OAH Docket No. 7-2500-20907-2
PUC Docket Nos. G-022/GR-09-962 and G-022/MR-09-983

STATE OF MINNESOTA
OFFICE OF ADMINISTRATIVE HEARINGS

FOR THE MINNESOTA PUBLIC UTILITIES COMMISSION

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	**SUMMARY OF TESTIMONY AT PUBLIC HEARING**

A Public Hearing was conducted in this matter by Administrative Law Judge (ALJ) Richard C. Luis, pursuant to appropriate notice, at the Falcon Ridge Elementary School in New Prague, Minnesota. The Public Hearing convened at 7:00 p.m. on February 23, 2010. The public record in this case closed at 4:30 p.m. on March 5, 2010, the deadline set by the ALJ for the receipt of written comments from the public.

The Public Hearing is part of the process by which the Minnesota Public Utilities Commission will determine, based on the record developed in the entire proceeding, whether or not to grant a rate increase in the amount(s) requested by Greater Minnesota Gas, Inc. (Company, GMG, Utility). The formal parties to the evidentiary portion of this matter, GMG, the Office of Energy Security (OES) and the Office of the Attorney General (OAG), have agreed to confer among themselves and arrive at a settlement for the consideration of the ALJ and the Public Utilities Commission. Pursuant to the agreement of all parties, no Evidentiary Hearing has been convened.

At the Public Hearing GMG was represented by Warren Satterlee, its Interim President and Chief Executive Officer (CEO) and Anne Tessier, a consultant retained by GMG for purposes of assisting in its rate-case Application. The OES was represented at the Public Hearing by Rates Analyst Adam Heinen. Consumer Complaint Mediator Tracy Smetana appeared on behalf of the Staff of the Public Utilities Commission (Staff).

Approximately 20 people attended the Public Hearing. Public witnesses Math Sirek, Jr., John Weis, Jane Hoffman-Weis, Will Rancour and Dan Engel offered testimony. The testimony at the Public Hearing in this case is summarized below in numbered paragraphs, summarizing the statements made in approximate chronological order:

TESTIMONY

1. Warren Satterlee explained that the Utility had filed this requested rate increase in order to raise revenue sufficient to cover current expenses, including the capitalization of a large "Plant-In-Service" item of gas pipeline that was purchased

several years ago but was not yet earning a return. Earlier this decade, the Company went into debt of approximately $2 million for the purchase of gas pipeline inventory, which it believed would be utilized shortly thereafter because of population growth foreseen at the time in the Company's primary service area (between Jordan and Elko New Market) in south-central Scott County.

2. Mr. Satterlee pointed out also that the Company would be justified to increase its rates by more than the (overall) 13.6% requested in this matter, which will account for only 60% of the rate of return needed to finance its rate base fully. He and Ms. Tessier explained also that the Company has been granted an interim rate increase of 16%, and that any differential for customers between the interim rates and final rates collected since the effective date of interim rates would be refunded to the customer.

3. Both Will Rancour and Jane Hoffman-Weis inquired whether or not the final rates granted could be in an amount greater than the Interim Rates now being collected in customer billing. In addition, Mr. Rancour inquired about the principle of interim rates, and Ms. Tessier explained that their purpose was to provide capital to the Company during the period between filing for the rate increase and the granting of the final rate increase.

4. In a response to a question from Dan Engel, Ms. Tessier explained that any information regarding the development of the rate case, including pre-filed testimony, could be found on the Internet, specifically at the site of the Public Utilities Commission.

5. Math Sirek, Jr., pointed out his history as a rate payer for the company. Mr. Sirek lives in a rural area near the town of St. Patrick, along County Road 2, between Elko New Market and New Prague. He recalls that in the "early years" many people, like himself and his wife, resorted to other means to heat their home rather than pay the rates of GMG. Specifically, Mr. Sirek described hoarding firewood and fuel oil during that era.

6. Mr. Sirek, who now depends financially on the fixed income provided by monthly Social Security checks, requested specifically that his billing cycle be adjusted so that he can pay his gas bill after the time of the month when he receives his Social Security check. Cathy Glaubitz of GMG noted that the Company had the option to set specific due dates on individual bills.

7. After Ms. Tessier explained the Company's brief history of rate case filings,[1] noting particularly that it did not receive, nor did it ask for, an amount sufficient to cover what was justified by the size of its rate base at the time of its Application in 2006. The same is true in this case. GMG's intent is to phase increases in gradually, to avoid rate shock.

[1] Utility companies are not subject to rate regulation by the PUC until they serve over 2000 customers. GMG did not cross that threshold until year 2002. Before then, the Company negotiated rates separately with municipalities and townships.

8. When he WAS informed that utility companies generally are granted the opportunity to receive an assured return on equity which, if covered by sufficient revenue, would "guarantee" a profit, John Weis characterized that arrangement as a "sweet deal." The ALJ explained to Mr. Weis that the United States Supreme Court established the principle of allowing public utilities a rate of return sufficient to cover their expenses in the 1920s.

9. Mr. Heinen informed the public that the Company has asked for an overall rate of return of 10%, and Ms. Tessier explained that if the request is granted, the Company actually expected only to receive approximately a 4% return on equity.

10. Mr. Weis also asked for an explanation of the "distribution charge," and it was explained to him that this rate increase request was primarily affected only by the expenses that go into that item. It was noted that most of any customer's bills from GMG are accounted for by the cost of gas, which is "passed through" to the consumers at the same cost paid by GMG, and that those costs are not considered in rate increase cases.

11. Jane Hoffman-Weis suggested that the Company finance more of its revenue needs by taking loans out from banks. Mr. Satterlee explained that the Company has a large amount of bank debt now, and stated that more revenue is needed now to service its debts, to pay operating expenses, and to cover the total investment.

12. Also in response to Ms. Hoffman-Weis, it was explained that the Company's $8 per month "facility fee" is charged to every customer on the system in order to be "hooked up" for natural gas service. Mr. Satterlee noted that the Company's request for an increase in the facility fee, to $10 per month, is likely to be dropped to an increase of 50 cents per customer, an $8.50 monthly facility charge for residential customers, going forward from the date after which the Public Utilities Commission grants its final rate increase in this matter.

13. Ms. Tessier explained that the pipeline inventory built up by GMG early this decade was an investment made on the assumption that residential housing would increase more than it has during the decade of the 2000s in the prime territory serviced by GMG in southern Scott County. The Company believes that the pipeline inventory will pay for itself after the pipe has been laid into the ground and begins distributing natural gas to approximately ten customers per mile. In the meantime, Ms. Tessier noted that the Company has paid for that inventory and she argues that it is appropriate for the currently-unused pipe to be placed into the Company's rate base for purposes of this case and going forward.

Dated: June 29, 2010

/S/ Richard C. Luis

RICHARD C. LUIS
Administrative Law Judge