

STATE OF MINNESOTA
OFFICE OF ADMINISTRATIVE HEARINGS

FOR THE PUBLIC UTILITIES COMMISSION

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

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**SUMMARY OF PUBLIC TESTIMONY,
FINDINGS OF FACT,
CONCLUSIONS OF LAW AND
RECOMMENDATION**

On November 1, 2024, Greater Minnesota Gas, Inc. (GMG or the Company) filed an application to increase its natural gas rates in Minnesota (Application). GMG requested an increase in its base rate revenues of approximately \$1.4 million, that amounts to an increase of 7.7 percent annually. This matter came before Administrative Law Judge Jessica A. Palmer-Denig for an evidentiary hearing on April 16, 2025. The hearing record closed following the receipt of the parties' final filings on May 22, 2025.

Eric F. Swanson and Christopher J. Cerny, Winthrop & Weinstine, P.A., and Kristine Anderson, Corporate Attorney, appeared on behalf of GMG.

Katherine N. Arnold and Amrit K. Hundal, Assistant Attorney General, appeared on behalf of the Minnesota Department of Commerce, Division of Energy Resources (Department or DER).

Joey D. Cherney and Katherine M. Hinderlie, Assistant Attorneys General, appeared on behalf of the Office of the Attorney General – Residential Utilities Division (OAG).

Jason Bonnett and Justin Andringa appeared on behalf of the staff of the Minnesota Public Utilities Commission (Commission).

STATEMENT OF ISSUES

On December 11, 2024, the Commission issued a Notice of and Order for Hearing, referring the matter to the Office of Administrative Hearings (OAH) for contested case proceedings. The Commission requested parties to address the following issues during the course of this proceeding:

- (1) Is the test year revenue increase sought by the Company reasonable or will it result in unreasonable and excessive earnings by the Company?

- (2) Is the rate design proposed by the Company reasonable?
- (3) Are the Company's proposed capital structure and return on equity reasonable?
- (4) Whether the base cost of gas proposed in Docket No. G022/MR-24-351 needs to be updated?
- (5) Reasons for the significant changes of the following costs since the last rate case, including a:
 - (a) 182.8 percent increase in Cost of Gas Expense;
 - (b) 739.7 percent increase in Distribution Expense
 - (c) 47.8 percent increase in Customer Accounts expense;
 - (d) 318.7 percent increase in General and Administrative expense;
 - (e) 572.8 percent increase in Depreciation and Amortization expense;
 - (f) 259.0 percent increase in expenses for Taxes Other than Income;
 - (g) 200.6 percent increase in Income Tax expense.
- (6) How much Top 10 executive compensation costs should be recovered in rates?
- (7) Whether the proposed income tax rider proposal should be adopted?

SUMMARY OF CONCLUSIONS

The hearing record demonstrates that GMG will experience a revenue deficiency of approximately \$1.36 million. GMG is entitled to recover this revenue deficiency through an adjustment of its retail natural gas rates.

The capital structure, costs of debt, and return on equity reflected in the findings below are reasonable and should be used in determining an overall rate of return.

Modifying GMG's natural gas rates in the manner described in the findings and conclusions below, including those related to rate design, will result in just and reasonable rates that serve the public interest.

Providing for recovery of the expenses described in the findings and conclusions below is reasonable, appropriate, and supported by the hearing record.

Based upon the evidence in the hearing record, the Administrative Law Judge makes the following:

FINDINGS OF FACT

I. The Parties

1. GMG is a natural gas distribution company and a wholly owned subsidiary of Greater Minnesota Synergy, Inc., an investor-owned company.¹

2. The Department is a state agency charged by the legislature to intervene in Commission proceedings to prevent the waste of public money, encourage energy conservation, and ensure compliance with state's environmental policy.²

3. The OAG is charged by the legislature to intervene in Commission proceedings to further "the interests of residential and small business utility consumers" in matters touching upon a public utility's rates or adequacy of service to residential or small business utility consumers.³

II. Procedural Background

4. On November 1, 2024, GMG initiated this rate case seeking authority to raise its retail natural gas rates to increase its gross revenues by \$1.4 million, or 7.7 percent, annually.⁴

5. On November 6, 2024, the Commission issued a Notice of Comment Period on Completeness and Procedures to potentially interested parties, requesting comments on two topics: (i) whether GMG's application complied with the filing requirements of Minn. Stat. § 216B.16 (2024), Minn. R. 7825.3100-7825.4400 (2023), and relevant Commission Orders, and (ii) whether the Commission should refer the matter to the OAH for a contested case hearing.⁵

6. On November 12, 2024, the Department filed comments recommending that the Commission conditionally accept GMG's rate case filing pending submission of supplemental information on or before December 13, 2024. It also recommended that the Commission refer the matter to the OAH for contested case proceedings.⁶

¹ Exhibit (Ex.) GMG-103 at 3 (Chilson Direct).

² Minn. Stat. § 216A.07, subds. 3, 6(1) (2024); Minn. R. 7829.0800, subp. 3 (2023).

³ Minn. Stat. § 8.33, subds. 2-5 (2024).

⁴ Notice of and Order for Hearing at 1 (Dec. 11, 2024) (eDocket No. 202412-212923-01).

⁵ *Id.*

⁶ Comments of the Minnesota Department of Commerce, Division of Energy Resources (Nov. 12, 2024) (eDocket No. 202411-211833-01).

7. The Department requested supplemental information because it identified two items in GMG's Application that did not conform to the requirements provided in Minn. R. 7825.3100-.4400, and two items that did not conform to the Commission's Order in the Company's last rate case. The Department stated that GMG did not provide calculations of its income deficiencies and revenue requirements for the most recent fiscal year and the projected fiscal year as required by Minn. R. 7825.3900, and did not include the average rate base amounts for the most recent fiscal year. The Department requested that GMG provide this information in a supplemental filing on or before December 13, 2024.⁷

8. The Department also requested that GMG explain in reply comments whether it could implement interim rates as a separate line item on customer bills and if it could extract interim rate revenue data from its billing system, if later refunds were necessary.⁸

9. GMG acknowledged the Commission's direction in GMG's last rate case, in 2009, to include classification and allocation detail on particular groups of expenses in its class cost of service study (CCOSS). GMG notes that it does not have the resources (without the purchase of costly modeling software or hiring of specialized outside consultants) to meet these requirements. It urged the Commission to find its submissions acceptable and contended that strict compliance with the earlier order would be unduly burdensome and increase rate case expense.⁹

10. The Department stated that given the amount of time that elapsed since GMG's last rate case, and the changes to the Department's general approach to CCOSS during those 15 years, the Department was comfortable proceeding in this case without requiring GMG to comply with each filing requirement. However, it did seek an explanatory filing identifying and describing each classification and allocation method used in GMG's CCOSS. The Department requested that GMG provide this information in a supplemental filing on or before December 13, 2024.¹⁰

11. Similarly, noting the challenges GMG would face in manually compiling certain forecast data from paper records, the Department agreed that the more limited five-year cache of GMG billing and sales data was sufficient.¹¹

12. Also on November 12, 2024, the OAG filed comments recommending that the Commission refer the matter to the OAH for a contested case hearing, and not narrow the scope of the proceeding in any way from the standard rate case procedures. The OAG commented that a contested case was appropriate to provide the parties

⁷ *Id.* at 3.

⁸ *Id.*

⁹ Ex. 103, Schedule CJC-1 at 6.

¹⁰ Comments of the Minnesota Department of Commerce, Division of Energy Resources (Nov. 12, 2024) (eDocket No. 202411-211833-01).

¹¹ *Id.*

sufficient time to investigate the filing and because the factual basis for rates may have changed considerably since GMG's last rate case in 2009.¹²

13. On November 18, 2024, GMG filed reply comments agreeing to provide a supplemental filing with the information requested by the Department by December 13, 2024. It agreed with the agency recommendations to refer this matter to the OAH. GMG also confirmed that it was able to implement interim rates as a separate line item on its bills and appropriately calculate interim rate refunds, if necessary.¹³

14. On December 2, 2024, GMG filed a supplemental filing to provide the information requested in the comments of the Department.¹⁴

15. On December 11, 2024, the Commission issued a Notice of and Order for Hearing which, among other things, referred the case to the OAH for contested case proceedings on the issues noted above.¹⁵

16. Also on December 11, 2024, the Commission issued a separate Order accepting the Company's filing, suspending the proposed rates, and extending the timeline for its decision. The Commission also issued a third order that established interim rates.¹⁶

17. The Administrative Law Judge convened a prehearing status and scheduling conference on January 15, 2025, and the Administrative Law Judge issued the First Prehearing Order on January 22, 2025. The First Prehearing Order established the timeline and procedural milestones for this proceeding. On January 22, 2025, the Administrative Law Judge also issued a Protective Order.¹⁷

18. On February 25, 2025, the Administrative Law Judge issued a Public Hearing Scheduling Order stating that the parties agreed to a schedule for public hearings and provided the timeline and process for those hearings.¹⁸

19. On February 28, 2025, the Department and the OAG filed Direct Testimony.¹⁹

20. Public hearings were held virtually using WebEx technology on March 18, 19, and 20, 2025. Members of the public were able to join the virtual public meetings via

¹² Comments of the Office of the Attorney General, Residential Utilities Division (Nov. 12, 2024) (eDocket No. 202411-211818-01).

¹³ Reply Comments of Greater Minnesota Gas, Inc. (Nov. 18, 2024) (eDocket No. 202411-212098-01).

¹⁴ Supplemental Filing of Greater Minnesota Gas, Inc. (Dec. 2, 2024) (eDocket No. 202412-212594-01).

¹⁵ Notice of and Order for Hearing (Dec. 11, 2024) (eDocket No. 202412-212923-01).

¹⁶ Order Accepting Filing, Suspending Rates, and Extending Timeline (Dec. 11, 2024) (eDocket No. 202412-212924-01); Order Setting Interim Rates (Dec. 11, 2024) (eDocket No. 202412-212925-01).

¹⁷ First Prehearing Order and Protective Order (Jan. 22, 2025) (eDocket No. 20251-214251-01).

¹⁸ Public Hearing Scheduling Order (Feb. 25, 2025) (eDocket No. 20252-215770-01).

¹⁹ Department Direct Testimony (eDocket Nos. 20252-215903-02, 20252-215903-03, 20252-215903-04, 20252-215903-05, 20252-215903-06, 20252-215903-07, 20252-215903-08, 20252-215903-09, 20252-215903-10, 20252-215903-11, 20252-215903-12); OAG Direct Testimony (eDocket Nos. 20252-215924-02, 20252-215924-03, 20252-215924-04, 20252-215924-05).

an internet or telephone connection. Written comments from members of the public could be submitted through April 17, 2025.²⁰

21. Due to inclement weather and travel-related advisories from the National Weather Service, on March 18, 2025, the Administrative Law Judge issued an order cancelling the in-person component of the hybrid public hearing that was scheduled for March 19, 2025.²¹

22. On March 19, 2025, the parties submitted a letter requesting the Administrative Law Judge approve an extension of the filing date for rebuttal testimony by one business day to facilitate additional settlement discussions.²² The Administrative Law Judge issued an order granting the extension on the same day.²³

23. On March 24, 2025, the parties filed Rebuttal Testimony.²⁴

24. On April 10, 2025, the OAG filed errata to the Direct Testimony of Chad Stevenson.²⁵

25. On April 11, 2025, the parties filed Surrebuttal Testimony.²⁶

26. On April 15, 2025, the Administrative Law Judge issued an order changing the location of the evidentiary hearing. The change was made to facilitate the ability of witnesses testifying remotely to see the in-person participants while being questioned and to see documents displayed during their cross-examination.²⁷

27. The evidentiary hearing was held on April 16, 2025, at the OAH.²⁸

III. Summary of Public Comments

28. The record contains one written public comment. The commenter generally opposed a rate increase.²⁹

²⁰ Public Hearing Scheduling Order (Feb. 25, 2025) (eDocket No. 20252-215770-01).

²¹ Amended Public Hearing Scheduling Order (Mar. 18, 2025) (eDocket No. 20253-216501-01). GMG attorney Kristine Anderson attended the hearing on March 19, 2025, from the in-person location in the event that any members of the public arrived, but no member of the public attended in person. See Public Hearing Transcript (Public Hearing Tr.) (Mar. 19, 2025) (eDocket No. 20255-219051-02).

²² Letter Requesting Extension of Time to File Rebuttal (Mar. 19, 2025) (eDocket No. 20253-216606-01).

²³ Order Extending Rebuttal Testimony Filing Deadline (Mar. 19, 2025) (eDocket No. 20253-216611-01).

²⁴ GMG Rebuttal Testimony (eDocket Nos. 20253-216767-01, 20253-216767-02); Department Rebuttal Testimony (eDocket Nos. 20253-216718-01, 20253-216718-02); OAG Rebuttal Testimony (eDocket No. 20253-216745-02).

²⁵ OAG Direct Testimony Errata (April 10, 2025) (eDocket Nos. 20254-217488-01, 20254-217488-02, 20254-217488-03).

²⁶ GMG Surrebuttal Testimony (eDocket Nos. 20254-217553-02, 20254-217553-03); Department Surrebuttal Testimony (eDocket Nos. 20254-217541-02, 20254-217541-03, 20254-217541-04, 20254-217541-05, 20254-217541-06); OAG Surrebuttal Testimony (eDocket Nos. 20254-217540-02, 20254-217540-03, 20254-217540-04).

²⁷ Order Changing Hearing Location (Apr. 15, 2025) (eDocket No. 20254-217653-01).

²⁸ See Evidentiary Hearing Tr. (Evid. Hearing Tr.) at 1 (April 16, 2025).

29. Two people provided oral comments at the three public hearings in this proceeding. One commenter generally opposed a rate increase. Another commenter noted that he understood the need for a rate increase but maintained that the 7.7 percent increase requested by the Company was too high.³⁰

IV. Overview of GMG and the Rate Case Filing

30. GMG was founded 30 years ago for the purpose of bringing affordable, reliable natural gas service to previously unserved areas of the state.³¹

31. GMG provides natural gas service in small, rural communities – many of which tried unsuccessfully to obtain natural gas service prior to GMG’s founding. Those efforts faltered because of the limited growth opportunities these markets provide.³²

32. GMG’s rural service area presents real constraints on its ability to expand its customer base:

- (a) most of GMG’s made significant investments to convert their homes or businesses from propane (or other heating sources) to natural gas, in order to become a customer of GMG; and,
- (b) GMG must invest more per customer than other Minnesota utilities in order to extend service to these less-densely populated service areas.

Each of the State’s four other rate-regulated natural gas utilities has four times (or more) the number of service connections per mile of gas main than GMG.³³

33. Moreover, GMG does not have a significant number of large industrial or institutional customers that could provide predictable demands for service and add stability to GMG’s revenue base.³⁴

34. These factors, along with the relative newness of GMG’s facilities, leads to GMG’s rates being generally higher than other Minnesota natural gas utilities.³⁵

²⁹ Public Comment of Mike Lesch (Apr. 2, 2025) (eDocket No. 20254-217203-01). A second public comment was filed in the docket. Though this comment identified the docket number for this case, the commenter referenced CenterPoint Energy. It appears that this comment was likely misfiled. Public Comment of Matthew Olson (Jan. 29, 2025) (eDocket No. 20251-214690-01).

³⁰ Public Hearing Tr. at 35-42 (March 19, 2025).

³¹ See *In the Matter of the Application of Greater Minnesota Gas, Inc., a Wholly Owned Subsidiary of Greater Minnesota Synergy, Inc., for Authority to Increase Rates for Natural Gas Service in the State of Minnesota*, MPUC Docket No. G-022/GR-06-1148, Order Setting Rates, Accepting And Adopting Administrative Law Judge’s Recommendation, And Requiring Compliance Filing at 3 (July 30, 2007) (2006 Rate Case Order).

³² Ex. GMG-112 at 2 (Palmer Rebuttal).

³³ *Id.* at 5.

³⁴ Ex. GMG-112 at 13 (Palmer Rebuttal).

³⁵ Ex. GMG-107 at 4 (Chilson Surrebuttal).

35. GMG's non-residential load is largely associated with the agricultural sector. In 2024, over 30 percent of GMG's market was sales to the poultry industry, which is struggling with issues related to the avian bird flu and flagging demand for local production of poultry.³⁶

36. Additionally, over six percent of GMG's estimated Test Year sales are to grain drying businesses. This industry is susceptible to significant volatility from year to year based on summer rain conditions. Weather-related volatility in the demand for the services of GMG's customers translates into similar upstream volatility, risk, and uncertainty for GMG's energy business.³⁷

37. Achieving just and reasonable rates as a result of this proceeding is especially important because GMG's operations permit its residential and business customers to realize significant cost savings.³⁸

38. The United States Energy Information Administration (EIA) publishes the weekly prices of propane and residential heating oil during the heating season (October through March).³⁹

39. GMG provided those prices since January 2019 and compared them with GMG's rates and sales volumes for the same months.⁴⁰

40. This comparison demonstrates that GMG's residential customers have been billed approximately \$33.5 million for natural gas during the heating seasons since January 2019.⁴¹

41. An equivalent amount of residential heating oil would have cost the same customers approximately \$85.3 million. An equivalent amount propane would have cost those customers about \$72.9 million.⁴²

42. Comparing GMG's natural gas rates to fuel oil and propane prices available during that time, GMG provided savings of 60.7 percent and 54.0 percent, respectively.⁴³

43. There are also regulatory and safety benefits of moving single propane tank users to natural gas service. When fuel is stored on a single user's premises, the

³⁶ *Id.*; Ex. GMG-112 at 13 (Palmer Rebuttal).

³⁷ Ex. GMG-112 at 13 (Palmer Rebuttal).

³⁸ Ex. GMG 107 at 2 (Chilson Surrebuttal).

³⁹ *Id.*

⁴⁰ *Id.*; Ex. GMG 107 Exhibit CJC-SR-1 (Chilson Surrebuttal).

⁴¹ Ex. GMG 107 at Exhibit CJC-SR-1 (Chilson Surrebuttal).

⁴² *Id.*

⁴³ *Id.*

storage tank and its piping are not subject to any of the federal regulations that govern the safety of gas distribution pipelines.⁴⁴

44. GMG employs just 25 employees, each of whom performs multiple duties.⁴⁵

45. For example, GMG Chief Executive Officer (CEO) Gregory Palmer (Palmer) explained that he has “hands-on” involvement in the day-to-day operations of the Company, including monitoring gas supply daily for all 365 days a year. Similarly, GMG President Cody Chilson (Chilson) reviews the Company’s engineering designs, cost estimates, and flow modeling.⁴⁶

46. Both Palmer and Chilson participate in capacity planning; attend weekly sales and construction scheduling meetings with front-line employees; review accounts receivable and the Company’s energy conservation program with accounting personnel; and even perform tasks like salting and shoveling the sidewalk outside GMG’s Faribault service center.⁴⁷

47. Stock in GMG is not publicly traded. Instead, the Company’s shareholders generally live within its service area and are keenly supportive of GMG’s role as a local service provider. The number of shareholders has remained roughly constant for many years, with transfers of ownership generally happening only upon the death or divorce of a shareholder.⁴⁸

48. GMG is the first company to grow beyond the customer threshold exemption for small gas utilities, subjecting it to the Commission’s regulatory jurisdiction.⁴⁹

49. This is GMG’s fourth rate case filing. Its first rate case proceeding occurred in 2004, after GMG became subject to Commission oversight. Additional rate cases followed in 2006 and 2009.⁵⁰

⁴⁴ See *Safety Regulation for Small LPG Distribution Systems*, Special Report 327 of the Transportation Research Board, at 1 (2018) (<https://www.phmsa.dot.gov/sites/phmsa.dot.gov/files/docs/hazmat-field-operations/70136/safety-regulation-small-lpg-distribution-systems.pdf>) (last viewed on June 30, 2025).

⁴⁵ Ex. GMG-112 at 2 (Palmer Rebuttal).

⁴⁶ *Id.* at 29.

⁴⁷ *Id.*

⁴⁸ *Id.*

⁴⁹ *In the Matter of a Petition by Greater Minnesota Gas, Inc. for Authority to Establish Natural Gas Rates in Minnesota*, Finding of Facts, Conclusions of Law and Recommendation, OAH Docket No. 6-2500-16163-2, at 1-2 (February 17, 2025) (2004 ALJ Report); see also Minn. Stat. § 216B.16, subd. 12.

⁵⁰ See *In the Matter of a Petition by Greater Minnesota Gas, Inc. for Authority to Establish Natural Gas Rates in Minnesota*, MPUC Docket No. G-022/GR-04-667, Order Setting Rates, Accepting Administrative Law Judge’s Recommendation and Requiring Compliance Filing (Apr. 13, 2005) (2004 Rate Case Order); 2006 Rate Case Order; *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*, MPUC Docket No. G-022/GR-09-962, Findings of Fact, Conclusions and Order (Aug. 19, 2010) (2009 Rate Case Order).

50. In an effort to avoid rate shock to its customers and to reduce ratemaking expense, GMG has had a history of understating its revenue requirements. In its 2004 rate case, GMG did not request any rate increase despite a revenue deficiency of over \$500,000. GMG filed that case to comply with the Commission's directive to submit rate case materials for review.⁵¹

51. In 2006, GMG requested its first-ever rate increase. Recognizing the impact that a rate increase would have upon its customers, GMG tempered its request. Notwithstanding an annual revenue deficiency of over \$1,000,000 that year, GMG sought an increase of \$336,500 (amounting to a proposed increase of 7.1 percent). Later, GMG agreed to, and the Commission approved, a still lower increase of 6.7 percent.⁵²

52. GMG's 2009 rate increase request did not seek recovery of its full revenue deficiency. Rather, GMG requested, and the Commission approved, a rate increase of approximately \$800,000, or 16.3 percent, despite a revenue deficiency of approximately \$1.2 million.⁵³

53. In the current rate case, GMG seeks to set rates in order to recover GMG's cost of service.⁵⁴

54. GMG initially requested an increase of approximately \$1.42 million, or 7.7 percent. GMG has since modified its request and now seeks an approximately \$1.36 million, or 7.5 percent, rate increase.⁵⁵

V. Standards of Review

55. Minnesota law governs the Administrative Law Judge's and Commission's consideration of this matter by establishing the goals of state regulation, the process to be followed, and the factors to be considered when setting rates. Minn. Stat. § 216B.03 (2024) provides:

Every rate made, demanded, or received by any public utility . . . shall be just and reasonable. Rates shall not be unreasonably preferential, unreasonably prejudicial, or discriminatory, but shall be sufficient, equitable, and consistent in application to a class of consumers.

56. Further, the Minnesota Supreme Court has explained that when the Commission acts upon rate change requests, its "charter is broadly defined in terms of

⁵¹ 2004 Rate Case Order at 1.

⁵² 2006 Rate Case Order at 4.

⁵³ 2009 Rate Case Order at 1, 4.

⁵⁴ Ex. GMG-112 at 3-4 (Palmer Rebuttal); Ex. GMG-103 at 8-9 (Chilson Direct).

⁵⁵ See GMG Initial Brief at 56-57 (eDocket No. 20255-218728-01) and Attachment 3.

balancing the interests of the utility companies, their shareholders, and their customers to ensure that rates are 'just and reasonable'.”⁵⁶

57. Minn. Stat. § 216B.16, subd. 6, further states that:

The commission, in the exercise of its powers under this chapter to determine just and reasonable rates for public utilities, shall give due consideration to the public need for adequate, efficient, and reasonable service and to the need of the public utility for revenue sufficient to enable it to meet the cost of furnishing the service, including adequate provision for depreciation of its utility property used and useful in rendering service to the public, and to earn a fair and reasonable return upon the investment in such property.

58. The Commission determines just and reasonable rates on the basis of a “test year.” A “test year” is “the 12-month period selected by the utility for the purpose of expressing its need for a change in rates.”⁵⁷

59. In this proceeding, GMG chose the projected fiscal year 2025, ending December 31, 2025, as its test year.⁵⁸ No party objected to using the projected test year as the basis for setting rates in this proceeding. The period between January 1 and December 31, 2025, is an appropriate timeframe for test year analyses.⁵⁹

60. When setting particular revenue requirements in a rate case, including an appropriate rate base, the Commission acts in a quasi-judicial capacity.⁶⁰

61. Minnesota courts have instructed that “under normal ratemaking policy, a utility is entitled to recover necessary, ongoing expenses incurred in the business of providing utility service.”⁶¹

62. The cost of furnishing utility service includes items such as labor-related costs, materials and supplies, taxes, insurance, and depreciation.⁶²

63. Along with determining the Company’s necessary revenues, the Commission must provide for the allocation of the revenue responsibilities between customer classes (inter-class rate design) and the appropriate design of the rates within each class (intra-class rate design). Because of the policy features of rate design

⁵⁶ *In the Matter of the Request of Interstate Power Company For Authority To Change Its Rates For Gas Service In Minnesota*, 574 N.W.2d 408, 411 (Minn. 1998) (citing Minn. Stat. § 216B.16, subd. 6).

⁵⁷ Minn. R. 7825.3100, subp. 17.

⁵⁸ Ex. GMG-103 at 4 (Burke Direct).

⁵⁹ *See id.*

⁶⁰ *See e.g., St. Paul Area Chamber of Commerce v. Minnesota Public Service Commission*, 251 N.W.2d 350, 358 (Minn. 1977).

⁶¹ *In the Matter of a Request of Interstate Power Company For Authority To Change Its Rates For Gas Service In Minnesota*, 559 N.W.2d 130, 134 (Minn. App. 1997), *affirmed* 574 N.W.2d 408 (Minn. 1998).

⁶² *See Minnegasco v. Minnesota Public Utilities Commission*, 549 N.W.2d 904, 909 (Minn. 1996).

determinations, the Commission acts in a “quasi-legislative” capacity when making rate design decisions.⁶³

64. The Commission’s rules and judicial precedent recognize that cost factors are key building blocks for appropriate rate allocations and rate design decisions – although not to the exclusion of non-cost factors.⁶⁴

65. The burden of proof to demonstrate that a rate change is just and reasonable is upon the public utility seeking the change.⁶⁵

66. For a utility to meet this burden, the utility must demonstrate the facts at issue by a preponderance of the evidence.⁶⁶

67. In the context of public utility rate setting, the Minnesota Supreme Court has explained the contours of a “fair preponderance,” stating:

The “weighing” by [a] court in a civil case applying the “fair preponderance” standard involves a determination by the court whether the proponent of the conclusion has produced sufficient credible evidence to sustain that conclusion. In contrast, the task of the [Commission] is not so much concerned with the sufficiency and credibility of the evidence, as it is concerned with whether the evidence submitted, even if true, justifies the conclusion sought by the petitioning utility when considered together with the Commission’s statutory responsibility to enforce the state’s public policy that retail consumers of utility services shall be furnished such services at reasonable rates.⁶⁷

68. Any doubt as to reasonableness should be resolved in favor of the consumer.⁶⁸

⁶³ See e.g., *St. Paul Area Chamber of Commerce v. Minnesota Public Service Commission*, 251 N.W.2d 350, 358 (Minn. 1977).

⁶⁴ Compare e.g., Minn. R. 7825.4300(C); *St. Paul Area Chamber*, 251 N.W.2d at 355, 358; *Petition of Inter-City Gas Corp.*, 389 N.W.2d 897, 901 (Minn. 1986).

⁶⁵ Minn. Stat. § 216B.16, subd. 4.

⁶⁶ Minn. R. 1400.7300, subp. 5 (2023); *In the Matter of the Petition of Minnesota Power and Light Company, d/b/a Minnesota Power, for Authority to Change its Schedule of Rates in Minnesota*, 435 N.W.2d 550, 554 (Minn. Ct. App. 1989) (review denied).

⁶⁷ *In re Petition of Northern States Power Co.*, 416 N.W.2d 719, 722 (Minn. 1987). The parties offered arguments as to whether a presumption of reasonableness applies to certain issues in this case, however, the Minnesota Supreme Court has stated that: “If there ever existed in this state a presumption to be applied in ratemaking, enactment of [section 216B.16, subd. 4] effectively removed any presumption, and placed on the petitioning utility the burden of proving the proposed rate is fair and reasonable, and, as a component of the rate base, that the capital structure debt-equity allocation is fair and just.” See *id.* at 726.

⁶⁸ Minn. Stat. § 216B.03.

VI. Resolved Issues

69. Prior to the hearing in this matter, the parties resolved disputes as to a number of issues.⁶⁹

A. Gross Revenue Conversion Factor

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

71. GMG proposed a GRCF of 1.40845.⁷¹

72. The Department revised the Company's GRCF calculation to 1.403312 to remove the effect of rounding the Federal and Minnesota tax rates to the nearest whole percent, which the Department maintains inflates the GRCF.⁷²

73. GMG agreed with the Department's recommendation to use a GRCF of 1.403312 and the resulting downward income tax adjustment of \$4,032.⁷³

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

B. Capital Structure

75. GMG proposed a capital structure of approximately 51.08 percent common equity, 48.23 percent long-term debt, and 0.68 percent short-term debt. This structure includes characterizing Small Business Administration (SBA) loans to GMG as equity, on the grounds that these loans are secured by personal guarantees from a few of GMG major shareholders.⁷⁵

76. The Department initially recommended denying the proposal to classify the outstanding SBA loans from debt to equity, but ultimately proposed to reclassify half of the SBA loans as equity to balance the interests of GMG's ratepayers and its shareholders. This position recognizes that personal guarantees from key shareholders permitted GMG to secure better financing terms and that the shareholder-guarantors could have invested their capital elsewhere. The net impact of this adjustment is an increase in GMG's gross revenue deficiency of approximately \$85,000 per year.⁷⁶

⁶⁹ See Joint Ex. 1.

⁷⁰ Ex. DOC-215 at 4 (Uphus Direct).

⁷¹ Ex. GMG-105, Schedule F-2 (Initial Filing – Volume 3).

⁷² Ex. DOC-215 at 5-6 (Uphus Direct).

⁷³ Ex. GMG-109 at 9 (Burke Rebuttal).

⁷⁴ *Id.*

⁷⁵ Ex. GMG-103 at 3, 10 (Palmer Direct).

⁷⁶ Ex. DOC-203 at 3-5 (Addonizio Surrebuttal).

77. GMG accepted the recommendation.⁷⁷

78. The parties' agreement is reasonable. The Administrative Law Judge recommends approving the classification of half of the SBA loans as equity and half as debt.⁷⁸

C. Cost of Long-Term Debt and 15 Basis Points for Flotation on Cost of Debt

79. GMG initially proposed a cost of long-term debt of 5.61 percent.⁷⁹

80. The Department recalculated GMG's cost of long-term debt to include the issuance costs for that debt by incorporating GMG's annual debt-related amortization expense of \$36,000. Further, part of this calculation included removing a 33-basis point adjustment GMG included for flotation costs on the cost of capital and adding a 15-basis point adjustment to the Company's long-term cost of debt. Accordingly, the Department recommended that the Commission use 5.76 percent as the cost of long-term debt.⁸⁰

81. GMG agreed to incorporate issuance costs in the cost of long-term debt, remove the 33-basis point adjustment for flotation costs on capital, and increase the cost of long-term debt by 15 basis points to 5.76 percent.⁸¹

82. The parties' agreement is reasonable. The Administrative Law Judge recommends approving the cost of long-term debt of 5.76 percent.⁸²

D. Cost of Short-Term Debt

83. GMG proposed a cost of short-term debt of 8.00 percent based upon its annualized daily borrowing rate of 8.25 percent at the time it prepared its Initial Filing.⁸³

84. The Department concluded that GMG's proposed short-term cost of debt was reasonable, based upon the negligible difference between 8.00 and 8.25 percent with a capital structure including less than 1.00 percent short term debt. The Department also deemed reasonable GMG's proposed use of its annualized daily borrowing rate as a basis for its short-term debt.⁸⁴

85. The parties' agreement is reasonable. The Administrative Law Judge recommends approving a cost of short-term debt of 8.00 percent.⁸⁵

⁷⁷ Evid. Hearing Tr. at 35:1-7 (Palmer).

⁷⁸ *Id.*

⁷⁹ Ex. GMG-105, Schedule D-1 (Initial Filing – Volume 3).

⁸⁰ Ex. DOC-202 at 21-22 (Addonizio Direct).

⁸¹ Ex. GMG-112 at 16-18 (Palmer Rebuttal); Ex. DOC-203 at 2 (Addonizio Surrebuttal).

⁸² *Id.*

⁸³ Ex. GMG-103 at 12 (Palmer Direct).

⁸⁴ Ex. DOC-202 at 22 (Addonizio Direct).

⁸⁵ *Id.*

E. Bad Debt Expense

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

87. GMG proposed a Test Year bad debt expense of \$21,600 based upon trends the Company observed in 2024.⁸⁷

88. The Department initially proposed requiring GMG to forecast bad debt expense based on a four-year average bad debt rate from the total residential and commercial facility fees and sales dollars. Applying this sum to 2025 Test Year forecasted sales revenue would result in a reduction of \$4,900 to the bad debt expense.⁸⁸

89. GMG disagreed with the Department's approach. It maintained that basing the bad debt expense on the 2024 amount better reflected the current economic circumstances of its customers. GMG argued that it was not clear why bad debt expenses were lower in 2021 through 2023, suggesting that the more remote experience could have resulted from substantial stimulus payments to families and increased energy assistance to those in need.⁸⁹

90. The Department believes that the historical average is generally more reliable during periods of variability, but recognized that the periods covered by its proposed bad debt analysis included the COVID-19 pandemic. Accordingly, the Department agreed with GMG that the 2024 bad debt expense was more reflective of the current economic circumstances of customers and now recommends a Test Year bad debt expense of \$21,600.⁹⁰

91. The Administrative Law Judge recommends approving a Test Year bad debt expense of \$21,600.⁹¹

F. Late Fees

92. GMG noted (in the Base Cost of Gas Docket No. G-022/MR-24-351) that it did not include late fee revenues in the 2025 Test Year amounts, because it did have much late fee data to inform an appropriate calculation. GMG did not charge late fees during the COVID-19 pandemic and for several months thereafter in 2024.⁹²

⁸⁶ Ex. DOC-215 at 13 (Uphus Direct).

⁸⁷ Ex. GMG-105, Schedule C-3 at 2 (Initial Filing – Volume 3); Ex. DOC-215, Schedule AAU-D-1 at 28 (Uphus Direct).

⁸⁸ Ex. DOC-215 at 14-15 (Uphus Direct).

⁸⁹ Ex. GMG-109 at 10-11 (Burke Rebuttal).

⁹⁰ Ex. DOC-216 at 4 (Johnson Surrebuttal).

⁹¹ *Id.*

⁹² Greater Minnesota Gas' Request to Implement a New Base Cost of Gas, Docket No. G-022/MR-24-351, Reply Comments of Greater Minnesota Gas, Inc. at 1 (Nov. 13, 2024) (eDocket No. 202411-211899-01).

93. The Department asked GMG to provide late fee data for 2021 through 2024 in GMG's Rebuttal Testimony.⁹³

94. GMG provided its late fees for 2021 through 2024 and proposed including late fee revenues of \$6,273. GMG based its proposal on its 2023 bad debt experience on the grounds that abnormal events skewed the late fee data in more recent years.⁹⁴

95. The Department disagreed with GMG's proposal. It recommended using a simple average of the actual late fees from 2021 through 2024 to smooth the fluctuations from year to year. Using this methodology, the Department recommended that GMG include late fee revenues of \$13,435 in the Test Year.⁹⁵

96. At the evidentiary hearing, counsel for GMG noted that GMG agreed with the Department's recommendation to reflect late fee revenues of \$13,435.⁹⁶

97. The parties' agreement is reasonable. The Administrative Law Judge recommends approving Test Year late fee revenues of \$13,435.⁹⁷

G. Sales Expense – Salary

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

99. GMG proposed a Test Year salary-sales expense of \$18,000 based upon 2023 actuals.⁹⁹

100. The Department initially disagreed with GMG's proposal and instead recommended using the annualized 2024 salary-sales balance of \$14,395 – reflecting a downward adjustment of \$3,605.¹⁰⁰

101. GMG disagreed with the Department's methodology on the grounds that the sales expenses directly follow from activities identified on employee timecards. Thus, even if a GMG employee was not incurring these expenses, that employee would be performing other work and the employee's labor costs would still be incurred by the Company. Accordingly, GMG maintained that any downward adjustment to the salary-sales expense would need to be accompanied by an offsetting upward adjustment to the Administrative and General Labor expense.¹⁰¹

⁹³ Ex. DOC-213 at 24 (Johnson Direct).

⁹⁴ Ex. GMG-109 at 8-9 (Burke Rebuttal).

⁹⁵ Ex. DOC-216 at 26 (Johnson Surrebuttal).

⁹⁶ Evid. Hearing Tr. at 13:15-24; *see also* Joint Ex. 1.

⁹⁷ Joint Ex. 1.

⁹⁸ Ex. DOC-213, Schedule AAU-D-1 (Uphus Direct).

⁹⁹ *Id.*

¹⁰⁰ Ex. DOC-213 at 17 (Uphus Direct).

¹⁰¹ Ex. GMG-109 at 12 (Burke Rebuttal).

102. The Department concurred with that analysis and agreed with GMG's proposed salary-sales expense.¹⁰²

103. The parties' agreement is reasonable. The Administrative Law Judge recommends approving GMG's Test Year salary-sales expense of \$18,000.¹⁰³

H. Rebates Expense

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

105. The Department disagreed with basing GMG's proposed 2025 Test Year rebates conversion expense on 2023 actuals, and instead proposed using the annualized 2024 year-to-date amount. This substitution resulted in an estimated expense of \$1,800, reducing GMG's proposed 2025 Test Year rebates conversion expense by \$900.¹⁰⁵

106. Noting that it is difficult to accurately forecast the complex set of drivers that prompt a customer's decision to convert from using propane to natural gas, GMG accepted the Department's proposed adjustment.¹⁰⁶

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

I. Advertising Expenses

108. GMG proposed 2025 Test Year advertising expenses of \$69,600. This category included three sub-parts: \$60,000 of distribution expense; \$6,000 of customer services and information expense; and \$3,600 of administrative and general expense.¹⁰⁸

109. Based upon a historical average advertising expense from 2021 to 2024, the Department initially recommended a 2025 Test Year advertising expense of \$67,000 – reflecting a downward adjustment of \$2,600 to GMG's proposed expense.¹⁰⁹

110. GMG disagreed with the Department's proposal. It maintained that using a historical average is not appropriate in this circumstance because the vast majority of

¹⁰² Ex. DOC-216 at 5-6 (Johnson Surrebuttal).

¹⁰³ *Id.*

¹⁰⁴ Ex. GMG-105, Schedule Ex. DOC-215, Schedule AAU-D-1 at 13 (Uphus Direct).

¹⁰⁵ Ex. DOC-215 at 18-19 (Uphus Direct).

¹⁰⁶ Ex. GMG-109 at 12 (Burke Direct).

¹⁰⁷ *Id.*

¹⁰⁸ Ex. GMG-105, Schedule C-3 (Initial Filing – Vol. 3); Ex. GMG-103 at 36 (Burke Direct); Ex. DOC-215 at 25 (Uphus Direct).

¹⁰⁹ Ex. DOC-215 at 26 (Uphus Direct).

GMG's advertising expenses arise from safety-related customer mailings. These costs increase as GMG's customer base increases, and historical averages do not capture current postage rates.¹¹⁰

111. GMG also provided updated, unaudited actual advertising expenses for 2024 that were \$2,609 greater than GMG's original 2024 estimate. The Department agreed to eliminate its recommended downward adjustment of \$2,600.¹¹¹

112. The parties' agreement is reasonable. The Administrative Law Judge recommends approving GMG's advertising expenses of \$69,600.¹¹²

J. Gas Storage Inventory

113. GMG contracts with storage suppliers and purchases gas when it is sold at lower rates, typically during summer months, and stores this gas for future use. When the customer demand is higher in the cold winter months, GMG withdraws the gas from storage, a strategy that lowers the cost of gas lower for its ratepayers.¹¹³

114. GMG included gas storage inventory costs of \$487,157 in the proposed rate base. GMG derived this sum from a thirteen-month average balance of the account used to calculate the value of GMG's gas storage.¹¹⁴

115. The Department initially disagreed with GMG and proposed using a historical average of gas storage inventory balances from 2021 through 2024, which would result in a \$32,106 downward adjustment to GMG's proposed gas storage inventory balance.¹¹⁵

116. GMG disagreed with the Department's recommendation. It maintained that its gas storage inventory is not based upon historical data but follows from existing contracts with the Northern Natural Gas System. The volumes and costs for those injections of gas into storage will not vary from the Company's Test Year budget.¹¹⁶

117. Further, GMG noted that it is dependent upon market prices for its Michigan storage accounts. The seven-month strip for locking in gas prices (which is the basis for projecting those costs) for those injection requirements has risen from the time those costs were originally projected for the Test Year. GMG revised its inventory balance to reflect this change. This resulted in an updated gas storage inventory of \$709,397 – an increase of \$222,239.¹¹⁷

¹¹⁰ Ex. GMG-109 at 7 (Burke Direct).

¹¹¹ Ex. DOC-216 at 7 (Johnson Surrebuttal).

¹¹² *Id.*

¹¹³ Ex. DOC-215 at 29 (Uphus Direct).

¹¹⁴ Ex. GMG-103 at 11 (Burke Direct).

¹¹⁵ Ex. DOC-215 at 30 (Uphus Direct).

¹¹⁶ Ex. GMG-109 at 15-16 (Burke Rebuttal).

¹¹⁷ *Id.*

118. The Department agreed that GMG's calculation was reasonable and recommended eliminating its earlier proposal to reduce GMG's 2025 gas storage inventory by \$32,106. It concurred with GMG's view to increase gas storage inventory by \$222,239.¹¹⁸

119. The parties' agreement is reasonable. The Administrative Law Judge recommends approving GMG's gas storage inventory of \$709,397.¹¹⁹

K. Top Ten Paid Officers and Employees

120. The Department recommended that compensation for GMG's top ten officers and employees earning over \$150,000 be removed from the Test Year. The Department recognized that this proposal could impact, at most, two officers of GMG.¹²⁰

121. GMG disagreed with the Department's recommendation. GMG explained that its top ten employees are 40 percent of its workforce. Additionally, GMG explained that each of the two officers who earn more than \$150,000 spent roughly eight hours each year on shareholder-focused activities and that no element of their job duties was related to soliciting new investors.¹²¹

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

VII. Cost of Capital

123. A utility's overall weighted average cost of capital is a feature of its overall revenue requirement.¹²³

124. The cost of capital is determined by setting appropriate costs and percentages for each of the components of the capital structure: equity, long-term debt and short-term debt.¹²⁴

125. As provided in Joint Exhibit 1, the parties no longer disagree as to the component shares of GMG's capital structure or the costs of long-term or short-term debt. Thus, the only remaining cost of capital issue in dispute relates to an appropriate return on equity (ROE) to be used in setting rates for GMG.¹²⁵

¹¹⁸ Ex. DOC-216 at 9 (Johnson Surrebuttal).

¹¹⁹ *Id.*

¹²⁰ Ex. DOC-213 at 23 (Johnson Direct).

¹²¹ Ex. GMG-112 at 25, 29-30 (Palmer Rebuttal).

¹²² Ex. DOC-216 at 11-12 (Johnson Surrebuttal).

¹²³ *See* Ex. DOC-201 at 75 (Addonizio Direct).

¹²⁴ *Id.*

¹²⁵ Joint Exhibit 1.

126. The United States Supreme Court described the constitutional boundaries around a reasonable return on capital, including a reasonable ROE, in a set of landmark cases: *Bluefield Water Works & Improvement Company v. Public Service Commission of West Virginia*,¹²⁶ and *Federal Power Commission v. Hope Natural Gas Co.*¹²⁷

127. The Court stated in *Bluefield* that a reasonable return should be:

equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties. The return should be reasonably sufficient to assure the confidence in the financial soundness of the utility, and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties.¹²⁸

128. The Court also noted:

What annual rate will constitute just compensation depends upon many circumstances and must be determined by the exercise of a fair and enlightened judgment, having regard to all relevant facts.¹²⁹

129. In *Hope*, the Court further explained:

From the investor or company point of view, it is important that there be enough revenue not only for operating expenses, but also for the capital costs of the business. These include service on the debt and dividends on the stock. By this standard the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital.¹³⁰

130. The Minnesota Supreme Court has adopted and applied the *Bluefield* and *Hope* framework, including *Bluefield*'s command that:

Rates which are not sufficient to yield a reasonable return on the value of the property used, at the time it is being used to render the service, are unjust, unreasonable, and confiscatory, and their enforcement deprives

¹²⁶ *Bluefield Water Works & Improvement Company v. Public Service Commission of West Virginia*, 262 U.S. 679 (1923).

¹²⁷ *Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591 (1944).

¹²⁸ *Bluefield*, 262 U.S. at 690.

¹²⁹ *Id.* at 692.

¹³⁰ *Hope Natural Gas Co.*, 320 U.S. at 603.

the public utility company of its property in violation of the Fourteenth Amendment.¹³¹

131. The Court in *Hibbing Taconite Co. v. Minnesota Public Service Commission*, further instructed that to avoid the imposition of confiscatory rates, the Commission must consider all relevant facts and circumstances and provide a return that:

- (1) is comparable to returns on investments in businesses with similar risks;
- (2) is sufficient to assure confidence in the utility's financial integrity, so that it can maintain its credit and attract capital; and,
- (3) reflects a balancing of the interests of the utility and its customers.¹³²

A. Return On Equity

132. GMG requested to maintain its current base ROE at 10.00 percent, along with a 15-basis point adjustment for flotation costs, for an overall ROE of 10.15 percent.¹³³

133. GMG offered the testimony of its CEO, Palmer, a former President of Viking Gas Transmission and former Chief Financial Officer at Nuclear Management Company, in support of its position. In his Direct Testimony, Palmer:

- (1) pointed to the Company's currently approved ROE of 10 percent;
- (2) examined the ROEs of three large, publicly traded natural gas utilities (Atmos Energy, Nisource and UGI Corporation);
- (3) referenced the ROEs recently approved for two small natural gas utilities with service areas in close proximity to GMG;
- (4) noted ROEs recently approved by the Commission for large publicly traded utilities, and,
- (5) discussed GMG's unique risks and challenges, indicating the need for a higher ROE than those other Minnesota utilities.¹³⁴

134. Palmer noted that, while there are few utilities "comparable" to GMG to look to for guidance on an appropriate ROE, two smaller utilities – St. Croix Valley

¹³¹ *Hibbing Taconite Co. v. Minnesota Public Service Commission*, 302 N.W.2d 5, 10 (Minn. 1980) (citing *Bluefield*, 262 U.S. at 690).

¹³² *Id.*

¹³³ See, Ex. GMG-103 (Palmer Direct); Ex. GMG-112 at 9-18 (Palmer Rebuttal).

¹³⁴ See generally Ex. GMG-103 (Palmer Direct).

Natural Gas Company (St. Croix Valley) and Midwest Natural Gas (Midwest Natural Gas) – operate “within 100 miles of GMG’s service area.”¹³⁵

135. St. Croix Valley serves approximately 8,700 customers in River Falls and Prescott, Wisconsin and nearby rural communities.¹³⁶

136. In a recent rate case, the Public Service Commission of Wisconsin (PSCW) approved a 60 percent equity ratio and an 11.00 percent ROE for St. Croix Valley, agreeing with PSCW Staff that an 11.00 percent ROE was “a reasonable level to balance the needs of customers and investors” and “remains reasonable in comparison to the returns authorized for [St. Croix Valley’s] peers.”¹³⁷

137. Midwest Natural Gas is slightly larger than either St. Croix Valley or GMG, serving approximately 14,500 customers. It also serves smaller communities in Western Wisconsin.¹³⁸

138. The PSCW also approved a 60 percent equity ratio and 11.00 percent ROE for Midwest Natural Gas, using identical language to that used regarding St. Croix Valley.¹³⁹

139. The ROE determinations in both St. Croix Valley and Midwest Natural Gas recognize that investing in smaller utilities can present higher risks than other comparable investment opportunities.¹⁴⁰

140. The experience of smaller gas utilities serving customers in rural midwestern communities, within 100 miles of the Company’s service area, is helpful and instructive. Though the PSCW may have different procedures and approaches than the Minnesota Commission,¹⁴¹ the recent ROE awards to St. Croix Valley and Midwest Natural Gas clearly are, in the phrasing of *Bluefield*, returns that are “generally being made at the same time and in *the same general part of the country* on investments in other business undertakings which are attended by corresponding risks and uncertainties.”¹⁴²

¹³⁵ *Id.* at 9.

¹³⁶ *Application of St. Croix Valley Natural Gas Company, Inc. for Authority to Increase Rates for Natural Gas Rates*, Public Service Commission of Wisconsin Docket No. 5230-GR-109, Final Decision at 3 (Apr. 24, 2023) (*St. Croix Valley*).

¹³⁷ *St. Croix Valley* at 2, 9.

¹³⁸ *Application of Midwest Natural Gas, Inc. for Authority to Increase Rates for Natural Gas Rates*, Public Service Commission of Wisconsin Docket No. 3670-GR-106, Final Decision at 3 (Apr. 27, 2023) (*Midwest Natural Gas*).

¹³⁹ *Midwest Natural* at 2, 9.

¹⁴⁰ Ex. GMG-103 at 9 (Palmer Direct).

¹⁴¹ Both orders indicate that the PSCW was required to balance the needs of the utilities’ equity owners and lenders with those of consumers, with due consideration of economic and financial conditions and public policy considerations, and that PSCW staff performed an independent economic analysis to support the decisions. *St. Croix Valley* at 9; *Midwest Natural Gas* at 9.

¹⁴² *Bluefield*, 262 U.S. at 690 (emphasis added).

141. The “corresponding risks and uncertainties” faced by St. Croix Valley and Midwest Natural Gas are more like those of GMG than those faced by Minnesota’s larger, urban natural gas utilities.¹⁴³ Further, Department witness Craig Addonizio (Addonizio) selected a group of proxy companies for comparison to GMG, but acknowledged that GMG is much smaller than the selected proxy group, is too small for its stock to be traded on a major stock exchange, and has debt that is personally guaranteed by certain stockholders resulting in greater risk and a higher cost of equity.¹⁴⁴

142. The Department addressed ROE through Addonizio’s testimony recommending an ROE of 9.65 percent. In developing his recommendation, Addonizio placed primary reliance on his “multi-stage” discounted cash flow (DCF) analyses. In these calculations, he determined that a “cost of equity for an average risk gas utility is approximately 8.5 percent.”¹⁴⁵

143. However, Addonizio also noted that “recent authorized ROEs have been significantly higher than that for reasons that I cannot fully explain, and setting a gas utility’s authorized ROE at 8.5 percent would represent a risky, large, and abrupt change in standard ratemaking practice that may have unintended consequences.”¹⁴⁶

144. Addonizio estimated that for a gas utility of average risk, a reasonable authorized ROE may be around 9.2 or 9.3 percent. After considering some of the special risks faced by GMG, he arrived at the recommended 9.65 percent ROE.¹⁴⁷

145. The Commission has long relied on the results of DCF modeling on a “proxy group” of publicly traded utilities, specifically the two-growth DCF model, to determine a utility’s cost of equity. In 2020, the Commission formally determined:

The Commission finds that the transparency and objectivity of the DCF model make it the strongest, most credible model, and that the most reasonable way to proceed is to use its results as a baseline and to use the results of other models to check, inform, and refine those results.¹⁴⁸

146. The Commission relied on this conclusion in other recent ratemaking matters. In the most recent Xcel Energy electric rate case, for example, the Commission stated:

¹⁴³ See generally, *St. Croix Valley* at 2-9; *Midwest Natural Gas* at 2-9; see also Ex. DOC-201 at 71 (Addonizio Direct) (recognizing that the two Wisconsin utilities likely “pose similar size and illiquidity risks to investors as GMG”).

¹⁴⁴ See Ex. DOC-201 at 49-51 (Addonizio Direct).

¹⁴⁵ Ex. DOC-201 at 75 (Addonizio Direct).

¹⁴⁶ *Id.* at 60, 62, 75.

¹⁴⁷ *Id.* at 75.

¹⁴⁸ *In re Petition by Great Plains Nat. Gas Co., a Div. of Montana-Dakota Utils., Co., for Authority to Increase Nat. Gas Rates in Minn.*, MPUC Docket No. G-004/GR-19-511, Findings of Fact, Conclusions, and Order at 17 (Oct. 26, 2020); see also Ex. GMG-103 at 7 (Palmer Direct); Ex. GMG-112 at 12 (Palmer Rebuttal).

The Commission concurs with the Administrative Law Judge that there is no convincing basis on this record for departing from reliance on the two-growth DCF model. The two-growth DCF model provides a fundamentally sound framework through which to analyze the Company's relative risk in relation to comparable companies, and through which to evaluate the Company's financial integrity and ability to attract investors in light of current as well as expected market conditions.¹⁴⁹

147. In addition, the Commission has specifically considered and expressly rejected prior proposals by the Department to base ROE determinations on a multi-stage DCF analysis. As the Commission explained:

The Department's recommended cost of equity of 9.30% is informed by an underlying assumption that the cost of equity and the return on equity are distinct concepts in the sense that utility earnings exceed the cost of equity over time. This understanding, according to the Department, undermines the reliability of earnings estimates in predicting long-term growth and instead justifies the use of a multi-stage DCF analysis that uses GDP to forecast the long-term cost of equity.

The Commission does not share this concern. While general statements about GDP and earnings estimates may offer broad perspectives on their overall usefulness, the parties' positions reflect philosophical and methodological differences that are qualitative in nature. But the Department has not demonstrated inaccuracies in Minnesota Power's earnings estimates in this case to justify dismissing them from consideration. *The investment community relies heavily on earnings estimates, which are rigorously audited to ensure compliance with accounting principles. And in the case of utilities, earnings estimates reflect industry-specific considerations, include assumptions based upon quantitative market data, and have not been shown to produce unreasonable returns.*¹⁵⁰

148. The Commission has never based an ROE determination upon the results of a multi-stage DCF analysis.¹⁵¹

149. The record contains the results of two separate two-growth DCF analyses, both of which Addonizio completed. In his Direct Testimony, Addonizio's two-growth

¹⁴⁹ *In the Matter of the Application of Northern States Power Company, dba Xcel Energy, for Authority to Increase Rates for Electric Service in the State of Minnesota*, MPUC Docket No. E-002/GR-21-630, Findings of Fact, Conclusions and Order at 89 (July 17, 2023); see also *In the Matter of the Application of Minnesota Power for Authority to Increase Rates for Electric Service in Minnesota*, MPUC Docket No. E-015/GR-21-335, Findings of Fact, Conclusions, and Order at 45 (Feb. 28, 2023).

¹⁵⁰ *Minnesota Power* at 45 (emphasis added).

¹⁵¹ Evid. Hearing Tr. at 64:5-8 (Addonizio).

DCF analysis indicated a “mean average” ROE for his six company “proxy group” of 10.50 percent and a “mean high” ROE for that proxy group of 10.90 percent.¹⁵²

150. In Rebuttal Testimony, GMG’s witness Palmer agreed with the results of the Department’s two-growth DCF analysis. Palmer found the results “reasonable for estimating the cost of capital for large publicly traded utilities and these calculations can inform the determination of an appropriate ROE for GMG.”¹⁵³

151. By the time of Addonizio’s Surrebuttal Testimony, and using updated market data, the two-growth DCF “mean average” and “mean high” ROEs rose slightly, to 10.68 and 11.12 percent, respectively.¹⁵⁴

152. Before considering any of GMG’s unique risks as compared to the proxy companies, and employing the analysis long relied on by the Commission, the most conservative ROE estimate for GMG is 10.50 percent – 50 basis points above GMG’s base ROE request.¹⁵⁵

153. The hearing record shows that GMG is significantly riskier than the proxy group companies used in these DCF analyses, demonstrating the conservative nature of looking to “mean average” results from the proxy group to determine GMG’s ROE. Specifically:

- (1) GMG is only between 0.3 percent and 1.34 percent the size of the proxy group companies meaning, among other things, less diverse revenue streams;
- (2) because GMG is not publicly traded, it is harder for shareholders to sell their stock if desired, and harder for GMG to issue new equity;
- (3) GMG has never paid a dividend, choosing instead to reinvest all earnings in the Company to meet its capital requirements; and
- (4) GMG’s revenue streams are closely linked to demand from poultry and grain drying businesses, which adds significant volatility and risk to its business.¹⁵⁶

154. Each of these factors indicates that investments in GMG carry more risk than investments in the proxy companies, indicating a higher required ROE to compensate investors for that additional risk.¹⁵⁷

¹⁵² Ex. DOC-201 at 37 (Addonizio Direct); Ex. DOC-202 at Schedules CMA-D-13 through CMA-D-16 (Addonizio Direct).

¹⁵³ Ex. GMG-112 at 10 (Palmer Rebuttal).

¹⁵⁴ Ex. DOC-203 at 10 and Schedules CMA-S-8 through CMA-S-13 (Addonizio Surrebuttal).

¹⁵⁵ Ex. GMG-112 at 13 (Palmer Rebuttal).

¹⁵⁶ Ex. GMG-103 at 6-8 (Palmer Direct); Ex. GMG-112 at 13-14 (Palmer Rebuttal); Ex. DOC-201 at 49-50 (Addonizio Direct).

¹⁵⁷ Ex. GMG-112 at 13-14 (Palmer Rebuttal).

155. Even without quantifying the impact of these higher risks with precision, the record supports GMG's requested ROE because it is well below the ROE indicated by the two-stage DCF analyses.¹⁵⁸

156. The hearing record demonstrates that 10.00 percent is a conservative return on equity that balances Company and customer interests.¹⁵⁹

B. Flotation Costs

157. "Flotation costs" are costs incurred by a company to issue debt or equity.¹⁶⁰

158. These costs include placement fees, appraisal expenses, legal fees, and registration fees. These fees must be paid in order to obtain financing but are not available to the company at the end of the placement.¹⁶¹

159. Regarding flotation costs associated with GMG debt issuances, the parties agreed to a 15-basis point adjustment to GMG's cost of long-term debt.¹⁶² However, the parties dispute the need for a flotation cost adjustment to GMG's cost of equity.

160. To account for flotation costs associated with equity issuances, in past cases the Commission has included an allowance for "flotation costs" in a utility's ROE.¹⁶³ GMG requests a similar 15-basis point equity flotation costs adjustment as applied to its cost of long-term debt, bringing its final ROE request to 10.15 percent. This request is still below the mean average of the Department's two-growth DCF results.

161. The Department objected to inclusion of flotation costs on the grounds that the Company has expensed the cost of past equity placements. In its view, GMG's "plans for future issuances are largely irrelevant."¹⁶⁴

162. GMG acknowledges that, in the past, the Company expensed the cost of equity placements. Those offerings were small, and GMG staff performed a significant amount of the work in advance of the offerings.¹⁶⁵

¹⁵⁸ *Id.* at 14.

¹⁵⁹ *Id.*

¹⁶⁰ Ex. GMG-103 at 12 (Palmer Direct).

¹⁶¹ *Id.*

¹⁶² Joint Exhibit 1.

¹⁶³ See, e.g., *In the Matter of the Application of Minnesota Power, for Authority to Increase Rates for Electric Service in the State of Minnesota*, MPUC Docket No. E-015/GR-21-335, Findings of Fact, Conclusions and Order at 45-46 (Feb. 28, 2023); *In the Matter of the Application of Northern States Power Company, dba Xcel Energy, for Authority to Increase Rates for Electric Service in the State of Minnesota*, MPUC Docket No. E-002/GR-21-630, Findings of Fact, Conclusions, and Order at 92 (July 17, 2023).

¹⁶⁴ Ex. DOC-201 at 38 (Addonizio Direct), Ex. DOC-203 at 6 (Addonizio Surrebuttal).

¹⁶⁵ Ex. GMG-112 at 17 (Palmer Rebuttal).

163. Going forward, however, GMG will not complete future equity offerings in this same manner. Due to GMG's growth and its aging shareholder base, the Company will need to attract "external equity" – which it maintains will be a costly undertaking.¹⁶⁶

164. Failure to recognize these expenses will limit GMG's ability to attract sufficient capital in the future.¹⁶⁷

165. For this reason, GMG recommended a 15-basis point adjustment to the cost of equity. This addition matches the flotation adjustment that the Department and GMG agree is appropriate when the Company issues new debt.¹⁶⁸

166. Because the Company has not raised external equity since 2012, there is no proxy for flotation costs specifically associated with GMG equity offerings.¹⁶⁹ Under these circumstances, and given GMG's unique financing needs, the cost of acquisition for long-term debt represents the best proxy for GMG's acquisition of equity.

167. The 15-basis point flotation cost adjustment requested by GMG is reasonable and results in an overall ROE of 10.15 percent. This adjusted figure is still lower than the mean return indicated by the two-growth DCF analyses in the record.¹⁷⁰

VIII. Revenue Requirement Issues

A. Revenues – 2025 Sales Forecast

168. GMG's initial filing on November 1, 2024, included a sales forecast for the January 1 through December 31, 2025, Test Year, projecting approximately \$18.4 million in total sales.¹⁷¹

169. GMG updated its sales forecast in Rebuttal Testimony filed on March 23, 2025, to include 2024 year-end actuals, resulting in an update to the 2025 Test Year total sales to approximately \$18.2 million.¹⁷²

170. GMG's updated sales forecast reflects historically high sales for the Company. Figure 1 below updates the graph that first appeared on page 5 of the Direct Testimony of OAG Witness Chad Stevenson (Stevenson) showing: (1) 2024 actual sales; (2) the average sales over the six-year period between 2019–2024 (adding 2024 actual sales to the 2019–2023 sales volumes Stevenson plotted; and (3) GMG's revised 2025 sales forecast.¹⁷³

¹⁶⁶ *Id.*

¹⁶⁷ *Id.*

¹⁶⁸ *Id.*

¹⁶⁹ *Id.*

¹⁷⁰ *Id.*

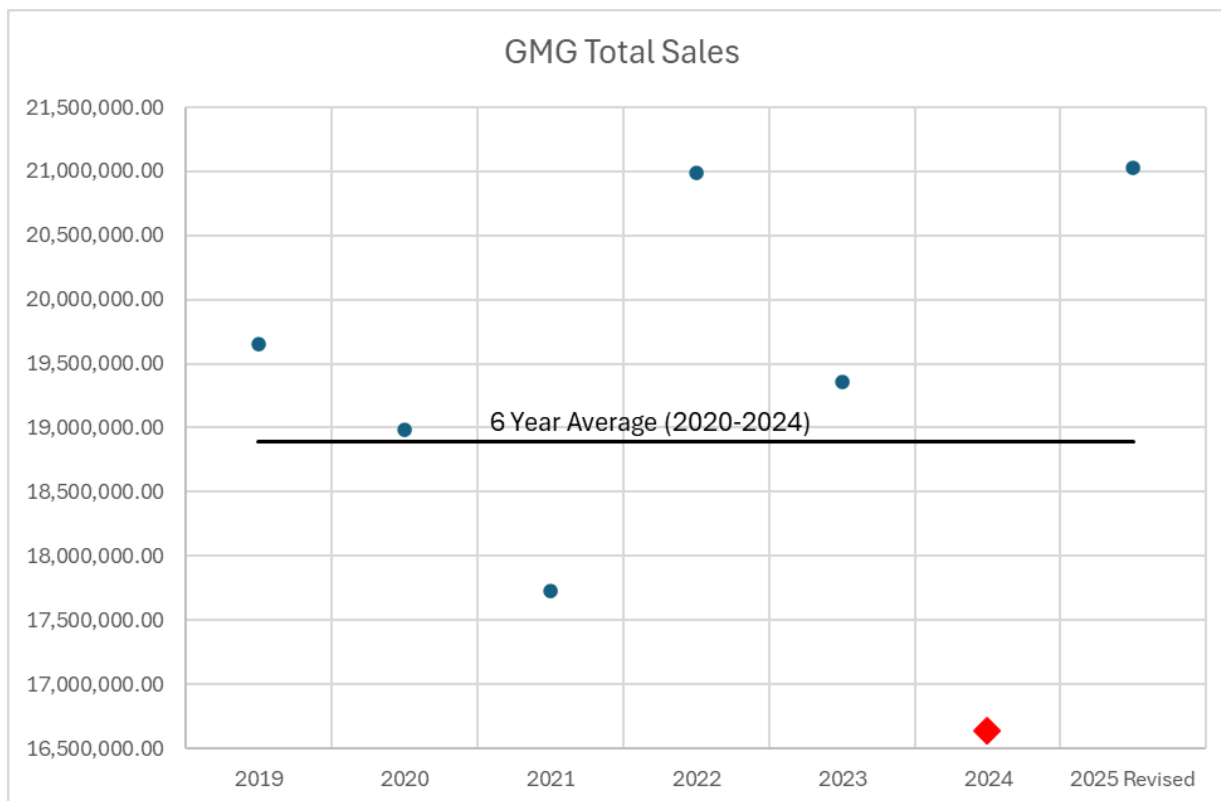
¹⁷¹ Ex. GMG-105, Schedule C-2 at 1 (Initial Filing – Vol. 3).

¹⁷² Ex. GMG-109, Schedule RDB-REB 2 (Burke Rebuttal).

¹⁷³ Ex. GMG-110, Schedule RDB-SR-3 at 3 (Burke Surrebuttal); Ex. OAG-303 at 5, Schedule CS-D-1 (Stevenson Direct); Ex. OAG-305, Schedule CS-S-1 at 12 (Stevenson Surrebuttal).

171. A graphic representation of GMG's sales over the six-year period of 2019 through 2024, using GMG's 2025 sales forecast and actual customer count as of January 1, 2025,¹⁷⁴ shows the following:

Figure 1. GMG Total Sales (in therms)



172. Two aspects of GMG's sales forecast remain contested – forecasted sales volumes for new customers to be added during the test year and GMG's Small Commercial customer count.¹⁷⁵

1. New Customer Test Year Sales

173. GMG proposed a 2025 Test Year sales forecast that includes 21.6 dekatherms (Dth) for each new customer.¹⁷⁶

174. GMG generally adds new customers following the summer construction season, often after the customer has converted appliances and heating systems to use natural gas. Typically, new customers are connected and begin using gas in the second half of the year, at the beginning of the heating season.¹⁷⁷

¹⁷⁴ See *generally* Evid. Hearing Tr. at 101-02.

¹⁷⁵ See *e.g.*, OAG Reply Brief at 11-13 (eDocket No. 20255-219190-01).

¹⁷⁶ Ex. GMG-105, Schedule E-1 at 3 (Initial Filing – Vol. 3); Ex. GMG-109 at 2-3 (Burke Rebuttal).

¹⁷⁷ Ex. GMG-109 at 2 (Burke Rebuttal).

175. GMG stated that this pattern recurs every year. GMG maintains that it is appropriate to acknowledge that new customers to GMG's system use less gas in the year that they are first connected to the system, when compared to customers that were connected on the first day of the year.¹⁷⁸

176. The Company showed that it added 4,378 new Residential class customers between 2015 and 2023.¹⁷⁹ Of those 4,378 new customers, 4,041 were added between June and December. Table 1 provides the five-year average of GMG's new customer additions from 2019 through 2023.

Table 1. Average New Customer Additions 2019 – 2023¹⁸⁰

Average over 5 years from 2019-2023 - DOC														
Rate Class	Code	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Residential - Firm	RS	1	2	-	3	39	35	40	52	42	64	71	36	385
Small Commercial - Firm	SCS	-	0	0	1	4	4	4	5	6	10	13	5	52
Commercial - Firm	CS	-	-	-	-	-	0	0	-	-	-	-	0	1
Industrial - Firm	MS	-	-	-	-	0	-	0	-	-	-	0	0	1
Industrial - Firm	LS	-	-	-	-	-	-	0	1	0	-	-	-	2
Agricultural - Interruptible	AG	-	-	-	-	0	0	-	1	0	0	-	-	2
Industrial - Interruptible	IND	-	-	-	-	-	-	-	-	-	-	-	-	-

177. The Department disagreed with GMG's use of 21.6 Dth for new customers in the Test Year because "[o]nce added to the system, new customers stay on the system and continue to use natural gas as existing customers."¹⁸¹

178. Sachin Shah (Shah), on behalf of the Department, disputed the new customer sales forecast for calendar year 2025.¹⁸²

179. The historical sales data demonstrates that most of the gas used by GMG customers occurs from January through March.¹⁸³

180. GMG added 15 new customers in early 2025. Only a few of these used natural gas during January through March, consuming a total of 159 Dth of natural gas.¹⁸⁴

181. By contrast, Shah's sales forecast estimates 400 new customers, utilizing 1843 Dth between January and March.¹⁸⁵

182. Annualizing new customers' gas usage in the Test Year to account for their consumption in future years may be appropriate when there is a large one-time addition of a new customers that does not reflect the utility's normal operations. But GMG's customer additions follow a consistent trend year-to-year: most often customers

¹⁷⁸ *Id.* at 3.

¹⁷⁹ Ex. DOC 205, Schedule SS-SR-3 (Shah Surrebuttal).

¹⁸⁰ *Id.*

¹⁸¹ Ex. DOC-205 at 11 (Shah Surrebuttal).

¹⁸² Evid. Hearing Tr. at 69 (Shah).

¹⁸³ Ex. GMG-109 at 3 (Burke Rebuttal).

¹⁸⁴ *Id.*

¹⁸⁵ *Id.* at 2-3.

are connected to GMG's system between June and December. Annualizing such customers' revenues, without also annualizing all of the associated costs, would not allow GMG a reasonable opportunity to recover its cost of service.¹⁸⁶

183. GMG met its burden to demonstrate the reasonableness of its Test Year sales forecast for new customers. The Department's recommended sales forecast adjustment should not be adopted.¹⁸⁷

2. Small Commercial Customer Count

184. Historically, GMG's growth from 2009 through 2023 resulted from the Company's extension of natural gas service to rural markets that were previously unserved by a natural gas utility.¹⁸⁸

185. New commercial customers, including new Small Commercial customers, resulted primarily from the conversion of existing businesses in these unserved areas to natural gas service.¹⁸⁹

186. All the developments that GMG has currently identified for future growth are residential developments, not commercial facilities. GMG has not identified any new commercial loads to be added along its existing mains.¹⁹⁰

187. Additionally, GMG is not planning any large projects or major main extensions to unserved communities in 2025. GMG projects growth during the 2025 Test Year that follows from infill along its existing mains.¹⁹¹

188. GMG projected that its 2024 year-end roster of 946 Small Commercial customers would not grow during the 2025 Test Year.¹⁹²

189. The OAG argues that GMG's historical additions of roughly 30 Small Commercial customers annually from 2019 through 2023 compels a different Small Commercial customer count for the 2025 Test Year.¹⁹³

190. The OAG acknowledges, however, that "it is possible GMG's theory that it has exhausted all opportunities to add small commercial customers is true," and that the "past is not always indicative of the future."¹⁹⁴

¹⁸⁶ *Id.* at 3.

¹⁸⁷ *Id.* at 2-3.

¹⁸⁸ Ex. OAG-303, Schedule CS-D-5 (Stevenson Direct).

¹⁸⁹ *Id.*

¹⁹⁰ Ex. OAG-305, Schedule CS-S-2 at 2 (Stevenson Surrebuttal).

¹⁹¹ Ex. OAG-303, Schedule CS-D-5 (Stevenson Direct).

¹⁹² Ex. GMG-105, Schedule E-1 (Initial Filing – Vol. 3).

¹⁹³ Ex. OAG-303 at 9 (Stevenson Direct).

¹⁹⁴ *Id.*

191. The OAG agreed with GMG that it is reasonable to update the 2025 sales forecast with actual 2024 year-end customer count numbers, as long as GMG updates its operating costs and cost of service for the Test Year.¹⁹⁵

192. Adjusting the sales forecast to utilize the 2024 year-end actual customer counts, results in a downward adjustment of \$185,507 for operating revenues in the Test Year and an increase in the Revenue Requirement of \$92,834.¹⁹⁶

193. GMG has met its burden to demonstrate the reasonableness of its updated sales forecast.¹⁹⁷

194. GMG has also met its burden to demonstrate the reasonableness of its forecasted addition of no new commercial customer accounts during the Test Year.¹⁹⁸

B. Operating Expenses

195. In setting its operating expenses, GMG tabulated its Test Year expenses by reviewing its actual expenses for the period of January 2023 through August 31, 2024, and its projected expenses for the remainder of 2024.¹⁹⁹

196. The Company then determined whether any necessary adjustments needed to be made to reflect normal utility operations during the Test Year.²⁰⁰

197. The Company quantified those adjustments and added them to the Projected Current Year expenses to establish the Test Year amounts.²⁰¹

198. GMG staff reviewed and revised each expense category to reflect anticipated changes, including those that arose from payroll increases, inflation, taxes and other factors.²⁰²

199. The disputed expense items in this proceeding concern: (1) a portion of GMG's employee compensation; (2) certain administrative and general expenses; and (3) certain organizational dues expenses.²⁰³

1. Employee Compensation

200. No party asserts that the Company pays excessive compensation to its employees and GMG provided information demonstrating that the reasonableness of its overall compensation levels compared to other utilities.²⁰⁴

¹⁹⁵ Ex. OAG-305 at 4 (Stevenson Surrebuttal).

¹⁹⁶ Ex. GMG-109 at 6 (Burke Rebuttal).

¹⁹⁷ *Id.*

¹⁹⁸ *Id.*

¹⁹⁹ Ex. GMG-103 at 19 (Burke Direct).

²⁰⁰ *Id.*

²⁰¹ *Id.*

²⁰² *Id.*

²⁰³ See *generally* Department's Initial Brief at 17-26 (eDocket No. 20255-218733-02).

201. The Department objects to recovery of a portion of one employee's annual performance pay (the short-term incentive compensation offered by GMG) and to recovery of any of the annual costs associated with GMG's employee retention agreements (GMG's longer-term incentive compensation).²⁰⁵

a. Performance Pay

202. GMG has only 25 employees and has experienced challenges in recruitment and retention of well-qualified employees.²⁰⁶

203. GMG offers employees the ability to obtain an annual increase in their compensation by earning a short-term incentive or "performance pay" addition to their base compensation. GMG's program links the criteria for obtaining these increases to specific aspects of the employee's job duties.²⁰⁷

204. As an example, the employee primarily responsible for GMG's energy conservation programs will earn short-term performance pay if certain energy conservation goals are achieved.²⁰⁸

205. GMG has just one Certified Management Accountant who is qualified to work with auditors to complete the Company's audited financial statements. GMG's short-term performance pay for that individual is paid out in June, after the most critical audit-related tasks for the year are completed. A departure from GMG by that employee before or during the annual audit process, would significantly impact the Company's ability to operate.²⁰⁹

206. None of this performance pay is contingent on GMG's earnings or financial performance. Notwithstanding "poor economic performance by the Company" during the past two years, GMG paid the full amount of short-term performance pay to eligible employees."²¹⁰

207. The Department initially proposed that GMG's recovery of performance pay costs be limited by applying a cap on any individual's performance pay equal to 15 percent of that employee's base pay. The proposed cap resulted in a disallowance of more than \$20,000 in compensation expenses.²¹¹

²⁰⁴ Ex. GMG-112 at 25 (Palmer Rebuttal).

²⁰⁵ Department's Initial Brief at 22-23.

²⁰⁶ Ex. GMG-112 at 20 (Palmer Rebuttal).

²⁰⁷ *Id.* at 19.

²⁰⁸ *Id.* at 21.

²⁰⁹ *Id.*

²¹⁰ *Id.*

²¹¹ Ex. DOC-213 at 19-20 (Johnson Direct).

208. The Department based this recommended disallowance on Commission decisions applying such a cap to the compensation plans of large utilities, like Xcel Energy.²¹²

209. In Rebuttal Testimony, the Department modified its recommendation regarding performance pay, in recognition that GMG's performance pay lacks a financial "trigger" and does not promote shareholder interests.²¹³

210. However, the Department continued to recommend applying a 15 percent cap to the performance pay of the one GMG employee whose performance pay has any tie to the financial performance of the Company. This modification lowered the Department's recommended disallowance from approximately \$20,000 to \$11,276.²¹⁴

211. The one employee in question is one of GMG's officers.²¹⁵ Department witness Mark Johnson (Johnson) acknowledged that he did not challenge the reasonableness of that officer's total compensation. Moreover, he agreed that GMG's officers "do not spend a significant amount of time on shareholder focused activities, such as increasing earnings per share."²¹⁶

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

- (a) the overall reasonable compensation level of GMG's officers is reasonable;
- (b) GMG's officers do not spend significant hours on shareholder-focused activities;
- (c) GMG has paid out its full performance pay during the past two years despite weak earnings; and
- (d) GMG has never paid its shareholders a dividend.²¹⁷

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

b. Retention Agreements

214. GMG offers retention agreements for certain key employees.²¹⁸

²¹² *Id.*

²¹³ Ex. DOC-216 at 21-22 (Johnson Surrebuttal).

²¹⁴ *Id.*

²¹⁵ Evid. Hearing Tr. at 80–82 (Johnson); Ex. DOC-214 at Schedule MAJ-D-5 (Johnson Direct).

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

²¹⁷ See Ex. GMG 103 at 8 (Palmer Direct); Ex. GMG-112 at 7 (Table GHP-REB-2) and 21 (Palmer Rebuttal).

²¹⁸ Ex. GMG-112 at 19 (Palmer Rebuttal).

215. There is no financial component to these agreements and no financial “trigger” that must be met before payment. The employee simply needs to continue to be employed by GMG, with payment of the additional compensation made on the third anniversary of the agreement.²¹⁹

216. GMG has structured its compensation package in this manner to support retention of its key personnel to ensure the safe, reliable operation of the business.²²⁰

217. With only 25 total employees, abrupt loss of even one or two key personnel, before the completion of significant work projects, can present significant challenges for the Company. GMG has worked hard to recruit well-qualified employees and retain them for long tenures.²²¹

218. GMG does not offer the array of benefits offered by larger utilities, such as a defined benefit plan.²²²

219. GMG tailors the retention agreements to address the Company’s operational duties. For example, while GMG’s CEO receives no retention agreement as part of his compensation, three Supervisory Gas Technicians do.²²³

220. GMG has some service centers with two or three employees, with just one employee at each location qualified to manage the construction projects for that area.²²⁴ If one or more of those managing employees left the Company during the construction season, their departure would make completion of the project on-time and on-budget, more difficult.²²⁵ Accordingly, retention pay is paid to these managers in January to encourage them to stay through year-end, when their construction projects are complete.²²⁶

221. The Department recommended disallowing recovery of any retention agreement payments, based upon “the Commission’s long-standing practice of not allowing long-term incentive compensation expense (LTI) in rate cases.”²²⁷

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

is *designed chiefly to serve shareholders’ interests*; its benefits to ratepayers are indirect and could be better served by other means; and its

²¹⁹ *Id.* at 19, 23.

²²⁰ *Id.* at 20.

²²¹ *Id.*

²²² *Id.*

²²³ See Ex. DOC-214 at Schedule MAJ-D-4 (Johnson Direct).

²²⁴ Ex. GMG-112 at 21 (Palmer Rebuttal).

²²⁵ *Id.* at 21-22.

²²⁶ *Id.* at 22.

²²⁷ Ex. DOC-216 at 23 (Johnson Surrebuttal).

time horizon for *rewarding corporate financial performance* carries the potential to divert attention from the much longer planning horizons critical to providing safe, reliable, and affordable utility service.²²⁸

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

the *shareholder-return-based performance element* of the time-based LTI program for non-executives may incentivize employees to *prioritize shareholder interests* over customer interests in order to increase their potential time-based LTI payout amount.²²⁹

224. Allowing recovery of GMG's retention agreement costs does not "divert attention from the much longer planning horizons critical to providing safe, reliable, and affordable utility service," as the Commission noted in the *CenterPoint* case. Encouraging technical staff to complete that year's critical tasks focuses, rather than distracts, from the mission of providing safe, reliable, and affordable service.²³⁰

225. The Department contends that there is another basis for disallowance, in that it maintains that GMG has not made an adequate showing that its retention pay program offers unique benefits that justify recovery.²³¹ The Administrative Law Judge disagrees with this position as well. GMG has established that the retention agreements are a key component of its efforts to attract and retain personnel in order to provide safe and reliable natural gas service and that the program is uniquely tailored to suit this purpose.

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

2. Administrative and Operating Expenses

227. The Company's calculations of certain administrative and general expense items remain in dispute: Education and Training Expense, Postage Expense, Repair and Maintenance Expense, and Auto and Truck Expense.²³²

a. Education and Training Expense

228. GMG projected a Test Year Education and Training Expense of \$10,200.²³³

²²⁸ *In the Matter of the Application of CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Minnesota Gas for Authority to Increase Natural Gas Rates in Minnesota*, MPUC Docket No. G-008/GR-15-424, Findings of Fact, Conclusions and Order at 23 (June 3, 2016) (*CenterPoint Energy*).

²²⁹ *In the Matter of the Application of Northern States Power Company, dba Xcel Energy, for Authority to Increase Rates for Electric Service in the State of Minnesota*, MPUC Docket No. E-002/GR-21-630, Findings of Fact, Conclusions and Order at 15 (July 17, 2023) (emphasis added).

²³⁰ *Compare generally CenterPoint Energy*, at 23.

²³¹ Ex. DOC 216 at 24 (Johnson Surrebuttal); Department's Initial Brief at 23.

²³² *See generally* Department's Initial Brief at 19-22.

229. The primary driver of this expense, and the resulting increase over 2023 actuals and annualized 2024 year-to-date, is the Company's addition of one new metering and measurement technician in 2025.²³⁴

230. The Department objected to GMG's Education and Training Expense for 2025, noting that it constitutes a 192% increase over GMG's 2024 expenses in this category. The Department recommended using annualized 2024 expenses, rather than GMG's budgeted expenses, resulting in a downward adjustment of just under \$3,800.²³⁵

231. GMG's proposed increase to the Education and Training Expense accounts relates to specialized training GMG will need to procure from outside sources in order to ensure that the Company's new employee is trained to current standards.²³⁶ GMG's approach recognizes the increased expense of this employee's education and training needs, a matter that substantially benefits GMG's customers.²³⁷

232. While percentage increases may be a relevant guide as to reasonableness in some circumstances; in isolation, the percentage increase in a particular category can be misleading when the underlying base number is fairly small, as is the case here.²³⁸ Further, the projected Education and Training Expense is not a lone outlier, as GMG's actual expense in this category in 2022 was \$13,881, a figure greater than the proposed expense.²³⁹

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

b. Postage Expense

234. The Postage Expense is for general business-related postage and GMG projected a Test Year Postage Expense of \$5,400.²⁴⁰

235. The Company evaluated its Postage Expense actuals from 2022 and 2023 of \$5,623 and \$4,468, respectively, and made assumptions regarding increases to the shipping costs.²⁴¹

236. The Department objected to GMG's postage budget for the Test Year and initially contended that postage expense should be set based on 2024 expenses, resulting in an adjustment of approximately \$1,300.²⁴² Later, the Department

²³³ Ex. GMG-109 at 13 (Burke Rebuttal); Ex. GMG-105, Schedule C-3 at 3 (Initial Filing – Vol. 3).

²³⁴ Ex. GMG-109 at 13 (Burke Rebuttal); Ex. GMG-103 at 20 (Burke Direct).

²³⁵ Ex. DOC-216 at 16 (Johnson Surrebuttal).

²³⁶ Ex. GMG-109 at 13 (Burke Rebuttal).

²³⁷ *Id.*

²³⁸ *Id.*; Ex. GMG-105, Schedule C-3 at 3 (Initial Filing – Vol. 3).

²³⁹ See Ex. DOC-215, Schedule AAU-D-1 at 17 (Uphus Direct).

²⁴⁰ Ex. GMG-105, Schedule C-3 at 3 (Initial Filing – Vol. 3).

²⁴¹ Ex. DOC-215, Schedule AAU-D-1 at 19-20 (Uphus Direct).

²⁴² *Id.* at 22.

recommended that the Postage Expense be based on an average of the actual costs from 2021 to 2024, resulting in a reduction of \$969.²⁴³

237. GMG's postage expenses between 2021 and 2024 fluctuated from around \$3,700 to just over \$5,600.²⁴⁴ GMG's proposed Test Year amount is within the range of its prior actual costs, accounts for fluctuations, and reflects the fact that postage costs charged by the US Postal Service, United Parcel Service, and FedEx continue to rise.²⁴⁵ GMG's Postage Expense is reasonable and should be approved.

c. Repair and Maintenance Expense

238. GMG's Repair and Maintenance Expense includes several items, such as snow removal, lawncare, and office cleaning contracts.²⁴⁶ GMG projected a Test Year Repair and Maintenance Expense of \$24,000.²⁴⁷

239. The primary driver of this expense and the Test Year increase is a significant rise in the cost of the Company's snow removal, lawncare, and office cleaning contracts.²⁴⁸

240. The office cleaning service for GMG's office and southern service center accounts for 47 percent of the five-year average of the Repair and Maintenance Expense. This cost increased by 33 percent in mid-2024.²⁴⁹

241. Similarly, the snow removal and lawncare expenses historically account for about 24 percent of the five-year average of the Repair and Maintenance Expense.²⁵⁰

242. Due to factors outside of GMG's control, the Company had to change its snow removal and lawncare vendor at the end of 2024. The change resulted in a 23 percent increase to lawncare rates and a 30 percent increase to earlier snow removal and salt application rates.²⁵¹

243. The Department objected to GMG's budgeted Repair and Maintenance Expense. It recommended annualizing 2024 year-to-date actual expenses, with an adjustment for inflation, resulting in a disallowance of approximately \$4,200.²⁵²

244. GMG met its burden to demonstrate the reasonableness of its Repair and Maintenance Expense. GMG demonstrated known and quantifiable increases to

²⁴³ Ex. DOC-216 at 17-18 (Johnson Surrebuttal).

²⁴⁴ Ex. DOC-215, Schedule AAU-D-1 at 20 (Uphus Direct).

²⁴⁵ Ex. DOC-215, Schedule AAU-D-1 at 19-20 (Uphus Direct).

²⁴⁶ Ex. GMG-109 at 13 (Burke Rebuttal).

²⁴⁷ Ex. GMG-105, Schedule C-3 at 3 (Initial Filing – Vol. 3).

²⁴⁸ Ex. GMG-109 at 14 (Burke Rebuttal).

²⁴⁹ *Id.*

²⁵⁰ *Id.*

²⁵¹ *Id.*

²⁵² Ex. DOC-215 at 23 (Uphus Direct); Ex. DOC-216 at 19-20 (Johnson Surrebuttal).

contract rates. GMG projects a reasonable Test Year expense that recognizes the actual conditions in which GMG is operating.²⁵³

d. Auto and Truck Expense

245. GMG projected a Test Year Auto and Truck Expense of \$138,000.²⁵⁴

246. The increase over 2023 actual and annualized 2024 year-to-date results from GMG's acquisition of an additional vehicle for its fleet, to be used by its new measurement technician. This vehicle must be outfitted with specialized equipment and will result in regular maintenance and gasoline expenses.²⁵⁵

247. GMG also anticipates higher maintenance costs on its existing fleet of vehicles going forward. For example, between January 1 and March 24, 2025, GMG incurred over \$9,000 in 2025 vehicle repair expenses.²⁵⁶

248. The Department objected to GMG's projected Auto and Truck Expense, noting the significant percentage increase GMG projected over 2024 expenses. The Department recommended annualizing 2024 year-to-date as of November 30, 2024, and applying a five percent rate of inflation, resulting in a recommended disallowance of approximately \$7,500.²⁵⁷

249. GMG demonstrated that it would incur expenses related to outfitting a new truck that is necessary for its new measurement technician, and that it reasonably anticipates ongoing higher costs to maintain its aging vehicle fleet.²⁵⁸

250. While percentage increases can sometimes be illuminating, comparing the 2025 Test Year expense to the 2022 expense of \$118,734, GMG's request represents a 16 percent increase.²⁵⁹ When compared to the 2023 expense of \$121,761, GMG's request is for only a 13 percent increase over this amount.²⁶⁰

251. Given the addition of a new vehicle, the relatively small base of Auto and Truck Expense, and the clearly identified drivers of the increase, such variations are not unreasonable. GMG's projected Auto and Truck Expense should be reflected in the new rates.²⁶¹

²⁵³ Ex. GMG-109 at 14 (Burke Rebuttal).

²⁵⁴ Ex. GMG-105, Schedule C-3 at 3 (Initial Filing – Vol. 3).

²⁵⁵ Ex. GMG-103 at 20 (Burke Direct); Ex. GMG-109 at 10 (Burke Rebuttal).

²⁵⁶ Ex. GMG-109 at 10 (Burke Rebuttal); Ex. DOC-215, Schedule AAU-D-1 at 6-7 (Uphus Direct).

²⁵⁷ Ex. DOC-25 at 11-12 (Uphus Direct).

²⁵⁸ Ex. DOC-109 at 10 (Burke Rebuttal); Ex. DOC-215, Schedule AAU-D-1 at 2 (Uphus Direct).

²⁵⁹ Ex. DOC-216, Schedule MAJ-S-11 (Johnson Surrebuttal).

²⁶⁰ *Id.*

²⁶¹ Ex. GMG-103 at 20 (Burke Direct); Ex. GMG-109 at 10 (Burke Rebuttal).

3. Organizational Dues

252. Minnesota law provides that “[t]he commission may not allow as operating expenses a public utility’s travel, entertainment, and related employee expenses that the commission deems unreasonable and unnecessary for the provision of utility service”²⁶² This category includes organizational dues.²⁶³

253. GMG requested recovery of organizational dues related to 12 organizations with a total Test Year budget of the GMG portion of these dues of \$10,016.²⁶⁴

254. The OAG recommended the denial of recovery of dues related to the American Gas Association (AGA) and the Minnesota AgriGrowth Council (MAC), and to amortize the recovery of dues related to the Midwest Region Gas Task Force (Task Force) over a three-year period.²⁶⁵

a. American Gas Association

255. GMG projected a Test Year expense of \$3,702 for the Minnesota jurisdictional portion of AGA dues.²⁶⁶

256. GMG relies on the AGA for technical training, exposure to developing industry and safety issues, guidance on best practices and educational opportunities from industry experts.²⁶⁷

257. GMG does not have an in-house training department and depends upon industry organizations such as the AGA for technical training. These trainings include instruction on gas storage, engineering, construction and maintenance, gas control, and piping materials, regulatory changes, interstate pipeline matters, and safety and preparatory practices.²⁶⁸

258. OAG objected to recovery of any AGA dues, stating that GMG failed to remove that portion of its AGA dues attributable to lobbying and that GMG did not demonstrate that the payments of these dues should be recovered from ratepayers.²⁶⁹

259. As a small company, GMG reasonably relies on AGA for technical training and information on safety and other best practices issues and its AGA dues are thus directly connected to the provision or improvement of utility services. However, the

²⁶² Minn. Stat. § 216B.16, subd. 17.

²⁶³ *Id.*, subd. 17(6).

²⁶⁴ Ex. GMG-103, Schedule RDB-3 (Burke Direct).

²⁶⁵ Ex. OAG-302 at 9-18 (Lee Surrebuttal).

²⁶⁶ Ex. GMG-103, Schedule RDB-3 (Burke Direct).

²⁶⁷ Ex. GMG-109 at 17 (Burke Rebuttal).

²⁶⁸ *Id.*

²⁶⁹ Ex. 301, SL-D-3 at 2 (Lee Direct).

portion of its AGA dues attributable to lobbying are not appropriate for recovery from customers.²⁷⁰

260. GMG provided evidence in the form of the AGA invoice for 2024 which states that the portion of GMG's dues allocable to lobbying is 4.3 percent.²⁷¹

261. GMG acknowledged that its initial request did not isolate the dues allocable to lobbying from the Test Year amount. It proposes a downward adjustment to the AGA dues in the amount of \$159 to account for the 4.3 percent of those dues which the AGA attributes to its lobbying expense.²⁷²

262. GMG's organizational dues expense should be reduced by \$159, to remove the portion of its AGA dues attributable to lobbying.²⁷³

b. Minnesota AgriGrowth Council

263. MAC is a nonprofit, nonpartisan organization representing the agriculture industry in Minnesota. Involvement in MAC provides GMG with opportunities to access the Company's target business market, engage with potential new agricultural customers, and identify trends and market needs for the rural Minnesota communities that GMG serves.²⁷⁴

264. OAG objected to any recovery of MAC dues stating that GMG failed to remove any portion of dues related to lobbying activities and questioning the benefit of GMG's membership to GMG's customers.²⁷⁵

265. GMG's primary markets for its large customer, industrial, and interruptible rate classes are agricultural customers; including growers of poultry, grain, pork, produce, dairy, and hemp.²⁷⁶

266. MAC provides analysis of energy policy from an agricultural perspective.²⁷⁷

267. Further, participation in MAC events and programming allows GMG to engage with potential new agricultural customers in order to bring natural gas to unserved areas of the state. Specifically, GMG engages agricultural producers who are

²⁷⁰ Ex. GMG-109 at 17 (Burke Rebuttal).

²⁷¹ Ex. OAG-301, Schedule SL-D-2 at 7 (Lee Direct). The OAG contends that the actual percentage of AGA dues attributable to lobbying is higher than that reflected in the invoice. OAG Reply Brief at 6. The Administrative Law Judge determines that the invoice constitutes credible, reliable evidence of the percentage of the AGA dues related to lobbying.

²⁷² Ex. OAG-301, Schedule SL-D-2 at 7 (Lee Direct).

²⁷³ *Id.*

²⁷⁴ Ex. OAG-301 at 14, and Schedule SL-D-6 (Lee Direct).

²⁷⁵ Ex. OAG-301 at 14-17 (Lee Direct).

²⁷⁶ Ex. OAG-301, Schedule SL-D-6 (Lee Direct).

²⁷⁷ *Id.*

searching for ways to capture methane and may assist GMG in developing a footprint in renewable natural gas.²⁷⁸

268. Moreover, the addition of new business customers to the GMG system benefits all other GMG customers.²⁷⁹

269. GMG's membership in this organization directly benefits ratepayers and relates to its provision of natural gas. GMG should be permitted to recover the projected Test Year expense of \$2,750 for the Minnesota jurisdictional portion of MAC dues, less any amount attributable to lobbying activities.²⁸⁰

270. MAC estimates that 25 percent of its membership dues may support lobbying activities.²⁸¹

271. GMG has acknowledged it did not initially remove that portion of MAC dues that may be attributable to lobbying from its dues expense. Therefore, GMG's organization dues should be reduced by \$687.50 to account for MAC's lobbying expenses.²⁸²

c. Midwest Region Gas Task Force

272. The Task Force is a group of small natural gas companies and municipalities that transport gas on interstate pipeline networks.²⁸³

273. GMG is a member of the Task Force. Through the Task Force, GMG shares legal expenses with other small regional gas utilities when these firms jointly intervene in federal cases brought by the interstate pipeline companies – such as Northern Natural Gas. Through the Task Force, GMG can sharply lower the expense of participating in federal pipeline proceedings.²⁸⁴

274. GMG projected a Test Year dues expense of \$1,100 for the Minnesota jurisdictional portion of the Task Force.²⁸⁵

275. OAG did not dispute recovery of these costs but argued that the dues should not be incurred on an annual basis because these costs are not incurred every year. It recommended amortizing the \$1,100 cost over three years, thus reducing the Test Year expense by two-thirds.²⁸⁶

²⁷⁸ *Id.*

²⁷⁹ *Id.*

²⁸⁰ Ex. GMG-103, Schedule RDB-3 (Burke Direct); Ex. GMG-109 at 18 (Burke Rebuttal); Ex. OAG-301, Schedule SL-D-6 (Lee Direct).

²⁸¹ Ex. OAG-301, Schedule SL-D-2 at 10 (Lee Direct).

²⁸² *Id.*

²⁸³ Ex. OAG-301 at 10 (Lee Direct).

²⁸⁴ Ex. GMG-109 at 18 (Burke Rebuttal).

²⁸⁵ Ex. GMG-103, Schedule RDB-3 (Burke Direct).

²⁸⁶ Ex. OAG-301 at 12 (Lee Direct).

276. GMG explained that amortizing over three years assumes there is only one interstate transmission company rate case that impacts GMG's ratepayers every three years.²⁸⁷

277. GMG demonstrated that between 2021 and 2025 there have been or will be costs associated with Task Force membership for four out of the five years.²⁸⁸ GMG's test year expenses for the Task Force is reasonable and GMG should be permitted to recover the Test Year dues expense of \$1,100.

C. Customer Meters in FERC Accounts 381 and 382

278. Meters and Automatic Meter Reading units (AMRs) are classified into groups and subject to group depreciation for purposes of determining plant balance.²⁸⁹

279. For bookkeeping purposes, these meter groups are assigned to FERC Accounts under the Natural Gas Act's Uniform System of Accounts.²⁹⁰

280. In its initial filing, GMG inadvertently classed certain meter-related and AMR-related amounts into FERC Account 381 (Structures and Improvements). These amounts should have been classed into FERC Account 382 (Computer Hardware).²⁹¹

281. Because these two FERC Accounts are subject to the same depreciation schedule, this misclassification of amounts did not impact on the Company's overall revenue requirements.²⁹²

282. During the course of this proceeding, GMG corrected this misclassification in the columns relating to the 2024 unaudited actual plant balance. In its Supplemental Response to Department Information Request 131, GMG properly re-classified the meters and AMRs to FERC Account 382.²⁹³

283. As GMG noted in its Supplemental Response, the Company did not correct this misclassification in the columns related to 2023 and to the Projected 2025 Test Year.²⁹⁴

284. Because only one column was corrected its Information Request Response, there appears to be an unexplained \$176,834 increase to the plant balance for FERC Account 381 during the 2025 Test Year.²⁹⁵

²⁸⁷ Ex. GMG-109 at 18 (Burke Rebuttal).

²⁸⁸ Ex. OAG-301, Schedule SL-D-5 and SL-D-2 at 3 (Lee Direct).

²⁸⁹ Ex. GMG-109 at 20 (Burke Rebuttal).

²⁹⁰ *Id.*

²⁹¹ *Id.*; *see also* 18 C.F.R. Part 201 (2023).

²⁹² Ex. GMG-109 at 20 (Burke Rebuttal); Evid. Hearing Tr. at 91:18-92:8 (Lee).

²⁹³ Ex. OAG-301, Schedule SL-D-12 at 3-6 (Lee Direct).

²⁹⁴ *Id.* at 1, 5-6.

²⁹⁵ *Id.* at 3-6.

285. This apparent increase is solely a result of the correction made to 2024,²⁹⁶ after filing the rate case, without a corresponding correction made to 2025.

286. Neither GMG's initial misclassification nor the subsequent correction have any impact on the overall plant balances or depreciation, because the misclassified meters and AMRs were properly depreciated at the correct 50-year rate.²⁹⁷

287. The OAG recommends that GMG's plant balance be reduced by \$176,834, arguing that this amount is an unsupported placeholder figure.²⁹⁸

288. During the evidentiary hearing, OAG witness Shoua Lee acknowledged that the amount included in the Projected 2025 Test Year for FERC Account 381—\$520,747—was the same amount GMG included in 2023. There was no increase to FERC Account 381 for a “plugged amount” between 2024 and 2025.²⁹⁹

289. The reasonableness of GMG's combined meter plant balances is confirmed by looking to the combined amounts for FERC Accounts 381 and 382. The combined figures show a modest increase from \$4.36 million in 2023 to \$4.6 million in 2024, and \$4.8 million in 2025.³⁰⁰

290. When presented as a combination of Accounts 381 and 382, the OAG did not object to the amount of the overall increase in the two accounts.³⁰¹

291. GMG's projected customer meter plant balances are reasonable, and no adjustment is appropriate.³⁰²

IX. SUMMARY OF REVENUE REQUIREMENTS

292. The Administrative Law Judge recommends that the Commission find that GMG's revenue deficiency, as shown in Attachment 3 of GMG's Initial Brief, should be recalculated to reflect the adjustments recommended herein.³⁰³

293. With the adjustments recommended herein, GMG would receive an approximately 7.5 percent increase in rates (slightly down from GMG's originally requested 7.7 percent increase). A 7.5 percent rate increase is just, reasonable and fully supported by the record and applicable law.³⁰⁴

²⁹⁶ Ex. OAG-301, Schedule SL-D-12 at 5-6 (Lee Direct).

²⁹⁷ Ex. GMG-109 at 20 (Burke Rebuttal); Evid. Hearing Tr. at 91-92 (Lee).

²⁹⁸ Ex. OAG-302 at 6-7 (Lee Surrebuttal).

²⁹⁹ Evid. Hearing Tr. at 92 (Lee).

³⁰⁰ *Id.* at 92-94.

³⁰¹ *Id.*

³⁰² *Id.*

³⁰³ See generally GMG Initial Brief, Attachment 3 (eDocket No. 20255-218728-04).

³⁰⁴ *Id.*

X. INCOME TAX RIDER

294. GMG proposed an income tax rider to manage the risk of changes in income tax rates that might oblige the earlier filing of a new rate case.³⁰⁵

295. GMG proposed a rider that would be adjusted annually based upon the Company's actual income tax rate. The adjustments would account for any future changes to the Company's actual tax rate. GMG proposed a "bidirectional rider": If corporate tax rates decreased GMG's customers would receive an early pass-through of rebates without need to wait for the completion of a future rate case or other Commission action.³⁰⁶

296. Postponing filing for new rates is an important objective of GMG's management. GMG's relatively small size means that a smaller customer base bears the costs of a rate case. Moreover, in the present proceeding, rate case expenses are expected to exceed ten percent of the total requested increase.³⁰⁷

297. The proposed rider could substantially reduce regulatory expense by providing a mechanism to adjust rates to account for income tax rate changes without a full rate case and the accompanying expenses.³⁰⁸

298. GMG proposed that the difference in the annual amount of taxes would be divided by budgeted "send-out volume" for the forthcoming year to identify the annual rider amount per dekatherm.³⁰⁹

299. The resulting annual rider amount would then be applied to customers' bills beginning in January of the following year, either as a charge or a credit.³¹⁰

300. Both the Department and OAG objected to GMG's proposal. The Department argued that without a foreseeable impact the rider would be inappropriate and undermine the rate case construct.³¹¹ The OAG argued that the Commission lacks the authority to approve the rider, absent express legislative approval.³¹²

301. Without reaching the question of whether the Commission has the authority to establish an income tax rider, it is clear that the Commission's preferred approach to the comparatively rarer occurrence of a significant change in federal tax rates is to conduct an industry-wide investigation. The last time corporate tax rates

³⁰⁵ See Ex. GMG-108 at 1 (Chilson Witness Statement); Ex. GMG-103 at 10 (Chilson Direct).

³⁰⁶ Ex. GMG-103, Chilson Direct at 10.

³⁰⁷ Ex. GMG-108 at 1 (Chilson Witness Statement).

³⁰⁸ *Id.*

³⁰⁹ Ex. GMG-103 at 11 (Chilson Direct).

³¹⁰ *Id.*

³¹¹ Ex. DOC-215 at 9 (Uphus Direct).

³¹² Ex. OAG-301 at 18-22 (Lee Direct).

underwent significant revision, the Commission initiated an investigation that resulted in an order directing utilities to refund the over-recovery of taxes to their ratepayers.³¹³

302. The Commission should deny GMG's request for an income tax rider.³¹⁴

XI. CLASS COST OF SERVICE STUDY (CCOSS)

A. CCOSS Methodology

303. Basic ratemaking principles hold that customers should be responsible for their respective service costs.³¹⁵

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.³¹⁶

305. For the CCOSS in this case, GMG used the same minimum system study method it used in its 2009 rate case.³¹⁷

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.³¹⁸

307. In the hopes of simplifying and streamlining this case, GMG proposed no change to its CCOSS or revenue allocation.³¹⁹ GMG notes that it is a small company with a small customer base and limited financial and administrative resources.³²⁰

308. GMG does not own CCOSS software and did not hire a consultant to develop its CCOSS.³²¹ GMG explained that performing additional CCOSS would require substantial resources that GMG does not have.³²²

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.³²³

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

³¹³ Ex. DOC-215 at 9 (Uphus Direct).

³¹⁴ *Id.*

³¹⁵ See Ex. DOC-206 at 4 (Zajicek Direct).

³¹⁶ *Id.* at 3-4, 14.

³¹⁷ Ex. GMG-103 at 21 (Burke Direct).

³¹⁸ Ex. DOC-206, Schedule MZ-D-4 (Zajicek Direct).

³¹⁹ Ex. GMG-109 at 25 (Burke Rebuttal).

³²⁰ *Id.* at 26.

³²¹ Ex. GMG-103, Schedule CJC-1 at 6 (Chilson Direct); Ex. DOC-206, Schedule MZ-D-4 (Zajicek Direct).

³²² Ex. GMG-109 at 26 (Burke Rebuttal).

³²³ Ex. DOC-206, Schedule MZ-D-4 (Zajicek Direct).

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.³²⁴

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....”³²⁵

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”³²⁶ The sole requirement the Department requested GMG comply with was for an explanatory filing; which GMG later provided.³²⁷

313. The Department and OAG later argued that the Commission should consider a range of CCOSS results as a starting point for rate design.³²⁸

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.³²⁹

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.³³⁰

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.³³¹ 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.³³²

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

³²⁴ *Id.* at 2.

³²⁵ *Id.* at 1 (Zajicek Direct).

³²⁶ Ex. DOC-200 at 3 (Comments of the Minn. Dept. of Commerce).

³²⁷ *Id.*

³²⁸ Ex. DOC-209 at 14 (Zajicek Surrebuttal); Ex. OAG-303 at 21 (Stevenson Direct).

³²⁹ Ex. DOC-206 at 43 (Zajicek Direct).

³³⁰ Ex. OAG-303 at 35, 41 (Stevenson Direct).

³³¹ Ex. DOC-207 at 32-34 (Zajicek Direct).

³³² See Department Initial Brief at 34; OAG Initial Brief at 28-29 (eDocket No. 20255-218723-02).

costs that GMG asserts better align the model with accepted cost-causation principles.³³³

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.³³⁴

319. The Administrative Law Judge also finds that GMG met its burden of demonstrating the reasonableness of its CCOSS, as revised in Rebuttal Testimony.³³⁵

B. Future CCOSS Recommendations

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.³³⁶

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.³³⁷

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

³³³ Ex. GMG-109 at 23-25 and Schedule RDB-REB-8 (Burke Rebuttal); Ex. GMG-110 at 21-22 (Burke Surrebuttal).

³³⁴ See Ex. GMG-109 at 25-26 (Burke Rebuttal).

³³⁵ *Id.*

³³⁶ Ex. DOC-207 at 41-42 (Zajicek Direct).

³³⁷ Ex. GMG-109 at 26 (Burke Rebuttal).

maintains that the Department's proposal provides uncertain and speculative benefits, and downplays that significant cost impact of these changes.³³⁸

323. Implementing the proposed changes would require significant resources; quite likely including additional personnel, consultant expense, and licenses for modeling software.³³⁹ These rate case expenses would ultimately be borne by GMG's ratepayers.³⁴⁰

324. The Administrative Law Judge finds that GMG demonstrated the reasonableness of its revised CCOSS in this rate case.³⁴¹ 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.

XII. REVENUE APPORTIONMENT AND RATE DESIGN

325. GMG did not propose any change to its revenue apportionment or rate design, opting instead to propose a virtually uniform rate increase across all customer classes.³⁴²

A. Revenue Apportionment

326. When apportioning revenue responsibility and designing rates, the Commission must set rates that offer utilities a reasonable opportunity to earn their revenue requirement, promote efficient use of resources, and avoid both "rate shock" and unreasonable discrimination against any customer class.³⁴³

327. GMG seeks to retain the same revenue apportionment that was agreed to by the parties and approved by the Commission in GMG's last rate case.³⁴⁴

328. GMG proposed roughly equal percentage-of-margin increases over existing rates across all classes. This allocation balances allocating the cost of service established in GMG's CCOSS, with each class's contribution to GMG's revenue levels. It also reflects important customer impact considerations; such as avoiding rate shock and ensuring residential customers have affordable access to natural gas service.³⁴⁵

³³⁸ *Id.*

³³⁹ *Id.* at 26.

³⁴⁰ *Id.*

³⁴¹ *Id.*

³⁴² *Id.* at 27; Ex. GMG-110 at 24 (Burke Surrebuttal).

³⁴³ Minn. Stat. §§ 216B.16, subd. 6, 216B.03, 216B.07 (2024).

³⁴⁴ Ex. GMG-109 at 27 (Burke Rebuttal).

³⁴⁵ Ex. GMG-103 at 32 (Burke Direct); Ex. GMG-109 at 26-27 (Burke Rebuttal).

329. Both the Department and OAG propose revenue apportionment strategies that assign a greater rate increase to larger customer classes and a lesser rate increase to Residential and Small Commercial customers.³⁴⁶

330. The Department's proposed revenue apportionment reduces the increase in revenue apportioned to the Residential class from 7.7 percent to 2.1 percent.³⁴⁷

331. The OAG's proposed revenue apportionment assigns an 11 percent increase to the Commercial class and reduces the increase in revenue apportioned to the Residential class from 7.7 percent to 6.4 percent.³⁴⁸

332. OAG witness Stevenson contended that GMG's customers may be experiencing energy burden because GMG's service area includes counties with average annual incomes lower than the State average. At the evidentiary hearing, Stevenson acknowledged that he did not evaluate intra-county income trends or where within each county GMG's customers took service.³⁴⁹

333. GMG argued that its 11,000 customers are a fraction of each county's population, as the counties Stevenson evaluated in his energy burden assessment have a collective population of over 456,000.³⁵⁰

334. GMG argued that the Department's and OAG's approach places disproportionate financial burdens on family-owned farms and small businesses; many of which are operating on very thin margins. These customers, GMG contends, are just as susceptible to rate shock as Residential or Small Commercial customers.³⁵¹

335. There is a real risk that if either the Department's or OAG's recommendations were implemented, they would incentivize GMG's business customers to bypass the GMG system by converting to an alternative fuel source, such as propane, or receive service from another provider.³⁵²

336. If significant migration away from GMG's system were to occur; the rate design benefits claimed by the Department and OAG would be lost. Out-migration from the GMG system would place additional cost responsibilities on the Residential and Small Commercial customers.³⁵³

³⁴⁶ *Id.*

³⁴⁷ Ex. 212 at 9, n.17 (Hirasuna Surrebuttal).

³⁴⁸ Ex. DOC-212 at 6, 8-9 (Hirasuna Surrebuttal); Ex. OAG-305 at 11, 19 (Stevenson Surrebuttal).

³⁴⁹ Ex. OAG-303 at 68-69, Schedule CS-D-32 (Stevenson Direct); Evid. Hearing Tr. at 103:06-22 (Stevenson).

³⁵⁰ Ex. OAG-303 at 68 (Stevenson Direct); Minn. Dept. of Administration – Minn. State Demographic Center, *PopFinder for Minnesota, Counties, & Regions*, <https://mn.gov/admin/demography/data-by-topic/population-data/our-estimates/pop-finder1.jsp>; see also Ex. GMG-103 at 3 (Chilson Direct).

³⁵¹ Ex. GMG-110 at 24 (Burke Surrebuttal); Ex. GMG-113 at 1 (Palmer Witness Statement).

³⁵² Ex. GMG-110 at 24 (Burke Surrebuttal).

³⁵³ *Id.*

337. Stevenson acknowledged at the evidentiary hearing that “ideally no one would get a 12, 13, 14 percent rate increase” and “that an 11 percent rate increase for that class could cause rate shock” Yet, he did not change his recommendation; a change would require apportioning at least some of those amounts to other rate classes.³⁵⁴

338. The Administrative Law Judge finds that the existing revenue apportionment is reasonable. Carrying forward the existing revenue apportionment results in avoiding a still-larger rate increases imposed upon family-owned farms and any class of customer being specially disadvantaged.³⁵⁵

339. The Administrative Law Judge also finds that the hearing record does not support a finding that GMG’s customers, in particular, are now experiencing energy burden.³⁵⁶

B. Rate Design

340. GMG proposed increasing all facility fees and distribution charges for all rate classes by the same percentage rate.³⁵⁷

341. GMG proposed to increase facility fees by approximately 15 percent for all classes. GMG maintains that its proposal moves each class closer to its cost-of-service and addresses the substantial increase in the fixed costs necessary to provide service to GMG’s customers — such as materials, supplies, labor, technology, and administrative costs — in the 15 years since GMG’s last rate case.³⁵⁸

342. The Department and the OAG generally do not oppose GMG’s rate design as it relates to distribution charges and facility fees.³⁵⁹

343. OAG witness Stevenson noted that, with respect to Residential customers, each customer imposes between \$11.55 and \$14.93 in customer-related costs per month, supporting GMG’s proposed Residential facility fee of \$9.75.³⁶⁰

344. Stevenson confirmed that GMG’s proposed facility fee is reasonable.³⁶¹

345. Stevenson also recommended that if the Commission authorizes a lower revenue requirement, that GMG should first reduce its facility fee before reducing the distribution charge.³⁶²

³⁵⁴ Evid. Hearing Tr. at 105-106 (Stevenson).

³⁵⁵ Ex. GMG-110 at 23 (Burke Surrebuttal).

³⁵⁶ See Ex. GMG-107 at 3-6 (Chilson Surrebuttal); Evid. Hearing Tr. at 103-04 (Stevenson).

³⁵⁷ Ex. GMG-103 at 12 (Burke Direct).

³⁵⁸ *Id.* at 5-6.

³⁵⁹ Ex. DOC-210 at 22-25 (Hirasuna Direct); Ex. DOC-212 at 10 (Hirasuna Surrebuttal); Ex. OAG-303 at 88 (Stevenson Direct); Ex. OAG-305 at 22 (Stevenson Surrebuttal).

³⁶⁰ Ex. OAG-303 at 88 (Stevenson Direct).

³⁶¹ *Id.*; Ex. OAG-305 at 22 (Stevenson Surrebuttal).

346. The Administrative Law Judge disagrees on this last point. The facility fee is already lower than each customer's actual customer-related costs; such that carrying forward the same sized cross-subsidy is inappropriate if a lower revenue requirement is approved.³⁶³ Even with a lower revenue requirement, a facility fee of \$9.75 per month represents a moderate move toward cost-of-service pricing.³⁶⁴

347. Additionally, the OAG does not agree with GMG's current reconnection fee of \$75 and argued that it should be reduced to \$50 and split over multiple months.³⁶⁵

348. GMG argued that it takes significant efforts to avoid disconnecting its customers in the first instance, and GMG has very few disconnections and reconnections resulting from non-payment.³⁶⁶

349. Prior to a disconnection, GMG's Customer Service team attempts to contact the customer numerous times by mail, personal phone calls, and technician visits the location where the customer is taking service to place a pending disconnection notice on the customer's door known as a "door hanger."³⁶⁷

350. GMG also works with its customers to keep their gas service connected by allowing uniquely crafted payment arrangements. It assists customers in obtaining financial help, such as helping them find energy assistance, enrolling them in GMG's Gas Affordability Program, or setting up a payment plan with GMG.³⁶⁸

351. As a result of these efforts, GMG only assessed 85 reconnection charges across all customer classes during 2024.³⁶⁹

352. GMG explained that when it must perform a disconnection, it charges a \$75 reconnection fee to restore service.³⁷⁰

353. GMG showed that the reconnection fee is reasonable considering that the average cost of reconnecting GMG's customers is \$87.67 per reconnection.³⁷¹ This cost reflects GMG's service area and geographic dispersion of its customer base. A skilled technician spends an average of about 90 minutes of work to perform a reconnection.³⁷²

354. GMG's higher reconnection costs make comparisons to the reconnection fees of CenterPoint Energy or Xcel Energy inapplicable. These large utilities have

³⁶² Ex. OAG-303 at 88 (Stevenson Direct); Ex. OAG-305 at 22 (Stevenson Surrebuttal).

³⁶³ Ex. OAG-303 at 88 (Stevenson Direct).

³⁶⁴ Ex. GMG-103 at 6 (Burke Direct).

³⁶⁵ Ex. OAG-303 at 72 (Stevenson Direct); Ex. OAG-305 at 22-24 (Stevenson Surrebuttal).

³⁶⁶ Ex. GMG-109 at 32 (Burke Rebuttal).

³⁶⁷ *Id.* at 32-33.

³⁶⁸ *Id.* at 33.

³⁶⁹ *Id.*

³⁷⁰ *Id.* at 32.

³⁷¹ *Id.* at 33.

³⁷² *Id.*

considerably different customer bases that are geographically consolidated primarily in metropolitan areas.³⁷³ Technicians for those utilities performing reconnections incur much less travel time.³⁷⁴

355. The Administrative Law Judge finds that GMG's reconnection fee of \$75 is reasonable and supported by the record.

356. The OAG additionally recommended that if the reconnection fee remains \$75, the Commission should require GMG to allow its customers to pay the reconnection fee over the course of three months, with \$30 due the first month, \$25 due the second month, and \$20 due the third month so that a disconnected customer does not have an upfront surcharge of more than \$30.³⁷⁵ While the Administrative Law Judge appreciates the OAG's intent, charging customers for reconnection costs across three separate billing cycles could cause customer confusion and concerns about duplicative billing. The Administrative Law Judge recommends rejecting the OAG's proposal.³⁷⁶

357. The OAG also recommended altering the rates charged to GMG's interruptible customers and removing customers from interruptible service. The OAG maintains that GMG has had an average of 90 interruptible customers each year from 2019 to 2023.³⁷⁷ GMG has never called on more than nine customers to curtail, and no more than four customers have ever curtailed at one time.³⁷⁸ The OAG maintains that GMG's interruptible customers are receiving a preferential rate without providing a benefit to GMG's system.

358. GMG disagrees. It explained that the reason that it rarely interrupts many of its agricultural interruptible customers is that they do not consume gas in the winter, when peaks occur and interruption calls go out.³⁷⁹ It argued that if its interruptible customers were forced onto firm rates, these customers might leave the gas system entirely to use more expensive fuels, and that this would hurt other customer classes because the other classes benefit from interruptible customers' sales.³⁸⁰

359. The record in this case does not support making the changes recommended by the OAG. The bargain made by interruptible customers is that their service may be curtailed and that they pay a lower rate for service as a result of that agreement; the bargain is not a guarantee or requirement that the service must be curtailed.³⁸¹

³⁷³ *Id.* at 34.

³⁷⁴ *Id.*

³⁷⁵ Ex. 305 at 24 (Stevenson Surrebuttal).

³⁷⁶ *Id.* at 33.

³⁷⁷ Ex. 303 at 60 (Stevenson Direct).

³⁷⁸ *Id.*

³⁷⁹ Ex. 109 at 29 (Burke Direct).

³⁸⁰ *Id.* at 30.

³⁸¹ The OAG also recommends that customers should be notified that GMG may impose economic curtailments. GMG's tariff already provides for curtailment "whenever requested by the Company." Ex.

360. Any Conclusion of Law more properly deemed to be a Finding of Fact is adopted herein.

Based upon these Findings of Fact, the Administrative Law Judge makes the following:

CONCLUSIONS OF LAW

1. The Commission has general jurisdiction over GMG under Minn. Stat. §§ 216B.01, .02 (2024). The Commission has specific jurisdiction over the rate changes requested by the Company under Minn. Stat. § 216B.16.

2. The Commission and the Administrative Law Judge have jurisdiction to consider this matter pursuant to Minn. Stat. §§ 14.50 and 216B.08 (2024).

3. The case was properly referred to the Office of Administrative Hearings under Minn. Stat. §§ 14.48–14.62 (2024) and Minn. R. 1400.0200, *et seq.* (2023).

4. The public and parties received proper and timely notice of the hearing, and the Commission and GMG complied with all procedural requirements of statute and rule.

5. Every rate set by the Commission shall be just and reasonable. Rates shall not be unreasonably preferential, unreasonably prejudicial or discriminatory, but shall be sufficient, equitable and consistent in application to a class of consumers. To the maximum reasonable extent, the Commission shall set rates to encourage energy conservation and renewable energy use and to further the goals of Minn. Stat. §§ 216B.164, 216B.241 and 216C.05 (2024).³⁸²

6. The burden of proof is on the public utility to show that a rate change is just and reasonable.³⁸³

7. Any doubt as to reasonableness should be resolved in favor of the consumer.³⁸⁴

8. Rates set in accordance with this Report would be just and reasonable.

9. Any Finding of Fact more properly designated as a Conclusion of Law is hereby adopted as such.

Based upon these Conclusions of Law, the Administrative Law Judge makes the following:

303 at 63 (Stevenson Direct). The Company's tariff language is already broad enough to include economic curtailment.

³⁸² Minn. Stat. § 216B.03.


³⁸³ Minn. Stat. § 216B.16, subd. 4.

³⁸⁴ Minn. Stat. § 216B.03.

RECOMMENDATION

1. The Company is entitled to increase gross annual revenues in accordance with the terms of this Report.
2. The text of the Findings and Conclusions should govern the mathematical and computational aspects of the Findings and Conclusions. The computations should be adjusted so as to conform to the conclusions of the Report.
3. The Commission should adopt the recommendations set forth in the Findings above.

Dated: July 11, 2025


JESSICA A. PALMER-DENIG
Administrative Law Judge

NOTICE

Notice is hereby given that exceptions to this Report, if any, by any party adversely affected must be filed under the time frames established in the Commission's rules of practice and procedure, Minn. R. 7829.1275, .2700 (2023), unless otherwise directed by the Commission. Exceptions should be specific and stated and numbered separately. Oral argument before a majority of the Commission will be permitted pursuant to Minn. R. 7829.2700, subp. 3. The Commission will make the final determination of the matter after the expiration of the period for filing exceptions, or after oral argument, if an oral argument is held.

The Commission may, at its own discretion, accept, modify, or reject the Administrative Law Judge's recommendations. The recommendations of the Administrative Law Judge have no legal effect unless expressly adopted by the Commission as its final order.

July 11, 2025

See Attached Service List

Re: *In the Matter of the Application of Greater Minnesota Gas, Inc. for Authority to Increase Rates for Natural Gas Utility Service in Minnesota*
OAH 71-2500-40492
MPUC G-022/GR-24-350

To All Persons on the Attached Service List:

Enclosed and served upon you is the Administrative Law Judge's **SUMMARY OF PUBLIC TESTIMONY, FINDINGS OF FACT, CONCLUSIONS OF LAW, AND RECOMMENDATION** in the above-entitled matter.

If you have any questions, please contact me at (651) 361-7857, nichole.sletten@state.mn.us, or via facsimile at (651) 539-0310.

Sincerely,



NICHOLE SLETTEN
Legal Assistant

Enclosure

cc: Docket Coordinator

STATE OF MINNESOTA
OFFICE OF ADMINISTRATIVE HEARINGS
PO BOX 64620
600 NORTH ROBERT STREET
ST. PAUL, MINNESOTA 55164

CERTIFICATE OF SERVICE

In the Matter of the Application of Greater Minnesota Gas, Inc. for Authority to Increase Rates for Natural Gas Utility Service in Minnesota	OAH Docket No.: 71-2500-40492 MPUC G-022/GR-24-350
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On July 11, 2025, a true and correct copy of the **SUMMARY OF PUBLIC TESTIMONY, FINDINGS OF FACT, CONCLUSIONS OF LAW, AND RECOMMENDATION** was served by eService, and United States mail, (in the manner indicated on the attached service list) to the following individuals:

#	First Name	Last Name	Email	Organization	Agency	Address	Delivery Method	Alternate Delivery Method	View Trade Secret	Service List Name
1	Kristine	Anderson	kanderson@greatermngas.com	Greater Minnesota Gas, Inc.		1900 Cardinal Lane PO Box 798 Faribault MN, 55021 United States	Electronic Service		No	24-350Official CC Service List
2	Katherine	Arnold	katherine.arnold@ag.state.mn.us		Office of the Attorney General - Department of Commerce	445 Minnesota Street Suite 1400 St. Paul MN, 55101 United States	Electronic Service		No	24-350Official CC Service List
3	Mike	Bull	mike.bull@state.mn.us		Public Utilities Commission	121 7th Place East, Suite 350 St. Paul MN, 55101 United States	Electronic Service		No	24-350Official CC Service List
4	Robin	Burke	rburke@greatermngas.com	Greater Minnesota Gas, Inc.		1900 Cardinal Ln PO Box 798 Faribault MN, 55021 United States	Electronic Service		No	24-350Official CC Service List
5	Christopher J.	Cerny	ccerny@winthrop.com	Winthrop & Weinstine, P.A.		225 South Sixth Street Suite 3500 Minneapolis MN, 55402 United States	Electronic Service		No	24-350Official CC Service List
6	Joey	Cherney	joey.cherney@ag.state.mn.us		Office of the Attorney General - Residential Utilities Division	445 Minnesota Street STE 1800 Saint Paul MN, 55101 United States	Electronic Service		No	24-350Official CC Service List
7	Cody	Chilson	cchilson@greatermngas.com	Greater Minnesota Gas, Inc. & Greater MN Transmission, LLC		1900 Cardinal Ln PO Box 798 Faribault MN, 55021 United States	Electronic Service		No	24-350Official CC Service List
8	Generic	Commerce Attorneys	commerce.attorneys@ag.state.mn.us		Office of the Attorney General - Department of Commerce	445 Minnesota Street Suite 1400 St. Paul MN, 55101 United States	Electronic Service		No	24-350Official CC Service List
9	Sharon	Ferguson	sharon.ferguson@state.mn.us		Department of Commerce	85 7th Place E Ste 280 Saint Paul MN, 55101-2198 United States	Electronic Service		No	24-350Official CC Service List
10	Katherine	Hinderlie	katherine.hinderlie@ag.state.mn.us		Office of the Attorney General - Residential Utilities Division	445 Minnesota St Suite 1400 St. Paul MN, 55101-2134 United States	Electronic Service		No	24-350Official CC Service List
11	Amrit	Hundal	amrit.hundal@ag.state.mn.us		Office of the Attorney General - Department of Commerce		Electronic Service		No	24-350Official CC Service List
12	Nicolle	Kupser	nkupser@greatermngas.com	Greater Minnesota Gas, Inc.		1900 Cardinal Ln PO Box 798 Faribault MN, 55021 United States	Electronic Service		No	24-350Official CC Service List

#	First Name	Last Name	Email	Organization	Agency	Address	Delivery Method	Alternate Delivery Method	View Trade Secret	Service List Name
13	Greg	Palmer	gpalmer@greatermngas.com	Greater Minnesota Gas, Inc.		1900 Cardinal Ln PO Box 798 Faribault MN, 55021 United States	Electronic Service		No	24-350Official CC Service List
14	Jessica	Palmer Denig	jessica.palmer-denig@state.mn.us		Office of Administrative Hearings	600 Robert St N PO Box 64620 St. Paul MN, 55164 United States	Electronic Service		Yes	24-350Official CC Service List
15	Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us		Office of the Attorney General - Residential Utilities Division	1400 BRM Tower 445 Minnesota St St. Paul MN, 55101-2131 United States	Electronic Service		No	24-350Official CC Service List
16	Janet	Shaddix Elling	jshaddix@janetshaddix.com	Shaddix And Associates		7400 Lyndale Ave S Ste 190 Richfield MN, 55423 United States	Electronic Service		Yes	24-350Official CC Service List
17	Joseph	Windler	jwindler@winthrop.com	Winthrop & Weinstine		225 South Sixth Street, Suite 3500 Minneapolis MN, 55402 United States	Electronic Service		No	24-350Official CC Service List