

**BEFORE THE MINNESOTA OFFICE OF ADMINISTRATIVE HEARINGS  
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**FOR THE MINNESOTA PUBLIC UTILITIES COMMISSION  
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Audrey Partridge	Commissioner
John Tuma	Commissioner

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

OAH File No. 71-2500-40492

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

**REPLY BRIEF OF THE MINNESOTA  
DEPARTMENT OF COMMERCE**

May 22, 2025

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## INTRODUCTION

Greater Minnesota Gas claims that it has done “everything in its power” to file a rate case that the other parties and Commission could approve with minimal adjustments.<sup>1</sup> Yet it relied on presumptions that it could maintain a return on equity and rate design approved in 2010, under far different circumstances, and conclusory assertions that dramatic increases in various expenses were justified by the specific, detailed information GMG has about its own operations—information which in many cases it did not share in either testimony or information responses. In contrast, the Minnesota Department of Commerce proposed adjustments based on the evidence in the record to develop recommendations that would result in just and reasonable rates for customers, while also allowing GMG’s investors to earn a fair return on their investment. The Department addresses arguments contained in the Company’s initial brief relating to appropriate return on equity, sales forecast, and rate design.<sup>2</sup>

## ARGUMENT

GMG continues to place considerable emphasis on its own beliefs about the reasonableness of its approach to this case, its proposed request, and why it should be treated differently than other rate-regulated utilities, while paying scant attention to whether GMG has met its statutory burden of proof. GMG supports its positions with citations to precedent from Minnesota as well as other jurisdictions. A simple review of the cited cases and the context in which those decisions were made, however, demonstrates the Company’s positions are unavailing and should be rejected.

Regarding GMG’s specific proposals, the Company has neither demonstrated that its proposed return on equity (ROE) is reasonable, nor has it demonstrated that many of its financial

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<sup>1</sup> Ex. GMG-112 at 4 (Palmer Rebuttal).

<sup>2</sup> The Department has only responded to new points raised by the Company or where additional clarity seemed helpful. For all other issues, the Department continues to rely on its initial brief.

adjustments or rate design proposals are reasonable. Because state law demands that the utility prove its proposed rates are “just and reasonable” and that “[a]ny doubt as to reasonableness . . . be resolved in favor of the consumer,” the Commission should adjust or reject GMG’s deficient proposals.<sup>3</sup>

**I. GMG’S REQUESTED RETURN ON EQUITY IS UNSUPPORTED BY THE RECORD AND SHOULD BE REJECTED**

GMG’s request to maintain its ROE at the level set in 2010, under significantly different economic circumstances, is unreasonable. GMG continues to advocate for a return on equity by misapplying an appellate decision. It further bases its position on misunderstandings of various financial models, presumptions that the Commission should anchor its decision based on out-of-state and out-of-date ROE awards, and mathematically and conceptually inaccurate flotation cost adjustments.

**A. Nothing in *Hibbing*’s Requirement that the Commission Exercise Judgment in Setting an ROE Weighs Against Selection of a Lower Recommended ROE.**

In its initial brief, GMG emphasizes the *Hibbing* Court’s rejection of the “*North Central* doctrine.”<sup>4</sup> GMG describes the *North Central* doctrine as an approach “whereby the Commission focused on the testimony of the witness recommending the lowest rate of return to determine if it was basically sound and capable of being adopted before considering higher recommendations.”<sup>5</sup> However, the *Hibbing* decision was based on the Court’s finding that the *North Central* doctrine is impermissible because it was an “arbitrary delegation” of the duty Chapter 216B places on the Commission to mechanically adopt the lowest acceptable ROE recommended by a witness.<sup>6</sup>

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<sup>3</sup> Minn. Stat. § 216B.03 (2024).

<sup>4</sup> GMG Initial Brief at 15, citing *Hibbing Taconite Co. v. Minnesota Public Service Commission*, 302 N.W.2d 5, 10 (Minn. 1980).

<sup>5</sup> GMG Initial Brief at 15.

<sup>6</sup> *Hibbing* at 11.

*Hibbing*'s holding does not create any presumption that higher ROEs should be selected over lower ROEs. In fact, even though the Commission's underlying order in *Hibbing* had stated that it was applying the *North Central* doctrine, the *Hibbing* court found that the Commission had not done so because the Commission had considered the evidence submitted by different witnesses and used its judgment to set the ROE.<sup>7</sup> The Department's recommended ROE should not be adopted because it is the lowest recommended ROE offered in this case. The Department's recommended ROE should be adopted because it is well-supported by robust, analytically-sound modeling and adjustments, while GMG's recommendation is not.

**B. There Is Inadequate Evidence in the Record to Support the Use of a Two-Growth DCF Model to Set ROE for GMG.**

GMG first argues that the reasonableness of its requested ROE is supported by a two-growth discounted cash flow ("DCF") analysis. The Company points to the results of the two-growth DCF analysis performed by the Department, which produced a "mean average" of 10.50%.<sup>8</sup> GMG stated that this made its requested ROE "extremely" conservative.<sup>9</sup>

Although the Department explained that two-growth DCF analyses are unreliable because it is well-documented that equity analysts overestimate long-term earnings growth forecasts,<sup>10</sup> GMG attempted to dismiss this reasoning by relying on a highly selective reading of recent Commission decisions. As discussed in the Department's initial brief, although the Commission declined to depart from its reliance on a two-growth DCF model in Xcel Energy's 2021 electric rate case, the Commission nevertheless set the authorized ROE at the level recommended by the

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<sup>7</sup> *Hibbing* at 11-12 (affirming the ROE set by the Commission).

<sup>8</sup> GMG Initial Brief at 19, citing Ex. DOC-201 at 37 (Addonizio Direct).

<sup>9</sup> GMG Initial Brief at 19.

<sup>10</sup> Ex. DOC-201 at 31 (Addonizio Direct).

Department.<sup>11</sup> That recommendation, in turn, relied most heavily on the results of the Department’s multi-stage DCF analysis.<sup>12</sup>

GMG also points to the decision in Minnesota Power’s 2021 rate case, in which the Commission again chose to rely on industry-specific earnings forecasts, in large part because those estimates “are rigorously audited to ensure compliance with accounting principles.”<sup>13</sup> In its ROE decision, the Commission noted that it was giving weight to Minnesota Power’s earning estimates, which are publicly available and closely examined by industry analysts.<sup>14</sup> No such public scrutiny exists for GMG.

Lastly, GMG pointed to the Department’s position in a 2005 CenterPoint Energy rate case, later adopted by the Commission, that GDP growth rates are not reasonable measures of expected growth for natural gas utilities.<sup>15</sup> However, the Department’s position in that case relied on the fact that experts were predicting the natural gas industry would grow at a slower rate than the economy as a whole.<sup>16</sup> As a result, the use of GDP in those circumstances would overestimate an

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<sup>11</sup> See *In re Appl. of N. States Power Co., dba Xcel Energy, for Auth. to Increase Rates for Elec. Serv. in the State of Minn.*, MPUC Docket No. E-002/GR-21-630, FINDINGS OF FACT, CONCLUSIONS, AND ORDER at 84, 89, 92 (July 17, 2023) (eDocket No. [20237-197559-01](#)) (Xcel 2021 Rate Case Order); DOC Initial Brief at 15.

<sup>12</sup> Xcel 2021 Rate Case Order at 84.

<sup>13</sup> *In re Appl. of Minn. Power for Auth. to Increase Rates for Elec. Serv. in Minn.*, MPUC Docket No. E-015/GR-21-335, FINDINGS OF FACT, CONCLUSIONS, AND ORDER at 45 (Feb. 28, 2023) (eDocket No. [20232-193486-01](#)) (Minnesota Power 2021 Rate Case Order).

<sup>14</sup> Minnesota Power 2021 Rate Case Order at 45. The Department notes that Minnesota Power itself is not publicly traded, but it is instead a division of ALLETE Inc., which is a publicly traded company.

<sup>15</sup> GMG Initial Brief at 26, citing *In re Appl. of CenterPoint Energy Minn. Gas, a Div. of CenterPoint Energy Res. Corp., for Auth. to Increase Nat. Gas Rates in Minn.*, Docket No. G-008/GR-05-1380, FINDINGS OF FACT, CONCLUSIONS AND RECOMMENDED ORDER at Finding 66 (Sept. 8, 2006) (eDocket No. [3252743](#)) (CenterPoint 2005 Rate Case ALJ Order) (adopted by the Commission in its FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER at 31 (Nov. 2, 2006) (eDocket No. [3560745](#)) (CenterPoint 2005 Rate Case Order)).

<sup>16</sup> See CenterPoint 2005 Rate Case ALJ Order at 19, CenterPoint 2005 Rate Case Order at 31.

appropriate ROE. It is possible, and perhaps even reasonable to expect, an individual company or industry to grow more slowly than the economy as a whole.<sup>17</sup> However, no company or industry can grow faster than the overall economy in the long-term, and therefore dividend growth rates should be capped at long-term GDP growth estimates in DCF models. Thus, contrary to the Company's assertions, the Department's position with respect to the use of GDP growth forecasts in DCF models is consistent with its position in the 2005 CenterPoint Energy case.

**C. The ROEs Authorized by the Wisconsin Public Service Commission in the Spring of 2023 Are Unsupported and Inapplicable to this Case.**

GMG argues that because of the dearth of comparable utilities, the Commission should look to the authorized ROE set by the Public Service Commission of Wisconsin for St. Croix Valley Natural Gas and Midwest Natural Gas, two small natural gas utilities in Wisconsin.<sup>18</sup> GMG's suggestion is inappropriate for many reasons.

First, the Commission has stated that decisions of other jurisdictions "have limited persuasive value because of the fact-intensive nature of cost-of-equity decision-making."<sup>19</sup> This holds particularly true here. Although GMG asserted that these are "recent" cases,<sup>20</sup> the decisions in those cases were issued more than two years ago. For some issues, a two-year-old analysis remains valuable and relevant. For ROE, however, changing financial conditions can cause significant swings in the results produced by financial models within a brief time. Here, the results

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<sup>17</sup> Ex. DOC-201 at 31–34 (Addonizio Direct).

<sup>18</sup> GMG Initial Brief at 21–22; *In re Appl. of St. Croix Valley Nat. Gas Co., Inc. for Auth. to Increase Rates for Nat. Gas Rates*, Public Service Commission of Wisconsin Docket No. 5230-GR-109, Final Decision at 3 (Apr. 24, 2023) (St. Croix Valley Order); *In re Appl. of Midwest Nat. Gas, Inc. for Auth. to Increase Rates for Nat. Gas Rates*, Public Service Commission of Wisconsin Docket No. 3670-GR-106, Final Decision at 3 (Apr. 27, 2023) (Midwest Natural Order).

<sup>19</sup> Minnesota Power 2021 Rate Case Order at 45.

<sup>20</sup> GMG Initial Brief at 21.

of the Department’s financial modeling shifted noticeably between the filing of the Department’s direct testimony on February 28 and its surrebuttal testimony on April 11—a mere six weeks later.

The Wisconsin orders, which were issued in the spring of 2023, came hot on the heels of the high inflation seen in 2022. In the Commission’s July 13, 2023 Order in Xcel’s 2021 electric rate case, it noted that “there was significant uncertainty about the direction, duration, and impact of inflation” while the parties were filing testimony through the fall of 2022 and into early 2023.<sup>21</sup> As a result, it conducted on its own review of the trends in the inflation rate when making its decision. The Commission noted the substantial decline in inflation in 2023 before reaching its decision to adopt the Department’s recommended 9.25% ROE.<sup>22</sup> The Commission explained that it was not persuaded that it would be reasonable to set ROEs for years into the future based on data that “appear[ed] to be significantly impacted by a period of peak inflation.”<sup>23</sup>

The persuasive value of the ROE set in the Wisconsin cases is further limited because the PSCW orders do not explain how the 11% ROE was reached. Although the orders state that the PSCW staff “performed an independent financial review” and reached an ROE that “balanced the needs of customers and investors,” the orders provide no information about the type of financial review performed, what subjective judgments went into the models or how those decisions were made, or how the PSCW balanced “the interests of equity owners and the applicant’s lenders with those of consumers, with due consideration to economic and financial conditions along with public policy considerations.”<sup>24</sup>

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<sup>21</sup> Xcel 2021 Rate Case Order at 90.

<sup>22</sup> Xcel 2021 Rate Case Order at 90–92. The Commission cited the Consumer Price Index published by the U.S. Bureau of Labor Statistics, noting that facts about inflation “are generally known and based on publicly available information.” *Id.* at 90 n.47.

<sup>23</sup> Xcel 2021 Rate Case Order at 91.

<sup>24</sup> Midwest Natural Order at 9; St. Croix Valley Order at 9.



While the orders do not explain how the chosen ROE was reached, other statements in the orders contradict GMG's framing of the case. GMG asserted that the "ROE determinations in both *St. Croix Valley* and *Midwest Natural* recognize the inherently higher risk of investing in smaller companies."<sup>25</sup> Yet in both cases, the orders specifically noted "[n]o material risk factors unique to the applicant were identified which would support a higher equity ratio or ROE relative to its peers."<sup>26</sup> Neither order identifies the utilities that the PSCW considered to be "peers," nor the criteria the PSCW used to make that assessment. The orders also do not state whether this ROE is higher than what the PSCW would award to a larger, but otherwise similar utility, at the same point in time, much less how much of an adjustment was applied.

Based on its decisions that *St. Croix Valley* and *Midwest Natural* did not have any unique risk factors, the PSCW imputed a 60 percent equity ratio<sup>27</sup> and approved an 11% ROE for both utilities because those numbers were "comparable" to the utilities' peers.<sup>28</sup> It is unclear how similar these peer utilities are to one another. In *St. Croix Valley*, the imputed equity ratio and authorized ROE result in a weighted average cost of capital (WACC) that provides 4.52 times the utility's estimated pre-tax interest expense.<sup>29</sup> In contrast, the same imputed equity ratio and authorized ROE result in a WACC that provides 5.55 times the utility's estimated pre-tax interest expense in *Midwest Natural*.<sup>30</sup> The difference in that metric between the two cases raises significant questions about whether the outcomes of those cases provide useful information to the Commission, which

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<sup>25</sup> GMG Initial Brief at 22.

<sup>26</sup> *Midwest Natural* Order at 8; *St. Croix Valley* Order at 8.

<sup>27</sup> Although GMG describes the PSCW as "approv[ing]" the 60 percent equity ratio, for both utilities this was a reduction in equity from their actual capital structures, resulting in a reduced return on capital. *Midwest Natural* Order at 8; *St. Croix Valley* Order at 8. For *Midwest Natural*, the PSCW also imputed a lower cost of debt. *See* *Midwest Natural* Order at 2, 10.

<sup>28</sup> *Midwest Natural* Order at 8-9; *St. Croix Valley* Order at 8-9.

<sup>29</sup> *St. Croix Valley* Order at 10.

<sup>30</sup> *Midwest Natural* Order at 10.

is required to exercise its judgment in setting ROE based on the specific evidence in the record in each rate case.<sup>31</sup>

Finally, other information from the order suggests that there may be important differences between the Wisconsin cases and GMG's rate case. For example, Midwest Natural requested a rate increase of 0.58%—a request 13 times smaller than GMG's request—despite not having raised its rates since its prior increase was approved on December 30, 2008.<sup>32</sup> The PSCW ultimately ordered Midwest Natural to *reduce* its existing rates by 1.57%.<sup>33</sup> The taciturn orders in the Wisconsin cases do not provide a basis for making reasoned assessments about whether the PSCW's decisions should be taken into consideration here, nor did GMG introduce any such evidence into the record. These cases offer next to no probative value and the ROEs they authorized should be weighed accordingly.

#### **D. GMG Is Not Entitled Recovery of Future Flotation Costs.**

GMG argues that its requested flotation cost adjustment should be approved because the Commission has “tacitly acknowledged” that a utility may be able to recover flotation costs on future equity issuances. In support of this proposition, GMG cites CenterPoint Energy's 2015 rate case. In that case, the utility's parent company had not issued stock in the five years preceding the rate case filing and stated that it had no plans to issue equity in the “reasonably foreseeable future.”<sup>34</sup> The Commission denied CenterPoint's request to recover flotation costs. The Commission offered multiple reasons for its decision, including the absence of evidence in the

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<sup>31</sup> See *Hibbing* at 11 (“Chapter 216B gives to the [Commission] the duty as well as the power to set a just and reasonable rate after a full review of evidence and testimony.”).

<sup>32</sup> Midwest Natural Order at 1.

<sup>33</sup> Midwest Natural Order at 1.

<sup>34</sup> *In re Appl. of CenterPoint Energy Res. Corp. d/b/a CenterPoint Energy Minn. Gas for Auth. to Increase Nat. Gas Rates in Minn.*, MPUC Docket No. G-008/GR-15-424, FINDINGS OF FACT, CONCLUSIONS, AND ORDER at 43 (June 3, 2016) (eDocket No. [20166-121975-01](#)) (CenterPoint Energy 2015 Rate Case Order).

record on “the nature, amount, and financial impact of all costs associated with any completed or planned stock issuance.”<sup>35</sup>

The same reasoning applies here. Although GMG has asserted that it will need to raise equity in the future, will incur costs in doing so, and does not plan to expense those costs, the only evidence it offered in support of flotation costs are basic facts about one of its past debt issuances.<sup>36</sup> That information does not allow the Commission to consider the nature, amount, or financial impact of costs associated with GMG’s future equity issuances. Without this information, and information about when GMG expects to incur those costs, the Commission has no basis to determine whether it would be just and reasonable for GMG’s ratepayers to begin paying those costs now. GMG’s request for an adjustment to ROE to account for future flotation costs should be denied.

## **II. GMG’S APPROACH TO NEW CUSTOMER SALES IS INCONSISTENT WITH COMMISSION PRECEDENT**

In GMG’s initial brief, it states that the Department “either fundamentally misunderstands GMG’s sales forecast methodology for new customers or is theoretically opposed to the methodology despite evidence that GMG’s approach is reasonable and consistent.”<sup>37</sup> The Department is opposed to GMG’s methodology because it is inconsistent with Commission precedent. Given GMG’s small size, even modest additional sales can lower the per-unit cost of providing service by allowing greater economies of scale. This is how GMG was able to avoid coming in for a rate case for fifteen year. In fact, it allowed to GMG to achieve a five year stretch in which its average earned ROE was above its 10.0% authorized ROE despite requesting rates

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<sup>35</sup> CenterPoint Energy 2015 Rate Case Order at 44.

<sup>36</sup> See Ex. GMG-103 at 37 (Palmer Direct at 12); Ex. GMG-112 at 17 (Palmer Rebuttal).

<sup>37</sup> GMG Initial Brief at 41.

that were estimated to only produce an ROE of 4.24%.<sup>38</sup> When paired with GMG’s strongly stated preference for going as long as possible between rate cases, undercounting sales could result in ratepayers overpaying for service for years to come.

The Commission has “conclude[d] that to establish just and reasonable rates” based on a particular test year, it should consider “annualized ... sales revenues” for that year.<sup>39</sup> Where “evidence in the record supports a conclusion that sales to [new customers] will continue for the foreseeable future, the Company will be required to reflect 12 months of sales, and a corresponding [ ] revenue increase, in its test year calculations.”<sup>40</sup> The Department has established that GMG’s new customers stay on the system and continue to use gas as existing customers in future years.<sup>41</sup> GMG’s new customers sales should therefore be annualized for purposes of calculating test year sales and revenue.

### **III. GMG HAS FAILED TO MEET ITS BURDEN UNDER MINN. STAT. 216B.16 TO SUPPORT ITS REQUESTED RATE ALLOCATION AND RATE DESIGN FOR ITS NEW RATES**

GMG stated that its existing rate allocation and rate design are entitled to being carried forward under a presumption that they remain just and reasonable under new rates. Minn. Stat. § 216B.16 places “[t]he burden of proof to show that the rate change is just and reasonable ... upon the public utility seeking the change.”<sup>42</sup> GMG argued that this statutory language applies on an element-by-element basis. That is incorrect.

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<sup>38</sup> See DOC Initial Brief at 13; Ex. GMG-112 at 7, Table GHP-REB 2 (Palmer Rebuttal).  
(9.3+8.2+11.9+9.6+11.7)/5=10.14.

<sup>39</sup> *In re App. Of Minn. Power for Auth. To Increase Rates for Elec. Serv. in Minn.*, MPUC Docket No. E-015/GR-16-664, FINDINGS OF FACT, CONCLUSIONS, AND ORDER at 51 (Mar. 12, 2018) (eDocket No. [20183-140963-01](#)) (MP 2016 Rate Case Order).

<sup>40</sup> MP 2016 Rate Case Order at 51.

<sup>41</sup> Ex. DOC-205 at 9-11 (Shah Surrebuttal).

<sup>42</sup> Minn. Stat. 216B.16 subd. 4 (2024); GMG Initial Brief at 17.

In support of its position, GMG cites only one case: *Inter-City Gas Corp.*<sup>43</sup> That case holds that existing rate allocation and rate design are presumed to be just and reasonable for the purposes of charging interim rates, even if the rate allocation and rate design are changed when implementing final rates.<sup>44</sup> No party is challenging the use of GMG’s existing rate allocation and rate design for purposes of interim rates in this case.

In contrast, in *Petition of N. States Power Co.*, the question was whether Minn. Stat. § 216B.16’s burden of proof applies to the new rate’s components. In Northern State Power’s 1985 rate case, the utility argued that its actual capital structure was entitled to a presumption of reasonableness.<sup>45</sup> The Commission disagreed, finding that Minn. Stat. § 216B.16’s burden of proof applied to the proposed capital structure.<sup>46</sup> The Court affirmed the Commission’s reasoning, stating that the statute placed the burden on utilities to prove “component[s]” of the proposed rate are fair and just.<sup>47</sup>

The same logic applies here. GMG’s existing rate allocation and rate design retained their presumption of reasonableness since GMG’s last rate case was decided fifteen years ago. However, now that GMG has proposed a change to its rates, it must once again prove that each component of its proposed rates is fair and just. GMG has not done so.

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<sup>43</sup> GMG Initial Brief at 17, 62, 63.

<sup>44</sup> *See Pet. of Inter-City Gas Corp.*, 389 N.W.2d 897, 902 (Minn. 1986) (“Increasing the rates pursuant to the existing rate design in an amount sufficient to permit the utility to recover certain of its increased costs during the pendency of the present proceedings does not convert the prior determination into an unjust or unreasonable one.”).

<sup>45</sup> *In re Pet. of N. States Power Co. for Auth. to Change Its Sched. of Rates for Elec. Util. Serv. for Customers Within the State of Minn.*, MPUC Docket 85-558, FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER at 53 (Aug. 2, 1986) (eDocket No. [143847](#)).

<sup>46</sup> *Id.* at 55.

<sup>47</sup> *Pet. of N. States Power Co.*, 416 N.W.2d 719, 726 (Minn. 1987).

GMG's expenses and revenues are not the only things that have changed since its last rate case. "Both the number of GMG's service areas and the number of its customers within each service area have increased dramatically," with its customer base tripling.<sup>48</sup> That growth, however, has not been uniform. Comparing GMG's actual 2008 operating revenues<sup>49</sup> with its actual 2023 operating revenues,<sup>50</sup> revenue has increased, for example, from residential customers by 2.37 times,<sup>51</sup> commercial customers 6.62 times,<sup>52</sup> and firm transportation customers 99.0 times.<sup>53</sup> GMG's service territory has expanded from areas of south-central Minnesota roughly between Mankato, Faribault, and Prior Lake<sup>54</sup> to include a central district based out of Swanville and a north district based out of Detroit Lakes.<sup>55</sup> While GMG would be obligated to demonstrate that its proposed rate allocation and rate design are fair and just in any rate case, it is particularly important here given the substantial passage of time and changes to GMG's customer base and service territory since its last rate case.

Although GMG bears the burden of proof, it openly admits that it has shirked this burden, and reverse-engineered its class cost of service study to support its desired outcome.<sup>56</sup> The extent of this abrogation can be seen most clearly in GMG's decision to remove 436,649 MCF<sup>57</sup> of projected consumption from its updated class cost of service study (CCOSS) without notifying the parties or including this change in the list of itemized changes to its CCOSS it provided in

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<sup>48</sup> Ex. GMG-103 at 48 (Burke Direct at 7); GMG Initial Brief at 9.

<sup>49</sup> Ex. DOC-205, SS-SR-1 at 116 (Shah Surrebuttal).

<sup>50</sup> Ex. GMG-109, RDB-REB 2 (Burke Rebuttal).

<sup>51</sup>  $9,598,131/4,043,142=2.374$ .

<sup>52</sup>  $2,481,006/548,471=4.523$ .

<sup>53</sup>  $217,555/2,197=99.024$ .

<sup>54</sup> Ex. DOC-205, SS-SR-1 at 38 (Shah Surrebuttal).

<sup>55</sup> Ex. GMG-103 at 68 (Burke Direct at 27).

<sup>56</sup> See Ex. GMG-109 at 25 (Burke Rebuttal); DOC Initial Brief at 27-31; OAG-RUD Initial Brief at 27-31.

<sup>57</sup> MCF is a measure of natural gas equal to 1,000 cubic feet.

testimony.<sup>58</sup> GMG's CCOSS, proposed rate design, and supporting testimony all reflect GMG's inaccurate view that it is entitled to rely on a presumption that its prior rate allocation and rate design are reasonable despite a change in rates. GMG's proposed rate allocation and rate design should be rejected.

### CONCLUSION

For the reasons stated above, GMG has not met its burden to show that its proposed return on equity, sales forecast, or rate allocation and rate design are reasonable and would result in just and reasonable rates. As explained in the Department's initial brief, GMG has also failed to carry its burden to demonstrate that many of its proposed test year expenses are reasonable, while the Department provided thorough explanations of its proposed adjustments to expenses and revenues, recommended cost of equity, and proposed rate design. The Department's recommendations would result in fair and just rates, and should be adopted.

Dated: May 22, 2025

Respectfully submitted,

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DEPARTMENT OF COMMERCE

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<sup>58</sup> See DOC Initial Brief at 30; OAG-RUD Initial Brief at 27-28.