-related. The reason for this approach is that a distribution system is built to serve two purposes: to deliver gas to ratepayers at all times, suggesting shared costs are partially energy-related, and to meet customer demand during system peaks, suggesting shared costs are partially demand-related.

318. The Peak and Average method seeks to identify which portion of shared

distribution costs is energy related, meaning it delivers gas at all times, and which portion is demand related, meaning it meets demand during system peaks. The percent of a main that is used to serve daily energy needs is determined by the system load factor. The system load factor is average consumption divided by peak consumption. It represents the percentage of the main that is used to serve average energy needs. The rest of the distribution system costs are classified as demand-related, as these are the costs necessary to handle system peaks.

319. For its Peak and Average CCROSS, the OAG calculated Greater Minnesota Gas's load factor for the 2025 test year as roughly 31.8 percent, so under this approach, the OAG classified 31.8 percent of distribution costs as energy-related and 68.2 percent of distribution costs as demand related. The OAG found the customer-related portion of shared distribution operations costs in FERC accounts 870-881 by multiplying the distribution operations cost by the percent of rate base that it classified as customer related, and then classifying the remaining costs using the Peak and Average method.

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

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

322. The Commission Administrative Law Judge also finds that GMG failed to meet its burden of demonstrating the reasonableness of its CCROSS, as revised

in Rebuttal Testimony. The Commission will consider the OAG's Basic Customer and Peak and Average CCOSSs because GMG's CCOSSs lack integrity.

Future CCOSS Recommendations

~~322. GMG disagreed that a requirement for GMG to implement further changes beyond the 2009 requirements to its CCOSS in the future was warranted. GMG maintains that the Department's proposal provides uncertain and speculative benefits, and downplays that significant cost impact of these changes.~~

~~323. Implementing the proposed changes would require significant resources; quite likely including additional personnel, consultant expense, and licenses for modeling software. These rate case expenses would ultimately be borne by GMG's ratepayers.~~

~~324. The Administrative Law Judge finds that GMG demonstrated the reasonableness of its revised CCOSS in this rate case. To the extent that~~ The Commission determines that the Department's additional requirements should apply in GMG's future rate cases, as the Commission ~~should balance~~ has considered the costs and benefits of such requirements and determined that these requirements are unlikely to increase costs given GMG's small size.

F. Staff Comment

Staff observes that the cost studies presented by GMG, the Department, and OAG are at best estimates of the true cost of service. GMG submitted a Minimum System CCOSS, which was similar to its 2009 rate case. The Department and OAG submitted multiple cost studies to align with Commission precedent of considering multiple study methods.

While an average of the cost studies may have some statistical appeal, it ignores the conceptual foundation of each CCOSS method. However, to the extent the CCOSS is only one consideration in the determination of revenue responsibility to classes, it is not absolutely necessary to adopt a specific method.

Staff notes the Department included in direct testimony a recommendation about GMG's use of a Cost Escalator for future Minimum System CCOSS'. In rebuttal and surrebuttal, the Department reaffirmed its original recommendations, but did not mention the Cost Escalator. Staff will include this as a decision option, but the Commission may want to confirm at the October 9th agenda meeting whether the Department is supportive of this option.



VI. Decision Options

CCOSS – Current Rate Case Considerations

401. Adopt GMG’s revised CCOSS model using Minimum System methodology. [GMG, ALJ]

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

- A. Adopt ALJ Findings 304-324 (pp. 31-33).
- B. Classify shared distribution costs as 71.58 percent customer-related and 28.42 percent demand-related.
- C. Exclude TR1 customer sales from the allocation of demand-related distribution system costs.
- D. Use January 2024 consumption data to allocate demand-related costs.
- E. Classify General Plant costs as 100 percent customer-related.

Or

402. Adopt the Department’s CCOSS using the Basic Study and Minimum System methodologies. [Department]

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

- A. Adopt ALJ Findings 307, 312, 314-315, and 322. (pp. 31-33)
- B. Reject ALJ Findings 306, 309-311, and 319 (pp. 35-37).
- C. Replace ALJ Findings 304, 308, 313, 316-318, 320, and 323-324 with the Department’s proposed language (pp. 35-38).
- D. Supplement ALJ Findings 305 and 321 with the Department’s additional language (pp. 35, 37).
- E. Supplement ALJ Findings 308 and 317 with the Department’s additional language, as set forth in the Department’s 308a and 317a (pp. 35-37)



- F. Include TR1 customer sales in the allocation of demand-related distribution system costs.
- G. Classify General Plant costs as equally demand-, energy-, and customer-related.

Or

403. Adopt the OAG's CCOSS using the Basic Customer and Peak and Average methodologies. [OAG]

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

- A. Adopt ALJ Findings 320-321 (pp. 32-33).
- B. Reject ALJ Findings 306, 312-313, and 322-323 (pp. 40, 43).
- C. Replace ALJ Findings 307-308, 310, and 314-319 (OAG re-numbered 306-307, 309, 311-314, 320-322) with the OAG's proposed language (pp. 40-43).
- D. Replace ALJ Finding 324 with the OAG's proposed language (pp. 43).
- E. Supplement ALJ Findings 304-305, 309 (OAG re-numbered 308), and 311 (OAG re-numbered 310) with the OAG's additional language (pp. 39-40).
- F. Supplement ALJ Finding 315 with the OAG's additional language, as set forth in OAG Findings 315-319 (pp. 41-42).
- G. Classify shared distribution costs as 100 percent demand-related;

Or

- H. Classify shared distribution costs as 68.2 percent demand-related and 31.8 percent energy-related.
- I. Classify customer-related distribution costs using the same method as GMG's Minimum System CCOSS.
- J. Classify energy-related distribution costs using the same method as GMG's Minimum System CCOSS.



- K. Include TR1 customer sales in the allocation of demand-related distribution system costs.
- L. Use February consumption data in addition to January to allocate demand-related costs.
- M. Use, at minimum, three years of January and February consumption data, in addition to January and February test year sales to allocate demand-related costs.
- N. Classify General Plant costs as equally demand-, energy-, and customer- related.
- O. Classify customer-related General Plant costs using the same method as GMG's Minimum System CCOSS.
- P. Classify energy-related General Plant costs using the same method as GMG's Minimum System CCOSS.
- Q. Determine that GMG's CCOSS failed to show a reasonably estimated class cost causation, or provide a reasonable basis for determining just and reasonable rates.

Or

404. Do not adopt a specific CCOSS methodology.

Future CCOSS – Recommendations

405. Require GMG to implement the following CCOSS items for future rate cases:
- A. Use of a cost escalator, such as the commonly used Handy Whitman cost escalator, in preparing a Minimum System Method study. [Staff]
 - B. The transportation classes grouped as their own classes, rather than included in a similar class. [GMG, Department, OAG]
 - C. Inclusion of the required changes from the 2009 Rate Case Order. [GMG, Department, OAG]
 - D. A more detailed breakdown of costs by FERC account. [Department, OAG]
 - E. Calculation and inclusion of a demand adjustment to its Minimum System Method study. [Department, OAG]



- F. Aggregating customers that share the same distribution line for the purpose of allocating distribution costs. [Department, OAG]
- G. Breaking out values for meters, regulators, and fittings by each customer class from GMG's larger groupings of these items. [Department, OAG]
- H. Split General Plant equally between demand, customer, and capacity costs in future CCOSSs or develop a new classification method for General Plant. [Department, OAG]
- I. Include transportation volumes to determine the demand allocator. [Department, OAG]
- J. No longer allocate pipeline capacity charges to the transportation customer class. [Department, OAG]
- K. Collect meter and service data by class to provide a more accurate CCOSS. [OAG]

Final Rates Determination

- 406. Base final rates on GMG's revised Minimum System CCOSS, as detailed in Rebuttal Testimony. [GMG]
- 407. Base final rates somewhere between the Department's Basic Customer and Minimum System CCOSS's, as represented in the Department's Surrebuttal Testimony. [Department]
- 408. Base final rates on the OAG's Basic Customer and Peak and Average CCOSS's, along with other non-cost factors, as represented in the OAG's Surrebuttal Testimony. [OAG]

General

- 409. The Commission's final order in this rate case will override any CCOSS filing requirements set by previous orders for purposes of GMG's next rate case. [GMG]