



Key Policy Issues Around the Assessment of Regulatory Expenses to Your Constituents

**Retired Administrative Law Judge Eric L. Lipman
to the Committee on Energy Finance and Policy**

Key Policy Issues Around the Assessment of Regulatory Expenses to Your Constituents Who Receive Utility Service

There has been a sharp rise in the amount of government expenses that are charged by the MPUC to constituent-ratepayers. (Slide 3)

The MPUC's assessments to ratepayers is Minnesota's most regressive "tax": It has your poorest constituent-ratepayer paying as much (and often times much more) than the very richest ratepayer. (See Testimony of Doyle, Schedule 3 at 50, 52 (eDocket No. 202510-224505-01) (on per-therm allocation)).

The ["two-fifths formula" in Minn. Stat. § 216B.62](#) corrupts our process: The statute grants a 4 cent increase in the MPUC's ability to charge agency expenses for every \$10 in new revenue that it awards to the utility. The statute makes the MPUC a "business partner" with every utility it regulates. (Slide 4)

Unlike the State Board of Investment, the MPUC uses lawyers and litigation to assess the performance of private companies. Accordingly, the MPUC's oversight costs are much higher, and far less effective, than the SBI, which uses market-based metrics to hold companies accountable. (Slide 6)

The Sharp Rise in Agency Charges to Ratepayers

| | | | | | | | |
|--|--|--------------------------------|-----------------------------|-------------------------------|---------------------------|-------------------------------|---------------------------|
| Agency: | Public Utilities Commission | 2026-27 Departmental Earnings | | | | | |
| Earnings Group: | Energy Cost Assessments | | | | | | |
| Purpose: | To recover the costs of regulating the rates and services provided by energy utility companies | | | | | | |
| Legal Citation: | M.S. 216B.62, subd. 2 and M.S. 216B.62 | | | | | | |
| Dedicated Receipts: | No | Non-Dedicated Receipts: | | Yes | | | |
| Fund: | General (1000) | | | | | | |
| Appropriation: | Non-Dedicated Receipts (B82NDR0) | | | | | | |
| Fee Change? | Yes | | | | | | |
| Group Summary (Dollars in Thousands) | Actual FY 2023 | Actual FY 2024 | Estimated FY 2025 | Current Law FY 2026 | Gov Rec FY 2026 | Current Law FY 2027 | Gov Rec FY 2027 |
| Accumulated Balance: | | (445) | (2,388) | (2,263) | (2,263) | (2,183) | (2,183) |
| Resources: | | | | | | | |
| Departmental Earnings | 7,501 | 7,754 | 11,200 | 11,200 | 12,743 | 11,200 | 12,743 |
| Other Resources: | | | | | | | |
| Earning Transferred In | | | | | | | |

A 60% Increase

| | | | | | | | |
|--------------------------------|--|-------------------------------|--|--|--|--|--|
| Agency: | Public Utilities Commission | 2026-27 Departmental Earnings | | | | | |
| Earnings Group: | Energy Cost Assessments | | | | | | |
| Background Information: | To recover the costs of regulating the rates and services provided by gas and electric utility companies. M.S. 216B.62 subd. 2 and M.S. 216B.62 permit the <u>PUC to recover its direct and indirect regulatory expenses from regulated energy utilities</u> . The PUC typically recovers nearly all of its direct and indirect energy regulation costs. M.S. 216B.62 limits the assessment of costs to no more than two-fifths of one percent of the gross jurisdictional revenues regulated energy utilities reported for the previous year. | | | | | | |

| | | | | | | | |
|------------------------------------|------------------------------------|-----------------------|-----------------------|-------------------------|----------------------|-------|---|
| Public Utilities Commission | Agency Expenditure Overview | | | | | | |
| | (Dollars in Thousands) | | | | | | |
| | Actual FY22 | Actual FY23 | Actual FY24 | Estimate FY25 | Forecast Base | | Governor's Recommendation |
| | | | | | FY26 | FY27 | FY26 FY27 |
| Full-Time Equivalents | 51.10 | 57.34 | 64.37 | 80.50 | 99.67 | 98.74 | 108.67 107.74 |
| State of Minnesota | | | | | | | Revised 2026-27 Biennial Budget March 2025 |

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Katie J. Sieben
Hwkwon Ham
Audrey C. Partridge
Joseph K. Sullivan
John A. Tuma

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of the Application of Northern States Power Company for Authority to Increase Rates for Natural Gas Service in Minnesota

ISSUE DATE: December 26, 2025
DOCKET NO. G-002/GR-25-356
NOTICE OF AND ORDER FOR HEARING

II. Issues to be Addressed

Over the course of this case, the Commission expects the parties will thoroughly develop a full record, addressing, at a minimum, the following issues:

- a. The standard rate case issues;³
- b. Whether the base cost of gas proposed in Docket No. G-002/MR-25-357 needs to be updated;
- c. Reasons for the significant changes of the following costs since the last rate case:
 - Cost of Gas – Increased by 24.1%
 - Gas Distribution – Increased by 30.2%
 - Customer Service – Increased by 28.7%
 - Administrative & General – Increased by 25.4%
 - Depreciation – Increased by 24.3%
 - Amortization – Increased by 410.5%
 - Property Tax – Increased by 57.8%

The Amount that the MPUC Can Charge You Rises with Each Increase in Revenues it Approves for the Utility

The Dollar-for-Dollar Formula in Current Statute

1 MINNESOTA STATUTES 2025 216B.62

216B.62 REGULATORY EXPENSES.

Subdivision 1. [Repealed, 1980 c 614 s 191]

Subd. 2. **Assessing specific utility.** Whenever the commission or department, in a proceeding upon its own motion, on complaint, or upon an application to it, shall deem it necessary, in order to carry out the duties imposed under this chapter (1) to investigate the books, accounts, practices, and activities of, or make appraisals of the property of, any public utility, (2) to render any engineering or accounting services to any public utility, or (3) to intervene before an energy regulatory agency, the public utility shall pay the expenses reasonably attributable to the investigation, appraisal, service, or intervention. The commission and department shall ascertain the expenses, and the department shall render a bill therefor to the public utility, either at the conclusion of the investigation, appraisal, or services, or from time to time during its progress, which bill shall constitute notice of the assessment and a demand for payment. The amount of the bills so rendered by the department shall be paid by the public utility into the state treasury within 30 days from the date of rendition. The total amount, in any one calendar year, for which any public utility shall become liable, by reason of costs incurred by the commission within that calendar year, shall not exceed two-fifths of one percent of the gross operating revenue from retail sales of gas, or electric service by the public utility within the state in the last preceding calendar year. Where, pursuant to this subdivision, costs are incurred within any calendar year which are in excess of two-fifths of one percent of the gross operating revenues, the excess costs shall not be chargeable as part of the remainder under subdivision 3, but shall be paid out of the general appropriation to the department and commission. In the case of public utilities offering more than one public utility service only the gross operating revenues from the public utility service in connection with which the investigation is being conducted shall be considered when determining this limitation.

Just How Bad the MPUC Charges for Expenses Can Get

Potential Assessments Under Minn. Stat. § 216B.62, subd. 2

| Rate-Regulated Utility | Gross Operating Income | 2/5 ^{ths} of 1 percent (or .004) of Gross Operating Income |
|---------------------------------|------------------------------|---|
| Dakota Electric | \$212,684,912 ¹ | \$850,740 |
| Minnesota Power | \$971,716,903 ² | \$3,886,868 |
| Otter Tail Power | \$271,212,211 ³ | \$1,084,849 |
| Xcel Energy - Electric | \$3,783,050,000 ⁴ | \$15,132,200 |
| CenterPoint Energy | \$900,000,000 ⁵ | \$3,600,000 |
| Greater Minnesota Gas | \$18,369,387 ⁶ | \$73,476 |
| Great Plains Natural Gas | \$219,131,254 ⁷ | \$876,525 |
| Minnesota Energy Resources Corp | \$408,358,000 ⁸ | \$1,633,432 |
| Xcel Energy – Natural Gas | \$778,260,000 ⁹ | \$3,113,040 |
| Totals | \$7,562,782,667 | \$30,251,131 |

¹ Staff Briefing Papers, GR-24-400 at 24.

² Minnesota Power Return on Equity Adjustment Compliance Filing, GR-23-155 at Schedule 6..

³ Direct Testimony of Christy Peterson, GR-25-359, Schedule 8.

⁴ Rebuttal Testimony of Christopher J. Barthol, GR-24-320, at 5.

⁵ Direct Testimony of Andrew Golden, GR-23-173, at 11.

⁶ Rebuttal Testimony of Michael Zalick, GR-24-350, at 6.

⁷ 2024 Gas Jurisdictional Annual Report, PR-25-4 at Schedule G-43.

⁸ Settlement Agreement, Attachment 1, GR-22-504 at 4.

⁹ Direct Testimony of Benjamin Halama, GR-25-386, at 7.

Will You Be Paying for One Dozen Lawyers ... or Two, Today?

The Number of Attorneys Appearing in Recent Utility Rate Cases

| Matter, Company and Docket Number | Utility | Dep't of Commerce | OAG-RUD | CUB | SRA | Energy Cents | Others | Total |
|---|---------|-------------------|---------|-----|-----|--------------|--------|-------|
| <i>In the Matter of the Application of Xcel Energy for Authority to Increase Rates for Natural Gas Service, Docket No. GR-25-356</i> | 8 | 3 | 3 | 2 | 1 | * | 1 | 18 |
| <i>In the Matter of the Application of Xcel Energy for Authority to Increase Rates for Electric Service, Docket No. GR-24-320</i> | 4 | 2 | 3 | * | 2 | 2 | 4 | 17 |
| <i>In the Matter of the Application of Xcel Energy for Authority to Increase Rates for Natural Gas Service, Docket No. GR-23-314</i> | 6 | 4 | 2 | 3 | 1 | * | * | 16 |
| <i>In the Matter of the Application of Xcel Energy for Authority to Increase Rates for Natural Gas Service, Docket No. GR-21-678</i> | 8 | 3 | 1 | * | 2 | * | * | 14 |
| <i>In the Matter of the Application of Xcel Energy for Authority to Increase Rates for Electric Service, Docket No. GR-21-630</i> | 7 | 4 | 4 | 2 | 2 | 2 | 3 | 24 |
| <i>In the Matter of the Application of CenterPoint Energy Minnesota Gas for Authority to Increase Rates for Natural Gas, Docket No. GR-23-173</i> | 4 | 3 | 3 | 3 | 1 | * | 2 | 16 |

| Matter, Company and Docket Number | Utility | Dep't of Commerce | OAG-RUD | CUB | SRA | Energy Cents | Others | Total |
|---|---------|-------------------|---------|-----|-----|--------------|--------|-------|
| <i>In the Matter of the Application of Minnesota Energy Resources Corp. for Authority to Increase Rates for Natural Gas, Docket No. GR-22-504</i> | 3 | 2 | 3 | 3 | * | * | 5 | 16 |
| <i>In the Matter of the Application of Minnesota Power for Authority to Increase Electric Service Rates in Minnesota, Docket No. GR-23-155</i> | 4 | 4 | 2 | * | * | * | * | 14 |
| <i>In the Matter of the Application of Minnesota Power for Authority to Increase Electric Service Rates, Docket No. GR-21-335</i> | 5 | 3 | 3 | 2 | * | 2 | * | 15 |
| <i>In the Matter of the Application of Otter Tail Power Co. for Authority to Increase Rates for Electric Service, Docket No. GR-25-359</i> | 5 | 3 | 2 | 2 | * | * | * | 13 |
| <i>In the Matter of the Application of Otter Tail Power Co. for Authority to Increase Rates for Electric Service, Docket No. GR-20-719</i> | 4 | 3 | 3 | * | * | * | 4 | 14 |

The SBI has Much Better Performance than the MPUC Because it Doesn't Use Lawsuits to Measure Results

| Agency Peers | FTEs | Budgets | Oversight Reach | Agency Approach to Performance Reviews |
|---|------|---|--|--|
|  <p>https://msbi.us/</p> <p>(Finance Model Protects State Pensioners)</p> | 57.5 | \$22,185,000 from billing [state agency] "customers for the services provided." | For the benefit of state pensioners, and to reduce state liabilities, the SBI oversees an investment portfolio of \$157.6 Billion. | <ul style="list-style-type: none"> * Make policy decisions using recognized benchmarks that measure "developments in the broad financial markets." * Continuously monitor and evaluate company performance "to ensure long term investment objectives are met." * Draw upon the expertise of 17 independent professionals, "experienced in finance and investment," to donate hours of professional advice to the state <i>as their public service.</i> |
|  <p>https://mn.gov/puc/</p> <p>(Litigation Model Burdens Ratepayers with Excessive Assessments)</p> | 80 | \$18,000,000 in "Earnings" "assessed" directly to Ratepayers | To ensure "safe, reliable and efficient utility services, at fair and reasonable rates," the MPUC sets rates for 9 companies, whose combined annual gross revenue is \$7.6 Billion. | <ul style="list-style-type: none"> * Do not announce your expectations for future performance on costs or rates, preferring instead to "wait and see." * Don't use broader industry experience on the appropriate amounts for costs or rates. * Keep the identity of the company's industry peer group a mystery until after litigation. Re-litigate this point in every review. * Activate the combined hourly billing rates of lawyers, judges, consultants and agency analysts, for a year of intense litigation, and then send the bill to ratepayers. |

The State Board of Investment Has **20 TIMES** the Regulatory Reach of the MPUC....

Because the SBI doesn't use lawyers, litigation or judges to oversee the companies it works with.

(And both agencies oversee large companies that operate within very complex markets.)

Additional Resources:

Web: <https://www.utilityreformnow.com>

90 Minutes of Explainer Videos

YouTube: <https://www.youtube.com/@UtilityReformNow>

