

Direct Testimony and Schedules  
Christine M. Phillips, CPA

Before the Minnesota Public Utilities Commission  
State of Minnesota

In the Matter of the Application of Minnesota Energy Resources Corporation for Authority to  
Increase Rates for Natural Gas Service in Minnesota

Docket No. G007,011/GR-10-977

Exhibit \_\_\_\_\_

**Employee Benefit Costs**

November 30, 2010

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1 **I. INTRODUCTION AND QUALIFICATIONS**

2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A. My name is Christine M. Phillips, CPA. My business address is Integrys Business  
4 Support (“IBS”), 130 East Randolph Drive, Chicago, Illinois 60601.

5  
6 Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?

7 A. I am Manager - Benefits Accounting in the Benefits Accounting Department of Integrys  
8 Business Support, LLC (“IBS”). Both Minnesota Energy Resources Corporation  
9 (“MERC”) and IBS are wholly-owned subsidiaries of Integrys.

10  
11 Q. PLEASE SUMMARIZE YOUR QUALIFICATIONS AND EXPERIENCE.

12 A. I have a Bachelor of Science Degree from Illinois Wesleyan University with a major in  
13 Accounting. I am registered in the State of Illinois as a Certified Public Accountant  
14 (“CPA”) and have been employed by IBS or its predecessors since May of 1990. In my  
15 current position in the Benefits Accounting Department, my primary duties include the  
16 accounting for the costs of the employee benefit plans, coordinating the forecasting done  
17 by the actuaries, and ensuring accounting and legal compliance of the employee benefit  
18 plans and trusts for Integrys and its subsidiaries, including MERC.

19  
20 Q. FOR WHOM ARE YOU PROVIDING TESTIMONY?

21 A. I am providing testimony on behalf of MERC.  
22  
23

1 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

2 A. The purpose of my pre-filed direct testimony is to explain the methodologies used to  
3 determine MERC's forecast of 2011 employee benefit costs.

4  
5 Q. ARE YOU SPONSORING ANY EXHIBITS IN CONNECTION WITH YOUR  
6 TESTIMONY IN THIS PROCEEDING?

7 A. Yes, I am. I am sponsoring Exhibit \_\_\_\_\_ (CMP-1) and Exhibit \_\_\_\_\_ (CMP-2).

8  
9 Q. WERE THESE EXHIBITS PREPARED BY YOU OR UNDER YOUR DIRECTION  
10 AND SUPERVISION?

11 A. Yes, they were.

12  
13 Q. PLEASE EXPLAIN EXHIBIT \_\_\_\_\_ (CMP-1).

14 A. Exhibit \_\_\_\_\_ (CMP-1) which is a summary, by sub-account, of employee benefit costs  
15 for MERC employees for the 2009 historic year, and the 2011 test year, inclusive of  
16 MERC's allocation of employee benefit costs from IBS.

17  
18 Q. PLEASE EXPLAIN EXHIBIT \_\_\_\_\_ (CMP-2).

19 A. I am also sponsoring Exhibit \_\_\_\_\_ (CMP-2) which is a summary, by sub-account, of  
20 IBS employee benefit costs for the 2009 historic year, and the 2011 test year. This  
21 exhibit also calculates MERC's allocation of employee costs from IBS.

22

1 **II. 2011 EMPLOYEE BENEFIT COSTS**

2 Q. WHAT IS THE CURRENT FORECAST OF EMPLOYEE BENEFIT COSTS FOR  
3 MERC FOR 2011?

4 A. The current forecast of employee benefit costs for MERC, on a corporate basis, for the  
5 2011 test year is \$6,040,511, inclusive of MERC's allocation of employee benefit costs  
6 from IBS. This compares to \$4,403,736 for the 2009 historic year, on a corporate basis.  
7 This is an increase of \$1,636,775 over a two-year period, or 37.2%. This 37.2% increase  
8 over two years corresponds to an increase of 17.13% per year.

9  
10 **Forecasting Methodologies**

11 Q. HOW WAS THE FORECAST OF EMPLOYEE BENEFIT COSTS FOR MERC FOR  
12 2011 DEVELOPED?

13 A. As shown on Exhibit \_\_\_\_\_ (CMP-1) MERC divided the forecast of employee benefit  
14 costs into four categories. These categories were:

- 15 1. Forecasted 2011 costs that are not requested for rate recovery in 2011,  
16  
17 2. Forecasted 2011 costs that were estimated by MERC based on preliminary  
18 results and trend information from MERC's actuary,  
19  
20 3. Forecasted 2011 costs that were determined by inflating 2009 actual costs by  
21 the factor explained in the testimony of Mr. Seth DeMerritt, and  
22  
23 4. Forecasted 2011 costs that were determined through actuarial analysis.  
24

25 **Employee Benefit Costs that are Not Requested for Recovery in 2011**

26 Q. PLEASE DESCRIBE THE FORECASTED 2011 EMPLOYEE BENEFIT COSTS  
27 THAT ARE NOT REQUESTED FOR RECOVERY IN 2011.

28 A. There is one.

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As shown on Exhibit \_\_\_\_\_ (CMP-1), line 1, MERC is not requesting recovery in 2011 of any costs recorded in Account 926015, as these costs are related to the Integrys merger, and are not expected to re-occur in 2011.

**Employee Benefit Costs that were Estimated by MERC**

Q. PLEASE DESCRIBE THE PROCESS USED TO DETERMINE THE FORECASTED 2011 EMPLOYEE BENEFIT COSTS THAT WERE DETERMINED BY ESTIMATES BY MERC.

A. There are three. The total impact of these three items is a net increase of \$725,171 from 2009 to 2011.

First, as shown on Exhibit \_\_\_\_\_ (CMP-1), line 4, regarding the costs recorded in Account 926080 A&G Dental Benefits, MERC estimates the 2011 costs to be \$167,796. The overall increase in 2011 costs as compared to 2009 costs is \$13,496. Projected dental costs for 2011 were calculated by using a 5% annual inflation rate based on preliminary renewal results and trend information received from MERC's actuary, Towers Watson. However, the total increase is partially offset by the fact that MERC expects to employ fewer employees in 2011 as compared to 2009, as identified in Mr. Seth DeMerritt's direct testimony.

Second, as shown on Exhibit \_\_\_\_\_ (CMP-1), line 5, regarding the costs recorded in Account 926090 A&G Medical Benefits, MERC estimates the 2011 costs to be

1 \$1,913,871. The overall increase in 2011 costs as compared to 2009 costs is \$250,351.  
2 Projected medical costs for 2011 were calculated by using an 8% annual inflation rate  
3 based on preliminary renewal results and trend information received from MERC's  
4 actuary, Towers Watson. However, the total increase is partially offset by the fact that  
5 MERC expects to employ fewer employees in 2011 compared to 2009, as identified in  
6 Mr. Seth DeMerritt's Direct Testimony and Exhibits.

7  
8 Third, as shown on Exhibit \_\_\_\_\_ (CMP-1), line 6, regarding the costs recorded in  
9 Account 926300 IBS Billed Benefits, MERC estimates the 2011 costs to be \$1,450,717.  
10 The overall increase in 2011 costs as compared to 2009 costs is \$461,324. The primary  
11 drivers behind this increase are higher costs determined by actuarial analysis, higher  
12 medical and dental costs for IBS active employees, which were partially offset by the fact  
13 that IBS expects to employ fewer employees in 2011 compared to 2009, and an increase  
14 in MERC's cost allocator from IBS, as described in Ms. Tracy Kupsh's direct testimony.

15  
16 Q. HOW WERE IBS EMPLOYEE BENEFIT COST PROJECTIONS CALCULATED?

17 A. IBS employee benefits cost projections relied on the same assumptions, actuarial  
18 analyses, and methodologies used for MERC employee benefit costs, as described in this  
19 testimony.

20  
21 Detail regarding the IBS employee benefits costs is shown on Exhibit \_\_\_\_\_ (CMP-2).

1           **Employee Benefit Costs that were Determined by Inflating 2009 Actual Costs**

2    Q.     PLEASE DESCRIBE THE PROCESS USED TO DETERMINE THE FORECASTED  
3           2011 EMPLOYEE BENEFIT COSTS THAT WERE DETERMINED BY INFLATON.

4    A.     As shown on Exhibit \_\_\_\_\_ (CMP-1), for the sub-accounts shown on lines 10 through 26,  
5           MERC inflated 2009 actual costs by the inflation factors developed by MERC witness  
6           Mr. Seth DeMerritt in his Exhibit \_\_\_\_\_ (SSD-14). The overall increase in costs  
7           forecasted by inflating 2009 costs to 2011 was \$8,942, or 6.1%. This 6.1% increase over  
8           two years corresponds to 3.0% per year.

9  
10           **Employee Benefit Costs that were Determined by Actuarial Analysis**

11   Q.     PLEASE DESCRIBE THE PROCESS USED TO DETERMINE THE FORECASTED  
12           2011 EMPLOYEE BENEFIT COSTS THAT WERE DETERMINED BY ACTUARIAL  
13           ANALYSIS.

14   A.     As shown on Exhibit \_\_\_\_\_ (CMP-1), for five sub-accounts, MERC relied on an actuarial  
15           analysis to determine forecasted 2011 employee benefit costs. The specific methods and  
16           assumptions employed are described below. The overall increase in costs from 2009 to  
17           2011 forecasted by actuarial analysis is \$908,918, or 63.0%. This 63.0% increase over  
18           two years corresponds to 27.67% per year.

19  
20           The 2011 employee benefit costs that were determined by actuarial analysis are related  
21           to:

- 22                   1. Employee Pension Expense,  
23  
24                   2. Post Retirement Medical Plan Expense,  
25

- 1 3. Pension Restoration Plan Expense,
- 2
- 3 4. Supplemental Employee Retirement Plan Expense, and
- 4
- 5 5. Post Retirement Life Plan Expense.
- 6
- 7

8 **Employee Pension Expense**

9 Q. PLEASE DESCRIBE THE DEVELOPMENT OF THE PENSION EXPENSE SHOWN  
10 ON LINE 29 OF EXHIBIT \_\_\_\_\_ (CMP-1).

11 A. Pension expense is determined using actuarial analysis, which is performed in accordance  
12 with SFAS No. 87. MERC follows Generally Accepted Accounting Principles  
13 (“GAAP”) for its financial statements. Under the provisions of GAAP, SFAS No. 87  
14 describes the methodologies and assumptions used to calculate and account for pension  
15 expense. SFAS No. 87 requires an annual determination of the pension expense for the  
16 year. This expense is determined by the actuary each year based upon its review of:

- 17 1. Employee census data,
- 18
- 19 2. Current plan provisions,
- 20
- 21 3. Plan asset performance, and
- 22
- 23 4. Certain other actuarial assumptions.
- 24

25 For the SFAS No. 87 pension expense, MERC’s actuary, Towers Watson, performs the  
26 calculations required by this accounting standard annually to determine MERC’s pension  
27 expense. MERC’s external auditors, Deloitte & Touche (“D&T”), review the actuarial  
28 assumptions used to ensure consistency with GAAP.

29  
30 There are four components of the SFAS No. 87 pension expense. They are:

1. Service cost,
2. Interest cost,
3. Expected earnings on plan assets, and
4. Amortization of gains and losses, prior service costs, and any transitional amounts.

Service cost represents one-year's pro-rata share of the expected benefits earned during the year by current active employees.

Interest cost represents interest on the plan's benefit obligation (its liabilities) due to the passage of time.

There is also an assumption regarding the expected return on assets for the year, which is measured against the actual returns for the period. This rate of return assumption is intended to be a long-term assumption of the return on plan assets.

The final component represents the amortization of various plan experiences that were not anticipated by actuarial assumptions.

In order to calculate the plan's total benefit obligation and annual SFAS No. 87 expense, the actuary uses a number of assumptions including:

1. Mortality tables,
2. Retirement rates from MERC,
3. Anticipated salary increases, and

1                   4. A discount rate.  
2

3                   Integritys management, as well as MERC's external auditor, D&T, reviews these  
4                   assumptions.  
5

6                   The actuary then calculates the annual SFAS No. 87 pension expense for MERC. This  
7                   amount was \$500,833 in 2009, and is projected to be \$1,389,600 for 2011. This is an  
8                   increase of \$888,767.  
9

10                  Also included in this expense for both 2009 and 2011 is an amortization of \$474,223 per  
11                  year as authorized by the commission in Docket No. G-007,011/M-06-1287 on July 30,  
12                  2007 for pension and other post-retirement benefits acquired from Aquila.  
13

14    Q.    WHAT ACTION HAS MERC TAKEN TO HELP CONTROL PENSION COSTS?

15    A.    As a result of the formation of Integritys, MERC made some changes to the retirement  
16           benefits provided to nonunion employees. The most significant change was a shift from  
17           the traditional defined benefit pension plan to a defined contribution model integrated  
18           with the 401K plan. Effective January 1, 2008, the pension plan was closed to  
19           administrative (non-union) new hires. Those employees participating in the pension plan  
20           as of January 1, 2008 will continue to accrue pension benefits through December 31,  
21           2012; pay used in the calculation of pension benefits will be frozen after December 31,  
22           2017.  
23  
24

1           **Post Retirement Medical Plan Expense**

2    Q.     PLEASE DESCRIBE THE DEVELOPMENT OF THE POST RETIREMENT  
3           MEDICAL EXPENSE SHOWN ON LINE 30 OF EXHIBIT \_\_\_\_\_ (CMP-1).

4    A.     The expense for retirees is determined using actuarial analysis, which is performed in  
5           accordance with SFAS No. 106. As stated above, MERC follows GAAP for its  
6           financial statements. Under the provisions of GAAP, SFAS No. 106 describes the  
7           methodologies and assumptions used to calculate and account for retiree health care  
8           expense.

9  
10          The actuary performs the calculations required by this accounting standard annually to  
11          determine MERC’s SFAS No. 106 expense. D&T reviews the actuarial assumptions  
12          used to ensure consistency with GAAP.

13  
14          SFAS No. 106 requires an annual determination of the retiree health care expense for the  
15          year, also referred to as OPEB expense or Post Employment Benefits other than Pension  
16          (“PBOP”). This expense is determined by the actuary each year based upon their review  
17          of:

- 18                 1. Employee census data,  
19                 2. Current plan provisions,  
20                 3. Plan asset performance, and  
21                 4. Certain other actuarial assumptions.  
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26          There are four components of SFAS No. 106 expense:

- 27                 1. Service cost,

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- 2. Interest cost,
- 3. Expected earnings on plan assets, and
- 4. Amortization of gains and losses, prior service costs, and any transitional amounts.

These are the same four components that are used in the calculation of pension expense, although different assumptions are used for health care.

In order to calculate the plan's total benefit obligation and annual SFAS No. 106 expense, the actuary uses a number of assumptions including:

- 1. Health care inflation trend rates,
- 2. Mortality tables,
- 3. Retirement rates from MERC,
- 4. Actual retiree health care claims experience specific to MERC, and
- 5. A discount rate.

Integrus management, as well as MERC's external auditor, D&T, reviews these assumptions.

The actuary then calculates the annual SFAS No. 106 expense component for each year, which was \$338,975 for the 2009 historic test year, and is projected to be \$352,331 for the 2011 projected test year, which is an increase of \$13,356. The key actuarial assumptions used in the expense projection by Towers included:

- a. 5.80% discount rate,

- b. 8.25% return on assets,
- c. 8% medical cost trend rate for those under age 65, and 8.5% for those over age 65, and
- d. The RP2000 Combined Mortality Table Projected to 2015.

The calculation also reflects MERC's acceptance of the government subsidy available under the Medicare prescription drug legislation.

Also included in this expense for both 2009 and 2011 is an amortization of \$113,567 per year as authorized by the commission in Docket No. G-007,011/M-06-1287 on July 30, 2007 for pension and other post-retirement benefits acquired from Aquila.

Q. HAVE THE UNDERLYING HEALTH CARE COSTS FOR RETIREES INCREASED?

A. Yes, they have. Consistent with the national trend, underlying health care costs for retirees have increased and are projected to continue to increase for MERC each year. This trend of higher health care cost increases is expected to continue for a couple of reasons.

First, health care claim costs continue to rise sharply, still outpacing general inflation.

There are a number of reasons for this rapid rise in costs:

- 1. The covered population in the health plans is aging and living longer, and therefore use more health services,
- 2. New, expensive medical technology continues to become available, driving up costs,
- 3. The government continues to shift costs from government sponsored plans,

- 1 4. Provider malpractice liability costs continue to soar, and are reflected in  
2 service prices, and  
3  
4 5. New, expensive prescription drugs continue to enter the market, prescription  
5 drug prices continue to rise and prescription usage is increasing.  
6

7 Second, SFAS No. 106 requires the use of a discounting process to set a value on all  
8 future benefit payments. The discount rate is the interest rate selected as of the expense  
9 measurement date used to determine the present value of the future outflow of retiree  
10 health care payments. The discount rate selected needs to reflect current economic  
11 conditions at the time the expense is determined. Lower discount rates create higher  
12 expenses under the SFAS No. 106 accounting for expense, as was seen under the SFAS  
13 No. 87 accounting for pension expense explained above.  
14

15 **Pension Restoration Plan Expense**

16 Q. PLEASE DESCRIBE THE DEVELOPMENT OF THE PENSION RESTORATION  
17 PLAN EXPENSE AS SHOWN ON LINE 31 OF EXHIBIT \_\_\_\_\_ (CMP-1).

18 A. The Pension Restoration Plan expense is calculated in accordance with SFAS No. 87  
19 accounting rules, identical in nature to the Employee Pension Expense described above.  
20 This amount was \$5,339 in 2009, and is projected to be \$11,190 for 2011, which is an  
21 increase of \$5,851. The key actuarial assumptions used in the expense projection by  
22 Towers included:

- 23 a. 5.90% discount rate,  
24  
25 b. 8.25% return on assets,  
26  
27 c. The RP2000 Combined Mortality Table Projected to 2015.  
28

1           **Supplemental Employee Retirement Plan Expense**

2    Q.     PLEASE DESCRIBE THE DEVELOPMENT OF THE SUPPLEMENTAL EMPLOYEE  
3           RETIREMENT PLAN EXPENSE AS SHOWN ON LINE 32 OF EXHIBIT \_\_\_\_\_  
4           (CMP-1).

5    A.     The Supplemental Employee Retirement Plan expense is calculated in accordance with  
6           SFAS No. 87 accounting rules, identical in nature to the Employee Pension Expense  
7           described above. This amount was \$12,185 in 2009, and is projected to be \$10,770 for  
8           2011, which is a decrease of \$1,415.

9  
10          Also included in this expense for both 2009 and 2011 is an amortization of \$7,874 per  
11          year as authorized by the commission in Docket No. G-007,011/M-06-1287 on July 30,  
12          2007 for pension and other post-retirement benefits acquired from Aquila.

13  
14           **Post Retirement Life Expense**

15    Q.     PLEASE DESCRIBE THE DEVELOPMENT OF THE POSTRETIREMENT LIFE  
16           BENEFIT PLAN EXPENSE SHOWN ON LINE 33 OF EXHIBIT \_\_\_\_\_ (CMP-1).

17    A.     The Post Retirement Life insurance expense is calculated in accordance with the  
18           requirements of SFAS No. 106, identical to the Post Retirement Medical expense  
19           described above. This amount was (\$9,551) in 2009, and is projected to be (\$7,192) in  
20           2011, which is an increase of \$2,359.

21

**III. CONCLUSION**

1

2 Q. DOES THIS CONCLUDE YOUR TESTIMONY ON THE TEST YEARS?

3 A. Yes, it does.



MINNESOTA ENERGY RESOURCES CORPORATION

Summary of MERC Employee Benefits Costs

Test Year Ended December 31, 2011

Line No.	Sub-Account Description	2009 Actual \$	2010 Forecast \$	2011 Forecast \$	2009-2011 Increase \$	Cumulative Increase %	Forecast Method
1	926015 A&G PensExp-TEG Transition Costs	\$ 6,255	\$ -	\$ -	\$ (6,255)	-100.0%	Not Requested for Recovery
2	<b>Subtotal - Not Requested for Recovery</b>	<b>6,255</b>	<b>-</b>	<b>-</b>	<b>(6,255)</b>	<b>-100.0%</b>	
3							
4	926080 A&G Dental Benefits	\$ 154,300	\$ 159,806	\$ 167,796	13,496	8.7%	MERC Estimate
5	926090 A&G Medical Benefits	\$ 1,663,520	\$ 1,772,102	\$ 1,913,871	250,351	15.0%	MERC Estimate
6	926300 IBS Billed Benefits	989,393	1,314,813	1,450,717	461,324	46.6%	Exhibit _____ (CMP-2)
7	<b>Subtotal - MERC Estimate</b>	<b>2,807,213</b>	<b>3,246,721</b>	<b>3,532,384</b>	<b>725,171</b>	<b>25.8%</b>	
8							
9							
10	926007 Company Match 401K	154,836	159,481	164,266	9,430	6.1%	Inflationary
11	926020 Time Away Frm Work Resid Bal	1,959,210	2,017,986	2,078,526	119,316	6.1%	Inflationary
12	926025 Time Away From Work - Clearing	(1,915,904)	(1,973,381)	(2,032,583)	(116,679)	6.1%	Inflationary
13	926026 IBS Billed NPT - Residual Bal	(15,864)	(16,340)	(16,830)	(966)	6.1%	Inflationary
14	926050 Human Resources Dept Gen	8,374	8,625	8,884	510	6.1%	Inflationary
15	926070 Christmas Gift Check Expense-Retirees	3,383	3,484	3,589	206	6.1%	Inflationary
16	926100 Benefits Expense-Awassa Lodge	251	259	266	15	6.1%	Inflationary
17	926120 Joint Plant A&G & NonUtil Loading	(719,674)	(741,264)	(763,502)	(43,828)	6.1%	Inflationary
18	926135 Fully-Insured Long Term Disability Premium Exp	32,277	33,245	34,243	1,966	6.1%	Inflationary
19	926140 A&G ESOP Contribution Expense	606,341	624,531	643,267	36,926	6.1%	Inflationary
20	926170 A&G Capitalized Pensions and Benefits	(161,084)	(165,917)	(170,894)	(9,810)	6.1%	Inflationary
21	926190 Goal Sharing	8,394	8,646	8,905	511	6.1%	Inflationary
22	926191 IBS Billed Incentive Residual	6,756	6,959	7,167	411	6.1%	Inflationary
23	926200 Employee Benefits Tuition Reimbursement	15,694	16,165	16,650	956	6.1%	Inflationary
24	926250 Company Provided Life Insurance	36,513	37,608	38,737	2,224	6.1%	Inflationary
25	926260 Executive Deferred Comp ESOP Match	744	766	789	45	6.1%	Inflationary
26	926510 Profit Sharing Expense	126,576	130,373	134,284	7,708	6.1%	Inflationary
27	<b>Subtotal - Inflationary Items</b>	<b>146,823</b>	<b>151,228</b>	<b>155,765</b>	<b>8,942</b>	<b>6.1%</b>	
28							
29	926060 A&G Pension Expense	975,056	1,433,896	1,863,823	888,767	91.2%	Actuarial Analysis
30	926180 A&G Post Retirement Medical	452,542	450,242	465,898	13,356	3.0%	Actuarial Analysis
31	926210 Pension Restoration Plan Exp	5,339	6,694	11,190	5,851	109.6%	Actuarial Analysis
32	926220 Supplemental Employee Retirement Plan	20,059	19,357	18,644	(1,415)	-7.1%	Actuarial Analysis
33	926305 Post Retirement Life	(9,551)	(8,471)	(7,192)	2,359	24.7%	Actuarial Analysis
34	<b>Subtotal - Actuarial Analysis</b>	<b>1,443,445</b>	<b>1,901,718</b>	<b>2,352,363</b>	<b>908,918</b>	<b>63.0%</b>	
35							
36	<b>TOTAL EMPLOYEE BENEFIT COSTS</b>	<b>\$4,403,736</b>	<b>\$5,299,667</b>	<b>\$6,040,511</b>	<b>\$1,636,775</b>	<b>37.2%</b>	



MINNESOTA ENERGY RESOURCES CORPORATION

Summary of IBS Employee Benefits Costs

Test Year Ended December 31, 2011

Line No.	Sub-Account Description	2009 Actual \$	2010 Forecast \$	2011 Forecast \$	2009-2011 Increase \$	Cumulative Increase %	Forecast Method
1	926080 A&G Dental Benefits	\$ 886,520	\$ 913,759	\$ 959,447	72,927	8.2%	MERC Estimate
2	926090 A&G Medical Benefits	\$ 9,544,910	\$10,119,281	\$10,928,823	1,383,913	14.5%	MERC Estimate
3	<b>Subtotal - MERC Estimate</b>	<b>10,431,430</b>	<b>11,033,040</b>	<b>11,888,271</b>	<b>1,456,840</b>	<b>14.0%</b>	
4							
5							
6	926007 Company Match 401K	211,562	217,909	224,446	12,884	6.1%	Inflationary
7	926016 Commuter Transportation	13,769	14,182	14,608	839	6.1%	Inflationary
8	926020 Time Away Frm Work Resid Bal	15,114,290	15,567,719	16,034,750	920,460	6.1%	Inflationary
9	926025 Time Away From Work - Clearing	(15,548,082)	(16,014,524)	(16,494,960)	(946,878)	6.1%	Inflationary
10	926026 IBS Billed NPT - Residual Bal	433,792	446,806	460,210	26,418	6.1%	Inflationary
11	926050 Human Resources Dept Gen	553,006	569,596	586,684	33,678	6.1%	Inflationary
12	926070 Christmas Gift Check Expense-Retirees	3,516	3,622	3,731	214	6.1%	Inflationary
13	926135 Fully-Insured Long Term Disability Premium Exp	308,385	317,637	327,166	18,781	6.1%	Inflationary
14	926140 A&G ESOP Contribution Expense	4,635,568	4,774,635	4,917,874	282,306	6.1%	Inflationary
15	926170 A&G Capitalized Pensions and Benefits	(1,402,648)	(1,444,727)	(1,488,069)	(85,421)	6.1%	Inflationary
16	926190 Goal Sharing	408,959	421,227	433,864	24,906	6.1%	Inflationary
17	926191 IBS Billed Incentive Residual	(491,795)	(506,548)	(521,745)	(29,950)	6.1%	Inflationary
18	926200 Employee Benefits Tuition Reimbursement	369,396	380,478	391,892	22,496	6.1%	Inflationary
19	926250 Company Provided Life Insurance	303,864	312,980	322,369	18,505	6.1%	Inflationary
20	926260 Executive Deferred Comp ESOP Match	15,573	16,040	16,521	948	6.1%	Inflationary
21	926270 Employee Benefit -- Adoption Assistance	3,000	3,090	3,183	183	6.1%	Inflationary
22	<b>Subtotal - Inflationary Items</b>	<b>4,932,154</b>	<b>5,080,119</b>	<b>5,232,522</b>	<b>300,368</b>	<b>6.1%</b>	
23							
24	926017 Post Retirement Welfare FAS 106	960,687	1,108,733	1,472,133	511,446	53.2%	Actuarial Analysis
25	906019 Chic Supplemental Employee Reirement Plan	71,655	42,755	77,669	6,014	8.4%	Actuarial Analysis
26	926060 A&G Pension Expense	10,793,281	10,737,844	11,518,054	724,773	6.7%	Actuarial Analysis
27	926180 A&G Post Retirement Medical	27,435	35,173	35,934	8,499	31.0%	Actuarial Analysis
28	926210 Pension Restoration and Supp Pension Plan Exp	738,224	612,837	739,448	1,224	0.2%	Actuarial Analysis
29	926220 Supplemental Employee Retirement Plan	132,662	399,868	639,650	506,988	382.2%	Actuarial Analysis
30	926305 Post Retirement Life	901	4,052	3,314	2,413	267.8%	Actuarial Analysis
31	926315 Long Term Disability Benefit	34,672	163,656	(69,674)	(104,346)	-301.0%	Actuarial Analysis
32	<b>Subtotal - Actuarial Analysis</b>	<b>12,759,517</b>	<b>13,104,918</b>	<b>14,416,528</b>	<b>1,657,011</b>	<b>13.0%</b>	
33							
34	<b>TOTAL EMPLOYEE BENEFIT COSTS</b>	<b>\$28,123,101</b>	<b>\$29,218,077</b>	<b>\$31,537,321</b>	<b>\$3,414,220</b>	<b>12.1%</b>	
35							
36	Allocation Percentage from IBS to MERC	3.5%	4.5%	4.6%			
37							
38	Allocation Dollars from IBS to MERC	<b>\$989,393</b>	<b>\$1,314,813</b>	<b>\$1,450,717</b>	<b>\$461,324</b>	<b>46.6%</b>	

