

Direct Testimony and Schedules
Seth S. DeMerritt

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. G011/GR-17-563

Exhibit ____

Test Year Revenue Requirements

October 13, 2017

TABLE OF CONTENTS

	Page
I. INTRODUCTION AND QUALIFICATIONS	1
II. 2018 PROPOSED TEST YEAR REVENUE REQUIREMENT	7
A. Rate Base	7
B. Amortizations, Taxes, and Depreciation.....	15
C. Sales and Revenues.....	21
D. O&M Forecast Detail.....	29
E. Allocations	55
1. Corporate Allocations	55
2. Service Company Allocations.....	61
3. Allocations to Michigan Customers.....	66
III. LEAD/LAG STUDY	68
IV. CONSERVATION	77
A. Conservation Improvement Program Plan.....	77
B. Conservation Cost Recovery.....	77
V. MINNESOTA STATUTES SECTION 216B.16, SUBDIVISION 17.....	81
VI. WEC MERGER.....	90
VII. NEW CUSTOMER CLASSES.....	93
VIII. DECOUPLING.....	99
IV. INTERIM RATES	117
V. CONCLUSION.....	119

I. INTRODUCTION AND QUALIFICATIONS

1
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Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Seth S. DeMerritt. My business address is WEC Energy Group, Inc. (“WEC”), 700 North Adams Street, P.O. Box 19001, Green Bay, Wisconsin 54307-9001.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL, PROFESSIONAL, AND UTILITY BACKGROUND.

A. I have a bachelor’s degree in accounting from the University of Wisconsin-Green Bay and a bachelor’s degree in business administration with an emphasis in finance from the University of Wisconsin-Green Bay. I also have a master’s degree in business administration from the University of Wisconsin-Oshkosh. I began my career with WEC subsidiary Wisconsin Public Service Corporation in May 2002 in the Budget Department, first as a Budget Analyst and then as a Financial Analyst. In March of 2007, I assumed my current role in Regulatory Affairs with WEC Business Services, LLC (“WBS” or the “Service Company”). WBS was formally known as Integrys Business Support, LLC (“IBS”). Both Minnesota Energy Resources Corporation (“MERC” or the “Company”) and WBS are wholly-owned subsidiaries of WEC.

Q. ON WHOSE BEHALF ARE YOU OFFERING THIS TESTIMONY?

A. I am offering this testimony on behalf of MERC.

1 Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

2 A. My testimony and exhibits support the revenue requirement sought by MERC. I provide
3 testimony and evidence regarding:

4 1. The 2016 historical year, the 2017 unadjusted projected year, and the 2018
5 proposed test year revenue deficiencies, rate bases, and expenses;

6 2. Lead/Lag Study;

7 3. Conservation;

8 4. Interim Rates;

9 5. Minnesota Statutes section 216B.16, subdivision 17, which concerns travel,
10 entertainment, and related employee expenses;

11 6. Decoupling;

12 7. Merger conditions; and

13 8. Miscellaneous sales items.

14

15 Q. PLEASE SUMMARIZE THE RESULTS OF YOUR REVENUE REQUIREMENTS
16 ANALYSIS.

17 A. The 2016 historic year concluded with a \$1.9M revenue deficiency for MERC's
18 Minnesota operations, or 0.8% of Minnesota tariff revenues inclusive of the cost of gas.¹

19

20 The 2018 proposed test year includes a revenue deficiency of \$12.6M, or 5.1% of total
21 revenues for Minnesota. The rate increase for the 2018 proposed test year would increase
22 margin revenues 11.8% for MERC's Minnesota customers without the cost of gas.

¹ This revenue deficiency appropriately excludes \$4M of Conservation Improvement Program ("CIP") Incentives earned in 2016.

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Please refer to Exhibit ____ (SSD-2) for a detailed breakdown of the factors contributing to the MERC revenue deficiency for the 2018 proposed test year.

Q. WHAT ARE THE SIGNIFICANT DRIVERS OF THE RATE REQUEST?

A. In addition to MERC’s 2016 revenue deficiency, MERC is also experiencing the following increased costs, with a focus on increases in capital investment:

1. Increase in capital projects, which are shown on Exhibit ____ (SSD-3);
2. Increase in depreciation expense due to the increase in previously mentioned capital work;
3. Increase in property taxes as supported by Company witness Mr. Mark Kissinger; and
4. An increase in return on equity from currently authorized 9.11% to 10.30% as supported by Company witness Ms. Ann Bulkley.

This revenue deficiency and increased costs are offset by lower forecasted operations and maintenance (“O&M”) expense in 2018 for various items as discussed later in my testimony.

In compliance with Order Point 41 in the Minnesota Public Utilities Commission’s (“Commission”) Order in MERC’s general rate case in Docket No. G011/GR-13-617 and with Order Point 15 in the Commission’s December 21, 2012, Order in Docket G007,011/GR-10-977, I provide Direct Testimony explaining all large differences

1 between base-year and test-year rate base, other income, and expense data, as well as
2 reflect the financial adjustments to the Company's position. Additional information is
3 provided by other witnesses in this case, as indicated below.

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

7 A. Yes. I am sponsoring the materials contained in MERC's Volume 3 providing required
8 financial information for the 2016 historical year, the 2017 projected year, and the 2018
9 proposed test year on which MERC has based its rate increase request. This information
10 fulfills the filing requirements of Minn. R. 7825.3900 to 7825.4400. The Filing
11 Requirements Compliance Table lists each requirement of these rules and the location of
12 the required information in MERC's filing.

13
14 Q. ARE YOU ALSO SPONSORING EXHIBITS ATTACHED TO YOUR DIRECT
15 TESTIMONY?

16 A. Yes. I am also sponsoring the following exhibits:

- 17 • Exhibit ___ (SSD-1) shows the WEC corporate structure, including all major
18 regulated and major non-regulated entities.
- 19 • Exhibit ___ (SSD-2) breaks down the major components of the revenue
20 deficiency.
- 21 • Exhibit ___ (SSD-3) identifies the construction forecast by project.
- 22 • Exhibit ___ (SSD-4) is a bridge schedule of sales and customer counts.
- 23 • Exhibit ___ (SSD-5) is a process description and process flows of bill checks.

- 1 • Exhibit ____ (SSD-6) calculates the Rate Case Expenses Amortization.
- 2 • Exhibit ____ (SSD-7) identifies MERC's calculation of depreciation expense.
- 3 • Exhibit ____ (SSD-8) calculates total Non-Fuel O&M expenses for 2017 and 2018
- 4 by applying the 2017 and 2018 inflation rates to 2016 actual O&M expenses, and
- 5 including the known and measurable ("K&M") items.
- 6 • Exhibit ____ (SSD-9) calculates the inflation factors used for Non-Labor O&M
- 7 expenses.
- 8 • Exhibit ____ (SSD-10) calculates the K&M amount related to Former
- 9 Manufactured Gas Plant ("FMGP") sites.
- 10 • Exhibit ____ (SSD-11) calculates the K&M amount related to Additional Hires by
- 11 MERC.
- 12 • Exhibit ____ (SSD-12) calculates the K&M amount related to one-time 2016 costs
- 13 related to WEC's Improved Customer Experience ("ICE") system.
- 14 • Exhibit ____ (SSD-13) calculates the K&M amount related to Benefits by MERC.
- 15 • Exhibit ____ (SSD-14) calculates the K&M amount related to Incentive costs.
- 16 • Exhibit ____ (SSD-15) calculates the K&M amount related to the Rosemount
- 17 Building cost savings.
- 18 • Exhibit ____ (SSD-16) calculates the K&M amount related to Memberships.
- 19 • Exhibit ____ (SSD-17) calculates the K&M amount related to Advertising.
- 20 • Exhibit ____ (SSD-18) calculates the K&M amount related to Charitable
- 21 Contributions.
- 22 • Exhibit ____ (SSD-19) calculates the K&M amount related to Travel and
- 23 Entertainment ("T&E") Expense.

- 1 • Exhibit ____ (SSD-20) calculates the K&M amount related to Long Term
2 Incentive Plans (“LTIP”), Restricted Stock, and Stock Options.
- 3 • Exhibit ____ (SSD-21) calculates the K&M amount related to Economic
4 Development.
- 5 • Exhibit ____ (SSD-22) calculates the K&M amount related to Investor Relations.
- 6 • Exhibit ____ (SSD-23) calculates the K&M amount related to Uncollectible
7 Expense.
- 8 • Exhibit ____ (SSD-24) calculates the K&M amount related to Mapping Expense.
- 9 • Exhibit ____ (SSD-25) calculates the K&M amount related to Sewer Lateral.
- 10 • Exhibit ____ (SSD-26) calculates the percentage allocation of using 2-factor versus
11 the 1 factor General & Corporate Allocator (“GCA”) methodologies.
- 12 • Exhibit ____ (SSD-27) is the Commission Approved WEC Affiliated Interest
13 Agreement (“AIA”).
- 14 • Exhibit ____ (SSD-28) calculates the ServiceChoice allocator.
- 15 • Exhibit ____ (SSD-29) is the Lead/Lag Study.
- 16 • Exhibit ____ (SSD-30) recalculates the Conservation Cost Recovery Charge
17 (“CCRC”).
- 18 • Exhibit ____ (SSD-31) calculates the K&M amount related to Pension.
- 19 • Exhibit ____ (SSD-32) links the sales data between the revenue deficiency
20 calculation, Class Cost of Service Study (“CCOSS”), and the rate design model.
- 21 • Exhibit ____ (SSD-33) identifies merger cost savings.
- 22 • Exhibit ____ (SSD-34) calculates MERC’s throughput incentive related to
23 increased sales.

- 1 • Exhibit ____ (SSD-35) calculates Decoupling Revenue as compared to Total
- 2 Revenue excluding cost of gas by customer class.
- 3 • Exhibit ____ (SSD-36) calculates the interim rate revenue deficiency.
- 4 • Exhibit ____ (SSD-37) presents the decoupling evaluation data.
- 5 • Exhibit ____ (SSD-38) provides the rate design for interim rates.

6

7 Q. WERE THESE EXHIBITS AND INFORMATIONAL REQUIREMENTS PREPARED
8 BY YOU OR UNDER YOUR DIRECTION AND SUPERVISION?

9 A. Yes, except for the information related to cost of capital, class cost of service, and rate
10 design. That information was prepared and is sponsored by Company witnesses Ms. Lisa
11 Gast, Mr. Aaron Nelson, and Ms. Amber Lee, respectively.

12

13 **II. 2018 PROPOSED TEST YEAR REVENUE REQUIREMENT**

14 **A. *Rate Base***

15 Q. PLEASE DESCRIBE MERC'S APPROACH TO DEVELOPING THE 2018
16 PROPOSED TEST YEAR CONSTRUCTION FORECAST IN THIS CASE.

17 A. MERC's construction forecast included in this general rate case was developed during
18 July and August of 2016 as part of MERC's annual budget process. This capital forecast
19 was then "layered" onto February 2017 actuals, and updates for the Rochester expansion
20 and Information Technology projects were included based upon updated information
21 throughout the summer of 2017. The construction forecast by project can be seen in
22 Exhibit ____ (SSD-3). Plant, Accumulated Depreciation, and Depreciation Expense
23 related to MERC's Michigan Taconite Mine customers are identified on Page 2 of

1 Informational Requirements Document 2, Schedule 1, but are excluded from the rate base
2 amount shown on Page 1 of Informational Requirements Document 2, Schedule 1.

3

4 Q. IS MERC REQUESTING ANY CHANGE IN THE TREATMENT OF
5 CONSTRUCTION WORK IN PROGRESS (“CWIP”) FOR RATE RECOVERY?

6 A. No, MERC is treating CWIP consistent with the Commission decision in MERC’s last
7 rate case (Docket No. G011/GR-15-736) where, due to MERC’s relatively short-lived
8 projects in terms of construction schedule, the Company’s projects are all closed to plant
9 by the end of the 2018 test year. Even MERC’s largest project, the Rochester expansion
10 project, is closed to plant in segments at the end of each construction season.

11

12 Q. CAN YOU PLEASE SUMMARIZE MERC’S CAPITAL FORECAST PRESENTED IN
13 EXHIBIT ____ (SSD-3)?

14 A. Yes. In 2018, MERC’s total capital forecast is \$66.6M. This total includes
15 approximately \$40M of standard work requests that tend to occur each year, based on
16 MERC’s past experiences, even where the specific project is not known at the time of the
17 forecast. These are projects that, on a standalone basis, are individually a very small
18 portion of the total. Examples include meter replacements, service replacements and
19 additions, vehicle replacements, and building maintenance.

20

21 An additional \$26.6M relates to more specifically identifiable projects, such as the
22 Rochester expansion project, Customer Service Organization (“CSO”) projects, and the

1 Rosemount building. Company witness Ms. Mary Wolter discusses the Company's
2 capital program in more detail in her Direct Testimony.

3
4 Q. IN THE COMMISSION'S ORDER IN DOCKET NOS. G011/M-16-654 AND G011/M-
5 16-655, THE COMMISSION APPROVED REGULATORY ASSET TREATMENT OF
6 \$488,516 FOR THE BALATON NEW AREA EXTENSION PROJECT AND \$733,297
7 FOR THE ESKO NEW AREA EXTENSION PROJECT. IS MERC REQUESTING
8 ANY AMORTIZATION OF THESE REGULATORY ASSETS IN THIS DOCKET?

9 A. No, MERC is not requesting recovery of these assets via an amortization in this docket.
10 At the time of the Order in Docket Nos. G011/M-16-654 and G011/M-16-655, MERC
11 still was uncertain as to whether a 2018 test year rate case would be filed. Therefore,
12 regulatory asset treatment seemed appropriate to defer these costs with a short-term debt
13 rate carrying charge applied, and to address the recovery of this regulatory asset in a
14 future rate case proceeding. Obviously, MERC has since determined a 2018 test year rate
15 case was necessary to file, and since the lag between the completion of these projects and
16 the beginning of the test year is so short, MERC is proposing to include these costs in Net
17 Utility Plant in Service and in rate base.

18
19 Q. WHY IS MERC'S PROPOSAL TO INCLUDE THESE COSTS IN NET UTILITY
20 PLANT AND THEREFORE RATE BASE APPROPRIATE?

21 A. MERC determined that expanding natural gas into the communities of Balaton and Esko
22 was not feasible under MERC's existing New Area Surcharge methodology. MERC
23 determined instead that by using the Natural Gas Extension Project Rider ("NGEP"), and

1 allocating a portion of these costs across the entire MERC system, MERC could justify
2 expansion into Balaton and Esko and provide these communities with the benefits of
3 natural gas. The regulatory asset methodology was proposed at the time due to
4 Commission Staff's concerns with MERC's proposal of collecting a portion of these new
5 area expansion projects via the NGEP.

6
7 MERC understands that the specific concern related to the use of the NGEP was the
8 collection of a portion of the costs of these long-lived capital projects over only a one-
9 year period instead of the life of the assets. By eliminating the regulatory asset and
10 transferring the balance to Net Utility Plant, the costs of these projects will be recovered
11 over the life of the project, upwards of 50 years. Further, by including these project costs
12 in Net Utility Plant, MERC is recovering these costs across the entire customer base in
13 base rates as opposed to an NGEP rider.

14
15 If these costs remained in a regulatory asset, the effect of collecting these costs across all
16 customers in base rates could be the same. However, with carrying costs accruing at the
17 short-term debt rate, MERC would ask for accelerated recovery of the regulatory asset.

18 Recovering these capital project costs at the short-term debt rate for the life of the project
19 would not provide an adequate recovery to MERC.

20
21 Q. HAVE YOU DISCUSSED THIS PROPOSAL WITH ANY OTHER PARTIES?

22 A. Yes. In efforts to ensure MERC did not overstep in this accounting treatment request,
23 MERC did meet with the Minnesota Department of Commerce, Division of Energy

1 Resources (“Department”) and Commission Staff to discuss this proposal. Both parties
2 seemed to acknowledge this approach was reasonable, understanding the facts as to why
3 MERC would propose this approach. MERC is moving forward with this approach
4 consistent with our understanding of those discussions.

5
6 Q. WHAT HAPPENS TO THE SHORT-TERM DEBT CARRYING CHARGE
7 AUTHORIZED BY THE COMMISSION FOR COSTS INCURRED IN 2017?

8 A. As discussed previously, the short-term debt carrying charge was agreed to in connection
9 with a regulatory asset to provide MERC with some protection of these costs in between
10 rate cases. Due to the short term between when these projects were started in October
11 2017 and the beginning of the 2018 test year, MERC will not seek any recovery of the
12 carrying charges in 2018.

13
14 Q. WERE ANY ADJUSTMENTS FOR EXTENSION ALLOWANCES OR WINTER
15 CONSTRUCTION CHARGES MADE TO MERC’S 2018 PROPOSED TEST YEAR
16 CONSTRUCTION FORECAST IN THIS CASE?

17 A. No. Company witness Ms. Amber Lee has overseen the preparation of exhibits related to
18 extension allowances and winter construction charges, and has determined that they were
19 applied in compliance with MERC’s tariffs. Ms. Lee describes this process in her Direct
20 Testimony. Accordingly, no adjustment to MERC’s 2018 proposed test year construction
21 forecast is warranted.

1 Q. PLEASE DESCRIBE MERC'S APPROACH TO DEVELOPING THE 2018
2 PROPOSED TEST YEAR WORKING CAPITAL FORECAST IN THIS CASE.

3 A. MERC's working capital accounts were adjusted such that the 2018 proposed working
4 capital would be synchronized with the working capital calculated in the Lead/Lag Study
5 as described below. Referring to Informational Requirements Document 2, Schedule 1,
6 working capital is identified on Page 3 in totality, but amounts allocated to the Michigan
7 Taconite customers are excluded from the rate base amount shown on Page 1.

8

9 Q. PLEASE DESCRIBE MERC'S APPROACH TO DEVELOPING THE 2016
10 PROPOSED TEST YEAR GAS STORAGE AND COST OF GAS FORECAST IN THIS
11 CASE.

12 A. MERC's cost of gas and gas in storage balances were updated using NYMEX data from
13 May 15, 2017, as described in the Base Cost of Gas filing in Docket No. G011/MR-17-
14 564.

15

16 Q. WOULD MERC AGREE TO AN UPDATE TO NYMEX PRICES IN THIS CURRENT
17 RATE CASE?

18 A. Yes. In Docket Nos. G007,011/GR-08-835, G007,011/GR-10-977, G011/GR-13-617,
19 and G011/GR-15-736, MERC agreed to update the NYMEX prices to use more recent
20 data in the calculation of cost of gas. This impacts the gas storage balances used in
21 determination of the final revenue deficiency. MERC agrees to perform this update again
22 if there is a significant change in NYMEX pricing, but would prefer to do this update
23 only once, presumably before Surrebuttal Testimony is due.

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Q. WHAT IS THE TYPICAL IMPACT OF THE BASE COST OF GAS TO A CUSTOMER'S BILL?

A. While the cost of gas is a significant component of a customer's bill, the cost of gas has very little impact on the overall revenue deficiency within this docket. For the calculation of the revenue deficiency, the gas costs are a one-for-one flow-through with gas cost revenues, and therefore any change in the actual base cost of gas rate does not impact the revenue deficiency at all. Where the updated NYMEX prices would have an impact is in the calculation of storage balances, but that impact can be relatively minor in terms of the overall revenue deficiency. Accordingly, MERC does not believe it warrants a number of updates. For example, in MERC's last rate case, Docket No. G011/GR-15-736, the cost of gas was reduced \$43.5M from the original filing, which resulted in an overall revenue requirement impact of slightly more than \$300k.

Q. WHY IS IT APPROPRIATE TO UPDATE THE BASE COST OF GAS CALCULATION ONCE DURING THE PROCEEDING?

A. It is MERC's experience that the cost of gas can fluctuate month to month based on the NYMEX pricing that is used. Therefore, while more updates may provide more data points to analyze, MERC sees these additional data points as less informative than using the most recent NYMEX pricing that is reasonably available to include in the rate case.

1 Q. PLEASE EXPLAIN ANY REGULATORY ASSETS OR LIABILITIES MERC HAS
2 INCLUDED IN THE 2018 TEST YEAR RATE BASE CALCULATION.

3 A. MERC has included one Regulatory Asset balance in the 2018 test year rate base:
4 account #182351 Reg Asset-Purchase Accounting Effect Benefits. This regulatory asset
5 is related to the purchase accounting for pension and other post-retirement benefits
6 acquired from Aquila in Docket No. G007,011/M-06-1287.

7
8 MERC is also including one Regulatory Liability, account #254391 Reg Liability-2010
9 Health Care Leg, which reflects the re-measurement of deferred tax balances related to
10 post-retirement medical obligations caused by the Patient Protection and Affordable Care
11 Act and the Health Care and Education Affordability Act of 2010.

12
13 The inclusion of these regulatory assets and liabilities in rate base is consistent with past
14 Commission decisions including MERC's last general rate case in Docket No. G011/GR-
15 15-736.

16
17 Q. HOW IS MERC ACCOUNTING FOR THE REGULATORY ASSET ASSOCIATED
18 WITH THE PRE-INTEGRYS/WEC MERGER PENSION AND OTHER POST-
19 EMPLOYMENT BENEFIT ("OPEB") ASSETS?

20 A. As ordered by the Commission in Docket No. G011/M-15-992, amortization of the pre-
21 merger pension and OPEB assets is recoverable in rates but the outstanding balance is
22 excluded from rate base. Therefore, MERC has not forecasted any regulatory asset
23 balance in account 182623 Reg Asset-2015 Purchase Account to be included in rate base.

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B. Amortizations, Taxes, and Depreciation

Q. PLEASE DESCRIBE MERC’S APPROACH TO DEVELOPING THE 2018 PROPOSED TEST YEAR RATE CASE EXPENSE AMORTIZATIONS.

A. In this general rate case, MERC forecasted the balance of its 2016 rate case expense will be fully amortized in December 2017. MERC then projected amortization of the costs of this current case over a two-year period beginning in January 2018. In addition, MERC has added an amortization of the deferral costs approved in Docket No. G011/GR-13-617 for the implementation of ICE and amortized the O&M portion of those costs over a two-year period and the Capital portion of those costs over a fifteen-year period as approved in Docket No. G011/GR-15-736. Finally, MERC has included amortization of Conservation Improvement Program (“CIP”) expenses equal to the 2018 amount approved by the Commission in Docket No. G007,011/CIP-12-548.

Q. FOR WHAT AMOUNT OF RATE CASE EXPENSES DOES MERC SEEK RATE RECOVERY?

A. MERC is forecasting total rate case expenses of \$2,270,000 and proposes to amortize 100% of all costs associated with the cost of capital expert, legal expenses, 3rd party requests, and newspaper notifications, and 87.7% of state agency and administrative law judge fees. The result of this calculation is an amount of \$2,174,675 to be amortized over a two-year period.

1 MERC proposal to amortize expenses over two years results in test year expenses of
2 \$1,087,338 as shown on Exhibit ____ (SSD-6). The two-year amortization amount of
3 \$1,087,338 is higher than the \$739,750 authorized in MERC's last rate case Docket No.
4 G011/GR-15-736.

5
6 Q. WHY IS MERC PROPOSING THIS INCREASE IN RATE CASE EXPENSE
7 INCLUDED IN THE REVENUE DEFICIENCY?

8 A. The increases in rate case expenses as compared to MERC's last general rate case in
9 Docket No. G011/GR-15-736 are based upon actual costs for the 2016 rate case and are a
10 reasonable estimate of costs for this case. Specifically, costs associated with legal
11 expenses, the placement of newspaper ads, and the state agency and administrative law
12 judge fees have increased over the years.

13
14 Q. WHAT DOES THE 87.7% ALLOCATION OF STATE AGENCY AND
15 ADMINISTRATIVE LAW JUDGE FEES REPRESENT?

16 A. The 87.7% reflects the removal of a pro-rata share of rate case expenses for MERC's
17 non-utility business "ServiceChoice." MERC has allocated a portion of the state agency
18 and administrative law judge fees in recognition that those agencies will spend some
19 amount of time reviewing the allocation of costs between regulated and non-regulated
20 business that would not have been necessary if MERC did not have non-regulated
21 businesses.

1 Q. WHY WERE COST OF CAPITAL EXPERT, LEGAL EXPENSES, AND
2 NEWSPAPER NOTICES NOT ALLOCATED TO THE NON-REGULATED
3 BUSINESS?

4 A. None of these costs were influenced at all by the existence of our non-regulated
5 businesses. Based on the Commission-approved allocation principles of direct charge
6 and costs causation, all of these costs were assigned to the regulated business.

7
8 Q. WHY IS MERC REQUESTING THE AMORTIZATION OF RATE CASE EXPENSES
9 OVER A TWO-YEAR PERIOD?

10 A. As discussed in MERC's last rate case, Docket No. G011/GR-15-736, MERC is currently
11 experiencing a significant increase in capital expenditures. From 2012 to 2014, MERC
12 historically invested an average of \$22M annually in construction capital, so the
13 forecasted construction investment of \$66.6M in 2018 as shown in Exhibit ___ (SSD-3)
14 is a significant increase for MERC. Because these increased construction investments are
15 expected to continue, MERC anticipates short cycles in between rate cases, which is also
16 consistent with MERC's recent history.

17
18 Additionally, in the event MERC does not file a 2020 test year rate case, MERC would
19 defer revenue collected associated with the rate case amortization until the next rate case
20 is filed and propose a rate offset of the amount collected in that rate case. This deferral
21 protects customers from having to pay rate case expenses greater than what MERC
22 received approval for. Likewise, in the event that MERC is in the position to have to file

1 a 2019 test year rate case, MERC would defer the costs associated with that unanticipated
2 rate case for recovery in its next rate case proceeding.

3
4 Q. SINCE MERC'S LAST RATE CASE, HAS MERC RECOVERED AMOUNTS THAT
5 EXCEEDED MERC'S PRIOR AUTHORIZED TEST YEAR EXPENSE?

6 A. No. In Docket No. G011/GR-15-736, MERC was authorized a two-year amortization
7 period for the rate case expenses beginning January 1, 2016, and ending December 31,
8 2017. MERC was then ordered to track rate case expense recoveries exceeding the
9 authorized test-year expense for possible credits against the revenue requirement in
10 MERC's next (this) rate case. MERC's current rate case proposes new rates, either final
11 or interim, to take effect January 1, 2018, inclusive of MERC's rate case expenses in this
12 current docket. Therefore, no over-recoveries for rate case expenses authorized in
13 Docket No. G011/GR-15-736 have occurred or will occur.

14
15 Q. PLEASE DESCRIBE THE 2016 PROPOSED TEST YEAR ICE DEFERRAL AND
16 ASSOCIATED AMORTIZATION.

17 A. In MERC's last rate case, Docket No. G011/GR-15-736, the Commission ordered MERC
18 to amortize the previously deferred ICE costs over a two-year period for the associated
19 O&M expense deferred, and over a fifteen-year period for the capital costs deferred. The
20 O&M expense will be fully amortized at the end of December 2017, and beginning in
21 2018 only the amortization of the capital costs continues.

1 Q. PLEASE DESCRIBE MERC'S APPROACH TO DEVELOPING THE 2018
2 PROPOSED TEST YEAR CIP AMORTIZATION IN THIS CASE.

3 A. The CIP amortization was updated to reflect the 2018 CIP budget recommended for
4 approval by the Department in Docket No. G007,011/CIP-12-548, and the 2018 sales
5 forecast. Additionally, per Order Point 14 in Docket No. G011/GR-13-617, MERC did
6 have discussions with the Department and Commission Staff confirming the treatment of
7 CIP amortization in rates is consistent with past precedent, including MERC's 2017-2019
8 CIP Triennial Plan (Docket No. G011/CIP-16-120).

9
10 Q. DOES MERC HAVE ANY AMORTIZATIONS RELATED TO FMGP SITES FOR
11 WHICH MERC IS RESPONSIBLE?

12 A. Yes. MERC does have amortizations related to FMGP sites, which are accounted for and
13 discussed below in the O&M section, as they are booked to a FERC O&M Account.

14
15 Q. HAS MERC INCLUDED AMORTIZATIONS RELATED TO THE PENSION AND
16 OPEB AMORTIZATIONS APPROVED IN DOCKET NOS. G007/,011/M-06-1287
17 AND G011/M-15-992?

18 A. Yes. MERC does have amortizations related to pension and OPEB as approved in
19 Docket Nos. G007,011/M-06-1287 and G011/M-15-992 (pertaining to past company
20 mergers affecting MERC), but these amortizations are accounted for and discussed below
21 in the O&M section as they are booked to a FERC O&M Account. As noted above, these
22 costs are accounted for consistent with the requirements in their respective Orders
23 governing these costs.

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Q. PLEASE DESCRIBE MERC'S APPROACH TO DEVELOPING THE 2018 PROPOSED TEST YEAR "TAXES OTHER THAN INCOME TAX" FORECAST IN THIS CASE.

A. Taxes other than income taxes were forecasted using two different methodologies. First, payroll taxes were calculated by inflating the 2016 payroll taxes and applying the applicable payroll tax rates to the 2018 payroll additions/subtractions. Second, property taxes and unauthorized insurance taxes were forecasted based on past historical trends, as discussed by Company witness Mr. Mark Kissinger.

Q. PLEASE DESCRIBE MERC'S APPROACH TO DEVELOPING THE 2018 PROPOSED TEST YEAR INCOME TAX FORECAST IN THIS CASE.

A. Income taxes for the 2018 proposed test year were calculated by applying the appropriate tax rates to net income before taxes, adjusted for M-1 adjustments and deferred taxes. The calculation of income taxes can be found in Informational Requirements Document 8.

Q. WHY IS MERC UTILIZING A DIFFERENT APPROACH FOR ESTIMATING INCOME TAX VERSUS PROPERTY TAX?

A. Generally speaking, the statutory income tax rates are relatively stable year over year, making the process of calculating income taxes based upon our forecasted test year results more straight forward. Property taxes, on the other hand, have seen a significant increase in past years due to the valuation policies the Minnesota Department of Revenue

1 has applied to MERC's assets. Therefore, using a trend analysis for the property tax
2 calculation is more appropriate for developing a test year forecast.

3
4 Q. WHAT DEPRECIATION RATES DID MERC USE IN THE CALCULATION OF THE
5 2016, 2017, AND 2018 REVENUE DEFICIENCIES?

6 A. MERC used the depreciation rates authorized in Docket No. G011/D-16-490 in the
7 calculation of the 2016 historical year revenue deficiency. The 2017 projected year and
8 the 2018 proposed test year were calculated using the depreciation rates proposed in
9 MERC's five year review of depreciation certification in Docket No. G011/D-17-442.

10
11 Exhibit ____ (SSD-7) identifies by month the average monthly plant balances,
12 depreciation rates, and depreciation expense by FERC account.

13
14 ***C. Sales and Revenues***

15 Q. PLEASE DESCRIBE MERC'S APPROACH TO DEVELOPING THE 2018
16 PROPOSED TEST YEAR SALES AND REVENUES FORECAST IN THIS CASE.

17 A. MERC forecasted sales and fixed charge counts in the spring of 2017 using actual data
18 from January 2007 through December 2016. Forecasted revenues for the test year were
19 calculated based on that sales forecast as described in the Direct Testimony and Exhibits
20 of Mr. Matthew Czervionke, and as shown in Company witness Amber Lee's Exhibit
21 ____ (ASL-1).

1 Q. ARE THERE ANY SALES ISSUES THAT ARE NOT ADDRESSED IN THE DIRECT
2 TESTIMONY OF MR. MATTHEW CZERVIONKE THAT YOU WILL DISCUSS?

3 A. Yes. I would like to address the following items that were raised in MERC's rate case
4 Docket No. G007,011/GR-10-977 that have not been addressed in the Direct Testimony
5 of Mr. Czervionke. Specifically, I will:

- 6 1. Provide a summary spreadsheet linking the sales forecast to the sales used in the
7 CCOSS and rate design;
- 8 2. Identify changes to the billing system;
- 9 3. Apply corrections for billing errors and provide MERC's billing error policy; and
- 10 4. Provide a summary of the audit of MERC's billing cycle data and compilation
11 process.

12
13 Q. CAN YOU SUMMARIZE THE RESULTS OF THE SUMMARY SPREADSHEET
14 COMPARING THE SALES FORECAST TO THE CCOSS AND THE RATE DESIGN?

15 A. Yes. Exhibit_____ (SSD-32) compares the MERC Minnesota sales, fixed charge counts,
16 and daily firm capacity between what was generated by the sales forecast to what was
17 used in the CCOSS and the rate design model. Exhibit_____(SSD-32) also compares the
18 revenues generated in the rate design model to those used in the CCOSS. In all instances
19 the values tie. It should be noted that the values on Exhibit_____ (SSD-32) only identify
20 the units associated with MERC's Minnesota customers, and that the sales forecast was
21 done at a Corporate MERC level. Therefore, the sales and fixed charge counts associated
22 with the Michigan Taconite mines are identified in the Exhibits of Mr. Czervionke, but as
23 discussed earlier, these values do not flow through to the revenue deficiency calculation.

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Q. CAN YOU PLEASE EXPLAIN ANY CHANGES TO THE BILLING SYSTEM?

A. Yes. As discussed in our last rate case, Docket No. G011/GR-15-736, WEC has implemented a new internal billing system known as “ICE” to serve the billing needs of MERC.

Q. WITH THE IMPLEMENTATION OF ICE, CAN YOU PROVIDE A BRIDGING SCHEDULE THAT FULLY LINKS TOGETHER OLD AND NEW BILLING SYSTEMS AND DEMONSTRATES THAT THERE IS NO DIFFERENCE BETWEEN THE TWO BILLING SYSTEMS IN THE EVENT THE COMPANY UPDATES, MODIFIES, OR CHANGES ITS BILLING SYSTEM AS REQUIRED IN DOCKET NO. G011/GR-13-617, ORDER POINT 42?

A. Yes. In addition to the data provided to the Commission in this docket on August 29, 2017, in our pre-filed data response, attached as Exhibit ____ (SSD-4) is a summary bridging schedule comparing 2013 to 2016 average annual customers for MERC’s general service rate classes (large majority of customers). The implementation of ICE occurred in January 2016, and the Company experienced modest growth in 2013 to 2014 with a more significant increase in 2015 and again in 2016. These increases in 2015 and 2016 are representative of the acquisition of assets and customers from Interstate Power and Light (“IPL”) in May of 2015.

Finally, attached as Exhibit ____ (SSD-5) is a process description for performing bill checks during the testing phase of the ICE project.

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Q. PLEASE FULLY EXPLAIN HOW MERC CORRECTS AND ACCOUNTS FOR BILLING ERRORS IN ITS RAW BILLING CYCLE DATA.

A. Meter readings are received from the meter reading system (Itron) and loaded into the Customer Information System (“CIS”). Parameters have been set up by meter for a high/low check. If the usage is flagged as high or low, then appropriate action is taken.

1. Reread is needed based on account’s usage history patterns.
 - a. Upon receiving the second read to validate the usage as high or low, the meter is allowed to bill with the original read or is replaced with the validated read and the usage is adjusted.
2. Wrapped read (current read is less than the previous read).
 - a. Analysis of previous reads determines if the account needs to be adjusted.
 - b. Reread service order is sent for validation.
 - c. Meter set was just completed on the meter and no action is necessary
3. Wrapped dates (current read date is less than the previous read date).
 - a. Current reading is the same as the previous reading, then the dates are set to match and will bill zero.
 - b. Readings and dates are both wrapped, the dates and readings are set to the previous date, and reads and allowed to bill zero.

1 Q. PLEASE PROVIDE A WRITTEN EXPLANATION DESCRIBING MERC'S BILLING
2 ERROR POLICY AND IDENTIFY WHEN MERC CONDUCTED AN INTERNAL
3 AUDIT TO ENSURE THAT ITS BILLING SYSTEM CORRECTLY ACCOUNTS FOR
4 BILLING ERRORS.

5 A. As part of MERC's commitment to billing accuracy, the following control functions
6 exist:

- 7 1. As part of the daily billing process, a sample of bills is reviewed daily by the
8 onsite billing team.
- 9 2. The Utility Compliance and Controls team has documented controls for the rate
10 change process and performs an independent assessment to ensure procedures for
11 implementing new rates are applied accurately.
- 12 3. Two Sarbanes-Oxley controls related to billing accuracy are tested by internal and
13 external audit on an annual basis. These controls include review of changes in a
14 customer's multiplier and usage factors to ensure it is within a predetermined
15 threshold, and a bill review of up to three bills from each rate billed when new
16 rates go in as part of a rate case.
- 17 4. An annual SAS 70 Audit occurred for MERC's third-party vendor, Vertex. This
18 review, completed by an independent Financial Audit firm, includes controls
19 related to billing.

20

1 Q. CAN YOU PLEASE PROVIDE A SUMMARY OF THE AUDIT OF MERC'S BILL
2 CYCLE DATA AND ITS COMPILATION PROCESS?

3 A. Yes. As ordered in Docket No. G007,011/GR-10-977, MERC contracted a third party to
4 perform an audit of its billing system. This audit identified four areas of improvement
5 within the Integrys/Vertex bill process. The four areas were as follows:

- 6 1. Improve controls surrounding the monthly change to PGA rates;
- 7 2. Send rates directly to Vertex billing team, bypassing Vertex IT;
- 8 3. Reconcile summary reports to billing detail downloads; and
- 9 4. Formalize review of underlying data in Commission filings.

10

11 Q. HAS MERC ADDRESSED THESE FOUR RECOMMENDATIONS?

12 A. Yes. MERC has addressed each one of these recommendations in the conversion to the
13 ICE system. First, to improve the controls surrounding the monthly change to PGA rates,
14 MERC is working with a back-up individual such that the monthly process now has two
15 individuals reviewing the process. Second, in the past, MERC had sent any changes in
16 rates to Vertex IT support, which was responsible for inputting the new rates into the
17 system and notifying the Vertex Billing team of a rate change. Now, with the
18 implementation of ICE, when new rates are implemented rate changes are sent to an
19 internal rate change group that includes individuals from the billing reporting team, IT
20 billing, Accounting, Regulatory, and Account Executives, among others. Third, MERC
21 uses detailed data adjusted for bill corrections by bill cycle, thereby using a lower level of
22 detail within the sales forecast. Finally, MERC has a formal review process of its sales
23 forecast that is completed by various levels of leadership within WEC.

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Q. IS MERC PROPOSING TO ELIMINATE ANY REPORTING REQUIREMENTS FOR FUTURE RATE CASES?

A. Yes. MERC proposes discontinuation of the requirement to report on the Company's process improvements related to the third-party audit required in Docket No. G007,011/GR-10-977, as well as the requirements discussed in Docket No. G011/GR-13-617, Order Point 42, that are addressed in Mr. Matthew Czervionke's and my Direct Testimonies. MERC recognizes the sales forecast is a very important component of any rate proceeding. MERC believes that with the implementation of ICE, and because many of these reporting requirements have become the norm for MERC, there is no need to continue reporting.

Further, while certain concerns were raised in the aforementioned dockets, the sales forecast adjustments that have ultimately been accepted by the Commission have been relatively small, and were as much a result of updating with more recent data throughout the audit than with any specific identifiable data concerns.

As illustrated in the table below, the sales adjustments to MERC's initially proposed forecast in the rate cases since MERC's acquisition from Aquila have been relatively insignificant.

Docket No.	MERC Proposed Sales Forecast	Commission Approved Sales Forecast	% Change
G007,011/GR-08-835	690,770,971	711,979,740	3.07%
G007,011/GR-10-977	683,768,889	683,768,889	0.00%
G011/GR-13-617	662,833,577	689,625,513	4.04%
G011/GR-15-736	745,849,120	745,849,120	0.00%

1

2 Q. PLEASE DESCRIBE MERC'S APPROACH TO DEVELOPING THE 2018

3 PROPOSED MISCELLANEOUS REVENUES FORECAST IN THIS CASE.

4 A. MERC defines miscellaneous revenues as revenues included in FERC accounts 487, 488,

5 493, and 495, of which the primary component is FERC account 487 Late Payment

6 Charges. FERC Accounts 487, 488, and 493 have relatively small changes in activity

7 over time. MERC looked at past historical experience and determined the amounts

8 included in the 2018 test year are reasonable. FERC Account 495 includes a handful of

9 items that are not relevant to test year forecasting and were excluded from the 2018 test

10 year forecast as described below.

11

12 Q. CAN YOU EXPLAIN THE DECREASE IN REVENUES IN FERC ACCOUNT 495

13 FROM THE 2016 ACTUAL HISTORIC YEAR AMOUNT OF \$10,862,805 TO THE

14 2018 TEST YEAR AMOUNT OF \$180,000?

15 A. Yes. As described in my Supplemental Direct Testimony in Docket No. G011/GR-15-

16 736, MERC's last rate case, FERC Account 495 is used primarily to record the income

17 statement activity for revenues that are not included in the test year revenues and do not

18 factor into the revenue requirement calculation. Of the \$10,862,805 in 2016 actuals, the

19 following amounts would not have an impact on test year revenues:

- 1 • \$3,227,482 associated with gas true-up revenues, which are associated with the
2 under-collection of actual gas costs in MERC’s customers’ base rates and are
3 collected in subsequent months via the Purchased Gas Adjustment factor. As
4 such, these do not represent revenues available for Company use, and therefore
5 do not affect the calculation of the revenue deficiency.

- 6 • \$4,072,884 associated with revenue decoupling, which consists of revenues that
7 will be collected from customers as a result of MERC’s 2016 decoupling
8 program calculation. Because these revenues are also unavailable for Company
9 use, they are not factored into the calculation of the revenue deficiency.

- 10 • \$4,042,001 associated with the CIP incentive, which is revenue recognized by
11 MERC as an accrual and ultimately collected in the Conservation Cost
12 Recovery Adjustment (“CCRA”) when MERC meets its Commission-
13 authorized CIP goals.

- 14 • \$500,000 reduction in revenues associated with the accrual of the ICE
15 contingent refund to customers per the rate order from MERC’s 2016 rate case.

- 16

17 The remaining \$20,438 of the total \$10,862,805 is associated with other gas revenues that
18 include reconnect fees and other miscellaneous billings. This amount is a revenue item
19 that MERC would expect to occur in the future and should be used to offset the revenue
20 requirement.

21

22 ***D. O&M Forecast Detail***

23 Q. PLEASE REVIEW HOW MERC CALCULATED 2018 PROPOSED TEST YEAR
24 O&M EXPENSES.

25 A. As described above, MERC started with 2016 actual O&M expenses, not including the
26 cost of gas, and applied inflation factors for 2017 and 2018 to arrive at base O&M levels.
27 MERC then adjusted this 2018 O&M expense value for certain known and measurable
28 changes (“K&M adjustments”). Exhibit ____ (SSD-8) calculates total Non-Fuel O&M
29 expense for 2017 and 2018 by applying the 2017 and 2018 inflation rates to 2016 actual

1 O&M expense, and including the K&M items. Gas costs were developed as detailed in
2 Docket No. G011/MR-17-564.

3

4 Q. WHAT INFLATION FACTORS DID MERC APPLY TO 2016 ACTUAL O&M
5 LEVELS?

6 A. MERC inflated Non-Labor expenses 2.401% in 2017 and 2.58% in 2018; Union Labor
7 expenses 2.5% in 2017 and 2.4% in 2018; and Non-Union Labor expenses 3.0% in both
8 2017 and again in 2018.

9

10 The development of the 2.401% and 2.58% non-labor inflation factors is shown on
11 Exhibit ____ (SSD-9).

12

13 The 2.5% and 2.4% factors used for union labor expenses were the approved union
14 contract wage increases for 2017 and 2018, respectively.

15

16 The 3.0% factor used for non-union labor expenses is based upon market data from
17 *World at Work*, a non-profit human resource compensation authority with over 70,000
18 members and subscribers world-wide. Market data for 2018 is not yet available;
19 however, *World at Work* market trends from 2013-2017 have consistently shown salary
20 budget totals of 2.9% to 3.1% for salaried exempt, salaried non-exempt, and hourly non-
21 union employees.

22

1 Q. PLEASE DESCRIBE HOW MERC DEVELOPED THE INFLATION FACTOR USED
2 TO ADJUST 2016 NON-LABOR O&M EXPENSES.

3 A. As shown on Exhibit ____ (SSD-9), MERC used the simple average of the following five
4 independent, verifiable sources to predict 2017 and 2018 inflation:

- 5 1. Moody's,
- 6 2. Philadelphia Fed,
- 7 3. Moore Inflation Predictor,
- 8 4. Energy Information Administration ("EIA"), and
- 9 5. International Monetary Fund ("IMF").

10

11 The Consumer Price Index – All Urban ("CPI-U") from each of these sources was used,
12 which is a measure of the average change of the prices paid for a market basket of goods
13 and services over time. As such, the CPI-U represents the broadest measure of the
14 economy and is a reasonable estimate of the general direction of prices.

15

16 Q. ARE THESE SOURCES THE SAME SOURCES MERC HAS USED IN PAST RATE
17 CASES?

18 A. Yes and no. MERC is continuing to use Moore, EIA, and IMF as in the past rate cases.
19 However, in past rate cases MERC also used data from Value Line and Global Insight.
20 In this case, MERC replaced Value Line and Global Insight with Moody's and the
21 Philadelphia Fed.

22

1 Q. WHY WERE THESE CHANGES TO THE SOURCES OF INFLATION FACTORS
2 MADE?

3 A. In the past, MERC had to rely on external sources to provide the data for Value Line and
4 Global Insight, as these were paid subscriptions to which MERC did not have access. In
5 order to avoid this step of reaching out to external parties, and run the risk of those
6 external parties being unavailable if updated rates were requested, MERC substituted
7 Moody's and the Philadelphia Fed as sources to which MERC has readily available
8 access.

9
10 Q. CAN YOU PROVIDE A COMPARISON OF THE 2017 AND 2018 VALUE LINE
11 AND GLOBAL INSIGHT CPI-U RATES?

12 A. No, MERC did not reach out to the external parties; therefore, the 2017 and 2018 CPI-U
13 rates of these sources are unknown.

14
15 Q. IS THERE ANY EVIDENCE THAT INCLUSION OF MOODY'S AND THE
16 PHILADELPHIA FED IN THE NON-LABOR INFLATION CALCULATION IS
17 REASONABLE?

18 A. Yes. Both Moody's and the Federal Reserve have been involved in the
19 monetary/financial markets since the early 1900's, and are well-accepted sources of
20 information related to monetary policy, financial forecasts, and credit ratings.

21
22 Additionally, as a reasonableness check to the non-labor inflation forecast, if Moody's
23 and the Philadelphia Fed were removed from the non-labor inflation forecast, the

1 cumulative impact of 5.04%, as currently shown on Exhibit____(SSD-9), would be
2 reduced to 4.99%. There does not appear to be any significant impact on the non-labor
3 inflation factors calculated, but having a few additional data points to verify each other
4 does add some value in verifying the results.

5
6 Q. PLEASE DESCRIBE THE K&M ADJUSTMENTS INCLUDED IN 2018 PROPOSED
7 TEST YEAR O&M EXPENSES COMPARED TO ACTUAL O&M EXPENSES FROM
8 THE 2016 HISTORICAL YEAR.

9 A. There are eighteen adjustments. Two are K&M increases, and sixteen are K&M
10 decreases.

11
12 The two K&M increases are associated with:

- 13 1. FMGP site cleanup costs, and
- 14 2. Increase in number of employees at MERC.

15
16 The sixteen K&M decreases are associated with:

- 17 1. 2016 ICE Adjustment,
- 18 2. 2016 Pension Adjustment,
- 19 3. Incentives,
- 20 4. Rosemount O&M,
- 21 5. Enterprise Resource Planning (“ERP”),
- 22 6. Memberships,
- 23 7. Advertising,

- 1 8. Charitable Contributions,
- 2 9. Unverifiable T&E Expense,
- 3 10. LTIP, Restricted Stock, and Stock Options,
- 4 11. 50% of economic development costs,
- 5 12. 50% of investor relations expenses,
- 6 13. Uncollectible expense,
- 7 14. Mapping Project expenses,
- 8 15. Sewer Lateral Project expenses, and
- 9 16. Benefits.

10

11 Q. PLEASE DESCRIBE THE K&M INCREASE REGARDING FMGP SITE CLEANUP
12 COSTS.

13 A. The K&M increase is related to the acquisition of IPL's assets in Docket No.
14 G001,011/PA-14-107. In that asset acquisition, MERC acquired the responsibility of
15 monitoring and maintaining IPL's FMGP sites as well as cleanup responsibility for IPL's
16 Austin, Minnesota FMGP site. As can be seen in Exhibit____(SSD-10) this K&M
17 consists of three different components:

18 1. In Docket No. G011/GR-15-736, MERC requested a five-year amortization of the
19 \$2.6M regulatory asset acquired from IPL. Additionally, MERC requested and
20 received approval of \$184,647 for projected FMGP costs in 2015 and 2016. Actual
21 results in 2015 and 2016 were lower than projected; therefore, MERC is including a
22 reduction in its FMGP Regulatory Asset calculation of 26,817.

- 1 2. MERC projects 2017 FMGP costs to be \$285,000. This amount includes a
2 supplemental characterization of the Cedar River (which runs adjacent to the Austin
3 FMGP site), and associated remedial action alternative analysis.
- 4 3. MERC also projects 2018 FMGP costs to be \$3,500,000, which includes preparation
5 of a remedial design and performing a sediment cleanup in the Cedar River, as well as
6 some additional groundwater and soil cleanup.

7

8 Company witness Mr. Brian Bartoszek discusses the FMGP costs, as well as cleanup
9 plans and procedures, in greater detail in his Direct Testimony.

10

11 In this docket, MERC is proposing deferral and amortization of the projected 2017 and
12 2018 costs after netting the 2015/2016 under-spend against these costs. The net result is
13 a Regulatory Asset of \$3,758,183. If amortized over five years (similar to the
14 amortization period approved in Docket No. G011/GR-15-736), this results in an increase
15 of \$751,637 in O&M expense. MERC is not seeking any return on this proposed
16 regulatory asset in this proceeding, consistent with prior Commission decisions on this
17 topic.

18

19 Q. PLEASE DESCRIBE THE K&M INCREASE REGARDING EMPLOYEE
20 ADDITIONS AT MERC.

21 A. MERC is proposing to add labor costs related to eleven new employees to its test year.
22 These employees include:

1 **1 Service Tech Class 5** which is a union position added to our Cloquet field office
2 supporting, among other things, the expansion into Esko. At the time of this filing, this
3 position has been filled. It is estimated that 10% of the work of this position is related to
4 capital projects and 10% will be for Service Choice work. Only the MERC Regulated
5 O&M component of this position is included in this rate case.

6
7 **2 Service Tech III** positions to support the increase in customer adds and the work
8 associated with those customers adds. It is estimated that 10% of the work of these
9 positions is related to capital projects and 30% will be for ServiceChoice work. Only the
10 MERC Regulated O&M component of these positions is included in this rate case.

11
12 **2 Operation Clerks** that at the time of this filing were currently on staff and support the
13 closing out of projects and updating the mapping system. It is estimated that these
14 positions will spend 70% of their time on capital projects, and only the O&M component
15 of these positions is included in this case.

16
17 **1 Project Specialist II** to report to the Manager Gas Regulatory Services-MERC,
18 assisting with the increase in regulatory workload associated with New Town Growth,
19 Rochester filing requirements, Farm Taps, etc.

20
21 **1 Project Manager** that, at the time of this filing, was filled with a temporary position.
22 The purpose of this position is to support the tracking and managing of contractors,
23 project costs, and main relocations. It is estimated that this position will spend 70% of its

1 time on capital projects, and only the O&M expense of this position is included in this
2 case.

3
4 **2 Marketing employees** to bolster a Marketing/Account Executive Department with the
5 intent of encouraging customers to take natural gas service from MERC. It is estimated
6 that these positions will spend 30% of their time on capital projects, and only the O&M
7 expense of these positions is included in this case.

8
9 **1 Supervisor – Specialty Techs.** Currently 10 techs who perform testing on metering
10 and cathodic measuring report up into various region managers. This leads to
11 inconsistent distribution of workloads as techs focus their work on their particular regions
12 and not necessarily on the state as a whole. This position is envisioned to consolidate
13 these techs into one leadership organization to both balance the workload and standardize
14 the processes used. It is estimated that this position will spend 30% of its time on capital
15 projects; only the O&M expense of this position is included in this case.

16
17 **1 Customer Care Specialist** to assist with the additional customer set-ups and inquiries
18 related to New Town Growth and normal customer growth.

19
20 The K&M adjustment to O&M expense related to new employee adds is identified in
21 Exhibit ____ (SSD-11).

1 Q. IN MERC'S LAST RATE CASE, DOCKET NO. G011/GR-15-736, MERC INCLUDED
2 A VACANCY ADJUSTMENT THAT INCREASED O&M. HAS A SIMILAR
3 ADJUSTMENT BEEN MADE IN THIS CASE?

4 A. No. In this rate case, MERC is not making an adjustment for the 2016 actual vacancy
5 amount. Instead, the lower O&M associated with 11.0 annual average positions that were
6 vacant in 2016 was inflated into the 2018 test year, and is therefore included in our 2018
7 test year forecast. For comparison purposes, MERC experienced 14.5 average annual
8 vacant positions in 2014, and 12.7 average annual vacant positions in 2015.

9
10 Q. PLEASE DESCRIBE THE K&M DECREASE REGARDING THE 2016 ICE
11 ADJUSTMENT.

12 A. In 2016, WEC had non-recurring one-time costs associated with the implementation of
13 ICE. Therefore, in preparing the 2018 O&M, this was removed as a K&M adjustment
14 from 2016 actuals. This adjustment can be found in Exhibit ____ (SSD-12).

15
16 Q. PLEASE DESCRIBE THE K&M DECREASE REGARDING THE 2018 BENEFIT
17 ADJUSTMENT THAT OCCURRED IN FERC ACCOUNT 921.

18 A. In 2016, the Integrys Qualified Retirement Pension Plan paid out lump sum benefit
19 payments to retirees greater than the accounting threshold due to retirees choosing lump
20 payments over the annuity option of their pension benefit. Under ASC715 accounting
21 rules, when this happened MERC was required to accelerate a portion of the actuarial
22 gains and losses into the current period, also known as settlement accounting.
23 Simultaneously, MERC set up a regulatory asset to defer these costs, and is requesting

1 amortization of this deferral over ten years. The end result of this adjustment is a
2 reduction in MERC's 2017 O&M in Account 921 of \$544,861, as calculated in
3 Exhibit ___ (SSD-31), which effectively removes this expense recognized in 2016 from
4 our 2018 test year. Additionally, within FERC Account 926, MERC is requesting
5 recovery of \$53,209, or 1/10th of this deferred amount, as seen on line 17 of
6 Exhibit ___ (SSD-13).

7
8 Q. WHAT ARE THE EXPENSES OF EMPLOYEE BENEFITS BEING FORECASTED IN
9 THE 2018 RATE CASE TEST YEAR?

10 A. In 2018, MERC is forecasting total benefit expense of \$4,675,720 in FERC Account 926
11 as compared to the 2016 total benefit expense of \$5,481,177, representing an overall
12 decrease of \$805,457.

13
14 Q. HOW DID MERC DEVELOP THE 2018 FORECAST OF EMPLOYEE BENEFIT
15 COSTS?

16 A. The 2018 forecast reflects the new benefit designs and structures that were effective in
17 2017 as a result of the merger with WEC in 2015. A detailed list of each of the benefit
18 accounting components can be found in Exhibit ___ (SSD-13), including identification of
19 removal of certain benefit costs not requested for recovery consistent with treatment in
20 MERC's last rate cases. In each instance, MERC believes it is accounting for employee
21 benefits in the manner approved in MERC's prior rate cases.

22

1 Costs not requested for recovery

2 Certain costs, such as non-qualified pension costs, goal sharing, and stock compensation
3 in account 926 are not requested for recovery due to exclusion from base rates in prior
4 dockets.

5
6 Actuarially-calculated costs

7 Actuarial expenses included in the 2018 forecast are based on the most recent actuarial
8 study performed by MERC's independent actuary, Willis Towers Watson, using actual
9 asset values at December 31, 2016, and actual participant demographic data as of January
10 1, 2017. These include pension and OPEB plans. The actuarially-calculated expense for
11 each plan is based upon a five-year average discount rate. The 2018 forecast also reflects
12 that the Integrys Energy Group Retirement Plan was spun into six separate plans effective
13 January 1, 2017. MERC and WBS employees are now both in their own separate
14 qualified pension plans.

15
16 Approved amortizations

17 In addition to the actuarially-calculated costs for pension and post retirement plan costs,
18 the 2018 forecast also includes amortizations related to those plans approved in Docket
19 Nos. G007,011/M-06-1287 and G011/M-15-992, consistent with the Orders in those
20 dockets governing cost recovery in subsequent rate cases.

21

1 Medical and dental

2 The 2018 forecast for medical reflects a blended 6.8% inflation rate (5.5% for medical
3 claims and 12% for Rx) over costs in 2017. The 2017 costs were calculated by MERC's
4 independent actuarial consultant, Fidelity, incorporating benefit designs (cost sharing,
5 deductibles, surcharges, etc.) beginning January 1, 2017, that are aligned for
6 administrative employees across the WEC organization. Fidelity considered 29 months
7 of historical claims/enrollment data with an embedded blended annual trend rate of 6.8%.

8
9 Dental costs for the 2018 forecast reflect a 5% trend over such costs in 2017. The 2017
10 costs were based on aligned benefit designs (cost sharing, etc.) beginning January 1,
11 2017.

12
13 Defined contribution plan

14 The 2018 forecast for defined contribution costs is based on actual employee
15 participation rates in calculating the employer matching contribution. This item also
16 includes the annual age/service contribution which replaced the pension accruals in the
17 defined benefit qualified pension plan.

18
19 Life insurance and long-term disability insurance

20 The 2018 forecast for life and long-term disability insurance reflects the actual premium
21 rates charged to MERC for such coverage beginning 2017. Premium rates were held flat
22 for the 2018 forecast.

23

1 Other

2 Grouped together in the Other category are a variety of items which were forecasted in
3 various ways:

- 4 1. Benefits Billed from Affiliates follow the methodologies described above,
5 removing any non-qualified plans that were previously excluded, forecasting
6 medical and dental expenses at rates exceeding normal inflation and performing
7 the actuarial analysis on the five-year average discount rates.
8
- 9 2. Benefits Billed to Affiliates (MERC non-utility), Tuition Reimbursement,
10 Capitalized Benefits, and HR general were forecasted based on past experience
11 and checked against 2016 actuals as a reasonableness check. In total, these
12 expenses increased from the 2016 historic year to the 2018 test year by \$16,270.
13
- 14 3. Non-Productive Time in 2016 included a one-time cost for changing the
15 methodology of accruing vacation. Year over year (with 2016 being an
16 exception), this account will be close to \$0 as the vacation that is accrued by
17 employees throughout the year is recognized and the vacation balance is paid out.
18 Therefore, the reduction in expense from the 2016 historical year to the 2018 test
19 year of \$1,148,096 is an anomaly, and the 2018 forecasted amount of \$4,292 is
20 closer to what we would expect to occur in the future.

21

22 Q. PLEASE DESCRIBE THE K&M DECREASE REGARDING EMPLOYEE PAY-AT-
23 RISK INCENTIVE PLANS.

24 A. The K&M decrease associated with employee pay-at-risk incentive plans is calculated on
25 Exhibit ____ (SSD-14). Page 1 of Exhibit ____ (SSD-14) identifies the removal of the
26 2016 actual incentive costs, while Page 2 calculates the inclusion of the 2018 proposed
27 test year pay-at-risk incentive costs at target levels. The net of these two amounts
28 represents a decrease of \$56,083 in incentive costs primarily as a result of paying greater
29 than target levels in 2016.

30

1 The 2018 pay-at-risk incentive costs for non-executive employees was calculated at the
2 target level expense, and the executive employee incentives were limited to 15% to be
3 consistent with the costs approved in Docket No. G011/GR-15-736.

4
5 Q. PLEASE DESCRIBE THE K&M DECREASE REGARDING THE ROSEMOUNT
6 BUILDING.

7 A. As discussed later in this testimony, as well as in the testimony of Company witness Ms.
8 Mary Wolter, MERC is currently in the process of constructing a new facility in
9 Rosemount to replace the current Rosemount building and eliminate the lease MERC
10 holds in Eagan. As shown in Exhibit ____ (SSD-15), MERC expects a reduction in O&M
11 of \$0.1M in the 2018 test year as a result of eliminating the Eagan lease and energy
12 efficiencies compared to the current Rosemount facility.

13
14 Q. PLEASE DESCRIBE THE K&M DECREASE REGARDING IMPLEMENTATION OF
15 ERP.

16 A. WEC is implementing an ERP project converting various Finance, HR and Supply Chain
17 systems into one consolidated accounting system for all of WEC. Along with the capital
18 being forecasted and discussed by Company witness Ms. Wolter, MERC anticipates
19 O&M savings of \$394,235 in 2017, and an additional savings of \$132,740 in 2018 for
20 total O&M savings of \$526,975 in the 2018 test year. These savings include costs
21 charged to MERC from WBS, originating in the Payroll, Finance, Tax, Human
22 Resources, Audit, and IT Departments.

1 Q. PLEASE DESCRIBE THE K&M DECREASE REGARDING ORGANIZATION
2 MEMBERSHIP DUES.

3 A. MERC has excluded all organization membership dues from the 2018 proposed test year.
4 This adjustment reduces 2017 projected O&M expense by \$2,065, as shown on
5 Exhibit ___ (SSD-16). By removing this amount in 2017, these costs are also effectively
6 removed from the 2018 proposed test year.

7
8 Q. PLEASE DESCRIBE THE K&M DECREASE REGARDING ADVERTISING
9 EXPENSES.

10 A. MERC has excluded all advertising costs associated with economic development and
11 goodwill from the 2018 proposed test year. This adjustment reduces 2017 projected
12 O&M expense by \$4,676, as shown on Exhibit ___ (SSD-17). By removing this amount
13 in 2017, these costs are also effectively removed from the 2018 proposed test year.

14
15 In accordance with the Commission's Policy Statement on Advertising Expenses dated
16 June 14, 1982, Volume 3, Informational Requirements Document 13 of MERC's filing
17 contains a list of the advertisements for which MERC seeks cost recovery in this case,
18 and provides the information requested by the Policy Statement for each advertisement.

19
20 Q. PLEASE DESCRIBE THE K&M DECREASE REGARDING CHARITABLE
21 CONTRIBUTIONS.

22 A. MERC has excluded 50% of the 2018 test year charitable contributions from the revenue
23 requirement. This adjustment reduces 2017 projected O&M expense by \$38,385, as

1 shown on Exhibit ____ (SSD-18). By removing this amount in 2017, these costs are also
2 effectively removed from the 2018 proposed test year.

3
4 In accordance with the Commission's Policy Statement on Charitable Contributions,
5 Volume 3, Informational Requirements Document 15 of MERC's filing contains an
6 itemized list of the charitable contributions for which MERC seeks cost recovery in this
7 case, including the amount, recipient, and date of the donation, as well as the type or
8 purpose of the organization.

9
10 Q. PLEASE DESCRIBE THE K&M DECREASE REGARDING T&E EXPENSE.

11 A. Per Minn. Stat. § 216B.16, subd. 17, MERC has included the information as required in
12 Informational Requirements Document 14. In MERC's analysis of the T&E expenses,
13 MERC determined that \$5,401 of 2016 T&E expenses are related to items with
14 descriptions that did not clearly meet the requirements to be included in base rates.
15 Another \$159,326 consisted of allocations of T&E expenses incurred by non-MERC
16 employees from WEC and WBS. Because descriptions were not readily available at the
17 time of this filing to support these transactions as qualified T&E expenses, we have also
18 removed those allocated expenses for the purposes of forecasting the 2018 revenue
19 requirement. This adjustment, totaling \$164,727 in 2016, reduces 2017 projected O&M
20 expense by \$168,682, as shown on Exhibit ____ (SSD-19). By removing this amount in
21 2017, these costs are also effectively removed from the 2018 proposed test year. While
22 not possible in this proceeding, it is our intention to develop the reports necessary to
23 support recovery of allocated T&E expenses in time for our next rate case filing.

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Q. PLEASE DESCRIBE THE K&M DECREASE REGARDING LTIP, RESTRICTED STOCK, AND STOCK OPTIONS.

A. In Docket No. G007,011/GR-10-977, costs associated with the LTIP, Restricted Stock and Stock Options were disallowed. MERC is not requesting recovery of these employee benefit expenses in this case. Therefore, as illustrated in Exhibit ___ (SSD-20), MERC is decreasing O&M expenses by \$284,431 in the 2017. By removing this amount in 2017, these costs are also effectively removed from the 2018 proposed test year.

Q. PLEASE DESCRIBE THE K&M DECREASE REGARDING ECONOMIC DEVELOPMENT.

A. To be consistent with the costs allowed in Docket No. G007,011/GR-10-977, MERC has removed 50% of the 2016 Economic Development costs in the 2017 projected test year as seen in Exhibit ___ (SSD-21). By removing this amount in 2017, these costs are also effectively removed from the 2018 proposed test year.

Q. PLEASE DESCRIBE THE K&M DECREASE REGARDING INVESTOR RELATIONS.

A. To be consistent with the costs allowed in Docket No. G011/GR-15-736, MERC has removed 50% of the 2016 Investor Relations costs in the 2017 projected test year as seen in Exhibit ___ (SSD-22). By removing this amount in 2017, these costs are also effectively removed from the 2018 proposed test year.

1 Q. PLEASE DESCRIBE THE K&M DECREASE ASSOCIATED WITH
2 UNCOLLECTIBLE EXPENSE.

3 A. MERC calculated the 2018 test year uncollectible expense using the same methodology
4 approved in Docket No. G007,011/GR-10-977. A three-year average of uncollectible
5 expense over tariff revenues generated a percentage of tariff revenues of 0.628496%.
6 This percentage was then applied to MERC's 2018 test year forecasted tariff revenues, as
7 well as an assumed rate increase of \$12,000,000. The \$12M rate increase does not tie to
8 the revenue deficiency amount proposed in this docket because, as discussed in Docket
9 No. G007,011/GR-10-977, by changing the bad debt expense the revenue deficiency
10 changes and a circular reference is created. Therefore, a number in close proximity to the
11 revenue deficiency was used to get a reasonable uncollectible expense forecast. This
12 adjustment decreases 2018 proposed O&M by \$527,789, for a total uncollectible expense
13 of \$1,652,225, as shown on Exhibit ____ (SSD-23).

14
15 In previous rate case Docket Nos. G011/GR-13-617 and G011/GR-15-736, the
16 Commission adopted a one-year snapshot of the percentage of uncollectible expense over
17 tariff revenues. The reasoning behind this approach was that it appeared this percentage
18 had been trending down, and there was a decision to represent the perceived trend by
19 using the most up-to-date one-year result percentage available. As can be seen in
20 Exhibit ____ (SSD-23), the most recent year available is 2016 actuals, which shows a
21 significant increase in the percentage of uncollectible expense over tariff revenues.
22 Therefore, MERC has opted for the three-year average in this case, and believes this to be
23 more representative of future results.

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Q. HAS THE ICE PROJECT HELPED ENCOURAGE BEHAVIORS THAT HELP CONTAIN UNCOLLECTIBLE EXPENSE?

A. Yes. MERC has already seen increases in customer responses to ICE that contribute to reducing or containing uncollectible expense, such as increased use of e-billing, e-payment, and payment options. Such behaviors tend to help reduce uncollectible expense. At the same time, other events (often unrelated to ICE) can offset some of these helpful behaviors. The result can be either a net increase or decrease in uncollectible expense rates for any given year. This is why using a three-year average best takes into account actual results over a period of time, and in this particular case does not put any more weight on the 2016 results than the 2014 or 2015 results.

Q. CAN YOU GIVE AN EXAMPLE OF A SITUATION THAT CONTRIBUTES TO RECENT INCREASES IN UNCOLLECTIBLE EXPENSE?

A. Yes. An example I will use is the calculation of the reserve margin. Monthly throughout a year, Finance will review an aging summary report generated by Open-C identifying the amount and time accounts are past due. Based on this information, Finance may make adjustments to the reserve balance to adequately account for uncollectible accounts. In the event a reserve balance adjustment is made, this is recognized as an uncollectible expense in the year it occurred. In 2016, total reserve adjustments of \$400,000 were made based on the size and timing of then-past due accounts, thereby increasing uncollectible expense in 2016 by that amount. While these reserve adjustments were made and recorded in 2016, they are a result, at least partially, of accounts that were in

1 arrears in 2015 (pre-ICE). This real-world example illustrates the multiple factors that
2 can affect uncollectible expense in total. In this case, using a multi-year average takes
3 into account these adjustments that cross years. As such, MERC continues to
4 recommend a three-year average of uncollectible expense amounts.

5
6 Q. WHAT IS MERC'S MAPPING PROJECT, WHICH YOU INDICATED EARLIER
7 RESULTS IN A K&M DECREASE?

8 A. MERC's Mapping Project is a comprehensive effort to understand and map MERC's
9 systems and data, and ultimately link the data to the Geographic Information System
10 ("GIS"). The Mapping Project consists of two phases: The first phase relates to
11 developing the mapping systems and data that MERC's field personnel utilize to locate
12 lines, manage outages, determine flow modeling, and undertake other critical
13 infrastructure tasks. To improve the quality and utilization of the mapping systems, the
14 Mapping Project involves verifying as-built drawings and field data. This information
15 will allow MERC to verify age of pipe, materials, fittings, and similar system
16 components, and will support required Department of Transportation reporting.

17
18 The second phase of the MERC Mapping Project, which began in 2016, involves
19 compiling service line documentation and information into a comprehensive database.
20 This step is the necessary prerequisite to enable future mapping and linkage to MERC's
21 GIS.

22

1 Q. WHAT COSTS WAS MERC AUTHORIZED TO RECOVER IN DOCKET NO.
2 G011/GR-15-736 (MERC'S LAST RATE CASE) RELATED TO MERC'S MAPPING?

3 A. In Docket No. G011/GR-15-736, the Commission authorized costs of \$600,000 for the
4 2016 test year related to MERC's Mapping Project. As discussed in the Rebuttal
5 Testimony of Company witness Mr. David Kult in Docket No. G011/GR-15-736, these
6 approved costs were for the compilation of service line documentation and information
7 into a comprehensive database. This included approximately \$200,000 for the main
8 mapping phase of the project, and \$400,000 for the service line phase of the project.
9

10 Q. WHAT REQUIREMENTS DID THE COMMISSION IMPLEMENT FOR THIS RATE
11 CASE IN RELATION TO THE MAPPING PROJECT?

12 A. The Department recommended, and the Commission required, that the Company must
13 provide detailed information regarding the status of the Mapping Project and associated
14 costs, including: (1) a full discussion of both phases of the Mapping Project; (2) the status
15 of the Mapping Project; (3) the actual costs by year and the reasons for variances from
16 forecasted amounts beginning with 2016 (provided below); (4) the projected costs in the
17 test year and how determined (provided below); (5) the actual and projected costs and
18 how determined for the year immediately before the test year; (6) the portion of that
19 year's costs performed by external contractors by year; and (7) any other evidence to
20 support MERC's Mapping Project costs.² I address each of these requirements in this
21 discussion of MERC's Mapping Project in my Direct Testimony.
22

² *In the Matter of the Application of Minn. Energy Res. Corp. for Auth. to Increase Rates for Nat. Gas Serv. in Minn.*, Docket No. G011/GR-15-736, FINDINGS OF FACT, CONCLUSIONS, AND ORDER at Order Point 2 (Oct. 31, 2016).

1 Q. WHAT WERE MERC'S ACTUAL 2016 MAPPING EXPENSES?

2 A. In 2016, MERC recognized total expenses of \$458,073 related to our Mapping Project,
3 which was included in our last rate case, Docket No. G011/GR-15-736. This amount of
4 \$458,073 was comprised of two components:

- 5 1. \$236,856 of Invoices from Jacobs Engineering, which involves developing
6 mapping systems and data that MERC's field personnel use to locate lines,
7 manage outages, determine flow modeling, and undertake other critical
8 infrastructure leaks. To improve the quality and utilization of the mapping
9 systems, the Mapping Project involves verifying as-built drawing and field
10 data. This information allows MERC to verify age of pipe, materials, fittings,
11 and the like, and will support required Department of Transportation
12 reporting.
- 13 2. \$221,217 involves compiling service line documentation and information into
14 a comprehensive database. This step is the necessary prerequisite to enable
15 MERC to map its service lines in the future and to create the capability to link
16 the data to MERC's GIS.

17
18 Actual costs were approximately \$142,000 below MERC's 2016 test year estimate, with
19 the reduced cost due to the timing of when contractors were hired. In 2016, ten
20 contractors began work on July 18 for the service line portion of the project, and
21 continued that work through the end of the year.

22
23 Q. WHAT BENEFITS ARE THESE INVESTMENTS PROVIDING TO CUSTOMERS?

24 A. Benefits of the Mapping Project include:

- 25 1. Techs in the field will be able to use this information to identify known materials
26 and the location of underground facilities, thereby completing their work more
27 efficiently and effectively.
- 28 2. As missing information is added, the data can be queried to help identify materials
29 when a known material deficiency issue is identified. This will help MERC

1 identify what service lines/meter sets contain the identified material or component
2 that may be subject to recall or accelerated replacement.

3 3. Data will aid in determining the budget and safety impact of replacing/not
4 replacing certain components (aid in the budgetary process and risk analysis
5 calculations).

6 4. This project will bring MERC in line with most of the other WEC companies in
7 terms of data to support service line and meter set component attributes, locations,
8 etc.

9 5. This project will help MERC eventually be in total compliance with the Pipeline
10 and Hazardous Materials Safety Administration's requirement to "know your gas
11 pipeline system".

12

13 Q. WHAT ARE THE 2017 COSTS ASSOCIATED WITH THE MAPPING PROJECT?

14 A. MERC's forecast for a full year of expense in 2017 is \$200,000, based on the assumption
15 that four contractors will be working on the service line and documentation portion of the
16 project described above. Through August 2017, MERC has incurred \$161,517 related to
17 the service line phase of the Mapping Project. Of this amount, \$156,103 is related to
18 outside contractor expense. This work relates to the compilation of service line
19 information and documentation as described above.

20

21 MERC's project estimates assumed that approximately 230,000 records needed to be
22 scanned and uploaded into the database to complete the project. Currently, MERC
23 estimates that about 30 percent of this work is complete, and projects that if five

1 contractors are hired in 2018 and beyond, this project would be completed in 2019,
2 subject to the timing of hiring of contractors and the status of the data. Completion of the
3 project would provide the overall benefits described above.

4

5 Q. WHAT MAPPING EXPENSE IS MERC REQUESTING FOR THE 2018 TEST YEAR?

6 A. MERC is not requesting expenses related to the first component of this project in the
7 2018 test year expenses, as this phase of the project has been completed. Therefore, as
8 illustrated in Exhibit ___ (SSD-24), MERC is decreasing O&M expenses by \$242,543 in
9 2017 (the inflated 2016 cost). And by removing this amount in the 2017 projected year,
10 these costs are also effectively removed from the 2018 proposed test year.

11

12 The second component of this project includes ongoing costs that MERC will continue to
13 incur in the future. MERC developed the 2018 test year amount by utilizing the
14 \$221,217 amount incurred in the 2016 historical year with inflation to arrive at the 2018
15 test year amount. Overall, MERC is requesting only the inflated amount of the actual,
16 continuing 2016 costs for recovery in the 2018 test year.

17

18 Q. PLEASE DESCRIBE THE K&M DECREASE ASSOCIATED WITH SEWER
19 LATERAL PROJECT EXPENSES.

20 A. In 2016, MERC recognized expenses of \$67,555 related to our sewer lateral project
21 which was being done to comply with requests from the Minnesota Office of Pipeline
22 Safety. MERC is not requesting expenses related to this project in the 2018 test year
23 expenses, and therefore, as seen in Exhibit ___ (SSD-25), MERC is decreasing O&M

1 expenses by \$69,177 in the 2017 projected year. By removing this amount in 2017, these
2 costs are also effectively removed from the 2018 proposed test year.

3
4 Q. HAS MERC INCLUDED ANY RESEARCH ACTIVITY EXPENSES IN THE 2018
5 PROPOSED TEST YEAR?

6 A. No, it has not. There were also no research costs in the 2016 historical year. Because
7 recovery of these costs is not requested, no further detail regarding these costs is needed
8 or provided.

9
10 Q. EARLIER YOU NOTED THAT EXHIBIT ____ (SSD-8) CALCULATES TOTAL
11 NON-FUEL O&M EXPENSES FOR 2017 AND 2018. CAN YOU PLEASE PROVIDE
12 MORE INFORMATION ABOUT THIS EXHIBIT?

13 A. Exhibit ____ (SSD-8), lines 1 through 127 identify the union labor portion of 2016 actuals,
14 applies the 2017 union contract approved labor inflation rate, adds the 2017 labor K&M
15 items, applies the 2018 union contract approved labor inflation rate, and adds the 2018
16 labor K&M items.

17
18 Lines 128 through 254 identify the non-union labor portion of 2016 actuals, applies the
19 2017 non-labor inflation rate as previously identified, adds the 2017 non-labor K&M
20 items, applies the 2018 non-labor inflation rate as previously identified, and adds the
21 2018 non-labor K&M items.

22

1 Lines 255 through 381 identify the 2016 incentive costs removed from the 2018 proposed
2 test year, and the 2018 incentive costs added back to the 2018 proposed test year.

3
4 Lines 382 through 508 identify the non-labor portion of 2016 actuals, applies the 2017
5 non-labor inflation rate, adds the 2017 non-labor K&M items, applies the 2018 non-labor
6 inflation rate, and adds the 2018 non-labor K&M items.

7
8 Finally, lines 509 through 635 summarize the labor, incentive, and non-labor data to give
9 a complete picture of MERC's 2016 historical test year O&M, 2017 projected year
10 O&M, and 2018 proposed test year O&M.

11
12 Overall, the 2018 forecasted O&M represents a decrease of \$3.2M as compared to 2016
13 actual O&M, and a decrease of \$0.5M as compared to the O&M approved by the
14 Commission in MERC's 2016 test year.

15
16 ***E. Allocations***

17 1. *Corporate Allocations*

18 Q. IN PAST RATE CASES, MERC HAS FORECASTED DECREASES IN O&M
19 EXPENSE RELATED TO THE CORPORATE AIRCRAFT AND THE GCA. ARE
20 THESE REDUCTIONS INCLUDED IN THIS DOCKET?

21 A. No. WEC does not own a corporate aircraft; therefore, there was no corporate aircraft
22 expense in 2016, and there is no adjustment needed in this rate case docket.

23

1 Second, the GCA is used to allocate costs of certain products and services for which no
2 direct charging method or cost-causal method is practical or appropriate as described later
3 in my testimony. The GCA adjustment historically favored by the Commission is a one-
4 factor O&M allocator vs. a two-factor O&M & Capital approach. The results of this
5 analysis can be seen in Exhibit ____ (SSD-26). MERC used the two-factor GCA in its test
6 year forecast.

7
8 Q. WITHIN THIS RATE CASE, DOES THE COMPANY SEEK TO RECOVER COSTS
9 ALLOCATED TO MERC FROM ANY OF WEC'S SUBSIDIARIES?

10 A. Yes, costs that are appropriately allocated to MERC via the Commission-approved
11 AIA are included in the rate request proposal presented by MERC in this docket.

12
13 Q. CAN YOU DESCRIBE THE AIA UNDER WHICH COSTS ARE ALLOCATED TO
14 MERC?

15 A. Yes, costs are allocated to MERC under the WEC Energy AIA. This is a slight
16 divergence from the AIA presented in MERC's last rate case, Docket No. G011/GR-15-
17 736, which described both a Services Company AIA and a Utility AIA. Going forward,
18 as of July 1, 2017, both the Services Company and Utility AIAs have been merged into
19 one AIA which has been included in this docket as Exhibit ____ (SSD-27).

20

1 Q. DID THE COMBINATION INTO ONE CONSOLIDATED AIA HAVE ANY
2 MATERIAL IMPACT ON THE COSTS ALLOCATED TO MERC?

3 A. No, the underlying services provided by either the services company, or another regulated
4 utility within the WEC corporate structure, did not change. Therefore, there is no real
5 change to the costs to MERC because of the combination of the Services Company and
6 Utility AIAs.

7
8 Q. PLEASE DESCRIBE THE PHILOSOPHY AND GOALS UNDERLYING THE
9 OPERATION OF THE SERVICE COMPANY.

10 A. WBS strives to be a leading service company provider of innovative and cost-effective
11 support services and solutions to its affiliates. The Company focuses on the following
12 four areas:

13 1. **Customer Focus.** Maintaining and demonstrating an in-depth understanding of
14 WEC's businesses; developing and delivering innovative, high-value services that
15 address business issues; and assisting the businesses in achieving their goals;

16
17 2. **Service Delivery.** Delivering high-quality and cost-effective services in a timely
18 manner; proactively developing, in partnership with its internal customers, new
19 and innovative services and solutions that address business needs; and leveraging
20 technology and process excellence across its various service categories;

21
22 3. **Cost Management and Value Creation.** Continually seeking ways to improve
23 processes and reduce costs, opportunities to invest in people, processes, and

1 technology that result in meaningful value creation for our business partners and
2 stakeholders; and

- 3
- 4 4. **Employee Engagement.** Maintaining a high-performance culture and staff that
5 exhibit strong technical skills, an in-depth knowledge of the business, and a
6 business mindset.

7

8 WEC operates eight utilities across four states, and has a number of non-regulated
9 subsidiaries. The WEC regulated utilities are: MERC, Wisconsin Gas LLC, Wisconsin
10 Electric Power Corporation, Wisconsin Public Service Corporation, The Peoples Gas
11 Light and Coke Company, North Shore Gas Company, Michigan Gas Utilities
12 Corporation, and Upper Michigan Energy Resources Corporation.

13

14 As a centralized service company, WBS strives to achieve economies of scale by
15 leveraging employees and management across WEC's affiliates and businesses. Such
16 leveraging reduces the holding company's system-wide costs, and allows those costs to
17 be shared among a larger number of affiliates.

18

19 Q. WHAT TYPES OF SERVICES ARE AVAILABLE TO MERC UNDER THE WEC
20 AIA?

21 A. Services provided that can be provided to MERC under the WEC AIA can be found in
22 Appendix C of Exhibit ___ (SSD-27). Generally, these services comprise common A&G
23 business activities that each affiliate would need to provide internally, or procure, in

1 order to operate its business. WBS may also provide additional services that the
2 regulated affiliate may request and that WBS can reasonably provide in a cost-effective
3 manner consistent with applicable law.

4
5 WBS recovers all of its costs of providing these services by direct billing the regulated
6 affiliate whenever practicable. When direct billing is not practicable, the Service
7 Company bills affiliates pursuant to the cost allocation factors set forth in Appendix C of
8 the WEC AIA. Services are provided at cost, including direct and indirect labor and
9 overheads, and other cost loaders. The Allocation Factors described in Appendix C to the
10 WEC AIA are designed to match the costs of the services performed with the entity or
11 entities for which the services are performed. The basic premise underlying the
12 allocation methodology and factors is to regularly zero-out the Service Company costs of
13 each “home center” (a departmental or operational unit of WBS).

14
15 Q. CAN YOU EXPLAIN HOW COSTS MIGHT BE CHARGED THROUGH THE
16 ALLOCATION METHODOLOGY?

17 A. Yes. The simplest way to explain how the allocation methodology works is by providing
18 three examples of typical services that the Service Company provides.

19
20 First, the Property Accounting home center tracks the value and changes in the
21 Company’s property, plant, and equipment. Most of the activity in this home center is
22 allocated through direct billing to the customer. Certain activities, however, provided by
23 the Property Accounting home center, such as processing the automated depreciation

1 calculation each month, benefit all companies. Consequently, time spent on these
2 activities is recorded in a general departmental activity “cost pool” that is allocated based
3 on each company’s Property Plant & Equipment (“PP&E”) balances.

4
5 Second, the Accounts Payable home center’s primary function is to process, review, and
6 make payments to the affiliates’ suppliers once the invoice has been properly approved.
7 To provide efficiencies in billing, the majority of the costs for services provided by the
8 Accounts Payable home center are allocated through a cost-causal factor: the number of
9 invoices processed. Although invoice processors could track their time based on the
10 owner of each invoice, that approach is not practical because the cost of doing so would
11 be disproportionate to the billing precision that would be obtained. Instead, the time
12 spent on invoice processing generally is recorded in the general departmental activity
13 “cost pool” and allocated based on each affiliate’s number of invoices. If an employee of
14 Accounts Payable works on a significant separate project for one or more affiliates, that
15 time is tracked and billed directly to the project, and those costs are direct billed to the
16 appropriate affiliate. These costs are then excluded from the costs allocated through the
17 cost-causal factor.

18
19 Finally, Investor Relations is responsible for communication, marketing, and security law
20 compliance through effective communication between the Company and the shareholders
21 and investors. The cost of the Investor Relations activity is allocated via the GCA
22 because the activities performed by this home center benefit all WEC affiliates.

23

1 Q. IN DOCKET NO. G-007,011/AI-11-168, MERC INTRODUCED A “SPECIFIC
2 PROJECT ALLOCATOR” FOR THE SERVICES COMPANY PROJECT SERVICES
3 GROUP, AND THE COMMISSION ORDERED MERC TO IDENTIFY WHAT HAS
4 BEEN CHARGED FROM WBS PROJECT SERVICES TO MERC USING THIS
5 ALLOCATOR. IS THIS REQUIREMENT FROM THE COMMISSION STILL
6 APPLICABLE?

7 A. No. Prior to the WEC/Integritys merger, there existed a Project Services Department, for
8 which the specific project allocator was an approved allocator used in certain
9 circumstances. Since the merger, this department has been effectively disbanded via a
10 reorganization of the Company. Under the Operational Support and Development
11 Services Department, a project specific allocator is still available. However, this
12 allocator has not been used since 2015, and no costs in the 2016 historical year or the
13 2018 test year are allocated to MERC using the project specific allocator. Therefore, this
14 requirement is no longer applicable as there are no costs allocated to MERC (or any
15 WEC subsidiary) using a special projects allocator.

16

17 2. *Service Company Allocations*

18 Q. DOES MERC HAVE A NON-REGULATED APPLIANCE SERVICE BUSINESS?

19 A. Yes, MERC has an appliance service business called ServiceChoice (formerly known as
20 Home Services). ServiceChoice offers appliance repair, service protection plans, and
21 heating, air conditioner, and water heater repair and maintenance services. This service is
22 primarily provided to Residential customers, and is available on both an on-demand and
23 contract basis.

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Q. DO MERC’S UTILITY EMPLOYEES ALSO PROVIDE SERVICES TO CUSTOMERS THROUGH SERVICECHOICE?

A. Yes, MERC field technicians perform both regulated and non-regulated work in the majority of the State. In Rochester and the Southern Metro area of Rosemount, Farmington, Lakeville, Eagan, and New Market, MERC has dedicated employees for the utility and non-utility businesses. The number of customers in these areas makes it economically practical to have different employees for the regulated and non-regulated businesses.

Q. HOW ARE MERC’S NON-REGULATED BUSINESS ACTIVITIES SEPARATED FROM ITS REGULATED UTILITY ACTIVITIES?

A. MERC is very careful to keep the costs separate for the utility and non-utility businesses. This separation of costs prevents the utility’s customers from subsidizing the costs of the ServiceChoice business. The costs of MERC’s non-regulated business activities are separated through the use of specific general ledger accounts. The specific accounts are coded as non-regulated and have a non-utility FERC account assignment that ensures costs are recorded appropriately and are therefore excluded from utility revenue requirements calculations. All expenses recorded in each non-regulated business activity account are linked to FERC 417.1, Nonutility Expenses. These costs are not recorded in MERC’s O&M accounts.

1 Q. HOW ARE COSTS ALLOCATED BETWEEN THE UTILITY AND NON-UTILITY
2 BUSINESSES?

3 A. MERC utilizes three different means of allocating the correct costs to the utility and non-
4 utility businesses: direct charge, allocation based on known factors, and general
5 allocation. The majority of costs (81.4%) are directly charged, 6.6% are charged based
6 on known factors, and 12.0% are allocated based on the general allocator.

7
8 Q. PLEASE EXPLAIN HOW EACH OF THESE ALLOCATIONS WORK.

9 A. First, non-regulated business activities are directly charged whenever possible. Under the
10 direct charge allocation, costs that are directly related to ServiceChoice are charged to
11 that business. Examples of costs directly related to ServiceChoice include all costs
12 associated with the employment of the ServiceChoice Product Manager, including labor
13 and all related expenses. These costs are directly charged to the ServiceChoice business.
14 Field Technicians directly charge their time and expenses for time spent doing
15 ServiceChoice work. Field Managers monitor timesheets to assure that the employees
16 are charging their time appropriately.

17
18 For allocations based on known factors, a percentage is calculated to allocate costs
19 between the regulated and non-regulated businesses. At this time, call center costs are
20 the only costs allocated by a known factor. These costs are allocated based on the
21 percentage of utility and non-utility customers out of the total number of utility and non-
22 utility customers. This factor is recalculated on an annual basis.

23

1 The general allocation method is used to allocate those costs that cannot be directly
2 charged to either regulated or non-regulated activities and for which there are no known
3 allocation factors. For example, the costs of employee safety meetings where the topic is
4 generic to both businesses, such as safe driving, would be allocated using the general
5 allocator. Another example is facilities costs. Buildings are used for both utility and
6 non-utility business and therefore the general allocator is used to allocate the costs
7 between the utility and non-utility businesses.

8
9 Q. PLEASE STATE THE CURRENT GENERAL ALLOCATION FACTOR AND
10 DESCRIBE HOW THE FACTOR IS CALCULATED.

11 A. The current general allocation factor is 87.7% to the utility and 12.3% to the non-utility,
12 as shown on Exhibit ___ (SSD-28). This percentage is based on three statistics: margin,
13 net plant, and payroll. These statistics are gathered for the utility and non-utility
14 activities and averaged together on a weighted basis.

15
16 Q. IS MERC'S ALLOCATION OF COSTS BETWEEN THE UTILITY AND THE NON-
17 UTILITY CONSISTENT WITH THE COMMISSION'S COST ALLOCATION
18 REQUIREMENTS?

19 A. MERC's method of allocating costs between its regulated and non-regulated businesses is
20 consistent with hierarchical cost allocation principles adopted by the Commission. In its
21 September 28, 1994, Order in Docket No. G,E999/CI-90-1008, the Commission required
22 all utilities to adopt fully allocated costing to assign and allocate costs between regulated
23 and non-regulated activities unless the utility demonstrates that its non-regulated

1 activities are insignificant or that the public interest would be better served by another
2 method. As noted above, costs are directly assigned to either the regulated or non-
3 regulated activities whenever possible. Next, costs that cannot be directly assigned are
4 allocated based on a known cost-causal factor. Finally, if costs cannot be directly
5 allocated or allocated based on a known factor, costs are allocated using the general
6 allocation method.

7
8 For the benefit of customers, however, the calculation of MERC's general allocation
9 factor does not follow the Commission's preferred methodology, which requires that:
10 "When neither direct nor indirect measures of cost causation can be found, the cost
11 category shall be allocated based upon a general allocator computed by using the ratio of
12 all expenses directly assigned or attributed to regulated and nonregulated activities." To
13 demonstrate the reasonableness of its general allocation factor, MERC calculated the
14 general allocation factor using 2016 data and the Commission's method. MERC's
15 general allocation factor was 87.7% to the utility and 12.3% to the non-regulated
16 business.³ Using the Commission's method, the resulting allocation factor was 91.6% to
17 the utility and 8.4% to the non-regulated business. MERC's current general allocation
18 factor, therefore, is very close to the allocation factor calculated using the Commission's
19 methodology. Moreover, MERC's general allocator allocates 3.9% fewer costs to the
20 utility than the Commission's method, and therefore benefits customers.

21

³ See Exhibit ____ (SSD-28).

1 3. *Allocations to Michigan Customers*

2 Q. HAS DATA RELATED TO THE MICHIGAN CUSTOMERS BEEN INCLUDED IN
3 THIS FILING?

4 A. No. As shown on Rate Base Schedules in Informational Requirements Document 2, and
5 Net Operating Income Schedules in Informational Requirements Document 5, corporate
6 MERC data inclusive of Michigan detail are shown. However, in each of the schedules,
7 the Minnesota and Michigan details are broken out, and only the Minnesota data is
8 flowed through and shown on the summary Rate Base schedule on Page 1 of Information
9 Requirements Document 1, and the summary Operating Income schedule on Page 1 of
10 Informational Requirements Document 5.

11
12 Additionally, while Michigan customer data is included on Schedules E-1, E-2, and E-3
13 of Mr. Matthew Czervionke's testimony, this data is not included in the Minnesota
14 jurisdiction revenue deficiency nor is it included in the rate design model of Company
15 witness Ms. Amber Lee.

16
17 Q. PLEASE EXPLAIN HOW MERC ALLOCATED COSTS BETWEEN THE MERC-
18 MINNESOTA AND MERC-MICHIGAN SERVICE TERRITORIES.

19 A. MERC has described the methodologies used to allocate costs between MERC-
20 Minnesota and MERC-Michigan in Informational Requirements Documents 4 (Summary
21 of Allocation Factors - Rate Base) and 7 (Summary of Allocation Factors - Income
22 Statement), which are both contained in Volume 3 of this filing. As described in
23 Informational Requirements Documents 4 and 7, the first step is to functionalize the costs

1 and rate base items as production, transmission, distribution, or customer. After the
2 functionalization is completed, these costs are then allocated to MERC-Minnesota and
3 MERC-Michigan using system sales as the allocator for energy and demand, total sales
4 for transmission, distribution plant for distribution costs, and fixed charge count for the
5 customer function.

6
7 These allocations are consistent with the allocators used in past MERC rate cases.

8
9 Q. WILL THE NEW ROSEMOUNT BUILDING BE USED BY BOTH REGULATED
10 AND NON-REGULATED OPERATIONS AND ALLOCATED ACCORDINGLY?

11 A. Yes, currently ServiceChoice Operations are operated out of both the Rosemount and
12 Eagan facilities, and continued facility sharing has been factored into the use of the new
13 Rosemount facility. Because MERC inflated 2016 actual O&M for the 2018 test year,
14 the 2016 facilities credit (O&M reduction) calculated in 2016 flows through to the 2018
15 test year and accounts for the facilities offset in the future. Additionally, the entire O&M
16 reduction due to the new Rosemount building as previously discussed fully goes to the
17 benefit of the regulated customers, so no additional adjustment for ServiceChoice is
18 warranted.

19
20 Q. WHAT DO YOU CONCLUDE REGARDING THE 2018 TEST YEAR REVENUE
21 REQUIREMENT?

22 A. MERC has made every effort to ensure the test year revenue requirement is reasonable,
23 consistent with past Commission direction where applicable, and reflective of the costs

1 and revenues MERC anticipates for the 2018 test year. Additional support for the overall
2 revenue requirement is provided by other MERC witnesses, and indicates a reasonable
3 rate request.

4
5 **III. LEAD/LAG STUDY**

6 Q. WHAT IS THE PURPOSE OF A LEAD/LAG STUDY?

7 A. A lead/lag study is performed to determine the cash working capital component of
8 working capital. The remaining components of working capital are the investments in
9 materials and supplies, natural gas storage, payments, regulatory assets and liabilities,
10 and associated deferred taxes which are determined by generally accepted regulatory
11 methods.

12
13 A lead/lag study measures the differences in time frames between (1) the time that
14 service is rendered until the revenues for that service are received (lead), and (2) the time
15 that labor, materials, or services are used in providing service until expenditures for such
16 items are made (lag). Each major category of expense and its applicable lag days are
17 compared to the calculated revenue lead days. The difference between these periods,
18 expressed in terms of days, multiplied by the average daily operating expenses, produces
19 the cash working capital required, or available, for those operating expenses.

20
21 Q. WHAT ARE THE COMPONENTS OF A LEAD/LAG STUDY?

22 A. The lead/lag study compiles and analyzes revenues collected and expenses paid to
23 determine the lead or lag days. This study analyzed the following major classifications:

1 Lead Time for Revenues Collected

- 2 1. The Service to Meter Reading Period
- 3 2. The Meter Reading to Billing Period
- 4 3. The Billing to Collection Period

5

6 Lag Time for Expenses Paid

- 7 1. Purchased Gas Expense
- 8 2. Payroll Expense
- 9 3. Payroll Tax Expense
- 10 4. Incentive Plan
- 11 5. Expenses Paid back to Subsidiaries
- 12 6. Other O&M Expenses

13

14 Q. HOW WERE THE REVENUE LEAD PORTIONS OF THE STUDY DETERMINED?

15 A. I analyzed the lead time for revenues collected by analyzing three separate time periods:

- 16 1. The Service to Meter Reading Period
- 17 2. The Meter Reading to Billing Period
- 18 3. The Billing to Collection Period

19

20 Q. HOW DID YOU CALCULATE THE LEAD TIME FOR THE METERING PERIOD?

21 A. Meters are read and bills are computed on a monthly basis. Therefore, the number of

22 days between initially providing service to a customer during any billing period, and the

23 date of reading the customer's meter is an average of 30.4 days.

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365 days in 2018 / 12 months = 30.4 days.

This means that MERC incurs expenses associated with that customer for 30.4 days before the customer's meter is read. Since a lead/lag study computation is on an average basis, the average number of days would be approximately one-half of the 30.4 days or 15.2 days, which represents the midpoint of the metering cycle.

Q. HOW DID YOU CALCULATE THE LEAD TIME FOR THE BILLING PERIOD?

A. For non-transport customers, meters are read on day one and the data is sent to Green Bay, Wisconsin. On days two and three, the data is formatted and sent to printing. On day four, the bill is printed and mailed. For transport customers, bills are sent to customers between days four and twelve, so I assumed an average of eight. A weighted average based on revenues of transport versus non-transport was used to calculate the number of days. The result was 4.2 days.⁴

Q. HOW DID YOU CALCULATE THE LEAD TIME FOR THE COLLECTION PERIOD?

A. The lead time for the collection period was calculated by summing the 2016 daily accounts receivable balances then dividing that amount by the 2016 tariff revenues. The result was 24.9 days.⁵

⁴ See Exhibit ____ (SSD-29), page 2.

⁵ See Exhibit ____ (SSD-29), page 3.

1 Q. WHAT IS THE OVERALL REVENUE LEAD TIME CALCULATED BY YOUR
2 STUDY?

3 A. The overall lead sums to a period of 44.3 days as shown on Exhibit ____ (SSD-29), page
4 1.

6 Q. HOW WERE THE EXPENSE LAG PORTIONS OF THE STUDY DETERMINED?

7 A. I analyzed the lag time for expenses paid by analyzing six separate expense components:
8 purchased gas, payroll expense, payroll tax expense, incentive plan, expenses paid to
9 affiliates, and other O&M expenses. I describe how I analyzed each of the six
10 components below.

11

12 Q. HOW DID YOU DETERMINE THE EXPENSE LAG FOR PURCHASED GAS?

13 A. In order to calculate the lag time between the date of receipt to the date of payment, the
14 receipt date must first be determined. Gas is received from the supplier during the entire
15 month; consequently, it is appropriate to use an average number for the receipt date. For
16 this lag study, an average of 15.2 days was used to represent the number of days between
17 gas receipt date and month end, as shown below:

18

19
$$365 \text{ days} / 12 \text{ months} = 30.4 \text{ days per month}$$

20
$$30.4 \text{ days per month} / 2 = \text{average of } 15.2 \text{ days}$$

21

22 Payment for purchased gas is due the 25th of the following month. Therefore the entire
23 lag time is 40.2 days.

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Q. HOW DID YOU DETERMINE THE EXPENSE LAG FOR PAYROLL?

A. Employees are paid bi-weekly (every other Friday), for a total of 26 pay periods in a year.
The average lag time is calculated as follows:

$$365 \text{ days in a year} / 26 \text{ pay periods} = 14.0 \text{ days}$$

The average lag time would be one-half of the 14.0 days, or 7.0 days, plus an additional 6 days to represent the time between the end of the payroll period and when the actual paycheck is issued to the employees, for a total of 13.0 days.

Q. HOW DID YOU DETERMINE THE LAG FOR PAYROLL TAX EXPENSE?

A. Payroll taxes are paid the day after the employees are paid. Therefore the lag time on payroll tax expense is 14.0 days (13.0 days from the payroll expense plus 1.0).

Q. HOW DID YOU DETERMINE THE LAG FOR INCENTIVE PLAN EXPENSE?

A. The corporate incentive plan is assumed to be accrued evenly throughout the year, and is typically paid out on the first paycheck in March of the following year:
(365 days in a year / 2 = 182.5 average days) + 61 days until March 2, 2018, when the incentive would actually be paid, for a total of 243.5 days.

1 Q. HOW DID YOU DETERMINE THE EXPENSE LAG FOR PAYMENTS BACK TO
2 AFFILIATES?

3 A. In order to calculate the lag time between the date of receipt to the date of payment, the
4 receipt date must first be determined. Services from WBS, expenses from other affiliates,
5 and interest expense are received during the entire month. Consequently, it is appropriate
6 to use an average number for the receipt date. For this lag study, an average of 15.2 days
7 was used to represent the number of days between the service date and month end.

8

9
$$365 \text{ days} / 12 \text{ months} = 30.4 \text{ days per month}$$

10
$$30.4 \text{ days per month} / 2 = \text{average of } 15.2 \text{ days}$$

11

12 Payment back to affiliates for services occurs on the 20th of the following month.

13 Therefore the entire lag time is 35.2 days.

14

15 Q. HOW DID YOU DETERMINE THE EXPENSE LAG FOR OTHER O&M
16 EXPENSES?

17 A. Typical outstanding terms for invoices are net 30 days; therefore, 30 days was the
18 expense lag used for this portion of the lag study.

19

20 Q. ARE THE METHODS YOU DESCRIBED ABOVE CONSISTENT WITH THE
21 COMMISSION'S CASH WORKING CAPITAL POLICY?

22 A. Yes. My study separates expenses into components that have similar characteristics and
23 payment patterns, as endorsed in the Commission's cash working capital policy.

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Q. PLEASE DESCRIBE EXHIBIT ____ (SSD-29), PAGE 4.

A. Exhibit ____ (SSD-29), page 4 shows the percentage of federal income tax and state income tax available as working capital.

Q. PLEASE DESCRIBE EXHIBIT ____ (SSD-29), PAGE 5.

A. Exhibit _____ (SSD-29), page 5 calculates the lead/lag timing of each expense classification by comparing the lead time of revenues to the lag time of payments of the expenses.

Property taxes are assumed to be incurred linearly throughout the test year for an average of 182.5 days (365/2), and paid on May 31, 2019, for an additional 151 days, for a total lag time of 333.5 days.

The lead/lag calculation of state and federal income taxes are calculated assuming a rate increase.

Q. WHY ARE THE TAXES IN THE LEAD/LAG STUDY GREATER THAN THE TAXES ON INFORMATIONAL REQUIREMENTS DOCUMENT 8?

A. When accumulating data for MERC's proposed test year, I included a proposed rate increase. The taxes calculated on the rate increase amount was used in the lead/lag study. However, on Informational Requirements Document 8, taxes were calculated without any rate increase assumed, which resulted in a lower tax amount.

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Q. IS IT APPROPRIATE TO USE THIS HIGHER LEVEL OF TAXES IN THE LEAD/LAG STUDY?

A. Yes. This higher tax level is more representative of what the taxes will be after rate relief is obtained, and therefore derives a more realistic working capital cash deficit via the lead/lag study.

Q. PLEASE SUMMARIZE THE RESULTS OF YOUR LEAD/LAG STUDY.

A. Exhibit ___ (SSD-29), page 1, summarizes the lead time and lag time found for the revenue and expense parts of my study. Exhibit ___ (SSD-29), page 5, shows the resulting calculation of net cash working capital that is included in MERC's proposed rate base for the test year.

Q. WHAT IS INDICATED BY THE NEGATIVE CASH WORKING CAPITAL AMOUNT?

A. Negative cash working capital indicates that revenues are being collected prior to the date when the associated costs of service are being paid. This means that, on average, cash working capital is being provided by MERC's customers. When negative cash working capital exists, it is subtracted from rate base so that MERC does not receive a return on the funds provided.

1 Q. IN YOUR OPINION, DOES THE LEAD/LAG STUDY PROVIDE A REASONABLE
2 BASIS FOR ESTABLISHING RATES IN THIS CASE?

3 A. Yes. MERC's 2016 actual cash working capital balance was (\$6,745,500) compared to
4 the working capital balance calculated in the lead/lag study of (\$6,030,382), a modest
5 increase in rate base of \$715,118.
6

7 Q. IN DOCKET NO. G011/GR-13-617, THE COMMISSION ORDERED THAT A
8 RECONCILIATION OF EXPENSES IN THE CASH WORKING CAPITAL TO THE
9 EXPENSES IN MERC'S TEST YEAR INCOME STATEMENT SHOULD BE
10 PERFORMED, AND THAT THE CASH WORKING CAPITAL SCHEDULE
11 SHOULD BE BASED ON THE NUMBER OF DAYS RATHER THAN
12 PERCENTAGES. HAS MERC COMPLIED WITH THESE REQUIREMENTS?

13 A. Yes. As seen on Page 5 of Exhibit ___ (SSD-29), MERC has added a reconciliation
14 section from lines 13 to 19 for all expenses exclusive of income taxes. As described
15 above, the income taxes used in the lead/lag study already assume a rate increase to more
16 appropriately reflect what MERC proposes for the 2018 test year. In addition, MERC
17 used a percentage basis for the tax items, and as can be seen on Page 5 of
18 Exhibit ___ (SSD-29), all calculations of the lead/lag study have been adjusted to be
19 based off of number of days. This result is consistent with the Commission's October 28,
20 2014, Findings of Fact, Conclusions, and Order in Docket No. G011/GR-13-617.
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IV. CONSERVATION

Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

A. The purpose of this section is to discuss the CIP costs included in MERC’s current revenue requirement, as well as the treatment of those costs in both interim and final rates.

A. Conservation Improvement Program Plan

Q. DOES MERC HAVE AN APPROVED CIP PLAN ON FILE WITH THE DEPARTMENT?

A. Yes. Minnesota Statutes section 216B.16, subdivision 1, states in relevant part that if a utility filing a general rate case does not have an approved energy conservation improvement plan on file with the Department, it shall include in its general rate case notice an energy conservation plan pursuant to Section 216B.241. MERC’s 2017-2019 CIP plan was submitted to the Department on June 1, 2016, and approved by the Deputy Commissioner of the Department on November 3, 2016, in Docket No. G011/CIP-16-120.

B. Conservation Cost Recovery

Q. PLEASE PROVIDE SOME BACKGROUND ON RECOVERY OF CIP COSTS FOR MERC.

A. In MERC’s last rate case in Docket No. G011/GR-15-736, MERC received Commission approval to update the CCRC factors for MERC to recover its annual CIP costs. In addition, MERC received Commission approval in Docket No. G007,011/GR-08-835 to

1 implement a CCRA factor in order to recover the amount by which actual CIP
2 expenditures are different from the amount recovered through the CCRC factor plus the
3 amount of any Commission-approved CIP financial incentive on an annual basis. The
4 Commission initially set the CCRA factors at \$0.0000 per therm. MERC has
5 subsequently filed annual requests to update the CCRA factor; the latest was approved by
6 the Commission on August 16, 2017, in Docket No. G011/M-17-340 at \$0.01024 per
7 therm.

8
9 Q. PLEASE DESCRIBE HOW CIP EXPENSES ARE TREATED IN THIS
10 PROCEEDING.

11 A. First, MERC is proposing to update the CCRC factors included in base rates to recover
12 the 2016 CIP expenses of \$12,233,774 as shown on Exhibit ___ (SSD-30). MERC
13 calculated the CCRC using the 2018 CIP expenses approved by the Deputy
14 Commissioner of the Department on November 3, 2016, in Docket No. G011/CIP-16-
15 120. In MERC's last rate case, the Commission approved a CCRC factor of \$0.02767
16 per therm for MERC. Consistent with Commission precedent, and as approved in Docket
17 No. G011/GR-15-736, MERC has calculated the CCRC factors on a volumetric basis by
18 dividing the CIP test year expenses by test year sales volumes less the volumes attributed
19 to those customers who have opted out of the CIP. The result of this calculation is an
20 updated CCRC factor of \$0.02953.

21

1 Q. IS MERC SEEKING RECOVERY OF THE UNAMORTIZED BALANCE IN THE CIP
2 TRACKER ACCOUNTS?

3 A. No, MERC is not seeking recovery of the unamortized balance in the CIP tracker
4 accounts. MERC proposes to recover this unamortized balance via the CCRA.
5

6 Q. IS MERC PROPOSING THAT A CARRYING CHARGE BE APPLIED TO THE CIP
7 TRACKER BALANCES?

8 A. Yes. In Docket No. G011/M-14-369, the Commission modified the carrying charges on
9 MERC's CIP tracker account balance to the short-term cost of debt set in MERC's rate
10 case in Docket No. G011/GR-13-617. Subsequently, the Commission Ordered MERC to
11 update the carrying charge to the short-term cost of debt approved in MERC's last rate
12 case, Docket No. G011/GR-15-736. MERC requests that the Commission similarly
13 approve a carrying charge for MERC's CIP tracker account balance equal to the short-
14 term cost of debt approved in the current case.
15

16 Q. HAS MERC COMPLIED WITH ORDER POINT 9 FROM THE COMMISSION'S
17 FINDINGS OF FACT, CONCLUSIONS, AND ORDER IN DOCKET NO. G011/GR-
18 13-617 WHICH ORDERS MERC TO CONTINUE THE CURRENT CCRC FACTOR
19 IN ITS BASE DISTRIBUTION RATE AND MAINTAIN ITS CCRA IN ITS
20 CURRENT FORMAT?

21 A. Yes, MERC has. As described above, MERC is not requesting any CIP tracker balance
22 to be amortized in this current docket, but instead to be flowed through the CCRA as it
23 previously has been handled. In addition, MERC's calculated CCRC factor of \$0.02953

1 is embedded within the base distribution rate as it previously has been, and is shown in
2 the exhibits of Company witness Ms. Amber Lee.

3
4 Q. ARE CIP EXPENSES “REVENUE NEUTRAL” WITH REGARD TO DETERMINING
5 THE FINAL REVENUE REQUIREMENTS IN THIS CASE?

6 A. No. For the calculation of the revenue deficiency for final rates, MERC has included the
7 updated CIP costs but has not adjusted the present revenues for the updated CCRC factor.
8 Therefore, the final revenue deficiency reflects the updated CIP costs. MERC will
9 collect the increase in CIP costs with the implementation of interim and ultimately
10 approved final rates.

11
12 Q. HOW IS THE CIP RECOVERY MECHANISM AFFECTED DURING INTERIM
13 RATES?

14 A. To be consistent with an Order point from MERC’s rate case in Docket No. G011/GR-
15 13-617 and the treatment of CIP recovery in MERC’s last rate case in Docket No.
16 G011/GR-15-736, MERC is proposing to update the CCRC factor to be used in interim
17 rates to the \$0.02953 as previously mentioned. To the extent that the final approved
18 CCRC varies from MERC’s proposed CCRC, MERC recommends that a true-up
19 adjustment to the CIP tracker be used to recognize the approved expense levels ultimately
20 approved and that should have been in effect during interim rates. This adjustment is
21 similar to that proposed in my Rebuttal Testimony in Docket No. G011/GR-13-617, and
22 my Direct Testimony in Docket No. G011/GR-15-736, and ultimately approved by the
23 Commission in both dockets.

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V. MINNESOTA STATUTES SECTION 216B.16, SUBDIVISION 17

Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

A. In this section of my testimony, I discuss the Company’s compliance with Minn. Stat. § 216B.16, subd. 17, which requires utilities to provide certain information regarding employee expenses with the filing of a new Minnesota retail rate case.

Q. HOW DOES MERC DEFINE EMPLOYEE EXPENSES?

A. Employee expenses are those O&M expenditures that are tracked in our employee expense reporting system and are consistent with the categories set forth in Minn. Stat. § 216B.16, subd. 17, known as the employee expense statute.

Examples of employee expense include airfare, hotel stay, car rental, mileage on personal vehicles used for work purposes, parking, and meals for business purposes.

Q. WHAT REQUIREMENTS HAS THE COMMISSION INSTITUTED REGARDING MERC’S RATE CASE EXPENSES IN THIS FILING?

A. In MERC’s rate case in Docket No. G011/GR-13-617, the Commission required that in future rate-case filings MERC must (1) “meet the reporting requirements of Minn. Stat. § 216B.16, subd. 17, for all travel and entertainment expenses, including expenses related to employees working for MERC affiliates,” and (2) “allocate any costs not specific to

1 Minnesota based on the allocation factor MERC files in its direct testimony and identify
2 which costs have been allocated.”⁶

3

4 Q. HAS MERC MET THE FILING REQUIREMENTS ADOPTED IN MINN. STAT.
5 § 216B.16, SUBD. 17?

6 A. Yes. Volume 3, Informational Requirements Document 14, includes the information
7 required by Minn. Stat. § 216B.16, subd. 17, related to travel, entertainment, and related
8 expenses for MERC. Informational Requirements Document 14 also includes all
9 itemized employee expenses for employees working at MERC, or costs that were directly
10 charged to MERC via the legacy Integrys accounting system PeopleSoft. Costs allocated
11 to MERC via the WEC accounting system SAP have not been included and are removed
12 from the 2018 test year revenue requirement as part of the O&M adjustment in
13 Exhibit ___ (SSD-19). While preparing this case, it was determined that the information
14 available in SAP to support both the vendor and business reason for expenses was not
15 sufficient at this time, and therefore these otherwise valid T&E expenses have been
16 removed from the 2018 test year O&M.

17

18 Q. PLEASE DESCRIBE INFORMATIONAL REQUIREMENTS DOCUMENT 14.

19 A. Page 1 of Informational Requirements Document 14 identifies the salaries of MERC’s
20 Board of Directors and the ten highest paid employees for the most recently completed
21 fiscal year 2016. It also includes those in the proposed test year 2018. Additionally, this

⁶ *In the Matter of a Petition by Minn. Energy Res. Corp. for Auth. to Increase Nat. Gas Rates in Minn.*, Docket No. G011/GR-13-617, FINDINGS OF FACT, CONCLUSIONS, AND ORDER at 63 (Oct. 28, 2014).

1 page summarizes the travel, entertainment, and related expenses charged to MERC by its
2 Board of Directors and ten highest paid employees.

3
4 Pages 2 through 5 of Informational Requirements Document 14 list individually the
5 travel, entertainment, and other related expenses, including the date of the expense, the
6 amount of the expense, the vendor name, and the business purpose of the expenses
7 included in the 2018 test year for MERC's ten highest paid employees.

8
9 Pages 5 through 49 of Informational Requirements Document 14 provides a detailed list
10 of the travel, entertainment, and other related expenses by date, amount, vendor, and
11 business purpose for all MERC employees, other than the MERC Board of Directors and
12 ten highest paid employees.

13
14 Pages 50 through 51 of Informational Requirements Document 14 provides a detailed list
15 of the travel, entertainment, and other related expenses by date, amount, vendor, and
16 business purpose for all Non-MERC employees, other than the MERC Board of Directors
17 that were direct charged to MERC.

18
19 Page 52 of Information Requirements Document 14 lists individually the membership
20 expenses for all MERC employees.

21

1 Q. WHAT DOES THE 4.32% FOUND ON PAGE 1 OF INFORMATIONAL
2 REQUIREMENTS DOCUMENT 14 REPRESENT?

3 A. The 4.32% represents the percentage of overall WBS costs charged to MERC in 2016.
4 Therefore, the Board of Director salaries charged to WBS are assumed to be allocated to
5 MERC at this level.
6

7 Q. ON PAGES 2 THROUGH 51, WHY IS THE VENDOR NOT SPECIFICALLY LISTED
8 ON CERTAIN ITEMS?

9 A. When an employee enters meal expense into corporate labor or submits an expense
10 report, the vendor associated with those costs is not captured in the system and therefore
11 is not readily accessible. As authorized by Minn. Stat. § 216B.16, subd. 17(b), MERC
12 has submitted this data using the standard accounting reports already utilized by the
13 utility. Additionally, mileage reimbursements are not submitted to a vendor per se, but
14 instead are paid to the employee for the use of his/her own vehicle for Company business.
15

16 Q. IS IT CORRECT THAT MERC DID NOT HAVE ANY COSTS RELATED TO GIFTS
17 AND LOBBYING?

18 A. That is correct, MERC did not have any expenses related to gifts. MERC incurs labor
19 costs for employees who engage in lobbying activity, but it did not have any external
20 expenses related to lobbying activities in employee expenses.
21

1 Q. DOES MERC REQUEST THAT ANY OF THIS DATA BE CLASSIFIED AS
2 NONPUBLIC DATA?

3 A. Yes. Minnesota Statutes section 216B.16, subdivision 17 allows for the salary of one or
4 more of the ten highest paid officers and employees, other than the five highest paid, to
5 be treated as private data on individuals. MERC requests that the salaries of the sixth to
6 the tenth highest paid employees be kept nonpublic for competitive reasons related to the
7 compensation of MERC's employees. Publicly disclosing this information could give
8 competitors an advantage in terms of hiring and retaining key employees. Additionally,
9 MERC believes it would be inappropriate to ignore each of the listed employees' rights to
10 keep this information private to the greatest extent possible. Giving this information
11 nonpublic status would not deprive the parties to this rate case of information, as this
12 information will be available to the Commission and state agencies participating in the
13 proceeding and any other party could enter into a protective agreement to obtain the data
14 if necessary. Conversely, requiring MERC to file this information as public data would
15 make it publicly available on the internet, making it accessible to the general public
16 regardless of interest in these proceedings or MERC's rates.

17

18 Q. PLEASE EXPLAIN THE PROCESS MERC USED TO SCRUTINIZE THE
19 EMPLOYEE EXPENSES.

20 A. To review the expenses, MERC first conducted word searches of the expenses to identify
21 potentially problematic entries. MERC then manually conducted a line-by-line review of
22 each employee expense identified for recovery, including those that the word searches

1 identified. Through this process, MERC identified and eliminated expenses that did not
 2 appear to comply with Minn. Stat. § 216B.16, subd. 17.

3

4 Q. PLEASE PROVIDE MORE INFORMATION ON THE WORD SEARCHES THAT
 5 MERC CONDUCTED ON THE EMPLOYEE EXPENSES.

6 A. MERC conducted two sets of word searches on the employee expenses. First, MERC
 7 performed word searches that targeted certain expenses under Minn. Stat. § 216B.16,
 8 subd. 17. Below is a list of words that were used to search for potentially excludable
 9 expenses:

10

Alcohol	PAC
Drinks	Repr
Liquor	Senat
Brewery	Brand
Cocktails	Sponsorship
Beverage	International
Team Building	Golf
Retirement	Coach
Thank You	Open
Gophers	Gala
Saints	Birthday
Timberwolves	Anniv
Wolves	Farewell
Twins	Going Away
Vikings	Last Day
Wild	Wedding
Bowl	Baby
Curling	Bridal
Fish	Shower
Hockey	Bagel
Hunt	Bereavement
Tennis	Cookies
WCHA	Doughnut
Game	Donut
Concert	Flowers
Ticket	Floral

Rotary	Florist
Club	Funeral
Mall of America Field	Fruit
Social	Ham
HHH	Turkey
Event	Refreshments
Celebration	Snacks
Party	Trinkets
Hooters	New Employee
Award	First Day
Movie	Welcome
Gift	Get Together
Video	Chamber
Prize	Edison Electric
Resort	Commission
Spouse	EEL
Christmas	Contribution
XMAS	Appreciation
Holiday	Election
Political	Recreation
Spa	Legis
Retreat	Entertainment
Recognition	Lobby

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Many of these terms did not show up in any expense report and we would not expect them to show up; however, MERC attempted to be inclusive in its search.

Second, MERC conducted word searches of employee expenses to ensure proper assignment or allocation of costs to MERC. These searches were conducted using words associated with other utilities within the WEC system, including locations of the affiliated utilities' facilities and words associated with the jurisdictions in which the affiliates operate. The searches focused on words within the following phrases:

North Shore Gas Company or NSG	Otter Rapids
Peoples Gas Light and Coke Company or PGL	Jersey
Wisconsin Public Service Corporation or WPS	Tomahawk
Wisconsin Valley Improvement Company	Grandfather Falls
Upper Peninsula Power Company or UPPCO	Alexander
Illinois Commerce Commission or ICC	Merrill
Public Service Commission of Wisconsin or PSCW	Wausau
Michigan Public Service Commission or MPSC	Caldron Falls
Illinois	High Falls
Michigan	Johnson Falls
Wisconsin	Sandston Rapids
Edgewater Generating Station	Potato Rapids
Pulliam Power Plant	Peshtigo
Columbia Generating Station	Grand Rapids
Weston Power Plant	Petenwell
Fox Energy Center	Castle Rock
De Pere Energy Center	Crane Creek Wind Farm
Hat Rapids	Lincoln Wind Energy Facility

1

2 Q: DID MERC FURTHER REVIEW THE EXPENSES IDENTIFIED THROUGH THE
3 WORD SEARCHES?

4 A. Yes. Any employee expense entry that contained one of the words searched was
5 highlighted for further review. MERC then completed a line-by-line manual review of
6 every employee expense from 2016. The highlighted expenses that were identified
7 through the word searches helped to ensure these expenses were flagged for the manual
8 review process and received special attention.

9

1 Q. PLEASE PROVIDE INFORMATION ON THE LINE-BY-LINE REVIEW MERC
2 CONDUCTED OF THE EXPENSES.

3 A. Once the word searches were completed, MERC manually reviewed each of the travel,
4 entertainment, and related employee expenses. This manual review involved going
5 through the employee expenses line-by-line. Those employee expenses over \$100 were
6 then reviewed line-by-line a second time to capture any higher dollar expenses that might
7 have been missed in the first manual review.

8
9 In searching for potentially excludable expenses, we looked for any expense that might
10 be considered a “perk” of the job. For example, expenses related to meals or treats being
11 provided at meetings were eliminated, as well as any expense associated with a special
12 event, whether it be a life event (such as a retirement) or a sporting event.

13
14 We also identified some “hits” in the word search that brought up legitimate MERC
15 business expenses. For example, “Grand Rapids” could refer to either Grand Rapids,
16 Minnesota, or Grand Rapids, Michigan. In the manual review process, MERC attempted
17 to ensure that expenses were properly included or excluded based on the Grand Rapids
18 where the employee was working.

19
20 Q. PLEASE SUMMARIZE THE RESULTS OF MERC’S EMPLOYEE EXPENSE
21 REVIEW.

22 A. MERC’s employee expenses allocated or assigned to MERC totaled \$408,775 in 2016.
23 Of this total, MERC’s review resulted in an exclusion of \$164,727, or \$168,682 after

1 inflation to 2017 dollars. MERC determined that \$5,401 of 2016 T&E expenses are
2 related to items with descriptions that did not clearly meet the requirements to be
3 included in base rates and another \$159,326 consisted of allocations of T&E expenses
4 incurred by non-MERC employees from WEC and WBS that could not readily be
5 verified.

6
7 Q. DOES MERC BELIEVE THAT IT HAS ELIMINATED EXPENSES
8 APPROPRIATELY?

9 A. Yes. MERC attempted to be overly inclusive in its elimination of expenses while
10 recognizing that this is a manual process. Because of its liberal exclusion process,
11 MERC believes it eliminated expenses for which it could have sought rate recovery.

12
13 **VI. WEC MERGER**

14 Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

15 A. In this section, I address certain Commission Order Points pertaining to WEC'S
16 acquisition of MERC's prior parent, Integrys. While some of the Order Points pertain
17 generally to MERC's practices, several are specific to future rate cases. In particular, I
18 address Order Points 2-1 through 2-8, 3-1 through 3-8, 5, 11, 12, 13, and 17, which relate
19 to ratemaking requirements associated with transition expenses and savings. As
20 described by Company witness Ms. Wolter, other witnesses address other specific merger
21 conditions.

1 Q. ARE THERE ANY ACQUISITION-RELATED COSTS IN MERC'S TEST YEAR
2 EXPENSES?

3 A. No. As previously noted, the 2018 Non-Fuel O&M expense was forecasted by inflating
4 2016 actuals. In 2016, any transaction costs associated with the merger of Wisconsin
5 Energy Corporation and Integrys Energy Group were booked to the holding company and
6 not allocated to any of the utilities. Therefore, no transaction costs are in MERC's
7 accounting system, nor are any transaction costs included in the historical test year
8 expenses or the proposed test year expenses.

9
10 Additionally, the acquisition premium would have been accounted for at the WEC
11 holding company level and were not recorded in or allocated to MERC's accounting
12 system. Transition costs and savings would have been included in MERC's 2016 data,
13 and MERC's 2018 proposed test year does include transition costs for rate recovery. It
14 should be noted, as discussed below, that the transition savings outweigh the costs,
15 creating a net savings to MERC's customers. As a result, MERC is in compliance with
16 the conditions designated in Order Points 2-1, 2-6, 3-1, 3-2, 3-3, and 6. MERC also has
17 not deferred any transition costs, in compliance with Order Point 11.

18
19 Further, there has been no push-down accounting related to the reorganization,
20 acquisition premium, or transaction costs to MERC. As a result, MERC is in compliance
21 with the conditions found in Order Points 3-4, 3-5 and 3-6.

22

1 Q. DOES THE 2018 FORECAST INCLUDE ANY PROJECTIONS FOR TRANSITION
2 COSTS OR SAVINGS RELATED TO THE ACQUISITION?

3 A. Yes. As described earlier in my testimony, MERC forecasted the 2018 O&M by using
4 2016 actual data plus inflation plus K&M adjustments. In 2016, MERC incurred
5 transition-related expenses of \$277,057 but these expenses were offset with \$1,673,807
6 of savings, creating a net savings of \$1,396,750 that is being carried forward into the
7 2018 test year. Therefore, Order Points 3-7, 3-8, 5, and 13, from Docket No. G011/PA-
8 14-664, were met as transition savings are greater than the costs, and the net savings are
9 being flowed through to the ratepayers in the form of a lower revenue deficiency. These
10 savings are largely driven by transition activities that occurred within our Corporate
11 Center and can be seen in Exhibit ____ (SSD-33).

12
13 Further, the savings previously addressed were functions of changes that occurred at the
14 services company. Per Order Points 2-2, 2-3, 2-4, 2-5, 2-7, and 2-8, MERC itself has not
15 materially changed its staffing, labor contracts, community and charitable involvement,
16 or customer service. In addition to the 2016 net savings inflated to 2018 levels, the ERP
17 O&M savings previously discussed as well as the Benefit Savings related to the
18 consolidation of benefit plans can also be attributed to transition costs and savings.

19
20 Q. ARE THERE OTHER SPECIFIC ACQUISITION-RELATED CONDITIONS THAT
21 YOU ADDRESS IN THIS RATE CASE?

22 A. Yes. I provide a summary of those conditions that are addressed in this rate case:

1 [Order Point 12] For severance and/or early termination costs, the
2 Petitioners shall provide detailed information in any rate
3 proceeding on each instance of severance and/or early termination,
4 including the position, the reasoning, the costs and savings, etc., in
5 sufficient detail for the Commission to make a determination on
6 whether the cost is an unrecoverable transaction cost or a transition
7 cost.

8 No severance or early termination costs have been included in MERC's 2018 proposed
9 test year.

10 [Order Point 17] Within the next five years, MERC shall
11 demonstrate that no part of any requested rate increase is a result of
12 the merger.

13 The forecast and budgets provided in this case, along with the supporting testimony,
14 demonstrate that no part of the requested rate increase is a result of the acquisition.

15
16 **VII. NEW CUSTOMER CLASSES**

17 Q. IS MERC PROPOSING NEW CUSTOMER CLASSES TO BE CREATED IN THIS
18 CURRENT DOCKET?

19 A. Yes, as discussed in the Direct Testimony of Company witness Ms. Amber Lee, MERC
20 is requesting, among other things, to create new customer classes. In her Direct
21 Testimony, Ms. Amber Lee discusses why these new customer classes are being
22 proposed, while I discuss the process used to develop the new customer classes as well as
23 map the sales forecast sponsored by Mr. Matthew Czervionke for this rate case into the
24 proposed customer classes.

25

1 Q. CAN YOU GIVE A BRIEF OVERVIEW OF MERC'S PROPOSED NEW CUSTOMER
2 CLASSES?

3 A. Yes, historically MERC has had two firm Commercial and Industrial ("C&I") classes,
4 General Service Small C&I and General Service Large C&I, and three interruptible
5 classes, Small Volume Interruptible, Large Volume Interruptible, and Super Large
6 Volume Interruptible. The three interruptible classes do have the option of nominating a
7 portion of their service as firm service. In our proposal, MERC is looking to replace
8 these five classes with C&I classes 1 – 5. MERC's C&I classes 1 – 5 will have the
9 option of firm, interruptible, and firm/interruptible. All five classes will also be available
10 for Transportation service.

11
12 Additionally, and as further described by Ms. Amber Lee, MERC is proposing to create
13 Agricultural Grain Dryer and Electric Generation tariffs.

14

15 Q. HOW DID MERC DEVELOP C&I CLASSES 1 - 5?

16 A. In order to develop new classes, I used a multi-step process to create usage bands for
17 each of the C&I classes 1 – 5. Those steps are as follows:

- 18 1. Obtained original revenue month data from February 2016 – January 2017.
- 19 2. Excluded from the analysis any FLEX or Transportation for Resale customers.
- 20 3. Performed a count function on the dataset from step 1 to identify which customers
21 had 12 months of bills during that time period.
- 22 4. Using only customers with 12 months of bills, I created a calculation of margin
23 revenues using the customer charge and distribution rates approved in Docket No.
24 G011/GR-15-736.
- 25 5. The customers were then sorted by annual usage.
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1
2 6. Then, using the rate mapping of GS Small C&I = C&I Class 1; GS Large C&I =
3 C&I Class 2; Small Volume Interruptible = C&I Class 3; Small Volume
4 Interruptible = C&I Class 4; and Super Large Volume Interruptible = C&I Class
5 5, new revenues were calculated.

6
7 7. The final step was to create usage bands for the C&I Classes 1 – 5 that resulted in
8 total revenues as close as possible to those revenues calculated in step 3.

9
10 Q. CAN YOU PLEASE EXPLAIN WHY MERC CHOSE TO USE THE ORIGINAL
11 REVENUE MONTH DATA FROM FEBRUARY 2016 – JANUARY 2017 IN THIS
12 ANALYSIS?

13 A. Yes, original revenue month data, as described in the Direct Testimony of Company
14 witness Mr. Czervionke, is the monthly sales data from bill corrections redistributed to
15 the appropriate sales month. Using data from February 2016 – January 2017 allowed
16 MERC to avoid using data from multiple billing systems, as MERC’s Open C platform
17 went into service during January of 2016.

18
19 Q. WHY WERE FLEX AND TRANSPORTATION FOR RESALE CUSTOMERS
20 EXCLUDED FROM THIS ANALYSIS?

21 A. The FLEX and Transportation for Resale customers were excluded because they are
22 single customers on specific rates. Whether due to bypass risk or special tariff
23 circumstances, these customers are unique and do not necessarily adhere to the same
24 tariff rules as the other customers.

25
26 Q. WHY WAS THIS ANALYSIS COMPLETED FOR CUSTOMERS THAT ONLY HAD
27 BILLS FOR EACH OF THE 12 MONTHS IN THE SELECTED PERIOD?

1 A. MERC wanted to avoid using customers that were not on the system for the entire 12
2 months, as their therm usage during this time period could justify classifying that
3 customer in a smaller usage C&I class due solely to not having a full year of data. For
4 example, MERC had a customer in 2016 that had bills from September – December that
5 totaled usage of roughly 68,000 therms. Based on this information alone, this customer
6 would have been assigned to C&I Class 2, when in actuality it is more than likely that
7 this customer would have used more than 100,000 therms in 2016 if it had a full 12
8 months of usage, and therefore should be assigned to a higher usage customer class.

9
10 Q. WHY WAS THE PARTICULAR RATE MAPPING AS DESCRIBED ABOVE IN
11 STEP 6 USED?

12 A. MERC could only use rates it had available, and generally MERC's approach to this
13 process is to affect as few customers as possible. So, for example, MERC's usage band
14 for C&I Class 1 of 0 – 1,500 therms annually is the same as MERC's current usage band
15 width of General Service Small C&I. Therefore, it makes sense to use the rate mapping
16 of General Service Small C&I = C&I Class 1. Additionally, all of MERC's current Super
17 Large Volume customers will be mapped to C&I Class 5, so it makes sense to use the rate
18 mapping of Super Large Volume = C&I Class 5. Finally, as discussed later, a large
19 portion of the General Service Large C&I customers will be mapped to C&I Class 2, and
20 thus the mapping of General Service Large C&I rates to C&I Class 2 seems appropriate.

21

1 Q. FINALLY, WHY DID MERC SEEK TO HOLD THE REVENUE CALCULATIONS
 2 OF THE TWO TARIFF SCENARIOS, AS DESCRIBED IN STEP 7, AS CLOSE TO
 3 EQUAL AS POSSIBLE?

4 A. As indicated previously, MERC wanted to impact customers as little as possible with this
 5 change in tariffs. If these same steps were taken and these tariff changes were done
 6 outside the context of a rate case, MERC wanted the overall revenue impact to be as
 7 close to \$0 as possible. Under the proposal MERC had laid out, the customers in the
 8 selected dataset would have seen an increase in overall revenue of \$26,404 or 0.1% of the
 9 total current revenues. This overall revenue impact seems to meet MERC’s goal of
 10 minimal customer impact.

11
 12 Q. WHAT ARE THE USAGE BANDS FOR MERC’S PROPSOSAL?

13 A. The usage bands for MERC’s proposal are as follows:
 14

Class	Therm Usage Band Width
C&I Class 1	0 – 1,500
C&I Class 2	1,501 – 100,000
C&I Class 3	100,001 – 1,000,000
C&I Class 4	1,000,001 – 2,000,000
C&I Class 5	2,000,001 and more

15
 16 Q. AFTER THE DETERMINATION OF THE C&I CUSTOMER CLASSES, WERE
 17 THERE ANY OTHER STEPS TO IMPLEMENT THESE CLASSES?

18 A. Yes. After MERC had settled on the C&I Classes 1 – 5 and their usage bands, the next
 19 step was to allocate MERC’s 2018 customer forecast from the historical tariffs into the
 20 new customer classes. In a meeting with Commission Staff in which MERC introduced

1 this idea of new tariffs, it was suggested to MERC to perform this allocation based on
2 two years of sales data. Therefore, MERC used historical sales data from January 2015 –
3 December 2016 for customers with a full 24 months of billing data, and created
4 percentages on both the customer counts and the therm usage of the current customer
5 classes to be moved to the new C&I classes. These percentages were then applied to the
6 customer count and sales forecast as provided by Mr. Czervionke to create the customer
7 counts and sales forecast data by class in the 2018 test year. One final step was to
8 allocate customer counts and the sales forecast of the Agricultural Grain Dryers and
9 Electric Generation Units to their respective classes based on their usage from February
10 2016 – January 2017. The total counts and sales can be seen in Exhibit ____ (ASL-1).

11
12 Q. CAN YOU PROVIDE A QUICK SUMMARY OF THE RESULTS THAT ARE
13 SHOWN IN EXHIBIT ____ (ASL-1)?

14 A. While Exhibit ____ (ASL-1) shows how the current rate classes are mapped to MERC's
15 proposal, I would like to reiterate that it was MERC's intention to affect as few customers
16 as possible in this process. The process identified here had no impact on Residential
17 Customers and all General Services Small C&I customers will be transitioned to C&I
18 Class 1. Furthermore, of the more than 13,000 forecasted General Service Large C&I
19 customers, 12,800 of those customers will be transitioned to C&I Class 2. At the end of
20 this process, of the 233,110 customers in MERC's 2018 test year, more than 232,200 will
21 be grouped in classes with the same customers with which they are already associated.

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VIII. DECOUPLING

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Q. WHAT ARE YOU ADDRESSING WITH RESPECT TO DECOUPLING?

A. My testimony addresses compliance with the Commission’s Findings of Fact, Conclusions, and Order in Docket No. G011/GR-15-736, Order Point 15, which required that MERC, in its next rate case, demonstrate why extending its decoupling program to other rate classes with more than 50 members would not be reasonable. I also address how MERC’s approved sales forecast is currently utilized in the Revenue Decoupling Mechanism (“RDM”) calculation. Company witness Ms. Amber Lee addresses other issues and recommendations with respect to MERC’s decoupling program.

Q. WHAT DID THE COMMISSION REQUIRE IN THIS RATE CASE WITH RESPECT TO DECOUPLING?

A. The Commission, in its Findings of Fact, Conclusions, and Order in Docket No. G011/GR-15-736, concluded that while it had sufficient information to support maintaining MERC’s pilot decoupling program in that case, MERC should “[i]n its next rate case, ... demonstrate why extending its decoupling program to other rate classes with more than 50 members would not be reasonable.” Additionally, the Commission directed MERC to include in its decoupling evaluation report or in its initial filing of its next rate case an analysis demonstrating the reasonableness of maintaining MERC’s decoupling program given the evidence that the level of savings generated by the Residential customer class has declined while the program has been in effect.

1 I address the first requirement. The second requirement was addressed in MERC's 2016
2 annual Decoupling Evaluation Report submitted on May 1, 2017, in Docket Nos. G011/GR-
3 10-977 and G011/GR-15-736 and is discussed in the Direct Testimony of Amber Lee.

4
5 Q. WHICH OF MERC'S CUSTOMER CLASSES ARE CURRENTLY INCLUDED IN
6 MERC'S DECOUPLING PILOT?

7 A. Currently, MERC's Residential and Small C&I customer classes are subject to MERC's
8 approved RDM pilot. If MERC's new customer classes are approved, customers on
9 MERC's Residential General Service customer class would be mapped to the Residential
10 and Residential Farm Tap classes and MERC's current Small C&I customer class would
11 be mapped to the C&I Firm Class 1, C&I Farm Tap Class 1, and Agricultural Grain
12 Dryer Class 1 classes. Because of the new Agricultural Grain Dryer Class 1 class would
13 consist of a very small number of customers, falling below the 50 customer threshold,
14 MERC would propose not to apply the RDM to this new customer class.

15
16 Due to the fact that Residential and Residential Farm Tap currently are grouped together
17 and MERC is proposing similar rates for Residential and Residential Farm Tap, and those
18 same statements hold true for C&I Firm Class 1 and C&I Farm Tap Class 1, MERC
19 proposes to group the Residential and Residential Farm Tap customers together, and
20 group the C&I Firm Class 1 and C&I Farm Tap Class 1 together for purposes of the
21 decoupling calculation. This would be consistent with how these customers have been
22 treated historically and is reasonable in light of the fact that MERC is not proposing
23 different rates for farm tap customer classes in this proceeding.

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Q. WHAT OTHER RATE CLASSES HAVE MORE THAN 50 MEMBERS?

A. Within MERC’s proposed new rate classes, the following customer classes consist of more than 50 customers:

- C&I Firm Class 2
- C&I Farm Tap Class 2
- C&I Interruptible Class 2
- C&I Interruptible Class 3

Q. WHAT DO YOU CONCLUDE REGARDING WHETHER EXTENDING MERC’S DECOUPLING PILOT TO OTHER RATE CLASSES WITH MORE THAN 50 MEMBERS WOULD BE REASONABLE?

A. I conclude that extending MERC’s RDM to other customer classes with more than 50 members would not be reasonable, appropriate, or consistent with the statutory definition and objectives of decoupling. Additionally, extension of decoupling to additional classes with more than 50 customers would have unintended consequences, which I address in greater detail below. While MERC is in agreement that smaller classes, including classes with 50 or fewer customers, should not be decoupled because such smaller classes could have problems and experience significant unintended consequences under decoupling, MERC does not believe that having 50 or more customers resolves the potential unintended consequences with respect to MERC’s larger customer classes.

In MERC’s most recent Decoupling Evaluation, the Department concluded that with respect to extending MERC’s RDM to additional customer classes, RDMs should apply

1 to all customer classes unless there is a specific reason why the RDM will not work for a
2 particular customer class.⁷ MERC has concluded there are numerous specific reasons for
3 each of its customer classes not currently subject to decoupling not to be decoupled. The
4 Company has also submitted significant analysis and numerical examples demonstrating
5 the unintended consequences that would or could occur if decoupling were extended to
6 these large customer classes. Additionally, the fact that other natural gas utilities have
7 applied some form of decoupling to larger customer classes is not justification for MERC
8 to also extend its decoupling program to additional classes. MERC's decoupling
9 program remains a pilot and continued evaluation of various program designs and
10 application of those programs to different customer classes is reasonable and appropriate.
11 Additionally, MERC's decoupling program design and rate offerings are unique from
12 CenterPoint Energy Resources Corporation ("CenterPoint") and Great Plains Natural Gas
13 Company ("Great Plains").

14
15 Q. WHAT DO YOU CONCLUDE REGARDING THE EXTENSION OF DECOUPLING
16 TO RATE CLASSES WITH FEWER THAN 50 CUSTOMERS?

17 A. Consistent with the conclusions of recommendations made by the Department in
18 MERC's last rate case proceeding, Docket No. G011/GR-15-736, MERC agrees that
19 extension of decoupling to customer classes with fewer than 50 customers would not be
20 reasonable or appropriate. Consistent with the Commission's Findings of Fact,
21 Conclusions, and Order in that case, MERC has further analyzed whether extending
22 decoupling to customer classes with greater than 50 customers would be reasonable. The

⁷ *In the Matter of the Application of Minn. Energy Res. Corp. for Auth. to Increase Rates for Nat. Gas Serv. in Minn.*, Docket No. G011/GR-15-736, COMMENTS OF THE MINNESOTA DEPARTMENT OF COMMERCE, DIVISION OF ENERGY RESOURCES at 8-9 (July 3, 2017).

1 justification and rationale for not extending decoupling to customer classes with greater
2 than 50 customers also is applicable to customer classes with fewer than 50 customers.

3
4 Q. QUALITATIVELY, WHY DO YOU CONCLUDE THAT EXTENSION OF
5 DECOUPLING TO ADDITIONAL LARGER CUSTOMERS CLASSES WOULD NOT
6 BE REASONABLE?

7 A. Extension of decoupling to these classes would result in unintended consequences and is
8 therefore not appropriate. MERC's larger C&I customers are more heterogeneous with
9 respect to usage, are more likely to be affected by economic conditions, and, with respect
10 to a number of classes, subject to interruption. Additionally, application of decoupling to
11 MERC's larger customer classes would be inconsistent with the statutory definition and
12 objectives for decoupling. In particular, Minn. Stat. § 216B.2412 provides that "[t]he
13 purpose of decoupling is to *reduce a utility's disincentive to promote energy efficiency.*"

14
15 When the Commission originally approved MERC's revenue decoupling pilot in its
16 Findings of Fact, Conclusions of Law, and Order in Docket No. G007,011/GR-10-977, it
17 concluded:

18 The Commission agrees that the rates for MERC's large customer
19 classes do not include the same throughput incentive as rates for
20 the smaller customer classes. Further, as recognized by the ALJ,
21 there could be adverse impacts on customers if the RDM were
22 applied to all customer classes as proposed by the OAG. MERC's
23 large customer groups have dissimilar usage patterns, and are
24 sensitive to economic conditions and service interruption. As noted
25 by the ALJ, unlike the customer classes included in MERC's
26 proposal, if one large customer's usage were to decline based upon
27 economic or customer-specific conditions, or one or more
28 customer's usage is interrupted, the remaining customers could be

1 assessed a surcharge, which could be substantial if the class
2 included only a small number of customers.

3

4 Q. WHY DOES HETEROGENEOUS USAGE WITHIN LARGER CUSTOMER
5 CLASSES SUPPORT NOT EXTENDING DECOUPLING TO THOSE CLASSES?

6 A. Wider usage bands within MERC's larger customer classes means that the actual impact
7 of the RDM to any individual customer could vary significantly across the class, resulting
8 in inaccurate price signals for customers. This is because the RDM surcharge or refund
9 rate is calculated as a per-therm charge applied to the entire decoupled class.

10

11 Q. HOW DOES THE FACT THAT LARGE CUSTOMER CLASSES ARE MORE
12 LIKELY TO BE IMPACTED BY ECONOMIC FACTORS SUPPORT NOT
13 EXTENDING DECOUPLING TO THOSE CLASSES?

14 A. Unlike MERC's Small C&I customer class, which is largely weather variable, MERC's
15 larger customer classes are often not significantly influenced by weather patterns, as their
16 natural gas usage is prominently other than heating. Rather, MERC's larger customers'
17 usage most frequently shifts as a result of economic conditions.

18

19 Q. WHY SHOULD CUSTOMERS SUBJECT TO INTERRUPTION NOT BE
20 DECOUPLED?

21 A. Application of MERC's decoupling to interruptible customer classes could lead to
22 significant unintended consequences. In particular, if interruptible customers were called
23 upon to curtail their natural gas usage, resulting in an overall reduction of actual sales

1 relative to the approved baseline sales, those customers would effectively be charged for
2 a portion of sales that were curtailed.

3

4 Q. DO OTHER UTILITIES WITH DECOUPLING PROGRAMS EXCLUDE CUSTOMER
5 CLASSES FROM THEIR DECOUPLING PROGRAMS?

6 A. Yes. In Great Plains' last rate case, the Commission approved an RDM for all customers
7 except for (1) flexible rate customers and (2) one Large Interruptible Transportation
8 customer that has received approval to be exempt from the state's CIP.⁸ And in
9 CenterPoint's 2013 rate case, the Commission approved an RDM for all of CenterPoint's
10 customers except for those receiving service under CenterPoint's Large Volume Market
11 Rate Service Rider based on the theory that, should one of these customers leave
12 CenterPoint's system, spreading fixed costs over fewer sales could lead to unreasonable
13 rate increases in the future.⁹

14

15 Q. FROM YOUR EXPLANATION ABOVE, IT APPEARS THAT CENTERPOINT'S
16 AND GREAT PLAINS' DECOUPLING PROGRAMS EXTEND PAST JUST THE
17 RESIDENTIAL AND SMALL C&I CLASSES. DO THE CIRCUMSTANCES
18 SURROUNDING THE IMPLEMENTATION OF THESE UTILITIES' DECOUPLING
19 PROGRAMS DIFFER FROM MERC'S?

⁸ *In the Matter of the Petition by Great Plains Nat. Gas Co., a Div. of MDU Res. Grp. Inc., for Auth. to Increase Nat. Gas Rates in Minn.*, Docket No. G004/GR-15-879, FINDINGS OF FACT, CONCLUSIONS, AND ORDER (Sept. 6, 2016)

⁹ *In the Matter of an Application by CenterPoint Energy Res. Corp. d/b/a CenterPoint Energy Minn. Gas For Auth. to Increase Nat. Gas Rates in Minn.*, Docket No. G008/GR-13-316, FINDINGS OF FACT, CONCLUSIONS, AND ORDER at 46-47 (June 9, 2014).

1 A. Yes. CenterPoint agreed, during the pendency of the rate case, to include additional
2 customer classes outside of its Large Volume Market Rate customers.¹⁰ Similarly, Great
3 Plains agreed, at the recommendation of the Department, to exclude flex rate customers
4 from the RDM.¹¹ Conversely, MERC is not agreeing to decouple any customers outside
5 of the Residential and Small C&I classes for the many reasons discussed above.

6

7 Q. WHAT QUANTITATIVE ANALYSIS DID MERC CONDUCT TO EVALUATE
8 WHETHER EXTENDING DECOUPLING TO ADDITIONAL CUSTOMER CLASSES
9 WOULD BE REASONABLE OR APPROPRIATE?

10 A. Consistent with the Department's recommendations in MERC's last case, Docket No.
11 G011/GR-15-736, MERC (1) used historical customer class sales to show the range of
12 potential impacts of extending revenue decoupling to all customer classes, and
13 (2) analyzed the size of any throughput incentive for each customer class.

14

15 Q. WHAT WERE THE RESULTS OF MERC'S ANALYSIS OF CUSTOMER CLASS
16 SALES AND THE RANGE OF POTENTIAL IMPACTS OF EXTENDING REVENUE
17 DECOUPLING TO ALL CUSTOMER CLASSES?

18 A. MERC conducted an analysis of the financial consequences for ratepayers and MERC of
19 extending decoupling to each customer class, which analysis was included in Attachment
20 C to MERC's 2016 Annual Decoupling Evaluation Report submitted in Docket Nos.

¹⁰ *In the Matter of an Application by CenterPoint Energy Res. Corp. d/b/a CenterPoint Energy Minn. Gas For Auth. to Increase Nat. Gas Rates in Minn.*, Docket No. G008/GR-13-316, SURREBUTTAL TESTIMONY OF PAUL D. GASTINEAU at 2 (Jan.10, 2014).

¹¹ *In the Matter of the Petition by Great Plains Nat. Gas Co., a Div. of MDU Res. Grp., Inc. for Auth. to Increase Nat. Gas Rates in Minn.*, Docket No. G004/GR-15-879, REBUTTAL TESTIMONY OF TAMIE A. ABERLE at 26 (Mar. 21, 2016).

1 G011/GR-10-977 and G011/GR-15-736, and is included as Exhibit ____ (SSD-37).

2 MERC provided a discussion of this analysis in its Decoupling Evaluation Report:

3 In Column P of each of the actual results tabs within Attachment C
4 is a surcharge rate based on an estimation of each class' revenues
5 under full decoupling (both with and without a 10 percent cap),
6 and under a Weather Normalized Decoupling (both with and
7 without a 10 percent cap). This surcharge is then applied to the
8 average customer usage in that class (Column R), as well as a
9 hypothetical low end usage customer (50 percent of actual average
10 usage) (Column Q) and high end usage customer(150 percent of
11 actual average usage) (Column S). For purposes of this analysis,
12 MERC grouped the customers into the following categories:
13 Residential, GS Small C&I, GS Large C&I, Small Volume
14 Interruptible & Joint Sales, Large Volume Interruptible & Joint
15 Sales, Small Volume Interruptible & Joint Transport, Large
16 Volume Interruptible & Joint Transport (inclusive of Flex
17 customers), and Super Large Volume Interruptible & Joint
18 Transport.

19 Using 2016 as an example, an average GS Small C&I customer
20 under MERC's current program with the 10 percent cap would
21 experience a surcharge rate of \$0.01930 (cell P45), and with
22 average 2016 usage of 791 therms would expect an annual
23 surcharge of \$15.26. A customer that is on the high end for this
24 example would experience an annual surcharge of \$22.90, based
25 on 1,186 annual therms usage.

26 Using the data in Attachment C illustrates one of the concerns
27 MERC has identified with expanding decoupling to the larger
28 customer classes because usage bands are much larger in those
29 customer classes. For example, using the data for GS Large C&I,
30 and assuming a non-weather normalized decoupling mechanism
31 with a 10 percent cap, we generate a per therm surcharge of
32 \$0.01412 (cell P72), which equates to annual surcharge costs of
33 \$89.29 for the average customer that uses 6,324 therms annually.
34 That by itself does not raise any concerns, but the issue with
35 applying the \$0.01412 rate to customers in this class is that the
36 usage band width within this class could range from 1,501 therms
37 annually to infinity. Therefore, as an example in the time period
38 February 2016 to January 2017, MERC had a single customer on
39 the GS Large C&I rate use 512,532 therms. If decoupling were
40 extended to the Large C&I class, this customer could essentially
41 experience a decoupling surcharge cost of \$7,236.95 (512,532 *
42 \$0.01412), or 81 times greater than the average customer in this

1 rate class. For comparison, the largest customer on MERC's GS
2 Small C&I rate is capped at an annual 1,500 therms meaning that
3 even the largest GS Small C&I customer would only be charged
4 \$28.95 (1,500 * \$0.01930), or less than two times the customer
5 group average.

6 Another concern that MERC has with expanding decoupling to
7 additional customer classes is the impact on customer groups with
8 a fewer number of customers if a customer were to leave MERC's
9 system. For example, in MERC's Small Volume Transportation
10 grouping, MERC had an average of 93 customers in 2016. If one
11 of those customers were to leave MERC's system, then those other
12 92 customers would essentially be asked to cover an additional
13 1.08 percent of the decoupling surcharge. Conversely in the GS
14 Small C&I customer class it would take 95 customers leaving the
15 system to generate the same 1.08 percent cost shift.

16
17 Additionally, Exhibit ___ (SSD-35) identifies the base distribution rate, decoupling rate,
18 CCRC, Customer Charge, and Actual Average Use per customer by customer class for
19 the years 2013-2016. Using these inputs, this exhibit calculates the total revenue and
20 decoupling revenue for each customer class during this time frame.

21
22 Q. WHAT DOES EXHIBIT ___ (SSD-35) SHOW?

23 A. In accordance with the Commission's oral decision on October 5, 2017, in Dockets No.
24 G007,011/GR-10-977 and G011/GR-15-736, Exhibit ___ (SSD-35) summarizes the
25 overall impact of MERC's annual decoupling on the average use customer for the years
26 2013 - 2016 assuming decoupling is applied to all customer classes.¹² While
27 Exhibit ___ (SSD-35) does show that for an average use customer, decoupling would not

¹² In particular, during the October 5, 2017, Commission meeting, the Commission voted to "Order MERC to include in its 2017 RDM Report an analysis of how extending the RDM to other customer classes would have impacted overall rates for the period 2013-2017." That requirement was approved at the request of the Department and upon agreement of MERC in order to provide the Department additional information to assist in its evaluation of whether MERC's decoupling program should be extended to additional customer classes. MERC has also provided similar information in its annual decoupling evaluation reports, Attachment C.

1 have a significant impact on a percentage basis of total revenues, whether the customer in
2 question is a Residential customer or a Super Large customer, this analysis does not
3 capture the potential significant impacts that could occur to customers who use
4 significantly greater or significantly less than the average per customer. MERC
5 continues to stress that as customer groups extend into the larger customer class by size,
6 the variance from average significantly increases, as discussed in the earlier example of
7 the General Service Large C&I customer.

8
9 Q. DOESN'T A TEN PERCENT CAP ON SURCHARGES AND REFUNDS PROTECT
10 CUSTOMERS FROM THE UNINTENDED CONSEQUENCES MERC RAISES?

11 A. No. The ten percent cap on MERC's revenue decoupling limits the total potential annual
12 refunds or surcharges for each decoupled class to ten percent of the authorized
13 distribution revenue, less CCRC charges for that class. While the ten percent cap
14 functions in the Residential and Small C&I classes to protect customers and the Company
15 from significant impacts as a result of decoupling, that is because the difference in usage
16 between the highest volume users and lowest volume users is relatively small. In
17 contrast, the differential in usage within MERC's larger customer classes can be
18 significant and will remain so, even under MERC's proposed new customer classes. For
19 example, usage for C&I Class 3 extends from 20,001 therms/year to 100,000 therms/year.
20 As a result, a customer with higher-than-average annual usage could experience a
21 disproportionate impact under decoupling, regardless of whether its usage actually
22 changes.

23

1 Q. WHAT WERE THE RESULTS OF MERC'S ANALYSIS OF THE EXISTENCE AND
2 SIZE OF ANY THROUGHPUT INCENTIVE FOR EACH CUSTOMER CLASS?

3 A. MERC conducted an analysis of the throughput incentive for each customer class by
4 comparing MERC's proposed rate design to the CCOSS for distribution rates. The
5 results of this analysis are shown in Exhibit ____ (SSD-34). This exhibit illustrates the
6 amount of additional revenue MERC would recognize for every 100 therms of additional
7 sales to a class. This analysis shows that the classes MERC is proposing decoupling to
8 be applicable to have throughput incentives of greater than \$16 per 100 therms. In other
9 words, MERC realizes additional revenue of greater than \$16 for every 100 therms of
10 additional sales with respect to the Residential and Small C&I classes. Conversely, the
11 customer classes which MERC is not requesting decoupling be applicable to all have
12 throughput incentives of less than \$10 with the exception of Farm Tap Class 2 which has
13 a throughput incentive of \$11.61 at 100 therms.

14

15 In particular, the rates for the C&I Class 5, Electric Generating Class 2, and four out of
16 the six FLEX rate customers tariffs actually show that increased sales decrease MERC's
17 throughput incentive. Because the customers in these classes are seen as bypass threats,
18 MERC specifically designs the rates to ensure recovery of the incremental costs, but not
19 the full cost of service. So while it is evident that MERC has an incentive to sell
20 increased quantities to the General Service - Residential and Small C&I classes, just the
21 opposite is true for C&I Class 5, Electric Generating Class 2, and four out of the six
22 FLEX rate customers. In other words, to a large extent, the rate design for MERC's
23 larger customers is already decoupled.

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This throughput analysis looks at the other side of rate design as compared to the analysis MERC provided in discovery during Docket No. G011/GR-15-736 and referenced in the Direct Testimony of Department witness Mr. Christopher Davis. In Docket No. G011/GR-15-736, MERC provided an analysis of whether proposed customer charges would fully recover fixed costs as determined under the CCOSS. Both the Department and the Minnesota Office of the Attorney General – Residential Utilities and Antitrust Division (“OAG”) questioned whether that analysis would provide a complete picture of the potential throughput incentive for the next term sold. In addressing those criticisms, the analysis provided in Exhibit ___ (SSD-34) evaluates the potential throughput incentive for each customer class based on distribution rates proposed by MERC as compared to those supported by the CCOSS.

Q. WHAT DOES THIS EXHIBIT DEMONSTRATE REGARDING EXTENSION OF MERC’S DECOUPLING TO ADDITIONAL CUSTOMER CLASSES?

A. To summarize the analysis as provided in Exhibit ___ (SSD-34), while MERC recognizes that many of the classes will see a throughput incentive to some extent, MERC’s current application of decoupling specifically addresses the customer classes with the greatest throughput incentive.

1 Q. WHAT OTHER CONCERNS EXIST WITH RESPECT TO EXTENDING
2 DECOUPLING TO ADDITIONAL CUSTOMER CLASSES?

3 A. In addition, MERC is concerned with the bypass potential as well as concerns of
4 competition of the largest customers. Ensuring MERC's rates are competitive is
5 imperatively important to customers that have options to move elsewhere for their
6 natural gas service. MERC has consistently raised the concern of bypass risk from its
7 largest users, and continues to believe that any bypass of its largest customers would
8 only result in a detriment to the smaller customers in the future. Additionally, MERC's
9 FLEX customers are subject to minimum and maximum rates. Decoupling could result
10 in these customers breaching those levels, specifically the minimum rates in times of a
11 customer credit.

12
13 Q. PLEASE SUMMARIZE MERC'S POSITION WITH RESPECT TO INCLUSION OF
14 ADDITIONAL CUSTOMER CLASSES IN ITS DECOUPLING PROGRAM.

15 A. At this time, MERC proposes not to extend its decoupling program to additional
16 customer classes. MERC's decoupling program is currently a pilot program and MERC
17 has submitted substantial financial information and analysis for the past three program
18 evaluation years (2014, 2015, and 2016) regarding the impacts of extending decoupling
19 to additional customer classes and has agreed that it will continue to provide that
20 information and analysis in future annual evaluation report filings. Given the concerns
21 and potential for unintended consequences related to extending decoupling to MERC's
22 larger customer classes, as discussed above, MERC concludes it is most reasonable at
23 this time to not extend the Company's decoupling to additional customer classes but to

1 continue to evaluate both the data provided in annual evaluation reports regarding
2 decoupling of those classes and how CenterPoint's and Great Plains' decoupling of larger
3 classes function over time. While MERC's customers and service offerings differ from
4 those of Great Plains and CenterPoint, evaluation of different types and scopes of
5 decoupling pilot programs will assist the Commission in a more complete evaluation of
6 these programs and will help to ensure that unintended impacts of decoupling are
7 avoided. Particularly in light of potential bypass risks posted by MERC's larger
8 customers, and the impact that such customer bypass would have on the cost of service
9 for the remainder of MERC's customers, MERC recommends that the Commission
10 exercise caution and recognize the validity and importance of the concerns the Company
11 has raised with respect to extension of its decoupling program.

12
13 Further, extension of decoupling to MERC's remaining classes is largely unnecessary as
14 MERC's disincentive to encourage energy conservation with respect to those classes is
15 limited or non-existent, considering the throughput incentive analysis discussed above.
16 Thus, extension to those customer classes at this time would ultimately expose ratepayers
17 to needless risk without a demonstrable benefit in terms of potentially increasing
18 conservation—both in terms of the risk to the larger customer classes of potentially large
19 rate impacts and the risk to remaining customers of having to cover additional costs in the
20 event one or more large customers bypass MERC's system.

21

1 Q. WHAT ISSUE DO YOU ADDRESS WITH RESPECT TO HOW MERC'S
 2 APPROVED SALES FORECAST IS CURRENTLY UTILIZED IN THE RDM
 3 CALCULATION?

4 A. In the October 5, 2017, Briefing Papers for MERC's 2016 Decoupling Evaluation in
 5 Docket Nos. G011/GR-10-977 and G011/GR-15-736, Commission Staff noted the
 6 variances from actual therm sales as compared to therm sales approved by the
 7 Commission in MERC's prior rate cases and utilized for purposes of calculating the
 8 RDM. I address the justification for these variances and the extent to which they impact
 9 MERC's RDM adjustments.

10

11 Q. CAN YOU PROVIDE ANY INSIGHT AS TO THE DRIVERS OF THESE
 12 VARIANCES?

13 A. Yes. When preparing a sales forecast, MERC, as well as other utilities, assume some
 14 level of normal weather. With that being said, the main driver of the actual vs. forecasted
 15 variances is weather-related as actual weather will never be identical to the normal
 16 weather forecasted. In the table below, a comparison of residential sales variances as to
 17 heating degree days shows that as the weather is warmer than normal, sales decrease and
 18 as the weather is colder than normal, sales increase.

19

	Authorized vs. Actual Sales Difference in %	Heating Degree Day Actual vs. Normal %
2016	-9.74%	-11%
2015	-8.80	-7%
2013	7.78	9%

20

1 General Service Small C&I customers are also weather dependent, and impacted
 2 accordingly.

3
 4 However, General Service Small C&I sales are also impacted by class switching with the
 5 General Service Large C&I class. The breakpoint between General Service Small C&I
 6 and Large C&I is 1,500 annual therms. As can be seen in the table below, while the
 7 forecasted vs. actual customer counts show differences due to customer switching, the
 8 average use per customer can be explained by the weather as noted above.

9

	Average Annual Customers Forecasted	Average Annual Customers Actual	Usage per Customer Forecasted	Usage per Customer Actual	% Change in Use Per Customer	Heating Degree Day Actual vs. Normal %
2016	11,678	8,777	1,015	791	-22%	-11%
2013	9,212	10,928	966	1,134	17%	9%

10

11 It should be noted that the decoupling mechanism is calculated on a use-per-customer
 12 basis. Therefore, the forecasted vs. actual number of customers included in the
 13 calculation does not impact the results.

14

15 Q. ARE THE VARIANCES OBSERVED UNUSUAL OR SURPRISING?

16 A. No. As briefly mentioned earlier, weather is a significant driver of actual results in terms
 17 of sales recognized by not only MERC, but any utility. Therefore, as weather differs
 18 from normal, MERC fully anticipates actual sales to follow suit.

19

1 Q. DO THE SIZE OF THE VARIANCES SUGGEST MERC'S FORECAST IS
2 INACCURATE?

3 A. No. Based on the table above comparing Residential sales differences to heating degree
4 day differences, I believe that the forecasted sales are very reasonable.

5
6 Q. HOW DOES MERC'S DECOUPLING PROGRAM OPERATE AND HOW ARE
7 APPROVED SALES USED IN THE RDM CALCULATION?

8 A. MERC's current program is an RDM applicable to Residential and General Service Small
9 C&I classes. The RDM adjustment is calculated annually based on the class revenue
10 requirements after removing the fixed charge portion and CCRC revenues from the final
11 revenue apportioned to the customer class, based on actual customer counts. The
12 proposed RDM calculates the difference between (1) baseline annual distribution
13 revenues per customer for the rate group approved in the most recent rate case
14 proceeding, and (2) actual annual distribution revenues per customer for the rate group.
15 This difference will be multiplied by the average number of customers that were used to
16 establish charges in the most recent general rate case proceeding to determine the dollar
17 amount that will be collected from, or refunded to, customers. The amount will be
18 recovered or refunded on a per-therm basis over a twelve-month period.

19
20 MERC's RDM is a "full decoupling," which means the mechanism will compute an
21 adjustment for all changes in usage per customer above or below the sales level approved
22 in this rate case proceeding. Such usage changes could arise from customer energy

1 efficiency and conservation efforts, increased customer usage, weather variations, or for
2 other various reasons.

3
4 Q. WHAT IMPACT, IF ANY, DO DIFFERENCES BETWEEN MERC'S APPROVED
5 SALES AND ACTUAL SALES HAVE ON MERC'S DECOUPLING MECHANISM?

6 A. MERC's decoupling program is calculated on a use per customer basis. To the extent
7 sales increase or decrease from forecast without a corresponding increase or decrease in
8 customer counts, MERC's customers would see a corresponding credit when sales
9 increase or a surcharge when sales decrease. However, if sales increase or decrease with
10 a corresponding increase or decrease of customer counts such that the use per customer
11 between forecast and actuals is equal, then no decoupling credit or surcharge would be
12 incurred.

13
14 **IV. INTERIM RATES**

15 Q. WHAT AMOUNT OF INTERIM RATE RELIEF IS MERC REQUESTING?

16 A. MERC is requesting interim rate relief of \$9,652,055, or 3.86% of revenues. MERC asks
17 for an interim rate increase of 8.99% on all fixed charges and distribution charges
18 (exclusive of the cost of gas) for all customers except Super Large Volume and FLEX
19 customers. The calculation of the interim revenue deficiency is set forth in
20 Exhibit ___ (SSD-36) to my Direct Testimony.

21
22 Q. DOES THE INTERIM RATE PROPOSAL SATISFY THE COMMISSION'S
23 STATEMENT OF POLICY ON INTERIM RATES?

1 A. Yes. The Statement of Policy on Interim Rates dated April 14, 1982, states that “the
2 interim rate schedule shall be calculated using the proposed test year cost of capital, rate
3 base, and expenses, except it shall include:

- 4 1. A rate of return on common equity for the utility equal to that authorized by
5 the Commission in the utility’s most recent rate proceeding;
- 6
7 2. Rate base or expense items the same in nature and kind as those allowed by a
8 currently effective order of the Commission in the utility’s most recent rate
9 proceeding; and
- 10
11 3. No change in existing rate design.

12
13 Regarding point one, MERC’s currently authorized rate of return on common equity is
14 9.11%, and MERC has used this return on equity to calculate the interim revenue
15 deficiency.

16
17 Regarding point two, MERC only included items that were approved in MERC’s last rate
18 case for rate base and expenses. MERC is not seeking recovery of costs associated with
19 prior commission disallowances, such as:

- 20 1. Advertising expenses associated with goodwill and economic development;
- 21 2. 50% of economic development costs;
- 22 3. 50% of charitable contributions;
- 23 4. LTIP, Restricted Stock, Stock Options;
- 24 5. 85% of Executive Incentive;
- 25 6. 50% of Investor Relation expenses;
- 26 7. Specific Travel and Entertainment expenses;

- 1 8. Executive Deferred Comp ESOP, Supplement Executive Retirement Plan,
 2 except the non-qualified pension plan costs authorized by the Commission in
 3 Docket No. G007,011/M-06-1287; and
 4 9. Current Pension Assets and Liabilities.

5
 6 MERC satisfies point three by proposing a level of rate increase that does not change the
 7 rate design of customers. MERC asks for an interim rate increase of 8.99% on all fixed
 8 charges and distribution charges (exclusive of the cost of gas) for all customers except
 9 FLEX and Super Large Volume customers, which are proposed to be charged a lower
 10 increase as identified in the interim rate petition. In its petition for interim rates, MERC
 11 explains why the Commission should find that exigent circumstances exist that justify the
 12 Company's request to forego the interim revenues that would result from imposing the
 13 higher interim rate increase on this class of customers.

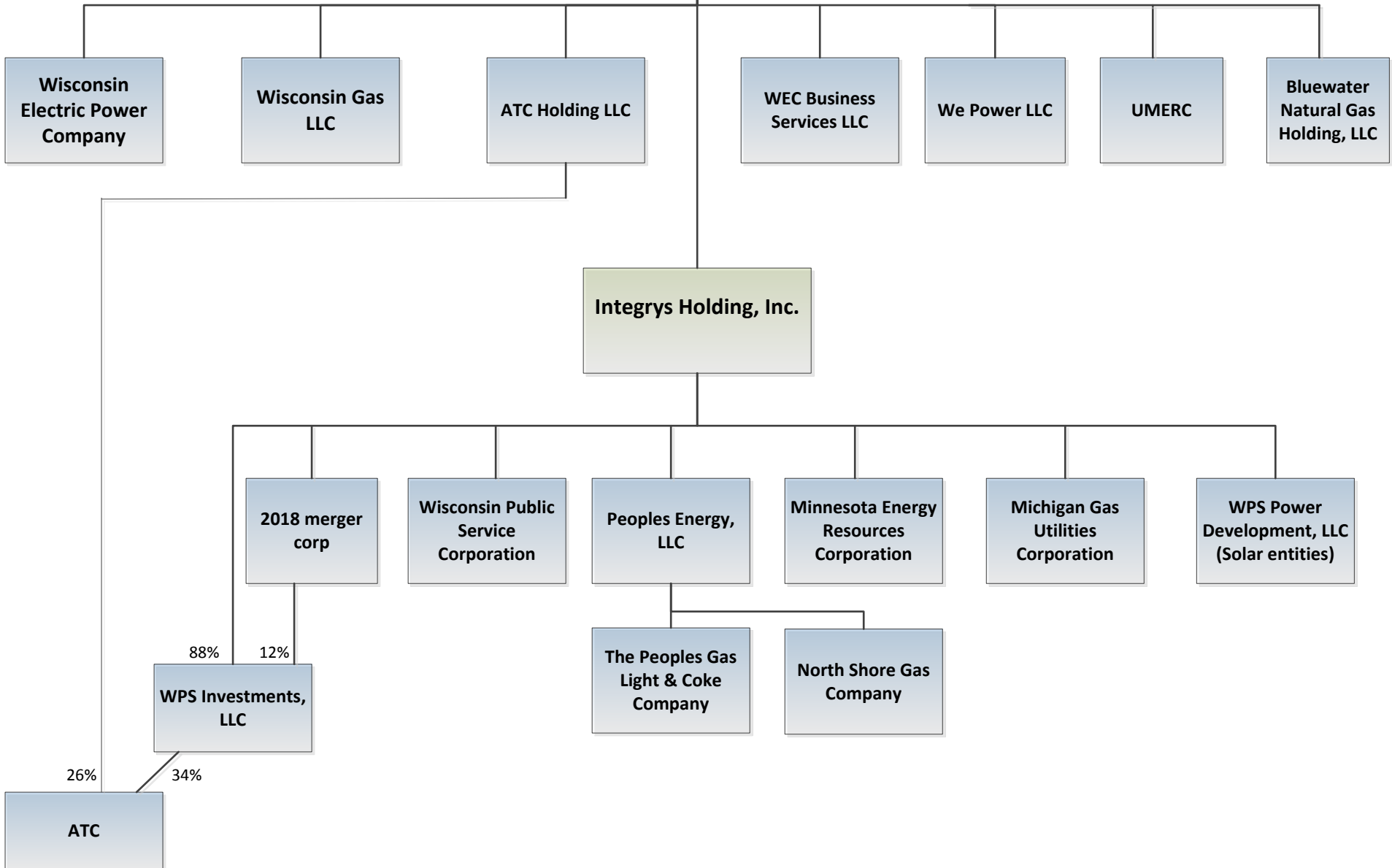
14
 15 Included in Exhibit ____ (SSD-38) is the proposed interim rate design model, which
 16 calculates interim revenues of \$9,465,720 due to the waiver of distribution rate interim
 17 increases of these classes.

18 19 **V. CONCLUSION**

20 Q. **DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

21 A. Yes, it does.

**WEC Energy Group,
Inc.**



*Material entities only (Summary).

2018 Revenue Deficiency Breakdown (Minnesota - Jurisdiction)
(\$000's)

Line No.	Description	Amount
1	2016 Revenue Deficiency	\$ 2,777
2		
3	Margin	545
4		
5	Miscellaneous Revenues	(718)
6		
7	Non-Fuel O&M	
8	ICE Adjustment	\$ (3,328)
9	Benefits	(1,101)
10	Pension Adjustment	(545)
11	Bad Debt Expense	(528)
12	Enterprise Resource Planning	(517)
13	LTIP/Restricted Stock/Stock Options	(284)
14	Mapping Project	(243)
15	Travel and Entertainment Expense	(169)
16	Economic Development	(123)
17	Rosemount Building	(123)
18	Sewer Lateral	(69)
19	Investor Relations	(40)
20	Charitable Contributions	(38)
21	Incentives	(12)
22	Advertising Expense	(5)
23	Memberships	(2)
24	MERC Additional Positions	494
25	MGP Site Clean-Up	755
26	Inflation	2,699
27		
28	Total Non-Fuel O&M Adjustments	\$ (3,178)
29		
30	Depreciation Expense	2,971
31	CIP Amortization	(997)
32	Rate Case Expense (Amortization)	(111)
33	ICE Deferral (Amortization)	(372)
34	Cloquet Amortization	(5)
35	Property Taxes	2,546
36	Payroll Taxes	134
37	Other Interest	(49)
38	Interest Synchronization	(86)
39		
40	Rate Base	
41	Distribution Net Plant	\$ 6,238
42	Transmission Net Plant	(157)
43	Provision for Rate Refunds	147
44	Deferred Taxes (other than plant?)	65
45	Customer Net Plant	478
46	Energy Net Plant	65
47	Gas in Storage	(180)
48	Working Capital	79
49	Other	(153)
50	Total Rate Base Adjustments - Revenue Requirement	\$ 6,581
51		
52	Rate of Return (ROE at 10.3%)	1,677
53	Miscellaneous (Allocators, Tax Rates, etc...)	926
54		
55	2018 Revenue Deficiency	\$ 12,641
56		
57	2018 Minnesota Retail Revenues (with Gas Costs)	\$ 250,329
58	2018 Minnesota Retail Revenues (without Gas Costs)	\$ 107,407
59		
60	Rate Increase Percentage (with Gas Costs)	5.05%
61	Rate Increase Percentage (without Gas Costs)	11.77%

2016 Rate Base	231,685,520	231,685,520	
2018 Rate Base	289,503,027	289,503,027	
Growth	57,817,507	57,817,507	
2016 Cost of Capital	6.68%	6.68%	Tax Impact
Gross Revenue Multiplier	1.704		of Rate Base
Revenue Impact of Rate Base	6,581,205	3862209.468	2,718,995
2016 Energy Net Plant	641,590		
2018 Energy Net Plant	1,213,629		
Growth	572,039		
2016 Cost of Capital	6.68%		
Gross Revenue Multiplier	1.704		
Revenue Impact of Rate Base	65,114		
2016 Transmission Net Plant	5,609,588		
2018 Transmission Net Plant	4,230,463		
Growth	(1,379,125)		
2016 Cost of Capital	6.68%		
Gross Revenue Multiplier	1.704		
Revenue Impact of Rate Base	(156,982)		
2016 Distribution Net Plant	208,642,891		
2018 Distribution Net Plant	263,449,425		
Growth	54,806,534		
2016 Cost of Capital	6.68%		
Gross Revenue Multiplier	1.704		
Revenue Impact of Rate Base	6,238,474		
2016 Customer Net Plant	4,411,542		
2018 Customer Net Plant	8,607,397		
Growth	4,195,855		
2016 Cost of Capital	6.68%		
Gross Revenue Multiplier	1.704		
Revenue Impact of Rate Base	477,602		

2016 Gas in Storage	8,888,777
2018 Gas in Storage	7,304,375
Growth	(1,584,402)

2016 Cost of Capital	6.68%
Gross Revenue Multiplier	1.704

Revenue Impact of Rate Base	(180,348)
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2016 Working Capital	(6,719,226)
2018 Working Capital	(6,024,724)
Growth	694,502

2016 Cost of Capital	6.68%
Gross Revenue Multiplier	1.704

Revenue Impact of Rate Base	79,053
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2016 Deferred Taxes Other	3,427,547
2018 Deferred Taxes Other	3,995,933
Growth	568,386

2016 Cost of Capital	6.68%
Gross Revenue Multiplier	1.704

Revenue Impact of Rate Base	64,698
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2016 Benefits Funding	-
2018 Benefits Funding	-
Growth	-

2016 Cost of Capital	6.68%
Gross Revenue Multiplier	1.704

Revenue Impact of Rate Base	-
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2016 Provision for Refunds	(1,290,644)
2018 Provision for Refunds	-
Growth	1,290,644

2016 Cost of Capital	6.68%
Gross Revenue Multiplier	1.704

Revenue Impact of Rate Base	146,910
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2016 Cost of Capital	6.68%
2018 Cost of Capital	7.02%
Difference	0.34%
Rate Base	289,503,027
ROR effect on Income	984,310
Gross Revenue Multiplier	1.704
Revenue Impact of Rate of Return	1,677,265

	2016	2018	2018 - 2016	CIP Factor	
Base Revenues	229,707,755	250,328,750			
Cost of Gas	(120,759,086)	(142,921,779)			
CIP	(13,230,552)	(12,233,774)			
NET	<u>95,718,117</u>	<u>95,173,197</u>	(544,920)	(996,778)	(1,541,698)

Project Description	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Total
F013000000: GAS MISC JOBS UNDER \$25000	50,000	150,000	150,000	150,000	150,000	150,000	100,000	20,000	20,000	20,000	960,000
F015000041: Turbine Meter Upgrades	-	-	-	260,000	-	-	-	-	-	-	260,000
F015000047: LV Meters - Growth	-	-	50,000	-	-	50,000	-	-	-	-	100,000
F016000000: WMIS GAS MAINS DUE TO ROAD CHA	-	585,000	765,000	900,000	450,000	630,000	315,000	360,000	405,000	90,000	4,500,000
F017000129: Bridge Crossings	-	-	-	-	125,000	125,000	-	-	-	-	250,000
F017000130: Isolation Valves	25,000	25,000	25,000	25,000	-	-	-	-	-	-	100,000
F017000134: System Integrity	8,980	110,600	250,000	250,000	250,000	300,000	375,726	400,000	300,000	-	2,245,306
F017000169: DIMP Main Replacements	50,000	150,000	150,000	200,000	250,000	250,000	250,000	200,000	150,000	150,000	1,800,000
F017000170: Rochester Pipeline Strategy	206,455	133,584	93,086	571,403	1,044,985	1,050,546	613,062	614,701	528,571	281,027	5,137,419
F017000208: System Consolidation	20,000	100,000	650,000	650,000	700,000	675,000	650,000	200,000	100,000	100,000	3,845,000
F018000096: Odorizer Replacements	-	-	100,000	200,000	135,000	100,000	100,000	100,000	-	-	735,000
F018000101: ERX - DRS	-	-	-	100,000	100,000	100,000	125,000	-	-	-	425,000
F018000102: Gate Station Monitoring	-	-	-	-	-	-	175,000	150,000	150,000	100,000	575,000
F018000121: Gate Stations	50,000	75,000	75,000	100,000	100,000	200,000	200,000	200,000	200,000	75,000	1,275,000
F018000122: Rochester Pipeline Strategy - STA	11,700	178,050	198,300	160,950	167,400	268,950	268,950	152,700	43,350	28,500	1,478,850
F018000123: Gate Stations unplanned	-	-	25,000	25,000	25,000	25,000	25,000	25,000	-	-	150,000
F020000075: CSO - Software Related	8,710	132,000	132,000	132,000	201,667	201,667	201,667	235,000	235,000	(31,010)	1,448,700
F021000062: CSO - AMR Implementation	-	-	-	-	-	-	-	-	-	-	-
F022000052: Tough Book Additions MERC	-	-	-	-	-	-	-	-	-	700,000	700,000
F022000069: CSO - PC Related	310,000	-	-	10,000	-	-	10,000	-	-	(330,000)	-
F022008015: Desktop HW/MFD Replacements MERC	-	-	71,125	71,125	71,125	71,125	71,125	71,125	71,125	71,125	569,000
F023000042: Itron Replacements	20,000	-	-	-	-	-	-	-	-	-	20,000
F023009022: PURCHASE GENERAL PLANT CAPITAL	45,000	25,000	50,000	50,000	-	-	-	-	-	-	170,000
F052000050: Growth Mains	100,000	100,000	150,000	250,000	500,000	500,000	500,000	500,000	250,000	250,000	3,100,000
F052000052: New Town Growth	10,000	10,000	500,000	1,000,000	960,000	-	-	-	-	-	2,480,000
F053000000: GAS SERVICES	99,000	180,000	303,750	387,000	373,500	450,000	596,250	742,500	805,500	382,500	4,320,000
F053000500: Gas Service Blanket Replacement	24,791	408,830	752,362	934,499	795,872	750,338	838,371	763,492	590,462	184,666	6,043,683
F160009018: VEHICLE REPLACEMENTS	500,000	-	-	-	-	-	250,000	-	250,000	-	1,000,000
F250000000: GAS METERS	100,000	150,000	150,000	200,000	200,000	200,000	300,000	200,000	200,000	200,000	1,900,000
F910000032: HCA77 Physical Security Projects	-	-	55,000	45,000	50,000	-	-	-	-	-	150,000
F910000068: New Rosemount Facility	277,528	346,910	416,292	555,057	555,057	555,057	555,057	555,057	1,205,057	555,057	5,576,129
F910000079: Building Replacements	-	-	-	-	-	-	200,000	200,000	190,000	-	590,000
F910007027: BUILDING IMPROVEMENTS	-	-	25,000	105,000	105,000	105,000	105,000	105,000	-	-	550,000
A0771: MERC Com Software 303 ICE - CUST - TEG - 7 year	-	2,386,495	231,237	231,241	231,304	10,680	(87)	(98)	(85)	644,714	3,735,401
A0830: MERC Gas MN Software 303 (ERP) - 10 year	-	-	-	-	-	-	-	-	-	-	-
A0770: MERC Com Software 303 ICE - CUST - TEG - 3 year	-	252,189	15,973	15,975	15,991	-	-	-	-	39,319	339,447
A0829: MERC Gas MN Software 303 (ERP) - 5 year	-	-	-	-	-	-	-	-	-	112,366	112,366
A0831: MERC Gas MN Software 303 (ERP) - 15 year	-	-	-	-	-	-	-	-	-	-	-
Grand Total	1,917,164	5,498,659	5,384,126	7,579,249	7,556,900	6,768,362	6,825,120	5,794,477	5,693,980	3,623,263	56,641,300

	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Total
F013000000: GAS MISC JOBS UNDER \$25000	20,000	20,000	50,000	150,000	150,000	150,000	150,000	150,000	100,000	20,000	20,000	20,000	1,000,000
F015000041: Turbine Meter Upgrades	-	-	-	-	-	150,000	-	-	-	-	-	-	150,000
F015000047: LV Meters - Growth	-	-	-	-	50,000	-	-	50,000	-	-	-	-	100,000
F016000000: WMIS GAS MAINS DUE TO ROAD CHA	-	-	-	585,000	765,000	900,000	450,000	630,000	315,000	360,000	405,000	90,000	4,500,000
F017000129: Bridge Crossings	-	-	-	-	-	-	150,000	-	-	-	-	-	150,000
F017000130: Isolation Valves	-	-	25,000	25,000	25,000	25,000	-	-	-	-	-	-	100,000
F017000134: System Integrity	82,460	123,690	82,460	743,450	1,143,450	1,349,600	1,049,600	843,450	331,150	248,690	125,000	-	6,123,000
F017000169: DIMP Main Replacements	2,500	2,500	7,500	25,000	62,500	125,000	150,000	200,000	200,000	75,000	75,000	75,000	1,000,000
F017000170: Rochester Pipeline Strategy	252,952	257,458	265,828	2,304,777	1,812,921	1,762,705	1,789,449	1,775,182	1,774,860	76,412	68,042	38,428	12,179,014
F017000208: System Consolidation	15,000	15,000	20,000	50,000	300,000	300,000	400,000	400,000	200,000	100,000	100,000	100,000	2,000,000
F018000096: Odorizer Replacements	-	100,000	-	-	100,000	200,000	200,000	200,000	100,000	100,000	-	-	1,000,000
F018000101: ERX - DRS	-	-	-	-	-	100,000	100,000	100,000	100,000	100,000	-	-	500,000
F018000102: Gate Station Monitoring	-	-	-	-	-	150,000	150,000	150,000	150,000	150,000	150,000	100,000	1,000,000
F018000121: Gate Stations	-	50,000	75,000	75,000	75,000	150,000	200,000	200,000	200,000	200,000	200,000	75,000	1,500,000
F018000123: Gate Stations unplanned	-	-	-	-	25,000	25,000	25,000	25,000	25,000	25,000	-	-	150,000
F020000075: CSO - Software Related	258,400	258,400	258,400	178,400	178,400	178,400	295,070	295,070	295,070	295,070	295,070	295,070	3,080,820
F021000062: CSO - AMR Implementation	-	-	-	-	-	-	333,333	333,333	333,333	333,333	333,333	333,333	1,999,998
F022000052: Tough Book Additions MERC	11,905	11,905	11,905	11,905	11,905	11,905	11,905	11,905	11,905	11,905	11,905	11,905	142,858
F022000069: CSO - PC Related	-	-	-	-	-	-	250,000	250,000	250,000	250,000	250,000	250,000	1,500,000
F022008015: Desktop HW/MFD Replacements MERC	-	2,739	200,845	2,739	2,739	2,739	-	2,739	2,739	2,739	51,124	2,739	273,880
F023000042: Itron Replacements	-	-	20,000	-	-	-	-	-	-	-	-	-	20,000
F023009022: PURCHASE GENERAL PLANT CAPITAL	5,000	25,000	25,000	25,000	50,000	50,000	-	-	-	-	-	-	180,000
F052000050: Growth Mains	100,000	115,000	115,000	150,000	185,000	300,000	500,000	500,000	500,000	500,000	250,000	250,000	3,465,000
F052000052: New Town Growth	10,000	10,000	10,000	10,000	500,000	1,000,000	960,000	-	-	-	-	-	2,500,000
F053000000: GAS SERVICES	92,000	92,000	101,200	184,000	310,500	395,600	381,800	460,000	609,500	759,000	823,400	391,000	4,600,000
F053000500: Gas Service Blanket Replacement	6,437	7,817	22,530	632,949	945,154	1,110,683	984,697	943,315	1,023,321	955,270	798,018	167,828	7,598,019
F160009018: VEHICLE REPLACEMENTS	-	-	500,000	-	-	-	-	-	250,000	-	250,000	-	1,000,000
F250000000: GAS METERS	50,000	50,000	600,000	150,000	150,000	600,000	200,000	200,000	400,000	200,000	200,000	200,000	3,000,000
F910000032: HCA77 Physical Security Projects	-	-	-	-	-	35,000	35,000	-	-	-	-	-	70,000
F910000068: New Rosemount Facility	555,057	416,292	346,910	277,528	138,764	69,382	-	-	-	-	-	-	1,803,933
F910007027: BUILDING IMPROVEMENTS	-	-	-	-	25,000	225,000	225,000	225,000	225,000	225,000	-	-	1,150,000
A0771: MERC Com Software 303 ICE - CUST - TEG - 7 year	11,310	10,095	10,837	9,903	10,837	9,701	9,082	10,635	8,981	11,310	9,352	7,416	119,459
A0830: MERC Gas MN Software 303 (ERP) - 10 year	132,983	1,070	982	343	-	-	-	-	-	-	-	-	135,378
A0770: MERC Com Software 303 ICE - CUST - TEG - 3 year	-	-	-	-	-	-	-	-	-	-	-	-	-
A0829: MERC Gas MN Software 303 (ERP) - 5 year	137,057	1,852	1,705	1,196	163	149	145	165	137	171	143	121	143,006
A0831: MERC Gas MN Software 303 (ERP) - 15 year	2,195,834	45,135	37,097	26,653	31,518	866	825	957	798	998	834	680	2,342,195
Grand Total	3,938,895	1,615,953	2,788,198	5,618,844	7,048,851	9,376,730	9,000,906	7,956,751	7,406,793	4,999,898	4,416,221	2,408,519	66,576,560

Average Customers

	2013	2014	2015	2016
Residential	191,350	193,282	201,308	208,208
GS Small C&I	10,916	10,961	9,506	8,727
GS Large C&I	10,355	10,413	12,671	14,107
	<u>212,621</u>	<u>214,656</u>	<u>223,485</u>	<u>231,042</u>

Bill Reviewer Information

As of December 16, 2015

Instructions:

- Print a copy of the most recent new bill in Open-C **ORT** environment
- Print a copy of the same period bill in the legacy system (as a reference for basic info only)
- Bill Review is **NOT** a 100% bill compare. Not all transactions occur in the ORT environment so you need to evaluate the accuracy of the new bill by looking at activity in ORT when the legacy bill has differences (see ORT information for more info). Also the new bill has design differences so familiarize yourself with the job aid provided and reach out to the contact people below for questions regarding areas that you may not be familiar with **PRIOR to failing any sections of the bill**
- Score sheets must be completed as instructed. Ask questions if you are not sure you should fail a section and make sure you complete the section (**IS BILL CUSTOMER READY? Y/N**)

ORT Environment Information:

- Existing ORT environment was a copy of production at 2pm October 23 and its processing date is approximately 2 weeks behind the actual calendar date (for example bills generated in ORT on Dec 7th were from bill date Nov 20th)
- Daily automated meter readings, **SOME, not all payments** and normal batch job activity has been uploaded in ORT but dates could be off a few days from legacy system data. This is not a defect.
 - MERC/MGU Payments-The only sources posted in ORT are:
 - Mail Payments
 - Western Union Payments
 - APP/ACH payments
 - WPS/UPPCO Payments-All manually entered payment sources are **NOT** posted in ORT such as ACH payments, some mail types, NSF's and community assistance) Simulations do occur on a weekly basis so some of the manual activity may be seen on bills but the transactions dates will be different
- Most payment dates in ORT are not accurate. Payment jobs that are uploaded daily into ORT after the 10/23 data cut populate the payment date as the calendar date, not the date in ORT so the bill will reflect payment dates in the beginning summary section with the wrong dates. This is NOT a defect. It is an issue with ORT running approximately 2 weeks behind the actual calendar date and will not be an issue after DR6, which eliminates the 2 week delay or in production at go live.
- Normal activity that customers request or is conducted in production on a daily basis such as customer requests, orders, turn ons, cancel/rebills, payment arrangements, program changes, billing adjustments, etc. have **NOT** been entered into ORT unless part of a system test and those tests may not have ever occurred in production
- ORT is also used for test cases by the ICE test team, so you may be reviewing a bill that has activity that was not in the production bill. Evaluate the accuracy of the new bill based on information in ORT or request a new bill sample from Lisa Borman
- **NEW: For MERC and MGU bills reviewed during DR5, a defect with the converted bill has been fixed, however the issue has carried forward to the first and now second bill in ORT. When evaluating the account summary section, refer to the bill details in ORT to verify the bill is working as designed which will NOT be the same as ECis. Contact Duane Fameree or Larry Matzke with questions**
- **As we get further away from the Oct 23rd data cut date, it is very possible that bill samples will include transactions that ONLY occurred in ORT and NOT production. Evaluate the new bill based on the activity in ORT and did the system behave as designed; if yes, then the area of the bill passed. Do NOT fail based on differences between legacy bill and ORT bill only. THIS IS NOT A PARALLEL SYSTEM**

New Bill Features to Note (*not a complete list-additional items will be added as necessary*): Docket No. G011/GR-17-563

Exhibit (SSD-5)

Page 2 of 4

- **Bill Messages:** In the legacy systems, all bill messages were printed on the bill as applicable (mandatory). In the new system, only mandatory messages will print 100% of the time and non-mandatory messages will print only if a page two will already be generated by other bill content. If the message will create an additional page to print, the message will not be printed. (*see bill message chart for criteria*) Only fail the bill message section on the score sheet when it does NOT function in this manner. Do not fail just because it is different than the legacy system bill.
- **Budget Changes :** (*See handout for WPS/UPPCO-coming for MERC/MGU*)
- **New Format:** (*See handout*)
- **Billing Units:** are in tenths, not whole numbers as in the legacy systems. This will cause the billed amount to differ slightly from the legacy bill when comparing
- **Graphs (WPS/UPPCO) -** Graphs will NOT print when
 - There are no utility charges associated with the bill (for instance if it is strictly a non-service bill, the graphs will not print. These will have a ContractTypeCode of "NC", "NF", "NR", "NS"
 - If the customer has ContractTypeCode of "LC" or "CR"
- **Graphs (MERC/MGU) -** Graphs will NOT print when
 - There are no utility charges associated with the bill (for instance if it is strictly a non-service bill, the graphs will not print. These will have a ContractTypeCode of "NC", "NF", "NR", "NS"
 - It is a LVGT customer aggregator (ContractTypeCode of "TC") , Pool Aggregator (ContractTypeCode of "TP") or SVGT pool aggregator (ContractTypeCode of "SA") or LVGT Premise account (xTranspStatType attribute = "LVGTPRM")
- **Conservation Area (WPS/UPPCO) -** Conservation Area will NOT print when
 - The Customer Type is "MK" – instead balancing components such as Customer Use, etc will display in lieu of the conservation area
 - If there are no therms , we will NOT print the Therms Used or Avg Therms/Day lines
 - If there are no KWH , we will NOT print the KWH Used or Avg KWH/Day lines
- **Conservation Area (MERC/MGU) –** Conservation Area will NOT print when
 - It is a LVGT customer aggregator (ContractTypeCode of "TC") , Pool Aggregator (ContractTypeCode of "TP") or SVGT pool aggregator (ContractTypeCode of "SA") - instead balancing components such as Customer Use, etc. will display in lieu of the conservation area
 - If there are no therms , we will NOT print the Therms Used or Avg Therms/Day lines

• **List of ContractTypeCodes**

CtrTypeCd	CtrTypeDesc
CR	Commercial
CU	Company Use
FM	Farm
GC	Group
LC	Large Coml/Industrial
NC	Non-Service Commercial
NF	Non-Service Farm
NR	Non-Service Residential
NS	Non-Service
PE	Residential
SA	SVG T Pool Aggregator
TC	LVGT Customer Aggregator
TP	LVGT Pool Aggregator

MERC/MGU Items to Note (not a complete list-additional items will be added as necessary): Docket No. G011/GR-17-563

Exhibit (SSD-5)

Page 3 of 4

- **Bill Cycle Standardization:** The bill cycle schedule has been standardized in the new system, so when comparing legacy bills to the new bill, the bill date will be a minimum of 2 days earlier. This will also cause the due date and auto pay transfer dates to adjust. This is NOT a defect.
- **Balance Forward:** Due to conversion of data, the customers beginning balance will represent 100% of what they owed at the time of conversion. All amounts are converting as current receivables
- **GAP % of Income Customers (MERC):** This program data has been converted, however, due to conversion limitations and strategy, customers will not receive this credit the first month a bill is generated in Open C. The credit will be generated on their 2nd month bill in Open C. This is a known difference that has been approved and steps will be taken to inform customers impacted. This is working as designed and is NOT a defect.
- **GAP Customers with Arrears (MERC):** This program will not be 100% set up until post conversion. Customers on this program will show their entire balance as owed and be re-enrolled and have manual bill handling for the first billing cycle. For more information contact Larry Matzke or Duane Fameree
- **Local Atmospheric Pressure Standardization (MERC/MGU):** This is NOT a defect (from 11/18 email) A few months ago there was a herculean effort to get all of the pressure correction factors (PCF) and super compressibility (SC) factors set in the xtSuperCompressibility table among other tasks. The issue that was found was that each company was calculating the PCF differently, which resulted in a new column, FactorScheduleCd, in this table. There was another issue, which was the fact that MERC and MGU were using different local atmospheric pressures in the calculation of their PCF. To account for this it was decided to standardize the local atmospheric pressure to 14.4. This resulted in a slight change in the final meter multiplier values. FYI: This was not done in vacuum and there was signoff for this change.

Attached is a master spreadsheet with all of the values that were used. This spreadsheet was created to show the changes for each metering pressure.

1. To use this spreadsheet, look up the metering pressure attribute on the premise service attributes window.
2. Look up the metering pressure in the spreadsheet.
3. Look at the correct utility for the 14.4 row.
 - a. You can use this to deduce what the previous atmospheric pressure was as well by looking at the other pressures' values.
4. Then multiply this value by the corrected super compressibility value from the premise service attributes window.

Example:

Account had the MtrPres attribute of 2.0 PSI. When looking up this value in xtSuperCompressibility table the pressure correction factor = 1.1133741 for MERC and super compressibility = 1.0003. The metering pressures were standardized a few months ago for MERC and MGU as they were using regional local atmospheric pressures. They were standardized to 14.4.

In this particular case, the local atmospheric pressure was 14.1 and now it is the standard 14.4.

14.1: $1.0930075 * 1.0003 = 1.09333540225 (1.0933353)$

14.4: $1.1133741 * 1.0003 = 1.11370811223 (1.1137)$

2.0 Line Pressure

Line Pressure	Local Pressure	Standard Pressure	MGU Standard Pressure	MERC Calculation
2.0	13.9	14.73	14.65	1.0794297
2.0	14.0	14.73	14.65	1.0862186
2.0	14.1	14.73	14.65	1.0930075
2.0	14.2	14.73	14.65	1.0997963
2.0	14.4	14.73	14.65	1.1133741

Bill Reviewer Expectations:

- **Reviews must be completed within 24hrs unless otherwise directed**
- Review everything on each bill and indicate review by placing a check mark next to the reviewed area:
 - Verify all calculations are correct (rates, LPC, etc.)
 - Manually recalculate the bill to ensure rates and extended amounts are accurate
 - Ensure that rates are applicable for customer
 - Verify that all formats and bill messages are accurate
 - All summary sections
 - Headings and bill stubs, addresses, dates
 - Meter readings
 - Graphs, etc.
 - Identify anything that looks “strange” or does not make sense
 - Known issues are still fails-circle on new bill to indicate the issue
 - **Be specific on the new bill as to what has failed-No general statements-if you don’t know please ask before you fail**
- Complete the score sheet as directed
 - Is the bill customer ready-This is for the entire bill after everything was reviewed, could the bill be sent to the customer yes or no, even if it has minor impact issues.
- Downtown Green Bay Reviewers:
 - Check out a packet of bills to review
 - Take only one packet at a time and return completed packet before checking out a new one
 - If you are unable to complete the packet before the deadline, pass to another team member so packets continue to be moved through the process timely
 - All packets must be completed at work due to customer confidentiality
 - Place completed packet with marked bills and score sheet in the “Bill Reviewers Completed box” on the table outside of Lisa Borman’s work area
 - Do not staple anything-use paper/binder clips only
 - Keep bills in the same order as listed on the score sheet
- MERC/MGU Reviewers: Scan and email completed score sheet and all bills to Lisa Borman, Larry Matzke and Tammi Garsow by review deadline
 - Keep bills in the same order as listed on the score sheet

For Questions Contact:

- Bob Sarosiek RMSarosiek@integrysgroup.com 920-433-1805 (office) or 920-680-1177 (cell)
- Chris Josephs CAJosephs@integrysgroup.com 920-433-2558 (office) or 920-606-6091 (cell)
- Lisa Smet LASmet@integrysgroup.com 920-433-1185 (office) or 920-606-6095 (cell)
- Larry Matzke LHMatzke@integrysgroup.com 920-433-1892 (office) or 920-655-0072 (cell)
- Duane Fameree DDFameree@integrysgroup.com 920-433-2969 (office) or 920-255-7205 (cell)
- Lisa Borman LMBorman@integrysgroup.com 920-433-2534 (office) or 920-606-1636 (cell)
- Marcia Thompson MDThompson@integrysgroup.com 920-272-8632 (office) or 920-655-3634 (cell)
- Ken Thiry KGThiry@integrysgroup.com 920-433-2978 (office) or 920-621-5608 (cell)

**Minnesota Energy Resources Corporation
 2018 Rate Case Expense Amortization**

Line No.	Description	2016 Rate Case Amount	2016 Rate Case Actual Amounts	2016 Rate Case Forecasted Amounts
1	Cost of Capital Expert	65,000	60,781	70,000
2	Legal Expenses	1,100,000	1,016,612	792,000
3	3rd Party Requests (Itron, etc...)	30,000	27,433	20,000
4	Newspapers	300,000	281,215	105,000
5	Total	<u>1,495,000</u>	<u>1,386,041</u>	<u>987,000</u>
6	State Agency/ALJ Fees	<u>775,000</u>	756,019	700,000
7	Allocation to Utility Business (87.7%)	<u>679,675</u>		
8	Total Allocated to Utility	<u>2,174,675</u>		
9	Amortization over 2 years	1,087,338		

PUBLIC DOCUMENT - TRADE SECRET DATA EXCISED

MERC
2018 Test Year Depreciation Expense Calculation

- Notes:
1. Columns L and M represent the monthly depreciation expense amounts calculated by the system.
2. Columns J and N represent manually inputted depreciation expense adjustments.
3. Columns K and O represent system calculated expense adjustments to reverse the monthly depreciation expense on groups that are fully depreciated.

IAD = Individual Asset Depreciation
EOL = End of Life

Table with columns: (A) GI Post Mo Yr, (B) Bus Segment Id, (C) Fcst Depr Group Id, (D) Depreciation Rate, (E) Cost Of Removal (COR) Rate, (F) Beginning Plant Balance, (G) Ending Plant Balance, (H) Average Plant Balance, (I) Life Depr Expense, (J) Life Depr Adjust, (K) Life Depr Exp Alloc Adj, (L) COR Depr Expense, (M) COR Depr Adjust, (N) COR Depr Exp Alloc Adj, (O) Total Depreciation Expense.

PUBLIC DOCUMENT - TRADE SECRET DATA EXCISED

Table with 15 columns: Date, Description, Percent, Rate, and 12 numerical columns representing various financial metrics. Rows are organized by month (Apr-18, May-18, Jun-18) and include detailed descriptions of gas transmission, distribution, and general office equipment.

PUBLIC DOCUMENT - TRADE SECRET DATA EXCISED

Table with columns for date, description, and financial values. Includes rows for equipment like '395, Gas General Laboratory equipment' and '397.1, Gas General Communication equipment-Comm-Communication Equip', and software like 'Com Software 303 ICE R1 - CUST - TEG - 3 year'. Values range from \$0 to \$3,979.

PUBLIC DOCUMENT - TRADE SECRET DATA EXCISED

Nov-18 200 Gas	376, Gas Distribution Mains	1.28%	0.43%	\$235,682,043	\$253,919,974	\$244,801,009	\$261,121	\$0	\$0	\$87,723	\$0	\$0	\$348,844
Nov-18 200 Gas	378, Gas Distribution Measuring & Reg equipment	3.40%	0.63%	\$13,180,508	\$13,180,508	\$13,180,508	\$37,345	\$0	\$0	\$6,919	\$0	\$0	\$44,264
Nov-18 200 Gas	379, Gas Distribution City Gate Stations	3.03%	1.43%	\$16,359,612	\$16,559,612	\$16,459,612	\$41,561	\$0	\$0	\$19,634	\$0	\$0	\$61,175
Nov-18 200 Gas	380, Gas Distribution Services	1.50%	1.43%	\$16,559,612	\$16,559,612	\$16,459,612	\$205,594	\$0	\$0	\$112,391	\$0	\$0	\$317,985
Nov-18 200 Gas	381, Gas Distribution Meters-Meter & Installation	2.50%	0.00%	\$46,853,556	\$47,026,178	\$46,939,867	\$97,791	\$0	\$0	\$115	\$0	\$0	\$97,906
Nov-18 200 Gas	381.2, Gas Distribution Meters-AMR Devices	6.51%	0.00%	\$371,313	\$371,313	\$371,313	\$2,014	\$0	\$0	\$0	\$0	\$0	\$2,014
Nov-18 200 Gas	383, Gas Distribution House regulators	1.41%	0.00%	\$19,482,827	\$19,482,827	\$19,482,827	\$22,892	\$0	\$0	\$0	\$0	\$0	\$22,892
Nov-18 200 Gas	385, Gas Distribution Industrial meas & regulating equip	2.33%	0.31%	\$2,778,168	\$2,776,807	\$2,777,488	\$5,393	\$0	\$0	\$718	\$0	\$0	\$6,111
Nov-18 200 Gas	389, Gas General Land and land rights	0.00%	0.00%	\$1,252,260	\$1,252,260	\$1,252,260	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Nov-18 200 Gas	390, Gas General Structures and Improvements-Structure Improvement	2.15%	0.22%	\$23,171,886	\$23,171,886	\$23,171,886	\$41,516	\$0	\$0	\$4,247	\$0	\$0	\$45,763
Nov-18 200 Gas	390.1, Gas General Struct and improvements-Lhd Improv-EaganOffice	0.00%	0.00%	\$162,279	\$162,279	\$162,279	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Nov-18 200 Gas	391.1, Gas General Office furniture and equipment-Office Furn Equip	5.00%	0.00%	\$851,522	\$851,522	\$851,522	\$3,548	\$0	\$0	\$0	\$0	\$0	\$3,548
Nov-18 200 Gas	391.22, Gas General Office furniture and equipment- MF Amortized	18.02%	0.00%	\$3,324,872	\$3,324,872	\$3,324,872	\$47,568	\$0	\$0	\$0	\$0	\$0	\$47,568
Nov-18 200 Gas	391.3, Gas General Office furniture and equipment-Data Handling	0.00%	0.00%	\$25,084	\$25,084	\$25,084	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Nov-18 200 Gas	393, Gas General Stores equipment	5.00%	0.00%	\$99,103	\$99,103	\$99,103	\$413	\$0	\$0	\$0	\$0	\$0	\$413
Nov-18 200 Gas	394, Gas General Tools, shop and garage equipment	5.00%	0.00%	\$2,922,631	\$2,922,631	\$2,922,631	\$12,178	\$0	\$0	\$0	\$0	\$0	\$12,178
Nov-18 200 Gas	395, Gas General Laboratory equipment	5.00%	0.00%	\$955,079	\$955,079	\$955,079	\$3,979	\$0	\$0	\$0	\$0	\$0	\$3,979
Nov-18 200 Gas	397.1, Gas General Communication equipment-Communication Equip	8.33%	0.00%	\$2,284,125	\$2,284,125	\$2,284,125	\$17,012	\$0	\$0	\$0	\$0	\$0	\$17,012
Nov-18 200 Gas	397.3, Gas General Communication equipment-Comm Eq SCADA	8.33%	0.00%	\$2,687,165	\$2,687,165	\$2,687,165	\$19,000	\$0	\$0	\$0	\$0	\$0	\$19,000
Nov-18 200 Gas	398, Gas General Miscellaneous equipment	5.00%	0.00%	\$26,388	\$26,388	\$26,388	\$110	\$0	\$0	\$0	\$0	\$0	\$110
Nov-18 200 Gas	Com Software 303 ICE R1 - CUST - TEG - 3 year	33.33%	0.00%	\$1,675,234	\$1,675,234	\$1,675,234	\$46,530	\$0	\$0	\$0	\$0	\$0	\$46,530
Nov-18 200 Gas	Com Software 303 ICE R1 - CUST - TEG - 7 year	6.67%	0.00%	\$13,807,749	\$13,807,749	\$13,807,749	\$76,710	\$0	\$0	\$0	\$0	\$0	\$76,710
Nov-18 200 Gas	Gas MN Software 303 (ERP) - 10 year	10.00%	0.00%	\$135,378	\$135,378	\$135,378	\$1,128	\$0	\$0	\$0	\$0	\$0	\$1,128
Nov-18 200 Gas	Gas MN Software 303 (ERP) - 15 year	6.67%	0.00%	\$2,341,515	\$2,341,515	\$2,341,098	\$13,008	\$0	\$0	\$0	\$0	\$0	\$13,008
Nov-18 200 Gas	Gas MN Software 303 (ERP) - 5 year	20.00%	0.00%	\$255,249	\$255,249	\$255,178	\$4,256	\$0	\$0	\$0	\$0	\$0	\$4,256
Nov-18 200 Gas	MERC Gas MN	20.00%	0.00%	\$4,234,450	\$4,234,450	\$4,086,915	\$68,115	\$0	\$0	\$0	\$0	\$0	\$68,115
Dec-18 200 Gas	302, Intangible Gas Plant Franchises and Consents-Franch & Con PNG	0.00%	0.00%	\$156,340	\$156,340	\$156,340	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dec-18 200 Gas	302.1, Intangible Gas Plant Franchises and Consents-Farm Taps PNG	0.12%	0.00%	\$3,813,095	\$3,813,095	\$3,813,095	\$374	\$0	\$0	\$0	\$0	\$0	\$374
Dec-18 200 Gas	303.3, Gas Intangible Miscellaneous Intangible Plant	0.00%	0.00%	\$167,783	\$167,783	\$167,783	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dec-18 200 Gas	365.3, Gas Transmission Land & Rights-of-way	0.00%	0.00%	\$15,768	\$15,768	\$15,768	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dec-18 200 Gas	366.1, Gas Transmission Structures and improvements	3.24%	0.00%	\$5,182	\$5,182	\$5,182	\$14	\$0	\$0	\$0	\$0	\$0	\$14
Dec-18 200 Gas	367.1, Gas Transmission Mains	1.34%	0.45%	\$10,251,719	\$10,251,719	\$10,251,719	\$11,446	\$0	\$0	\$3,845	\$0	\$0	\$15,291
Dec-18 200 Gas	369.3, Gas Transmission Measuring & regulating equipment	6.02%	1.76%	\$1,055,114	\$1,055,114	\$1,055,114	\$5,292	\$0	\$0	\$1,547	\$0	\$0	\$6,839
Dec-18 200 Gas	374, Gas Distribution Land and land rights-Land	0.00%	0.00%	\$85,715	\$85,715	\$85,715	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dec-18 200 Gas	374.1, Gas Distribution Land and land rights-Land Rt/ROW Depr	4.08%	0.00%	\$596,818	\$596,818	\$596,818	\$2,029	\$0	\$0	\$0	\$0	\$0	\$2,029
Dec-18 200 Gas	374.2, Gas Distribution Land and land rights-Land Rt/ROW NonD	0.00%	0.00%	\$86,567	\$86,567	\$86,567	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dec-18 200 Gas	375, Gas Distribution Structures and improvements	5.69%	0.57%	\$145,076	\$145,076	\$145,076	\$688	\$0	\$0	\$69	\$0	\$0	\$757
Dec-18 200 Gas	376, Gas Distribution Mains	1.28%	0.43%	\$253,919,974	\$254,478,328	\$254,199,151	\$271,145	\$0	\$0	\$91,089	\$0	\$0	\$362,234
Dec-18 200 Gas	378, Gas Distribution Measuring & Reg equipment	3.40%	0.63%	\$13,180,508	\$13,180,508	\$13,180,508	\$37,345	\$0	\$0	\$6,919	\$0	\$0	\$44,264
Dec-18 200 Gas	379, Gas Distribution City Gate Stations	3.03%	1.43%	\$16,359,612	\$16,559,612	\$16,559,612	\$41,561	\$0	\$0	\$19,634	\$0	\$0	\$61,175
Dec-18 200 Gas	380, Gas Distribution Services	1.50%	0.82%	\$165,252,628	\$165,780,130	\$165,516,379	\$206,896	\$0	\$0	\$113,103	\$0	\$0	\$319,999
Dec-18 200 Gas	381, Gas Distribution Meters-Meter & Installation	2.50%	0.00%	\$47,026,178	\$47,198,800	\$47,112,489	\$98,151	\$0	\$0	\$120	\$0	\$0	\$98,271
Dec-18 200 Gas	381.2, Gas Distribution Meters-AMR Devices	6.51%	0.00%	\$371,313	\$371,313	\$371,313	\$2,014	\$0	\$0	\$0	\$0	\$0	\$2,014
Dec-18 200 Gas	383, Gas Distribution House regulators	1.41%	0.00%	\$19,482,827	\$19,482,827	\$19,482,827	\$22,892	\$0	\$0	\$0	\$0	\$0	\$22,892
Dec-18 200 Gas	385, Gas Distribution Industrial meas & regulating equip	2.33%	0.31%	\$2,776,807	\$2,775,446	\$2,776,127	\$5,390	\$0	\$0	\$718	\$0	\$0	\$6,108
Dec-18 200 Gas	389, Gas General Land and land rights	0.00%	0.00%	\$1,252,260	\$1,252,260	\$1,252,260	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dec-18 200 Gas	390, Gas General Structures and Improvements-Structure Improvement	2.15%	0.22%	\$23,171,886	\$23,171,886	\$23,171,886	\$41,516	\$0	\$0	\$4,247	\$0	\$0	\$45,763
Dec-18 200 Gas	390.1, Gas General Struct and improvements-Lhd Improv-EaganOffice	0.00%	0.00%	\$162,279	\$162,279	\$162,279	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dec-18 200 Gas	391.1, Gas General Office furniture and equipment-Office Furn Equip	5.00%	0.00%	\$851,522	\$851,522	\$851,522	\$3,548	\$0	\$0	\$0	\$0	\$0	\$3,548
Dec-18 200 Gas	391.22, Gas General Office furniture and equipment- MF Amortized	18.18%	0.00%	\$3,324,872	\$3,589,516	\$3,457,194	\$52,381	\$0	\$0	\$0	\$0	\$0	\$52,381
Dec-18 200 Gas	391.3, Gas General Office furniture and equipment-Data Handling	0.00%	0.00%	\$25,084	\$25,084	\$25,084	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dec-18 200 Gas	393, Gas General Stores equipment	5.00%	0.00%	\$99,103	\$99,103	\$99,103	\$413	\$0	\$0	\$0	\$0	\$0	\$413
Dec-18 200 Gas	394, Gas General Tools, shop and garage equipment	5.00%	0.00%	\$2,922,631	\$2,922,631	\$2,922,631	\$12,178	\$0	\$0	\$0	\$0	\$0	\$12,178
Dec-18 200 Gas	395, Gas General Laboratory equipment	5.00%	0.00%	\$955,079	\$955,079	\$955,079	\$3,979	\$0	\$0	\$0	\$0	\$0	\$3,979
Dec-18 200 Gas	397.1, Gas General Communication equipment-Communication Equip	8.33%	0.00%	\$2,284,125	\$2,284,125	\$2,284,125	\$17,012	\$0	\$0	\$0	\$0	\$0	\$17,012
Dec-18 200 Gas	397.3, Gas General Communication equipment-Comm Eq SCADA	8.33%	0.00%	\$2,687,165	\$2,687,165	\$2,687,165	\$19,000	\$0	\$0	\$0	\$0	\$0	\$19,000
Dec-18 200 Gas	398, Gas General Miscellaneous equipment	5.00%	0.00%	\$26,388	\$26,388	\$26,388	\$110	\$0	\$0	\$0	\$0	\$0	\$110
Dec-18 200 Gas	Com Software 303 ICE R1 - CUST - TEG - 3 year	33.33%	0.00%	\$1,675,234	\$1,675,234	\$1,675,234	\$46,530	\$0	\$0	\$0	\$0	\$0	\$46,530
Dec-18 200 Gas	Com Software 303 ICE R1 - CUST - TEG - 7 year	6.67%	0.00%	\$13,807,749	\$13,815,165	\$13,815,165	\$76,751	\$0	\$0	\$0	\$0	\$0	\$76,751
Dec-18 200 Gas	Gas MN Software 303 (ERP) - 10 year	10.00%	0.00%	\$135,378	\$135,378	\$135,378	\$1,128	\$0	\$0	\$0	\$0	\$0	\$1,128
Dec-18 200 Gas	Gas MN Software 303 (ERP) - 15 year	6.67%	0.00%	\$2,341,515	\$2,342,195	\$2,341,855	\$13,012	\$0	\$0	\$0	\$0	\$0	\$13,012
Dec-18 200 Gas	Gas MN Software 303 (ERP) - 5 year	20.00%	0.00%	\$255,249	\$255,370	\$255,310	\$4,256	\$0	\$0	\$0	\$0	\$0	\$4,256
Dec-18 200 Gas	MERC Gas MN	20.00%	0.00%	\$4,234,450	\$4,529,520	\$4,381,985	\$73,033	\$0	\$0	\$0	\$0	\$0	\$73,033

MERC_Non_Union_Labor

Line No.	K&M Description	2016 Actual	2017 Inflation Rate	2017 Inflated	2017 K&M	2017 Inflated + K&M	2018 Inflation Rate	2018 Inflated	2018 K&M	2018 Inflated + K&M
128	735010 Liquid Gas Prod-MGP Post Cleanup		1.0300	-		-	1.0300	-		-
129	754000 Field Compressor Station		1.0300	-		-	1.0300	-		-
130	756000 Field Reg & Meas Station		1.0300	-		-	1.0300	-		-
131	Natural Gas Production	-		-	-	-		-	-	-
132										
133	804111 Gas Purch-Wages & Salaries	(1,416)	1.0300	(1,458)		(1,458)	1.0300	(1,502)		(1,502)
134	804120 Gas Purch Supplies & Expenses	205,813	1.0300	211,987		211,987	1.0300	218,347		218,347
135	804130 Misc Purchased Gas Expense	-	1.0300	-		-	1.0300	-		-
136	813000 Other Gas Supply Expenses	393,172	1.0300	404,967		404,967	1.0300	417,116		417,116
137	Gas Purchases	597,569		615,496	-	615,496		633,961	-	633,961
138										
139	824000 Gas Stor-Other Exp	-	1.0300	-		-	1.0300	-		-
140	825000 Storage Wells Royalties	-	1.0300	-		-	1.0300	-		-
141	850000 Gas Transm-Oper Sup & Eng	305	1.0300	314		314	1.0300	324		324
142	852000 Gas Transm-Communic Sys Exp	-	1.0300	-		-	1.0300	-		-
143	856000 Gas Transm-Mains Exp	7,381	1.0300	7,602		7,602	1.0300	7,831		7,831
144	857000 Gas Transm-Meas&Reg Station	323	1.0300	333		333	1.0300	343		343
145	863000 Gas Transm-Maint of Mains	902	1.0300	929		929	1.0300	957		957
146	865000 Gas Transm-Maint Meas&RegEquip	120	1.0300	123		123	1.0300	127		127
147	867000	164	1.0300	169		169	1.0300	174		174
148	870000 Dist-Oper Sup & Eng	7,173	1.0300	7,388		7,388	1.0300	7,610		7,610
149	871000 Dist Distr Load Dispatching	266,190	1.0300	274,176		274,176	1.0300	282,401		282,401
150	874000 Dist-Mains and Services Expense	901,321	1.0300	928,361		928,361	1.0300	956,211		956,211
151	875000 Measuring & Regulating Stations	268,555	1.0300	276,612		276,612	1.0300	284,910		284,910
152	877000 Meas&RegSta Eq-City Gt ChkSta	-	1.0300	-		-	1.0300	-		-
153	878000 Meter & House Reg Misc Charges	778,783	1.0300	802,146		802,146	1.0300	826,211		826,211
154	879000 Customer Installations Expense	203,678	1.0300	209,788		209,788	1.0300	216,082		216,082
155	880000 Dist-Other Expenses	3,896,410	1.0300	4,013,302		4,013,302	1.0300	4,133,701	208,000	4,341,701
156	881000 Rents	-	1.0300	-		-	1.0300	-		-
157	885000 Dist-Maint Sup & Eng	107	1.0300	110		110	1.0300	114		114
158	887000 Dist-Maint of Mains	587,080	1.0300	604,692		604,692	1.0300	622,833		622,833
159	889000 Dist-Maint of Meas & Reg Station	170,046	1.0300	175,147		175,147	1.0300	180,402		180,402
160	891000 Maint of Meas & Reg Gate Sta Equ	110,599	1.0300	113,917		113,917	1.0300	117,334		117,334
161	892000 Maintenance of Services	521,023	1.0300	536,654		536,654	1.0300	552,753		552,753
162	893000 Dist-Maint of Mtrs & House Reg	999,668	1.0300	1,029,658		1,029,658	1.0300	1,060,548		1,060,548
163	894000 Maintenance of Other Equipment	32,019	1.0300	32,980		32,980	1.0300	33,969		33,969
164	Distribution, Transmission, and Storage Expense	8,751,847		9,014,402	-	9,014,402		9,284,834	208,000	9,492,834
165										
166	901000 Customer Accounts Supervision	551,392	1.0300	567,934		567,934	1.0300	584,972		584,972
167	902000 Cust Acct-Meter Reading Expenses	1,277,776	1.0300	1,316,109		1,316,109	1.0300	1,355,593		1,355,593
168	903000 Cust Acct-Cust Records & Collections	906,531	1.0300	933,727		933,727	1.0300	961,739	50,000	1,011,739
169	904000 Cust Acct-Uncollectible Accounts	-	1.0300	-		-	1.0300	-		-
170	904010 Cust Acct - Disputed Bills	-	1.0300	-		-	1.0300	-		-
171	905000 Cust Acct-Misc Cust Accounts Exp	103,776	1.0300	106,889		106,889	1.0300	110,096		110,096
172	907000 Cust Serv-Supervision	-	1.0300	-		-	1.0300	-		-
173	908000 Cust Serv-Cust Assistance Exp	688,124	1.0300	708,768		708,768	1.0300	730,031		730,031
174	909000 Cust Serv-Info/Instr Advertising	(122)	1.0300	(126)		(126)	1.0300	(129)		(129)
175	910000 Cust Serv-Misc Cust Serv & Inf	-	1.0300	-		-	1.0300	-		-
176	912000 Sales-Demonstr & Selling Expense	-	1.0300	-		-	1.0300	-		-
177	Customer Accounts	3,527,477		3,633,301	-	3,633,301		3,742,300	50,000	3,792,300
178										
179	920000 A&G Admin & General Salaries									
180	920010 A&G Salaries-TEG Merger Costs	2,718,337	1.0300	2,799,887	(354,205)	2,445,682	1.0300	2,519,053	192,000	2,711,053
181	920015 A&G Salaries-Long Term Disab	-	1.0300	-		-	1.0300	-		-
182	920020 Restructuring Exp - Cororate	-	1.0300	-		-	1.0300	-		-
183	921000 A&G-Office Supplies and Expenses	318	1.0300	328		328	1.0300	337		337
184	921010 A&G Off Supp&Exp-TEG Merger Costs	-	1.0300	-		-	1.0300	-		-
185	923000 A&G-Outside Services Employed	-	1.0300	-		-	1.0300	-		-
186	A&G-Labor, Non-Labor, and Contractor	2,718,655		2,800,215	(354,205)	2,446,010		2,519,390	192,000	2,711,390
187										
188	924000 A&G Property Insurance	-	1.0300	-		-	1.0300	-		-
189	924100 Securities & Other Crime Insurance	-	1.0300	-		-	1.0300	-		-
190	924120 Property Insurance	-	1.0300	-		-	1.0300	-		-
191	925000 A&G-Injuries and Damages	-	1.0300	-		-	1.0300	-		-
192	925015 Insur Prem - Dishonesty	-	1.0300	-		-	1.0300	-		-
193	925100 Excess Liability	-	1.0300	-		-	1.0300	-		-
194	925110 Director & Officer Insurance	-	1.0300	-		-	1.0300	-		-
195	925130 Company Auto Liab Insurance	-	1.0300	-		-	1.0300	-		-
196	925160 Workers Comp Insurance	-	1.0300	-		-	1.0300	-		-
197	925165 Workers Comp Reserve	4,131	1.0300	4,255		4,255	1.0300	4,383		4,383
198	925170 Excess Workers Comp Insurance	-	1.0300	-		-	1.0300	-		-
199	Insurance	4,131		4,255	-	4,255		4,383	-	4,383
200										
201	926000 A&G-Employee Pensions and Bene	1,785,625	1.0300	1,839,194	559,949	2,399,143	1.0300	2,471,117	(147,215)	2,323,902
202	926007 Company Cash Match 401k	96,061	1.0300	98,943	(98,943)	(0)	1.0300	(0)		(0)
203	926015 A&G PensExp-TEG Merger Costs	-	1.0300	-		-	1.0300	-		-
204	926016 Commuter Transportation Benefit	-	1.0300	-		-	1.0300	-		-
205	926017	13,584	1.0300				1.0300			
206	926019	(262)	1.0300				1.0300			

207	926020 Time Away From Work	3,123,548	1.0300	3,217,254	(3,213,099)	4,155	1.0300	4,280	12	4,292
208	926025 Time Away From Work - Clearing	(1,921,069)	1.0300	(1,978,701)	1,978,701	(0)	1.0300	(0)		(0)
209	926026 IBS Billed NPT Residual	-	1.0300	-	-	-	1.0300	-		-
210	926050 Human Resources Dept Gen	17,138	1.0300	17,652	(17,652)	0	1.0300	0		0
211	926060 Pension Expense	3,139	1.0300	3,233	(3,233)	0	1.0300	0		0
212	926070 Christmas Gift Ck Exp-Retirees <D	-	1.0300	-	-	-	1.0300	-		-
213	926080 Dental Benefits-Active Empl	143,530	1.0300	147,836	(7,357)	140,479	1.0300	144,693	3,411	148,104
214	926090 Medical Benefits-Active Empl	1,515,063	1.0300	1,560,515	587,339	2,147,854	1.0300	2,212,290	88,752	2,301,042
215	926100 Benefits Exp-AWASSA Lodge	-	1.0300	-	-	-	1.0300	-		-
216	926120 Joint Plant A&G & NonUtil Ldg	(881,038)	1.0300	(907,469)	12,420	(895,049)	1.0300	(921,901)	26,852	(895,049)
217	926130 SIB/LTD Prem Exp	-	1.0300	-	-	-	1.0300	-		-
218	926135 Fully-Insured LTD Prem Exp	43,856	1.0300	45,172	54,009	99,181	1.0300	102,156	337	102,493
219	926140 ESOP	736,790	1.0300	758,894	(758,894)	(0)	1.0300	(0)		(0)
220	926170 Cap Pensions and Benefits	(647,900)	1.0300	(667,337)	95,427	(571,910)	1.0300	(589,067)	(13,716)	(602,783)
221	926180 Post Retirement Medical	493,715	1.0300	508,526	16,978	525,504	1.0300	541,270	11,760	553,030
222	926190 Goal Sharing	251,396	1.0300	258,938	(258,938)	(0)	1.0300	(0)		(0)
223	926191 IBS Billed Incentive Residual	-	1.0300	-	-	-	1.0300	-		-
224	926200 Empl Ben-Tuition Reimbursement	13,807	1.0300	14,221	1,679	15,900	1.0300	16,377	(477)	15,900
225	926210 Pension Restoration	811	1.0300	835	(835)	0	1.0300	0		0
226	926220 Supple Emp Ret Plan-SERP	23,574	1.0300	24,281	(24,281)	0	1.0300	0		0
227	926250 Company Prov Life Insurance	24,987	1.0300	25,737	6,895	32,632	1.0300	33,611	127	33,738
228	926260 Exec Def Comp-ESOP Match	-	1.0300	-	-	-	1.0300	-		-
229	926255 Defined Contribution Plan Exp	839,779	1.0300	864,972	52,720	917,692	1.0300	945,223	(254,172)	691,051
230	926300 IBS Billed Benefit - Payroll Tax	(140,386)	1.0300	(144,598)	144,598	0	1.0300	0		0
231	926305 Post Retirement Life	(4,481)	1.0300	(4,615)	4,615	(0)	1.0300	(0)		(0)
232	926315 LT Disability Benefit	-	1.0300	-	-	-	1.0300	-		-
233	926325 ST Disabil FASB 112	-	1.0300	-	-	-	1.0300	-		-
234	926330 Benefits-Wellness	-	1.0300	-	-	-	1.0300	-		-
235	926510 Profit Sharing Expense	-	1.0300	-	-	-	1.0300	-		-
236	Benefits	5,531,267		5,683,483	(867,902)	4,815,581		4,960,049	(284,329)	4,675,720
237										
238	92800F A&G-Related to FERC		1.0300	-	-	-	1.0300	-		-
239	928000 A&G-Regulatory Commission Exp	491,645	1.0300	506,394		506,394	1.0300	521,586		521,586
240	930100 A&G-General Advertising Exp		1.0300	-	-	-	1.0300	-		-
241	930200 A&G-Assoc & Club Dues & Exp	40,409	1.0300	41,621		41,621	1.0300	42,870		42,870
242	930204 Misc General Expense	87	1.0300	90		90	1.0300	92		92
243	930209 Payroll Taxes Credited		1.0300	-	-	-	1.0300	-		-
244	930210		1.0300	-	-	-	1.0300	-		-
245	930220 A&G-IBS Billed CC and Deprec		1.0300	-	-	-	1.0300	-		-
246	930240	1,099	1.0300	1,132		1,132	1.0300	1,166		1,166
247	930228		1.0300	-	-	-	1.0300	-		-
248	931000 A&G-Rents		1.0300	-	-	-	1.0300	-		-
249	931010 A&G - IBS Billed Facilities Overhead		1.0300	-	-	-	1.0300	-		-
250	935000 A&G-Maint of General Plant	51,312	1.0300	52,851		52,851	1.0300	54,437		54,437
251	999140	-	1.0300	-	-	-	1.0300	-		-
252	A&G Rents, Facilities, Carrying Costs, and Depreciation	584,552		602,089	-	602,089		620,151	-	620,151
253										
254	Non-Fuel O&M	21,715,498		22,353,241	(1,222,107)	21,131,134		21,765,068	165,671	21,930,739

Line No.		2016 Incentives Inflated	2018 Incentives	2018 less 2016 Incentives
255	735010 Liquid Gas Prod-MGP Post Cleanup			-
256	754000 Field Compressor Station			-
257	756000 Field Reg & Meas Station			-
258	Natural Gas Production	<u>-</u>	<u>-</u>	<u>-</u>
259				
260	804111 Gas Purch-Wages & Salaries		(147)	(147)
261	804120 Gas Purch Supplies & Expenses	24,241	20,880	(3,361)
262	804130 Misc Purchased Gas Expense			-
263	813000 Other Gas Supply Expenses	46,479	37,971	(8,508)
264	Gas Purchases	<u>70,720</u>	<u>58,704</u>	<u>(12,016)</u>
265				
266	824000 Gas Stor-Other Exp			-
267	825000 Storage Wells Royalties			-
268	850000 Gas Transm-Oper Sup & Eng	15	30	15
269	852000 Gas Transm-Communic Sys Exp			-
270	856000 Gas Transm-Mains Exp	504	715	211
271	857000 Gas Transm-Meas&Reg Station	14	28	14
272	863000 Gas Transm-Maint of Mains	51	88	37
273	865000 Gas Transm-Maint Meas&RegEquip	13	11	(2)
274	867000	8	15	7
275	870000 Dist-Oper Sup & Eng	856	664	(192)
276	871000 Dist Distr Load Dispatching	15,054	25,936	10,882
277	874000 Dist-Mains and Services Expense	46,980	88,241	41,261
278	875000 Measuring & Regulating Stations	15,930	26,228	10,298
279	877000 Meas&RegSta Eq-City Gt ChkSta	-		-
280	878000 Meter & House Reg Misc Charges	39,485	75,849	36,364
281	879000 Customer Installations Expense	10,288	20,010	9,722
282	880000 Dist-Other Expenses	303,642	388,648	85,006
283	881000 Rents	-		-
284	885000 Dist-Maint Sup & Eng	5	11	6
285	887000 Dist-Maint of Mains	31,642	57,581	25,939
286	889000 Dist-Maint of Meas & Reg Station	8,459	16,563	8,104
287	891000 Maint of Meas & Reg Gate Sta Equ	5,550	10,799	5,249
288	892000 Maintenance of Services	27,589	51,050	23,461
289	893000 Dist-Maint of Mtrs & House Reg	47,190	97,210	50,020
290	894000 Maintenance of Other Equipment	1,718	3,129	1,411
291	Distribution, Transmission, and Storage Expense	<u>554,993</u>	<u>862,806</u>	<u>307,813</u>
292				
293	901000 Customer Accounts Supervision	62,595	57,513	(5,082)
294	902000 Cust Acct-Meter Reading Expenses	65,734	125,731	59,997
295	903000 Cust Acct-Cust Records & Collections	91,350	105,907	14,557
296	904000 Cust Acct-Uncollectible Accounts			-
297	904010 Cust Acct - Disputed Bills			-
298	905000 Cust Acct-Misc Cust Accounts Exp	10,643	7,874	(2,769)
299	907000 Cust Serv-Supervision	-		-
300	908000 Cust Serv-Cust Assistance Exp	68,136	64,825	(3,311)
301	909000 Cust Serv-Info/Instr Advertising	-	(13)	(13)
302	910000 Cust Serv-Misc Cust Serv & Inf			-
303	912000 Sales-Demonstr & Selling Expense			-
304	Customer Accounts	<u>298,458</u>	<u>361,837</u>	<u>63,379</u>
305				
306	920000 A&G Admin & General Salaries	580,488	237,342	(343,146)
307	920010 A&G Salaries-TEG Merger Costs			-
308	920015 A&G Salaries-Long Term Disab			-
309	920020 Restructuring Exp - Cororate			-
310	921000 A&G-Office Supplies and Expenses			-
311	921010 A&G Off Supp&Exp-TEG Merger Costs			-
312	923000 A&G-Outside Services Employed			-
313	A&G-Labor, Non-Labor, and Contractor	<u>580,488</u>	<u>237,342</u>	<u>(343,146)</u>
314				
315	924000 A&G Property Insurance			-
316	924100 Securities & Other Crime Insurance			-
317	924120 Property Insurance			-
318	925000 A&G-Injuries and Damages			-
319	925015 Insur Prem - Dishonesty			-
320	925100 Excess Liability			-
321	925110 Director & Officer Insurance			-
322	925130 Company Auto Liab Insurance			-
323	925160 Workers Comp Insurance			-

324	925165 Workers Comp Reserve		429	429
325	925170 Excess Workers Comp Insurance			-
326	Insurance	<u>-</u>	<u>429</u>	<u>429</u>
327				
328	926000 A&G-Employee Pensions and Bene			-
329	926007 Company Cash Match 401k			-
330	926015 A&G PensExp-TEG Merger Costs			-
331	926016 Commuter Transportation Benefit			-
332	926017			-
333	926019			-
334	926020 Time Away From Work			-
335	926025 Time Away From Work - Clearing			-
336	926026 IBS Billed NPT Residual			-
337	926050 Human Resources Dept Gen			-
338	926060 Pension Expense			-
339	926070 Christmas Gift Ck Exp-Retirees <D			-
340	926080 Dental Benefits-Active Empl			-
341	926090 Medical Benefits-Active Empl			-
342	926100 Benefits Exp-AWASSA Lodge			-
343	926120 Joint Plant A&G & NonUtil Ldg			-
344	926130 SIB/LTD Prem Exp			-
345	926135 Fully-Insured LTD Prem Exp			-
346	926140 ESOP			-
347	926170 Cap Pensions and Benefits			-
348	926180 Post Retirement Medical			-
349	926190 Goal Sharing			-
350	926191 IBS Billed Incentive Residual			-
351	926200 Empl Ben-Tuition Reimbursement			-
352	926210 Pension Restoration			-
353	926220 Supple Emp Ret Plan-SERP			-
354	926250 Company Prov Life Insurance			-
355	926260 Exec Def Comp-ESOP Match			-
356	926255 Defined Contribution Plan Exp			-
357	926300 IBS Billed Benefit - Payroll Tax			-
358	926305 Post Retirement Life			-
359	926315 LT Disability Benefit			-
360	926325 ST Disabil FASB 112			-
361	926330 Benefits-Wellness			-
362	926510 Profit Sharing Expense			-
363	Benefits	<u>-</u>	<u>-</u>	<u>-</u>
364				
365	92800F A&G-Related to FERC			-
366	928000 A&G-Regulatory Commission Exp	65,076	46,689	(18,387)
367	930100 A&G-General Advertising Exp			-
368	930200 A&G-Assoc & Club Dues & Exp	8,202	1,492	(6,710)
369	930204 Misc General Expense		23	23
370	930209 Payroll Taxes Credited			-
371	930210			-
372	930220 A&G-IBS Billed CC and Deprec			-
373	930240			-
374	930228			-
375	931000 A&G-Rents			-
376	931010 A&G - IBS Billed Facilities Overhead			-
377	935000 A&G-Maint of General Plant	6,104	2,691	(3,413)
378	999140			-
379	A&G Rents, Facilities, Carrying Costs, and Depreciation	<u>79,382</u>	<u>50,895</u>	<u>(28,487)</u>
380				
381	Non-Fuel O&M	<u>1,584,041</u>	<u>1,572,013</u>	<u>(12,028)</u>

MERC_Non-Labor

Line No.	K&M Description	2016 Actual	2017 Inflation Rate	2017 Inflated	2017 K&M	2017 Inflated + K&M	2018 Inflation Rate	2018 Inflated	2018 K&M	2018 Inflated + K&M
382	735010 Liquid Gas Prod-MGP Post Cleanup	526,746	1.02401	539,393	18,349	557,742	1.02580	572,132	736,947	1,309,079
383	754000 Field Compressor Station	8,475	1.02401	8,678		8,678	1.02580	8,902		8,902
384	756000 Field Reg & Meas Station	84,361	1.02401	86,387		86,387	1.02580	88,615		88,615
385	Natural Gas Production	619,582		634,458	18,349	652,807		669,650	736,947	1,406,597
386										
387	804111 Gas Purch-Wages & Salaries	-	1.02401	-		-	1.02580	-		-
388	804120 Gas Purch Supplies & Expenses	69,444	1.02401	71,111		71,111	1.02580	72,946		72,946
389	804130 Misc Purchased Gas Expense	691	1.02401	708		708	1.02580	726		726
390	813000 Other Gas Supply Expenses	77,431	1.02401	79,290		79,290	1.02580	81,336		81,336
391	Gas Purchases	147,566		151,109	-	151,109		155,008	-	155,008
392										
393	824000 Gas Stor-Other Exp	-	1.02401	-		-	1.02580	-		-
394	825000 Storage Wells Royalties	-	1.02401	-		-	1.02580	-		-
395	850000 Gas Transm-Oper Sup & Eng	734	1.02401	752		752	1.02580	771		771
396	852000 Gas Transm-Communic Sys Exp	4,081	1.02401	4,179		4,179	1.02580	4,287		4,287
397	856000 Gas Transm-Mains Exp	503	1.02401	515		515	1.02580	528		528
398	857000 Gas Transm-Meas&Reg Station	4,968	1.02401	5,087		5,087	1.02580	5,219		5,219
399	863000 Gas Transm-Maint of Mains	27,341	1.02401	27,997		27,997	1.02580	28,720		28,720
400	865000 Gas Transm-Maint Meas&RegEquip	2,400	1.02401	2,458		2,458	1.02580	2,521		2,521
401	867000	1,745								
402	870000 Dist-Oper Sup & Eng	2,007	1.02401	2,055		2,055	1.02580	2,108		2,108
403	871000 Dist Distr Load Dispatching	47,825	1.02401	48,973		48,973	1.02580	50,237		50,237
404	874000 Dist-Mains and Services Expense	1,729,908	1.02401	1,771,443	(69,177)	1,702,266	1.02580	1,746,185		1,746,185
405	875000 Measuring & Regulating Stations	25,341	1.02401	25,949		25,949	1.02580	26,619		26,619
406	877000 Meas&RegSta Eq-City Gt ChkSta	-	1.02401	-		-	1.02580	-		-
407	878000 Meter & House Reg Misc Charges	714,146	1.02401	731,293		731,293	1.02580	750,160		750,160
408	879000 Customer Installations Expense	39,531	1.02401	40,480		40,480	1.02580	41,525		41,525
409	880000 Dist-Other Expenses	2,228,338	1.02401	2,281,840	(242,543)	2,039,297	1.02580	2,091,911	(122,985)	1,968,926
410	881000 Rents	15,064	1.02401	15,426		15,426	1.02580	15,824		15,824
411	885000 Dist-Maint Sup & Eng	19,011	1.02401	19,467		19,467	1.02580	19,970		19,970
412	887000 Dist-Maint of Mains	582,375	1.02401	596,358		596,358	1.02580	611,744		611,744
413	889000 Dist-Maint of Meas & Reg Station	483,950	1.02401	495,570		495,570	1.02580	508,355		508,355
414	891000 Maint of Meas & Reg Gate Sta Equ	73,395	1.02401	75,157		75,157	1.02580	77,096		77,096
415	892000 Maintenance of Services	297,803	1.02401	304,953		304,953	1.02580	312,821		312,821
416	893000 Dist-Maint of Mtrs & House Reg	602,046	1.02401	616,501		616,501	1.02580	632,407		632,407
417	894000 Maintenance of Other Equipment	10,305	1.02401	10,552		10,552	1.02580	10,825		10,825
418	Distribution, Transmission, and Storage Expense	6,912,817		7,077,007	(311,720)	6,765,287		6,939,831	(122,985)	6,816,846
419										
420	901000 Customer Accounts Supervision	608,654	1.02401	623,268		623,268	1.02580	639,348		639,348
421	902000 Cust Acct-Meter Reading Expenses	879,746	1.02401	900,869		900,869	1.02580	924,111		924,111
422	903000 Cust Acct-Cust Records & Collections	2,799,349	1.02401	2,866,561		2,866,561	1.02580	2,940,519		2,940,519
423	904000 Cust Acct-Uncollectible Accounts	2,042,064	1.02401	2,091,094		2,091,094	1.02580	2,145,044	(527,789)	1,617,255
424	904010 Cust Acct - Disputed Bills	33,291	1.02401	34,090		34,090	1.02580	34,970		34,970
425	905000 Cust Acct-Misc Cust Accounts Exp	482,599	1.02401	494,186		494,186	1.02580	506,936		506,936
426	907000 Cust Serv-Supervision	-	1.02401	-		-	1.02580	-		-
427	908000 Cust Serv-Cust Assistance Exp	231,534	1.02401	237,093		237,093	1.02580	243,210		243,210
428	909000 Cust Serv-Info/Instr Advertising	129,464	1.02401	132,572	(4,676)	127,896	1.02580	131,196		131,196
429	910000 Cust Serv-Misc Cust Serv & Inf	1,696	1.02401	1,737		1,737	1.02580	1,782		1,782
430	912000 Sales-Demonstr & Selling Expense	-	1.02401	-		-	1.02580	-		-
431	Customer Accounts	7,208,397		7,381,471	(4,676)	7,376,795		7,567,116	(527,789)	7,039,327
432										
433	920000 A&G Admin & General Salaries	391,188	1.02401	400,580		400,580	1.02580	410,915		410,915
434	920010 A&G Salaries-TEG Merger Costs	-	1.02401	-		-	1.02580	-		-
435	920015 A&G Salaries-Long Term Disab	-	1.02401	-		-	1.02580	-		-
436	920020 Restructuring Exp - Cororate	-	1.02401	-		-	1.02580	-		-
	921000 A&G-Office Supplies and Expenses									
437										
438	921010 A&G Off Supp&Exp-TEG Merger Costs	6,246,852	1.02401	6,396,839	(4,569,244)	1,827,595	1.02580	1,874,747	(122,569)	1,752,178
439	923000 A&G-Outside Services Employed	-	1.02401	-		-	1.02580	-		-
440	923000 A&G-Outside Services Employed	827,718	1.02401	847,592		847,592	1.02580	869,459		869,459
441	A&G-Labor, Non-Labor, and Contractor	7,465,758		7,645,011	(4,569,244)	3,075,767		3,155,122	(122,569)	3,032,553
442	924000 A&G Property Insurance	1,768	1.02401	1,810		1,810	1.02580	1,857		1,857
443	924100 Securities & Other Crime Insurance	3,434	1.02401	3,516		3,516	1.02580	3,607		3,607
444	924120 Property Insurance	31,004	1.02401	31,748		31,748	1.02580	32,568		32,568
445	925000 A&G-Injuries and Damages	1,256,926	1.02401	1,287,105		1,287,105	1.02580	1,320,312		1,320,312
446	925015 Insur Prem - Dishonesty	-	1.02401	-		-	1.02580	-		-
447	925100 Excess Liability	(280,726)	1.02401	(287,466)		(287,466)	1.02580	(294,883)		(294,883)
448	925110 Director & Officer Insurance	61,363	1.02401	62,836		62,836	1.02580	64,458		64,458
449	925130 Company Auto Liab Insurance	-	1.02401	-		-	1.02580	-		-

450	925160 Workers Comp Insurance	-	1.02401	-	-	1.02580	-	-
451	925165 Workers Comp Reserve	125,961	1.02401	128,985	128,985	1.02580	132,313	132,313
452	925170 Excess Workers Comp Insurance	9,538	1.02401	9,767	9,767	1.02580	10,019	10,019
453	Insurance	1,209,268		1,238,303	-	1,238,303	1,270,251	-
454								1,270,251
455	926000 A&G-Employee Pensions and Bene	-	1.02401	-	-	1.02580	-	-
456	926007 Company Cash Match 401k	-	1.02401	-	-	1.02580	-	-
457	926015 A&G PensExp-TEG Merger Costs	-	1.02401	-	-	1.02580	-	-
458	926016 Commuter Transportation Benefit	-	1.02401	-	-	1.02580	-	-
459	926017	-	1.02401	-	-	1.02580	-	-
460	926019	-	1.02401	-	-	1.02580	-	-
461	926020 Time Away From Work	-	1.02401	-	-	1.02580	-	-
462	926025 Time Away From Work - Clearing	-	1.02401	-	-	1.02580	-	-
463	926026 IBS Billed NPT Residual	-	1.02401	-	-	1.02580	-	-
464	926050 Human Resources Dept Gen	-	1.02401	-	-	1.02580	-	-
465	926060 Pension Expense	-	1.02401	-	-	1.02580	-	-
466	926070 Christmas Gift Ck Exp-Retirees <D	-	1.02401	-	-	1.02580	-	-
467	926080 Dental Benefits-Active Empl	-	1.02401	-	-	1.02580	-	-
468	926090 Medical Benefits-Active Empl	-	1.02401	-	-	1.02580	-	-
469	926100 Benefits Exp-AWASSA Lodge	-	1.02401	-	-	1.02580	-	-
470	926120 Joint Plant A&G & NonUtil Ldg	-	1.02401	-	-	1.02580	-	-
471	926130 SIB/LTD Prem Exp	-	1.02401	-	-	1.02580	-	-
472	926135 Fully-Insured LTD Prem Exp	-	1.02401	-	-	1.02580	-	-
473	926140 ESOP	-	1.02401	-	-	1.02580	-	-
474	926170 Cap Pensions and Benefits	-	1.02401	-	-	1.02580	-	-
475	926180 Post Retirement Medical	-	1.02401	-	-	1.02580	-	-
476	926190 Goal Sharing	-	1.02401	-	-	1.02580	-	-
477	926191 IBS Billed Incentive Residual	-	1.02401	-	-	1.02580	-	-
478	926200 Empl Ben-Tuition Reimbursement	-	1.02401	-	-	1.02580	-	-
479	926210 Pension Restoration	-	1.02401	-	-	1.02580	-	-
480	926220 Supple Emp Ret Plan-SERP	-	1.02401	-	-	1.02580	-	-
481	926250 Company Prov Life Insurance	-	1.02401	-	-	1.02580	-	-
482	926260 Exec Def Comp-ESOP Match	-	1.02401	-	-	1.02580	-	-
483	926255 Defined Contribution Plan Exp	-	1.02401	-	-	1.02580	-	-
484	926300 IBS Billed Benefit - Payroll Tax	-	1.02401	-	-	1.02580	-	-
485	926305 Post Retirement Life	-	1.02401	-	-	1.02580	-	-
486	926315 LT Disability Benefit	-	1.02401	-	-	1.02580	-	-
487	926325 ST Disabil FASB 112	-	1.02401	-	-	1.02580	-	-
488	926330 Benefits-Wellness	-	1.02401	-	-	1.02580	-	-
489	926510 Profit Sharing Expense	-	1.02401	-	-	1.02580	-	-
490	Benefits	-		-	-	-	-	-
491								
492	92800F A&G-Related to FERC	-	1.02401	-	-	1.02580	-	-
493	928000 A&G-Regulatory Commission Exp	73,987	1.02401	75,763	75,763	1.02580	77,718	77,718
494	930100 A&G-General Advertising Exp	219	1.02401	224	224	1.02580	230	230
495	930200 A&G-Assoc & Club Dues & Exp	373,449	1.02401	382,416	382,416	1.02580	392,282	392,282
496	930204 Misc General Expense	8,326	1.02401	8,526	8,526	1.02580	8,746	8,746
497	930209 Payroll Taxes Credited	-	1.02401	-	-	1.02580	-	-
498	930210	53,760	1.02401	55,051	55,051	1.02580	56,471	56,471
499	930220 A&G-IBS Billed CC and Deprec	3,176,829	1.02401	3,253,105	3,253,105	1.02580	3,337,035	3,337,035
500	930240	20,157	1.02401	20,641	20,641	1.02580	21,174	21,174
501	930228	50,646	1.02401	51,862	51,862	1.02580	53,200	53,200
502	931000 A&G-Rents	964,116	1.02401	987,264	987,264	1.02580	1,012,736	1,012,736
503	931010 A&G - IBS Billed Facilities Overhead	-	1.02401	-	-	1.02580	-	-
504	935000 A&G-Maint of General Plant	12,179	1.02401	12,471	12,471	1.02580	12,793	12,793
505	999140	-	1.02401	-	-	1.02580	-	-
506	A&G Rents, Facilities, Carrying Costs, and Depreciation	4,733,668		4,847,323	-	4,847,323	4,972,384	-
507								
508	Non-Fuel O&M	28,297,056		28,974,681	(4,867,291)	24,107,390	24,729,361	(36,396)
								24,692,965

MERC_Summary

Line No.	2016 Actual	2017 Inflated	2017 K&M	2017 Inflated + K&M	2018 Inflated	2018 K&M	2018 Incentive Adjustment	2018 Inflated + K&M
509	735010 Liquid Gas Prod-MGP Post Cleanup	526,746	539,393	18,349	557,742	572,132	736,947	1,309,079
510	754000 Field Compressor Station	8,475	8,678	-	8,678	8,902	-	8,902
511	756000 Field Reg & Meas Station	84,361	86,387	-	86,387	88,615	-	88,615
512	Natural Gas Production	619,582	634,458	18,349	652,807	669,650	736,947	1,406,597
513								
514	804111 Gas Purch-Wages & Salaries	(1,416)	(1,458)	-	(1,458)	(1,502)	-	(1,649)
515	804120 Gas Purch Supplies & Expenses	275,257	283,099	-	283,099	291,293	-	287,932
516	804130 Misc Purchased Gas Expense	691	708	-	708	726	-	726
517	813000 Other Gas Supply Expenses	470,603	484,257	-	484,257	498,452	-	489,944
518	Gas Purchases	745,135	766,605	-	766,605	788,969	(12,016)	776,953
519								
520	824000 Gas Stor-Other Exp	-	-	-	-	-	-	-
521	825000 Storage Wells Royalties	-	-	-	-	-	-	-
522	850000 Gas Transm-Oper Sup & Eng	1,928	1,977	-	1,977	2,028	15	2,043
523	852000 Gas Transm-Communic Sys Exp	4,081	4,179	-	4,179	4,287	-	4,287
524	856000 Gas Transm-Mains Exp	8,050	8,288	-	8,288	8,533	211	8,744
525	857000 Gas Transm-Meas&Reg Station	12,462	12,770	-	12,770	13,088	14	13,102
526	863000 Gas Transm-Maint of Mains	28,243	28,927	-	28,927	29,677	37	29,714
527	865000 Gas Transm-Maint Meas&RegEquip	2,416	2,475	-	2,475	2,539	(2)	2,537
528	867000	3,704	2,009	-	2,009	2,058	7	2,065
529	870000 Dist-Oper Sup & Eng	9,180	9,443	-	9,443	9,718	(192)	9,526
530	871000 Dist Distr Load Dispatching	314,015	323,149	-	323,149	332,638	10,882	343,520
531	874000 Dist-Mains and Services Expense	3,129,673	3,210,709	(69,177)	3,141,532	3,225,563	41,261	3,266,824
532	875000 Measuring & Regulating Stations	309,450	318,504	-	318,504	327,854	10,298	338,152
533	877000 Meas&RegSta Eq-City Gt ChkSta	-	-	-	-	-	-	-
534	878000 Meter & House Reg Misc Charges	1,712,841	1,758,849	-	1,758,849	1,807,191	36,364	1,843,555
535	879000 Customer Installations Expense	336,384	345,773	-	345,773	355,403	9,722	365,125
536	880000 Dist-Other Expenses	6,835,235	7,023,392	(242,543)	6,780,849	6,971,340	129,178	7,185,524
537	881000 Rents	15,064	15,426	-	15,426	15,824	-	15,824
538	885000 Dist-Maint Sup & Eng	19,118	19,578	-	19,578	20,083	6	20,089
539	887000 Dist-Maint of Mains	1,224,097	1,257,058	-	1,257,058	1,291,929	25,939	1,317,868
540	889000 Dist-Maint of Meas & Reg Station	679,950	697,320	-	697,320	715,998	8,104	724,102
541	891000 Maint of Meas & Reg Gate Sta Equ	236,425	242,816	-	242,816	249,462	5,249	254,711
542	892000 Maintenance of Services	888,347	912,866	-	912,866	938,544	23,461	962,005
543	893000 Dist-Maint of Mtrs & House Reg	1,842,045	1,892,498	-	1,892,498	1,945,206	50,020	1,995,226
544	894000 Maintenance of Other Equipment	65,619	67,409	-	67,409	69,244	1,411	70,655
545	Distribution, Transmission, and Storage Expense	17,678,327	18,155,414	(311,720)	17,843,694	18,338,206	129,178	307,813
546								
547	901000 Customer Accounts Supervision	1,160,046	1,191,202	-	1,191,202	1,224,320	(5,082)	1,219,238
548	902000 Cust Acct-Meter Reading Expenses	2,628,054	2,699,273	-	2,699,273	2,773,574	59,997	2,833,571
549	903000 Cust Acct-Cust Records & Collections	3,762,931	3,858,766	-	3,858,766	3,962,138	14,557	4,026,695
550	904000 Cust Acct-Uncollectible Accounts	2,042,064	2,091,094	-	2,091,094	2,145,044	(527,789)	1,617,255
551	904010 Cust Acct - Disputed Bills	33,291	34,090	-	34,090	34,970	-	34,970
552	905000 Cust Acct-Misc Cust Accounts Exp	586,375	601,075	-	601,075	617,032	(2,769)	614,263
553	907000 Cust Serv-Supervision	-	-	-	-	-	-	-
554	908000 Cust Serv-Cust Assistance Exp	973,495	1,001,044	-	1,001,044	1,029,748	(3,311)	1,026,437
555	909000 Cust Serv-Info/Instr Advertising	129,342	132,447	(4,676)	127,771	131,067	(13)	131,054
556	910000 Cust Serv-Misc Cust Serv & Inf	1,696	1,737	-	1,737	1,782	-	1,782
557	912000 Sales-Demonstr & Selling Expense	-	-	-	-	-	-	-
558	Customer Accounts	11,317,294	11,610,727	(4,676)	11,606,051	11,919,675	(477,789)	63,379
559								
560	920000 A&G Admin & General Salaries	3,109,525	3,200,468	(354,205)	2,846,263	2,929,968	192,000	2,778,822
561	920010 A&G Salaries-TEG Merger Costs	-	-	-	-	-	-	-
562	920015 A&G Salaries-Long Term Disab	-	-	-	-	-	-	-
563	920020 Restructuring Exp - Cororate	-	-	-	-	-	-	-
564	921000 A&G-Office Supplies and Expenses	6,247,170	6,397,166	(4,569,244)	1,827,922	1,875,084	(122,569)	1,752,515
565	921010 A&G Off Supp&Exp-TEG Merger Costs	-	-	-	-	-	-	-
566	923000 A&G-Outside Services Employed	827,718	847,592	-	847,592	869,459	-	869,459
567	A&G-Labor, Non-Labor, and Contractor	10,184,413	10,445,225	(4,923,449)	5,521,776	5,674,512	69,431	(343,146)
568								
569	924000 A&G Property Insurance	1,768	1,810	-	1,810	1,857	-	1,857
570	924100 Securities & Other Crime Insurance	3,434	3,516	-	3,516	3,607	-	3,607
571	924120 Property Insurance	31,004	31,748	-	31,748	32,568	-	32,568
572	925000 A&G-Injuries and Damages	1,256,926	1,287,105	-	1,287,105	1,320,312	-	1,320,312
573	925015 Insur Prem - Dishonesty	-	-	-	-	-	-	-
574	925100 Excess Liability	(280,726)	(287,466)	-	(287,466)	(294,883)	-	(294,883)
575	925110 Director & Officer Insurance	61,363	62,836	-	62,836	64,458	-	64,458
576	925130 Company Auto Liab Insurance	-	-	-	-	-	-	-
577	925160 Workers Comp Insurance	-	-	-	-	-	-	-
578	925165 Workers Comp Reserve	130,092	133,240	-	133,240	136,696	429	137,125
579	925170 Excess Workers Comp Insurance	9,538	9,767	-	9,767	10,019	-	10,019
580	Insurance	1,213,399	1,242,557	-	1,242,557	1,274,633	429	1,275,062
581								
582	926000 A&G-Employee Pensions and Bene	1,785,625	1,839,194	559,949	2,399,143	2,471,117	(147,215)	2,323,902
583	926007 Company Cash Match 401k	96,061	98,943	(98,943)	(0)	(0)	-	(0)
584	926015 A&G PensExp-TEG Merger Costs	-	-	-	-	-	-	-

Line No.	2016 Actual	2017 Inflated	2017 K&M	2017 Inflated + K&M	2018 Inflated	2018 K&M	2018 Incentive Adjustment	2018 Inflated + K&M
585	926016 Commuter Transportation Benefit	-	-	-	-	-	-	-
586	926017	13,584	-	-	-	-	-	-
587	926019	(262)	-	-	-	-	-	-
588	926020 Time Away From Work	3,482,598	3,585,281	(3,581,125)	4,156	4,280	12	4,292
589	926025 Time Away From Work - Clearing	(2,330,210)	(2,398,071)	2,398,071	0	0	-	0
590	926026 IBS Billed NPT Residual	-	-	-	-	-	-	-
591	926050 Human Resources Dept Gen	17,138	17,652	(17,652)	0	0	-	0
592	926060 Pension Expense	3,139	3,233	(3,233)	0	0	-	0
593	926070 Christmas Gift Ck Exp-Retirees <D	-	-	-	-	-	-	-
594	926080 Dental Benefits-Active Empl	143,530	147,836	(7,357)	140,479	144,693	3,411	148,104
595	926090 Medical Benefits-Active Empl	1,515,063	1,560,515	587,339	2,147,854	2,212,290	88,752	2,301,042
596	926100 Benefits Exp-AWASSA Lodge	-	-	-	-	-	-	-
597	926120 Joint Plant A&G & NonUtil Ldg	(881,038)	(907,469)	12,420	(895,049)	(921,901)	26,852	(895,049)
598	926130 SIB/LTD Prem Exp	-	-	-	-	-	-	-
599	926135 Fully-Insured LTD Prem Exp	43,856	45,172	54,009	99,181	102,156	337	102,493
600	926140 ESOP	736,790	758,894	(758,894)	(0)	(0)	-	(0)
601	926170 Cap Pensions and Benefits	(647,900)	(667,337)	95,427	(571,910)	(589,067)	(13,716)	(602,783)
602	926180 Post Retirement Medical	493,715	508,526	16,978	525,504	541,270	11,760	553,030
603	926190 Goal Sharing	251,396	258,938	(258,938)	(0)	(0)	-	(0)
604	926191 IBS Billed Incentive Residual	-	-	-	-	-	-	-
605	926200 Empl Ben-Tuition Reimbursement	13,807	14,221	1,679	15,900	16,377	(477)	15,900
606	926210 Pension Restoration	811	835	(835)	0	0	-	0
607	926220 Supple Emp Ret Plan-SERP	23,574	24,281	(24,281)	0	0	-	0
608	926250 Company Prov Life Insurance	24,987	25,737	6,895	32,632	33,611	127	33,738
609	926260 Exec Def Comp-ESOP Match	-	-	-	-	-	-	-
610	926255 Defined Contribution Plan Exp	839,779	864,972	52,720	917,692	945,223	(254,172)	691,051
611	926300 IBS Billed Benefit - Payroll Tax	(140,386)	(144,598)	144,598	0	0	-	0
612	926305 Post Retirement Life	(4,481)	(4,615)	4,615	(0)	(0)	-	(0)
613	926315 LT Disability Benefit	-	-	-	-	-	-	-
614	926325 ST Disabil FASB 112	-	-	-	-	-	-	-
615	926330 Benefits-Wellness	-	-	-	-	-	-	-
616	926510 Profit Sharing Expense	-	-	-	-	-	-	-
617	Benefits	5,481,176	5,632,140	(816,558)	4,815,582	4,960,050	(284,329)	4,675,721
618								
619	92800F A&G-Related to FERC	-	-	-	-	-	-	-
620	928000 A&G-Regulatory Commission Exp	565,632	582,158	-	582,158	599,304	(18,387)	580,917
621	930100 A&G-General Advertising Exp	219	224	-	224	230	-	230
622	930200 A&G-Assoc & Club Dues & Exp	413,858	424,037	-	424,037	435,152	(6,710)	428,442
623	930204 Misc General Expense	8,413	8,616	-	8,616	8,838	23	8,861
624	930209 Payroll Taxes Credited	-	-	-	-	-	-	-
625	930210	53,760	55,051	-	55,051	56,471	-	56,471
626	930220 A&G-IBS Billed CC and Deprec	3,176,829	3,253,105	-	3,253,105	3,337,035	-	3,337,035
627	930240	21,256	21,773	-	21,773	22,339	-	22,339
628	930228	50,646	51,862	-	51,862	53,200	-	53,200
629	931000 A&G-Rents	964,116	987,264	-	987,264	1,012,736	-	1,012,736
630	931010 A&G - IBS Billed Facilities Overhead	-	-	-	-	-	-	-
631	935000 A&G-Maint of General Plant	63,491	65,323	-	65,323	67,230	(3,413)	63,817
632	999140	-	-	-	-	-	-	-
633	A&G Rents, Facilities, Carrying Costs, and Depreciation	5,318,220	5,449,412	-	5,449,412	5,592,536	(28,487)	5,564,049
634								
635	Non-Fuel O&M	52,557,546	53,936,539	(6,038,054)	47,898,485	49,218,229	173,438	49,379,639

2016 Rate Case Approved Non-Fuel O&M 49,843,594
 Increase/(Decrease) (463,955)
 Percentage Annual Increase -0.47%

1,378,993 1,319,744 (3,177,907)
 (3,177,907)

Salaries and Wage Allocator

	2017	2018
735010 Liquid Gas Prod-MGP Post Cleanup	-	-
754000 Field Compressor Station	-	-
756000 Field Reg & Meas Station	-	-
Natural Gas Production	-	-
804111 Gas Purch-Wages & Salaries	(1,458)	(1,649)
804120 Gas Purch Supplies & Expenses	211,987	214,986
804130 Misc Purchased Gas Expense	-	-
813000 Other Gas Supply Expenses	404,967	408,608
Gas Purchases	615,496	621,945
824000 Gas Stor-Other Exp	-	-
825000 Storage Wells Royalties	-	-
850000 Gas Transm-Oper Sup & Eng	1,225	1,272
852000 Gas Transm-Communic Sys Exp	-	-
856000 Gas Transm-Mains Exp	7,773	8,216
857000 Gas Transm-Meas&Reg Station	7,683	7,883
863000 Gas Transm-Maint of Mains	929	994
865000 Gas Transm-Maint Meas&RegEquip	17	16
867000	2,009	2,065
870000 Dist-Oper Sup & Eng	7,388	7,418
871000 Dist Distr Load Dispatching	274,176	293,283
874000 Dist-Mains and Services Expense	1,439,266	1,520,639
875000 Measuring & Regulating Stations	292,555	311,533
877000 Meas&RegSta Eq-City Gt ChkSta	-	-
878000 Meter & House Reg Misc Charges	1,027,556	1,093,395
879000 Customer Installations Expense	305,293	323,600
880000 Dist-Other Expenses	4,741,551	5,216,598
881000 Rents	-	-
885000 Dist-Maint Sup & Eng	110	120
887000 Dist-Maint of Mains	660,700	706,124
889000 Dist-Maint of Meas & Reg Station	201,750	215,747
891000 Maint of Meas & Reg Gate Sta Equ	167,659	177,615
892000 Maintenance of Services	607,913	649,184
893000 Dist-Maint of Mtrs & House Reg	1,275,997	1,362,819
894000 Maintenance of Other Equipment	56,857	59,830
Distribution, Transmission, and Storage Expense	11,078,407	11,958,351
901000 Customer Accounts Supervision	567,934	579,890
902000 Cust Acct-Meter Reading Expenses	1,798,405	1,909,460
903000 Cust Acct-Cust Records & Collections	992,204	1,086,176
904000 Cust Acct-Uncollectible Accounts	-	-
904010 Cust Acct - Disputed Bills	-	-
905000 Cust Acct-Misc Cust Accounts Exp	106,889	107,327
907000 Cust Serv-Supervision	-	-
908000 Cust Serv-Cust Assistance Exp	763,951	783,227
909000 Cust Serv-Info/Instr Advertising	(126)	(142)
910000 Cust Serv-Misc Cust Serv & Inf	-	-
912000 Sales-Demonstr & Selling Expense	-	-
Customer Accounts	4,229,257	4,465,938

920000 A&G Admin & General Salaries	2,445,682	2,367,907
920010 A&G Salaries-TEG Merger Costs	-	-
920015 A&G Salaries-Long Term Disab	-	-
920020 Restructuring Exp - Cororate	-	-
921000 A&G-Office Supplies and Expenses	328	337
921010 A&G Off Supp&Exp-TEG Merger Costs	-	-
923000 A&G-Outside Services Employed	-	-
A&G-Labor, Non-Labor, and Contractor	2,446,010	2,368,244
924000 A&G Property Insurance	-	-
924100 Securities & Other Crime Insurance	-	-
924120 Property Insurance	-	-
925000 A&G-Injuries and Damages	-	-
925015 Insur Prem - Dishonesty	-	-
925100 Excess Liability	-	-
925110 Director & Officer Insurance	-	-
925130 Company Auto Liab Insurance	-	-
925160 Workers Comp Insurance	-	-
925165 Workers Comp Reserve	4,255	4,812
925170 Excess Workers Comp Insurance	-	-
Insurance	4,255	4,812
926000 A&G-Employee Pensions and Bene	2,399,143	2,323,902
926007 Company Cash Match 401k	(0)	(0)
926015 A&G PensExp-TEG Merger Costs	-	-
926016 Commuter Transportation Benefit	-	-
926017	-	-
926019	-	-
926020 Time Away From Work	4,156	4,292
926025 Time Away From Work - Clearing	0	0
926026 IBS Billed NPT Residual	-	-
926050 Human Resources Dept Gen	0	0
926060 Pension Expense	0	0
926070 Christmas Gift Ck Exp-Retirees <D	-	-
926080 Dental Benefits-Active Empl	140,479	148,104
926090 Medical Benefits-Active Empl	2,147,854	2,301,042
926100 Benefits Exp-AWASSA Lodge	-	-
926120 Joint Plant A&G & NonUtil Ldg	(895,049)	(895,049)
926130 SIB/LTD Prem Exp	-	-
926135 Fully-Insured LTD Prem Exp	99,181	102,493
926140 ESOP	(0)	(0)
926170 Cap Pensions and Benefits	(571,910)	(602,783)
926180 Post Retirement Medical	525,504	553,030
926190 Goal Sharing	(0)	(0)
926191 IBS Billed Incentive Residual	-	-
926200 Empl Ben-Tuition Reimbursement	15,900	15,900
926210 Pension Restoration	0	0
926220 Supple Emp Ret Plan-SERP	0	0
926250 Company Prov Life Insurance	32,632	33,738
926260 Exec Def Comp-ESOP Match	-	-
926255 Defined Contribution Plan Exp	917,692	691,051
926300 IBS Billed Benefit - Payroll Tax	0	0
926305 Post Retirement Life	(0)	(0)
926315 LT Disability Benefit	-	-
926325 ST Disabil FASB 112	-	-

926330 Benefits-Wellness	-	-
926510 Profit Sharing Expense	-	-
Benefits	4,815,582	4,675,721
92800F A&G-Related to FERC	-	-
928000 A&G-Regulatory Commission Exp	506,394	503,199
930100 A&G-General Advertising Exp	-	-
930200 A&G-Assoc & Club Dues & Exp	41,621	36,160
930204 Misc General Expense	90	115
930209 Payroll Taxes Credited	-	-
930210	-	-
930220 A&G-IBS Billed CC and Deprec	-	-
930240	1,132	1,166
930228	-	-
931000 A&G-Rents	-	-
931010 A&G - IBS Billed Facilities Overhead	-	-
935000 A&G-Maint of General Plant	52,851	51,024
999140	-	-
A&G Rents, Facilities, Carrying Costs, and Depreciation	602,089	591,664
 Non-Fuel O&M	 23,791,095	 24,686,674

**Minnesota Energy Resources Corporation
Estimate of Inflation for 2017 and 2018**

<u>Line</u>	<u>Source</u>	<u>Date</u>	<u>2017</u>	<u>2018</u>
1	Moody's	December 8, 2016	2.680%	2.910%
2	Philadelphia Fed	February 10, 2017	2.200%	2.300%
3	Moore Inflation Predictor	February, 2017	2.363%	N/A
4	EIA	March, 2017	2.460%	2.510%
5	International Monetary Fund	October, 2016	2.300%	2.600%
6	MERC Estimate (Simple Average)		2.401%	2.580%
7	Cumulative Impact from 2016 to 2018			5.04%

MANUFACTURED GAS PLANT SITE CLEAN-UP

Description	Amount
2015 & 2016 Forecasted FMGP approved in Docket 15-736	\$ 186,147
Actual 2015 & 2016 FMGP spend	<u>\$ 157,830</u>
Actual less Forecast	<u>\$ (28,317)</u>
Projected 2017 FMGP	\$ 285,000
Projected 2018 FMGP	\$ 3,500,000
Net Regulatory Asset	<u>\$ 3,756,683</u>
Regulatory Asset Amortized over 5 years.	<u><u>\$ 751,337</u></u>

**Minnesota Energy Resources Corporation
MERC Additional Hires
Known and Measurable Adjustment
Multiple Accounts**

<u>Line</u>			<u>Union Labor</u>	<u>Non_Union Labor</u>
1	2016 Costs		\$ -	\$ -
2	2017 Inflation Rate		2.500%	3.000%
3	2017 Costs Inflated	Line 1 * Line 2	\$ -	\$ -
4	2017 Known and Measurable		\$ -	\$ -
5	2017 Costs	Line 3 + Line 4	\$ -	\$ -
6	2018 Inflation Rate		2.400%	3.000%
7	2018 Costs Inflated	Line 5 * Line 6	\$ -	\$ -
8	2018 Known and Measurable		\$ 44,163	\$ 450,000
9	2018 Costs	Line 7 + Line 8	\$ 44,163	\$ 450,000
10	Total Known and Measurable	Line 4 + Line 8	<u>\$ 44,163</u>	<u>\$ 450,000</u>

<u>Position</u>	<u>Exempt Non-Exempt</u>	<u>2018 Total Wage</u>	<u>2018 Capital</u>	<u>Service Choice</u>	<u>2018 K&M O&M</u>	<u>FERC Acct.</u>	<u>Headcount Change 2018</u>
[TRADE SECRET DATA BEGINS...							
Svr Tech Class 5-IBEW (MERC) On Board - Esko	Union	\$ [REDACTED]	[REDACTED]	[REDACTED]	\$ [REDACTED]	880000	1
Service Tech III	Non Union	\$ [REDACTED]	[REDACTED]	[REDACTED]	\$ [REDACTED]	880000	2
2 Ops Clerks	Non Union	\$ [REDACTED]	[REDACTED]	[REDACTED]	\$ [REDACTED]	880000	2
Project Specialist 2 Regulatory	Exempt	\$ [REDACTED]	[REDACTED]	[REDACTED]	\$ [REDACTED]	920000	1
Project Manager	Exempt	\$ [REDACTED]	[REDACTED]	[REDACTED]	\$ [REDACTED]	880000	1
Marketing Competitive Markets	Exempt	\$ [REDACTED]	[REDACTED]	[REDACTED]	\$ [REDACTED]	920000	2
Supervisor - Specialty Techs	Exempt	\$ [REDACTED]	[REDACTED]	[REDACTED]	\$ [REDACTED]	880000	1
Customer Care Specialist	Non Union	\$ [REDACTED]	[REDACTED]	[REDACTED]	\$ [REDACTED]	903000	1
Total		<u>\$ [REDACTED]</u>			<u>\$ [REDACTED]</u>		<u>11</u>

...TRADE SECRET DATA ENDS]

Minnesota Energy Resources Corporation
ICE
Known and Measurable Adjustment
Account 921

<u>Line</u>		<u>Labor</u>	<u>Non-Labor</u>
1	2016 Costs	\$ -	\$ 3,249,784
2	2017 Inflation Rate	3.000%	2.401%
3	2017 Costs Inflated	Line 1 * Line 2 \$ -	\$ 3,327,811
4	2017 Known and Measurable		\$ (3,327,811)
5	2017 Costs	Line 3 + Line 4 \$ -	\$ 0
6	2018 Inflation Rate	3.000%	2.580%
7	2018 Costs Inflated	Line 5 * Line 6 \$ -	\$ 0
8	2018 Known and Measurable	\$ -	\$ (0)
9	2018 Costs	Line 7 + Line 8 \$ -	\$ -
10	Total Known and Measurable	<u>\$ -</u>	<u>\$ (3,327,811)</u>

PUBLIC DOCUMENT - TRADE SECRET DATA EXCISED

Line No.	Benefit Description	FERC	2016 Actual \$	2017 Forecast \$	2018 Forecast \$	2016-2018 Incr(Decr) \$
1						
2	COSTS NOT INCLUDED FOR RECOVERY					
3	NonQualified Pension Plan	926000	16,249	16,246	15,669	(580)
4	NonQualified Pension Plan- NOT REQUESTED FOR RECOVERY	926000		(16,246)	(15,669)	(15,669)
5	Benefits Billed from Affiliates	926000			518,431	518,431
6	Benefits Billed from Affiliates- NOT REQUESTED FOR RECOVERY	926000			(518,431)	(518,431)
7	Goal Sharing	926190	251,396	(979,310)	(1,006,159)	(1,257,555)
8	Goal Sharing- NOT REQUESTED FOR RECOVERY	926190		979,310	1,006,159	1,006,159
9	Miscellaneous Executive Benefits	926220	23,342	509,535	609,700	586,358
10	Miscellaneous Executive Benefits- NOT REQUESTED FOR RECOVERY	926220		(509,535)	(609,700)	(609,700)
11			290,987	-	-	(290,987)
12						
13	ACTUARILY CALCULATED COSTS					
14	Post Retirement-Admin Health Plan	926180	178,309	196,673	218,895	40,586
15	Post Retirement-Non-Admin Health Plan	926180	39,914	44,302	49,860	9,946
16	Post Retirement Life	926180	(5,574)	(5,641)	(5,895)	(321)
17	Qualified Pension Settlement	926000	-	56,744	53,209	53,209
18	Qualified Pension Plan	926555	(1,007,929)	(990,184)	(1,306,226)	(298,297)
19			(795,280)	(698,106)	(990,157)	(194,877)
20						
21	APPROVED AMORTIZATIONS					
22	Post Retirement Amortization (M-15-992)	926180	176,602	176,602	176,602	-
23	Post Retirement Amortization (M-06-1287)	926180	113,568	113,568	113,568	-
24	Qualified Pension Amortization (M-15-992)	926000	536,845	536,845	536,845	-
25	Qualified Pension Amortization (M-06-1287)	926000	474,223	474,223	474,223	-
26	NonQualified Pension Amortization (M-06-1287)	926000	7,874	7,874	7,874	-
27			1,309,112	1,309,112	1,309,112	-
28						
29	MEDICAL AND DENTAL					
30	Medical	926090	\$ 1,779,703	\$ 2,147,854	\$ 2,301,042	\$ 521,339
31	Dental	926080	143,530	140,479	148,104	4,574
32			\$ 1,923,233	\$ 2,288,333	\$ 2,449,146	\$ 525,913
33						
34	DEFINED CONTRIBUTION PLAN					
35	Defined Contribution Plan	926555	1,672,631	1,907,876	1,997,277	324,646
36			1,672,631	1,907,876	1,997,277	324,646
37						
38	LIFE AND LONG TERM DISABILITY INSURANCE					
39	Life Insurance	926250	24,987	32,632	33,738	8,751
40	Long-Term Disability Insurance	926135	43,856	99,181	102,493	58,637
41			68,843	131,813	136,231	67,388
42						
43	OTHER					
44	Benefits Billed from Affiliates	926000	1,356,398	1,322,418	1,250,684	(105,714)
45	Benefits Billed to Affiliates (MERC non-utility)	926120	(881,038)	(895,049)	(895,049)	(14,011)
46	Tuition Reimbursement	926200	13,807	15,900	15,900	2,093
47	Capitalized Benefits	926170	(647,900)	(571,910)	(602,783)	45,117
48	HR general	926000	17,996	1,039	1,067	(16,929)
49	NonProductive Time	926020 & 926025	1,152,388	4,155	4,292	(1,148,096)
50			1,011,651	(123,447)	(225,889)	(1,237,540)
51						
52						
53	Total		\$ 5,481,177	\$ 4,815,581	\$ 4,675,720	\$ (805,457)

Minnesota Energy & Resources Company
 2016 Annual Incentive Plan Information
 Executive and Non Executive Plans

Executives'
 Annual Incentive
 Plan

Non Executives' Annual Incentive Plan

Account	WBS Amounts Allocated to MERC	RTs 670 & 671 - Non Union Wage & Hourly and Exempt	RTs 672 & 673 - Non Union Wage & Hourly and Exempt	726 - Annual Incentive Plan True Up	WEPCO & WPS Amounts Billed to MERC	WBS Amounts Allocated to MERC	2016 Actuals	2018 Incentive Inflated
804120						\$ 23,050	\$ 23,050	\$ 24,241
813000					\$ 3	\$ 44,193	\$ 44,196	\$ 46,479
850000			\$ 14		\$ -		\$ 14	\$ 15
856000			\$ 479		\$ -		\$ 479	\$ 504
857000			\$ 14		\$ -		\$ 14	\$ 14
863000			\$ 49		\$ -		\$ 49	\$ 51
865000			\$ 13		\$ -		\$ 13	\$ 13
867000			\$ 7		\$ -		\$ 7	\$ 8
870000			\$ -		\$ 253	\$ 561	\$ 814	\$ 856
871000						\$ 14,314	\$ 14,314	\$ 15,054
874000			\$ 44,673		\$ -		\$ 44,673	\$ 46,980
875000			\$ 15,148		\$ -		\$ 15,148	\$ 15,930
878000			\$ 37,546		\$ -		\$ 37,546	\$ 39,485
879000			\$ 9,783		\$ -		\$ 9,783	\$ 10,288
880000			\$ 277,408		\$ 6,569	\$ 4,752	\$ 288,729	\$ 303,642
885000			\$ 5		\$ -		\$ 5	\$ 5
887000			\$ 30,088		\$ -		\$ 30,088	\$ 31,642
889000			\$ 8,043		\$ -		\$ 8,043	\$ 8,459
891000			\$ 5,277		\$ -		\$ 5,277	\$ 5,550
892000			\$ 26,234		\$ -		\$ 26,234	\$ 27,589
893000			\$ 44,873		\$ -		\$ 44,873	\$ 47,190
894000			\$ 1,633		\$ -		\$ 1,633	\$ 1,718
901000						\$ 59,521	\$ 59,521	\$ 62,595
902000			\$ 59,049		\$ -	\$ 3,456	\$ 62,506	\$ 65,734
903000			\$ 4,995		\$ 9,388	\$ 72,481	\$ 86,863	\$ 91,350
905000						\$ 10,121	\$ 10,121	\$ 10,643
908000			\$ 62,518		\$ -	\$ 2,272	\$ 64,789	\$ 68,136
920000	\$ 231,105	\$ 14,917			\$ 1,059	\$ 304,898	\$ 551,979	\$ 580,488
928000	\$ 6,379					\$ 55,501	\$ 61,880	\$ 65,076
930200	\$ 4,744					\$ 3,054	\$ 7,799	\$ 8,202
935000	\$ 62					\$ 5,742	\$ 5,804	\$ 6,104
926190	\$ -	\$ 1,168,464	\$ (907,195)	\$ (9,873)	\$ -		\$ 251,396	\$ 264,381
Total	\$ 242,290	\$ 1,168,464	\$ (264,430)	\$ (9,873)	\$ 17,271	\$ 603,917	\$ 1,757,639	\$ 1,848,421

Minnesota Energy Resources Corporation
 2018 Annual Incentive Plan Information
 Executive and Non Executive Plans

Account	2016		2018 Inflated		Labor Adjustments	Total Base Labor	Incentive Target %	2018 Inflated		Total Incentive
	Non-Union & Exempt Base Labor	Non-Union & Exempt Base Labor	Non-Union & Exempt Base Labor	Non-Union & Exempt Base Labor				Exempt Incentive	Executive Incentive	
804111	\$ (1,416)	\$ (1,502)				\$ (1,502)	9.79%	\$ (147)		\$ (147)
804120	\$ 201,037	\$ 213,280				\$ 213,280	9.79%	\$ 20,880		\$ 20,880
804130		\$ -				\$ -	9.79%	\$ -		\$ -
813000	\$ 365,592	\$ 387,857				\$ 387,857	9.79%	\$ 37,971		\$ 37,971
850000	\$ 285	\$ 302				\$ 302	9.79%	\$ 30		\$ 30
856000	\$ 6,885	\$ 7,304				\$ 7,304	9.79%	\$ 715		\$ 715
857000	\$ 274	\$ 291				\$ 291	9.79%	\$ 28		\$ 28
863000	\$ 852	\$ 904				\$ 904	9.79%	\$ 88		\$ 88
865000	\$ 107	\$ 114				\$ 114	9.79%	\$ 11		\$ 11
867000	\$ 148	\$ 157				\$ 157	9.79%	\$ 15		\$ 15
870000	\$ 6,390	\$ 6,779				\$ 6,779	9.79%	\$ 664		\$ 664
871000	\$ 249,719	\$ 264,927				\$ 264,927	9.79%	\$ 25,936		\$ 25,936
874000	\$ 849,597	\$ 901,337				\$ 901,337	9.79%	\$ 88,241		\$ 88,241
875000	\$ 252,528	\$ 267,907				\$ 267,907	9.79%	\$ 26,228		\$ 26,228
878000	\$ 730,287	\$ 774,761				\$ 774,761	9.79%	\$ 75,849		\$ 75,849
879000	\$ 192,664	\$ 204,397				\$ 204,397	9.79%	\$ 20,010		\$ 20,010
880000	\$ 3,545,897	\$ 3,761,842	\$ 208,000			\$ 3,969,842	9.79%	\$ 388,648		\$ 388,648
885000	\$ 102	\$ 108				\$ 108	9.79%	\$ 11		\$ 11
887000	\$ 554,395	\$ 588,158				\$ 588,158	9.79%	\$ 57,581		\$ 57,581
889000	\$ 159,473	\$ 169,185				\$ 169,185	9.79%	\$ 16,563		\$ 16,563
891000	\$ 103,979	\$ 110,311				\$ 110,311	9.79%	\$ 10,799		\$ 10,799
892000	\$ 491,513	\$ 521,446				\$ 521,446	9.79%	\$ 51,050		\$ 51,050
893000	\$ 935,953	\$ 992,953				\$ 992,953	9.79%	\$ 97,210		\$ 97,210
894000	\$ 30,127	\$ 31,962				\$ 31,962	9.79%	\$ 3,129		\$ 3,129
901000	\$ 553,745	\$ 587,468				\$ 587,468	9.79%	\$ 57,513		\$ 57,513
902000	\$ 1,210,559	\$ 1,284,282				\$ 1,284,282	9.79%	\$ 125,731		\$ 125,731
903000	\$ 972,560	\$ 1,031,789	\$ 50,000			\$ 1,081,789	9.79%	\$ 105,907		\$ 105,907
905000	\$ 75,812	\$ 80,429				\$ 80,429	9.79%	\$ 7,874		\$ 7,874
907000	\$ -	\$ -				\$ -	9.79%	\$ -		\$ -
908000	\$ 624,149	\$ 662,160				\$ 662,160	9.79%	\$ 64,825		\$ 64,825
909000	\$ (122)	\$ (129)				\$ (129)	9.79%	\$ (13)		\$ (13)
920000	\$ 1,914,244	\$ 2,030,821	\$ 192,000			\$ 2,222,821	9.79%	\$ 217,614	\$ 19,728	\$ 237,342
921000		\$ -				\$ -	9.79%	\$ -		\$ -
925000		\$ -				\$ -	9.79%	\$ -		\$ -
925165	\$ 4,131	\$ 4,383				\$ 4,383	9.79%	\$ 429		\$ 429
926190		\$ -				\$ -	9.79%	\$ -		\$ -
926191		\$ -				\$ -	9.79%	\$ -		\$ -
928000	\$ 449,526	\$ 476,902				\$ 476,902	9.79%	\$ 46,689		\$ 46,689
930200	\$ 14,361	\$ 15,236				\$ 15,236	9.79%	\$ 1,492		\$ 1,492
930204	\$ 223	\$ 237				\$ 237	9.79%	\$ 23		\$ 23
935000	\$ 25,907	\$ 27,485				\$ 27,485	9.79%	\$ 2,691		\$ 2,691
Total	\$ 14,521,483	\$ 15,405,841	\$ 450,000			\$ 15,855,841		\$ 1,552,287	\$ 19,728	\$ 1,572,015

*Docket No. G011/GR-15-736 calculated Non-Union and Exempt Incentives separately. Now forecasting uses a composite rate for the two groups.

**Minnesota Energy Resources Corporation
Rosemount Building
Known and Measurable Adjustment
Account 880**

<u>Line</u>			<u>Non_Union Labor</u>	<u>Non-Labor</u>
1	2016 Costs			\$ 262,693
2	2017 Inflation Rate		3.000%	2.4010%
3	2017 Costs Inflated	Line 1 * Line 2	\$ -	\$ 269,000
4	2017 Known and Measurable			
5	2017 Costs	Line 3 + Line 4	\$ -	\$ 269,000
6	2018 Inflation Rate		3.000%	2.580%
7	2018 Costs Inflated	Line 5 * Line 6	\$ -	\$ 275,940
8	2018 Known and Measurable		\$ -	\$ (122,985)
9	2018 Costs	Line 7 + Line 8	\$ -	\$ 152,955
10	Total Known and Measurable	Line 4 + Line 8	<u>\$ -</u>	<u>\$ (122,985)</u>

**Minnesota Energy Resources Corporation
Memberships
Known and Measurable Adjustment
Account 921**

<u>Line</u>		<u>Non_Union Labor</u>	<u>Non-Labor</u>
1	2016 Costs		\$ 2,017
2	2017 Inflation Rate	3.000%	2.4010%
3	2017 Costs Inflated	Line 1 * Line 2	\$ 2,065
4	2017 Known and Measurable		\$ (2,065)
5	2017 Costs	Line 3 + Line 4	\$ 0
6	2018 Inflation Rate	3.000%	2.580%
7	2018 Costs Inflated	Line 5 * Line 6	\$ 0
8	2018 Known and Measurable		
9	2018 Costs	Line 7 + Line 8	\$ 0
10	Total Known and Measurable	Line 4 + Line 8	<u>\$ (2,065)</u>

**Minnesota Energy Resources Corporation
Advertising
Known and Measurable Adjustment
Account 909**

<u>Line</u>		<u>Non_Union Labor</u>	<u>Non-Labor</u>
1	2016 Costs		\$ 129,464
2	2017 Inflation Rate	3.000%	2.4010%
3	2017 Costs Inflated	Line 1 * Line 2	\$ 132,572
4	2017 Known and Measurable		\$ (4,676)
5	2017 Costs	Line 3 + Line 4	\$ 127,897
6	2018 Inflation Rate	3.000%	2.580%
7	2018 Costs Inflated	Line 5 * Line 6	\$ 131,197
8	2018 Known and Measurable		\$ -
9	2018 Costs	Line 7 + Line 8	\$ 131,197
10	Total Known and Measurable	Line 4 + Line 8	<u>\$ (4,676)</u>

**Minnesota Energy Resources Corporation
Charitable Contributions
Known and Measurable Adjustment
Account 921**

<u>Line</u>		<u>Non_Union Labor</u>	<u>Non-Labor</u>
1	2016 Costs		\$ 74,970
2	2017 Inflation Rate	3.000%	2.4010%
3	2017 Costs Inflated	Line 1 * Line 2	\$ 76,770
4	2017 Known and Measurable		\$ (38,385)
5	2017 Costs	Line 3 + Line 4	\$ 38,385
6	2018 Inflation Rate	3.000%	2.580%
7	2018 Costs Inflated	Line 5 * Line 6	\$ 39,375
8	2018 Known and Measurable		\$ -
9	2018 Costs	Line 7 + Line 8	\$ 39,375
10	Total Known and Measurable	Line 4 + Line 8	<u>\$ (38,385)</u>

**Minnesota Energy Resources Corporation
Travel and Entertainment
Known and Measurable Adjustment
Account 921**

<u>Line</u>		<u>Non_Union Labor</u>	<u>Non-Labor</u>
1	2016 Costs		\$ 408,775
2	2017 Inflation Rate	3.000%	2.4010%
3	2017 Costs Inflated	Line 1 * Line 2	\$ 418,590
4	2017 Known and Measurable		\$ (168,682)
5	2017 Costs	Line 3 + Line 4	\$ 249,908
6	2018 Inflation Rate	3.000%	2.580%
7	2018 Costs Inflated	Line 5 * Line 6	\$ 256,356
8	2018 Known and Measurable		
9	2018 Costs	Line 7 + Line 8	\$ 256,356
10	Total Known and Measurable	Line 4 + Line 8	<u>\$ (168,682)</u>

**Minnesota Energy Resources Corporation
Long Term Incentive Plan/Restricted Stock/Stock Options
Known and Measurable Adjustment
Account 920**

<u>Line</u>		<u>Labor</u>	<u>Non-Labor</u>
1	2016 Costs	\$ 276,147	\$ -
2	2017 Inflation Rate	3.000%	2.401%
3	2017 Costs Inflated	Line 1 * Line 2 \$ 284,431	\$ -
4	2017 Known and Measurable	\$ (284,431)	\$ -
5	2017 Costs	Line 3 + Line 4 \$ 0	\$ -
6	2018 Inflation Rate	3.000%	2.580%
7	2018 Costs Inflated	Line 5 * Line 6 \$ 0	\$ -
8	2018 Known and Measurable	\$ -	\$ -
9	2018 Costs	Line 7 + Line 8 \$ 0	\$ -
10	Total Known and Measurable	<u>\$ (284,431)</u>	<u>\$ -</u>

**Minnesota Energy Resources Corporation
Economic Development
Known and Measurable Adjustment
Labor Account 920, Non-Labor Account 921**

<u>Line</u>		<u>Non_Union Labor</u>	<u>Non-Labor</u>
1	2016 Costs	\$ 122,939	\$ 117,092
2	2017 Inflation Rate	3.000%	2.4010%
3	2017 Costs Inflated	Line 1 * Line 2 \$ 126,627	\$ 119,903
4	2017 Known and Measurable	\$ (63,314)	\$ (59,952)
5	2017 Costs	Line 3 + Line 4 \$ 63,314	\$ 59,952
6	2018 Inflation Rate	3.000%	2.580%
7	2018 Costs Inflated	Line 5 * Line 6 \$ 65,213	\$ 61,498
8	2018 Known and Measurable	\$ -	
9	2018 Costs	Line 7 + Line 8 \$ 65,213	\$ 61,498
10	Total Known and Measurable	Line 4 + Line 8 <u>\$ (63,314)</u>	<u>\$ (59,952)</u>

**Minnesota Energy Resources Corporation
Investor Relations
Known and Measurable Adjustment
Account 921**

<u>Line</u>		<u>Labor</u>	<u>Non-Labor</u>
1	2016 Costs	\$ 12,543	\$ 64,947
2	2017 Inflation Rate	3.000%	2.401%
3	2017 Costs Inflated	Line 1 * Line 2 \$ 12,919	\$ 66,506
4	2017 Known and Measurable	\$ (6,460)	\$ (33,253)
5	2017 Costs	Line 3 + Line 4 \$ 6,460	\$ 33,253
6	2018 Inflation Rate	3.000%	2.580%
7	2018 Costs Inflated	Line 5 * Line 6 \$ 6,653	\$ 34,111
8	2018 Known and Measurable	\$ -	\$ -
9	2018 Costs	Line 7 + Line 8 \$ 6,653	\$ 34,111
10	Total Known and Measurable	<u>\$ (6,460)</u>	<u>\$ (33,253)</u>

Minnesota Energy Resources Corporation
2018 Uncollectible Expense

Line No.		2014 Actual	2015 Actual	2016 Actual	2014-2016 Average
1	Uncollectible Expense	\$ 1,950,496	\$ 1,104,124	\$ 2,075,355	\$ 1,709,992
2	Tariffed Revenues	<u>\$ 349,945,683</u>	<u>\$ 240,860,426</u>	<u>\$ 225,423,944</u>	<u>\$ 272,076,684</u>
3	% of Tariffed Revenues	0.557371%	0.458408%	0.920645%	0.628496%
4					
5	Test Year Tariff Revenues				\$ 250,885,429
6	Proposed Increase				<u>\$ 12,000,000</u>
7	Total Revenues				\$ 262,885,429
8					
9	Test Year Uncollectible Expense (Line 3 * Line 7)				\$ 1,652,225
10					
11	2016 Inflated to 2018				\$ 2,180,014
12					
13	Known and Measurable				\$ (527,789)

*Collections were suspended or delayed in 2016 causing an increase in the accrued uncollectibles and therefore increase uncollectible expense.

**Minnesota Energy Resources Corporation
Mapping Project
Known and Measurable Adjustment
Account 880**

<u>Line</u>		<u>Non_Union Labor</u>	<u>Non-Labor</u>
1	2016 Costs	\$ -	\$ 236,856
2	2017 Inflation Rate	3.000%	2.4010%
3	2017 Costs Inflated	Line 1 * Line 2 \$ -	\$ 242,543
4	2017 Known and Measurable	\$ -	\$ (242,543)
5	2017 Costs	Line 3 + Line 4 \$ -	\$ (0)
6	2018 Inflation Rate	3.000%	2.580%
7	2018 Costs Inflated	Line 5 * Line 6 \$ -	\$ (0)
8	2018 Known and Measurable	\$ -	
9	2018 Costs	Line 7 + Line 8 \$ -	\$ (0)
10	Total Known and Measurable	Line 4 + Line 8 <u>\$ -</u>	<u>\$ (242,543)</u>

**Minnesota Energy Resources Corporation
Sewer Lateral
Known and Measurable Adjustment
Account 874**

<u>Line</u>		<u>Non_Union Labor</u>	<u>Non-Labor</u>
1	2016 Costs	\$ -	\$ 67,555
2	2017 Inflation Rate	3.000%	2.4010%
3	2017 Costs Inflated	Line 1 * Line 2 \$ -	\$ 69,177
4	2017 Known and Measurable	\$ -	\$ (69,177)
5	2017 Costs	Line 3 + Line 4 \$ -	\$ (0)
6	2018 Inflation Rate	3.000%	2.580%
7	2018 Costs Inflated	Line 5 * Line 6 \$ -	\$ (0)
8	2018 Known and Measurable	\$ -	
9	2018 Costs	Line 7 + Line 8 \$ -	\$ (0)
10	Total Known and Measurable	Line 4 + Line 8 <u>\$ -</u>	<u>\$ (69,177)</u>

IntegrYS Business Support, LLC														
2016 - WBS Product and Service using the General Corporate Allocator by Business Unit														
Two Factor Formula O&M and Assets														
	Total Product & Services using GCA	WEC	ITF	WEPCO	WG	WE POWER	WISPARK	WISVEST	WPSC	PDI	PGL	NSG	MGU	MERC
Total Sum of Labor & Non Labor	28,412,292	1,074,678	327,599	12,473,502	1,626,445	73,058	51,713	77,823	5,205,014	90,294	5,475,669	822,828	493,163	620,504
One Factor Formula O&M (Illustrative)														
	Total Product & Services using GCA	WEC	ITF	WEPCO	WG	WE POWER	WISPARK	WISVEST	WPSC	PDI	PGL	NSG	MGU	MERC
Total Sum of Labor & Non Labor	28,412,292	882,300	512,369	9,912,102	1,290,139	97,069	37,525	142,911	5,489,041	60,558	7,371,287	1,174,567	645,070	797,356
Variance by Business Unit		192,378	(184,769)	2,561,401	336,305	(24,011)	14,188	(65,088)	(284,027)	29,736	(1,895,617)	(351,738)	(151,906)	(176,851)

CALCULATION OF ALLOCATION PERCENTAGES FOR General/Corporate Allocator

Assets are based on 13 month average 4/14 and O&M June budget reforecast 2014 figures

Assets Excluding Fuel, Assets Excluding Hedge Assets & Goodwill and other non-ordinary assets

	(\$000's)		(\$000's)		GCA COMPOSITE ALLOCATION	GCA COMPOSITE ALLOCATION	FOR MPSC Only NON FUEL O&M EXPENSES %
	<u>ASSETS</u>	<u>ASSETS %</u>	<u>NON FUEL O&M EXPENSES</u>	<u>O&M %</u>			
WEC Energy Group	999,039	4.45%	39,148	3.11%	3.78%	3.78%	3.11%
Integrus Transportation Fuels	112,035	0.50%	22,734	1.80%	1.15%	1.15%	1.80%
WEPCO	11,859,884	52.78%	439,804	34.89%	43.82%	43.90%	34.89%
WG	1,543,188	6.87%	57,244	4.54%	5.71%	5.72%	4.54%
WE Power	38,584	0.17%	4,307	0.34%	0.26%	0.26%	0.34%
Wispark	51,973	0.23%	1,665	0.13%	0.18%	0.18%	0.13%
Wisvest	9,852	0.04%	6,341	0.50%	0.27%	0.27%	0.50%
WPSC	3,936,828	17.52%	240,203	19.05%	18.29%	18.32%	19.05%
WRPC Only	20,482	0.09%	3,348	0.27%	0.18%		0.27%
WPS Power Development	94,673	0.42%	2,687	0.21%	0.32%	0.32%	0.21%
PEOPLES GAS LIGHT AND COKE	2,815,890	12.53%	327,067	25.94%	19.24%	19.27%	25.94%
NORTH SHORE GAS	370,247	1.65%	52,116	4.13%	2.89%	2.90%	4.13%
MICHIGAN UTILITIES, INC.	268,497	1.19%	28,622	2.27%	1.73%	1.74%	2.27%
MINNESOTA ENERGY RESOURCES	349,119	1.55%	35,379	2.81%	2.18%	2.18%	2.81%
TOTAL	22,470,291	100.00%	1,260,665	100.00%	100.00%	100.00%	100.00%

				Corp Alloc Actual \$ 01 - 16 2016
AIA Group	WBS Element Lvl 2	Allocation Base	Allocati on Factor	\$
Executive Management	Result			7,376,753
Finance	Result			12,390,736
Legal and Governance	Result			8,644,803
Overall Result	Result			28,412,292

WEC ENERGY AFFILIATED INTEREST AGREEMENT

This WEC Energy Affiliated Interest Agreement (“Agreement”) is entered into this 1st day of August, 2017, by and among WEC Energy Group, Inc. and its subsidiaries.

RECITALS

- A. To optimize efficiencies and economies of scale, the Parties desire to plan and operate certain aspects of their businesses with the integration of certain activities by sharing, providing, transferring, and receiving certain services, employees, properties, goods, assets, information systems, rights, and anything else of value.
- B. The Parties intend that this Agreement will establish the terms, conditions, and procedures under which they will achieve the objectives of Recital A, subject to the jurisdiction of the Commissions and FERC and subject to applicable state utility and federal energy law.

NOW, THEREFORE, in consideration of the covenants and agreements set forth in this Agreement, the Parties agree as follows:

Article I **Definitions**

1. “Commissions” means the ICC, MPSC, MPUC, and PSCW; any one of the Commissions is a “Commission” and, as determined by the context in which the term is used, will mean the Commission having jurisdiction over the retail rates of the Regulated Party.
2. “Damages” has the meaning ascribed to it in Section VII.1.
3. “FERC” means the Federal Energy Regulatory Commission or any successor to that agency.

4. "ICC" means the Illinois Commerce Commission or any successor to that agency.
5. "Indemnified Party" has the meaning ascribed to it in Section VII.1.
6. "Indemnifying Party" has the meaning ascribed to it in Section VII.1.
7. "MPSC" means the Michigan Public Service Commission or any successor to that agency.
8. "MPUC" means the Minnesota Public Utilities Commission or any successor to that agency.
9. "Non-Regulated Party" means a Party identified on Appendix B and that is not a Regulated Party.
10. "Parties" means two or more of the signatories to this Agreement.
11. "Party" means a signatory to this Agreement.
12. "Providing Party" means a Party providing Services to another Party, and that other Party is a Receiving Party.
13. "PSCW" means the Public Service Commission of Wisconsin or any successor to that agency.
14. "Receiving Party" means a Party receiving Services from another Party, and that other Party is a Providing Party.
15. "Regulated Party" means a Party identified on Appendix A and that is either subject to rate regulation by a Commission or that is a service provider subject to regulation by FERC.

16. “Service” and “Services” have the meanings ascribed to them in Article II and Appendix C, Appendix D, and Appendix E.
17. “WBS” means WEC Business Services LLC and its successors and permitted assigns. WBS is a centralized service company as defined by FERC (18 C.F.R. §367.1(7) or any successor to this rule).
18. “WEC Energy” means WEC Energy Group, Inc. and its successors and permitted assigns.

Article II **Provision of Services**

1. Subject to the limitations set forth in this Article II and applicable state and federal requirements, any Party may request Services from any other Party. The term “Services” includes any service, good, asset, property, employee, right, interest, and anything of value to the Receiving Party, the provision, transfer or sharing of which could be considered a “contract,” “arrangement,” “service” or other transfer or sharing of “property” or “assets” or other similar designations that, absent this Agreement, could require the approval of one or more of the Commissions as an affiliated interest arrangement (each, a “Service”). The term “Services” is further described in certain appendices to this Agreement as follows:
 - (a) Appendix C describes services that WBS may provide;
 - (b) Appendix D describes services that any Party (except WBS, which provides services under Appendix C, and North Shore Gas Company and The Peoples Gas Light and Coke Company, which provide services under Appendix E) may provide; and

(c) Appendix E describes services for which North Shore Gas Company or The Peoples Gas Light and Coke Company is a Providing Party to any Party or Receiving Party from any Party except WBS from which it receives services under Appendix C, and other requirements applicable to North Shore Gas Company and The Peoples Gas Light and Coke Company.

The terms “provide,” “providing,” “provision of” and the like in connection with a Service or Services include a transfer or sharing of property, assets or employees.

2. Each Party will have the right, at its sole discretion, to refuse to provide any Services requested under this Agreement. There will be no exclusive right or right of first refusal associated with the provision of Services. Receiving a refusal from another Party to a request under this Agreement will not be a prerequisite for any Party to obtain from an independent third party any Service that is or could be provided under this Agreement. Refusals of requests by any Party under this Agreement will not terminate all or any portion of this Agreement.
3. A Providing Party and a Receiving Party may establish and document their expectations and requirements with respect to any particular Service to be rendered under this Agreement.
4. Nothing in this Agreement will require any Regulated Party to take actions that, relative to not acting under this Agreement, it would expect to negatively affect the reliability or quality of utility or storage services available to the Regulated

Party's customers, impede the Regulated Party's ability to provide utility or storage services to its customers, or increase the costs to its customers of receiving utility or storage services.

5. If both WBS and another Party may be the Providing Party for a given Service under Appendix C, Appendix D and Appendix E, as applicable, and WBS and the other Party are willing and able to provide the Service, the Receiving Party will determine which Party will be the Providing Party.

Article III **Determining Charges for Services Provided**

1. Charges for Services.

- (a) All Services that any Regulated Party provides to another Regulated Party will be priced at cost, with cost determined pursuant to Section III.2.
- (b) All Services that any Regulated Party provides to any Non-Regulated Party will be priced at the greater of cost or fair market value, with cost determined pursuant to Section III.2 and with fair market value determined pursuant to Section III.4.
- (c) All Services that any Non-Regulated Party provides to any Regulated Party will be priced at the lesser of cost or fair market value, with cost determined pursuant to Section III.3 and with fair market value determined pursuant to Section III.4.
- (d) Notwithstanding anything else in this Agreement, all Services that WBS provides will be priced at cost, as determined by 18 C.F.R. Part 367, and

all Services that WBS receives will be priced at cost, as determined by Section III.2 or III.3, as applicable.

(e) Any sale or transfer of an asset will be at the Providing Party's net book value.

2. Determining Cost For Regulated Providing Parties

(a) Labor Cost.

- i. Each employee of any Regulated Party will report the time spent providing Services in a time reporting system that WBS maintains or that a Regulated Party maintains in accordance with its established accounting procedures.
- ii. A standard labor dollar hourly rate will be applied to the time reported pursuant to sub-paragraph (a)(i).
- iii. All appropriate overheads will follow labor costs.

(b) Equipment Cost. Costs for equipment used in the provision of Services or otherwise provided or transferred will include all operating expenses, applicable overheads, maintenance, depreciation, return on investment and sales taxes. Transportation and vehicle costs used in providing Services will be determined based on relative total hours or miles of use or on a vehicle loading applied to labor costs, and will include repairs, maintenance, fuel, depreciation, return on investment, and rental expense. In all cases when the Regulated Party is regulated by a Commission(s), return on investment will be calculated using a return on net assets at a

rate equal to the prevailing pre-tax weighted cost of capital authorized by the Commission(s) having jurisdiction over the retail rates of the Regulated Party that provided a Service for which a cost is being determined. In all cases when the Regulated Party is regulated by FERC, return on investment will be calculated using a return that such Regulated Party uses in its FERC jurisdictional agreements with other Regulated Parties.

- (c) **Materials and Supplies Cost.** Costs of materials and supplies commonly used across affiliates will be directly determined and charged. All appropriate overheads will follow the assignment of the direct costs. The costs of material will be based on the average unit price, which includes invoice price, and shipping expenses, net of purchase discounts.
- (d) **Other Direct Costs.** Other direct costs, which include contract labor, contract services, employee reimbursement for meals and lodging and other costs not included in labor, equipment, materials and supplies, will be either accumulated and billed directly based on actual charges or allocated.
- (e) **Calculating Total Cost of Service.** The sum of the direct and indirect charges calculated in accordance with sub-paragraphs (a) through (d), will constitute the total cost of Services provided.
- (f) **Cost Records.** Each Regulated Party will maintain a cost accounting system to accumulate all costs related to Services it provides on a basis

that is adequate to enable the Commissions and FERC to audit and track its actual costs in connection with transactions under this Agreement.

3. **Determining Cost For Non-Regulated Providing Parties.** Costs incurred by a Non-Regulated Party in providing a Service to a Regulated Party under this Agreement will be determined in accordance with accounting standards customarily used by businesses such as those in which the Non-Regulated Party is engaged. Each Non-Regulated Party will maintain a cost accounting system that is adequate to enable the Commissions and FERC to audit and track its actual costs in connection with transactions under this Agreement.
4. **Fair Market Value.** The fair market value of providing a Service under this Agreement will mean the cost the Providing Party determines by making a good faith effort to identify costs in the relevant market for such or a similar Service. If, despite good faith efforts, a Providing Party is not able to determine the fair market value of a Service it provides to a Receiving Party, the fair market value will be deemed to be equal to the Providing Party's cost.
5. **FERC Jurisdiction - WBS.** With respect to any charges imposed by WBS for Services provided under this Agreement that are subject to FERC's jurisdiction, no Party will elect, or cause any affiliate to elect on its behalf, to have FERC review pursuant to Section 1275 of the Energy Policy Act of 2005 (42 U.S.C. § 16462 or any successor law) the allocation of costs for goods and services provided by WBS until the Commissions with jurisdiction to do so have reviewed and taken required actions regarding the affiliated interest transactions and

agreements, or amendments thereto, associated with WBS. If the Commissions have not completed review and approval or taken other appropriate action within a reasonable time, then any Party or its affiliate may seek such FERC review after giving the Commissions who have not so acted at least sixty (60) days' prior written notice.

Article IV **Billing and Payment**

1. All billing and payment under this Agreement may occur through electronic means. References to "bills" means accounting information available to the Parties and "pay" means the transfer of cash on the Parties' books, taking any applicable netting into account.
2. Each Providing Party will, for any month in which it provides a Service under this Agreement, make available sufficient detail to each Receiving Party for charges for Services provided in the preceding month and such detail will be the "bill." This detail will permit each Receiving Party that is regulated by a Commission(s) to identify and, for such a Regulated Party, to classify the charges in terms of the system of accounts prescribed by the Commission(s) having jurisdiction over the retail rates of the Regulated Party.
3. Each Receiving Party will pay outstanding balances by the end of the month following the availability of detailed information about charges.
4. If a Receiving Party disputes the calculation of any portion of the amount paid, it will work with the Providing Party to resolve the issues and correct the balance in

the following month. The Parties involved in such dispute will involve the other Parties in the resolution of the dispute if appropriate.

Article V
Accounting; Records; Reports

1. Each Regulated Party will keep all its accounts and records in accordance with the relevant requirements promulgated by the Commission(s) or FERC with jurisdiction. Without limiting the foregoing, each Regulated Party will maintain adequate books and records with respect to all of its transactions under this Agreement and will record the costs to be allocated to the other Parties in appropriate accounts in its general ledger system. Each Regulated Party will maintain internal controls to ensure that it allocates and bills the costs associated with all transactions under this Agreement properly and consistently in accordance with this Agreement.
2. WBS will keep all its accounts and records in accordance with the relevant requirements promulgated by FERC, including 18 C.F.R. Parts 367 and 368 of FERC's regulations or any successor regulations. Without limiting the foregoing, WBS will maintain adequate books and records with respect to all of its transactions under this Agreement and will record the costs to be allocated to the other Parties in appropriate accounts in its general ledger system. WBS will maintain internal controls to ensure that it allocates and bills the costs associated with all transactions under this Agreement properly and consistently in accordance with this Agreement.

PUBLIC DOCUMENT - TRADE SECRET DATA EXCISED

3. Each Regulated Party that is regulated by a Commission(s) will provide the Commissions a copy of WBS' FERC Form No. 60, or such other annual report required by FERC of centralized service companies, contemporaneous with its annual filing of such report with FERC. Each such Regulated Party will also file with the Commissions, contemporaneous with its annual filing of such report with FERC, the following schedules. These schedules will list all costs incurred by WBS and all costs allocated to all entities to which WBS provides or provided services. In Illinois, these schedules will be filed as supplemental schedules to the annual report to the ICC required by Section 5-109 of the Public Utilities Act (220 ILCS 5/5-109), known as Form 21.
 - (a) A schedule summarizing the direct and indirect charges for each functional area in Appendix C. The report will present the dollar amounts and percentages charged to each Party as listed in Appendix C, as well as to all other entities that receive direct or indirect charges from WBS for such functional areas.
 - (b) A schedule providing a breakdown by subaccount of Account 923, Outside Services Employed. The schedule will aggregate amounts paid to any one payee in each subaccount. If one subaccount is less than \$250,000, only the aggregate number and amount of all such payments included within the subaccount will be shown. The schedule will include subtotals for each type of service.

- (c) A schedule listing each pension and benefit program provided by WBS.
Such listing will be limited to amounts over \$250,000.
- (d) A schedule listing the amount included in Account 930.1, General Advertising Expenses, classifying the items according to the nature of the advertising and as defined in the account definition. If a particular class includes an amount in excess of \$250,000 applicable to a single payee, the schedule will show separately the name of the payee and the applicable aggregate amount.
- (e) A schedule listing the amount included in Account 931, Rents, classifying such expenses by major groupings of property, as defined in the account definition of the Uniform System of Accounts in 18 C.F.R. Part 367 of FERC's regulations.
- (f) A schedule providing an analysis of Account 408, Taxes Other Than Income. The report will separate the analysis into two groups: (1) other than U.S. Government taxes, and (2) U.S. Government taxes. The report will specify each of the various kinds of taxes and show the accounts. A subtotal will be provided for each class of tax.
- (g) A schedule listing the amount included in Account 426.1, Donations, classifying such expense by its purpose. The aggregate number and amount of all items of less than \$250,000 may be shown in lieu of details.
- (h) A schedule listing the amount included in Account 426.5, Other Deductions, classifying such expenses according to their nature.

PUBLIC DOCUMENT - TRADE SECRET DATA EXCISED

4. Each year by May 1, each Regulated Party that is regulated by a Commission(s) will submit to the person or department designated by its Commission or its Commission's staff reports showing: (i) its charges, as a Providing Party, to any Receiving Party to which it provided Services during the preceding calendar year; and (ii) its payments, as a Receiving Party, for Services received from Providing Parties during the preceding calendar year.
5. Every year there will be an internal audit of transactions under this Agreement for the purpose of testing compliance with this Agreement. Such audit may be either a discrete audit solely of Services under this Agreement or may be an audit of the Services under this Agreement and other affiliated interest service agreements. The internal audit will include, the following: (i) the accuracy of the derivations of costs billed by the Providing Parties; (ii) the determination that the costs billed to the Regulated Parties are priced at the lesser of cost or fair market value, based on the studies and updates required by Section V.6; (iii) the determination that Services provided by the Regulated Parties to the Non-Regulated Parties, except WBS, are billed at the greater of cost or fair market value, based on the studies and updates required by Section V.6; and (iv) the accuracy of charges billed under this Agreement during the year. The Regulated Parties that are regulated by a Commission(s) will submit a copy of the audit report to the person or department designated by the Commissions or the Commissions' staffs no later than July 1 of each year. The first such audit report will pertain to the period ending December 31 of the year in which this

Agreement is effective, and will be due on or before July 1 of the following year.

Subsequent audit reports will be due July 1 following the calendar year that is the subject of the audit.

6. At least once every three years, the Parties will conduct a new study of the cost of Services provided under this Agreement, for the purpose of testing compliance with the Agreement and to analyze the market price of Services provided. The Parties will update the study annually. The Services subject to the studies and the updates will be those that a Non-Regulated Party provides or receives and for which a reasonable substitute is widely available in the relevant market. The studies and updates will be completed no later than May 1 of the year following the end of the most recently completed fiscal year covered by the new study or update. The Parties will notify the person or department designated by the Commissions or the Commissions' staffs of the availability of the study and annual update and, if requested, make such available for review at the Commission's offices. The first such new study shall pertain to the period ending December 31 of the year after this Agreement becomes effective, and shall be due on or before May 1 of the year following such December 31.

Article VI

Representations and Warranties of the Parties and Other Obligations of WBS

1. Each Party represents and warrants that:
 - (a) it has the right, power, and authority to enter into and perform its obligations under this Agreement;

- (b) it has taken all requisite corporate action to approve execution, delivery, and performance of this Agreement, and this Agreement constitutes a legal, valid and binding obligation of each Party enforceable in accordance with its terms; and
- (c) the fulfillment of obligations under this Agreement will not constitute a material violation of any existing applicable law, rule, regulation, or order of any governmental authority.
2. In its performance of services under this Agreement, WBS: (i) will follow applicable federal and state regulations, including codes and standards of conduct, with respect to the sharing of confidential information it receives from any other Party with another; (ii) will not give one or more other Parties, or any other affiliate within the WEC Energy holding company system, a competitive advantage in relevant markets; and (iii) will not subsidize any other Party and will not cause any other Party to subsidize any of its affiliates.
3. WBS will make readily available to each Commission, FERC and any other governmental or regulatory agency with jurisdiction under applicable law (an “agency”) reasonable access to its books and records (including the basis for its computation of cost allocations) as may be necessary for each agency to review WBS’s transactions with each other Party within such agency’s jurisdiction.

Article VII
Liability and Indemnity

1. Each Party (an “Indemnifying Party”) will indemnify and save harmless each other Party (an “Indemnified Party”) from any and all damages, expenses, claims,

costs, attorneys' fees or other injury, including injury to person, life or property, and further including injury resulting in the death of any person or persons ("Damages"), in any manner arising out of or in connection with the willful or negligent acts or omissions of the Indemnifying Party in the performance of this Agreement. If one or more Indemnified Parties is made a party to any suit or litigation on account of any actual or alleged Damages, the appropriate Indemnifying Party or Parties will defend such action on behalf of the Indemnified Party or Parties and, if judgment will be obtained or claim allowed in any of said proceedings against one or more Indemnified Parties, the appropriate Indemnifying Party or Parties will pay and satisfy such judgment or claim in full.

2. EACH PARTY AGREES THAT NO OTHER PARTY WILL BE LIABLE TO IT FOR SPECIAL, PUNITIVE, CONSEQUENTIAL, EXEMPLARY OR INCIDENTAL DAMAGES OR OTHER SUCH LOSSES, DAMAGES, COSTS OR LIABILITIES ARISING FROM ANY CAUSE WHATSOEVER, WHETHER OCCASIONED BY THE NEGLIGENT ACTS OR OMISSIONS OF A PARTY OR ITS EMPLOYEES, AGENTS OR REPRESENTATIVES OR OTHERWISE.

Article VIII **Additional Provisions**

1. This Agreement will become effective on the first day of the first month following approval or waivers of the Commissions. Once effective, this Agreement will continue in full force and effect until and unless modified or terminated as provided in this Agreement.

2. The Parties may amend or modify this Agreement at any time by written agreement of all the Parties and, if required, approval or waivers of the Commissions.
3. The terms “include” and “including” in this Agreement are not words of limitation by enumeration but connote that items identified after these words represent a non-exclusive list.
4. The Parties acknowledge that all or portions of this Agreement may be challenged before regulatory agencies or a court of competent jurisdiction by persons or entities not Parties to this Agreement. In such event, the Parties agree that each will use its reasonable efforts before such agencies and courts to support the pursuit and accomplishment of the Parties’ objectives in entering into this Agreement.
5. This Agreement, and any rights under this Agreement, may not be assigned without the prior written consent of all Parties and, if required, approval or waivers of the Commissions.
6. The addition of a Party to this Agreement or the termination of this Agreement as to a Party will not require the approval or waiver of the Commissions, but the Regulated Parties that are regulated by a Commission(s) will give written notice to the Commissions of changes to Appendix A or Appendix B reflecting the current Parties to this Agreement.
7. Any change to Appendix C or Appendix D will not require the prior approval of the Commissions but the Regulated Parties that are regulated by a

Commission(s) will give sixty (60) days' prior written notice to the Commissions of changes to Appendix C or Appendix D.

8. Notwithstanding anything to the contrary in this Agreement, Minnesota Energy Resources Corporation will submit to the MPUC for approval any changes in the Parties to the Agreement or changes in the Services covered by the Agreement, as required by Minn. Stat. § 216B.48. As required by the MPUC's September 14, 1998 Order in Docket No. E,G-999/CI-98-651, such changes will be submitted within 30 days.
9. Any change to Appendix E will be subject to the ICC requirements described in that Appendix E and will not require notice to or filing with any other Commission or FERC.
10. A Party leaving the WEC Energy holding company system may continue to receive Services from any other Party for a reasonable transition period following such departure from the WEC Energy holding company system. Once any such departure has occurred or when the Party has ceased receiving Services, an updated Appendix A or Appendix B will be filed with the Commissions.
11. In providing Services, any Providing Party may arrange, where it deems appropriate, for the services of third party experts, consultants, attorneys, advisers, or other contractors or agents with necessary qualifications as may be required for or pertinent to the performance of Services for the Parties.
12. Each Party will treat in confidence all information that it may obtain from or regarding the other Parties and their respective businesses during the term of

this Agreement. Each Party agrees to protect the other Parties' information using the same degree of care that it uses to protect its own confidential information, and in no event less than reasonable care. Except to the extent disclosure of such information is required by a governmental authority having jurisdiction, such information will not be communicated to any person other than the Parties, and will be shared among the Parties only to the extent certain persons need to know such information in order for the Parties to perform under this Agreement. If a Party is required to disclose confidential information to a governmental authority, such Party will take reasonable steps to make such disclosure confidential under the rules of such governmental authority. Information provided under this Agreement will remain the sole property of the Party providing such information. The requirements of this Section VIII.12 will not apply with respect to information that is or becomes available (i) to such Party from a source other than the Party providing such information, unless such other source has imposed confidentiality restrictions, or (ii) to the public other than as a result of disclosure by such Party or its agents.

13. The Parties agree and acknowledge that any legal advice or legal services provided, or arranged to be provided, by or on behalf of any Providing Party under this Agreement will be for the direct or indirect benefit or common interest of all of the Receiving Parties. It is the intention of all Parties to maintain all privileges that may apply to any communications related to the provision or receipt of such legal advice or services.

14. The Parties hereby appoint all Providing Parties as their agents to represent them in providing services for or on their behalf under this Agreement. The Parties also authorize all Providing Parties to purchase (*i.e.*, take title to) various commodities, goods and assets in connection with their provision of Services, and to sell (*i.e.*, convey title to) such commodities, goods and assets to the Parties, including to Receiving Parties, in their provision of Service. Any sale of such commodities, goods and assets by Providing Parties to Receiving Parties and any use of such commodities, goods or assets by Providing Parties in the provision of Services will be at the costs incurred by such Providing Parties, to be allocated among the Receiving Parties pursuant to the methodologies prescribed in this Agreement. The Providing Parties will be accountable for all funds advanced or collected on behalf of a Receiving Party in connection with any transaction in respect of which a Providing Party provides Services. A Providing Party's provision of Services will in all cases and notwithstanding anything in this Agreement to the contrary be subject to any limitations contained in authorizations, rules or regulations of those governmental agencies having jurisdiction over a Providing Party or its provision of Services.
15. If any amendment to this Agreement does not receive any approval or waiver by all Commissions that may be required, then the Parties will promptly negotiate in good faith new provisions to restore such amendment, as nearly as possible, to its original intent and effect, and file for approval or waivers of the Commissions.

16. If any governmental or regulatory agency or court of competent jurisdiction holds that any provision of this Agreement is invalid, or otherwise takes action resulting in the impossibility or impracticability of performance of all or a portion of this Agreement, the remainder of this Agreement will not be affected thereby and will continue in full force and effect. In the event any provision of this Agreement is so held invalid, the Parties will promptly renegotiate in good faith new provisions to restore this Agreement as nearly as possible to its original intent and effect, and file for approval or waivers of the Commissions.
17. No course of dealing or course of performance among the Parties will be construed to alter the terms of this Agreement.
18. The Parties agree that there is no third party beneficiary of this Agreement and that the provisions of this Agreement do not impart enforceable rights to anyone who is not a Party.
19. This Agreement will be governed by and construed in accordance with the laws of the State of Wisconsin, without regard to principles of conflicts of law; provided, however, that no Regulated Party that is regulated by a Commission(s) will be required to comply with this Agreement to the extent such compliance would be a violation of the public utility laws of any state(s) in which such Regulated Party conducts its state-regulated utility operations and no Regulated Party that is regulated by FERC will be required to comply with this Agreement to the extent such compliance would be a violation of the Natural Gas Act or other statute or regulation under which FERC regulates it.

20. This Agreement may be executed in any number of counterparts, each of which when executed and delivered will be deemed to be an original and all of which counterparts taken together will constitute one and the same instrument.

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be executed on its behalf as of the day and year first above written.

WEC ENERGY GROUP, INC.
[for itself and on behalf of all Non-Regulated Parties other than WEC Business Services LLC]

By 
Name: Allen Leverett

Title: CEO and President

MICHIGAN GAS UTILITIES CORPORATION

By
Name: J. Patrick Keyes
Title: President

MINNESOTA ENERGY RESOURCES CORPORATION

By
Name: J. Patrick Keyes
Title: President

NORTH SHORE GAS COMPANY

By
Name: Charles Matthews
Title: President and CEO

WEC BUSINESS SERVICES LLC

By
Name: J. Patrick Keyes

Title: President

THE PEOPLES GAS LIGHT AND COKE COMPANY

By
Name: Charles Matthews
Title: President and CEO

WISCONSIN ELECTRIC POWER COMPANY

By
Name: J. Kevin Fletcher
Title: President

WISCONSIN GAS, LLC

By
Name: J. Kevin Fletcher
Title: President

WISCONSIN PUBLIC SERVICE
CORPORATION

UPPER MICHIGAN ENERGY RESOURCES
CORPORATION

By

By

Name: J. Kevin Fletcher

Name: J. Patrick Keyes

Title: President

Title: President

BLUEWATER GAS STORAGE, LLC

By

Name: Daniel P. Krueger

Title: President

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be executed on its behalf as of the day and year first above written.

WEC ENERGY GROUP, INC.
[for itself and on behalf of all Non-Regulated
Parties other than WEC Business Services LLC]

By

Name: Allen Leverett

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MICHIGAN GAS UTILITIES
CORPORATION

By

Name: J. Patrick Keyes

Title: President

MINNESOTA ENERGY RESOURCES
CORPORATION

By

Name: J. Patrick Keyes

Title: President

NORTH SHORE GAS COMPANY

By

Name Charles Matthews

Title President and CEO

WEC BUSINESS SERVICES LLC

By

Name: J. Patrick Keyes

Title: President

THE PEOPLES GAS LIGHT AND COKE
COMPANY

By

Name Charles Matthews

Title President and CEO

WISCONSIN ELECTRIC POWER
COMPANY

By

Name: J. Kevin Fletcher

Title: President

WISCONSIN GAS, LLC

By

Name: J. Kevin Fletcher

Title: President

WISCONSIN PUBLIC SERVICE
CORPORATION

By

Name: J. Kevin Fletcher

Title: President

UPPER MICHIGAN ENERGY RESOURCES
CORPORATION

By



Name: J. Patrick Keyes

Title: President

BLUEWATER GAS STORAGE, LLC

By

Name: Daniel P. Krueger

Title: President

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be executed on its behalf as of the day and year first above written.

WEC ENERGY GROUP, INC.
[for itself and on behalf of all Non-Regulated Parties other than WEC Business Services LLC]

WEC BUSINESS SERVICES LLC

By

Name: Allen Leverett

Title: CEO and President

MICHIGAN GAS UTILITIES CORPORATION

By

Name: J. Patrick Keyes

Title: President

MINNESOTA ENERGY RESOURCES CORPORATION

By

Name: J. Patrick Keyes

Title: President

NORTH SHORE GAS COMPANY

By

Name Charles Matthews

Title President and CEO

By

Name: J. Patrick Keyes

Title: President

THE PEOPLES GAS LIGHT AND COKE COMPANY

By

Name Charles Matthews

Title President and CEO

WISCONSIN ELECTRIC POWER COMPANY

By



Name: J. Kevin Fletcher

Title: President

WISCONSIN GAS, LLC


By



Name: J. Kevin Fletcher

Title: President

WISCONSIN PUBLIC SERVICE
CORPORATION

By 

Name: J. Kevin Fletcher

Title: President

UPPER MICHIGAN ENERGY RESOURCES
CORPORATION

By

Name: J. Patrick Keyes

Title: President

BLUEWATER GAS STORAGE, LLC

By

Name: Daniel P. Krueger

Title: President

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IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be executed on its behalf as of the day and year first above written.

WEC ENERGY GROUP, INC.
[for itself and on behalf of all Non-Regulated Parties other than WEC Business Services LLC]

WEC BUSINESS SERVICES LLC

By

Name: Allen Leverett

Title: CEO and President

By

Name: J. Patrick Keyes

Title: President

MICHIGAN GAS UTILITIES CORPORATION

THE PEOPLES GAS LIGHT AND COKE COMPANY

By

Name: J. Patrick Keyes

Title: President

By 

Name Charles Matthews

Title President and CEO

MINNESOTA ENERGY RESOURCES CORPORATION

WISCONSIN ELECTRIC POWER COMPANY

By

Name: J. Patrick Keyes

Title: President

By

Name: J. Kevin Fletcher

Title: President

NORTH SHORE GAS COMPANY

WISCONSIN GAS, LLC

By 

Name Charles Matthews

Title President and CEO

By

Name: J. Kevin Fletcher

Title: President

Appendix A Regulated Parties

Bluewater Gas Storage, LLC

a FERC-jurisdictional storage service provider

Michigan Gas Utilities Corporation

a Michigan public utility engaged in the business of providing natural gas service

Minnesota Energy Resources Corporation

a Minnesota public utility engaged in the business of providing natural gas service

North Shore Gas Company

an Illinois public utility engaged in the business of providing natural gas service

The Peoples Gas Light and Coke Company

an Illinois public utility engaged in the business of providing natural gas service

Upper Michigan Energy Resources Corporation

a Michigan public utility engaged in the business of providing electric and natural gas service

Wisconsin Electric Power Company

a Wisconsin and Michigan public utility engaged in the business of providing electric and natural gas service

Wisconsin Gas Company LLC

a Wisconsin public utility engaged in the business of providing natural gas service

Wisconsin Public Service Corporation

a Wisconsin public utility engaged in the business of providing electric and natural gas service

**Appendix B
Non-Regulated Parties**

**WEC Energy Group, Inc. and its subsidiaries not listed on Appendix A or on this
Appendix B**

WEC Business Services LLC

Appendix C

I. Services that WBS May Provide to Any Party

Subject to the limitations set forth in Section II.1 and applicable state and federal requirements, WBS may provide to any Party the Services described in this Appendix C, Section I.

1. Administrative

“Administrative” means facility management services for owned and leased facilities and grounds. This includes operations and maintenance of structures, capital improvements, interior space planning, printing services, security and janitorial, and acquisition and management of real estate and land rights, including easements and right-of-ways.

Allocation Factors: (1) Square Footage; (2) Number of Employees; (3) Dollars Associated with Number of Imprints; (4) Composite Allocator; (5) Number of Customers.

2. Communications

“Communications” means the preparation and dissemination of information to employees, customers, government officials, the public and the media.

Allocation Factors: (1) Number of Employees; (2) General/Corporate; (3) Number of Customers.

3. Customer

“Customer” means the provision of services and systems dedicated to customer service, including meter reading and billing, credit, collections, customer relations, call center operations, revenue assurance, account management, market research, customer strategy, and claims management. It also includes customer relations planning and compliance, customer contact services (including customer assistance), and managing customer relations subcontractors.

Allocation Factors: (1) Number of Customers; (2) Number of Meters; (3) Call Volume; (4) General/Corporate.

4. Environmental

“Environmental” means the performance of assessments, investigations, remediation and other activities required to ensure compliance with applicable environmental laws and regulations, permitting, licensing, due diligence, waste management, and emergency response.

Allocation Factors: (1) FTE Work Estimate; (2) General/Corporate; (3) MW.

5. Executive Management

“Executive Management” means the executive management and oversight activities

performed by officers and other senior executives of a Party. Such activities include the formulation of general business plans and policies, selection of key management personnel, and allocation of financial resources.

Allocation Factors: (1) General/Corporate.

6. External Affairs

“External Affairs” means administering the Parties’ activities in the areas of governmental relations, community support and economic development, as well as the analysis and formulation of regulatory policy, rate case preparation and rate administration.

Allocation Factors: (1) Total Property, Plant and Equipment; (2) Number of Employees; (3) General/Corporate; (4) Number of Customers.

7. Finance

“Finance” means accounting, finance, treasury, tax, internal audit, risk management, insurance and related financial services. Examples of activities performed within these various financial disciplines includes the following: maintain corporate books and records, prepare financial and statistical reports, process payments to vendors, ensure compliance with tax laws and regulations, manage debt and maintain banking relationships, invest pension assets, establish and monitor internal controls, perform financial and risk analysis, prepare budgets and forecasts, maintain shareholder records, communicate with the investment community, and procure and manage insurance.

Allocation Factors: (1) Number of Transactions; (2) Total Property, Plant and Equipment; (3) Number of Employees; (4) FTE Work Estimate; (5) General/Corporate.

8. Human Resources

“Human Resources” means the establishment and administration of policies and assuring compliance with legal requirements in the areas of employment, compensation, benefits and employee health, safety, and wellness. It also involves providing payroll and employee benefit and workers’ compensation administration, employee training and development, recruiting and staffing services, employee communications and labor relations management. It further includes “Compliance,” which means, to the extent not covered by other Services, establishment and administration of policies to support compliance with laws, ethics, and corporate code of conduct and other corporate policies.

Allocation Factors: (1) Number of Employees; (2) General/Corporate.

9. Information Technology

“Information Technology” means telecommunications and electronic data processing services such as computer operations, software development and maintenance, network support, end-user support, database administration and information

systems security. It also includes infrastructure and application architecture services, website and hosting services, and disaster recovery services.

Allocation Factors: (1) General/Corporate; (2) Number of Employees; (3) Application Allocator; (4) CPU and Disk Storage; (5) Number of Devices; (6) Number of Meters; (7) Number of Customers.

10. Legal and Governance

“Legal and Governance” means the provision of all types of legal advice and related services involving legal services related to corporate and commercial activities, contracts, litigation, regulatory matters, securities (including compliance with securities law requirements), real estate, legislative, employment and benefits, tax, and intellectual property matters. It includes oversight of maintenance of corporate records (policies, procedures and management). It includes services required of a publicly held corporation, including shareholder, board of director and related committee meetings, consents, resolutions, minutes, and records.

Allocation Factors: (1) General/Corporate.

11. Supply Chain

“Supply Chain” means the acquisition and provision of goods and services other than fuel, energy commodities or energy transmission. It includes supplier diversity. Specific activities include material inventory management, contract administration services, warehousing and logistics services and the establishment of inventory standards. It further includes the purchase, oversight, and maintenance of vehicles and related equipment.

Allocation Factors: (1) Total Non-Labor Spend without Fuel and Supply; (2) Number of Fleet Assets; (3) Number of Transactions; (4) Composite Allocator.

II. Services that WBS May Provide to Any Regulated Party

Subject to the limitations set forth in Section II.1 and applicable state and federal requirements, WBS may provide to any Regulated Party the Services described in this Appendix C, Section II.

1. Operational Support and Development

“Operational Support and Development” means support to utility distribution operations and interstate storage operations. Such support includes designing and monitoring the construction and maintenance of distribution and transmission lines and storage fields and ensuring that construction activity is consistent with plans. It includes coordinating the planning and operation of distribution, transmission and storage systems, performing operational reviews of completed construction, maintenance work of distribution and transmission lines, operating storage fields, and operating meter shops. It includes geospatial services, locate system support, damage prevention, and contract administration to all regulated gas and electric

affiliates. It includes providing services and training to operate and support gas and electric utility and natural gas storage operations, such as construction, design, operation and maintenance; and field services. It further includes developing and implementing initiatives to enhance efficiencies and operational compliance, technical training, and project management.

Allocation Factors: (1) Feet of Installed/Replaced Pipeline; (2) Number of Meters Repaired; (3) FTE Work Estimate; (4) Number of Employees; (5) Project Specific Allocator; (6) MW; (7) Gas Throughput; (8) Storage Capacity.

2. Wholesale Energy and Fuels

“Wholesale Energy and Fuels” means administrative functions related to purchasing, marketing and selling natural gas and other energy commodities (including hedging and other risk management tools); scheduling, dispatching, interrupting, and curtailing deliveries; acquiring, selling, releasing and managing capacity; control operations (including compliance with applicable state and federal operating requirements); and operating company-owned underground natural gas storage fields. This function excludes all functions that are not ministerial in nature and excludes contract ownership, as each Party will continue to hold supply and capacity contracts in its own name.

Allocation Factors: (1) Gas Throughput; (2) Peak Day Capacity; (3) MW; (4) FTE Work Estimate; (5) Storage Capacity.

Allocation Factors for Services that WBS May Provide

WBS will allocate costs through a tiered approach. This allocation methodology reflects operational aspects of the charge and applies costs in a meaningful and impartial manner.

First, costs will be directly charged whenever appropriate and practicable. Direct charging is essentially a 100% allocation of costs related to a particular Service to the Party receiving that Service.

Second, where direct charging is not appropriate and practicable, costs will be allocated using cost causation principles that link costs related to a particular Service to the Party receiving that Service.

All other cost allocations will be broad-based with a generalized cost basis proxy.

Specific Allocation Factors

Application Allocator – Based on the allocation of the specific application being worked on. The numerator of which is for a Party and the denominator of which is for all Parties or specific Parties receiving the Service allocated per this factor, if not all Parties are receiving the Service. This ratio will be determined annually or more frequently if required due to a significant change in circumstances.

Call Volume – Based on average call volume during the most recent 12 months for which data are available or for a forecast 12-month period at the time the budget is

prepared. The numerator of which is for a Party and the denominator of which is for all Parties or specific Parties receiving the Service allocated per this factor, if not all Parties are receiving the Service. This ratio will be determined annually or more frequently if required due to a significant change in circumstances.

Composite Allocator Based on Total Historical Billings for a WBS functional service as defined in Appendix C - Based on the total O&M billings for the most recent 12 months for which data are available or for a forecast 12-month period at the time the budget is prepared or total O&M billings for the previous calendar year. The numerator of which is for a Party and the denominator of which is for all Parties or specific Parties receiving the Service allocated per this factor, if not all Parties are receiving the Service. This ratio will be determined annually or more frequently if required due to a significant change in circumstances.

CPU and Disk Storage – Based on the number of CPU cycles used by the application divided by the total number of used CPU cycles and the total bytes of data storage used by the application divided by the total bytes used for data storage for the most recent 12 months for which data are available or for a forecast 12-month period at the time the budget is prepared. The numerator of which is for a Party and the denominator of which is for all Parties or specific Parties receiving the Service allocated per this factor, if not all Parties are receiving the Service. This ratio will be determined annually or more frequently if required due to a significant change in circumstances.

Dollars Associated with Number of Imprints – Based on the dollars associated with the number of imprints for the most recent 12 months for which data are available or for a forecast 12-month period at the time the budget is prepared. The numerator of which is for a Party and the denominator of which is for all Parties or specific Parties receiving the Service allocated per this factor, if not all Parties are receiving the Service. This ratio will be determined annually or more frequently if required due to a significant change in circumstances.

Feet of Installed/Replaced Pipeline – Based on average number of feet installed/replaced for the most recent 12 months for which data are available or for a forecast 12-month period at the time the budget is prepared. The numerator of which is for a Party and the denominator of which is for all Parties or specific Parties receiving the Service allocated per this factor, if not all Parties are receiving the Service. This ratio will be determined annually or more frequently if required due to a significant change in circumstances.

Full Time Equivalent (FTE) Work Estimate – Based on a recurring, predictable level of service. The numerator of which is for a Party and the denominator of which is for all Parties or specific Parties receiving the Service allocated per this factor, if not all Parties are receiving the Service. This ratio will be determined annually or more frequently if required due to a significant change in circumstances.

Gas Throughput – Based on gas throughput in dekatherms (sales or transportation or both) for the most recent 12 months for which data are available or for a forecast 12-month period at the time the budget is prepared. The numerator of which is for a Party

and the denominator of which is for all Parties or specific Parties receiving the Service allocated per this factor, if not all Parties are receiving the Service. This ratio will be determined annually or more frequently if required due to a significant change in circumstances.

General/Corporate – Based on an equal weighting of a 13-month average of assets (excluding hedge assets, goodwill, and non-ordinary assets) for the most recent 13 months at the time the budget is prepared and average annual O&M costs (excluding fuel costs) for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Party and the denominator of which is for all Parties or specific Parties receiving the Service allocated per this factor, if not all Parties are receiving the Service. This ratio will be determined annually or more frequently if required due to a significant change in circumstances.

Megawatts (MW) – Based on the percentage rated generation capacity in megawatts (MW), the numerator of which is for all Parties or specific Parties receiving the Service allocated per this factor, if not all Parties are receiving the Service. This ratio will be revised annually at budget time if there are additions or deletions of generating units, or changes in ownership percentages of existing units. Generating capacity may be inclusive of all generation types or specific such as hydro or coal. The MW allocator may also be used to allow for accounting to the plant level.

Number of Customers – Based on the average number of customers over the most recent 12 months for which data are available or for a forecast 12-month period at the time the budget is prepared. The numerator of which is for a Party and the denominator of which is for all Parties or specific Parties receiving the service allocated per this factor, if not all Parties are receiving the service. This ratio will be determined annually or more frequently if required due to a significant change in circumstances. Customers may be all customers or a relevant subset of customers, including electric, gas, sales or transportation.

Number of Devices – Based on the number of devices or a forecast at the time the budget is prepared. The numerator of which is for a Party and the denominator of which is for all Parties or specific Parties receiving the service allocated per this factor, if not all Parties are receiving the service. This ratio will be determined annually or more frequently if required due to a significant change in circumstances. Devices may include counts of personal computers, mobile computing devices, pagers, or radios.

Number of Employees - Based on the average number of employees included in the budget that is being prepared. The numerator of which is for a Party and the denominator of which is for all Parties or specific Parties receiving the service allocated per this factor, if not all Parties are receiving the service. This ratio will be determined annually or more frequently if required due to a significant change in circumstances. Employees may be all employees or a relevant subset of employees, including employees at a specific location(s), union, or non-union.

Number of Fleet Assets – Based on the average number of fleet assets during the most recent 12 months for which data are available or for a forecast 12-month period at the

time the budget is prepared. The numerator of which is for a Party and the denominator of which is for all Parties or specific Parties receiving the service allocated per this factor, if not all Parties are receiving the service. This ratio will be determined annually or more frequently if required due to a significant change in circumstances.

Number of Meters – Based on the average number of meters (electric and/or gas) in place during the most recent 12 months for which data are available or for a forecast 12-month period at the time the budget is prepared. The numerator of which is for a Party and the denominator of which is for all Parties or specific Parties receiving the service allocated per this factor, if not all Parties are receiving the service. This ratio will be determined annually or more frequently if required due to a significant change in circumstances.

Number of Meters Repaired – Based on the average number of meters repaired for the most recent 12 months for which data are available or for a forecast 12-month period at the time the budget is prepared. The numerator of which is for a Party and the denominator of which is for all Parties or specific Parties receiving the service allocated per this factor, if not all Parties are receiving the service. This ratio will be determined annually or more frequently if required due to a significant change in circumstances.

Number of Transactions – Based on the average number of transactions processed in the system during the most recent 12 months for which data are available or for a forecast 12-month period at the time the budget is prepared. The numerator of which is for a Party and the denominator of which is for all Parties or specific Parties receiving the service allocated per this factor, if not all Parties are receiving the service. This ratio will be determined annually or more frequently if required due to a significant change in circumstances. Transactions may include inventory, invoices processed, or office moves.

Peak Day Capacity (gas) – Based on the highest daily send out in therms (excluding transportation) for the most recent 12 months for which data are available or for a forecast 12-month period at the time the budget is prepared. The numerator of which is for a Party and the denominator of which is for all Parties or specific Parties receiving the service allocated per this factor, if not all Parties are receiving the service. This ratio will be determined annually or more frequently if required due to a significant change in circumstances.

Square Footage – Based on average square footage occupied for the most recent 12 months for which data are available or for a forecast 12-month period at the time the budget is prepared. The numerator of which is for a Party and the denominator of which is for all Parties or specific Parties receiving the service allocated per this factor, if not all Parties are receiving the service. This ratio will be determined annually or more frequently if required due to a significant change in circumstances.

Storage Capacity - Based on storage capacity factors during the most recent 12 months for which data are available or for a forecast 12-month period at the time the budget is prepared. The numerator of which is for a Party and the denominator of which is for all Parties or specific Parties receiving the service allocated per this factor, if not all Parties

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are receiving the service. This ratio will be determined annually or more frequently if required due to a significant change in circumstances. Storage capacity factors may include total capacity (working gas and base gas) of a company-owned storage field or field(s), working gas or base gas of a company-owned storage field or field(s), and a Party's storage rights (including annual, season, or daily rights) to use capacity at a company-owned field(s).

Total Non-Labor Spend without Fuel and Supply – Based on the average non-labor spend excluding fuel and supply during the most recent 12 months for which data are available or for a forecast 12-month period at the time the budget is prepared. The numerator of which is for a Party and the denominator of which is for all Parties or specific Parties receiving the service allocated per this factor, if not all Parties are receiving the service. This ratio will be determined annually or more frequently if required due to a significant change in circumstances.

Total Property, Plant and Equipment – Based on average property, plant and equipment balances during the most recent 12 months for which data are available or for a forecast 12-month period at the time the budget is prepared. The numerator of which is for a Party and the denominator of which is for all Parties or specific Parties receiving the service allocated per this factor, if not all Parties are receiving the service. This ratio will be determined annually or more frequently if required due to a significant change in circumstances.

Appendix D

Services That Any Party (Except WBS, North Shore Gas Company and The Peoples Gas Light and Coke Company) May Provide to Any Party (Except North Shore Gas Company and The Peoples Gas Light and Coke Company)

Subject to the limitations set forth in Section II.1 and applicable state and federal requirements, a Party may provide to or receive from any other Party the Services described in this Appendix D, provided that, WBS, North Shore Gas Company and The Peoples Gas Light and Coke Company may not be a Providing Party under this Appendix D and North Shore Gas Company and The Peoples Gas Light and Coke Company may not be a Receiving Party under this Appendix D¹.

“Major Services” shall mean Services identified as such in this Appendix D and for which Parties expect that, in the normal course of business and under normal operating conditions, they shall provide on a regular or day-to-day basis. “Incidental Services” shall mean Services identified as such in this Appendix D and for which the Parties expect that, in the normal course of business and under normal operating conditions, they shall provide infrequently or, if provided on a regular or day-to-day basis, shall not be within a fiscal year more than 10% of the dollar amount of the total operating and maintenance expense of either Party from the prior fiscal year.

I. Any Regulated Party may provide to or receive from any other Regulated Party the following Major Services:

1. **Administrative and Maintenance:** Provide administrative and other support that is incidental to an individual employee’s normal job duties such as clerical support, reporting assistance, and regulatory support such as data responses; provide building management and maintenance support at company-owned or leased premises; provide information technology support in a limited capacity (e.g., two-way radio support).
2. **Customer:** Provide customer service; support billing and payment processing; support credit and collections activity; energy conservation support; marketing and sales work; claims management.
3. **Fleet:** Maintain vehicles; transport materials and supplies.
4. **Operational Support - Electric Utility:** Provide services and training to operate and support electric utility operations, such as compliance with independent system operator requirements; engineering, construction, design, operation and maintenance; contract management, including marketing and procurement;

¹ WBS provides Services to all Parties under Appendix C. North Shore Gas Company and The Peoples Gas Light and Coke Company each provides and receives Services from Parties other than WBS under Appendix E.

electric capacity, energy and transmission services; FERC, NERC and other regulatory compliance; field services; system planning, analysis and projections.

5. **Operational Support - Gas Utility and Gas Storage Service Provider:**

Provide services and training to operate and support gas utility and storage field operations, such as construction, design, operation and maintenance; field services; operational compliance.

6. **Project Assistance (IT):** Provide support for information technology projects, including those that will be capitalized as an asset of WBS.

7. **Union Employees:** Provide services by employees, who are members of a labor union and not employed by WBS, for all or part of any services that WBS would otherwise provide, and the services may include, by way of example and not limitation, IT, Accounting, Finance, Payroll, Supply Chain, and Administrative services.

8. **Warehousing:** Provide materials and supplies, including storage, ordering, and inventory management.

II. Any Non-Regulated Party may provide to or receive from any Regulated Party the following Services:

Major Services

1. **Administrative and Maintenance:** Provide administrative and other support that is incidental to an individual employee's normal job duties such as clerical support, reporting assistance, and regulatory support such as data responses; provide building management and maintenance support at company-owned or leased premises; provide information technology support in a limited capacity (e.g., two-way radio support).

2. **Project Assistance (IT):** Provide support for information technology projects, including those that will be capitalized as an asset of WBS.

3. **Union Employees:** Provide services by employees, who are members of a labor union and not employed by WBS, for all or part of any services that WBS would otherwise provide, and the services may include, by way of example and not limitation, IT, Accounting, Finance, Payroll, Supply Chain, and Administrative services.

Incidental Services

1. **Customer:** Provide customer service; support billing and payment processing; support credit and collections activity; claims management.

2. **Fleet:** Maintain vehicles; transport materials and supplies.

3. **Operational Support:** Provide services and training to operate and support energy operations.

4. **Warehousing:** Provide materials and supplies, including storage, ordering, and inventory management.
- III. In addition to providing and billing for the Services described in this Appendix D and in Section II.1, any Party may allocate costs to any other Party as follows:
1. **Cost Allocations:** Payment of an invoice or refunds of credits by one or more Parties for goods or services for which another Party or other Parties benefitted; charges for systems owned by one Party and used by one or more other Parties; financing charges, such as those arising from intercompany loans (provided, however, that no Party will charge costs to Wisconsin Public Service Corporation, Wisconsin Electric Power Company or Wisconsin Gas Company LLC for intercompany loans); fees for credit lines available to more than one Party; transfers of renewable energy credits or other items of value; use of any airplane owned by WEC Energy; use of housing owned or rented by WEC Energy; benefit plans; transfer of benefits, such as vacation time when an employee transfers employment; and shared personnel, including management, regulatory, corporate directors and officers and their support personnel. The term “management” includes a Party’s chief executive officer, president or comparable officer, all persons who directly report to that officer, and all persons who report to those direct reports.
 2. **Transition:** When an employee moves from a position with one Party to a position with another Party, provide services, for a transition period, appropriate to assist the person(s) assuming responsibility for tasks formerly performed by the employee in his former position.
 3. **Short Term Assignments:** When an employee assumes responsibilities, on a short-term (less than two years) basis, with another Party (subject to any otherwise applicable restrictions such as affiliated interest requirements) but does not become an employee of the other Party, provide services required by the new position and allocate costs appropriately.
- IV. Any Non-Regulated Party may provide to or receive from any other Non-Regulated Party any Service.

Appendix E

RIDER APPLICABLE TO NORTH SHORE GAS COMPANY AND THE PEOPLES GAS LIGHT AND COKE COMPANY

The Affiliated Interest Agreement approved by the Illinois Commerce Commission in Docket No. 17-_____ shall be subject to the following restrictions.

Subject to the limitations set forth in Section II.1 and applicable state and federal requirements, North Shore Gas Company (“North Shore”) and The Peoples Gas Light and Coke Company (“Peoples Gas”) (collectively, “NSG/PGL”) may only provide to or receive from any other Party the Services as limited in this Rider.

1. “Major Services” shall mean Services identified as such in this Rider and for which Parties expect that, in the normal course of business and under normal operating conditions, they shall provide on a regular or day-to-day basis. “Incidental Services” shall mean Services identified as such in this Rider and for which the Parties expect that, in the normal course of business and under normal operating conditions, they shall provide infrequently or, if provided on a regular or day-to-day basis, shall not be within a fiscal year more than 10% of the dollar amount of the total operating and maintenance expense of either Party from the prior fiscal year.
2. “Non-Utility Affiliate” means the entities listed in Section E.V.
3. If NSG/PGL wish to revise Section E.I to add or delete services, NSG/PGL will file a Notice in Docket Nos. 12-0273/13-0612 (cons.) and also simultaneously provide a copy of the Notice to the Commission Staff’s Manager of Accounting and Manager of the Policy Program.

If no objections or recommendations concerning the change to the list of authorized services is filed, the addition or deletion of the service will take effect 35 days after the filing date.

If an objection or recommendation is filed, the Commission shall initiate a proceeding under Section 7-101 of the Public Utilities Act (“Act”) and the change in services shall not automatically become effective.

If NSG/PGL wish to revise the previously proposed change to the list of authorized services, a new Notice must be filed.

Nothing in this paragraph 3 prevents NSG/PGL from filing a Petition under Section 7-101 of the Act for review and approval under the process and within the timeframe that normally apply to such filings. Notwithstanding the foregoing, for good cause shown, if

NSG/PGL determine that either of them has provided to a Regulated Party or received from a Regulated Party a service not defined in Section E.I, NSG/PGL will promptly file a Notice in Docket Nos. 12-0273/13-0612 (cons.) and also simultaneously provide a copy of the Notice to the Commission Staff's Manager of Accounting and Manager of the Policy Program; such a filing after the service is provided or received will not be deemed a violation of the Act.

I. The Parties may provide to or receive from any Regulated Party the Services set forth below which are limited to the specific terms delineated below.

Major Services

1. **Administrative and Maintenance:** Provide administrative and other support that is incidental to an individual employee's normal job duties such as clerical support, reporting assistance, and regulatory support such as data responses; provide building management and maintenance support at company-owned or leased premises; and provide information technology support in a limited capacity (e.g., two-way radio support).
 - "Provide administrative and other support that is incidental to an individual employee's normal job duties" means that the person providing this service is assisting the person(s) primarily responsible for the task.
 - "clerical support" means typing; word processing; creating spreadsheets; working with various computer programs (e.g., Microsoft applications like PowerPoint, Visio, Excel); duplicating, including basic maintenance of duplication equipment (e.g., ordering and replacing paper and toner); mailing in whatever form (electronic mail, overnight courier, registered mail, arranging for personal delivery, electronic filing, etc.); and scheduling meetings or travel.
 - "reporting assistance" means helping prepare reports such as required regulatory submissions to governmental bodies like the SEC, FERC, NERC, EPA, IRS, public service commissions; and helping prepare reports to meet corporate requirements, such as Board of Director or senior management reports.
 - "regulatory support such as data responses" means helping respond to data requests or other information requests from governmental bodies or third parties in regulatory matters; helping prepare testimony; and helping prepare filings in regulatory proceedings.
 - "provide building management and maintenance support at company-owned or leased premises" means receptionist services; scheduling visitors and providing access, including applicable security requirements (e.g., maintenance of a log or identification requirements); and arranging for, scheduling or providing maintenance such as cleaning or repair at a company-owned or leased premises.

- “provide information technology support in a limited capacity (e.g., two-way radio support)” means assisting with a function that Information Technology would typically support and two-way radio support.
2. **Customer:** Provide customer service; support billing and payment processing; support credit and collections activity; energy conservation support; marketing and sales work; claims management.
- “Provide customer service” means services associated with handling all functions directly related to a customer being on the utility system, but not field services, such as handling and processing applications for service; handling credit-related requirements; initiating service upon completion of the application process, reconnecting service and disconnecting service (inputting the appropriate information in customer information systems and sending notices, not the field service of physically initiating, reconnecting or disconnecting service); answering customer inquiries; answering customer calls related to emergencies; handling payment arrangements; handling matters related to payment assistance programs; and responding to third party inquiries related to customer matters (e.g., public service commission complaints).
 - “support billing and payment processing” means services needed to prepare and issue bills; receive and process payments, including inputting data in customer information systems, and depositing payments in financial institutions.
 - “support credit and collections activity” means services needed to implement credit requirements (such as credit reviews to determine if a deposit is required to initiate service or restore service); credit reporting requirements; returning deposits; and collection of past due amounts, including sending notices to customers and inputting the appropriate information in customer information systems to support credit and collection activity and service discontinuance.
 - “energy conservation support” means supporting (directly or indirectly through support to contractors) the implementation of utility energy efficiency, demand response, energy conservation and similar programs; review and process applications; process incentive delivery; answer customer inquiries; answer third party inquires (e.g., vendors, public service commissions); develop programs; maintain data about program implementation; and analyze programs.
 - “marketing and sales work” means communicating with current and prospective customers about available services; assisting customers apply for services; assisting customers with questions or concerns related to services the customer is taking; and assisting customers to discontinue services.

- “claims management” means handling matters related to customers or third parties bringing a claim against a Party or claims by a Party against customers or third parties, including investigations, litigation support, and settlements.
3. **Operational Support - Electric Utility:** Provide services and training to operate and support electric utility operations, such as compliance with independent system operator requirements; engineering, construction, design, operation and maintenance; contract management, including marketing and procurement; electric capacity, energy and transmission services; FERC, NERC and other regulatory compliance; field services; system planning, analysis and projections.
- “Provide services and training to operate and support electric utility operations” means services that an electric utility needs and training that employees need to operate and the list following this phrase identifies the categories of such services covered by this Agreement. Electric utility operations include coal-fired and gas fired facilities, hydroelectric plants, and intermittent resources such as wind and solar generation as well as the transmission and distribution systems to transmit the energy.
 - “compliance with independent system operator requirements” means the actions an electric utility must take to comply with requirements imposed by the independent system operator (ISO) in which it is a member. The ISO requirements are imposed by the ISO’s tariffs; by the ISO’s contract(s) with the electric utility; by the ISO’s business practice manuals; by the Federal Energy Regulatory Commission; by the national reliability organization; by the regional reliability organization. These actions are any step to meet an ISO requirement; reviewing requirements imposed by the foregoing; developing processes for compliance with the foregoing; participating in meetings about the foregoing; participating in meetings, hearings, conferences and the like with regulatory bodies and reliability organizations; preparing for and participating in internal and external audits associated with ISO requirements; preparing and maintaining documentation for internal recordkeeping; preparing and maintaining documentation for submission to or filing with a regulatory body or reliability organization; developing computer systems to comply with ISO requirements; developing and maintaining data retention policies to meet ISO requirements.
 - “engineering, construction, design, operation and maintenance” means services needed to develop, maintain and operate electric utility infrastructure. These services include any service that an engineer would perform associated with the operation of an electric utility’s capital assets such as generation, transmission and distribution facilities. It includes building (constructing) the assets; engineering oversight of building (construction). It includes designing the assets (engineering sketches, drafts, blue prints, specifications, selecting manufacturers and parts to acquire to construct the asset, selecting and contracting with contractors). It includes operating the assets, *i.e.*, the day-to-day tasks

associated with generating electricity (acquiring fuel, meeting regulatory and ISO requirements to schedule the use of the assets, running the generation facility); day-to-day tasks associated with running the distribution system and delivering energy to retail and wholesale customers consistent with applicable legal and physical requirements. It includes maintaining the assets (scheduled maintenance activities such as those recommended by the manufacturers of parts, those required by prudent utility practice or prudent industry practice, those required by regulatory authorities or reliability organizations; unscheduled maintenance such as activities required by damage to the assets by third parties, force majeure events or other persons or forces; repairs to the assets).

- “contract management, including marketing and procurement” means services associated with contracts (purchase and sale) related to operating an electric utility. Such services include requesting proposals, negotiating and entering into contracts to support the other functions identified for this service (e.g., contracts associated with compliance such as hiring consultants or contractors); services associated with the engineering, construction, design, operation and maintenance of the utility system; purchasing fuel (coal or gas) to generate energy; selling the output of the generation facilities, including sales and marketing activities such as responding to requests for proposal, meeting with current and prospective customers; implementing contract provisions such as giving required notices, complying with any credit requirements, complying with any insurance requirements, etc. (this list does not purport to list every contract management function as functions are dependent on the terms and conditions of the contract); retaining the contract for the applicable retention period; filing the agreement or any reports, if required, with regulatory bodies.
- “electric capacity, energy and transmission services” means running the electric utility system as it pertains to managing the particular services associated with capacity, energy and transmission. This means meeting ISO requirements and for WEC Energy’s electric utilities, requirements imposed by the American Transmission Company, LLC (ATC) or any successor, which owns and operates the transmission assets formerly owned by WEC Energy’s electric utilities.
- “FERC, NERC and other regulatory compliance” means meeting all electric utility operating requirements imposed by the Federal Energy Regulatory Commission (FERC); by the national reliability organization (NERC); by the regional reliability organization (e.g., MRO, Reliability First), the Public Service Commission of Wisconsin, the Michigan Public Service Commission, state and federal environmental agencies, and any other regulatory agency with jurisdiction over the electric utility operations of WEC Energy’s state-regulated electric utilities.
- “field services” means day-to-day operation of the electric utility system by personnel operating in the field, such as maintaining, operating, replacing and repairing lines, poles, transformers, and other assets. This service includes disconnecting or restoring energy service, tree trimming, and any other

mandated activity, performed in the field, to maintain the safe and reliable operation of the electric utility system.

- “system planning, analysis and projections” means planning to meet requirements (*i.e.*, load), including forecasting load, and the effect on generation, transmission and distribution (*e.g.*, is more or less needed and how should this be accomplished such as through the state process or the Midcontinent ISO process or ATC). It includes owned and contracted assets, determining whether to meet load through contracts or existing or new assets, and whether those assets may be owned or built by an WEC Energy entity or another entity. It includes participating in planning by the ISO and ATC and participating in state and federal regulatory proceedings. This service includes forecasting requirements (*i.e.*, load).
4. **Operational Support - Gas Utility and Gas Storage Service Provider:**
Provide services and training to operate and support gas utility and storage field operations, such as construction, design, operation and maintenance; field services; operational compliance.
- “Provide services and training to operate and support gas utility and storage field operations” means services that a gas utility or storage service provider needs and training that employees need to operate and the list following this phrase identifies the categories of such services covered by this Agreement.
 - “construction, design, operation and maintenance” means services needed to develop, maintain and operate gas utility and storage field infrastructure. These services include any service associated with the operation of a gas utility’s or storage service provider’s capital assets such as storage, LNG, LP, transmission and distribution facilities and appurtenant facilities such as gate stations or interconnection facilities. It includes building (constructing) the assets and engineering oversight of building (construction). It includes designing the assets (engineering sketches, drafts, blue prints, specifications, selecting manufacturers and parts to acquire to construct the asset, selecting and contracting with contractors). It includes operating the assets, *i.e.*, the day-to-day tasks associated with running the transmission and distribution system, storage field, LNG or LP plant and delivering gas to retail and, if applicable, wholesale customers consistent with applicable legal and physical requirements. It includes maintaining the assets (scheduled maintenance activities such as those recommended by the manufacturers of parts, those required by regulatory authorities; unscheduled maintenance such as activities required by damage to the assets by third parties, *force majeure* events or other persons or forces; repairs to the assets).
 - “field services” means day-to-day operation of the gas utility or storage service provider’s system by personnel operating in the field, such as maintaining, operating, replacing, and repairing pipes, meters, regulators, valves, fittings, tanks, and other equipment appurtenant to those facilities.

This service includes disconnecting or restoring service and any other mandated activity performed in the field, to maintain the safe and reliable operation of the gas utility or storage system.

- “operational compliance” means, to the extent not covered by other Services, establishment and administration of policies to support compliance with applicable state and federal requirements applicable to gas facilities.
5. **Project Assistance (IT):** Provide support for information technology projects, including those that will be capitalized as an asset of WBS.
- “Provide support for information technology projects, including those that will be capitalized as an asset of WBS” means assisting with IT projects such as answering questions from IT and other WBS personnel modifying an existing information system or developing a new information system; providing data to such personnel; testing the modified or new system before and after implementation. “Information systems” include development of application and enterprise software, such as customer information systems or work management systems.
6. **Union employees** – Provide services by employees, who are members of a labor union and not employed by WBS, for all or part of any services that WBS would otherwise provide, and the services may include, by way of example and not limitation, IT, Accounting, Finance, Payroll, Supply Chain, and Administrative services.
7. **Warehousing:** Provide materials and supplies, including storage, ordering, and inventory management.
- “Provide materials and supplies” means managing tangible goods (*e.g.*, pipes, meters, poles, regulators, valves, fittings, transformers, office supplies, office equipment, vehicles, parts needed to repair assets) that the utility or storage service provider procures to support its business.
 - “storage” means storing (stocking) tangible goods in an appropriate manner, *i.e.*, in a manner that protects the goods from damage or deterioration, and, if applicable, in accordance with applicable manufacturers’ guidelines or legal requirements.
 - “ordering” means requisitioning and procuring tangible goods associated with the utility’s or storage service provider’s business.
 - “inventory management” means tracking or cataloging tangible goods; determining when to order more of such goods; determining whether and when to dispose of such goods; and preparing such goods for movement or transport to another site.

Incidental Services

1. **Fleet:** Maintain vehicles; transport materials and supplies.

- “Maintain vehicles” means keeping vehicles in good repair and working order. “Vehicles” include all vehicles owned or used by the utility or storage service provider, including cars, trucks, vans, backhoes, and such.
- “transport materials and supplies” means moving tangible goods from one site to another.

II. Services between NSG/PGL and Non-Regulated Parties

A. NSG/PGL may provide to WEC Business Services LLC and provide to and receive from WEC Energy Group, Inc., the following Incidental Services:

1. **Administrative and Maintenance:** Provide administrative and other support that is incidental to an individual employee’s normal job duties such as clerical support, reporting assistance, and regulatory support such as data responses; provide building management and maintenance support at company-owned or leased premises; provide information technology support in a limited capacity (e.g., two-way radio support).
2. **Customer:** Provide customer service; support billing and payment processing; support credit and collections activity; claims management.
3. **Fleet:** Maintain vehicles; transport materials and supplies.
4. **Operational Support:** Provide services to operate and support energy operations.
5. **Project Assistance (IT):** Provide support for information technology projects, including those that will be capitalized as an asset of WBS.
6. **Union employees** – Provide services by employees, who are members of a labor union and not employed by WBS, for all or part of any services that WBS would otherwise provide, and the services may include, by way of example and not limitation, IT, Accounting, Finance, Payroll, Supply Chain, and Administrative services.
7. **Warehousing:** Provide materials and supplies, including storage, ordering, and inventory management.

B. NSG/PGL may only provide to or receive from any Non-Regulated Party that is not a Non-Utility Affiliate only the following Incidental Services under this Rider.

1. **Administrative:**

- “Reporting assistance,” which means helping prepare reports such as required regulatory submissions to governmental bodies like the SEC, FERC,

NERC, EPA, IRS, public service commissions; and helping prepare reports to meet corporate requirements, such as Board of Director or senior management reports.

- “Regulatory support,” which means helping respond to data requests or other information requests from governmental bodies or third parties in regulatory matters; helping prepare testimony; and helping prepare filings in regulatory proceedings.
- “Provide information technology support in a limited capacity,” which means assisting with a function that Information Technology would typically support.

2. **Operational Support:**

- “Operate and maintain CNG facilities,” which means the day-to-day operation and maintenance of Peoples Gas’ compressed natural gas fueling station located at its Division Street shop.

III.

A. In addition to providing and billing for the Services described above and in Section II.1, any Party may allocate costs to NSG/PGL and NSG/PGL may allocate costs to any other Party, as follows:

1. **Cost Allocations:** Payment of an invoice or refunds of credits by one or more Parties for goods or services for which another Party or other Parties benefitted; charges for systems owned by one Party and used by one or more other Parties; financing charges, such as those arising from intercompany loans (provided, however, that no Party will charge costs to Wisconsin Public Service Corporation, Wisconsin Electric Power Company or Wisconsin Gas Company LLC for intercompany loans); fees for credit lines available to more than one Party; transfers of renewable energy credits or other items of value; use of any airplane owned by WEC Energy; use of housing owned or rented by WEC Energy; benefit plans; transfer of benefits, such as vacation time when an employee transfers employment; and shared personnel, including management, regulatory, corporate directors and officers and their support personnel. The term “management” includes a Party’s chief executive officer, president or comparable officer, all persons who directly report to that officer, and all persons who report to those direct reports.
2. **Transition:** When an employee moves from a position with one Party to a position with another Party, provide services, for a transition period, appropriate to assist the person(s) assuming responsibility for tasks formerly performed by the employee in his former position.
3. **Short Term Assignments:** When an employee assumes responsibilities, on a short-term (less than two years) basis, with another Party (subject to any otherwise applicable restrictions such as affiliated interest requirements) but

does not become an employee of the other Party, provide services required by the new position and allocate costs appropriately.

B. Asset Transfers by NSG/PGL to WBS: On and after the effect date of this Rider, as ordered in Docket Nos. 12-0273/13-0612 (cons.) but including the asset transfers approved in Docket No. 14-0500, North Shore or Peoples Gas may transfer assets to WBS, provided that, for all land and any individual asset that has an original cost, before depreciation, greater than \$100,000, WBS will track such asset. If WBS decides to dispose of such land or asset, it will transfer the land or asset to the transferring utility (North Shore or Peoples Gas, as applicable) at net book value. Under no circumstances is WBS allowed to transfer such land or assets to a non-regulated affiliate.

IV. Any Non-Regulated Party may provide to or receive from any other Non-Regulated Party any Service.

V. For purposes of this Rider, the term “Non-Utility Affiliates” includes only the following:

- a) WBS
- b) WEC Energy

VI. Audit: The Audit ordered in Section V.5 shall also include the following:

- a) A listing of all transactions and a review of transactions that occurred under Section E.II.A of this Rider to ensure that the interactions were services listed under that section, that they were performed at the appropriate cost as outlined in Article III of this Agreement and they were indeed Incidental Services.
- b) A listing of all transactions and a review of transactions that occurred under Section E.II.B of this Rider to ensure that the interactions were services listed under that section, that they were performed at the appropriate cost as outlined in Article III of this Agreement and they were indeed Incidental Services.
- c) A listing of all transactions and a review of transactions that occurred under Section E.III of this Rider to ensure that the interactions were allowed under that section and were performed at the appropriate cost as outlined in Article III of this Agreement.

ADDENDUM TO AFFILIATED INTEREST AGREEMENT

Notwithstanding the provisions of the WEC Energy Affiliated Interest Agreement (“Agreement”) by and among WEC Energy Group, Inc. (“WEC Energy”), the Regulated Parties listed on Appendix A of the Agreement, and the Non-Regulated Parties listed on Appendix B of the Agreement, Bluewater Gas Storage, LLC (“Bluewater”) shall be deemed to be a Non-Regulated Party for the limited purposes of (1) any transactions Bluewater may have with Minnesota Energy Resources Corporation (“MERC”) and all rights and obligations of MERC with respect to any transactions with a Non-Regulated Party shall apply fully to any transactions between MERC and Bluewater; and (2) determining the costs allocated to MERC from WEC Business Services LLC (“WBS”), the centralized service company, that result from services provided by Bluewater to WBS (per Articles III.1.d and III.3).

PUBLIC DOCUMENT - TRADE SECRET DATA EXCISED

MERC

ServiceChoice Allocation (using direct cost as common allocation factor)

2016 Actual Data

	<u>Utility</u>	<u>Service-Choice</u>	<u>Total</u>		
Total O&M	52,557,548	2,511,040	55,068,588	}	57,834,693 Total costs
Plus: Service Choice Direct Labor in COGS	-	2,766,105	2,766,105		
Less: Utility Bldg costs included in total O&M	(706,593)	(99,100)	(805,693)		
Less: Utility Fleet costs included in total O&M	(995,814)		(995,814)		
Less: Common Allocation included in total O&M	(4,497,136)	(630,727)	(5,127,863)		
Less: Customer Service costs Allocation included in total O&M	<u>(3,220,564)</u>	<u>(607,568)</u>	<u>(3,828,132)</u>	}	6,929,370 12.0% General Allocator
	(4,497,136)	(630,727)	(5,127,863)	}	3,828,132 6.6% Known Factors
Direct Costs	<u>43,137,441</u>	<u>3,939,750</u>	<u>47,077,191</u>		47,077,191 81.4% Direct Charge
Allocation percent of common expenses using direct cost allocation factor	91.6%	8.4%	100.0%		
MERC allocation percent	87.7%	12.3%	100.0%		

	<u>Utility</u>	<u>Service-Choice</u>	<u>Total</u>
Total Direct Costs	\$ 43,137,441	\$ 3,939,750	\$ 47,077,191
General Allocator %	<u>91.6%</u>	<u>8.4%</u>	<u>100.0%</u>

Allocation of shared costs between ServiceChoice and Utility using commission hierarchical method

Step 1 - Allocated by Tariff	0	0	0
Step 2 - Allocated by Direct Cost Causation			
Customer Service Costs - Allocated by customer counts	3,220,564	607,568	3,828,132
Step 3 - Allocated by General Allocator			
Building costs	738,267	67,426	805,693
Common Expenses	<u>4,698,727</u>	<u>429,136</u>	<u>5,127,863</u>
Allocation of shared costs between ServiceChoice and Utility using commission hierarchical method	<u>\$ 8,657,558</u>	<u>\$ 1,104,130</u>	<u>\$ 9,761,688</u>
Actual Shared Expense allocation using MERC Method	<u>\$ 8,416,414</u>	<u>1,410,743</u>	<u>9,827,157</u>
Additional Costs Allocated to ServiceChoice using MERC method vs. commission method		<u>\$ 306,613</u>	

Minnesota Energy Resources Corporation
Lead/Lag Study Summary

<u>Lead Time for Revenues Collected</u>	<u>Days</u>
Service to Meter Reading lead time	15.2
Meter Reading to Billing lead time	4.2
Billing to Collection lead time	24.9
Total Lead Time	44.3
<u>Lag Time for Expenses Paid</u>	<u>Days</u>
Purchased Gas Expense	40.2
Payroll Expense	13.0
Payroll Tax Expense	14.0
Incentive Plan Expense	243.5
Expenses Paid back to Affiliates including Interest Payments	35.2
Other Operations & Maintenance Expense	30.0

**Minnesota Energy Resources Corporation
Calculation of Meter Reading to Billing Lead Time**

	Revenues	Percentage of Total	Processing Days	Weighted Average
Transport	9,667,998	3.85%	8.0	0.3
Non-Transport	241,539,374	96.15%	4.0	3.8
Total	<u>251,207,372</u>	<u>100.00%</u>		<u>4.2</u>

Minnesota Energy Resources Corporation
Calculation of Billing to Collection Lead Time

	Amount
2016 Sum of Daily Accounts Recievable	6,258,385,861
2016 Tariff Revenues	251,207,372
Accounts Receivable / Revenues	<hr/> 24.9

Minnesota Energy Resources Corporation
Calculation of Taxes Available as Working Capital

Percentage of State Income Tax Available as Working Capital

<u>Line</u>	<u>Month</u> (a)	----- Current Year's Tax -----		
		<u>Cumulative Collections</u> (b)	<u>Cumulative Payments</u> (c)	<u>Net Accrual Available</u> (d=(b-c))
1	January	16.68%		16.68%
2	February	30.96%		30.96%
3	March	42.88%	25.00%	17.88%
4	April	50.58%	25.00%	25.58%
5	May	55.46%	25.00%	30.46%
6	June	58.39%	50.00%	8.39%
7	July	60.87%	50.00%	10.87%
8	August	63.44%	50.00%	13.44%
9	September	67.26%	75.00%	-7.74%
10	October	74.41%	75.00%	-0.59%
11	November	84.99%	75.00%	9.99%
12	December	100.00%	100.00%	0.00%
13	12 Month Average			12.99%
14	Less: Revenue Lead Days			12.13%
15	Net			0.86%

Percentage of Federal Income Tax Available as Working Capital

<u>Line</u>	<u>Month</u> (a)	----- Current Year's Tax -----		
		<u>Cumulative Collections</u> (b)	<u>Cumulative Payments</u> (c)	<u>Net Accrual Available</u> (d=(b-c))
1	January	16.68%		16.68%
2	February	30.96%		30.96%
3	March	42.88%		42.88%
4	April	50.58%	25.00%	25.58%
5	May	55.46%	25.00%	30.46%
6	June	58.39%	50.00%	8.39%
7	July	60.87%	50.00%	10.87%
8	August	63.44%	50.00%	13.44%
9	September	67.26%	75.00%	-7.74%
10	October	74.41%	75.00%	-0.59%
11	November	84.99%	75.00%	9.99%
12	December	100.00%	100.00%	0.00%
13	12 Month Average			15.08%
14	Less: Revenue Lead Days			12.13%
15	Net			2.95%

Minnesota Energy Resources Corporation
Calculation of Net Cash Working Capital
2018 Proposed Test Year

<u>Line</u>	<u>Description</u>	<u>Operating Annual</u> (a)	<u>Expenses Per Day</u> (b)	<u># of Lead Days</u> (c)	<u># of Lag Days</u> (d)	<u># of Lead Days in Excess of the # of Lag Days</u> (e)	<u>Extension [Col. (b)*(e)]</u> (f)
1	Purchased Gas Expense	\$ 142,921,853	\$ 391,567	44.3	40.2	4.1	\$ 1,595,831
2	Internal Payroll including Overtime but Excluding Incentive plan	\$ 13,415,709	\$ 36,755	44.3	13.0	31.3	\$ 1,148,836
3	Payroll Taxes	\$ 1,497,974	\$ 4,104	44.3	14.0	30.3	\$ 124,173
4	MERC Internal Incentive Plan	\$ 1,050,600	\$ 2,878	44.3	243.5	(199.2)	\$ (573,439)
5	O&M Expenses Paid to Affiliates not including Interest Expense	\$ 21,463,598	\$ 58,804	44.3	35.2	9.1	\$ 533,189
6	Other Operations & Maintenance Expense	\$ 13,449,732	\$ 36,849	44.3	30.0	14.3	\$ 526,032
7	Total Cash Working Capital deficit (available)						<u>\$ 3,354,622</u>
8	Property Tax	11,464,000	\$ 31,408	44.3	333.5	(289.2)	\$ (9,084,026)
9	State Income Tax	923,019	\$ 2,529	44.3	47.4	(3.2)	\$ (7,968)
10	Federal Income Tax	9,751,987	\$ 26,718	44.3	55.0	(10.8)	\$ (287,352)
11	Total Taxes						<u>\$ (9,379,346)</u>
12	Net Cash Working Capital deficit (available) (Line 7 Minus Line 11)						<u>\$ (6,024,724)</u>
13	Summary of Expenses from above (excluding Income taxes)	<u>\$ 205,263,466</u>					
14	Cost of Gas IR-5 Schedule C-5						
15	O&M Expnese IR-5 Schedule C-6						
16	Payroll Taxes IR-5 Schedule C-9						
17	Property Taxes IR-5 Schedule C-9						
18	Summary of Expenses from IR-5	<u>\$ -</u>					
19	Reconciliation (Line 13 less Line 18)	<u>\$ 205,263,466</u>					

*Income Tax Amounts are after assumed Rate Increase

Minnesota Energy Resources Corporation
Calculation of Proposed CCRC Factor for 2018 Test Year
Base CIP Expense is Collected via the CCRC

Line No.	Description	Source	2018
1	CIP Expense	G011/CIP-16-120	\$ 12,233,774
2	Sales (Minnesota only)	Sales Direct Testimony & Exhibits	753,081,025
3	Opt-out customers	Sales Direct Testimony & Exhibits	338,813,173
4	CCRC applicable Sales	Line 2 - Line 3	414,267,852
5	Requested CCRC Factor (\$/therm) for Interim and Final Rates	Line 1 / Line 4	\$ 0.02953
6	Currently Approved CCRC Factor (\$/therm) used in Present Rates	G011/GR-15-736	\$ 0.02767
7	Change In CCRC Factor (\$/therm)	Line 5 - Line 6	\$ 0.00186
8	Increase/(Decrease) in Costs due to Factor for Interim and Final Rates	Line 4 * Line 7	\$ 770,983

**Minnesota Energy Resources Corporation
Pension
Known and Measurable Adjustment
Account 921**

<u>Line</u>			<u>Labor</u>	<u>Non-Labor</u>
1	2016 Costs		\$ -	\$ 532,086
2	2017 Inflation Rate		3.000%	2.401%
3	2017 Costs Inflated	Line 1 * Line 2	\$ -	\$ 544,861
4	2017 Known and Measurable			\$ (544,861)
5	2017 Costs	Line 3 + Line 4	\$ -	\$ 0
6	2018 Inflation Rate		3.000%	2.580%
7	2018 Costs Inflated	Line 5 * Line 6	\$ -	\$ 0
8	2018 Known and Measurable		\$ -	\$ (0)
9	2018 Costs	Line 7 + Line 8	\$ -	\$ -
10	Total Known and Measurable	Line 4 + Line 8	<u>\$ -</u>	<u>\$ (544,861)</u>

Minnesota Jurisdiction Only

	Forecast Models	CCOSS	Rate Design
Sales	753,081,025	753,081,025	753,081,025
Fixed Charge Counts	2,797,320	2,797,320	2,797,320
Daily Firm Capacity	8,146,680	8,146,680	8,146,680
Revenues on Current Tariffs		\$ 250,328,750	\$ 250,328,750

*The Forecast Models are done inclusive of the Michigan Taconite Mines, but the associated values with those customers are excluded from the revenue deficiency.

O&M	Costs Incurred		Savings		Net Costs (Savings)	
	MERC		MERC		MERC	
	2015	2016	2015	2016	2015	2016
GENERATION						
Power Generation			54	1,016	(54)	(1,016)
Wholesale Energy & Fuels	93,261		27,837	167,541	65,424	(167,541)
Environmental			1,001	4,255	(1,001)	(4,255)
GENERATION	93,261	-	28,892	172,812	64,369	(172,812)
DELIVERY						
GAS OPERATIONS	106,070		12,996	77,924	93,074	(77,924)
CUSTOMER SERVICES	76,658	24,624	22,006	164,497	54,652	(139,873)
DELIVERY	182,728	24,624	35,002	242,421	147,726	(217,797)
CORPORATE CENTER						
HR & Ethics and Compliance	102,980	46,643	12,005	123,585	90,975	(76,942)
Supply Chain	8,067	5,757	28,523	155,565	(20,456)	(149,808)
Information Technology	147,294	27,057	48,624	299,994	98,670	(272,937)
Finance	369,921	9,607	136	198,182	369,785	(188,575)
Administrative Services	13,764	6,387		36,898	13,764	(30,511)
Communications	17,910	9,260	25,135	58,062	(7,225)	(48,802)
Chief Executive		83,317			-	83,317
Audit	11,216	3,785	2,764	17,046	8,452	(13,261)
Dues & Memberships			764	1,192	(764)	(1,192)
LEGAL AFFAIRS & GOVERNANCE	30,253	37,507	38,165	87,132	(7,912)	(49,625)
External Affairs	68,886	6,147	7,886	108,237	61,000	(102,090)
CORPORATE CENTER	770,291	235,467	164,002	1,085,893	606,289	(850,426)
OTHER CORPORATE CHARGES						
OCC Benefits	9,410	16,966		42,303	9,410	(25,337)
OCC Corporate Insurance	(47,026)		119,908	130,378	(166,934)	(130,378)
OTHER CORPORATE CHARGES	(37,616)	16,966	119,908	172,681	(157,524)	(155,715)
Subtotal*	1,008,664	277,057	347,804	1,673,807	660,860	(1,396,750)

* No Regulatory Amortizations are included in the attached information

	MERC Customer Class	Rate		Throughput		Currently Decoupled	Proposed Decoupled
		Design	CCOSS	Rate Design	Benefit		
		less CCRC	less CCRC	less CCOSS	at 100 therms		
NNG SALES							
GS-NNG Residential Sales	GS-NNG Residential Sales	\$ 0.25836	\$ 0.06174	\$ 0.19662	\$ 19.66	Yes	Yes
GS-NNG Residential Farm-Tap Sales	GS-NNG Residential Farm-Tap Sales	\$ 0.25836	\$ 0.01079	\$ 0.24757	\$ 24.76	Yes	Yes
GS-NNG SC&I Sales	C&I FIRM Class 1	\$ 0.23306	\$ 0.06690	\$ 0.16616	\$ 16.62	Yes	Yes
GS-NNG SC&I Sales	Agriculture Grain Dryer - Class 1	\$ 0.15000	\$ 0.05947	\$ 0.09053	\$ 9.05	Yes	
GS-NNG SC&I Sales	GS-NNG SC&I Farm-Tap Sales	\$ 0.23306	\$ 0.01027	\$ 0.22279	\$ 22.28	Yes	Yes
GS-NNG LC&I Sales	C&I FIRM Class 2	\$ 0.12590	\$ 0.06102	\$ 0.06488	\$ 6.49		
GS-NNG LC&I Sales	C&I FIRM Class 3	\$ 0.10805	\$ 0.06061	\$ 0.04744	\$ 4.74		
GS-NNG LC&I Sales	Power Generating Unit - Class 1	\$ 0.08000	\$ 0.04988	\$ 0.03012	\$ 3.01		
GS-NNG LC&I Sales	Agriculture Grain Dryer - Class 1	\$ 0.15000	\$ 0.05947	\$ 0.09053	\$ 9.05		
GS-NNG LC&I Sales	GS-NNG LC&I Farm-Tap Sales	\$ 0.12590	\$ 0.00975	\$ 0.11615	\$ 11.61		
SVI-NNG Sales	C&I INT Class 2	\$ 0.08519	\$ 0.03270	\$ 0.05249	\$ 5.25		
SVI-NNG Sales	C&I INT Class 3	\$ 0.06519	\$ 0.03280	\$ 0.03239	\$ 3.24		
SVI-NNG Sales	Agriculture Grain Dryer - Class 1	\$ 0.15000	\$ 0.05879	\$ 0.09121	\$ 9.12		
SVI-NNG Sales	Agriculture Grain Dryer - Class 2	\$ 0.05197	\$ 0.05171	\$ 0.00026	\$ 0.03		
LVI-NNG Sales	C&I INT Class 2	\$ 0.08519	\$ 0.03270	\$ 0.05249	\$ 5.25		
LVI-NNG Sales	C&I INT Class 3	\$ 0.06519	\$ 0.03280	\$ 0.03239	\$ 3.24		
LVI-NNG Sales	Power Generating Unit - Class 1	\$ 0.08000	\$ 0.04765	\$ 0.03235	\$ 3.23		
LVI-NNG Sales	Agriculture Grain Dryer - Class 1	\$ 0.15000	\$ 0.05879	\$ 0.09121	\$ 9.12		
LVI-NNG Sales	Agriculture Grain Dryer - Class 2	\$ 0.05197	\$ 0.05171	\$ 0.00026	\$ 0.03		
SVJ-NNG Sales	C&I JOINT Class 2	\$ 0.08519	\$ 0.03270	\$ 0.05249	\$ 5.25		
CONSOLIDATED SALES							
GS-CONSOLIDATED Residential Sales	GS-CONSOLIDATED Residential Sales	\$ 0.25836	\$ 0.06174	\$ 0.19662	\$ 19.66	Yes	Yes
GS-CONSOLIDATED SC&I Sales	C&I FIRM Class 1	\$ 0.23306	\$ 0.06690	\$ 0.16616	\$ 16.62	Yes	Yes
GS-CONSOLIDATED SC&I Sales	Agriculture Grain Dryer - Class 1	\$ 0.15000	\$ 0.05947	\$ 0.09053	\$ 9.05	Yes	
GS-CONSOLIDATED LC&I Sales	C&I FIRM Class 2	\$ 0.12590	\$ 0.06102	\$ 0.06488	\$ 6.49		
GS-CONSOLIDATED LC&I Sales	C&I FIRM Class 3	\$ 0.10805	\$ 0.06061	\$ 0.04744	\$ 4.74		
GS-CONSOLIDATED LC&I Sales	Agriculture Grain Dryer - Class 1	\$ 0.15000	\$ 0.05947	\$ 0.09053	\$ 9.05		
SVI-CONSOLIDATED Sales	C&I INT Class 2	\$ 0.08519	\$ 0.03270	\$ 0.05249	\$ 5.25		
SVI-CONSOLIDATED Sales	C&I INT Class 3	\$ 0.06519	\$ 0.03280	\$ 0.03239	\$ 3.24		
SVI-CONSOLIDATED Sales	Agriculture Grain Dryer - Class 1	\$ 0.15000	\$ 0.05879	\$ 0.09121	\$ 9.12		
SVI-CONSOLIDATED Sales	Agriculture Grain Dryer - Class 2	\$ 0.05197	\$ 0.05171	\$ 0.00026	\$ 0.03		
LVI-CONSOLIDATED Sales	C&I INT Class 2	\$ 0.08519	\$ 0.03270	\$ 0.05249	\$ 5.25		
LVI-CONSOLIDATED Sales	C&I INT Class 3	\$ 0.06519	\$ 0.03280	\$ 0.03239	\$ 3.24		
LVI-CONSOLIDATED Sales	C&I INT Class 4	\$ 0.04289	\$ 0.04203	\$ 0.00086	\$ 0.09		
SVJ-CONSOLIDATED Sales	C&I JOINT Class 2	\$ 0.08519	\$ 0.03270	\$ 0.05249	\$ 5.25		

ALBERT LEA-NNG SALES							
GS-ALBERT LEA NNG Residential Sales	GS-ALBERT LEA NNG Residential Sales	\$ 0.25836	\$ 0.06174	\$ 0.19662	\$	19.66	Yes Yes
GS-ALBERT LEA NNG SC&I Sales	C&I FIRM Class 1	\$ 0.23306	\$ 0.06690	\$ 0.16616	\$	16.62	Yes Yes
GS-ALBERT LEA NNG LC&I Sales	C&I FIRM Class 2	\$ 0.12590	\$ 0.06102	\$ 0.06488	\$	6.49	
GS-ALBERT LEA NNG LC&I Sales	C&I FIRM Class 3	\$ 0.10805	\$ 0.06061	\$ 0.04744	\$	4.74	
SVI-ALBERT LEA NNG Sales	C&I INT Class 2	\$ 0.08519	\$ 0.03270	\$ 0.05249	\$	5.25	
SVI-ALBERT LEA NNG Sales	C&I INT Class 3	\$ 0.06519	\$ 0.03280	\$ 0.03239	\$	3.24	
SVI-ALBERT LEA NNG Sales	Agriculture Grain Dryer - Class 1	\$ 0.15000	\$ 0.05879	\$ 0.09121	\$	9.12	
SVI-ALBERT LEA NNG Sales	Agriculture Grain Dryer - Class 2	\$ 0.05197	\$ 0.05171	\$ 0.00026	\$	0.03	
LVI-ALBERT LEA NNG Sales	C&I INT Class 2	\$ 0.08519	\$ 0.03270	\$ 0.05249	\$	5.25	
LVI-ALBERT LEA NNG Sales	C&I INT Class 3	\$ 0.06519	\$ 0.03280	\$ 0.03239	\$	3.24	
NNG TRANSPORT							
SVI-NNG Transport	C&I INT Class 3	\$ 0.06519	\$ 0.02579	\$ 0.03940	\$	3.94	
SVI-NNG Transport	C&I INT Class 4	\$ 0.04289	\$ 0.03503	\$ 0.00786	\$	0.79	
LVI-NNG Transport - CIP Applicable	C&I INT Class 3	\$ 0.06519	\$ 0.02579	\$ 0.03940	\$	3.94	
LVI-NNG Transport - CIP Applicable	C&I INT Class 4	\$ 0.04289	\$ 0.03503	\$ 0.00786	\$	0.79	
LVI-NNG Transport - CIP Applicable	Agriculture Grain Dryer - Class 3	\$ 0.02907	\$ 0.02960	\$ (0.00053)	\$	(0.05)	
SVJ-NNG Transport	C&I JOINT Class 2	\$ 0.08519	\$ 0.02570	\$ 0.05949	\$	5.95	
SVJ-NNG Transport	C&I JOINT Class 3	\$ 0.06519	\$ 0.02579	\$ 0.03940	\$	3.94	
SVJ-NNG Transport	Agriculture Grain Dryer - Class 2	\$ 0.05197	\$ 0.04470	\$ 0.00727	\$	0.73	
LVJ-NNG Transport - CIP Applicable	C&I JOINT Class 2	\$ 0.08519	\$ 0.02570	\$ 0.05949	\$	5.95	
LVJ-NNG Transport - CIP Applicable	C&I JOINT Class 3	\$ 0.06519	\$ 0.02579	\$ 0.03940	\$	3.94	
LVJ-NNG Transport - CIP Applicable	C&I JOINT Class 4	\$ 0.04289	\$ 0.03503	\$ 0.00786	\$	0.79	
LVJ-NNG Transport - CIP Exempt	C&I JOINT Class 5 - CIP Exempt	\$ 0.00490	\$ 0.02287	\$ (0.01797)	\$	(1.80)	
SLVI-NNG Transport-CIP Exempt	C&I INT Class 5 - CIP Exempt	\$ 0.00490	\$ 0.02287	\$ (0.01797)	\$	(1.80)	
SLVI-NNG Transport-CIP Applicable	C&I INT Class 4	\$ 0.04289	\$ 0.03503	\$ 0.00786	\$	0.79	
SLVJ-NNG Transport-CIP Exempt	Power Generating Unit - Class 2 CIP Exempt	\$ 0.00490	\$ 0.01057	\$ (0.00567)	\$	(0.57)	
Transport for Resale	Transport for Resale	\$ 0.04661	\$ 0.02681	\$ 0.01980	\$	1.98	
LVJ-NNG Flex Transport (Cust "A")	LVJ-NNG Flex Transport (Cust "A")	\$ 0.00450	\$ 0.01086	\$ (0.00636)	\$	(0.64)	
LVI-NNG Flex Transport (Cust "B")	LVI-NNG Flex Transport (Cust "B")	\$ 0.00500	\$ 0.01086	\$ (0.00586)	\$	(0.59)	
LVI-NNG Flex Transport (Cust "C")	LVI-NNG Flex Transport (Cust "C")	\$ 0.00700	\$ 0.01086	\$ (0.00386)	\$	(0.39)	
LVI-NNG Flex Transport (Cust "D")	LVI-NNG Flex Transport (Cust "D")	\$ 0.01500	\$ 0.01086	\$ 0.00414	\$	0.41	
LVJ-NNG Flex Transport (Cust "E")	LVJ-NNG Flex Transport (Cust "E")	\$ 0.01500	\$ 0.01086	\$ 0.00414	\$	0.41	
LVJ-NNG Flex Transport (Cust "F")	LVJ-NNG Flex Transport (Cust "F")	\$ 0.00637	\$ 0.01086	\$ (0.00449)	\$	(0.45)	
LVJ-NNG Flex Transport (Cust "G")	LVJ-NNG Flex Transport (Cust "G")	\$ 0.00552	\$ 0.01086	\$ (0.00534)	\$	(0.53)	

CONSOLIDATED TRANSPORT						
SVI-CONSOLIDATED Transport	C&I INT Class 2	\$ 0.08519	\$ 0.02570	\$ 0.05949	\$	5.95
SVI-CONSOLIDATED Transport	C&I INT Class 3	\$ 0.06519	\$ 0.02579	\$ 0.03940	\$	3.94
LVI-CONSOLIDATED Transport	C&I INT Class 3	\$ 0.06519	\$ 0.02579	\$ 0.03940	\$	3.94
LVI-CONSOLIDATED Transport	C&I INT Class 4	\$ 0.04289	\$ 0.03503	\$ 0.00786	\$	0.79
SVJ-CONSOLIDATED Transport	C&I JOINT Class 2	\$ 0.08519	\$ 0.02570	\$ 0.05949	\$	5.95
SVJ-CONSOLIDATED Transport	C&I JOINT Class 3	\$ 0.06519	\$ 0.02579	\$ 0.03940	\$	3.94
LVJ-CONSOLIDATED Transport	C&I JOINT Class 3	\$ 0.06519	\$ 0.02579	\$ 0.03940	\$	3.94
SLVJ-CONSOLIDATED Transport-CIP Exempt	C&I INT Class 5 - CIP Exempt	\$ 0.00490	\$ 0.02287	\$ (0.01797)	\$	(1.80)
ALBERT LEA-NNG TRANSPORT						
SVI-ALBERT LEA Transport	C&I INT Class 3	\$ 0.06519	\$ 0.02579	\$ 0.03940	\$	3.94
LVI-ALBERT LEA Transport	C&I INT Class 3	\$ 0.06519	\$ 0.02579	\$ 0.03940	\$	3.94

	2013	2014	2015	2016	
Residential	Base Rate	\$ 0.18241	\$ 0.19358	\$ 0.19358	\$ 0.21349
	Decoupling Rate	\$ (0.01248)	\$ (0.01936)	\$ 0.01936	\$ 0.02135
	CCRC	\$ 0.01513	\$ 0.02448	\$ 0.02448	\$ 0.02767
	Customer Charge	\$ 8.50	\$ 9.50	\$ 9.50	\$ 9.50
	Actual Average Use	947	1,041	770	772
	Total Revenue excluding Cost of Gas	\$ 277.16	\$ 320.87	\$ 296.73	\$ 316.54
	Decoupling Revenue	\$ (11.81)	\$ (20.15)	\$ 14.90	\$ 16.47
GS Small C&I	Base Rate	\$ 0.17014	\$ 0.15668	\$ 0.15668	\$ 0.19298
	Decoupling Rate	\$ 0.00014	\$ (0.01567)	\$ 0.00559	\$ 0.01930
	CCRC	\$ 0.01513	\$ 0.02448	\$ 0.02448	\$ 0.02767
	Customer Charge	\$ 14.50	\$ 18.00	\$ 18.00	\$ 18.00
	Actual Average Use	1,134	1,361	935	791
	Total Revenue excluding Cost of Gas	\$ 384.24	\$ 441.24	\$ 390.54	\$ 405.79
	Decoupling Revenue	\$ 0.16	\$ (21.32)	\$ 5.23	\$ 15.26
GS Large C&I	Base Rate	\$ 0.15355	\$ 0.14131	\$ 0.14131	\$ 0.14118
	Decoupling Rate	\$ (0.01536)	\$ (0.01413)	\$ 0.01413	\$ 0.01412
	CCRC	\$ 0.01513	\$ 0.02448	\$ 0.02448	\$ 0.02767
	Customer Charge	\$ 35.00	\$ 45.00	\$ 45.00	\$ 45.00
	Actual Average Use	9,277	10,173	6,843	6,324
	Total Revenue excluding Cost of Gas	\$ 1,842.43	\$ 2,082.88	\$ 1,771.16	\$ 1,697.16
	Decoupling Revenue	\$ (142.45)	\$ (143.76)	\$ 96.70	\$ 89.29
Small Volume Int. Sales	Base Rate	\$ 0.09134	\$ 0.06042	\$ 0.06042	\$ 0.06973
	Decoupling Rate	\$ (0.00913)	\$ (0.00604)	\$ 0.00604	\$ 0.00723
	CCRC	\$ 0.01513	\$ 0.02448	\$ 0.02448	\$ 0.02767
	Customer Charge	\$ 150.00	\$ 165.00	\$ 165.00	\$ 165.00
	Actual Average Use	57,001	66,517	46,040	45,976
	Total Revenue excluding Cost of Gas	\$ 7,348.27	\$ 7,225.38	\$ 6,166.97	\$ 6,790.47
	Decoupling Revenue	\$ (520.65)	\$ (401.89)	\$ 278.17	\$ 332.45
Large Volume Int. Sales	Base Rate	\$ 0.02055	\$ 0.02105	\$ 0.02105	\$ 0.02562
	Decoupling Rate	\$ (0.00206)	\$ 0.00186	\$ 0.00211	\$ 0.00256
	CCRC	\$ 0.01513	\$ 0.02448	\$ 0.02448	\$ 0.02767
	Customer Charge	\$ 175.00	\$ 185.00	\$ 185.00	\$ 185.00
	Actual Average Use	268,264	176,443	165,851	168,674
	Total Revenue excluding Cost of Gas	\$ 11,120.39	\$ 10,581.08	\$ 10,120.30	\$ 11,640.78
	Decoupling Revenue	\$ (551.28)	\$ 327.63	\$ 349.12	\$ 432.14
Small Volume Int. Transport	Base Rate	\$ 0.09134	\$ 0.06042	\$ 0.06042	\$ 0.06973
	Decoupling Rate	\$ 0.00913	\$ 0.00604	\$ 0.00604	\$ 0.00697
	CCRC	\$ 0.01513	\$ 0.02448	\$ 0.02448	\$ 0.02767
	Customer Charge	\$ 220.00	\$ 275.00	\$ 275.00	\$ 280.00
	Actual Average Use	129,950	123,244	101,682	98,033
	Total Revenue excluding Cost of Gas	\$ 17,662.76	\$ 14,508.04	\$ 12,547.17	\$ 13,591.98
	Decoupling Revenue	\$ 1,186.97	\$ 744.64	\$ 614.36	\$ 683.58
Large Volume Int. Transport	Base Rate	\$ 0.02055	\$ 0.02105	\$ 0.02105	\$ 0.02562
	Decoupling Rate	\$ (0.00105)	\$ (0.00162)	\$ (0.00022)	\$ 0.00171
	CCRC	\$ 0.01513	\$ 0.02448	\$ 0.02448	\$ 0.02767
	Customer Charge	\$ 245.00	\$ 295.00	\$ 295.00	\$ 300.00
	Actual Average Use	1,409,134	1,453,773	1,260,978	1,351,553
	Total Revenue excluding Cost of Gas	\$ 51,735.59	\$ 67,382.40	\$ 60,681.20	\$ 77,934.07
	Decoupling Revenue	\$ (1,482.31)	\$ (2,347.90)	\$ (271.12)	\$ 2,309.81
Super Large Volume - NNG	Base Rate	\$ 0.00420	\$ 0.00420	\$ 0.00420	\$ 0.00448
	Decoupling Rate	\$ (0.00051)	\$ (0.00049)	\$ 0.00019	\$ 0.00051
	CCRC				
	Customer Charge	\$ 370.00	\$ 460.00	\$ 460.00	\$ 470.00
	Actual Average Use	10,201,854	11,447,228	9,851,548	9,759,600
	Total Revenue excluding Cost of Gas	\$ 42,078.43	\$ 47,962.90	\$ 48,800.31	\$ 54,357.90
	Decoupling Revenue	\$ (5,209.36)	\$ (5,635.46)	\$ 1,903.81	\$ 4,994.89
Super Large Volume - CON	Base Rate	\$ 0.00850	\$ 0.00850	\$ 0.00850	\$ 0.00873
	Decoupling Rate	\$ (0.00051)	\$ (0.00049)	\$ 0.00019	\$ 0.00051
	CCRC				
	Customer Charge	\$ 370.00	\$ 460.00	\$ 460.00	\$ 470.00
	Actual Average Use	10,201,854	11,447,228	9,851,548	9,759,600
	Total Revenue excluding Cost of Gas	\$ 85,946.40	\$ 97,185.98	\$ 91,161.97	\$ 95,836.20
	Decoupling Revenue	\$ (5,209.36)	\$ (5,635.46)	\$ 1,903.81	\$ 4,994.89

2018 Interim Revenue Deficiency

	<u>Description</u>	<u>Reference</u>	<u>MERC-Minnesota</u>
1			
2	Rate Base	Exhibit____(SSD-24) Page 4	\$ 289,503,028
3			
4	Adjusted Net Operating Income	Exhibit____(SSD-24) Page 2	\$ 12,904,550
5			
6	Overall Rate of Return	Line 4 ÷ Line 2	4.46%
7			
8	Rate of Return	Exhibit____(SSD-24) Page 3	6.41%
9			
10	Income Requirements	Line 2 x Line 8	\$ 18,568,901
11			
12	Income Deficiency (Sufficiency)	Line 10 - Line 4	\$ 5,664,352
13			
14	Revenue Conversion Factor	IR-1 Page 2	<u>1.704</u>
15			
16	Revenue Deficiency (Sufficiency)	Line 12 x Line 14	<u>\$ 9,652,055</u>
17			
18	Rate Increase/(Decrease) %		3.86%
19	Margin Increase/(Decrease)%		8.99%

2018 Interim Revenue Deficiency

	<u>Description</u>	<u>Reference</u>	<u>MERC-Minnesota</u>
1			
2	Rate Base	Exhibit____(SSD-24) Page 4	\$ 289,503,028
3	Debt Portion of Capital Structure	Exhibit____(SSD-24) Page 3	49.10%
4	Portion of Rate Base Funded by Debt	Line 2 * Line 3	\$ 142,145,987
5			
6	Cost of Debt	Exhibit____(SSD-24) Page 3	3.62%
7	Interest Allowed	Line 4 * Line 6	\$ 5,145,685
8			
9	Interest Included in Income Tax Accruals	General Ledger	\$ 5,322,196
10			
11	Additional Interest Allowed	Line 7 - Line 9	\$ (176,511)
12			
13	Tax Effect of Interest Allowed	Line 11 * Effective Tax Rate	\$ (103,605)
14			
15	Recorded Net Operating Income	Exhibit____(SSD-24) Page 5	\$ 13,008,154
16			
17	Adjusted Net Operating Income	Line 13 + Line 15	<u>\$ 12,904,550</u>

2016 Interim Revenue Deficiency		2018 Interim Capital Structure			Weighted Cost	
Description	Reference	Amount	Percent Capital	Cost Rate %	Capital	Debt
Long-Term Debt	Exhibit____(LJG-1) Schedule Page 2	\$ 119,020	39.63%	3.60%	1.43%	2.91%
Short-Term Debt	Exhibit____(LJG-1) Schedule Page 3	\$ 28,448	9.47%	3.70%	0.35%	0.71%
Adjusted Common Equity	Exhibit____(LJG-1) Schedule Page 4	\$ 152,874	50.90%	9.11%	4.64%	
Total Capital		\$ 300,342	100.00%		6.41%	3.62%

*Return on Equity was adjusted from Exhibit____(LJG-1) Page 4 to match what was authorized in G011/GR-13-617

Line No.	Description	Reference	Proposed 01/01/18 - 12/31/18	Adjustments	Interim 01/01/18 - 12/31/18
1	Gross Plant	IR-2 Page 2	561,234,597	-	561,234,597
2	Accumulated Depreciation	IR-2 Page 2	(206,114,320)	-	(206,114,320)
3	Deferred Tax	IR-2 Page 2	(86,497,737)	-	(86,497,737)
4	CWIP	IR-2 Page 2	8,878,373	-	8,878,373
5	Customer Advances	IR-2 Page 2	(36,180)	-	(36,180)
6	Net Utility Plant		277,464,733	-	277,464,733
7	Working Capital	IR-2 Page 3	(1,729,740)	-	(1,729,740)
8	Materials and Supplies	IR-2 Page 4	234,190	-	234,190
9	Gas Storage	IR-2 Page 5	7,304,375	-	7,304,375
10	Prepayments	IR-2 Page 6	750,195	-	750,195
11	Regulatory Assets & Liabilities	IR-2 Page 7	5,479,275	-	5,479,275
12	Sub-Total		12,038,295	-	12,038,295
13	Minnesota Rate Base		289,503,028	-	289,503,028

PUBLIC DOCUMENT - TRADE SECRET DATA EXCISED

Line No.	Description	Reference	Proposed 01/01/18 - 12/31/18	Income Taxes	Interim 01/01/18 - 12/31/18
1	Total Natural Gas Revenue	Amber Lee Exhibits	250,328,750		250,328,750
2	Late Payment Revenue	IR-5 Page 2	675,000		675,000
3	Other Revenue	IR-5 Page 2	360,000		360,000
4	Total Operating Revenue		251,363,750	-	251,363,750
5	Cost of Gas	IR-5 Page 5	142,921,853		142,921,853
6	Production	IR-5 Pages 6 - 14	1,406,597		1,406,597
7	Gas Supply	IR-5 Pages 6 - 14	776,953		776,953
8	Transmission	IR-5 Pages 6 - 14	53,776		53,776
9	Distribution	IR-5 Pages 6 - 14	18,712,706		18,712,706
10	Customer Accounts	IR-5 Pages 6 - 14	10,345,915		10,345,915
11	Customer Services	IR-5 Pages 6 - 14	1,159,264		1,159,264
12	Sales	IR-5 Pages 6 - 14	-		-
13	Administrative & General	IR-5 Pages 6 - 14	16,912,761		16,912,761
14	Depreciation	IR-5 Page 15	14,312,233		14,312,233
15	Amortization	IR-5 Page 16	13,355,051		13,355,051
16	Taxes Other Than Income Taxes	IR-5 Page 17	12,971,672		12,971,672
17	Other Interest Expense		-		-
18	Income Taxes	Exhibit_____(SSD-29) Page 6	5,426,817	-	5,426,817
19	Total Operating Expenses		238,355,596	-	238,355,596
20	Total MERC Operating Income		13,008,154	-	13,008,154

Line	Line Description	Allocator Description	Reference	2018-Interim
1				
2	Interest Expense		Exhibit____(LJG-1) Pages 2-3	MERC-Minnesota 5,322,196
3	Rate Base Allocation			
4				
5				
6	Federal Tax Calculation			MERC-Minnesota
7	Book Income Before Taxes		IR-8 + Adjustments from Exhibit____(SSD-24) Page 5	18,434,973
8	Interest Expense		Line 2	5,322,196
9	Income Reconciliation (M1's)		Line 65	(36,959,308)
10			Line 7 - Line 8 - Line 9	(23,846,531)
11				
12	Tax Rate		Input from Tax Department	35.0000%
13				
14	Taxes Calculated		Line 10 * Line 12	(8,346,286)
15	Tax Credit	System Sales	Input from Tax Department	(4,457)
16	Tax Liability		Line 14 + Line 15	(8,350,743)
17				
18	Deferred Taxes		Line 90	13,593,482
19				
20	Adjusted Tax Liability		Line 16 + Line 18	<u>5,242,740</u>
21				
22				
23	Minnesota State Tax Calculation			MERC-Minnesota
24	Book Income Before Taxes		IR-8 + Adjustments from Exhibit____(SSD-24) Page 5	18,434,973
25	Interest Expense		Line 2	5,322,196
26	Income Reconciliation (M1's)		Line 73	(32,113,049)
27			Line 24 - Line 25 - Line 26	(19,000,271)
28				
29	Tax Rate		Input from Tax Department	9.6988%
30				
31	Taxes Calculated		Line 27 * Line 29	(1,842,794)
32	Tax Credit		Input from Tax Department	-
33	Tax Liability		Line 31 + Line 32	(1,842,794)
34				
35	Deferred Taxes		Line 99	2,026,742
36				
37	Adjusted Tax Liability		Line 33 + Line 35	<u>183,948</u>
38				
39				
40	Michigan State Tax Calculation			MERC-Minnesota
41	Book Income Before Taxes		IR-8 + Adjustments from Exhibit____(SSD-24) Page 5	18,434,973
42	Interest Expense		Line 2	5,322,196
43	Income Reconciliation (M1's)		Line 81	(26,208,607)
44			Line 41 - Line 42 - Line 43	(13,095,830)
45				
46	Tax Rate		Input from Tax Department	0.0033%
47				
48	Taxes Calculated		Line 44 * Line 46	(426)
49	Tax Credit	System Sales	Input from Tax Department	-
50	Tax Liability		Line 48 + Line 49	(426)
51				
52	Deferred Taxes		Line 108	555
53				
54	Adjusted Tax Liability		Line 50 + Line 52	<u>129</u>
55				
56				

PUBLIC DOCUMENT - TRADE SECRET DATA EXCISED

		Distribution Revenues less CCRC							
		2009	2010	2011	2012	2013	2014	2015	2016
Residential	Actual	29,362,901	27,903,715	29,908,734	25,012,868	33,070,295	38,984,778	29,944,555	34,695,576
	Full Decoupling 10% Cap	29,484,298	29,644,723	30,465,307	28,081,194	30,970,674	35,701,543	33,227,790	38,539,647
	Full Decoupling No Cap	29,484,298	29,644,723	30,465,307	30,650,941	30,970,674	33,003,457	34,082,706	38,926,160
	Weather Normalized Decoupling 10% Cap	29,628,481	29,531,179	29,924,317	25,044,975	33,093,299	36,907,641	32,513,388	35,871,084
	Weather Normalized Decoupling No Cap	29,628,481	29,531,179	29,924,317	25,044,975	33,093,299	36,907,641	32,513,388	35,871,084
Small C&I	Actual	1,382,281	1,306,573	1,442,954	1,196,928	2,108,400	2,342,522	1,461,865	1,339,728
	Full Decoupling 10% Cap	1,255,188	1,326,740	1,568,307	1,348,332	1,956,996	2,176,097	1,521,259	1,568,541
	Full Decoupling No Cap	1,248,099	1,326,740	1,568,307	1,657,625	1,845,193	1,669,729	1,521,259	1,845,385
	Weather Normalized Decoupling 10% Cap	1,261,920	1,324,686	1,580,283	1,348,332	1,989,871	2,176,097	1,465,371	1,513,263
	Weather Normalized Decoupling No Cap	1,261,920	1,324,686	1,580,283	1,445,805	1,989,871	1,919,607	1,465,371	1,513,263
Large C&I	Actual	13,566,980	12,304,678	13,199,976	11,393,772	14,832,394	14,993,176	11,798,879	12,952,053
	Full Decoupling 10% Cap	12,218,324	11,916,050	13,012,596	12,233,481	13,465,244	13,782,826	13,009,229	14,303,565
	Full Decoupling No Cap	12,196,982	11,916,050	13,012,596	12,233,481	11,289,963	11,983,578	13,737,030	16,566,069
	Weather Normalized Decoupling 10% Cap	12,218,324	11,727,715	12,907,268	10,026,622	13,465,244	13,782,826	13,009,229	14,303,565
	Weather Normalized Decoupling No Cap	12,190,299	11,727,715	12,907,268	9,938,691	12,441,962	13,375,284	13,160,520	15,392,077
Small Volume Interruptible & Joint	Actual	2,832,477	2,062,502	1,966,126	1,633,992	2,046,975	1,548,967	1,119,016	1,394,557
	Full Decoupling 10% Cap	2,581,973	2,313,006	1,831,022	1,646,101	1,824,474	1,412,865	1,255,118	1,557,443
	Full Decoupling No Cap	2,377,909	2,350,704	1,831,022	1,646,101	1,506,912	1,315,472	1,376,381	1,625,655
Large Volume Interruptible & Joint	Actual	354,870	210,852	224,286	216,195	361,412	252,870	268,257	371,643
	Full Decoupling 10% Cap	326,591	239,131	236,499	241,406	335,072	277,214	295,854	411,373
	Full Decoupling No Cap	313,491	299,702	236,499	241,406	224,217	277,214	307,707	444,841
Small Volume Transport	Actual	637,070	580,276	510,506	452,642	539,377	351,222	319,162	594,717
	Full Decoupling 10% Cap	596,978	540,183	568,392	510,528	597,262	390,506	358,446	638,581
	Full Decoupling No Cap	437,251	428,923	676,149	668,753	699,825	410,221	436,568	643,711
Large Volume Transport	Actual	2,032,069	2,054,957	1,340,709	1,208,935	1,538,010	2,336,212	2,183,184	2,824,752
	Full Decoupling 10% Cap	2,171,365	2,138,606	1,449,080	1,399,291	1,361,057	2,139,463	2,156,991	3,059,914
	Full Decoupling No Cap	2,171,365	2,138,606	1,449,080	1,476,302	1,361,057	1,973,621	2,156,991	3,059,914
Super Large Volume Transport	Actual	672,103	955,130	1,266,614	1,259,827	1,241,251	1,411,362	1,142,787	1,346,142
	Full Decoupling 10% Cap	756,752	875,435	1,161,622	1,154,835	1,136,260	1,283,556	1,192,957	1,486,977
	Full Decoupling No Cap	881,866	875,435	895,243	881,935	870,203	1,278,058	1,192,957	1,508,061

*Weather Normalization is only applied to Residential, Small C&I, and Large C&I.

PUBLIC DOCUMENT - TRADE SECRET DATA EXCISED

Small Volume Int & Joint Customers	554	554	554	554	554	554	554	554	554	554	554	554	554	554	6,648
Average Monthly Customers	554	554	554	554	554	554	554	554	554	554	554	554	554	554	554
Distribution Revenues per Avg. Monthly Customers	\$ 743.44	\$ 1,533.55	\$ 2,236.32	\$ 2,639.73	\$ 2,633.64	\$ 2,701.00	\$ 2,731.62	\$ 2,881.65	\$ 2,978.20	\$ 3,234.66	\$ 3,706.52	\$ 4,521.73	\$ 4,521.73	\$ 4,521.73	

Large Volume Interruptible & Joint	January	February	March	April	May	June	July	August	September	October	November	December	Total
LVI-1 TP	2,051,676	(105,330)	1,043,550	108,370	59,318	120,905	234,181	(111,969)	790,631	375,347	974,386	427,727	5,968,792
LVI-1 Mainline	4,159	4,605	1,793	797	(693)	3,946	(420)	(10,414)	6,853	67,566	5,707	15,231	99,130
LVI-4	1,131,520	(257,550)	287,400	32,380	32,444	(26,538)	(2,056)	9,300	9,680	43,170	94,730	204,870	1,559,350
LJ-5 TP	177,810	271,580	208,029	112,677	89,671	42,383	39,976	62,947	65,878	98,730	158,370	237,786	1,565,837
Total PNG Large Volume	3,365,165	(86,695)	1,540,772	254,224	180,740	140,696	271,681	(50,136)	873,042	584,813	1,233,193	885,614	9,193,109
PNG Rate (Less CCRC)	0.02596	0.02596	0.02596	0.02596	0.02596	0.02596	0.02596	0.02596	0.02596	0.02596	0.02596	0.02596	0.02596
PNG Revenues	87,360	(2,251)	39,998	6,600	4,692	3,652	7,053	(1,302)	22,664	15,182	32,014	22,991	238,653
LVI-NMU TP	361,095	(102,864)	266,187	66,240	133,992	344,677	90,903	174,705	240,559	310,659	110,293	346,321	2,342,767
NMU Rate (Less CCRC)	0.01884	0.01884	0.01884	0.01884	0.01884	0.01884	0.01884	0.01884	0.01884	0.01884	0.01884	0.01884	0.01884
NMU Revenues	6,803	(1,938)	5,015	1,248	2,524	6,494	1,713	3,291	4,532	5,853	2,078	6,525	44,138
Total Large Volume Revenues	94,163	(4,189)	45,013	7,848	7,216	10,146	8,765	1,990	27,196	21,035	34,092	29,515	282,791
Large Volume Int & Joint Customers	64	64	64	64	64	64	64	64	64	64	64	64	768
Average Monthly Customers	64	64	64	64	64	64	64	64	64	64	64	64	64
Distribution Revenues per Avg. Monthly Customers	\$ 1,471.29	\$ 1,405.85	\$ 2,109.18	\$ 2,231.80	\$ 2,344.56	\$ 2,503.09	\$ 2,640.05	\$ 2,671.14	\$ 3,096.09	\$ 3,424.75	\$ 3,957.43	\$ 4,418.61	\$ 4,418.61

28,279

Small Volume Transport	January	February	March	April	May	June	July	August	September	October	November	December	Total
SVI-1 Transport	11,644	9,906	12,547	992	6,525	5,490	4,626	45	8,261	4,497	5,577	8,709	78,819
SJ-1 Transport	68,472	327,998	26,007	30,682	30,927	817	1,222	11,328	13,158	27,304	51,446	39,021	628,381
SVI-4 Transport	165,641	212,984	177,919	102,253	60,394	84,862	70,939	75,802	65,655	75,741	167,608	119,799	1,379,597
SJ-4 Transport													-
SVI-5 Transport	34,226	52,998	48,256	9,838	11,173	11,899	(4,400)	(3,639)	6,242	20,824	22,866	54,245	264,527
SJ-5 Transport													-
Total PNG Small Volume Transport	279,983	603,885	264,729	143,764	109,019	103,068	72,387	83,536	93,316	128,365	247,497	221,773	2,351,324
PNG Rate (Less CCRC)	0.11029	0.11029	0.11029	0.11029	0.11029	0.11029	0.11029	0.11029	0.11029	0.11029	0.11029	0.11029	0.11029
PNG Revenues	30,879	66,603	29,197	15,856	12,024	11,367	7,984	9,213	10,292	14,157	27,296	24,459	259,328
SVI-NMU Transport	84,026	134,532	79,107	61,110	36,461	8,892	72,570	34,422	26,942	74,446	102,670	180,116	895,293
SJ-NMU Transport	101,053	173,134	26,726	3,006,532	(927,747)	23,348	453,250	518,388	(344,333)	(1,452,047)	(1,015,860)	189,143	751,587
Total NMU Small Volume Transport	185,079	307,667	105,833	3,067,642	(891,286)	32,239	525,820	552,809	(317,391)	(1,377,602)	(913,189)	369,259	1,646,880
NMU Rate (Less CCRC)	0.08598	0.08598	0.08598	0.08598	0.08598	0.08598	0.08598	0.08598	0.08598	0.08598	0.08598	0.08598	0.08598
NMU Revenues	15,913	26,453	9,100	263,756	(76,633)	2,772	45,210	47,531	(27,289)	(118,446)	(78,516)	31,749	141,599
Total Small Volume Transport Revenues	46,792	93,056	38,296	279,612	(64,609)	14,139	53,194	56,744	(16,997)	(104,289)	(51,220)	56,208	400,926
Small Volume Transport Customers	39	40	38	38	38	38	38	38	38	38	37	37	457
Average Monthly Customers	39	40	39	39	39	39	38	38	38	38	38	38	38
Distribution Revenues per Avg. Monthly Customers	\$ 1,199.81	\$ 3,540.46	\$ 4,567.81	\$ 11,813.06	\$ 10,185.16	\$ 10,578.87	\$ 11,982.75	\$ 13,478.15	\$ 13,049.38	\$ 10,337.80	\$ 9,028.33	\$ 10,527.60	\$ 10,527.60

40,093

PUBLIC DOCUMENT - TRADE SECRET DATA EXCISED

	January	February	March	April	May	June	July	August	September	October	November	December	Total
Large Volume Transport													
LVI-1 TP Transport	1,398,383	(7,315,122)	12,436,798	637,734	3,089,464	3,556,844	6,884,191	5,347,207	2,162,968	3,603,677	2,150,001	3,369,754	37,321,899
LVI-1 Mainline Transport	62,972	71,867	103,818	49,656	55,250	21,090	32,913	39,546	50,935	110,150	91,620	20,415	710,231
LJ-1 TP Transport	2,007,062	2,957,991	3,671,574	2,343,109	2,206,560	2,738,608	3,177,451	3,315,441	1,806,921	2,365,156	2,758,626	2,966,852	32,315,351
LJ-1 Mainline Transport													-
LVI-4 Transport													-
LJ-5 TP Transport													-
Total PNG Large Volume Transport	3,468,417	(4,285,263)	16,212,191	3,030,499	5,351,273	6,316,543	10,094,554	8,702,193	4,020,823	6,078,983	5,000,246	6,357,020	70,347,481
PNG Rate (Less CCRC)	0.02596	0.02596	0.02596	0.02596	0.02596	0.02596	0.02596	0.02596	0.02596	0.02596	0.02596	0.02596	0.02596
PNG Revenues	90,400	(111,245)	420,868	78,672	138,919	163,977	262,055	225,909	104,381	157,810	129,806	165,028	1,826,221
Transport LVJ-ML Flex Customer A	399,966	408,488	378,238	174,024	290,813	206,125	610,968	430,551	295,066	183,096	608,903	394,183	4,380,419
PNG Rate (Less CCRC)	-0.00252	-0.00252	-0.00252	-0.00252	-0.00252	-0.00252	-0.00252	-0.00252	-0.00252	-0.00252	-0.00252	-0.00252	-0.00252
PNG Revenues	(1,008)	(1,029)	(953)	(439)	(733)	(519)	(1,540)	(1,085)	(744)	(461)	(1,534)	(993)	(11,039)
Transport LVI-TP Flex Customer B	1,338,105	727,671	1,184,856	1,113,931	908,279	1,423,506	1,124,063	1,193,627	894,170	1,048,337	1,212,700	1,053,305	13,222,549
PNG Rate (Less CCRC)	-0.00152	-0.00152	-0.00152	-0.00152	-0.00152	-0.00152	-0.00152	-0.00152	-0.00152	-0.00152	-0.00152	-0.00152	-0.00152
PNG Revenues	(2,034)	(1,106)	(1,801)	(1,693)	(1,381)	(2,164)	(1,709)	(1,814)	(1,359)	(1,593)	(1,843)	(1,601)	(20,098)
Transport LVI-TP Flex Customer C	-	3,785,742	1,492,179	953,819	1,037,234	(69,005)	(23,002)	-	-	-	1,186,535	1,114,490	9,477,993
PNG Rate (Less CCRC)	0.00048	0.00048	0.00048	0.00048	0.00048	0.00048	0.00048	0.00048	0.00048	0.00048	0.00048	0.00048	0.00048
PNG Revenues	-	1,817	716	458	498	(33)	(11)	-	-	-	570	535	4,549
Transport LVJ-TP Flex Customer E	192,207	175,065	280,206	252,028	724,203	541,400	421,310	522,072	410,290	510,035	644,169	616,865	5,288,850
PNG Rate (Less CCRC)	0.00848	0.00848	0.00848	0.00848	0.00848	0.00848	0.00848	0.00848	0.00848	0.00848	0.00848	0.00848	0.00848
PNG Revenues	1,630	1,485	2,376	2,137	6,141	4,591	3,573	4,427	3,479	4,325	5,463	5,231	44,858
Transport LVI-TP Flex Customer F	381,596	384,532	382,765	316,228	203,435	357,884	286,913	187,414	291,335	361,823	351,484	362,157	3,867,565
PNG Rate (Less CCRC)	0.00248	0.00248	0.00248	0.00248	0.00248	0.00248	0.00248	0.00248	0.00248	0.00248	0.00248	0.00248	0.00248
PNG Revenues	946	954	949	784	505	888	712	465	723	897	872	898	9,592
LVI-1 TP Transport Flex Customer G	218,588	299,832	310,072	130,039	128,818	168,188	139,622	153,257	131,257	84,700	197,361	272,008	2,233,742
PNG Rate (Less CCRC)	0.00848	0.00848	0.00848	0.00848	0.00848	0.00848	0.00848	0.00848	0.00848	0.00848	0.00848	0.00848	0.00848
PNG Revenues	1,854	2,543	2,629	1,103	1,092	1,426	1,184	1,300	1,113	718	1,674	2,307	18,942
LVI-NMU TP Transport	785,479	1,016,131	1,127,730	995,730	403,013	806,061	402,771	635,513	682,546	751,480	933,289	945,297	9,485,039
LJ-NMU TP Transport	60,773	402,077	372,793	171,263	201,768	325,014	307,367	151,687	98,146	102,205	235,375	184,546	2,674,014
Total NMU TP Large Transport	846,253	1,418,207	1,500,523	1,166,993	604,781	1,132,074	710,138	787,200	780,692	853,685	1,228,664	1,129,843	12,159,053
NMU Rate (Less CCRC)	0.01884	0.01884	0.01884	0.01884	0.01884	0.01884	0.01884	0.01884	0.01884	0.01884	0.01884	0.01884	0.01884
NMU Revenues	15,943	26,719	28,270	21,986	11,394	21,328	13,379	14,831	14,708	16,083	23,148	21,286	229,077
LVI-NMU Mainline Transport	223,212	251,272	268,463	54,264	85,269	117,215	99,358	15,381	190,564	99,996	78,789	199,217	1,683,002
NMU Rate (Less CCRC)	0.00062	0.00062	0.00062	0.00062	0.00062	0.00062	0.00062	0.00062	0.00062	0.00062	0.00062	0.00062	0.00062
NMU Revenues	138	156	166	34	53	73	62	10	118	62	49	124	1,043
Total Large Volume Transport Revenues	107,510	(79,708)	453,222	103,042	156,489	189,567	277,704	244,042	122,419	177,842	158,203	192,814	2,103,145
Large Volume Transport Customers	94	93	95	95	95	95	95	95	95	95	96	96	1,139
Average Monthly Customers	94	94	94	94	94	95	95	95	95	95	95	95	95
Distribution Revenues per Avg. Monthly Customers	\$ 1,143.72	\$ 297.35	\$ 5,117.27	\$ 6,196.98	\$ 7,844.85	\$ 9,842.55	\$ 12,771.56	\$ 15,343.37	\$ 16,629.78	\$ 18,501.87	\$ 20,147.30	\$ 22,157.80	\$ 22,157.80

210,314

	January	February	March	April	May	June	July	August	September	October	November	December	Total
Super Large Volume Interruptible & Joint													
SLV Interruptible Transport	13,869,667	22,504,414	14,540,094	5,054,172	8,875,961	9,097,923	9,548,181	12,751,452	7,986,894	14,058,179	18,604,443	20,298,602	157,189,982
PNG Rate	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420
PNG Revenues	58,253	94,519	61,068	21,228	37,279	38,211	40,102	53,556	33,545	59,044	78,139	85,254	660,198
SLV Joint Transport	4,300,115	5,758,174	8,235,958	8,470,946	9,262,219	7,724,694	9,850,364	12,484,635	5,946,528	2,154,836	6,494,962	3,248,014	83,931,445
PNG Rate (Less CCRC)	-0.00232	-0.00232	-0.00232	-0.00232	-0.00232	-0.00232	-0.00232	-0.00232	-0.00232	-0.00232	-0.00232	-0.00232	-0.00232
PNG Revenues	(9,976)	(13,359)	(19,107)	(19,653)	(21,488)	(17,921)	(22,853)	(28,964)	(13,796)	(4,999)	(15,068)	(7,535)	(194,721)
SLV-NMU I TP Transport	4,097,455	3,818,034	5,855,239	3,419,943	2,894,062	3,443,161	4,102,196	136,211	6,967,340	2,885,412	4,227,385	2,978,820	44,825,258
NMU Rate	0.0085	0.0085	0.0085	0.0085	0.0085	0.0085	0.0085	0.0085	0.0085	0.0085	0.0085	0.0085	0.0085
NMU Revenues	34,828	32,453	49,770	29,070	24,600	29,267	34,869	1,158	59,222	24,526	35,933	25,320	381,015
Total Super Large Volume Revenues	83,105	113,613	91,731	30,644	40,390	49,557	52,118	25,750	78,971	78,571	99,003	103,039	846,492
Super Large Volume Customers	24	24	24	24	24	24	24	24	24	24	24	24	288
Average Monthly Customers	24	24	24	24	24	24	24	24	24	24	24	24	24
Distribution Revenues per Avg. Monthly Customers	\$ 3,462.70	\$ 8,196.57	\$ 12,018.67	\$ 13,295.52	\$ 14,978.45	\$ 17,043.32	\$ 19,214.91	\$ 20,287.80	\$ 23,578.28	\$ 26,852.08	\$ 30,977.21	\$ 35,270.49	\$ 35,270.49

84,649

PUBLIC DOCUMENT - TRADE SECRET DATA EXCISED

2011 THROUGH 2013 RATE CASE APPROVED DISTRIBUTION REVENUES LESS CCRC

	January	February	March	April	May	June	July	August	September	October	November	December	Total	10% Cap
Residential														
GS-1 Residential	24,012,462	19,712,672	16,657,285	10,108,087	5,667,540	2,786,970	2,292,116	2,408,336	4,366,087	9,129,545	13,978,931	20,321,130	131,441,161	
GS-4 Residential	541,666	454,910	397,960	235,185	131,378	62,691	42,867	40,170	79,637	194,578	377,620	499,729	3,058,391	
GS-5 Residential	782,311	644,265	561,212	337,529	177,600	70,394	46,744	46,286	94,544	297,233	514,133	734,214	4,306,465	
GS-NMU Residential	5,702,504	4,875,140	3,867,955	2,213,127	1,184,191	387,262	150,943	184,526	575,131	1,889,590	3,336,127	5,037,900	29,404,396	
Residential Sales	31,038,943	25,686,987	21,484,412	12,893,928	7,160,709	3,307,317	2,532,670	2,679,318	5,115,399	11,510,946	18,206,811	26,592,973	168,210,413	
Rate (Less CCRC)	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	
Total Residential	5,661,813.59	4,685,563.30	3,918,971.59	2,351,981.41	1,306,184.93	603,287.69	461,984.33	488,734.40	933,099.93	2,099,711.66	3,321,104.39	4,850,824.20	30,683,261	3,068,326
Residential Customers	190,932	190,525	190,485	190,693	190,577	189,262	188,854	188,764	188,450	189,012	189,675	191,273	2,278,502	
Average Monthly Customers	190,932	190,729	190,647	190,659	190,642	190,412	190,190	190,012	189,838	189,755	189,748	189,875	189,875	
Distribution Revenues per Avg. Monthly Customers	\$ 29.65	\$ 54.25	\$ 74.83	\$ 87.16	\$ 94.02	\$ 97.30	\$ 99.85	\$ 102.51	\$ 107.52	\$ 118.63	\$ 136.14	\$ 161.60	\$ 161.60	
Small C&I														
GS-1 C&I 0 - 1,500 CCF	1,221,987	1,076,193	855,315	458,993	221,828	85,391	80,453	76,361	123,664	271,458	584,128	850,611	5,906,382	
GS-4 C&I 0 - 1,500 CCF	44,894	39,288	31,972	16,519	8,396	4,474	3,906	4,130	7,868	16,751	24,298	39,057	241,553	
GS-5 C&I 0 - 1,500 CCF	88,730	73,150	59,265	35,974	16,577	8,309	7,072	5,994	14,966	31,335	54,570	74,462	470,404	
GS-NMU C&I 0 - 1,500 CCF	525,362	211,042	338,774	191,453	93,835	26,450	12,715	17,305	59,278	138,373	256,207	409,659	2,280,453	
Small C&I Sales	1,880,973	1,399,673	1,285,326	702,939	340,636	124,624	104,146	103,790	205,776	457,917	919,203	1,373,789	8,898,792	
Rate (Less CCRC)	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	
Total Small C&I	320,029	238,140	218,685	119,598	57,956	21,204	17,719	17,659	35,011	77,910	156,393	233,736	1,514,040	151,404
Small C&I Customers	9,306	9,347	9,304	9,288	9,259	9,188	9,259	9,119	9,038	9,059	9,123	9,251	110,541	
Average Monthly Customers	9,306	9,327	9,319	9,311	9,301	9,282	9,279	9,259	9,234	9,217	9,208	9,212	9,212	
Distribution Revenues per Avg. Monthly Customers	\$ 34.39	\$ 59.85	\$ 83.36	\$ 96.28	\$ 102.62	\$ 105.11	\$ 107.05	\$ 109.19	\$ 113.27	\$ 121.94	\$ 139.04	\$ 164.36	\$ 164.36	
Large C&I														
GS-1 C&I > 1,500 CCF	10,619,849	9,125,055	7,468,057	4,693,402	2,683,495	1,383,674	1,242,278	1,356,192	2,451,164	4,419,109	8,231,780	10,277,741	63,951,796	
GS-4 C&I > 1,500 CCF	400,893	331,851	276,831	181,846	101,834	54,997	51,416	60,570	107,574	194,010	250,897	363,797	2,376,516	
GS-5 C&I > 1,500 CCF	675,933	571,062	476,955	286,360	158,276	82,450	68,944	81,180	168,424	286,112	442,325	602,373	3,900,394	
GS-NMU C&I > 1,500 CCF	3,554,116	3,035,975	2,432,475	1,430,280	750,286	269,898	137,227	199,163	618,131	1,317,525	2,063,759	2,998,597	18,807,432	
Large C&I Sales	15,250,791	13,063,943	10,654,318	6,591,888	3,693,891	1,791,019	1,499,865	1,697,105	3,345,293	6,216,756	10,988,761	14,242,508	89,036,138	
Rate (Less CCRC)	0.15355	0.15355	0.15355	0.15355	0.15355	0.15355	0.15355	0.15355	0.15355	0.15355	0.15355	0.15355	0.15355	
Total Large C&I	2,341,759	2,005,968	1,635,971	1,012,184	567,197	275,011	230,304	260,590	513,670	954,583	1,687,324	2,186,937	13,671,499	1,367,150
Large C&I Customers	12,203	12,175	12,149	12,136	12,139	12,025	12,042	11,981	11,967	11,978	12,033	12,181	145,009	
Average Monthly Customers	12,203	12,189	12,176	12,166	12,160	12,138	12,124	12,106	12,091	12,080	12,075	12,084	12,084	
Distribution Revenues per Avg. Monthly Customers	\$ 191.90	\$ 356.69	\$ 491.45	\$ 575.05	\$ 621.94	\$ 645.76	\$ 665.48	\$ 687.99	\$ 731.36	\$ 811.06	\$ 951.08	\$ 1,131.36	\$ 1,131.36	
Small Volume Interruptible & Joint														
SVI-1	2,531,141	2,160,245	1,914,428	1,290,501	828,317	398,278	376,616	346,871	420,033	921,056	1,317,176	1,530,717	14,035,379	
SJ-1	23,650	23,550	19,620	16,570	13,994	11,819	9,982	8,430	7,120	8,240	9,360	11,120	163,455	
SVI-4	133,270	91,130	102,431	55,611	23,678	24,549	15,011	16,940	34,073	97,953	88,062	151,816	834,524	
SJ-4	19,132	16,108	13,872	8,753	5,156	2,918	2,468	2,594	4,284	8,224	12,861	17,542	113,912	
SVI-5	34,219	28,303	23,933	13,880	6,819	2,417	1,538	1,785	5,110	12,854	21,972	31,170	184,000	
SJ-5	37,973	33,342	29,785	21,279	15,282	11,544	10,776	11,010	13,889	20,549	28,472	36,480	270,381	
SVI-NMU	1,593,388	1,362,291	1,144,740	771,547	572,096	294,416	174,343	218,827	232,936	349,486	812,751	1,231,255	8,758,076	
SJ-NMU														
Total Small Volume	4,372,773	3,714,969	3,248,809	2,178,141	1,465,342	745,941	590,734	606,457	717,445	1,418,362	2,290,654	3,010,100	24,359,727	
Rate (Less CCRC)	0.09134	0.09134	0.09134	0.09134	0.09134	0.09134	0.09134	0.09134	0.09134	0.09134	0.09134	0.09134	0.09134	
Total Small Volume Revenues	399,409	339,325	296,746	198,951	133,844	68,134	53,958	55,394	65,531	129,553	209,228	274,943	2,225,017	222,502
Small Volume Int & Joint Customers	531	532	529	519	532	535	529	537	532	542	526	529	6,373	
Average Monthly Customers	531	532	531	528	529	530	530	531	531	532	531	531	531	
Distribution Revenues per Avg. Monthly Customers	\$ 752.18	\$ 1,389.90	\$ 1,951.28	\$ 2,339.05	\$ 2,588.49	\$ 2,711.91	\$ 2,814.29	\$ 2,913.78	\$ 3,036.36	\$ 3,273.50	\$ 3,670.57	\$ 4,189.58	\$ 4,189.58	

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	January	February	March	April	May	June	July	August	September	October	November	December	Total
Large Volume Interruptible & Joint													
LVI-1 TP	505,159	451,737	390,476	304,991	268,203	388,222	349,225	397,945	562,009	522,982	797,630	1,239,736	6,178,315
LVI-1 Mainline	1,573	3,890	2,938	889	460	275	83	127	127	86,890	62,209	57,999	217,460
LVI-4	203,392	188,036	140,438	94,773	68,723	26,331	19,668	12,377	28,609	44,193	135,591	156,485	1,118,616
LJ-5 TP													-
LVI-NMU TP	447,839	394,728	418,000	360,721	240,604	280,502	333,361	307,228	484,167	739,449	647,132	649,580	5,303,311
Total Large Volume	1,157,963	1,038,391	951,852	761,374	577,990	695,330	702,337	717,677	1,074,912	1,393,514	1,642,562	2,103,800	12,817,702
Rate (Less CCRC)	0.02055	0.02055	0.02055	0.02055	0.02055	0.02055	0.02055	0.02055	0.02055	0.02055	0.02055	0.02055	0.02055
Total Large Volume Revenues	23,796	21,339	19,561	15,646	11,878	14,289	14,433	14,748	22,089	28,637	33,755	43,233	263,404
													26,340
Large Volume Int & Joint Customers	66	66	69	75	73	76	75	75	74	73	76	74	872
Average Monthly Customers	66	66	67	69	70	71	71	72	72	72	73	73	73
Distribution Revenues per Avg. Monthly Customers	\$ 360.55	\$ 683.86	\$ 965.61	\$ 1,164.37	\$ 1,321.20	\$ 1,503.65	\$ 1,693.18	\$ 1,887.86	\$ 2,188.00	\$ 2,581.94	\$ 3,034.93	\$ 3,624.82	\$ 3,624.82
Small Volume Transport													
SVI-1 Transport	148,386	145,360	152,208	147,351	181,619	222,438	239,066	186,925	145,466	123,317	112,237	136,883	1,941,256
SJ-1 Transport	109,423	102,834	100,151	92,054	77,629	42,804	32,314	28,769	24,122	18,979	39,252	63,351	731,682
SVI-4 Transport	46,702	34,215	34,083	17,293	12,165	8,312	8,637	4,979	6,203	20,601	12,554	35,350	241,094
SJ-4 Transport	14,495	16,634	15,831	12,043	12,882	8,060	13,575	9,038	9,610	16,193	11,337	21,547	161,245
SVI-5 Transport	60,391	51,362	54,300	37,690	25,874	36,889	13,137	15,076	15,058	22,851	24,963	27,491	385,082
SJ-5 Transport													-
SVI-NMU Transport	245,721	169,535	132,922	115,899	92,964	90,020	85,260	77,933	46,710	59,954	90,838	126,703	1,334,459
SJ-NMU Transport	145,280	379,650	176,506	137,378	122,347	67,777	71,826	50,727	58,108	65,741	97,527	169,665	1,542,532
Total NMU Small Volume Transport	770,398	899,590	666,001	559,708	525,480	476,300	463,815	373,447	305,277	327,636	388,708	580,990	6,337,350
NMU Rate (Less CCRC)	0.09134	0.09134	0.09134	0.09134	0.09134	0.09134	0.09134	0.09134	0.09134	0.09134	0.09134	0.09134	0.09134
Total Small Volume Transport Revenues	70,368	82,169	60,833	51,124	47,997	43,505	42,365	34,111	27,884	29,926	35,505	53,068	578,854
													57,885
Small Volume Transport Customers	36	39	33	36	33	36	33	33	35	37	35	37	423
Average Monthly Customers	36	38	36	36	35	36	35	35	35	35	35	35	35
Distribution Revenues per Avg. Monthly Customers	\$ 1,954.67	\$ 4,067.65	\$ 5,926.92	\$ 7,347.03	\$ 8,827.41	\$ 10,028.04	\$ 11,335.46	\$ 12,400.60	\$ 13,194.89	\$ 13,968.13	\$ 14,983.54	\$ 16,421.38	\$ 16,421.38

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Total Large Volume Revenues	35,327	32,902	28,715	22,656	18,203	14,911	14,927	15,519	16,241	20,308	25,245	31,023	275,976	27,598
Large Volume Int & Joint Customers	66	65	65	69	69	68	68	69	67	69	68	70	813	
Average Monthly Customers	66	66	65	66	67	67	67	67	67	68	68	68	68	
Distribution Revenues per Avg. Monthly Customers	\$ 535.26	\$ 1,041.67	\$ 1,483.84	\$ 1,805.29	\$ 2,062.93	\$ 2,279.32	\$ 2,496.78	\$ 2,718.52	\$ 2,961.40	\$ 3,254.94	\$ 3,626.50	\$ 4,073.45	\$ 4,073.45	

Small Volume Transport	January	February	March	April	May	June	July	August	September	October	November	December	Total	
SVI-NNG Transport	269,372	250,882	218,954	172,756	138,802	113,694	113,820	118,335	123,836	154,848	192,496	236,551	2,104,346	
SVJ-NNG Transport	138,719	129,196	112,755	88,964	71,479	58,549	58,614	60,939	63,772	79,742	99,130	121,817	1,083,676	
SVI-Consolidated Transport	338,722	315,471	275,324	217,232	174,537	142,965	143,123	148,801	155,718	194,713	242,054	297,451	2,646,111	
SVJ-Consolidated Transport	85,482	79,614	69,482	54,822	44,047	36,079	36,119	37,552	39,298	49,139	61,086	75,066	667,786	
Total Small Volume Transport	832,295	775,163	676,515	533,774	428,865	351,287	351,676	365,627	382,624	478,442	594,766	730,885	6,501,919	
Rate (Less CCRC)	0.06042	0.06042	0.06042	0.06042	0.06042	0.06042	0.06042	0.06042	0.06042	0.06042	0.06042	0.06042	0.06042	
Total Small Volume Transport Revenues	50,287	46,835	40,875	32,251	25,912	21,225	21,248	22,091	23,118	28,907	35,936	44,160	392,846	39,285
Small Volume Transport Customers	46	46	46	46	44	44	44	44	44	44	44	46	538	
Average Monthly Customers	46	46	46	46	46	45	45	45	45	45	45	45	45	
Distribution Revenues per Avg. Monthly Customers	\$ 1,093.20	\$ 2,111.36	\$ 2,999.95	\$ 3,701.05	\$ 4,301.76	\$ 4,795.26	\$ 5,286.18	\$ 5,793.88	\$ 6,323.23	\$ 6,981.03	\$ 7,795.82	\$ 8,762.36	\$ 8,762.36	

Large Volume Transport	January	February	March	April	May	June	July	August	September	October	November	December	Total	
LVI-NNG Transport CIP Applicable	3,945,459	3,674,627	3,206,994	2,530,335	2,033,019	1,665,264	1,667,108	1,733,241	1,813,811	2,268,030	2,819,462	3,464,728	30,822,078	
LVI-NNG Transport CIP Exempt	2,675,542	2,491,882	2,174,765	1,715,901	1,378,655	1,129,268	1,130,519	1,175,366	1,230,003	1,538,024	1,911,967	2,349,543	20,901,435	
LVJ-NNG Transport	1,644,759	1,531,856	1,336,912	1,054,831	847,512	694,205	694,974	722,543	756,130	945,483	1,175,360	1,444,354	12,848,919	
LVI-Consolidated Transport	1,568,197	1,460,550	1,274,681	1,005,730	808,062	661,891	662,623	688,910	720,933	901,472	1,120,648	1,377,122	12,250,819	
LVJ-Consolidated Transport	596,778	555,813	485,080	382,731	307,508	251,883	252,163	262,165	274,351	343,055	426,463	524,064	4,662,054	
Total Non-Flex Large Volume Transport	10,430,735	9,714,728	8,478,432	6,689,528	5,374,756	4,402,511	4,407,387	4,582,225	4,795,228	5,996,064	7,453,900	9,159,811	81,485,305	
Non-Flex Rate (Less CCRC)	0.02105	0.02105	0.02105	0.02105	0.02105	0.02105	0.02105	0.02105	0.02105	0.02105	0.02105	0.02105	0.02105	
Non-Flex Revenues	219,567	204,495	178,471	140,815	113,139	92,673	92,775	96,456	100,940	126,217	156,905	192,814	1,715,266	
Transport LVJ-ML Flex Customer A	725,969	676,135	590,090	465,584	374,078	306,410	306,749	318,918	333,743	417,320	518,784	637,513	5,671,293	
FLEX Rate (Less CCRC)	-0.00485	-0.00485	-0.00485	-0.00485	-0.00485	-0.00485	-0.00485	-0.00485	-0.00485	-0.00485	-0.00485	-0.00485	-0.00485	
FLEX Revenues	(3,521)	(3,279)	(2,862)	(2,258)	(1,814)	(1,486)	(1,488)	(1,547)	(1,619)	(2,024)	(2,516)	(3,092)	(27,506)	
Transport LVI-TP Flex Customer B	1,433,622	1,335,212	1,165,293	919,422	738,718	605,090	605,760	629,790	659,066	824,111	1,024,479	1,258,943	11,199,506	
FLEX Rate (Less CCRC)	0.00500	0.00500	0.00500	0.00500	0.00500	0.00500	0.00500	0.00500	0.00500	0.00500	0.00500	0.00500	0.00500	
FLEX Revenues	7,168	6,676	5,826	4,597	3,694	3,025	3,029	3,149	3,295	4,121	5,122	6,295	55,998	
Transport LVI-TP Flex Customer C	761,967	709,663	619,351	488,671	392,627	321,604	321,960	334,732	350,292	438,014	544,509	669,126	5,952,516	
FLEX Rate (Less CCRC)	0.00700	0.00700	0.00700	0.00700	0.00700	0.00700	0.00700	0.00700	0.00700	0.00700	0.00700	0.00700	0.00700	
FLEX Revenues	5,334	4,968	4,335	3,421	2,748	2,251	2,254	2,343	2,452	3,066	3,812	4,684	41,668	
Transport LVI-TP Flex Customer D	680,471	633,761	553,108	436,405	350,634	287,207	287,525	298,931	312,827	391,166	486,271	597,560	5,315,866	
FLEX Rate (Less CCRC)	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500	
FLEX Revenues	10,207	9,506	8,297	6,546	5,260	4,308	4,313	4,484	4,692	5,867	7,294	8,963	79,738	
Transport LVJ-TP Flex Customer E	857,958	799,064	697,375	550,233	442,089	362,119	362,520	376,901	394,421	493,193	613,105	753,420	6,702,398	
FLEX Rate (Less CCRC)	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500	
FLEX Revenues	12,869	11,986	10,461	8,253	6,631	5,432	5,438	5,654	5,916	7,398	9,197	11,301	100,536	
Transport LVI-TP Flex Customer F	429,983	400,467	349,504	275,760	221,562	181,483	181,684	188,892	197,672	247,174	307,270	377,592	3,359,043	
FLEX Rate (Less CCRC)	-0.00298	-0.00298	-0.00298	-0.00298	-0.00298	-0.00298	-0.00298	-0.00298	-0.00298	-0.00298	-0.00298	-0.00298	-0.00298	
FLEX Revenues	(1,281)	(1,193)	(1,042)	(822)	(660)	(541)	(541)	(563)	(589)	(737)	(916)	(1,125)	(10,010)	
LVI-1 TP Transport Flex Customer G	273,520	254,745	222,326	175,416	140,940	115,445	115,573	120,158	125,743	157,232	195,463	240,193	2,136,754	
FLEX Rate (Less CCRC)	0.00552	0.00552	0.00552	0.00552	0.00552	0.00552	0.00552	0.00552	0.00552	0.00552	0.00552	0.00552	0.00552	
FLEX Revenues	1,510	1,406	1,227	968	778	637	638	663	694	868	1,079	1,326	11,795	
Total Large Volume Transport Revenues	251,853	234,565	204,714	161,520	129,775	106,300	106,418	110,639	115,782	144,777	179,976	221,166	1,967,484	196,748

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Large Volume Transport Customers	96	96	95	95	96	95	94	94	94	94	96	94	1,139
Average Monthly Customers	96	96	96	96	96	96	95	95	95	95	95	95	95
Distribution Revenues per Avg. Monthly Customers	\$ 2,623.47	\$ 5,066.85	\$ 7,224.37	\$ 8,928.29	\$ 10,276.43	\$ 11,400.28	\$ 12,542.74	\$ 13,727.02	\$ 14,963.84	\$ 16,505.18	\$ 18,382.29	\$ 20,728.54	\$ 20,728.54

Super Large Volume Interruptible & Joint	January	February	March	April	May	June	July	August	September	October	November	December	Total
SLVI-NNG Transport - CIP Exempt	22,015,968	20,504,705	17,895,277	14,119,468	11,344,403	9,292,300	9,302,589	9,671,621	10,121,204	12,655,785	15,732,816	19,333,450	171,989,586
Rate	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	
Revenues	92,467	86,120	75,160	59,302	47,646	39,028	39,071	40,621	42,509	53,154	66,078	81,200	722,356
SLVI NNG Transport - CIP Applicable	497,002	462,886	403,979	318,741	256,095	209,770	210,002	218,333	228,482	285,699	355,162	436,445	3,882,596
Rate	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	
Revenues	2,087	1,944	1,697	1,339	1,076	881	882	917	960	1,200	1,492	1,833	16,307
SLVJ NNG Transport	5,131,561	4,779,311	4,171,096	3,291,017	2,644,194	2,165,883	2,168,281	2,254,296	2,359,087	2,949,856	3,667,062	4,506,310	40,087,954
Rate	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	
Revenues	21,553	20,073	17,519	13,822	11,106	9,097	9,107	9,468	9,908	12,389	15,402	18,927	168,369
SLVI-Consolidated Transport CIP Exempt	5,587,537	5,203,986	4,541,727	3,583,445	2,879,150	2,358,337	2,360,948	2,454,606	2,568,708	3,211,972	3,992,906	4,906,728	43,650,050
Rate	0.0085	0.0085	0.0085	0.0085	0.0085	0.0085	0.0085	0.0085	0.0085	0.0085	0.0085	0.0085	
Revenues	47,494	44,234	38,605	30,459	24,473	20,046	20,068	20,864	21,834	27,302	33,940	41,707	371,025
SLVI-Consolidated Transport CIP Applicable													-
Rate	0.0085	0.0085	0.0085	0.0085	0.0085	0.0085	0.0085	0.0085	0.0085	0.0085	0.0085	0.0085	
Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Super Large Volume Revenues	163,601	152,371	132,980	104,922	84,300	69,051	69,128	71,870	75,211	94,045	116,911	143,667	1,278,058
Super Large Volume Customers	25	26	25	25	26	25	25	25	25	25	25	26	303
Average Monthly Customers	25	26	25	25	25	25	25	25	25	25	25	25	25
Distribution Revenues per Avg. Monthly Customers	\$ 6,544.04	\$ 12,391.06	\$ 17,721.79	\$ 21,935.61	\$ 25,124.99	\$ 27,916.81	\$ 30,703.25	\$ 33,593.01	\$ 36,611.94	\$ 40,376.19	\$ 45,048.01	\$ 50,616.16	\$ 50,616.16

127,806

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2016 RATE CASE APPROVED DISTRIBUTION REVENUES LESS CCRC

Residential	January	February	March	April	May	June	July	August	September	October	November	December	Total	10% Cap
NNG Residential	28,539,374	24,179,949	19,349,190	10,921,386	5,010,195	1,144,427	277,830	410,011	3,197,539	9,893,406	17,595,509	25,964,181	146,482,997	
Albert Lea Residential	1,648,967	1,395,680	1,115,766	629,219	288,413	65,852	15,991	23,550	183,349	566,741	1,007,005	1,484,559	8,425,092	
Consolidated Residential	4,631,979	3,954,556	3,247,135	1,978,641	1,054,775	338,927	114,246	168,338	723,326	1,791,908	2,945,545	4,201,125	25,150,501	
Residential Sales	34,820,320	29,530,185	23,712,091	13,529,246	6,353,383	1,549,206	408,067	601,899	4,104,214	12,252,055	21,548,059	31,649,865	180,058,590	
Rate (Less CCRC)	0.21349	0.21349	0.21349	0.21349	0.21349	0.21349	0.21349	0.21349	0.21349	0.21349	0.21349	0.21349	0.21349	
Total Residential	7,433,790	6,304,399	5,062,294	2,888,359	1,356,384	330,740	87,118	128,499	876,209	2,615,691	4,600,295	6,756,930	38,440,708	3,844,071
Residential Customers	208,886	208,110	206,046	206,987	207,809	208,568	208,323	207,591	207,713	207,398	206,541	208,276	2,492,248	
Average Monthly Customers	208,886	208,498	207,681	207,507	207,568	207,734	207,818	207,790	207,781	207,743	207,634	207,687	207,687	
Distribution Revenues per Avg. Monthly Customers	\$ 35.59	\$ 65.89	\$ 90.53	\$ 104.52	\$ 111.02	\$ 112.53	\$ 112.90	\$ 113.54	\$ 117.76	\$ 130.37	\$ 152.59	\$ 185.09	\$ 185.09	

Small C&I	January	February	March	April	May	June	July	August	September	October	November	December	Total	10% Cap
NNG Small C&I	1,818,605	1,439,811	1,076,629	607,432	278,560	63,637	15,461	22,778	177,403	548,606	975,226	1,574,577	8,598,725	
Albert Lea Small C&I	82,352	69,661	56,264	27,862	11,047	1,969	1,138	925	3,289	12,065	32,080	147,324	445,976	
Consolidated Small C&I	528,243	441,658	362,277	220,549	117,456	37,736	12,703	18,703	80,294	198,799	327,279	466,454	2,812,151	
Small C&I Sales	2,429,200	1,951,130	1,495,170	855,843	407,063	103,342	29,302	42,406	260,986	759,470	1,334,585	2,188,355	11,856,852	
Rate (Less CCRC)	0.19298	0.19298	0.19298	0.19298	0.19298	0.19298	0.19298	0.19298	0.19298	0.19298	0.19298	0.19298	0.19298	
Total Small C&I	468,787	376,529	288,538	165,161	78,555	19,943	5,655	8,184	50,365	146,563	257,548	422,309	2,288,135	228,814
Small C&I Customers	11,817	11,810	11,592	11,548	11,683	11,754	11,730	11,677	11,656	11,620	11,561	11,684	140,132	
Average Monthly Customers	11,817	11,814	11,740	11,692	11,690	11,701	11,705	11,701	11,696	11,689	11,677	11,678	11,678	
Distribution Revenues per Avg. Monthly Customers	\$ 39.67	\$ 71.55	\$ 96.58	\$ 111.10	\$ 117.84	\$ 119.44	\$ 119.88	\$ 120.62	\$ 124.98	\$ 137.59	\$ 159.79	\$ 195.94	\$ 195.94	

Large C&I	January	February	March	April	May	June	July	August	September	October	November	December	Total	10% Cap
NNG Large C&I	12,065,472	11,231,080	9,514,636	6,336,549	3,823,176	1,868,284	1,109,839	894,171	1,758,716	4,071,111	6,998,097	10,304,382	69,975,513	
Albert Lea Large C&I	752,164	639,663	514,700	302,603	150,957	50,022	26,207	30,156	106,781	287,511	485,114	605,915	3,951,793	
Consolidated Large C&I	3,819,821	3,405,981	2,805,346	1,860,726	1,138,182	591,242	477,385	474,027	666,985	1,279,300	2,101,381	3,182,039	21,802,415	
Large C&I Sales	16,637,457	15,276,724	12,834,682	8,499,878	5,112,315	2,509,548	1,613,431	1,398,354	2,532,482	5,637,922	9,584,592	14,092,336	95,729,721	
Rate (Less CCRC)	0.14118	0.14118	0.14118	0.14118	0.14118	0.14118	0.14118	0.14118	0.14118	0.14118	0.14118	0.14118	0.14118	
Total Large C&I	2,348,876	2,156,768	1,812,000	1,200,013	721,757	354,298	227,784	197,420	357,536	795,962	1,353,153	1,989,556	13,515,122	1,351,512
Large C&I Customers	11,246	11,178	11,012	11,147	11,073	11,116	11,106	11,071	11,032	11,015	10,995	11,073	133,064	
Average Monthly Customers	11,246	11,212	11,145	11,146	11,131	11,129	11,125	11,119	11,109	11,100	11,090	11,089	11,089	
Distribution Revenues per Avg. Monthly Customers	\$ 208.86	\$ 401.86	\$ 566.86	\$ 674.47	\$ 740.22	\$ 772.19	\$ 792.94	\$ 811.13	\$ 844.04	\$ 916.43	\$ 1,039.28	\$ 1,218.79	\$ 1,218.82	

Small Volume Interruptible & Joint	January	February	March	April	May	June	July	August	September	October	November	December	Total	10% Cap
SVI - NNG	2,096,214	1,767,898	1,655,839	1,573,475	1,483,224	1,327,955	1,204,887	1,184,197	1,296,102	1,365,370	1,294,961	1,341,502	17,591,624	
SVJ - NNG	24,053	22,983	20,639	15,384	10,732	6,997	5,342	4,688	5,995	9,842	14,886	20,731	162,272	
SVI - Albert Lea	315,679	333,870	288,192	217,014	123,984	77,841	55,965	56,020	68,749	105,692	200,722	257,136	2,100,864	
SVI - Consolidated	571,026	606,237	570,504	335,170	238,883	168,478	54,649	46,318	49,436	33,335	170,894	383,668	3,228,598	
SVJ - Consolidated	41,903	41,251	38,045	29,189	20,419	12,070	7,427	5,369	7,703	14,590	23,745	34,471	276,182	
Total Small Volume	3,048,875	2,772,239	2,573,219	2,170,232	1,877,242	1,593,341	1,328,270	1,296,592	1,427,985	1,528,829	1,705,208	2,037,508	23,359,540	
Rate (Less CCRC)	0.06973	0.06973	0.06973	0.06973	0.06973	0.06973	0.06973	0.06973	0.06973	0.06973	0.06973	0.06973	0.06973	
Total Small Volume Revenues	212,598	193,308	179,431	151,330	130,900	111,104	92,620	90,411	99,573	106,605	118,904	142,075	1,628,861	162,886
Small Volume Int & Joint Customers	442	447	442	439	430	416	436	441	433	438	434	439	5,237	
Average Monthly Customers	442	445	444	443	440	436	436	437	436	436	436	436	436	
Distribution Revenues per Avg. Monthly Customers	\$ 480.99	\$ 912.15	\$ 1,318.33	\$ 1,662.91	\$ 1,971.74	\$ 2,244.66	\$ 2,457.09	\$ 2,658.36	\$ 2,892.83	\$ 3,137.34	\$ 3,410.06	\$ 3,735.92	\$ 3,732.32	

Large Volume Interruptible & Joint	January	February	March	April	May	June	July	August	September	October	November	December	Total
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FLEX Revenues	2,223	2,229	2,119	2,073	2,304	1,961	1,908	1,753	2,048	2,278	2,389	2,144	25,428
LVI-1 TP Transport Flex Customer G	300,650	285,174	287,548	229,272	206,885	150,020	127,503	142,540	137,006	154,324	143,112	210,200	2,374,234
FLEX Rate (Less CCRC)	0.00552	0.00552	0.00552	0.00552	0.00552	0.00552	0.00552	0.00552	0.00552	0.00552	0.00552	0.00552	
FLEX Revenues	1,660	1,574	1,587	1,266	1,142	828	704	787	756	852	790	1,160	13,106
Total Large Volume Transport Revenues	259,450	253,273	254,521	224,110	249,134	184,815	207,050	214,380	214,588	228,009	224,938	205,630	2,719,898
Large Volume Transport Customers	95	95	95	95	95	94	94	94	94	94	95	96	1,136
Average Monthly Customers	95	95	95	95	95	95	95	95	95	95	95	95	95
Distribution Revenues per Avg. Monthly Customers	\$ 2,731.05	\$ 5,397.08	\$ 8,076.25	\$ 10,435.31	\$ 13,057.77	\$ 15,003.20	\$ 17,182.67	\$ 19,439.29	\$ 21,698.11	\$ 24,098.21	\$ 26,465.98	\$ 28,630.50	\$ 28,730.30

271,990

	January	February	March	April	May	June	July	August	September	October	November	December	Total
Super Large Volume Interruptible & Joint													
SLVI-NGG Transport - CIP Exempt	17,978,088	18,739,842	17,336,125	18,318,199	16,605,565	15,944,854	15,857,143	17,171,173	16,384,485	18,584,389	18,458,531	19,291,912	210,670,306
Rate	0.00448	0.00448	0.00448	0.00448	0.00448	0.00448	0.00448	0.00448	0.00448	0.00448	0.00448	0.00448	0.00448
Revenues	80,542	83,954	77,666	82,066	74,393	71,433	71,040	76,927	73,402	83,258	82,694	86,428	943,803
SLVI NNG Transport - CIP Applicable	27,933	36,099	27,589	23,924	11,688	78,209	70,719	69,796	108,252	2,076	39,026	115,769	611,080
Rate	0.00448	0.00448	0.00448	0.00448	0.00448	0.00448	0.00448	0.00448	0.00448	0.00448	0.00448	0.00448	0.00448
Revenues	125	162	124	107	52	350	317	313	485	9	175	519	2,738
SLVJ NNG Transport	4,396,503	4,695,584	2,657,509	1,242,776	730,667	829,400	1,358,597	1,073,911	1,049,880	684,754	1,556,014	2,317,498	22,593,093
Rate	0.00448	0.00448	0.00448	0.00448	0.00448	0.00448	0.00448	0.00448	0.00448	0.00448	0.00448	0.00448	0.00448
Revenues	19,696	21,036	11,906	5,568	3,273	3,716	6,087	4,811	4,703	3,068	6,971	10,382	101,217
SLVJ-Consolidated Transport CIP Exempt	4,758,561	4,511,555	3,891,055	3,361,929	2,902,229	3,561,844	3,132,518	3,155,494	3,149,536	2,731,976	3,261,624	2,886,317	41,304,638
Rate	0.00873	0.00873	0.00873	0.00873	0.00873	0.00873	0.00873	0.00873	0.00873	0.00873	0.00873	0.00873	0.00873
Revenues	41,542	39,386	33,969	29,350	25,336	31,095	27,347	27,547	27,495	23,850	28,474	25,198	360,589
SLVI-Consolidated Transport CIP Applicable													-
Rate	0.00873	0.00873	0.00873	0.00873	0.00873	0.00873	0.00873	0.00873	0.00873	0.00873	0.00873	0.00873	-
Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Super Large Volume Revenues	141,906	144,538	123,664	117,090	103,055	106,594	104,790	109,598	106,086	110,185	118,314	122,526	1,408,347
Super Large Volume Customers	25	25	25	25	25	24	24	24	24	24	25	25	295
Average Monthly Customers	25	25	25	25	25	25	25	25	25	25	25	25	25
Distribution Revenues per Avg. Monthly Customers	\$ 5,676.22	\$ 11,457.75	\$ 16,404.31	\$ 21,087.91	\$ 25,210.12	\$ 29,473.88	\$ 33,665.48	\$ 38,049.41	\$ 42,292.86	\$ 46,700.27	\$ 51,432.83	\$ 56,333.89	\$ 57,296.47
Total MN Sales	99,464,460	92,336,079	79,241,188	61,263,645	48,394,515	37,093,071	35,825,002	37,193,939	41,242,426	55,074,969	71,041,466	87,412,944	745,583,704
Total MN Fixed Charge Counts	232,643	231,794	229,340	230,370	231,252	232,100	231,845	231,034	231,084	230,721	229,782	231,728	2,773,693

140,835

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Table with columns for months (January-December) and Total. Rows include categories like 'Large C&I', 'Large C&I Customers', 'Small Volume Interruptible & Joint', and 'Large Volume Interruptible & Joint'. Includes sub-rows for various metrics and financial figures, along with annual revenue surcharge/credit information.

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	January	February	March	April	May	June	July	August	September	October	November	December	Total
Large C&I													
GS-1 C&I > 1,500 CCF	13,515,671	9,882,435	7,468,616	1,938,575	612,104	1,177,246	1,009,320	1,234,998	1,327,821	2,388,486	3,761,783	10,418,725	54,735,780
GS-4 C&I > 1,500 CCF	551,729	380,128	327,469	58,910	64,927	50,365	52,588	70,892	50,652	100,517	177,041	503,250	2,388,468
GS-5 C&I > 1,500 CCF	954,205	529,571	532,150	55,773	78,013	64,172	47,580	21,366	262,597	106,669	264,628	737,034	3,653,758
Total PNG Large C&I	15,021,605	10,792,134	8,328,235	2,053,258	755,044	1,291,783	1,109,488	1,327,256	1,641,070	2,595,672	4,203,452	11,659,009	60,778,006
PNG Rate (Less CCRC)	0.14332	0.14332	0.14332	0.14332	0.14332	0.14332	0.14332	0.14332	0.14332	0.14332	0.14332	0.14332	0.14332
PNG Revenues	2,152,896	1,546,729	1,193,603	294,273	108,213	185,138	159,012	190,222	235,198	372,012	602,439	1,670,969	8,710,704
GS-NMU C&I > 1,500 CCF	4,537,705	3,057,114	2,665,623	709,632	504,277	402,990	276,377	376,408	534,528	926,168	1,548,971	3,681,014	19,221,167
NMU Rate (Less CCRC)	0.18698	0.18698	0.18698	0.18698	0.18698	0.18698	0.18698	0.18698	0.18698	0.18698	0.18698	0.18698	0.18698
NMU Revenues	848,460	571,619	498,418	132,687	94,290	75,351	51,744	70,381	99,946	173,175	289,627	688,276	3,593,974

Total Large C&I	3,001,357	2,118,348	1,692,021	426,960	202,503	260,489	210,756	260,603	335,144	545,187	892,065	2,359,245	12,304,678
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Large C&I Customers	12,194	11,848	11,804	12,010	11,294	11,330	11,353	11,322	11,242	11,332	11,198	11,421	138,350
Average Monthly Customers	12,194	12,021	11,949	11,964	11,830	11,747	11,691	11,645	11,600	11,573	11,539	11,529	11,529
Distribution Revenues per Avg. Monthly Customers	\$ 246.13	\$ 425.88	\$ 570.07	\$ 605.02	\$ 629.00	\$ 655.64	\$ 676.82	\$ 701.87	\$ 733.47	\$ 782.28	\$ 861.90	\$ 1,067.27	\$ 1,067.27

Forecasted Rev per Avg Monthly Customer	\$ 170.41	\$ 375.84	\$ 564.07	\$ 614.16	\$ 634.76	\$ 654.99	\$ 671.59	\$ 698.48	\$ 724.23	\$ 774.87	\$ 856.11	\$ 1,037.38	\$ 1,037.38
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Under/(Over) Collection	(980,535)	(648,295)	(77,784)	118,412	74,741	(8,374)	(67,791)	(44,008)	(119,986)	(96,273)	(75,199)	(388,628)	(46,151)
10%Cap	(1,348,657)	(1,348,657)	(1,348,657)	1,348,657	1,348,657	(1,348,657)	(1,348,657)	(1,348,657)	(1,348,657)	(1,348,657)	(1,348,657)	(1,348,657)	(46,151)
RDM Recoveries/(Refunds)	(980,535)	(648,295)	(77,784)	118,412	74,741	(8,374)	(67,791)	(44,008)	(119,986)	(96,273)	(75,199)	(388,628)	(46,151)

PNG Weather Normalization Adjustment	-1,197,133	-767,136	2,116,246	0	36,469	0	0	0	-50,773	761,758	185,148	-1,143,111	(58,531)
PNG Rate (Less CCRC)	0.14332	0.14332	0.14332	0.14332	0.14332	0.14332	0.14332	0.14332	0.14332	0.14332	0.14332	0.14332	0.14332
PNG Revenue Adjustment	(171,573)	(109,946)	303,300	-	5,227	-	-	-	(7,277)	109,175	26,535	(163,831)	(8,389)
NMU Weather Normalization Adjustment	-12,771	-109,221	858,300	249,210	51,592	-47,115	0	0	-133,857	240,649	62,435	-221,124	938,098
NMU Rate (Less CCRC)	0.18698	0.18698	0.18698	0.18698	0.18698	0.18698	0.18698	0.18698	0.18698	0.18698	0.18698	0.18698	0.18698
NMU Revenue Adjustment	(2,388)	(20,422)	160,485	46,597	9,647	(8,810)	-	-	(25,029)	44,997	11,674	(41,346)	175,406
Total Adjusted Revenues	2,827,395	1,987,980	2,155,806	473,557	217,376	251,680	210,756	260,603	302,839	699,358	930,275	2,154,069	12,471,695
Distribution Revs per Avg. Monthly Customer Adjusted	\$ 231.86	\$ 400.57	\$ 583.41	\$ 622.25	\$ 647.67	\$ 673.69	\$ 694.96	\$ 720.09	\$ 748.97	\$ 811.14	\$ 894.15	\$ 1,081.75	\$ 1,081.75

Under/(Over) Collection	(795,781)	(320,319)	(250,732)	(104,868)	(167,454)	(242,643)	(303,268)	(280,498)	(321,302)	(471,194)	(494,394)	(576,962)	(68,511)
10%Cap	(1,348,657)	(1,348,657)	(1,348,657)	(1,348,657)	(1,348,657)	(1,348,657)	(1,348,657)	(1,348,657)	(1,348,657)	(1,348,657)	(1,348,657)	(1,348,657)	(68,511)
RDM Recoveries/(Refunds)	(795,781)	(320,319)	(250,732)	(104,868)	(167,454)	(242,643)	(303,268)	(280,498)	(321,302)	(471,194)	(494,394)	(576,962)	(68,511)

Small Volume Interruptible & Joint													
SVI-1	2,355,405	2,212,380	1,945,965	615,905	-42,495	633,896	-201,136	194,856	279,394	585,655	1,229,578	2,601,521	12,410,924
SVI-1	36,200	21,170	20,010	10,720	1,040	6,570	4,610	4,310	3,190	11,040	14,890	25,090	158,840
SVI-4	131,920	94,334	47,195	86,623	15,442	-2,461	17,469	16,632	24,190	22,550	69,567	124,563	648,024
SVI-4	25,070	28,780	20,420	3,570	-4,430	9,320	-3,220	560	1,990	3,460	11,940	8,110	105,570
SVI-5	45,456	25,160	23,174	5,251	2,770	-828	1,984	2,066	2,383	860	15,587	39,229	163,092
SVI-5	4,470	75,710	43,330	24,250	-2,300	35,910	-14,120	10,170	4,900	19,530	17,850	43,750	263,450
Total PNG Small Volume	2,598,521	2,457,534	2,100,094	746,319	(29,973)	682,407	(194,413)	228,594	316,047	643,095	1,359,412	2,842,263	13,749,900
PNG Rate (Less CCRC)	0.11029	0.11029	0.11029	0.11029	0.11029	0.11029	0.11029	0.11029	0.11029	0.11029	0.11029	0.11029	0.11029
PNG Revenues	286,591	271,041	231,619	82,312	(3,306)	75,263	(21,442)	25,212	34,857	70,927	149,930	313,473	1,516,476
SVI-NMU	1,490,093	1,046,722	799,271	352,366	185,798	45,202	53,394	100,599	139,467	287,000	588,417	1,262,278	6,350,607
SJ-NMU													
Total NMU Small Volume	1,490,093	1,046,722	799,271	352,366	185,798	45,202	53,394	100,599	139,467	287,000	588,417	1,262,278	6,350,607
NMU Rate (Less CCRC)	0.08598	0.08598	0.08598	0.08598	0.08598	0.08598	0.08598	0.08598	0.08598	0.08598	0.08598	0.08598	0.08598
NMU Revenues	128,118	89,997	68,721	30,296	15,975	3,886	4,591	8,650	11,991	24,676	50,592	108,531	546,025
Total Small Volume Revenues	414,709	361,039	300,341	112,608	12,669	79,149	(16,851)	33,861	46,848	95,603	200,522	422,004	2,062,502

Small Volume Int & Joint Customers	530	515	512	523	516	522	516	507	513	515	505	512	6,185
Average Monthly Customers	530	522	519	520	519	520	519	518	517	517	516	515	515
Distribution Revenues per Avg. Monthly Customers	\$ 782.03	\$ 1,484.92	\$ 2,073.70	\$ 2,285.88	\$ 2,314.23	\$ 2,464.08	\$ 2,434.42	\$ 2,507.15	\$ 2,600.17	\$ 2,786.01	\$ 3,180.83	\$ 4,001.51	\$ 4,001.51

Forecasted Rev per Avg Monthly Customer	\$ 743.44	\$ 1,533.55	\$ 2,236.32	\$ 2,639.73	\$ 2,633.64	\$ 2,701.00	\$ 2,731.62	\$ 2,881.65	\$ 2,978.20	\$ 3,234.66	\$ 3,706.52	\$ 4,521.73	\$ 4,521.73
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Under/(Over) Collection	(21,379)	26,941	90,094	196,031	176,953	131,255	164,645	207,473	209,433	248,555	291,233	288,203	677,88
10%Cap	(250,504)	250,504	250,504	250,504	250,504	250,504	250,504	250,504	250,504	250,504	250,504	250,504	677,88
RDM Recoveries/(Refunds)	(21,379)	26,941	90,094	196,031	176,953	131,255	164,645	207,473	209,433	248,555	250,504	250,504	589,21

PUBLIC DOCUMENT - TRADE SECRET DATA EXCISED

	January	February	March	April	May	June	July	August	September	October	November	December	Total								
Large Volume Interruptible & Joint																					
LVI-1 TP	-109,724	196,482	546,185	241,499	133,751	387,108	201,928	277,580	264,595	480,831	554,148	513,676	3,688,059								
LVI-1 Mainline													-								
LVI-4	280,160	204,240	141,330	21,290	11,720	24,980	-4,200	4,180	14,950	44,000	88,270	174,350	1,005,270								
LJ-5 TP													-								
Total PNG Large Volume	170,436	400,722	687,515	262,789	145,471	412,088	197,728	281,760	279,545	524,831	642,418	688,026	4,693,329								
PNG Rate (Less CCRC)	0.02596	0.02596	0.02596	0.02596	0.02596	0.02596	0.02596	0.02596	0.02596	0.02596	0.02596	0.02596	0.02596								
PNG Revenues	4,425	10,403	17,848	6,822	3,776	10,698	5,133	7,314	7,257	13,625	16,677	17,861	121,839								
LVI-NMU TP	729,509	317,185	458,724	203,548	429,755	393,680	254,224	216,571	232,496	538,847	368,342	581,829	4,724,710								
NMU Rate (Less CCRC)	0.01884	0.01884	0.01884	0.01884	0.01884	0.01884	0.01884	0.01884	0.01884	0.01884	0.01884	0.01884	0.01884								
NMU Revenues	13,744	5,976	8,642	3,835	8,097	7,417	4,790	4,080	4,380	10,152	6,940	10,962	89,014								
Total Large Volume Revenues	18,168	16,379	26,490	10,657	11,873	18,115	9,923	11,395	11,637	23,776	23,617	28,823	210,852								
Large Volume Int & Joint Customers	73	60	70	70	70	70	70	70	71	70	70	71	835								
Average Monthly Customers	73	66	67	68	69	69	69	69	69	69	69	70	70								
Distribution Revenues per Avg. Monthly Customers	\$ 250.48	\$ 523.04	\$ 904.85	\$ 1,052.91	\$ 1,219.13	\$ 1,477.93	\$ 1,617.79	\$ 1,778.41	\$ 1,940.83	\$ 2,283.15	\$ 2,621.53	\$ 3,030.33	\$ 3,030.33	67,677	Therms 135,354.47	203,032					
Forecasted Rev per Avg Monthly Customer	\$ 1,471.29	\$ 1,405.85	\$ 2,109.18	\$ 2,231.80	\$ 2,344.56	\$ 2,503.09	\$ 2,640.05	\$ 2,671.14	\$ 3,096.09	\$ 3,424.75	\$ 3,957.43	\$ 4,418.61	\$ 4,418.61								
Under/(Over) Collection	78,132	56,499	77,077	75,449	72,027	65,610	65,425	57,135	73,936	73,062	85,498	88,849		\$	0.00770	\$	521.25	\$	1,042.50	\$	1,563.75
10%Cap	28,279	28,279	28,279	28,279	28,279	28,279	28,279	28,279	28,279	28,279	28,279	28,279		\$	0.00245	\$	165.90	\$	331.81	\$	497.71
RDM Recoveries/(Refunds)	28,279	28,279	28,279	28,279	28,279	28,279	28,279	28,279	28,279	28,279	28,279	28,279		\$	0.00245	\$	165.90	\$	331.81	\$	497.71
Small Volume Transport																					
SJ-1 Transport	85,610	43,240	76,360	70,190	51,610	-18,010	97,800	43,440	31,680	56,960	52,910	56,880	648,670								
SJ-1 Transport	173,884	173,250	22,010	39,620	8,330	-6,350	5,040	3,220	8,970	22,590	31,900	187,570	670,034								
SJ-4 Transport	418,731	-115,584	183,685	-86,331	1,248,548	-245,148	26,915	82,605	19,166	110,646	113,258	94,278	1,850,769								
SJ-4 Transport	0	0	92,400	55,430	-56,480	-5,710	960	240	4,830	-4,780	4,730	-2,800	88,820								
SJ-5 Transport	41,240	37,220	57,900	16,550	12,380	9,840	8,800	6,570	9,040	22,770	29,430	36,630	288,370								
SJ-5 Transport													-								
Total PNG Small Volume Transport	719,465	138,126	432,355	95,459	1,264,388	(265,378)	139,515	136,075	73,686	208,186	232,228	372,558	3,546,663								
PNG Rate (Less CCRC)	0.11029	0.11029	0.11029	0.11029	0.11029	0.11029	0.11029	0.11029	0.11029	0.11029	0.11029	0.11029	0.11029								
PNG Revenues	79,350	15,234	47,684	10,528	139,449	(29,269)	15,387	15,008	8,127	22,961	25,612	41,089	391,161								
SJ-1 Transport	73,436	67,963	109,737	40,005	134,109	112,880	72,604	47,944	93,485	101,578	145,789	51,599	1,051,129								
SJ-NMU Transport	239,020	212,562	232,074	104,667	-66,704	25,503	1,567	13,020	11,764	24,838	58,925	291,149	1,148,385								
Total NMU Small Volume Transport	312,456	280,525	341,811	144,672	67,405	138,383	74,171	60,964	105,249	126,416	204,714	342,748	2,199,514								
NMU Rate (Less CCRC)	0.08598	0.08598	0.08598	0.08598	0.08598	0.08598	0.08598	0.08598	0.08598	0.08598	0.08598	0.08598	0.08598								
NMU Revenues	26,865	24,120	29,389	12,439	5,795	11,898	6,377	5,242	9,049	10,869	17,601	29,469	189,114								
Total Small Volume Transport Revenues	106,215	39,353	77,073	22,967	145,245	(17,370)	21,764	20,249	17,176	33,830	43,214	70,559	580,276								
Small Volume Transport Customers	42	36	41	39	42	39	39	39	38	41	41	43	480								
Average Monthly Customers	42	39	40	39	40	40	40	40	39	40	40	40	40								
Distribution Revenues per Avg. Monthly Customers	\$ 2,559.39	\$ 3,735.71	\$ 5,615.96	\$ 6,220.56	\$ 9,774.60	\$ 9,378.76	\$ 9,954.66	\$ 10,480.21	\$ 10,964.03	\$ 11,775.42	\$ 12,825.51	\$ 14,501.86	\$ 14,501.86	71,802	Therms 143,605	215,407					
Forecasted Rev per Avg Monthly Customer	\$ 1,199.81	\$ 3,540.46	\$ 4,567.81	\$ 11,813.06	\$ 10,185.16	\$ 10,578.87	\$ 11,982.75	\$ 13,478.15	\$ 13,049.38	\$ 10,337.80	\$ 9,028.33	\$ 10,527.60	\$ 10,527.60								
Under/(Over) Collection	(53,024)	(7,712)	(40,878)	216,709	15,848	46,204	77,937	115,046	79,939	(55,061)	(144,983)	(151,353)		\$	(0.03786)	\$	(2,718.09)	\$	(5,436.18)	\$	(8,154.27)
10%Cap	(40,093)	(40,093)	(40,093)	40,093	40,093	40,093	40,093	40,093	40,093	(40,093)	(40,093)	(40,093)		\$	(0.01003)	\$	(720.01)	\$	(1,440.02)	\$	(2,160.03)
RDM Recoveries/(Refunds)	(40,093)	(7,712)	(40,093)	40,093	15,848	40,093	40,093	40,093	40,093	(40,093)	(40,093)	(40,093)		\$	(0.01003)	\$	(720.01)	\$	(1,440.02)	\$	(2,160.03)

PUBLIC DOCUMENT - TRADE SECRET DATA EXCISED

	January	February	March	April	May	June	July	August	September	October	November	December	Total
Large Volume Transport													
LVI-1 TP Transport	2,831,024	2,650,200	2,587,990	1,530,351	1,742,883	1,970,256	2,273,719	2,417,910	2,977,350	2,382,480	4,927,642	1,227,329	29,519,134
LVI-1 Mainline Transport													-
LJ-1 TP Transport	4,525,180	3,644,180	3,533,420	2,312,490	1,939,630	2,771,560	3,416,170	3,257,140	3,215,770	1,992,240	2,751,960	3,888,170	37,247,910
LJ-1 Mainline Transport													-
LJ-4 Transport	0	0	0	0	0	195,440	58,300	81,820	71,720	128,440	144,280	59,700	739,700
LVI-5 Transport	68,276	40,379	-38,560	136,823	14,314	22,724	11,827	19,103	21,171	21,753	34,556	34,646	387,012
LJ-5 TP Transport	0	0	0	0	0	52,760	12,180	19,280	20,980	27,490	86,500	210,280	429,470
Total PNG Large Volume Transport	7,424,480	6,334,759	6,082,850	3,979,664	3,696,827	5,012,740	5,772,196	5,795,253	6,306,991	4,552,403	7,944,938	5,420,125	68,323,226
PNG Rate (Less CCRC)	0.02596	0.02596	0.02596	0.02596	0.02596	0.02596	0.02596	0.02596	0.02596	0.02596	0.02596	0.02596	0.02596
PNG Revenues	192,740	164,450	157,911	103,312	95,970	130,131	149,846	150,445	163,729	118,180	206,251	140,706	1,773,671
Transport LVJ-ML Flex Customer A	452,280	533,280	580,580	160,650	307,040	463,120	531,930	459,090	22,050	485,020	439,410	391,320	4,825,770
PNG Rate (Less CCRC)	-0.00252	-0.00252	-0.00252	-0.00252	-0.00252	-0.00252	-0.00252	-0.00252	-0.00252	-0.00252	-0.00252	-0.00252	-0.00252
PNG Revenues	(1,140)	(1,344)	(1,463)	(405)	(774)	(1,167)	(1,340)	(1,157)	(56)	(1,222)	(1,107)	(986)	(12,161)
Transport LVI-TP Flex Customer B	1,238,920	890,840	1,386,380	1,050,440	987,970	1,150,400	1,176,930	988,790	1,028,730	1,256,130	846,820	1,236,470	13,238,820
PNG Rate (Less CCRC)	-0.00152	-0.00152	-0.00152	-0.00152	-0.00152	-0.00152	-0.00152	-0.00152	-0.00152	-0.00152	-0.00152	-0.00152	-0.00152
PNG Revenues	(1,883)	(1,354)	(2,107)	(1,597)	(1,502)	(1,749)	(1,789)	(1,503)	(1,564)	(1,909)	(1,287)	(1,879)	(20,123)
Transport LVI-TP Flex Customer C	1,214,800	637,450	1,104,840	892,510	1,162,760	482,270	1,097,270	1,043,670	864,470	952,810	946,690	915,400	11,314,940
PNG Rate (Less CCRC)	0.00048	0.00048	0.00048	0.00048	0.00048	0.00048	0.00048	0.00048	0.00048	0.00048	0.00048	0.00048	0.00048
PNG Revenues	583	306	530	428	558	231	527	501	415	457	454	439	5,431
Transport LVJ-TP Flex Customer E	112,400	356,060	579,640	817,960	517,280	411,950	542,590	449,250	471,280	634,510	664,040	789,040	6,346,000
PNG Rate (Less CCRC)	0.00848	0.00848	0.00848	0.00848	0.00848	0.00848	0.00848	0.00848	0.00848	0.00848	0.00848	0.00848	0.00848
PNG Revenues	953	3,019	4,915	6,936	4,387	3,493	4,601	3,810	3,996	5,381	5,631	6,691	53,814
Transport LVI-TP Flex Customer F	370,010	301,660	350,940	62,210	197,270	210,050	237,740	342,510	352,860	255,200	309,970	405,280	3,395,700
PNG Rate (Less CCRC)	0.00248	0.00248	0.00248	0.00248	0.00248	0.00248	0.00248	0.00248	0.00248	0.00248	0.00248	0.00248	0.00248
PNG Revenues	918	748	870	154	489	521	590	849	875	633	769	1,005	8,421
LVI-1 TP Transport Flex Customer G	333,960	304,390	342,980	192,400	130,060	147,960	150,840	146,150	165,920	198,990	163,320	322,620	2,599,590
PNG Rate (Less CCRC)	0.00848	0.00848	0.00848	0.00848	0.00848	0.00848	0.00848	0.00848	0.00848	0.00848	0.00848	0.00848	0.00848
PNG Revenues	2,832	2,581	2,908	1,632	1,103	1,255	1,279	1,239	1,407	1,687	1,385	2,736	22,045
LVI-NMU TP Transport	1,575,197	1,226,589	1,108,258	281,937	1,054,306	595,278	736,240	573,033	830,733	623,704	726,918	950,571	10,282,764
LJ-NMU TP Transport	367,960	135,440	174,780	94,620	59,550	87,880	91,520	76,860	86,800	104,370	78,390	241,150	1,599,320
Total NMU TP Large Transport	1,943,157	1,362,029	1,283,038	376,557	1,113,856	683,158	827,760	649,893	917,533	728,074	805,308	1,191,721	11,882,084
NMU Rate (Less CCRC)	0.01884	0.01884	0.01884	0.01884	0.01884	0.01884	0.01884	0.01884	0.01884	0.01884	0.01884	0.01884	0.01884
NMU Revenues	36,609	25,661	24,172	7,094	20,985	12,871	15,595	12,244	17,286	13,717	15,172	22,452	223,858
LVI-NMU Mainline Transport	98	97	95	97	97	97	97	97	97	96	96	95	1,159
NMU Rate (Less CCRC)	0.00062	0.00062	0.00062	0.00062	0.00062	0.00062	0.00062	0.00062	0.00062	0.00062	0.00062	0.00062	0.00062
NMU Revenues	0	0	0	0	0	0	0	0	0	0	0	0	1
Total Large Volume Transport Revenues	231,612	194,068	187,737	117,556	121,216	145,586	169,308	166,428	186,090	136,924	227,267	171,164	2,054,957
Large Volume Transport Customers	98	97	95	97	97	97	97	97	97	96	96	95	1,159
Average Monthly Customers	98	98	97	97	97	97	97	97	97	97	97	97	97
Distribution Revenues per Avg. Monthly Customers	\$ 2,363.38	\$ 4,365.94	\$ 6,345.69	\$ 7,555.27	\$ 8,803.60	\$ 10,304.04	\$ 12,049.53	\$ 13,765.28	\$ 15,683.96	\$ 17,112.87	\$ 19,475.30	\$ 21,276.52	\$ 21,276.52
Forecasted Rev per Avg Monthly Customer	\$ 1,143.72	\$ 297.35	\$ 5,117.27	\$ 6,196.98	\$ 7,844.85	\$ 9,842.55	\$ 12,771.56	\$ 15,343.37	\$ 16,629.78	\$ 18,501.87	\$ 20,147.30	\$ 22,157.80	\$ 22,157.80
Under/(Over) Collection	(114,648)	(380,414)	(115,471)	(128,019)	(90,506)	(43,611)	68,284	149,327	89,538	131,539	63,718	83,648	\$ 0.00068 \$ 430.44 \$ 860.89 \$ 1,291.33
10%Cap	(210,314)	(210,314)	(210,314)	(210,314)	(210,314)	(210,314)	210,314	210,314	210,314	210,314	210,314	210,314	\$ 0.00068 \$ 430.44 \$ 860.89 \$ 1,291.33
RDM Recoveries/(Refunds)	(114,648)	(210,314)	(115,471)	(128,019)	(90,506)	(43,611)	68,284	149,327	89,538	131,539	63,718	83,648	\$ 0.00068 \$ 430.44 \$ 860.89 \$ 1,291.33

Therms 631,203 1,262,405.06 1,893,608

Annual Revenue Surcharge/(Credit)
\$ 0.00068 \$ 430.44 \$ 860.89 \$ 1,291.33
\$ 0.00068 \$ 430.44 \$ 860.89 \$ 1,291.33

PUBLIC DOCUMENT - TRADE SECRET DATA EXCISED

	January	February	March	April	May	June	July	August	September	October	November	December	Total	
Super Large Volume Interruptible & Joint														
SLV Interruptible Transport	16,582,360	12,427,780	11,466,980	11,488,960	12,638,250	14,764,950	7,547,460	18,596,770	14,933,420	16,925,000	15,690,020	21,606,560	174,668,510	
PNG Rate	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420		
PNG Revenues	69,646	52,197	48,161	48,254	53,081	62,013	31,699	78,106	62,720	71,085	65,898	90,748	733,608	
SLV Joint Transport	4,602,030	3,616,510	579,800	-449,410	572,260	3,029,330	8,152,140	7,807,930	3,261,040	-790,880	-474,420	3,279,670	33,186,000	
PNG Rate (Less CCRC)	-0.00232	-0.00232	-0.00232	-0.00232	-0.00232	-0.00232	-0.00232	-0.00232	-0.00232	-0.00232	-0.00232	-0.00232		
PNG Revenues	(10,677)	(8,390)	(1,345)	1,043	(1,328)	(7,028)	(18,913)	(18,114)	(7,566)	1,835	1,101	(7,609)	(76,992)	
SLV-NMU I T/P Transport	3,817,650	4,143,110	2,932,060	3,313,560	2,618,830	2,688,840	3,074,860	2,596,680	3,946,970	2,542,850	3,535,380	-91,580	35,119,210	
NMU Rate	0.0085	0.0085	0.0085	0.0085	0.0085	0.0085	0.0085	0.0085	0.0085	0.0085	0.0085	0.0085		
NMU Revenues	32,450	35,216	24,923	28,165	22,260	22,855	26,136	22,072	33,549	21,614	30,051	(778)	298,513	
Total Super Large Volume Revenues	91,419	79,023	71,739	77,462	74,013	77,840	38,923	82,064	88,704	94,534	97,049	82,360	955,130	
Super Large Volume Customers	25	25	25	25	25	25	25	25	25	25	25	22	297	
Average Monthly Customers	25	25	25	25	25	25	25	25	25	25	25	25	25	
Distribution Revenues per Avg. Monthly Customers	\$ 3,656.77	\$ 6,817.68	\$ 9,687.23	\$ 12,785.69	\$ 15,746.21	\$ 18,859.81	\$ 20,416.71	\$ 23,699.27	\$ 27,247.43	\$ 31,028.79	\$ 34,910.77	\$ 38,591.09	\$ 38,591.09	4,908,560
Forecasted Rev per Avg Monthly Customer	\$ 3,462.70	\$ 8,196.57	\$ 12,018.67	\$ 13,295.52	\$ 14,978.45	\$ 17,043.32	\$ 19,214.91	\$ 20,287.80	\$ 23,578.28	\$ 26,852.08	\$ 30,977.21	\$ 35,270.49	\$ 35,270.49	
Under/(Over) Collection	(4,658)	33,093	55,955	12,236	(18,426)	(43,596)	(28,843)	(81,875)	(88,060)	(100,241)	(94,405)	(79,695)		
10%Cap	(84,649)	84,649	84,649	84,649	(84,649)	(84,649)	(84,649)	(84,649)	(84,649)	(84,649)	(84,649)	(84,649)		
RDM Recoveries/(Refunds)	(4,658)	33,093	55,955	12,236	(18,426)	(43,596)	(28,843)	(81,875)	(84,649)	(84,649)	(84,649)	(79,695)		
														Annual Revenue Surcharge/(Credit)
	\$ (0.00028)	\$ (1,368.04)	\$ (2,736.07)	\$ (4,104.11)	\$ (2,736.07)	\$ (1,368.04)	\$ (0.00028)	\$ (1,368.04)	\$ (2,736.07)	\$ (4,104.11)	\$ (2,736.07)	\$ (1,368.04)	\$ (0.00028)	\$ (1,368.04)

Therms

9,817,120 14,725,680

PUBLIC DOCUMENT - TRADE SECRET DATA EXCISED

2011 ACTUAL DISTRIBUTION REVENUES LESS CCRC

	January	February	March	April	May	June	July	August	September	October	November	December	Total	Surcharge Rate	Low Customer Usage	Average Customer Usage	High Customer Usage
Residential																	
GS-1 Residential	29,266,021	24,278,650	17,464,393	9,846,269	5,166,739	-100,704	1,433,803	1,978,525	2,388,557	4,126,756	9,684,342	19,738,622	125,271,973				
GS-4 Residential	758,379	635,330	495,528	278,987	112,200	-27,473	4,697	28,071	38,481	123,009	253,499	558,656	3,259,364				
GS-5 Residential	962,937	770,273	682,698	338,058	120,913	-40,628	-5,030	31,255	46,848	144,308	360,656	729,566	4,141,854				
GS-NMU Residential	6,785,473	5,887,726	4,348,315	2,856,158	1,302,393	-90,475	298,932	172,436	404,526	1,101,019	2,889,992	5,334,648	31,291,143				
Total Sales	37,772,810	31,571,979	22,990,934	13,319,472	6,702,245	-259,280	1,732,402	2,210,287	2,878,412	5,495,092	13,188,489	26,361,492	163,964,334				
Rate (Less CCRC)	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241				
Total Residential	6,890,138	5,759,045	4,193,776	2,429,605	1,222,557	(47,295)	316,007	403,178	525,051	1,002,360	2,405,712	4,808,600	29,908,734				
Residential Customers																	
Average Monthly Customers	190,174	188,406	187,112	188,351	188,878	188,823	188,177	187,490	188,853	188,173	187,512	190,069	2,262,018			Therms	
Distribution Revenues per Avg. Monthly Customers	\$ 36.23	\$ 66.82	\$ 89.32	\$ 102.24	\$ 108.68	\$ 108.41	\$ 110.12	\$ 112.34	\$ 115.09	\$ 120.43	\$ 133.26	\$ 158.67	\$ 158.67		435	870	1,305
Forecasted Rev per Avg Monthly Customer	\$ 29.65	\$ 54.25	\$ 74.83	\$ 87.16	\$ 94.02	\$ 97.30	\$ 99.85	\$ 102.51	\$ 107.52	\$ 118.63	\$ 136.14	\$ 161.60	\$ 161.60				
Under/(Over) Collection																	
10%Cap	(1,255,779)	(2,397,918)	(2,762,682)	(2,873,822)	(2,794,284)	(2,113,891)	(1,953,487)	(1,866,546)	(1,437,449)	(341,052)	547,202	556,573		\$ 0.00331	\$ 1.44	\$ 2.88	\$ 4.32
RDM Recoveries/(Refunds)	(3,068,326)	(3,068,326)	(3,068,326)	(3,068,326)	(3,068,326)	(3,068,326)	(3,068,326)	(3,068,326)	(3,068,326)	(3,068,326)	3,068,326	3,068,326		\$ 0.00331	\$ 1.44	\$ 2.88	\$ 4.32
PNG Weather Normalization Adjustment																	
PNG Rate (Less CCRC)	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241				
PNG Revenue Adjustment	(353,790)	(171,288)	(205,035)	(77,823)	(16,100)	-	-	-	(20,427)	145,030	255,797	605,210	161,773				
NMU Weather Normalization Adjustment																	
NMU Rate (Less CCRC)	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241				
NMU Revenue Adjustment	(80,618)	(17,070)	(84,759)	(3,296)	(7,096)	-	-	-	(4,855)	40,103	42,577	146,916	71,902				
Total Adjusted Revenues	6,455,731	5,570,687	3,943,982	2,348,686	1,199,360	(47,295)	316,007	403,178	499,768	1,187,493	2,704,086	5,560,725	30,142,408				
Distribution Revs per Avg. Monthly Customer Adjusted	\$ 33.95	\$ 63.53	\$ 84.69	\$ 97.18	\$ 103.50	\$ 103.23	\$ 104.94	\$ 107.15	\$ 109.78	\$ 116.10	\$ 130.50	\$ 159.91	\$ 159.91				
Under/(Over) Collection																	
10%Cap	(39,949)	(86,572)	(91,920)	(93,254)	(88,155)	(54,984)	(47,244)	(42,961)	(20,831)	23,385	51,900	15,583		\$ 0.00009	\$ 0.04	\$ 0.08	\$ 0.12
RDM Recoveries/(Refunds)	(3,068,326)	(3,068,326)	(3,068,326)	(3,068,326)	(3,068,326)	(3,068,326)	(3,068,326)	(3,068,326)	(3,068,326)	(3,068,326)	3,068,326	3,068,326		\$ 0.00009	\$ 0.04	\$ 0.08	\$ 0.12
Small C&I																	
GS-1 C&I 0 - 1.500 CCF	1,736,638	1,389,506	960,589	468,101	-80,407	-72,687	22,207	51,525	92,586	117,949	331,088	779,745	5,796,840				
GS-4 C&I 0 - 1.500 CCF	66,713	55,349	46,281	15,445	1,557	-1,813	932	3,315	2,894	9,172	14,843	47,083	261,971				
GS-5 C&I 0 - 1.500 CCF	152,543	93,124	82,936	30,762	-15,423	-5,887	-1,087	1,355	2,305	8,188	22,325	70,064	441,405				
GS-NMU C&I 0 - 1.500 CCF	576,157	312,582	391,964	169,739	10,029	-31,665	16,220	9,612	16,423	39,341	141,471	326,892	1,980,785				
Total Sales	2,532,051	1,850,561	1,481,770	684,047	-84,244	-111,652	38,272	85,807	118,238	174,650	509,727	1,223,784	8,480,381				
Rate (Less CCRC)	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014				
Total Small C&I	430,803	314,854	252,108	116,384	(14,333)	(18,996)	6,512	11,196	19,772	29,715	86,725	208,215	1,442,954				
Small C&I Customers																	
Average Monthly Customers	9,781	9,642	9,548	9,603	9,599	9,497	9,563	9,527	9,519	9,497	9,454	9,632	114,861			Therms	
Distribution Revenues per Avg. Monthly Customers	\$ 44.04	\$ 76.78	\$ 103.32	\$ 115.54	\$ 114.16	\$ 112.45	\$ 113.21	\$ 114.49	\$ 116.65	\$ 119.87	\$ 129.07	\$ 150.75	\$ 150.75		443	886	1,329
Forecasted Rev per Avg Monthly Customer	\$ 34.39	\$ 59.85	\$ 83.36	\$ 96.28	\$ 102.62	\$ 105.11	\$ 107.05	\$ 109.19	\$ 113.27	\$ 121.94	\$ 139.04	\$ 164.36	\$ 164.36				
Under/(Over) Collection																	
10%Cap	(89,843)	(157,924)	(186,000)	(179,328)	(107,327)	(68,152)	(57,107)	(49,056)	(31,212)	19,143	91,783	125,352		\$ 0.01409	\$ 6.24	\$ 12.48	\$ 18.72
RDM Recoveries/(Refunds)	(89,843)	(151,404)	(151,404)	(151,404)	(151,404)	(151,404)	(151,404)	(151,404)	(151,404)	151,404	151,404	151,404		\$ 0.01409	\$ 6.24	\$ 12.48	\$ 18.72
PNG Weather Normalization Adjustment																	
PNG Rate (Less CCRC)	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014				
PNG Revenue Adjustment	(21,678)	(9,847)	(11,952)	(3,819)	-	-	-	-	(749)	3,368	8,364	24,268	(12,045)				
NMU Weather Normalization Adjustment																	
NMU Rate (Less CCRC)	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014				
NMU Revenue Adjustment	(6,312)	(815)	(3,709)	(1,711)	-	-	-	-	-	727	1,764	8,117	(399)				
Total Adjusted Revenues	402,812	304,192	236,447	112,394	(14,333)	(18,996)	6,512	11,196	19,023	33,810	96,853	240,599	1,430,510				
Distribution Revs per Avg. Monthly Customer Adjusted	\$ 41.18	\$ 72.80	\$ 97.70	\$ 109.49	\$ 108.10	\$ 106.38	\$ 107.14	\$ 108.41	\$ 110.49	\$ 114.13	\$ 124.39	\$ 149.45	\$ 149.45				
Under/(Over) Collection																	
10%Cap	(63,213)	(120,804)	(133,586)	(123,032)	(51,043)	(11,847)	(782)	7,205	25,670	72,030	134,934	137,329		\$ 0.01543	\$ 6.84	\$ 13.67	\$ 20.51
RDM Recoveries/(Refunds)	(63,213)	(120,804)	(133,586)	(123,032)	(51,043)	(11,847)	(782)	7,205	25,670	72,030	134,934	137,329		\$ 0.01543	\$ 6.84	\$ 13.67	\$ 20.51

PUBLIC DOCUMENT - TRADE SECRET DATA EXCISED

2012 ACTUAL DISTRIBUTION REVENUES LESS CCRC

	January	February	March	April	May	June	July	August	September	October	November	December	Total	Surcharge Rate	Low Customer Usage	Average Customer Usage	High Customer Usage
Residential																	
GS-1 Residential	21,440,913	20,649,099	14,365,561	517,538	4,840,725	509,025	1,944,230	2,067,584	2,326,367	5,050,675	11,649,238	17,632,419	102,993,374				
GS-4 Residential	535,502	584,185	416,869	49,475	100,108	-10,050	23,301	32,107	38,054	162,482	349,161	543,254	2,824,448				
GS-5 Residential	690,876	744,898	508,859	114,025	150,937	-33,367	10,950	29,846	49,342	219,520	434,966	715,200	3,636,052				
GS-NMU Residential	5,454,421	5,277,611	3,429,266	1,472,339	1,325,575	-163,411	178,385	307,254	396,127	1,547,035	3,287,230	5,158,729	27,670,561				
Total Sales	28,121,712	27,255,793	18,720,555	2,153,377	6,417,345	302,197	2,156,866	2,436,791	2,809,890	6,979,712	15,720,595	24,049,602	137,124,435				
Rate (Less CCRC)	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241				
Total Residential	5,129,681	4,971,729	3,414,816	392,797	1,170,588	55,124	393,434	444,495	512,552	1,273,169	2,867,594	4,386,888	25,012,868				
Residential Customers	190,114	189,726	190,079	189,381	189,517	190,197	189,242	189,162	188,732	189,573	189,361	190,477	2,275,562			Therms	
Average Monthly Customers	190,114	189,920	189,973	189,825	189,764	189,836	189,751	189,677	189,572	189,572	189,553	189,630	189,630		362	723	1,085
Distribution Revenues per Avg. Monthly Customer	\$ 26.98	\$ 53.19	\$ 71.15	\$ 73.27	\$ 79.47	\$ 79.73	\$ 81.83	\$ 84.21	\$ 86.96	\$ 93.68	\$ 108.81	\$ 131.90	\$ 131.90				
Forecasted Rev per Avg Monthly Customer	\$ 29.65	\$ 54.25	\$ 74.83	\$ 87.16	\$ 94.02	\$ 97.30	\$ 99.85	\$ 102.51	\$ 107.52	\$ 118.63	\$ 136.14	\$ 161.60	\$ 161.60				
Under/(Over) Collection	510,068	202,983	702,159	2,648,227	2,775,065	3,347,106	3,425,712	3,477,712	3,903,291	4,735,798	5,185,240	5,638,073		\$ 0.03352	\$ 12.12	\$ 24.24	\$ 36.36
10%Cap	3,068,326	3,068,326	3,068,326	3,068,326	3,068,326	3,068,326	3,068,326	3,068,326	3,068,326	3,068,326	3,068,326	3,068,326					
RDM Recoveries/(Refunds)	510,068	202,983	702,159	2,648,227	2,775,065	3,347,106	3,425,712	3,477,712	3,903,291	4,735,798	5,185,240	5,638,073		\$ 0.01824	\$ 6.60	\$ 13.19	\$ 19.79
PNG Weather Normalization Adjustment	3,916,354	3,503,864	12,120,619	0	2,036,818	0	0	0	51,765	-176,048	1,116,575	1,136,292	23,706,239				
PNG Rate (Less CCRC)	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241				
PNG Revenue Adjustment	714,382	639,140	2,210,922	-	371,536	-	-	-	9,442	(32,113)	203,674	207,271	4,324,255				
NMU Weather Normalization Adjustment	885,289	859,304	1,600,709	91,435	269,842	0	0	0	-26,891	-115,708	-2,781	-21,866	3,539,334				
NMU Rate (Less CCRC)	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241				
NMU Revenue Adjustment	161,486	156,746	181,985	16,679	49,222	-	-	-	(4,905)	(12,106)	(507)	(3,989)	645,610				
Total Adjusted Revenues	6,005,549	5,767,615	5,917,724	409,476	1,591,346	55,124	393,434	444,495	517,089	1,219,950	3,070,761	4,590,170	29,982,733				
Distribution Revs per Avg. Monthly Customer Adjusted	\$ 31.59	\$ 61.99	\$ 93.12	\$ 95.35	\$ 103.77	\$ 104.02	\$ 106.14	\$ 108.53	\$ 111.31	\$ 117.75	\$ 133.96	\$ 158.11	\$ 158.11				
Under/(Over) Collection	(18,013)	(72,170)	(170,463)	(76,260)	(90,665)	(62,347)	(58,400)	(55,672)	(35,014)	8,159	20,079	32,106		\$ 0.00019	\$ 0.07	\$ 0.14	\$ 0.21
(3,068,326)	(3,068,326)	(3,068,326)	(3,068,326)	(3,068,326)	(3,068,326)	(3,068,326)	(3,068,326)	(3,068,326)	(3,068,326)	3,068,326	3,068,326	3,068,326					
RDM Recoveries/(Refunds)	(18,013)	(72,170)	(170,463)	(76,260)	(90,665)	(62,347)	(58,400)	(55,672)	(35,014)	8,159	20,079	32,106		\$ 0.00019	\$ 0.07	\$ 0.14	\$ 0.21
Small C&I																	
GS-1 C&I 0 - 1.500 CCF	997,849	987,117	638,873	-104,930	141,435	-7,655	34,196	62,634	82,527	265,304	482,291	970,966	4,550,607				
GS-4 C&I 0 - 1.500 CCF	42,719	58,011	34,081	-1,400	7,182	891	1,905	2,557	3,799	12,381	31,891	63,831	257,848				
GS-5 C&I 0 - 1.500 CCF	62,457	81,882	47,715	6,214	7,775	-4,938	1,464	2,927	4,013	15,485	50,212	86,287	363,493				
GS-NMU C&I 0 - 1.500 CCF	345,102	385,861	220,307	61,970	89,172	-24,594	6,092	19,539	21,652	73,764	200,131	472,998	1,863,012				
Total Sales	1,448,127	1,512,871	940,976	-38,146	236,564	-36,296	43,697	87,657	111,991	366,954	764,325	1,598,080	7,034,960				
Rate (Less CCRC)	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014				
Total Small C&I	246,384	257,400	160,098	(6,490)	40,249	(6,175)	7,428	14,914	19,054	62,434	130,076	271,557	1,196,928				
Small C&I Customers	9,670	9,639	9,666	9,631	10,913	10,928	10,856	10,865	10,818	10,815	10,846	10,963	125,609			Therms	
Average Monthly Customers	9,670	9,656	9,659	9,652	9,904	10,075	10,186	10,271	10,332	10,380	10,422	10,467	10,467		336	672	1,008
Distribution Revenues per Avg. Monthly Customer	\$ 25.48	\$ 52.18	\$ 68.74	\$ 68.11	\$ 70.44	\$ 68.63	\$ 68.61	\$ 69.50	\$ 70.93	\$ 76.62	\$ 88.79	\$ 114.35	\$ 114.35				
Forecasted Rev per Avg Monthly Customer	\$ 34.39	\$ 59.85	\$ 83.36	\$ 96.28	\$ 102.62	\$ 105.11	\$ 107.05	\$ 109.19	\$ 113.27	\$ 121.94	\$ 139.04	\$ 164.36	\$ 164.36				
Under/(Over) Collection	82,930	71,521	136,311	262,242	299,246	338,543	356,697	367,528	390,991	417,748	462,740	460,697		\$ 0.05177	\$ 17.40	\$ 34.79	\$ 52.19
10%Cap	151,404	151,404	151,404	151,404	151,404	151,404	151,404	151,404	151,404	151,404	151,404	151,404					
RDM Recoveries/(Refunds)	82,930	71,521	136,311	151,404	151,404	151,404	151,404	151,404	151,404	151,404	151,404	151,404		\$ 0.01701	\$ 5.72	\$ 11.43	\$ 17.15
PNG Weather Normalization Adjustment	199,211	187,633	610,355	0	64,291	0	0	0	3,706	-12,112	54,735	71,855	1,179,673				
PNG Rate (Less CCRC)	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014				
PNG Revenue Adjustment	33,894	31,924	103,846	-	10,938	-	-	-	631	(2,061)	9,313	12,225	200,710				
NMU Weather Normalization Adjustment	56,353	63,486	103,955	3,635	16,631	0	0	0	-1,466	-5,371	-171	-2,044	235,010				
NMU Rate (Less CCRC)	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014				
NMU Revenue Adjustment	9,588	10,801	17,687	619	2,830	-	-	-	(249)	(914)	(29)	(348)	39,985				
Total Adjusted Revenues	289,866	300,125	281,630	(5,872)	54,017	(6,175)	7,428	14,914	19,435	59,459	139,360	283,435	1,437,622				
Distribution Revs per Avg. Monthly Customer Adjusted	\$ 29.97	\$ 61.11	\$ 90.24	\$ 89.70	\$ 92.87	\$ 90.68	\$ 90.42	\$ 91.12	\$ 92.47	\$ 97.77	\$ 110.74	\$ 137.34	\$ 137.34				
Under/(Over) Collection	41,087	(11,754)	(64,125)	61,231	90,645	133,891	154,358	167,292	192,120	222,820	260,581	248,877		\$ 0.02797	\$ 9.40	\$ 18.80	\$ 28.19
10%Cap	151,404	(151,404)	(151,404)	151,404	151,404	151,404	151,404	151,404	151,404	151,404	151,404	151,404					
RDM Recoveries/(Refunds)	41,087	(11,754)	(64,125)	61,231	90,645	133,891	154,358	167,292	192,120	222,820	260,581	248,877		\$ 0.01701	\$ 5.72	\$ 11.43	\$ 17.15

PUBLIC DOCUMENT - TRADE SECRET DATA EXCISED

	January	February	March	April	May	June	July	August	September	October	November	December	Total		
Super Large Volume Interruptible & Joint															
SLV Interruptible Transport - CIP Exempt	21,528,199	15,884,132	18,923,797	13,744,139	13,266,629	12,950,578	13,823,586	16,500,150	14,129,520	15,875,592	17,547,373	21,570,698	195,744,393		
Rate	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420			
Revenues	90,418	66,713	79,480	57,725	55,720	54,392	58,059	69,301	59,344	66,677	73,699	90,597	822,126		
SLV Interruptible Transport - CIP Applicable															
Rate	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420			
Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-		
SLV Joint Transport	2,786,401	3,409,494	3,041,146	2,374,633	2,293,397	1,665,117	1,291,976	2,242,995	1,270,179	2,340,127	2,867,627	3,423,531	29,006,623		
Rate	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420			
Revenues	11,703	14,320	12,773	9,973	9,632	6,993	5,426	9,421	5,335	9,829	12,044	14,379	121,828		
SLV-NMU T/P Transport CIP Exempt	3,142,496	2,625,738	4,011,370	2,668,262	3,425,839	2,434,526	2,483,836	4,223,720	2,396,917	3,889,673	3,700,952	2,158,124	37,161,453		
Rate	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850			
Revenues	26,711	22,319	34,097	22,680	29,120	20,693	21,113	35,902	20,374	33,062	31,458	18,344	315,872		
SLV-NMU T/P Transport CIP Applicable															
Rate	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850			
Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-		
Total Super Large Volume Revenues	128,833	103,352	126,349	90,379	94,472	82,079	84,598	114,623	85,053	109,568	117,201	123,320	1,259,827		
Super Large Volume Customers	25	25	25	25	25	25	25	25	25	25	17	33	25	300	
Average Monthly Customers	25	25	25	25	25	25	25	25	25	25	24	25	25	25	
Distribution Revenues per Avg. Monthly Customers	\$ 5,153.30	\$ 9,287.38	\$ 14,341.36	\$ 17,956.52	\$ 21,735.39	\$ 25,018.57	\$ 28,402.48	\$ 32,987.40	\$ 36,389.50	\$ 42,120.07	\$ 45,460.27	\$ 50,393.06	\$ 50,393.06		
Forecasted Rev per Avg Monthly Customer	\$ 4,105.75	\$ 7,834.08	\$ 11,785.15	\$ 15,162.26	\$ 17,861.70	\$ 20,181.34	\$ 22,282.93	\$ 24,398.69	\$ 26,883.51	\$ 30,078.63	\$ 33,506.71	\$ 37,055.73	\$ 37,055.73		
Under/(Over) Collection	(30,379)	(41,419)	(72,426)	(78,938)	(109,238)	(136,248)	(172,222)	(241,557)	(267,224)	(339,569)	(337,960)	(377,891)		\$ (0.00184)	\$ (9,627.32)
10%Cap	(104,991)	(104,991)	(104,991)	(104,991)	(104,991)	(104,991)	(104,991)	(104,991)	(104,991)	(104,991)	(104,991)	(104,991)			\$ (19,254.63)
RDM Recoveries/(Refunds)	(30,379)	(41,419)	(72,426)	(78,938)	(104,991)	(104,991)	(104,991)	(104,991)	(104,991)	(104,991)	(104,991)	(104,991)		\$ (0.00051)	\$ (2,674.80)
															\$ (5,349.60)
															\$ (8,024.41)

Therms
5,238,249 10,476,499 15,714,748

Annual Revenue Surcharge/(Credit)

PUBLIC DOCUMENT - TRADE SECRET DATA EXCISED

2013 ACTUAL DISTRIBUTION REVENUES LESS CCRC

	January	February	March	April	May	June	July	August	September	October	November	December	Total
Residential													
GS-1 Residential	22,856,845	28,527,676	19,359,401	13,943,297	7,596,420	(1,828,538)	1,067,651	2,094,561	2,755,428	4,607,855	17,977,829	33,130,535	152,088,960
GS-4 Residential	608,272	705,250	575,542	282,581	360,956	(143,529)							2,389,072
GS-5 Residential	828,418	911,573	602,156	473,963	412,766	(117,753)							3,111,123
GS-NMU Residential	5,826,240	7,115,767	4,200,240	2,813,432	3,184,728	566,939							23,707,346
Total Sales	30,119,775	37,260,266	24,737,339	17,513,273	11,554,870	-1,522,881	1,067,651	2,094,561	2,755,428	4,607,855	17,977,829	33,130,535	181,296,501
Rate (Less CCRC)	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241
Total Residential	5,494,148	6,796,645	4,512,338	3,194,596	2,107,724	(277,789)	194,750	382,069	502,618	840,519	3,279,336	6,043,341	33,070,295
Residential Customers													
Average Monthly Customers	190,973	193,015	190,787	191,336	190,798	191,685	192,019	190,813	190,788	191,417	191,163	193,684	2,298,478
Distribution Revenues per Avg. Monthly Customer	\$ 28.77	\$ 64.02	\$ 87.70	\$ 104.41	\$ 115.50	\$ 114.02	\$ 114.99	\$ 117.04	\$ 119.71	\$ 124.10	\$ 141.25	\$ 172.65	\$ 172.65
Forecasted Rev per Avg Monthly Customer	\$ 29.65	\$ 54.25	\$ 74.83	\$ 87.16	\$ 94.02	\$ 97.30	\$ 99.85	\$ 102.51	\$ 107.52	\$ 118.63	\$ 136.14	\$ 161.60	\$ 161.60
Under/(Over) Collection	168,845	(1,862,403)	(2,453,962)	(3,288,664)	(4,095,532)	(3,183,557)	(2,880,100)	(2,760,146)	(2,313,627)	(1,036,774)	(968,970)	(2,099,620)	(11,276,657)
10%Cap	3,068,326	(3,068,326)	(3,068,326)	(3,068,326)	(3,068,326)	(3,068,326)	(3,068,326)	(3,068,326)	(3,068,326)	(3,068,326)	(3,068,326)	(3,068,326)	(3,068,326)
RDM Recoveries/(Refunds)	168,845	(1,862,403)	(2,453,962)	(3,068,326)	(3,068,326)	(3,068,326)	(2,880,100)	(2,760,146)	(2,313,627)	(1,036,774)	(968,970)	(2,099,620)	(11,276,657)
Small C&I													
GS-1 C&I 0 - 1,500 CCF	1,363,521	2,031,945	1,188,062	858,651	271,652	(284,800)	(602)	103,331	115,801	849,589	1,074,489	2,219,076	9,790,715
GS-4 C&I 0 - 1,500 CCF	74,551	101,187	62,779	44,217	36,584	(12,887)							306,431
GS-5 C&I 0 - 1,500 CCF	131,391	149,433	95,295	76,812	51,623	(19,668)							484,886
GS-NMU C&I 0 - 1,500 CCF	438,569	620,659	336,698	254,047	249,390	(89,246)							1,810,117
Total Sales	2,008,032	2,903,224	1,682,834	1,233,727	609,249	-406,801	-602	103,331	115,801	849,589	1,074,489	2,219,076	12,392,149
Rate (Less CCRC)	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014	0.17014
Total Small C&I	341,647	493,955	286,317	209,906	103,658	(69,179)	(102)	17,581	19,702	144,549	182,814	377,554	2,108,400
Small C&I Customers													
Average Monthly Customers	10,928	11,108	10,948	10,917	10,900	11,047	10,998	10,851	10,790	10,835	10,828	10,988	131,138
Distribution Revenues per Avg. Monthly Customer	\$ 31.26	\$ 75.84	\$ 102.04	\$ 121.35	\$ 130.97	\$ 124.50	\$ 124.45	\$ 126.23	\$ 128.25	\$ 141.60	\$ 158.46	\$ 192.93	\$ 192.93
Forecasted Rev per Avg Monthly Customer	\$ 34.39	\$ 59.85	\$ 83.36	\$ 96.28	\$ 102.62	\$ 105.11	\$ 107.05	\$ 109.19	\$ 113.27	\$ 121.94	\$ 139.04	\$ 164.36	\$ 164.36
Under/(Over) Collection	29,091	(149,149)	(174,076)	(233,449)	(263,739)	(179,961)	(161,395)	(157,769)	(138,326)	(181,202)	(178,851)	(263,207)	(50,311)
10%Cap	151,404	(151,404)	(151,404)	(151,404)	(151,404)	(151,404)	(151,404)	(151,404)	(151,404)	(151,404)	(151,404)	(151,404)	(151,404)
RDM Recoveries/(Refunds)	29,091	(149,149)	(151,404)	(151,404)	(151,404)	(151,404)	(151,404)	(151,404)	(138,326)	(151,404)	(151,404)	(151,404)	(28,941)
Weather Normalization Adjustments													
PNG Weather Normalization Adjustment	1,081,914	-158,751	-3,040,935	-3,325,235	-985,973	0	0	0	308,276	-48,992	-1,013,001	-4,093,960	(11,276,657)
PNG Rate (Less CCRC)	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241
PNG Revenue Adjustment	197,352	(28,958)	(554,697)	(606,556)	(179,851)	-	-	56,233	(8,937)	(184,782)	(746,779)	(2,056,975)	(11,276,657)
NMU Weather Normalization Adjustments													
NMU Weather Normalization Adjustment	150,304	-164,310	-561,318	-600,286	-305,363	-23,053	0	0	44,226	-22,022	-158,679	-1,316,417	(2,956,919)
NMU Rate (Less CCRC)	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241	0.18241
NMU Revenue Adjustment	27,417	(29,972)	(102,390)	(109,498)	(55,701)	(4,205)	-	-	8,067	(4,017)	(28,945)	(240,128)	(539,372)
Total Adjusted Revenues													
Distribution Revs per Avg. Monthly Customer Adjusted	\$ 29.95	\$ 64.88	\$ 85.14	\$ 98.11	\$ 107.97	\$ 106.46	\$ 107.43	\$ 109.48	\$ 112.48	\$ 116.80	\$ 132.84	\$ 159.10	\$ 159.10
Under/(Over) Collection	(2,723)	(99,126)	(96,057)	(101,916)	(129,687)	(85,025)	(70,402)	(64,505)	(45,814)	16,865	30,429	23,004	0.19
10%Cap	(3,068,326)	(3,068,326)	(3,068,326)	(3,068,326)	(3,068,326)	(3,068,326)	(3,068,326)	(3,068,326)	(3,068,326)	3,068,326	3,068,326	3,068,326	0.19
RDM Recoveries/(Refunds)	(2,723)	(99,126)	(96,057)	(101,916)	(129,687)	(85,025)	(70,402)	(64,505)	(45,814)	16,865	30,429	23,004	0.19

Surcharge Rate	Low Customer Usage	Average Customer Usage	High Customer Usage
		Therms	
	473	947	1,420
		Annual Revenue Surcharge/(Credit)	
\$ (0.01248)	\$ (5.91)	\$ (11.81)	\$ (17.72)
\$ (0.01248)	\$ (5.91)	\$ (11.81)	\$ (17.72)
		Annual Revenue Surcharge/(Credit)	
\$ 0.00014	\$ 0.06	\$ 0.13	\$ 0.19
\$ 0.00014	\$ 0.06	\$ 0.13	\$ 0.19
		Annual Revenue Surcharge/(Credit)	
\$ (0.02958)	\$ (16.77)	\$ (33.54)	\$ (50.31)
\$ (0.01701)	\$ (9.65)	\$ (19.29)	\$ (28.94)
		Annual Revenue Surcharge/(Credit)	
\$ (0.01332)	\$ (7.55)	\$ (15.10)	\$ (22.66)
\$ (0.01332)	\$ (7.55)	\$ (15.10)	\$ (22.66)

PUBLIC DOCUMENT - TRADE SECRET DATA EXCISED

	January	February	March	April	May	June	July	August	September	October	November	December	Total
Super Large Volume Interruptible & Joint													
SLV Interruptible Transport - CIP Exempt	0	0	0	0	0	0	25,185,927	14,967,928	12,026,739	14,087,763	14,784,500	18,917,018	99,969,875
Rate	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	
Revenues	-	-	-	-	-	-	105,781	62,865	50,512	59,169	62,095	79,451	419,873
SLV Interruptible Transport - CIP Applicable	19,449,817	17,491,144	18,317,604	16,552,491	13,278,097	14,013,046	-14,690,122	458,913	-270,197	366,704	-27,733	-44,514	84,895,250
Rate	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	
Revenues	81,689	73,463	76,934	69,520	55,768	58,855	(61,699)	1,927	(1,135)	1,540	(116)	(187)	356,560
SLV Joint Transport	-1,151,917	3,753,163	68,372	1,614,903	2,596,963	2,058,953	92,319	5,787,340	2,179,412	3,705,547	2,139,148	2,747,390	25,591,593
Rate	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	
Revenues	(4,838)	15,763	287	6,783	10,907	8,648	388	24,307	9,154	15,563	8,984	11,539	107,485
SLV-NMU T/P Transport CIP Exempt	0	0	0	0	0	0	7,579,465	2,539,144	4,631,855	2,558,460	3,202,549	1,480,043	21,991,516
Rate	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	
Revenues	-	-	-	-	-	-	64,425	21,583	39,371	21,747	27,222	12,580	186,928
SLV-NMU T/P Transport CIP Applicable	4,032,337	4,306,087	4,090,483	4,609,805	2,403,185	4,820,727	-4,214,960	0	0	0	0	0	20,047,664
Rate	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	
Revenues	34,275	36,602	34,769	39,183	20,427	40,976	(35,827)	-	-	-	-	-	170,405
Total Super Large Volume Revenues	111,126	125,828	111,990	115,486	87,102	108,479	73,068	110,682	97,902	98,019	98,185	103,384	1,241,251
Super Large Volume Customers	25	25	25	25	25	25	25	25	25	25	25	22	297
Average Monthly Customers	25	25	25	25	25	25	25	25	25	25	25	25	25
Distribution Revenues per Avg. Monthly Customers	\$ 4,445.04	\$ 9,478.15	\$ 13,957.76	\$ 18,577.22	\$ 22,061.31	\$ 26,400.46	\$ 29,323.19	\$ 33,750.48	\$ 37,666.55	\$ 41,587.31	\$ 45,514.69	\$ 50,151.57	\$ 50,151.57
Forecasted Rev per Avg Monthly Customer	\$ 4,105.75	\$ 7,834.08	\$ 11,785.15	\$ 15,162.26	\$ 17,861.70	\$ 20,181.34	\$ 22,282.93	\$ 24,398.69	\$ 26,883.51	\$ 30,078.63	\$ 33,506.71	\$ 37,055.73	\$ 37,055.73
Under/(Over) Collection	(9,840)	(46,856)	(61,557)	(96,473)	(118,429)	(175,172)	(198,133)	(263,019)	(303,123)	(324,545)	(339,498)	(371,049)	\$ (27,615.55)
10%Cap	(104,991)	(104,991)	(104,991)	(104,991)	(104,991)	(104,991)	(104,991)	(104,991)	(104,991)	(104,991)	(104,991)	(104,991)	
RDM Recoveries/(Refunds)	(9,840)	(46,856)	(61,557)	(96,473)	(104,991)	(104,991)	(104,991)	(104,991)	(104,991)	(104,991)	(104,991)	(104,991)	\$ (7,814.04)
													Annual Revenue Surcharge(Credit)
	\$ (0.00180)	\$ (9,205.18)	\$ (18,410.37)	\$ (27,615.55)									
	\$ (0.00051)	\$ (2,604.68)	\$ (5,209.36)	\$ (7,814.04)									

Therms 5,100,927 10,201,854 15,302,782

PUBLIC DOCUMENT - TRADE SECRET DATA EXCISED

Total Large Volume Transport Revenues	202,429	222,160	248,035	137,330	166,964	150,416	200,773	162,118	189,401	210,467	184,458	108,634	2,183,184					
Large Volume Transport Customers	97	97	105	105	104	108	109	107	108	108	107	92	1,247					
Average Monthly Customers	97	97	100	101	102	103	104	104	104	105	105	104	104					
Distribution Revenues per Avg. Monthly Customers	\$ 2,086.89	\$ 4,377.21	\$ 6,748.74	\$ 8,018.02	\$ 9,614.70	\$ 10,979.93	\$ 12,821.92	\$ 14,328.50	\$ 16,080.94	\$ 18,034.08	\$ 19,753.06	\$ 21,004.50	\$ 21,004.50	\$ 630,489	\$ 1,260,978	\$ 1,891,467	Therms	
Forecasted Rev per Avg Monthly Customer	\$ 2,623.47	\$ 5,066.85	\$ 7,224.37	\$ 8,928.29	\$ 10,276.43	\$ 11,400.28	\$ 12,542.74	\$ 13,727.02	\$ 14,963.84	\$ 16,505.18	\$ 18,382.29	\$ 20,728.54	\$ 20,728.54					
Under/(Over) Collection	51,511	66,206	45,502	86,930	63,261	40,143	(26,602)	(57,216)	(106,125)	(145,093)	(130,223)	(26,193)		\$ (0.00022)	\$ (135.56)	\$ (271.12)	\$ (406.68)	Annual Revenue Surcharge/(Credit)
10%Cap	196,748	196,748	196,748	196,748	196,748	196,748	(196,748)	(196,748)	(196,748)	(196,748)	(196,748)	(196,748)						
RDM Recoveries/(Refunds)	51,511	66,206	45,502	86,930	63,261	40,143	(26,602)	(57,216)	(106,125)	(145,093)	(130,223)	(26,193)		\$ (0.00022)	\$ (135.56)	\$ (271.12)	\$ (406.68)	
Super Large Volume Interruptible & Joint	January	February	March	April	May	June	July	August	September	October	November	December	Total					
SLV Interruptible Transport - CIP Exempt	24,257,240	21,539,594	23,209,500	16,422,026	11,126,837	4,084,314	7,707,374	12,494,074	8,962,005	13,937,997	13,827,470	8,055,911	165,624,342					
Rate	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420					
Revenues	101,880	90,466	97,480	68,973	46,733	17,154	32,371	52,475	37,640	58,540	58,075	33,835	695,622					
SLV Interruptible Transport - CIP Applicable	-72,886	5,466	83,009	164,011	-86,112	-11,820		1,043,750	185,461	2,964,785	-1,711,890	15,543	2,579,317					
Rate	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420					
Revenues	(306)	23	349	689	(362)	(50)	-	4,384	779	12,452	(7,190)	65	10,833					
SLV Joint Transport	-1,017,935	1,530,492	3,818,922	180,174	2,554,806	2,517,914	911,776	6,678,279	2,744,738	3,592,627	-900,514	1,059,355	23,670,634					
Rate	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420	0.00420					
Revenues	(4,275)	6,428	16,039	757	10,730	10,575	3,829	28,049	11,528	15,089	(3,782)	4,449	99,417					
SLV-NMU ITP Transport CIP Exempt	4,775,162	4,169,803	5,130,841	5,028,428	770,252	3,906,649	2,415,325	2,047,008	2,209,589	3,642,603	2,316,030	3,225,402	39,637,092					
Rate	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850					
Revenues	40,589	35,443	43,612	42,742	6,547	33,207	20,530	17,400	18,782	30,962	19,686	27,416	336,915					
SLV-NMU ITP Transport CIP Applicable																		
Rate	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850					
Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-					
Total Super Large Volume Revenues	137,888	132,361	157,480	113,160	63,648	60,886	56,731	102,307	68,729	117,043	66,790	65,765	1,142,787					
Super Large Volume Customers	25	25	25	23	23	23	23	23	23	23	23	23	282					
Average Monthly Customers	25	25	25	25	24	24	24	24	24	24	24	24	24					
Distribution Revenues per Avg. Monthly Customers	\$ 5,515.51	\$ 10,809.94	\$ 17,109.15	\$ 22,077.08	\$ 24,980.86	\$ 27,725.96	\$ 30,269.91	\$ 34,714.14	\$ 37,740.41	\$ 42,806.46	\$ 45,742.25	\$ 48,629.25	\$ 48,629.25	\$ 4,925,774	\$ 9,851,548	\$ 14,777,322	Therms	
Forecasted Rev per Avg Monthly Customer	\$ 6,544.04	\$ 12,391.06	\$ 17,721.79	\$ 21,935.61	\$ 25,124.99	\$ 27,916.81	\$ 30,703.25	\$ 33,593.01	\$ 36,611.94	\$ 40,376.19	\$ 45,048.01	\$ 50,616.16	\$ 50,616.16					
Under/(Over) Collection	25,713	40,319	15,520	(3,572)	3,661	4,835	10,957	(28,308)	(28,462)	(61,243)	(17,482)	50,170		\$ 0.00019	\$ 951.90	\$ 1,903.81	\$ 2,855.71	Annual Revenue Surcharge/(Credit)
10%Cap	127,806	127,806	127,806	(127,806)	127,806	127,806	127,806	(127,806)	(127,806)	(127,806)	(127,806)	127,806						
RDM Recoveries/(Refunds)	25,713	40,319	15,520	(3,572)	3,661	4,835	10,957	(28,308)	(28,462)	(61,243)	(17,482)	50,170		\$ 0.00019	\$ 951.90	\$ 1,903.81	\$ 2,855.71	
	92,499,688	92,377,045	99,053,778	51,974,619	32,322,017	23,814,204	26,525,622	38,508,504	33,339,289	48,459,469	47,062,541	#REF!	646,637,743					

PUBLIC DOCUMENT - TRADE SECRET DATA EXCISED

Forecasted Rev per Avg Monthly Customer	\$	2,731.05	\$	5,397.08	\$	8,076.25	\$	10,435.31	\$	13,057.77	\$	15,003.20	\$	17,182.67	\$	19,438.29	\$	21,698.11	\$	24,098.21	\$	26,465.98	\$	28,630.50	\$	28,730.30	
Under/(Over) Collection		106,502		25,045		(39,235)		19,817		161,567		167,881		153,660		205,760		256,688		264,969		278,833		235,162			
10%Cap		271,990		271,990		(271,990)		271,990		271,990		271,990		271,990		271,990		271,990		271,990		271,990		271,990			
RDM Recoveries/(Refunds)		106,502		25,045		(39,235)		19,817		161,567		167,881		153,660		205,760		256,688		264,969		271,990		235,162			

			Annual Revenue Surcharge/(Credit)				
\$	0.00171	\$	1,154.91	\$	2,309.81	\$	3,464.72
\$	0.00171	\$	1,154.91	\$	2,309.81	\$	3,464.72

Super Large Volume Interruptible & Joint	January	February	March	April	May	June	July	August	September	October	November	December	Total
SLV NNG Transport	13,520,935	27,992,920	34,599,700	20,552,399	6,578,609	13,737,679	19,829,025	19,715,276	20,094,031	11,219,430	18,742,675	17,956,853	224,539,533
Rate	0.00448	0.00448	0.00448	0.00448	0.00448	0.00448	0.00448	0.00448	0.00448	0.00448	0.00448	0.00448	
Revenues	60,574	125,408	155,007	92,075	29,472	61,545	88,834	88,324	90,021	50,263	83,967	80,447	1,005,937
SLV-Consolidated Transport	1,953,175	5,251,847	4,000,619	5,635,453	1,019,185	4,014,941	3,809,801	1,673,300	2,953,385	2,398,655	4,222,638	2,036,661	38,969,661
Rate	0.00873	0.00873	0.00873	0.00873	0.00873	0.00873	0.00873	0.00873	0.00873	0.00873	0.00873	0.00873	
Revenues	17,051	45,849	34,925	49,198	8,897	35,050	33,260	14,608	25,783	20,940	36,864	17,780	340,205

Total Super Large Volume Revenues	77,625	171,257	189,932	141,272	38,370	96,595	122,094	102,932	115,804	71,203	120,831	98,227	1,346,142
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Super Large Volume Customers	23	19	31	39	29	29	23	26	27	24	24	29	323
Average Monthly Customers	23	21	24	28	28	28	28	27	27	27	27	27	27
Distribution Revenues per Avg. Monthly Customers	\$ 3,375.00	\$ 11,851.52	\$ 18,283.92	\$ 20,717.37	\$ 22,087.71	\$ 25,537.54	\$ 29,898.03	\$ 34,817.67	\$ 39,106.72	\$ 41,743.88	\$ 46,219.09	\$ 49,857.12	\$ 49,857.12

			Therms		
	4,879,800		9,759,599.78		14,639,400

Forecasted Rev per Avg Monthly Customer	\$	5,676.22	\$	11,457.75	\$	16,404.31	\$	21,087.91	\$	25,210.12	\$	29,473.88	\$	33,665.48	\$	38,049.41	\$	42,292.86	\$	46,700.27	\$	51,432.83	\$	56,333.89	\$	57,296.47
Under/(Over) Collection		57,531		(9,844)		(46,990)		9,264		78,060		98,409		94,186		80,794		79,654		123,910		130,344		161,919		
10%Cap		140,835		(140,835)		(140,835)		140,835		140,835		140,835		140,835		140,835		140,835		140,835		140,835		140,835		
RDM Recoveries/(Refunds)		57,531		(9,844)		(46,990)		9,264		78,060		98,409		94,186		80,794		79,654		123,910		130,344		140,835		

			Annual Revenue Surcharge/(Credit)				
\$	0.00059	\$	2,871.34	\$	5,742.69	\$	8,614.03
\$	0.00051	\$	2,497.45	\$	4,994.89	\$	7,482.34

86,623,272	116,649,413.90	96,565,524	46,629,766	37,718,559	35,022,051	35,018,605	38,751,495	39,315,208	35,725,561	62,029,665	83,661,898	713,711,019
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MINNESOTA ENERGY RESOURCES CORPORATION
RATES BY CUSTOMER CLASS
CURRENTLY AUTHORIZED MONTHLY FIXED CHARGES, DAILY FIRM CAPACITY CHARGES, AND PER THERM DISTRIBUTION RATES

Current MERC Customer Class	Proposed MERC Customer Class	Fixed Local Distribution Service (Monthly)	Enhanced Administration Service (Monthly)	Total Fixed Charge (Monthly)	Daily Firm Capacity (Per Therm of Demand)	Volumetric Local Distribution Service (All Therms)	CCRC (All Therms)	Total Per Therm Rate (All Therms)
NNG SALES								
GS-NNG Residential Sales	GS-NNG Residential Sales	\$9.50		\$9.50		\$ 0.21349	\$ 0.02767	\$ 0.24116
GS-NNG Residential Farm-Tap Sales	GS-NNG Residential Farm-Tap Sales	\$9.50		\$9.50		\$ 0.21349	\$ 0.02767	\$ 0.24116
GS-NNG SC&I Sales	C&I FIRM Class 1	\$18.00		\$18.00		\$ 0.19298	\$ 0.02767	\$ 0.22065
GS-NNG SC&I Sales	Agriculture Grain Dryer - Class 1	\$18.00		\$18.00		\$ 0.19298	\$ 0.02767	\$ 0.22065
GS-NNG SC&I Sales	GS-NNG SC&I Farm-Tap Sales	\$18.00		\$18.00		\$ 0.19298	\$ 0.02767	\$ 0.22065
GS-NNG LC&I Sales	C&I FIRM Class 2	\$45.00		\$45.00		\$ 0.14118	\$ 0.02767	\$ 0.16885
GS-NNG LC&I Sales	C&I FIRM Class 3	\$45.00		\$45.00		\$ 0.14118	\$ 0.02767	\$ 0.16885
GS-NNG LC&I Sales	Power Generating Unit - Class 1	\$45.00		\$45.00		\$ 0.14118	\$ 0.02767	\$ 0.16885
GS-NNG LC&I Sales	Agriculture Grain Dryer - Class 1	\$45.00		\$45.00		\$ 0.14118	\$ 0.02767	\$ 0.16885
GS-NNG LC&I Sales	GS-NNG LC&I Farm-Tap Sales	\$45.00		\$45.00		\$ 0.14118	\$ 0.02767	\$ 0.16885
SVI-NNG Sales	C&I INT Class 2	\$165.00		\$165.00		\$ 0.06973	\$ 0.02767	\$ 0.09740
SVI-NNG Sales	C&I INT Class 3	\$165.00		\$165.00		\$ 0.06973	\$ 0.02767	\$ 0.09740
SVI-NNG Sales	Agriculture Grain Dryer - Class 1	\$165.00		\$165.00		\$ 0.06973	\$ 0.02767	\$ 0.09740
SVI-NNG Sales	Agriculture Grain Dryer - Class 2	\$165.00		\$165.00		\$ 0.06973	\$ 0.02767	\$ 0.09740
LVI-NNG Sales	C&I INT Class 2	\$185.00		\$185.00		\$ 0.02562	\$ 0.02767	\$ 0.05329
LVI-NNG Sales	C&I INT Class 3	\$185.00		\$185.00		\$ 0.02562	\$ 0.02767	\$ 0.05329
LVI-NNG Sales	Power Generating Unit - Class 1	\$185.00		\$185.00		\$ 0.02562	\$ 0.02767	\$ 0.05329
LVI-NNG Sales	Agriculture Grain Dryer - Class 1	\$185.00		\$185.00		\$ 0.02562	\$ 0.02767	\$ 0.05329
LVI-NNG Sales	Agriculture Grain Dryer - Class 2	\$185.00		\$185.00		\$ 0.02562	\$ 0.02767	\$ 0.05329
SVJ-NNG Sales	C&I JOINT Class 2	\$165.00		\$165.00	0.30000	\$ 0.06973	\$ 0.02767	\$ 0.09740
CONSOLIDATED SALES								
GS-CONSOLIDATED Residential Sales	GS-CONSOLIDATED Residential Sales	\$9.50		\$9.50		\$ 0.21349	\$ 0.02767	\$ 0.24116
GS-CONSOLIDATED SC&I Sales	C&I FIRM Class 1	\$18.00		\$18.00		\$ 0.19298	\$ 0.02767	\$ 0.22065
GS-CONSOLIDATED SC&I Sales	Agriculture Grain Dryer - Class 1	\$18.00		\$18.00		\$ 0.19298	\$ 0.02767	\$ 0.22065
GS-CONSOLIDATED LC&I Sales	C&I FIRM Class 2	\$45.00		\$45.00		\$ 0.14118	\$ 0.02767	\$ 0.16885
GS-CONSOLIDATED LC&I Sales	C&I FIRM Class 3	\$45.00		\$45.00		\$ 0.14118	\$ 0.02767	\$ 0.16885
GS-CONSOLIDATED LC&I Sales	Agriculture Grain Dryer - Class 1	\$45.00		\$45.00		\$ 0.14118	\$ 0.02767	\$ 0.16885
SVI-CONSOLIDATED Sales	C&I INT Class 2	\$165.00		\$165.00		\$ 0.06973	\$ 0.02767	\$ 0.09740
SVI-CONSOLIDATED Sales	C&I INT Class 3	\$165.00		\$165.00		\$ 0.06973	\$ 0.02767	\$ 0.09740
SVI-CONSOLIDATED Sales	Agriculture Grain Dryer - Class 1	\$165.00		\$165.00		\$ 0.06973	\$ 0.02767	\$ 0.09740
SVI-CONSOLIDATED Sales	Agriculture Grain Dryer - Class 2	\$165.00		\$165.00		\$ 0.06973	\$ 0.02767	\$ 0.09740
LVI-CONSOLIDATED Sales	C&I INT Class 2	\$185.00		\$185.00		\$ 0.02562	\$ 0.02767	\$ 0.05329
LVI-CONSOLIDATED Sales	C&I INT Class 3	\$185.00		\$185.00		\$ 0.02562	\$ 0.02767	\$ 0.05329
LVI-CONSOLIDATED Sales	C&I INT Class 4	\$185.00		\$185.00		\$ 0.02562	\$ 0.02767	\$ 0.05329
SVJ-CONSOLIDATED Sales	C&I JOINT Class 2	\$165.00		\$165.00	0.30000	\$ 0.06973	\$ 0.02767	\$ 0.09740
ALBERT LEA-NNG SALES								
GS-ALBERT LEA NNG Residential Sales	GS-ALBERT LEA NNG Residential Sales	\$7.25		\$7.25		\$ 0.21349	\$ 0.02767	\$ 0.24116
GS-ALBERT LEA NNG SC&I Sales	C&I FIRM Class 1	\$11.50		\$11.50		\$ 0.19298	\$ 0.02767	\$ 0.22065
GS-ALBERT LEA NNG LC&I Sales	C&I FIRM Class 2	\$25.00		\$25.00		0.14118	\$ 0.02767	\$ 0.16885
GS-ALBERT LEA NNG LC&I Sales	C&I FIRM Class 3	\$25.00		\$25.00		0.14118	\$ 0.02767	\$ 0.16885
SVI-ALBERT LEA NNG Sales	C&I INT Class 2	\$89.50		\$89.50		\$ 0.06973	\$ 0.02767	\$ 0.09740
SVI-ALBERT LEA NNG Sales	C&I INT Class 3	\$89.50		\$89.50		\$ 0.06973	\$ 0.02767	\$ 0.09740
SVI-ALBERT LEA NNG Sales	Agriculture Grain Dryer - Class 1	\$89.50		\$89.50		\$ 0.06973	\$ 0.02767	\$ 0.09740
SVI-ALBERT LEA NNG Sales	Agriculture Grain Dryer - Class 2	\$89.50		\$89.50		\$ 0.06973	\$ 0.02767	\$ 0.09740
LVI-ALBERT LEA NNG Sales	C&I INT Class 2	\$99.50		\$99.50		0.02562	\$ 0.02767	\$ 0.05329
LVI-ALBERT LEA NNG Sales	C&I INT Class 3	\$99.50		\$99.50		0.02562	\$ 0.02767	\$ 0.05329

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		NNG TRANSPORT								
SVI-NNG Transport	C&I INT Class 3	\$170.00	\$110.00	\$280.00		0.06973	\$	0.02767	\$	0.09740
SVI-NNG Transport	C&I INT Class 4	\$170.00	\$110.00	\$280.00		0.06973	\$	0.02767	\$	0.09740
LVI-NNG Transport - CIP Applicable	C&I INT Class 3	\$190.00	\$110.00	\$300.00		0.02562	\$	0.02767	\$	0.05329
LVI-NNG Transport - CIP Applicable	C&I INT Class 4	\$190.00	\$110.00	\$300.00		0.02562	\$	0.02767	\$	0.05329
LVI-NNG Transport - CIP Applicable	Agriculture Grain Dryer - Class 3	\$190.00	\$110.00	\$300.00		0.02562	\$	0.02767	\$	0.05329
SVJ-NNG Transport	C&I JOINT Class 2	\$170.00	\$110.00	\$280.00	0.30000	0.06973	\$	0.02767	\$	0.09740
SVJ-NNG Transport	C&I JOINT Class 3	\$170.00	\$110.00	\$280.00	0.30000	0.06973	\$	0.02767	\$	0.09740
SVJ-NNG Transport	Agriculture Grain Dryer - Class 2	\$170.00	\$110.00	\$280.00	0.30000	0.06973	\$	0.02767	\$	0.09740
LVJ-NNG Transport - CIP Applicable	C&I JOINT Class 2	\$190.00	\$110.00	\$300.00	0.30000	0.02562	\$	0.02767	\$	0.05329
LVJ-NNG Transport - CIP Applicable	C&I JOINT Class 3	\$190.00	\$110.00	\$300.00	0.30000	0.02562	\$	0.02767	\$	0.05329
LVJ-NNG Transport - CIP Applicable	C&I JOINT Class 4	\$190.00	\$110.00	\$300.00	0.30000	0.02562	\$	0.02767	\$	0.05329
LVJ-NNG Transport - CIP Exempt	C&I JOINT Class 5 - CIP Exempt	\$190.00	\$110.00	\$300.00	0.30000	0.02562			\$	0.02562
SLVI-NNG Transport-CIP Exempt	C&I INT Class 5 - CIP Exempt	\$360.00	\$110.00	\$470.00		0.00448			\$	0.00448
SLVI-NNG Transport-CIP Applicable	C&I INT Class 4	\$360.00	\$110.00	\$470.00		0.00448	\$	0.02767	\$	0.03215
SLVJ-NNG Transport-CIP Exempt	Power Generating Unit - Class 2 CIP Exempt	\$360.00	\$110.00	\$470.00	0.06200	0.00448			\$	0.00448
Transport for Resale	Transport for Resale	\$190.00	\$110.00	\$300.00		0.04661	\$	0.02767	\$	0.07428
LVJ-NNG Flex Transport (Cust "A")	LVJ-NNG Flex Transport (Cust "A")	\$190.00	\$110.00	\$300.00	0.30000	0.00450	\$	0.02767	\$	0.03217
LVI-NNG Flex Transport (Cust "B")	LVI-NNG Flex Transport (Cust "B")	\$190.00	\$110.00	\$300.00		0.00500	\$		\$	0.00500
LVI-NNG Flex Transport (Cust "C")	LVI-NNG Flex Transport (Cust "C")	\$190.00	\$110.00	\$300.00		0.00700	\$		\$	0.00700
LVI-NNG Flex Transport (Cust "D")	LVI-NNG Flex Transport (Cust "D")	\$190.00	\$110.00	\$300.00		0.01500	\$		\$	0.01500
LVJ-NNG Flex Transport (Cust "E")	LVJ-NNG Flex Transport (Cust "E")	\$190.00	\$110.00	\$300.00	0.30000	0.01500	\$		\$	0.01500
LVJ-NNG Flex Transport (Cust "F")	LVJ-NNG Flex Transport (Cust "F")	\$190.00	\$110.00	\$300.00	0.30000	0.00637	\$	0.02767	\$	0.03404
LVJ-NNG Flex Transport (Cust "G")	LVJ-NNG Flex Transport (Cust "G")	\$190.00	\$110.00	\$300.00	0.30000	0.00552	\$	0.02767	\$	0.03319
		CONSOLIDATED TRANSPORT								
SVI-CONSOLIDATED Transport	C&I INT Class 2	\$170.00	\$110.00	\$280.00		0.06973	\$	0.02767	\$	0.09740
SVI-CONSOLIDATED Transport	C&I INT Class 3	\$170.00	\$110.00	\$280.00		0.06973	\$	0.02767	\$	0.09740
LVI-CONSOLIDATED Transport	C&I INT Class 3	\$190.00	\$110.00	\$300.00		0.02562	\$	0.02767	\$	0.05329
LVI-CONSOLIDATED Transport	C&I INT Class 4	\$190.00	\$110.00	\$300.00		0.02562	\$	0.02767	\$	0.05329
SVJ-CONSOLIDATED Transport	C&I JOINT Class 2	\$170.00	\$110.00	\$280.00	0.30000	0.06973	\$	0.02767	\$	0.09740
SVJ-CONSOLIDATED Transport	C&I JOINT Class 3	\$170.00	\$110.00	\$280.00	0.30000	0.06973	\$	0.02767	\$	0.09740
LVJ-CONSOLIDATED Transport	C&I JOINT Class 3	\$190.00	\$110.00	\$300.00	0.30000	0.02562	\$	0.02767	\$	0.05329
SLVJ-CONSOLIDATED Transport-CIP Exempt	C&I INT Class 5 - CIP Exempt	\$360.00	\$110.00	\$470.00	0.06200	0.00873			\$	0.00873
		ALBERT LEA-NNG TRANSPORT								
SVI-ALBERT LEA Transport	C&I INT Class 3	\$170.00	\$110.00	\$280.00		0.06973	\$	0.02767	\$	0.09740
LVI-ALBERT LEA Transport	C&I INT Class 3	\$190.00	\$110.00	\$300.00		0.02562	\$	0.02767	\$	0.05329

PUBLIC DOCUMENT - TRADE SECRET DATA EXCISED

MINNESOTA ENERGY RESOURCES CORPORATION
RATES BY CUSTOMER CLASS
PROPOSED MONTHLY FIXED CHARGES, DAILY FIRM CAPACITY CHARGES, AND PER THERM DISTRIBUTION RATES

MERC Customer Class	Fixed Local Distribution Service (Monthly)	Enhanced Administration Service (Monthly)	Total Fixed Charge (Monthly)	Daily Firm Capacity (Per Therm of Demand)	Volumetric Local Distribution Service (All Therms)	CCRC (All Therms)	Total Per Therm Rate (All Therms)
NNG SALES							
GS-NNG Residential Sales	GS-NNG Residential Sales		\$10.35		\$ 0.23331	\$ 0.02953	\$ 0.26284
GS-NNG Residential Farm-Tap Sales	GS-NNG Residential Farm-Tap Sales		\$10.35		\$ 0.23331	\$ 0.02953	\$ 0.26284
GS-NNG SC&I Sales	C&I FIRM Class 1		\$19.62		\$ 0.21096	\$ 0.02953	\$ 0.24049
GS-NNG SC&I Sales	Agriculture Grain Dryer - Class 1		\$19.62		\$ 0.21096	\$ 0.02953	\$ 0.24049
GS-NNG SC&I Sales	GS-NNG SC&I Farm-Tap Sales		\$19.62		\$ 0.21096	\$ 0.02953	\$ 0.24049
GS-NNG LC&I Sales	C&I FIRM Class 2		\$49.05		\$ 0.15450	\$ 0.02953	\$ 0.18403
GS-NNG LC&I Sales	C&I FIRM Class 3		\$49.05		\$ 0.15450	\$ 0.02953	\$ 0.18403
GS-NNG LC&I Sales	Power Generating Unit - Class 1		\$49.05		\$ 0.15450	\$ 0.02953	\$ 0.18403
GS-NNG LC&I Sales	Agriculture Grain Dryer - Class 1		\$49.05		\$ 0.15450	\$ 0.02953	\$ 0.18403
GS-NNG LC&I Sales	GS-NNG LC&I Farm-Tap Sales		\$49.05		\$ 0.15450	\$ 0.02953	\$ 0.18403
SVI-NNG Sales	C&I INT Class 2		\$179.83		\$ 0.07663	\$ 0.02953	\$ 0.10616
SVI-NNG Sales	C&I INT Class 3		\$179.83		\$ 0.07663	\$ 0.02953	\$ 0.10616
SVI-NNG Sales	Agriculture Grain Dryer - Class 1		\$179.83		\$ 0.07663	\$ 0.02953	\$ 0.10616
SVI-NNG Sales	Agriculture Grain Dryer - Class 2		\$179.83		\$ 0.07663	\$ 0.02953	\$ 0.10616
LVI-NNG Sales	C&I INT Class 2		\$201.63		\$ 0.02855	\$ 0.02953	\$ 0.05808
LVI-NNG Sales	C&I INT Class 3		\$201.63		\$ 0.02855	\$ 0.02953	\$ 0.05808
LVI-NNG Sales	Power Generating Unit - Class 1		\$201.63		\$ 0.02855	\$ 0.02953	\$ 0.05808
LVI-NNG Sales	Agriculture Grain Dryer - Class 1		\$201.63		\$ 0.02855	\$ 0.02953	\$ 0.05808
LVI-NNG Sales	Agriculture Grain Dryer - Class 2		\$201.63		\$ 0.02855	\$ 0.02953	\$ 0.05808
SVJ-NNG Sales	C&I JOINT Class 2		\$179.83	\$ 0.32697	\$ 0.07663	\$ 0.02953	\$ 0.10616
CONSOLIDATED SALES							
GS-CONSOLIDATED Residential Sales	GS-CONSOLIDATED Residential Sales		\$10.35		\$ 0.23331	\$ 0.02953	\$ 0.26284
GS-CONSOLIDATED SC&I Sales	C&I FIRM Class 1		\$19.62		\$ 0.21096	\$ 0.02953	\$ 0.24049
GS-CONSOLIDATED SC&I Sales	Agriculture Grain Dryer - Class 1		\$19.62		\$ 0.21096	\$ 0.02953	\$ 0.24049
GS-CONSOLIDATED LC&I Sales	C&I FIRM Class 2		\$49.05		\$ 0.15450	\$ 0.02953	\$ 0.18403
GS-CONSOLIDATED LC&I Sales	C&I FIRM Class 3		\$49.05		\$ 0.15450	\$ 0.02953	\$ 0.18403
GS-CONSOLIDATED LC&I Sales	Agriculture Grain Dryer - Class 1		\$49.05		\$ 0.15450	\$ 0.02953	\$ 0.18403
SVI-CONSOLIDATED Sales	C&I INT Class 2		\$179.83		\$ 0.07663	\$ 0.02953	\$ 0.10616
SVI-CONSOLIDATED Sales	C&I INT Class 3		\$179.83		\$ 0.07663	\$ 0.02953	\$ 0.10616
SVI-CONSOLIDATED Sales	Agriculture Grain Dryer - Class 1		\$179.83		\$ 0.07663	\$ 0.02953	\$ 0.10616
SVI-CONSOLIDATED Sales	Agriculture Grain Dryer - Class 2		\$179.83		\$ 0.07663	\$ 0.02953	\$ 0.10616
LVI-CONSOLIDATED Sales	C&I INT Class 2		\$201.63		\$ 0.02855	\$ 0.02953	\$ 0.05808
LVI-CONSOLIDATED Sales	C&I INT Class 3		\$201.63		\$ 0.02855	\$ 0.02953	\$ 0.05808
LVI-CONSOLIDATED Sales	C&I INT Class 4		\$201.63		\$ 0.02855	\$ 0.02953	\$ 0.05808
SVJ-CONSOLIDATED Sales	C&I JOINT Class 2		\$179.83	\$ 0.32697	\$ 0.07663	\$ 0.02953	\$ 0.10616
ALBERT LEA-NNG SALES							
GS-ALBERT LEA NNG Residential Sales	GS-ALBERT LEA NNG Residential Sales		\$7.90		\$ 0.23331	\$ 0.02953	\$ 0.26284
GS-ALBERT LEA NNG SC&I Sales	C&I FIRM Class 1		\$12.53		\$ 0.21096	\$ 0.02953	\$ 0.24049
GS-ALBERT LEA NNG LC&I Sales	C&I FIRM Class 2		\$27.25		\$ 0.15450	\$ 0.02953	\$ 0.18403
GS-ALBERT LEA NNG LC&I Sales	C&I FIRM Class 3		\$27.25		\$ 0.15450	\$ 0.02953	\$ 0.18403
SVI-ALBERT LEA NNG Sales	C&I INT Class 2		\$97.55		\$ 0.07663	\$ 0.02953	\$ 0.10616
SVI-ALBERT LEA NNG Sales	C&I INT Class 3		\$97.55		\$ 0.07663	\$ 0.02953	\$ 0.10616
SVI-ALBERT LEA NNG Sales	Agriculture Grain Dryer - Class 1		\$97.55		\$ 0.07663	\$ 0.02953	\$ 0.10616
SVI-ALBERT LEA NNG Sales	Agriculture Grain Dryer - Class 2		\$97.55		\$ 0.07663	\$ 0.02953	\$ 0.10616
LVI-ALBERT LEA NNG Sales	C&I INT Class 2		\$108.45		\$ 0.02855	\$ 0.02953	\$ 0.05808
LVI-ALBERT LEA NNG Sales	C&I INT Class 3		\$108.45		\$ 0.02855	\$ 0.02953	\$ 0.05808

PUBLIC DOCUMENT - TRADE SECRET DATA EXCISED

NNG TRANSPORT									
SVI-NNG Transport	C&I INT Class 3	\$185.28	\$119.89	\$305.17		\$ 0.07663	\$ 0.02953	\$ 0.10616	
SVI-NNG Transport	C&I INT Class 4	\$185.28	\$119.89	\$305.17		\$ 0.07663	\$ 0.02953	\$ 0.10616	
LVI-NNG Transport - CIP Applicable	C&I INT Class 3	\$207.08	\$119.89	\$326.97		\$ 0.02855	\$ 0.02953	\$ 0.05808	
LVI-NNG Transport - CIP Applicable	C&I INT Class 4	\$207.08	\$119.89	\$326.97		\$ 0.02855	\$ 0.02953	\$ 0.05808	
LVI-NNG Transport - CIP Applicable	Agriculture Grain Dryer - Class 3	\$207.08	\$119.89	\$326.97		\$ 0.02855	\$ 0.02953	\$ 0.05808	
SVJ-NNG Transport	C&I JOINT Class 2	\$185.28	\$119.89	\$305.17	\$ 0.32697	\$ 0.07663	\$ 0.02953	\$ 0.10616	
SVJ-NNG Transport	C&I JOINT Class 3	\$185.28	\$119.89	\$305.17	\$ 0.32697	\$ 0.07663	\$ 0.02953	\$ 0.10616	
SVJ-NNG Transport	Agriculture Grain Dryer - Class 2	\$185.28	\$119.89	\$305.17	\$ 0.32697	\$ 0.07663	\$ 0.02953	\$ 0.10616	
LVJ-NNG Transport - CIP Applicable	C&I JOINT Class 2	\$207.08	\$119.89	\$326.97	\$ 0.32697	\$ 0.02855	\$ 0.02953	\$ 0.05808	
LVJ-NNG Transport - CIP Applicable	C&I JOINT Class 3	\$207.08	\$119.89	\$326.97	\$ 0.32697	\$ 0.02855	\$ 0.02953	\$ 0.05808	
LVJ-NNG Transport - CIP Applicable	C&I JOINT Class 4	\$207.08	\$119.89	\$326.97	\$ 0.32697	\$ 0.02855	\$ 0.02953	\$ 0.05808	
LVJ-NNG Transport - CIP Exempt	C&I JOINT Class 5 - CIP Exempt	\$207.08	\$119.89	\$326.97	\$ 0.32697	\$ 0.02792		\$ 0.02792	
SLVI-NNG Transport-CIP Exempt	C&I INT Class 5 - CIP Exempt	\$392.36	\$119.89	\$512.25		\$ 0.00448		\$ 0.00448	
SLVI-NNG Transport-CIP Applicable	C&I INT Class 4	\$392.36	\$119.89	\$512.25		\$ 0.00262	\$ 0.02953	\$ 0.03215	
SLVJ-NNG Transport-CIP Exempt	Power Generating Unit - Class 2 CIP Exempt	\$392.36	\$119.89	\$512.25	\$ 0.06757	\$ 0.00448		\$ 0.00448	
Transport for Resale	Transport for Resale	\$207.08	\$119.89	\$326.97		\$ 0.05143	\$ 0.02953	\$ 0.08096	
LVJ-NNG Flex Transport (Cust "A")	LVJ-NNG Flex Transport (Cust "A")	\$207.08	\$119.89	\$326.97	\$ 0.32697	\$ 0.00264	\$ 0.02953	\$ 0.03217	
LVJ-NNG Flex Transport (Cust "B")	LVJ-NNG Flex Transport (Cust "B")	\$207.08	\$119.89	\$326.97		\$ 0.00500		\$ 0.00500	
LVJ-NNG Flex Transport (Cust "C")	LVJ-NNG Flex Transport (Cust "C")	\$207.08	\$119.89	\$326.97		\$ 0.00700		\$ 0.00700	
LVJ-NNG Flex Transport (Cust "D")	LVJ-NNG Flex Transport (Cust "D")	\$207.08	\$119.89	\$326.97		\$ 0.01500		\$ 0.01500	
LVJ-NNG Flex Transport (Cust "E")	LVJ-NNG Flex Transport (Cust "E")	\$207.08	\$119.89	\$326.97	\$ 0.32697	\$ 0.01500		\$ 0.01500	
LVJ-NNG Flex Transport (Cust "F")	LVJ-NNG Flex Transport (Cust "F")	\$207.08	\$119.89	\$326.97	\$ 0.32697	\$ 0.00451	\$ 0.02953	\$ 0.03404	
LVJ-NNG Flex Transport (Cust "G")	LVJ-NNG Flex Transport (Cust "G")	\$207.08	\$119.89	\$326.97	\$ 0.32697	\$ 0.00366	\$ 0.02953	\$ 0.03319	
CONSOLIDATED TRANSPORT									
SVI-CONSOLIDATED Transport	C&I INT Class 2	\$185.28	\$119.89	\$305.17		\$ 0.07663	\$ 0.02953	\$ 0.10616	
SVI-CONSOLIDATED Transport	C&I INT Class 3	\$185.28	\$119.89	\$305.17		\$ 0.07663	\$ 0.02953	\$ 0.10616	
LVI-CONSOLIDATED Transport	C&I INT Class 3	\$207.08	\$119.89	\$326.97		\$ 0.02855	\$ 0.02953	\$ 0.05808	
LVI-CONSOLIDATED Transport	C&I INT Class 4	\$207.08	\$119.89	\$326.97		\$ 0.02855	\$ 0.02953	\$ 0.05808	
SVJ-CONSOLIDATED Transport	C&I JOINT Class 2	\$185.28	\$119.89	\$305.17	\$ 0.32697	\$ 0.07663	\$ 0.02953	\$ 0.10616	
SVJ-CONSOLIDATED Transport	C&I JOINT Class 3	\$185.28	\$119.89	\$305.17	\$ 0.32697	\$ 0.07663	\$ 0.02953	\$ 0.10616	
LVJ-CONSOLIDATED Transport	C&I JOINT Class 3	\$207.08	\$119.89	\$326.97	\$ 0.32697	\$ 0.02855	\$ 0.02953	\$ 0.05808	
SLVJ-CONSOLIDATED Transport-CIP Exempt	C&I INT Class 5 - CIP Exempt	\$392.36	\$119.89	\$512.25	\$ 0.06757	\$ 0.00873		\$ 0.00873	
ALBERT LEA-NNG TRANSPORT									
SVI-ALBERT LEA Transport	C&I INT Class 3	\$185.28	\$119.89	\$305.17		\$ 0.07663	\$ 0.02953	\$ 0.10616	
LVI-ALBERT LEA Transport	C&I INT Class 3	\$207.08	\$119.89	\$326.97		\$ 0.02855	\$ 0.02953	\$ 0.05808	

PUBLIC DOCUMENT - TRADE SECRET DATA EXCISED

Current MERC Customer Class	Proposed MERC Customer Class	Units			Current Rates				Current Revenues				Total		
		Customer Counts	Annual Therms	DFC	Fixed Monthly	Distribution Charge less (CCRC)	CCRC	Cost of Gas	Daily Firm Capacity	Fixed Monthly	Distribution Charge less (CCRC)	CCRC		Cost of Gas	Daily Firm Capacity
LVJ-NNG Transport - CIP Applicable	C&I JOINT Class 2	23	19,546	797	\$300.00	\$ 0.02562	\$ 0.02767	\$ -	\$ 0.30000	\$6,900	\$ 501	\$ 541	\$ -	\$ 239	\$ 8,181
LVJ-NNG Transport - CIP Applicable	C&I JOINT Class 3	232	10,440,253	425,680	\$300.00	\$ 0.02562	\$ 0.02767	\$ -	\$ 0.30000	\$69,600	\$ 267,479	\$ 288,882	\$ -	\$ 127,704	\$ 753,665
LVJ-NNG Transport - CIP Applicable	C&I JOINT Class 4	23	2,954,976	120,483	\$300.00	\$ 0.02562	\$ 0.02767	\$ -	\$ 0.30000	\$6,900	\$ 75,706	\$ 81,764	\$ -	\$ 36,145	\$ 200,516
LVJ-NNG Transport - CIP Exempt	C&I JOINT Class 5 - CIP Exempt	24	24,813,170	552,000	\$300.00	\$ 0.02562	\$ -	\$ -	\$ 0.30000	\$7,200	\$ 635,713	\$ -	\$ -	\$ 165,600	\$ 808,513
SLVH-NNG Transport-CIP Exempt	C&I INT Class 5 - CIP Exempt	169	223,134,374	0	\$470.00	\$ 0.00448	\$ -	\$ -	\$ -	\$79,430	\$ 999,642	\$ -	\$ -	\$ -	\$ 1,079,072
SLVH-NNG Transport-CIP Applicable	C&I INT Class 4	24	2,103,500	0	\$470.00	\$ 0.00448	\$ 0.02767	\$ -	\$ -	\$11,280	\$ 9,424	\$ 58,204	\$ -	\$ -	\$ 78,908
SLVJ-NNG Transport-CIP Exempt	Power Generating Unit - Class 2 CIP Exempt	24	40,225,718	4,298,400	\$470.00	\$ 0.00448	\$ -	\$ -	\$ 0.06200	\$11,280	\$ 180,211	\$ -	\$ -	\$ 266,501	\$ 457,992
Transport for Resale	Transport for Resale	12	206,679	0	\$300.00	\$ 0.04661	\$ 0.02767	\$ -	\$ -	\$3,600	\$ 9,633	\$ 5,719	\$ -	\$ -	\$ 18,952
LVJ-NNG Flex Transport (Cust "A")	LVJ-NNG Flex Transport (Cust "A")	12	5,824,816	123,000	\$300.00	\$ 0.00450	\$ 0.02767	\$ -	\$ 0.30000	\$3,600	\$ 26,212	\$ 161,173	\$ -	\$ 36,900	\$ 227,884
LVH-NNG Flex Transport (Cust "B")	LVH-NNG Flex Transport (Cust "B")	0	0	0	\$300.00	\$ 0.00500	\$ -	\$ -	\$ -	\$0	\$ -	\$ -	\$ -	\$ -	\$ -
LVH-NNG Flex Transport (Cust "C")	LVH-NNG Flex Transport (Cust "C")	0	0	0	\$300.00	\$ 0.00700	\$ -	\$ -	\$ -	\$0	\$ -	\$ -	\$ -	\$ -	\$ -
LVH-NNG Flex Transport (Cust "D")	LVH-NNG Flex Transport (Cust "D")	0	0	0	\$300.00	\$ 0.01500	\$ -	\$ -	\$ -	\$0	\$ -	\$ -	\$ -	\$ -	\$ -
LVJ-NNG Flex Transport (Cust "E")	LVJ-NNG Flex Transport (Cust "E")	12	7,473,350	72,000	\$300.00	\$ 0.01500	\$ -	\$ -	\$ 0.30000	\$3,600	\$ 112,100	\$ -	\$ -	\$ 21,600	\$ 137,300
LVJ-NNG Flex Transport (Cust "F")	LVJ-NNG Flex Transport (Cust "F")	36	4,563,375	144,000	\$300.00	\$ 0.00637	\$ 0.02767	\$ -	\$ 0.30000	\$10,800	\$ 29,069	\$ 128,269	\$ -	\$ 43,200	\$ 209,337
LVJ-NNG Flex Transport (Cust "G")	LVJ-NNG Flex Transport (Cust "G")	12	1,087,556	90,000	\$300.00	\$ 0.00552	\$ 0.02767	\$ -	\$ 0.30000	\$3,600	\$ 6,003	\$ 30,093	\$ -	\$ 27,000	\$ 66,696
CONSOLIDATED TRANSPORT															
SVI-CONSOLIDATED Transport	C&I INT Class 2	59	283,437	0	\$280.00	\$ 0.06973	\$ 0.02767	\$ -	\$ -	\$16,520	\$ 19,764	\$ 7,843	\$ -	\$ -	\$ 44,127
SVI-CONSOLIDATED Transport	C&I INT Class 3	73	830,679	0	\$280.00	\$ 0.06973	\$ 0.02767	\$ -	\$ -	\$20,440	\$ 57,923	\$ 22,985	\$ -	\$ -	\$ 101,348
LVI-CONSOLIDATED Transport	C&I INT Class 3	68	3,580,918	0	\$300.00	\$ 0.02562	\$ 0.02767	\$ -	\$ -	\$20,400	\$ 91,743	\$ 99,084	\$ -	\$ -	\$ 211,227
LVI-CONSOLIDATED Transport	C&I INT Class 4	13	4,245,924	0	\$300.00	\$ 0.02562	\$ 0.02767	\$ -	\$ -	\$3,900	\$ 108,781	\$ 117,485	\$ -	\$ -	\$ 230,165
SVJ-CONSOLIDATED Transport	C&I JOINT Class 2	197	1,269,335	119,820	\$280.00	\$ 0.06973	\$ 0.02767	\$ -	\$ 0.30000	\$55,160	\$ 88,511	\$ 35,122	\$ -	\$ 35,946	\$ 214,739
SVJ-CONSOLIDATED Transport	C&I JOINT Class 3	18	423,959	40,020	\$280.00	\$ 0.06973	\$ 0.02767	\$ -	\$ 0.30000	\$5,040	\$ 29,563	\$ 11,731	\$ -	\$ 12,006	\$ 58,340
LVJ-CONSOLIDATED Transport	C&I JOINT Class 3	131	13,402,164	410,040	\$300.00	\$ 0.02562	\$ 0.02767	\$ -	\$ 0.30000	\$39,300	\$ 343,363	\$ 370,838	\$ -	\$ 123,012	\$ 876,513
SLVJ-CONSOLIDATED Transport-CIP Exe	C&I INT Class 5 - CIP Exempt	72	43,166,561	1,436,400	\$470.00	\$ 0.00873	\$ -	\$ -	\$ 0.06200	\$33,840	\$ 376,844	\$ -	\$ -	\$ 89,057	\$ 499,741
ALBERT LEA-NNG TRANSPORT															
SVI-ALBERT LEA Transport	C&I INT Class 3	24	356,506	0	\$280.00	\$ 0.06973	\$ 0.02767	\$ -	\$ -	\$6,720	\$ 24,859	\$ 9,865	\$ -	\$ -	\$ 41,444
LVI-ALBERT LEA Transport	C&I INT Class 3	24	1,760,778	0	\$300.00	\$ 0.02562	\$ 0.02767	\$ -	\$ -	\$7,200	\$ 45,111	\$ 48,721	\$ -	\$ -	\$ 101,032
TOTAL										\$34,143,240	\$60,721,744	\$11,462,791	\$142,921,853	\$1,079,122	\$250,328,750

PUBLIC DOCUMENT - TRADE SECRET DATA EXCISED

Current MERC Customer Class	Proposed MERC Customer Class	Proposed Rates					Proposed Revenues					Percentage Increase/(Decrease) of Revenues							
		Fixed Monthly	Distribution Charge less (CCRC)	CCRC	Cost of Gas	Daily Firm Capacity	Fixed Monthly	Distribution Charge less (CCRC)	CCRC	Cost of Gas	Daily Firm Capacity	Total	Fixed Monthly	Distribution Charge less (CCRC)	CCRC	Cost of Gas	Daily Firm Capacity	Total	
LVI-NNG Transport - CIP Applicable	C&I JOINT Class 2	\$326.97	\$ 0.02855	\$ 0.02953	\$ -	\$ 0.32697	\$7,520.31	\$ 558	\$ 577	\$ -	\$ 261	\$ 8,916	8.99%	11.44%	6.72%	#DIV/0!	8.99%	8.99%	
LVI-NNG Transport - CIP Applicable	C&I JOINT Class 3	\$326.97	\$ 0.02855	\$ 0.02953	\$ -	\$ 0.32697	\$75,857.04	\$ 298,077	\$ 308,301	\$ -	\$ 139,185	\$ 821,420	8.99%	11.44%	6.72%	#DIV/0!	8.99%	8.99%	
LVI-NNG Transport - CIP Applicable	C&I JOINT Class 4	\$326.97	\$ 0.02855	\$ 0.02953	\$ -	\$ 0.32697	\$7,520.31	\$ 84,367	\$ 87,260	\$ -	\$ 39,394	\$ 218,542	8.99%	11.44%	6.72%	#DIV/0!	8.99%	8.99%	
LVI-NNG Transport - CIP Exempt	C&I JOINT Class 5 - CIP Exempt	\$326.97	\$ 0.02792	\$ -	\$ -	\$ 0.32697	\$7,847.28	\$ 692,864	\$ -	\$ -	\$ 180,487	\$ 881,199	8.99%	8.99%	#DIV/0!	#DIV/0!	8.99%	8.99%	
SLV-NNG Transport-CIP Exempt	C&I INT Class 5 - CIP Exempt	\$512.25	\$ 0.00448	\$ -	\$ -	\$ -	\$86,570.76	\$ 999,642	\$ -	\$ -	\$ -	\$ 1,086,213	8.99%	0.00%	#DIV/0!	#DIV/0!	#DIV/0!	0.66%	
SLV-NNG Transport-CIP Applicable	C&I INT Class 4	\$512.25	\$ 0.00262	\$ 0.02953	\$ -	\$ -	\$12,294.07	\$ 5,511	\$ 62,116	\$ -	\$ -	\$ 79,922	8.99%	-41.52%	6.72%	#DIV/0!	#DIV/0!	1.29%	
SLV-NNG Transport-CIP Exempt	Power Generating Unit - Class 2 CIP Exempt	\$512.25	\$ 0.00448	\$ -	\$ -	\$ 0.06757	\$12,294.07	\$ 180,211	\$ -	\$ -	\$ 290,459	\$ 482,965	8.99%	0.00%	#DIV/0!	#DIV/0!	8.99%	5.45%	
Transport for Resale	Transport for Resale	\$326.97	\$ 0.05143	\$ 0.02953	\$ -	\$ -	\$3,923.64	\$ 10,629	\$ 6,103	\$ -	\$ -	\$ 20,656	8.99%	10.34%	6.72%	#DIV/0!	#DIV/0!	8.99%	
LVI-NNG Flex Transport (Cust "A")	LVI-NNG Flex Transport (Cust "A")	\$326.97	\$ 0.00264	\$ 0.02953	\$ -	\$ 0.32697	\$3,923.64	\$ 15,378	\$ 172,007	\$ -	\$ 40,217	\$ 231,525	8.99%	-41.33%	6.72%	#DIV/0!	8.99%	1.60%	
LVI-NNG Flex Transport (Cust "B")	LVI-NNG Flex Transport (Cust "B")	\$326.97	\$ 0.00500	\$ -	\$ -	\$ -	\$0.00	\$ -	\$ -	\$ -	\$ -	\$ -	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	
LVI-NNG Flex Transport (Cust "C")	LVI-NNG Flex Transport (Cust "C")	\$326.97	\$ 0.00700	\$ -	\$ -	\$ -	\$0.00	\$ -	\$ -	\$ -	\$ -	\$ -	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	
LVI-NNG Flex Transport (Cust "D")	LVI-NNG Flex Transport (Cust "D")	\$326.97	\$ 0.01500	\$ -	\$ -	\$ -	\$0.00	\$ -	\$ -	\$ -	\$ -	\$ -	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	
LVI-NNG Flex Transport (Cust "E")	LVI-NNG Flex Transport (Cust "E")	\$326.97	\$ 0.01500	\$ -	\$ -	\$ 0.32697	\$3,923.64	\$ 112,100	\$ -	\$ -	\$ 23,542	\$ 139,566	8.99%	0.00%	#DIV/0!	#DIV/0!	8.99%	1.65%	
LVI-NNG Flex Transport (Cust "F")	LVI-NNG Flex Transport (Cust "F")	\$326.97	\$ 0.00451	\$ 0.02953	\$ -	\$ 0.32697	\$11,770.92	\$ 20,581	\$ 134,756	\$ -	\$ 47,084	\$ 214,192	8.99%	-29.20%	6.72%	#DIV/0!	8.99%	2.32%	
LVI-NNG Flex Transport (Cust "G")	LVI-NNG Flex Transport (Cust "G")	\$326.97	\$ 0.00366	\$ 0.02953	\$ -	\$ 0.32697	\$3,923.64	\$ 3,980	\$ 32,116	\$ -	\$ 29,427	\$ 69,447	8.99%	-33.70%	6.72%	#DIV/0!	8.99%	4.12%	
CONSOLIDATED TRANSPORT																			
SVI-CONSOLIDATED Transport	C&I INT Class 2	\$305.17	\$ 0.07663	\$ 0.02953	\$ -	\$ -	\$18,005.15	\$ 21,719	\$ 8,370	\$ -	\$ -	\$ 48,094	8.99%	9.89%	6.72%	#DIV/0!	#DIV/0!	8.99%	
SVI-CONSOLIDATED Transport	C&I INT Class 3	\$305.17	\$ 0.07663	\$ 0.02953	\$ -	\$ -	\$22,277.56	\$ 63,652	\$ 24,530	\$ -	\$ -	\$ 110,459	8.99%	9.89%	6.72%	#DIV/0!	#DIV/0!	8.99%	
LVI-CONSOLIDATED Transport	C&I INT Class 3	\$326.97	\$ 0.02855	\$ 0.02953	\$ -	\$ -	\$22,233.96	\$ 102,238	\$ 105,745	\$ -	\$ -	\$ 230,216	8.99%	11.44%	6.72%	#DIV/0!	#DIV/0!	8.99%	
LVI-CONSOLIDATED Transport	C&I INT Class 4	\$326.97	\$ 0.02855	\$ 0.02953	\$ -	\$ -	\$4,250.61	\$ 121,224	\$ 125,382	\$ -	\$ -	\$ 250,857	8.99%	11.44%	6.72%	#DIV/0!	#DIV/0!	8.99%	
SVI-CONSOLIDATED Transport	C&I JOINT Class 2	\$305.17	\$ 0.07663	\$ 0.02953	\$ -	\$ 0.32697	\$60,118.88	\$ 97,264	\$ 37,483	\$ -	\$ 39,178	\$ 234,044	8.99%	9.89%	6.72%	#DIV/0!	8.99%	8.99%	
SVI-CONSOLIDATED Transport	C&I JOINT Class 3	\$305.17	\$ 0.07663	\$ 0.02953	\$ -	\$ 0.32697	\$5,493.10	\$ 32,486	\$ 12,520	\$ -	\$ 13,085	\$ 63,584	8.99%	9.89%	6.72%	#DIV/0!	8.99%	8.99%	
LVI-CONSOLIDATED Transport	C&I JOINT Class 3	\$326.97	\$ 0.02855	\$ 0.02953	\$ -	\$ 0.32697	\$42,833.07	\$ 382,642	\$ 395,766	\$ -	\$ 134,071	\$ 955,312	8.99%	11.44%	6.72%	#DIV/0!	8.99%	8.99%	
SLVI-CONSOLIDATED Transport-CIP Exe	C&I INT Class 5 - CIP Exempt	\$512.25	\$ 0.00873	\$ -	\$ -	\$ 0.06757	\$36,882.22	\$ 376,844	\$ -	\$ -	\$ 97,063	\$ 510,789	8.99%	0.00%	#DIV/0!	#DIV/0!	8.99%	2.21%	
ALBERT LEA-NNG TRANSPORT																			
SVI-ALBERT LEA Transport	C&I INT Class 3	\$305.17	\$ 0.07663	\$ 0.02953	\$ -	\$ -	\$7,324.13	\$ 27,318	\$ 10,528	\$ -	\$ -	\$ 45,169	8.99%	9.89%	6.72%	#DIV/0!	#DIV/0!	8.99%	
LVI-ALBERT LEA Transport	C&I INT Class 3	\$326.97	\$ 0.02855	\$ 0.02953	\$ -	\$ -	\$7,847.28	\$ 50,272	\$ 51,996	\$ -	\$ -	\$ 110,115	8.99%	11.44%	6.72%	#DIV/0!	#DIV/0!	8.99%	
TOTAL							\$37,212,717	\$66,250,435	\$12,233,330	\$142,921,853	\$1,176,135	\$259,794,469	8.99%	9.10%	6.72%	0.00%	8.99%	3.78%	

**MINNESOTA ENERGY RESOURCES CORPORATION
COMPARISON OF REVENUE FROM CURRENT AND PROPOSED RATES (INCLUDING GAS COSTS)**

Current MERC Customer Class	Proposed MERC Customer Class	Current Revenues	Proposed Revenues	\$ Increase/ (Decrease)	% Increase/ (Decrease)
NNG SALES					
GS-NNG Residential Sales	GS-NNG Residential Sales	\$ 123,634,947	\$ 128,559,375	\$ 4,924,428	3.98%
GS-NNG Residential Farm-Tap Sales	GS-NNG Residential Farm-Tap Sales	\$ 1,759,677	\$ 1,822,950	\$ 63,273	3.60%
GS-NNG SC&I Sales	C&I FIRM Class 1	\$ 5,849,862	\$ 6,106,788	\$ 256,926	4.39%
GS-NNG SC&I Sales	Agriculture Grain Dryer - Class 1	\$ 325	\$ 348	\$ 23	6.94%
GS-NNG SC&I Sales	GS-NNG SC&I Farm-Tap Sales	\$ 215,282	\$ 223,069	\$ 7,786	3.62%
GS-NNG LC&I Sales	C&I FIRM Class 2	\$ 44,706,520	\$ 46,086,713	\$ 1,380,194	3.09%
GS-NNG LC&I Sales	C&I FIRM Class 3	\$ 1,844,420	\$ 1,889,024	\$ 44,604	2.42%
GS-NNG LC&I Sales	Power Generating Unit - Class 1	\$ 2,605	\$ 2,739	\$ 133	5.12%
GS-NNG LC&I Sales	Agriculture Grain Dryer - Class 1	\$ 5,887	\$ 6,099	\$ 212	3.60%
GS-NNG LC&I Sales	GS-NNG LC&I Farm-Tap Sales	\$ 2,046,360	\$ 2,102,363	\$ 56,003	2.74%
SVI-NNG Sales	C&I INT Class 2	\$ 4,832,510	\$ 4,955,875	\$ 123,365	2.55%
SVI-NNG Sales	C&I INT Class 3	\$ 2,447,318	\$ 2,497,326	\$ 50,008	2.04%
SVI-NNG Sales	Agriculture Grain Dryer - Class 1	\$ 90,019	\$ 93,527	\$ 3,508	3.90%
SVI-NNG Sales	Agriculture Grain Dryer - Class 2	\$ 410,432	\$ 421,021	\$ 10,589	2.58%
LVI-NNG Sales	C&I INT Class 2	\$ 242,941	\$ 247,542	\$ 4,601	1.89%
LVI-NNG Sales	C&I INT Class 3	\$ 3,263,648	\$ 3,303,714	\$ 40,066	1.23%
LVI-NNG Sales	Power Generating Unit - Class 1	\$ 80,912	\$ 82,693	\$ 1,781	2.20%
LVI-NNG Sales	Agriculture Grain Dryer - Class 1	\$ 32,052	\$ 33,634	\$ 1,582	4.94%
LVI-NNG Sales	Agriculture Grain Dryer - Class 2	\$ 517,948	\$ 526,550	\$ 8,601	1.66%
SVJ-NNG Sales	C&I JOINT Class 2	\$ 80,307	\$ 82,466	\$ 2,159	2.69%
CONSOLIDATED SALES					
GS-CONSOLIDATED Residential Sales	GS-CONSOLIDATED Residential Sales	\$ 19,947,791	\$ 20,825,796	\$ 878,005	4.40%
GS-CONSOLIDATED SC&I Sales	C&I FIRM Class 1	\$ 1,870,527	\$ 1,959,056	\$ 88,529	4.73%
GS-CONSOLIDATED SC&I Sales	Agriculture Grain Dryer - Class 1	\$ 4,725	\$ 4,916	\$ 191	4.04%
GS-CONSOLIDATED LC&I Sales	C&I FIRM Class 2	\$ 12,605,428	\$ 13,056,306	\$ 450,878	3.58%
GS-CONSOLIDATED LC&I Sales	C&I FIRM Class 3	\$ 294,867	\$ 303,031	\$ 8,163	2.77%
GS-CONSOLIDATED LC&I Sales	Agriculture Grain Dryer - Class 1	\$ 4,216	\$ 4,399	\$ 182	4.32%
SVI-CONSOLIDATED Sales	C&I INT Class 2	\$ 1,295,907	\$ 1,330,219	\$ 34,313	2.65%
SVI-CONSOLIDATED Sales	C&I INT Class 3	\$ 683,526	\$ 698,988	\$ 15,462	2.26%
SVI-CONSOLIDATED Sales	Agriculture Grain Dryer - Class 1	\$ 5,280	\$ 5,528	\$ 248	4.70%
SVI-CONSOLIDATED Sales	Agriculture Grain Dryer - Class 2	\$ 10,535	\$ 10,894	\$ 359	3.41%
LVI-CONSOLIDATED Sales	C&I INT Class 2	\$ 15,049	\$ 15,529	\$ 480	3.19%
LVI-CONSOLIDATED Sales	C&I INT Class 3	\$ 436,072	\$ 442,018	\$ 5,946	1.36%
LVI-CONSOLIDATED Sales	C&I INT Class 4	\$ 1,301,235	\$ 1,318,683	\$ 17,447	1.34%
SVJ-CONSOLIDATED Sales	C&I JOINT Class 2	\$ 116,738	\$ 120,029	\$ 3,290	2.82%
ALBERT LEA-NNG SALES					
GS-ALBERT LEA NNG Residential Sales	GS-ALBERT LEA NNG Residential Sales	\$ 6,620,211	\$ 6,871,590	\$ 251,379	3.80%
GS-ALBERT LEA NNG SC&I Sales	C&I FIRM Class 1	\$ 100,534	\$ 103,757	\$ 3,222	3.21%
GS-ALBERT LEA NNG LC&I Sales	C&I FIRM Class 2	\$ 2,245,686	\$ 2,314,993	\$ 69,307	3.09%
GS-ALBERT LEA NNG LC&I Sales	C&I FIRM Class 3	\$ 354,946	\$ 363,447	\$ 8,501	2.40%
SVI-ALBERT LEA NNG Sales	C&I INT Class 2	\$ 236,720	\$ 242,048	\$ 5,329	2.25%
SVI-ALBERT LEA NNG Sales	C&I INT Class 3	\$ 385,085	\$ 392,340	\$ 7,254	1.88%
SVI-ALBERT LEA NNG Sales	Agriculture Grain Dryer - Class 1	\$ 21,135	\$ 21,962	\$ 827	3.91%
SVI-ALBERT LEA NNG Sales	Agriculture Grain Dryer - Class 2	\$ 17,340	\$ 17,739	\$ 399	2.30%
LVI-ALBERT LEA NNG Sales	C&I INT Class 2	\$ 141,306	\$ 143,532	\$ 2,226	1.58%
LVI-ALBERT LEA NNG Sales	C&I INT Class 3	\$ 438,595	\$ 443,591	\$ 4,995	1.14%

PUBLIC DOCUMENT - TRADE SECRET DATA EXCISED

Current MERC Customer Class	Proposed MERC Customer Class	Current Revenues	Proposed Revenues	\$ Increase/ (Decrease)	% Increase/ (Decrease)
NNG TRANSPORT					
SVI-NNG Transport	C&I INT Class 3	\$ 193,910	\$ 211,343	\$ 17,433	8.99%
SVI-NNG Transport	C&I INT Class 4	\$ 137,445	\$ 149,802	\$ 12,356	8.99%
LVI-NNG Transport - CIP Applicable	C&I INT Class 3	\$ 1,197,249	\$ 1,304,881	\$ 107,633	8.99%
LVI-NNG Transport - CIP Applicable	C&I INT Class 4	\$ 583,736	\$ 636,214	\$ 52,478	8.99%
LVI-NNG Transport - CIP Applicable	Agriculture Grain Dryer - Class 3	\$ 89,082	\$ 97,090	\$ 8,008	8.99%
SVJ-NNG Transport	C&I JOINT Class 2	\$ 145,463	\$ 158,540	\$ 13,077	8.99%
SVJ-NNG Transport	C&I JOINT Class 3	\$ 328,091	\$ 357,587	\$ 29,495	8.99%
SVJ-NNG Transport	Agriculture Grain Dryer - Class 2	\$ 10,651	\$ 11,609	\$ 958	8.99%
LVJ-NNG Transport - CIP Applicable	C&I JOINT Class 2	\$ 8,181	\$ 8,916	\$ 735	8.99%
LVJ-NNG Transport - CIP Applicable	C&I JOINT Class 3	\$ 753,665	\$ 821,420	\$ 67,754	8.99%
LVJ-NNG Transport - CIP Applicable	C&I JOINT Class 4	\$ 200,516	\$ 218,542	\$ 18,026	8.99%
LVJ-NNG Transport - CIP Exempt	C&I JOINT Class 5 - CIP Exempt	\$ 808,513	\$ 881,199	\$ 72,685	8.99%
SLVI-NNG Transport-CIP Exempt	C&I INT Class 5 - CIP Exempt	\$ 1,079,072	\$ 1,086,213	\$ 7,141	0.66%
SLVI-NNG Transport-CIP Applicable	C&I INT Class 4	\$ 78,908	\$ 79,922	\$ 1,014	1.29%
SLVJ-NNG Transport-CIP Exempt	Power Generating Unit - Class 2 CIP Exempt	\$ 457,992	\$ 482,965	\$ 24,972	5.45%
Transport for Resale	Transport for Resale	\$ 18,952	\$ 20,656	\$ 1,704	8.99%
LVJ-NNG Flex Transport (Cust "A")	LVJ-NNG Flex Transport (Cust "A")	\$ 227,884	\$ 231,525	\$ 3,641	1.60%
LVI-NNG Flex Transport (Cust "B")	LVI-NNG Flex Transport (Cust "B")	\$ -	\$ -	\$ -	#DIV/0!
LVI-NNG Flex Transport (Cust "C")	LVI-NNG Flex Transport (Cust "C")	\$ -	\$ -	\$ -	#DIV/0!
LVI-NNG Flex Transport (Cust "D")	LVI-NNG Flex Transport (Cust "D")	\$ -	\$ -	\$ -	#DIV/0!
LVJ-NNG Flex Transport (Cust "E")	LVJ-NNG Flex Transport (Cust "E")	\$ 137,300	\$ 139,566	\$ 2,265	1.65%
LVJ-NNG Flex Transport (Cust "F")	LVJ-NNG Flex Transport (Cust "F")	\$ 209,337	\$ 214,192	\$ 4,855	2.32%
LVJ-NNG Flex Transport (Cust "G")	LVJ-NNG Flex Transport (Cust "G")	\$ 66,696	\$ 69,447	\$ 2,751	4.12%
CONSOLIDATED TRANSPORT					
SVI-CONSOLIDATED Transport	C&I INT Class 2	\$ 44,127	\$ 48,094	\$ 3,967	8.99%
SVI-CONSOLIDATED Transport	C&I INT Class 3	\$ 101,348	\$ 110,459	\$ 9,111	8.99%
LVI-CONSOLIDATED Transport	C&I INT Class 3	\$ 211,227	\$ 230,216	\$ 18,989	8.99%
LVI-CONSOLIDATED Transport	C&I INT Class 4	\$ 230,165	\$ 250,857	\$ 20,692	8.99%
SVJ-CONSOLIDATED Transport	C&I JOINT Class 2	\$ 214,739	\$ 234,044	\$ 19,305	8.99%
SVJ-CONSOLIDATED Transport	C&I JOINT Class 3	\$ 58,340	\$ 63,584	\$ 5,245	8.99%
LVJ-CONSOLIDATED Transport	C&I JOINT Class 3	\$ 876,513	\$ 955,312	\$ 78,799	8.99%
SLVJ-CONSOLIDATED Transport-CIP Exempt	C&I INT Class 5 - CIP Exempt	\$ 499,741	\$ 510,789	\$ 11,048	2.21%
ALBERT LEA-NNG TRANSPORT					
SVI-ALBERT LEA Transport	C&I INT Class 3	\$ 41,444	\$ 45,169	\$ 3,726	8.99%
LVI-ALBERT LEA Transport	C&I INT Class 3	\$ 101,032	\$ 110,115	\$ 9,083	8.99%
Total NNG Sales Customers		\$ 192,063,974	\$ 199,043,816	\$ 6,979,842	3.63%
Total Consolidated Sales Customers		\$ 38,591,897	\$ 40,095,390	\$ 1,503,492	3.90%
Total Albert Lea Sales Customers		\$ 10,561,559	\$ 10,914,998	\$ 353,438	3.35%
TOTAL SALES CUSTOMERS		\$ 241,217,431	\$ 250,054,203	\$ 8,836,772	3.66%
Total NNG Transport Customers		\$ 6,732,643	\$ 7,181,626	\$ 448,983	6.67%
Total Consolidated Transport Customers		\$ 2,236,200	\$ 2,403,356	\$ 167,156	7.48%
Total Albert Lea Transport Customers		\$ 142,476	\$ 155,284	\$ 12,809	8.99%
TOTAL TRANSPORT CUSTOMERS		\$ 9,111,319	\$ 9,740,266	\$ 628,947	6.90%
Total NNG Customers		\$ 198,796,617	\$ 206,225,441	\$ 7,428,824	3.74%
Total Consolidated Customers		\$ 40,828,098	\$ 42,498,746	\$ 1,670,648	4.09%
Total Albert Lea Customers		\$ 10,704,035	\$ 11,070,282	\$ 366,247	3.42%
TOTAL		\$ 250,328,750	\$ 259,794,469	\$ 9,465,720	3.78%

PUBLIC DOCUMENT - TRADE SECRET DATA EXCISED

Current MERC Customer Class	Proposed MERC Customer Class	Units			Current Rates				Current Revenues				Total	
		Customer Counts	Annual Therms	DFC	Fixed Monthly	Distribution Charge less (CCRC)	CCRC	Cost of Gas	Daily Firm Capacity	Fixed Monthly	Distribution Charge less (CCRC)	CCRC		Cost of Gas
NGG SALES														
GS-NGG Residential Sales	GS-NGG Residential Sales	2,028,328	147,236,758	0	\$ 9.50	\$ 0.21349	\$ 0.02767	\$ -	\$19,269,116	\$ 31,433,575	\$ 4,074,041	\$ -	\$ -	\$ 54,776,733
GS-NGG Residential Farm-Tap Sales	GS-NGG Residential Farm-Tap Sales	16,774	2,257,698	0	\$ 9.50	\$ 0.21349	\$ 0.02767	\$ -	\$159,353	\$ 481,996	\$ 62,471	\$ -	\$ -	\$ 703,819
GS-NGG SC&I Sales	C&I FIRM Class 1	80,349	6,397,577	0	\$ 18.00	\$ 0.19298	\$ 0.02767	\$ -	\$1,446,282	\$ 1,234,604	\$ 177,021	\$ -	\$ -	\$ 2,857,907
GS-NGG SC&I Sales	Agriculture Grain Dryer - Class 1	12	159	0	\$ 18.00	\$ 0.19298	\$ 0.02767	\$ -	\$216	\$ 31	\$ 4	\$ -	\$ -	\$ 251
GS-NGG SC&I Sales	GS-NGG SC&I Farm-Tap Sales	1,439	275,134	0	\$ 18.00	\$ 0.19298	\$ 0.02767	\$ -	\$25,902	\$ 53,095	\$ 7,613	\$ -	\$ -	\$ 86,610
GS-NGG LC&I Sales	C&I FIRM Class 2	105,654	62,766,433	0	\$ 45.00	\$ 0.14118	\$ 0.02767	\$ -	\$4,754,430	\$ 8,861,365	\$ 1,736,747	\$ -	\$ -	\$ 15,352,542
GS-NGG LC&I Sales	C&I FIRM Class 3	208	2,882,958	0	\$ 45.00	\$ 0.14118	\$ 0.02767	\$ -	\$9,360	\$ 407,016	\$ 79,771	\$ -	\$ -	\$ 496,147
GS-NGG LC&I Sales	Power Generating Unit - Class 1	24	2,396	0	\$ 45.00	\$ 0.14118	\$ 0.02767	\$ -	\$1,080	\$ 338	\$ 66	\$ -	\$ -	\$ 1,485
GS-NGG LC&I Sales	Agriculture Grain Dryer - Class 1	24	7,552	0	\$ 45.00	\$ 0.14118	\$ 0.02767	\$ -	\$1,080	\$ 1,066	\$ 209	\$ -	\$ -	\$ 2,355
GS-NGG LC&I Sales	GS-NGG LC&I Farm-Tap Sales	2,423	3,043,620	0	\$ 45.00	\$ 0.14118	\$ 0.02767	\$ -	\$109,035	\$ 429,698	\$ 84,217	\$ -	\$ -	\$ 622,950
SVI-NGG Sales	C&I INT Class 2	2,856	9,250,562	0	\$ 165.00	\$ 0.06973	\$ 0.02767	\$ -	\$471,240	\$ 645,042	\$ 255,963	\$ -	\$ -	\$ 1,372,245
SVI-NGG Sales	C&I INT Class 3	387	5,055,493	0	\$ 165.00	\$ 0.06973	\$ 0.02767	\$ -	\$63,855	\$ 352,520	\$ 139,885	\$ -	\$ -	\$ 556,260
SVI-NGG Sales	Agriculture Grain Dryer - Class 1	156	136,341	0	\$ 165.00	\$ 0.06973	\$ 0.02767	\$ -	\$25,740	\$ 9,507	\$ 3,773	\$ -	\$ -	\$ 39,020
SVI-NGG Sales	Agriculture Grain Dryer - Class 2	252	782,362	0	\$ 165.00	\$ 0.06973	\$ 0.02767	\$ -	\$41,580	\$ 54,554	\$ 21,648	\$ -	\$ -	\$ 117,782
LVI-NGG Sales	C&I INT Class 2	129	512,638	0	\$ 185.00	\$ 0.02562	\$ 0.02767	\$ -	\$23,865	\$ 13,134	\$ 14,185	\$ -	\$ -	\$ 51,183
LVI-NGG Sales	C&I INT Class 3	239	7,533,481	0	\$ 185.00	\$ 0.02562	\$ 0.02767	\$ -	\$44,215	\$ 193,008	\$ 208,451	\$ -	\$ -	\$ 445,674
LVI-NGG Sales	Power Generating Unit - Class 1	60	163,361	0	\$ 185.00	\$ 0.02562	\$ 0.02767	\$ -	\$11,100	\$ 4,185	\$ 4,520	\$ -	\$ -	\$ 19,806
LVI-NGG Sales	Agriculture Grain Dryer - Class 1	84	38,638	0	\$ 185.00	\$ 0.02562	\$ 0.02767	\$ -	\$15,540	\$ 990	\$ 1,069	\$ -	\$ -	\$ 17,599
LVI-NGG Sales	Agriculture Grain Dryer - Class 2	192	1,128,883	0	\$ 185.00	\$ 0.02562	\$ 0.02767	\$ -	\$35,520	\$ 28,922	\$ 31,236	\$ -	\$ -	\$ 95,678
SVJ-NGG Sales	C&I JOINT Class 2	36	150,483	11,400	\$ 165.00	\$ 0.06973	\$ 0.02767	\$ 0.30000	\$5,940	\$ 10,493	\$ 4,164	\$ -	\$ 3,420	\$ 24,017
CONSOLIDATED SALES														
GS-CONSOLIDATED Residential Sales	GS-CONSOLIDATED Residential Sale	365,171	26,112,678	0	\$ 9.50	\$ 0.21349	\$ 0.02767	\$ -	\$3,468,125	\$ 5,574,796	\$ 722,538	\$ -	\$ -	\$ 9,766,458
GS-CONSOLIDATED SC&I Sales	C&I FIRM Class 1	26,860	2,271,799	0	\$ 18.00	\$ 0.19298	\$ 0.02767	\$ -	\$483,480	\$ 438,412	\$ 62,861	\$ -	\$ -	\$ 984,752
GS-CONSOLIDATED SC&I Sales	Agriculture Grain Dryer - Class 1	36	6,678	0	\$ 18.00	\$ 0.19298	\$ 0.02767	\$ -	\$648	\$ 1,289	\$ 185	\$ -	\$ -	\$ 2,122
GS-CONSOLIDATED LC&I Sales	C&I FIRM Class 2	38,408	19,466,788	0	\$ 45.00	\$ 0.14118	\$ 0.02767	\$ -	\$1,728,360	\$ 2,748,321	\$ 538,646	\$ -	\$ -	\$ 5,015,327
GS-CONSOLIDATED LC&I Sales	C&I FIRM Class 3	54	523,378	0	\$ 45.00	\$ 0.14118	\$ 0.02767	\$ -	\$2,430	\$ 73,891	\$ 14,482	\$ -	\$ -	\$ 90,802
GS-CONSOLIDATED LC&I Sales	Agriculture Grain Dryer - Class 1	24	5,613	0	\$ 45.00	\$ 0.14118	\$ 0.02767	\$ -	\$1,080	\$ 792	\$ 155	\$ -	\$ -	\$ 2,028
SVI-CONSOLIDATED Sales	C&I INT Class 2	604	2,895,430	0	\$ 165.00	\$ 0.06973	\$ 0.02767	\$ -	\$99,660	\$ 201,898	\$ 80,117	\$ -	\$ -	\$ 381,675
SVI-CONSOLIDATED Sales	C&I INT Class 3	86	1,620,081	0	\$ 165.00	\$ 0.06973	\$ 0.02767	\$ -	\$14,190	\$ 112,968	\$ 44,828	\$ -	\$ -	\$ 171,986
SVI-CONSOLIDATED Sales	Agriculture Grain Dryer - Class 1	12	7,987	0	\$ 165.00	\$ 0.06973	\$ 0.02767	\$ -	\$1,980	\$ 557	\$ 221	\$ -	\$ -	\$ 2,758
SVI-CONSOLIDATED Sales	Agriculture Grain Dryer - Class 2	12	20,706	0	\$ 165.00	\$ 0.06973	\$ 0.02767	\$ -	\$1,980	\$ 1,444	\$ 573	\$ -	\$ -	\$ 3,997
LVI-CONSOLIDATED Sales	C&I INT Class 2	20	30,753	0	\$ 185.00	\$ 0.02562	\$ 0.02767	\$ -	\$3,700	\$ 788	\$ 851	\$ -	\$ -	\$ 5,339
LVI-CONSOLIDATED Sales	C&I INT Class 3	20	1,171,613	0	\$ 185.00	\$ 0.02562	\$ 0.02767	\$ -	\$3,700	\$ 30,017	\$ 32,419	\$ -	\$ -	\$ 66,135
LVI-CONSOLIDATED Sales	C&I INT Class 4	39	3,506,450	0	\$ 185.00	\$ 0.02562	\$ 0.02767	\$ -	\$7,215	\$ 89,835	\$ 97,023	\$ -	\$ -	\$ 194,074
SVJ-CONSOLIDATED Sales	C&I JOINT Class 2	48	253,802	13,200	\$ 165.00	\$ 0.06973	\$ 0.02767	\$ 0.30000	\$7,920	\$ 17,698	\$ 7,023	\$ -	\$ 3,960	\$ 36,600
ALBERT LEA-NGG SALES														
GS-ALBERT LEA NNG Residential Sales	GS-ALBERT LEA NNG Residential Sa	113,698	8,176,714	0	\$ 7.25	\$ 0.21349	\$ 0.02767	\$ -	\$824,311	\$ 1,745,647	\$ 226,250	\$ -	\$ -	\$ 2,796,207
GS-ALBERT LEA NNG SC&I Sales	C&I FIRM Class 1	463	138,322	0	\$ 11.50	\$ 0.19298	\$ 0.02767	\$ -	\$5,325	\$ 26,693	\$ 3,827	\$ -	\$ -	\$ 35,845
GS-ALBERT LEA NNG LC&I Sales	C&I FIRM Class 2	9,539	3,153,414	0	\$ 25.00	\$ 0.14118	\$ 0.02767	\$ -	\$238,475	\$ 445,199	\$ 87,255	\$ -	\$ -	\$ 770,929
GS-ALBERT LEA NNG LC&I Sales	C&I FIRM Class 3	22	566,771	0	\$ 25.00	\$ 0.14118	\$ 0.02767	\$ -	\$550	\$ 78,605	\$ 15,406	\$ -	\$ -	\$ 94,561
SVI-ALBERT LEA NNG Sales	C&I INT Class 2	146	474,383	0	\$ 89.50	\$ 0.06973	\$ 0.02767	\$ -	\$13,067	\$ 33,079	\$ 13,126	\$ -	\$ -	\$ 59,272
SVI-ALBERT LEA NNG Sales	C&I INT Class 3	16	813,756	0	\$ 89.50	\$ 0.06973	\$ 0.02767	\$ -	\$1,432	\$ 56,743	\$ 22,517	\$ -	\$ -	\$ 80,692
SVI-ALBERT LEA NNG Sales	Agriculture Grain Dryer - Class 1	68	31,921	0	\$ 89.50	\$ 0.06973	\$ 0.02767	\$ -	\$6,086	\$ 2,226	\$ 883	\$ -	\$ -	\$ 9,195
SVI-ALBERT LEA NNG Sales	Agriculture Grain Dryer - Class 2	12	34,502	0	\$ 89.50	\$ 0.06973	\$ 0.02767	\$ -	\$1,074	\$ 2,406	\$ 955	\$ -	\$ -	\$ 4,434
LVI-ALBERT LEA NNG Sales	C&I INT Class 2	82	311,565	0	\$ 99.50	\$ 0.02562	\$ 0.02767	\$ -	\$8,159	\$ 7,982	\$ 8,621	\$ -	\$ -	\$ 24,762
LVI-ALBERT LEA NNG Sales	C&I INT Class 3	10	1,023,986	0	\$ 99.50	\$ 0.02562	\$ 0.02767	\$ -	\$995	\$ 26,235	\$ 28,334	\$ -	\$ -	\$ 55,563
NGG TRANSPORT														
SVI-NGG Transport	C&I INT Class 3	157	1,539,532	0	\$ 280.00	\$ 0.06973	\$ 0.02767	\$ -	\$43,960	\$ 107,352	\$ 42,599	\$ -	\$ -	\$ 193,910
SVI-NGG Transport	C&I INT Class 4	47	1,276,029	0	\$ 280.00	\$ 0.06973	\$ 0.02767	\$ -	\$13,160	\$ 88,978	\$ 35,308	\$ -	\$ -	\$ 137,445
LVI-NGG Transport - CIP Applicable	C&I INT Class 3	338	20,563,868	0	\$ 300.00	\$ 0.02562	\$ 0.02767	\$ -	\$101,400	\$ 526,846	\$ 569,002	\$ -	\$ -	\$ 1,197,249
LVI-NGG Transport - CIP Applicable	C&I INT Class 4	59	10,621,799	0	\$ 300.00	\$ 0.02562	\$ 0.02767	\$ -	\$17,700	\$ 272,130	\$ 293,905	\$ -	\$ -	\$ 583,736
LVI-NGG Transport - CIP Applicable	Agriculture Grain Dryer - Class 3	12	1,604,084	0	\$ 300.00	\$ 0.02562	\$ 0.02767	\$ -	\$3,600	\$ 41,097	\$ 44,385	\$ -	\$ -	\$ 89,082
SVJ-NGG Transport	C&I JOINT Class 2	182	752,266	70,774	\$ 280.00	\$ 0.06973	\$ 0.02767	\$ 0.30000	\$50,960	\$ 52,456	\$ 20,815	\$ -	\$ 21,232	\$ 145,463
SVJ-NGG Transport	C&I JOINT Class 3	155	2,266,216	213,206	\$ 280.00	\$ 0.06973	\$ 0.02767	\$ 0.30000	\$43,400	\$ 158,023	\$ 62,706	\$ -	\$ 63,962	\$ 328,091
SVJ-NGG Transport	Agriculture Grain Dryer - Class 2	12	58,040	5,460	\$ 280.00	\$ 0.06973	\$ 0.02767	\$ 0.30000	\$3,360	\$ 4,047	\$ 1,606	\$ -	\$ 1,638	\$ 10,651
LVI-NGG Transport - CIP Applicable	C&I JOINT Class 2	23	19,546	797	\$ 300.00	\$ 0.02562	\$ 0.02767	\$ 0.30000	\$6,900	\$ 501	\$ 541	\$ -	\$ 239	\$ 8,181
LVI-NGG Transport - CIP Applicable	C&I JOINT Class 3	232	10,440,253	425,680	\$ 300.00	\$ 0.02562	\$ 0.02767	\$ 0.30000	\$69,600	\$ 267,479	\$ 288,882	\$ -	\$ 127,704	\$ 753,665

PUBLIC DOCUMENT - TRADE SECRET DATA EXCISED

Current MERC Customer Class	Proposed MERC Customer Class	Units			Current Rates					Current Revenues					Total
		Customer Counts	Annual Therms	DFG	Fixed Monthly	Distribution Charge less (CCRC)	CCRC	Cost of Gas	Daily Firm Capacity \$ 0.30000	Fixed Monthly	Distribution Charge less (CCRC)	CCRC	Cost of Gas	Daily Firm Capacity	
LVJ-NNG Transport - CIP Applicable	C&I JOINT Class 4	23	2,954,976	120,483	\$ 300.00	\$ 0.02562	\$ 0.02767	\$ 0.30000	\$6,900	\$ 75,706	\$ 81,764	\$ -	\$ 36,145	\$ 200,516	
LVJ-NNG Transport - CIP Exempt	C&I JOINT Class 5 - CIP Exempt	24	24,813,170	552,000	\$ 300.00	\$ 0.02562	\$ -	\$ 0.30000	\$7,200	\$ 635,713	\$ -	\$ -	\$ 165,600	\$ 808,513	
SLVI-NNG Transport-CIP Exempt	C&I INT Class 5 - CIP Exempt	169	223,134,374	0	\$ 470.00	\$ 0.00448	\$ -	\$ -	\$79,430	\$ 999,642	\$ -	\$ -	\$ -	\$ 1,079,072	
SLVI-NNG Transport-CIP Applicable	C&I INT Class 4	24	2,103,500	0	\$ 470.00	\$ 0.00448	\$ 0.02767	\$ -	\$11,280	\$ 9,424	\$ 58,204	\$ -	\$ -	\$ 78,908	
SLVJ-NNG Transport-CIP Exempt	Power Generating Unit - Class 2 CIP E	24	40,225,718	4,298,400	\$ 470.00	\$ 0.00448	\$ -	\$ 0.06200	\$11,280	\$ 180,211	\$ -	\$ -	\$ 266,501	\$ 457,992	
Transport for Resale	Transport for Resale	12	206,679	0	\$ 300.00	\$ 0.04661	\$ 0.02767	\$ -	\$3,600	\$ 9,633	\$ 5,719	\$ -	\$ -	\$ 18,952	
LVJ-NNG Flex Transport (Cust "A")	LVJ-NNG Flex Transport (Cust "A")	12	5,824,816	123,000	\$ 300.00	\$ 0.00450	\$ 0.02767	\$ 0.30000	\$3,600	\$ 26,212	\$ 161,173	\$ -	\$ 36,900	\$ 227,884	
LVI-NNG Flex Transport (Cust "B")	LVI-NNG Flex Transport (Cust "B")	0	0	0	\$ 300.00	\$ 0.00500	\$ -	\$ -	\$0	\$ -	\$ -	\$ -	\$ -	\$ -	
LVI-NNG Flex Transport (Cust "C")	LVI-NNG Flex Transport (Cust "C")	0	0	0	\$ 300.00	\$ 0.00700	\$ -	\$ -	\$0	\$ -	\$ -	\$ -	\$ -	\$ -	
LVI-NNG Flex Transport (Cust "D")	LVI-NNG Flex Transport (Cust "D")	0	0	0	\$ 300.00	\$ 0.01500	\$ -	\$ -	\$0	\$ -	\$ -	\$ -	\$ -	\$ -	
LVJ-NNG Flex Transport (Cust "E")	LVJ-NNG Flex Transport (Cust "E")	12	7,473,350	72,000	\$ 300.00	\$ 0.01500	\$ -	\$ 0.30000	\$3,600	\$ 112,100	\$ -	\$ -	\$ 21,600	\$ 137,300	
LVJ-NNG Flex Transport (Cust "F")	LVJ-NNG Flex Transport (Cust "F")	36	4,563,375	144,000	\$ 300.00	\$ 0.00637	\$ 0.02767	\$ 0.30000	\$10,800	\$ 29,069	\$ 126,269	\$ -	\$ 43,200	\$ 209,337	
LVJ-NNG Flex Transport (Cust "G")	LVJ-NNG Flex Transport (Cust "G")	12	1,087,556	90,000	\$ 300.00	\$ 0.00552	\$ 0.02767	\$ 0.30000	\$3,600	\$ 6,003	\$ 30,093	\$ -	\$ 27,000	\$ 66,696	
CONSOLIDATED TRANSPORT															
SVI-CONSOLIDATED Transport	C&I INT Class 2	59	283,437	0	\$ 280.00	\$ 0.06973	\$ 0.02767	\$ -	\$16,520	\$ 19,764	\$ 7,843	\$ -	\$ -	\$ 44,127	
SVI-CONSOLIDATED Transport	C&I INT Class 3	73	830,679	0	\$ 280.00	\$ 0.06973	\$ 0.02767	\$ -	\$20,440	\$ 57,923	\$ 22,985	\$ -	\$ -	\$ 101,348	
LVI-CONSOLIDATED Transport	C&I INT Class 3	68	3,580,918	0	\$ 300.00	\$ 0.02562	\$ 0.02767	\$ -	\$20,400	\$ 91,743	\$ 99,084	\$ -	\$ -	\$ 211,227	
LVI-CONSOLIDATED Transport	C&I INT Class 4	13	4,245,924	0	\$ 300.00	\$ 0.02562	\$ 0.02767	\$ -	\$3,900	\$ 108,781	\$ 117,485	\$ -	\$ -	\$ 230,165	
SVJ-CONSOLIDATED Transport	C&I JOINT Class 2	197	1,269,335	119,820	\$ 280.00	\$ 0.06973	\$ 0.02767	\$ 0.30000	\$55,160	\$ 88,511	\$ 35,122	\$ -	\$ 35,946	\$ 214,739	
SVJ-CONSOLIDATED Transport	C&I JOINT Class 3	18	423,959	40,020	\$ 280.00	\$ 0.06973	\$ 0.02767	\$ 0.30000	\$5,040	\$ 29,563	\$ 11,731	\$ -	\$ 12,006	\$ 58,340	
LVJ-CONSOLIDATED Transport	C&I JOINT Class 3	131	13,402,164	410,040	\$ 300.00	\$ 0.02562	\$ 0.02767	\$ 0.30000	\$39,300	\$ 343,363	\$ 370,838	\$ -	\$ 123,012	\$ 876,513	
SLVJ-CONSOLIDATED Transport-CIP E	C&I INT Class 5 - CIP Exempt	72	43,166,561	1,436,400	\$ 470.00	\$ 0.00873	\$ -	\$ 0.06200	\$33,840	\$ 376,844	\$ -	\$ -	\$ 89,057	\$ 499,741	
0	ALBERT LEA-NNG TRANSPORT														
SVI-ALBERT LEA Transport	C&I INT Class 3	24	356,506	0	\$ 280.00	\$ 0.06973	\$ 0.02767	\$ -	\$6,720	\$ 24,859	\$ 9,865	\$ -	\$ -	\$ 41,444	
LVI-ALBERT LEA Transport	C&I INT Class 3	24	1,760,778	0	\$ 300.00	\$ 0.02562	\$ 0.02767	\$ -	\$7,200	\$ 45,111	\$ 48,721	\$ -	\$ -	\$ 101,032	
TOTAL									\$34,143,240	\$60,721,744	\$11,462,791	\$0	\$1,079,122	\$107,406,897	

PUBLIC DOCUMENT - TRADE SECRET DATA EXCISED

	Current MERC Customer Class	Proposed MERC Customer Class	Proposed Rates				Proposed Revenues					Percentage Increase/(Decrease) of Revenues						
			Fixed Monthly	Distribution Charge less (CCRC)	CCRC	Cost of Gas	Daily Firm Capacity	Fixed Monthly	Distribution Charge less (CCRC)	CCRC	Cost of Gas	Daily Firm Capacity	Total	Fixed Monthly	Distribution Charge less (CCRC)	CCRC	Cost of Gas	Daily Firm Capacity
LVJ-NNG Transport - CIP Applicable	C&I JOINT Class 4		\$ 326.97	\$ 0.02855	\$ 0.02953	\$ 0.32697	\$ 7,520.31	\$ 84,367	\$ 87,260	\$ -	\$ 39,394	\$ 218,542	8.99%	11.44%	6.72%	#DIV/0!	8.99%	8.99%
LVJ-NNG Transport - CIP Exempt	C&I JOINT Class 5 - CIP Exempt		\$ 326.97	\$ 0.02792	\$ -	\$ 0.32697	\$ 7,847.28	\$ 692,864	\$ -	\$ -	\$ 180,487	\$ 881,199	8.99%	8.99%	#DIV/0!	#DIV/0!	8.99%	8.99%
SLVI-NNG Transport-CIP Exempt	C&I INT Class 5 - CIP Exempt		\$ 512.25	\$ 0.00448	\$ -	\$ -	\$ 86,570.76	\$ 999,642	\$ -	\$ -	\$ -	\$ 1,086,213	8.99%	0.00%	#DIV/0!	#DIV/0!	#DIV/0!	0.66%
SLVI-NNG Transport-CIP Applicable	C&I INT Class 4		\$ 512.25	\$ 0.00262	\$ 0.02953	\$ -	\$ 12,294.07	\$ 5,511	\$ 62,116	\$ -	\$ -	\$ 79,922	8.99%	-41.52%	6.72%	#DIV/0!	#DIV/0!	1.29%
SLVJ-NNG Transport-CIP Exempt	Power Generating Unit - Class 2 CIP E		\$ 512.25	\$ 0.00448	\$ -	\$ 0.06757	\$ 12,294.07	\$ 180,211	\$ -	\$ -	\$ 290,459	\$ 482,965	8.99%	0.00%	#DIV/0!	#DIV/0!	8.99%	5.45%
Transport for Resale	Transport for Resale		\$ 326.97	\$ 0.05143	\$ 0.02953	\$ -	\$ 3,923.64	\$ 10,629	\$ 6,103	\$ -	\$ -	\$ 20,656	8.99%	10.34%	6.72%	#DIV/0!	#DIV/0!	8.99%
LVJ-NNG Flex Transport (Cust "A")	LVJ-NNG Flex Transport (Cust "A")		\$ 326.97	\$ 0.00264	\$ 0.02953	\$ 0.32697	\$ 3,923.64	\$ 15,378	\$ 172,007	\$ -	\$ 40,217	\$ 231,525	8.99%	-41.33%	6.72%	#DIV/0!	8.99%	1.60%
LVI-NNG Flex Transport (Cust "B")	LVI-NNG Flex Transport (Cust "B")		\$ 326.97	\$ 0.00500	\$ -	\$ -	\$ 50.00	\$ -	\$ -	\$ -	\$ -	\$ -	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
LVJ-NNG Flex Transport (Cust "C")	LVJ-NNG Flex Transport (Cust "C")		\$ 326.97	\$ 0.00700	\$ -	\$ -	\$ 50.00	\$ -	\$ -	\$ -	\$ -	\$ -	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
LVI-NNG Flex Transport (Cust "D")	LVI-NNG Flex Transport (Cust "D")		\$ 326.97	\$ 0.01500	\$ -	\$ -	\$ 50.00	\$ -	\$ -	\$ -	\$ -	\$ -	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
LVJ-NNG Flex Transport (Cust "E")	LVJ-NNG Flex Transport (Cust "E")		\$ 326.97	\$ 0.01500	\$ -	\$ 0.32697	\$ 3,923.64	\$ 112,100	\$ -	\$ -	\$ 23,542	\$ 139,566	8.99%	0.00%	#DIV/0!	#DIV/0!	8.99%	1.65%
LVJ-NNG Flex Transport (Cust "F")	LVJ-NNG Flex Transport (Cust "F")		\$ 326.97	\$ 0.00451	\$ 0.02953	\$ 0.32697	\$ 11,770.92	\$ 20,581	\$ 134,756	\$ -	\$ 47,084	\$ 214,192	8.99%	-29.20%	6.72%	#DIV/0!	8.99%	2.32%
LVJ-NNG Flex Transport (Cust "G")	LVJ-NNG Flex Transport (Cust "G")		\$ 326.97	\$ 0.00366	\$ 0.02953	\$ 0.32697	\$ 3,923.64	\$ 3,980	\$ 32,116	\$ -	\$ 29,427	\$ 69,447	8.99%	-33.70%	6.72%	#DIV/0!	8.99%	4.12%
CONSOLIDATED TRANSPORT																		
SVI-CONSOLIDATED Transport	C&I INT Class 2		\$ 305.17	\$ 0.07663	\$ 0.02953	\$ -	\$ 18,005.15	\$ 21,719	\$ 8,370	\$ -	\$ -	\$ 48,094	8.99%	9.89%	6.72%	#DIV/0!	#DIV/0!	8.99%
SVI-CONSOLIDATED Transport	C&I INT Class 3		\$ 305.17	\$ 0.07663	\$ 0.02953	\$ -	\$ 22,277.56	\$ 63,652	\$ 24,530	\$ -	\$ -	\$ 110,459	8.99%	9.89%	6.72%	#DIV/0!	#DIV/0!	8.99%
LVI-CONSOLIDATED Transport	C&I INT Class 3		\$ 326.97	\$ 0.02855	\$ 0.02953	\$ -	\$ 22,233.96	\$ 102,238	\$ 105,745	\$ -	\$ -	\$ 230,216	8.99%	11.44%	6.72%	#DIV/0!	#DIV/0!	8.99%
LVI-CONSOLIDATED Transport	C&I INT Class 4		\$ 326.97	\$ 0.02855	\$ 0.02953	\$ -	\$ 4,250.61	\$ 121,224	\$ 125,382	\$ -	\$ -	\$ 250,857	8.99%	11.44%	6.72%	#DIV/0!	#DIV/0!	8.99%
SVJ-CONSOLIDATED Transport	C&I JOINT Class 2		\$ 305.17	\$ 0.07663	\$ 0.02953	\$ 0.32697	\$ 60,118.88	\$ 97,264	\$ 37,483	\$ -	\$ 39,178	\$ 234,044	8.99%	9.89%	6.72%	#DIV/0!	8.99%	8.99%
SVJ-CONSOLIDATED Transport	C&I JOINT Class 3		\$ 305.17	\$ 0.07663	\$ 0.02953	\$ 0.32697	\$ 5,493.10	\$ 32,486	\$ 12,520	\$ -	\$ 13,085	\$ 63,584	8.99%	9.89%	6.72%	#DIV/0!	8.99%	8.99%
LVJ-CONSOLIDATED Transport	C&I JOINT Class 3		\$ 326.97	\$ 0.02855	\$ 0.02953	\$ 0.32697	\$ 42,833.07	\$ 382,642	\$ 395,766	\$ -	\$ 134,071	\$ 955,312	8.99%	11.44%	6.72%	#DIV/0!	8.99%	8.99%
SLVJ-CONSOLIDATED Transport-CIP E	C&I INT Class 5 - CIP Exempt		\$ 512.25	\$ 0.00873	\$ -	\$ 0.06757	\$ 36,882.22	\$ 376,844	\$ -	\$ -	\$ 97,063	\$ 510,789	8.99%	0.00%	#DIV/0!	#DIV/0!	8.99%	2.21%
0																		
ALBERT LEA-NNG TRANSPORT																		
SVI-ALBERT LEA Transport	C&I INT Class 3		\$ 305.17	\$ 0.07663	\$ 0.02953	\$ -	\$ 7,324.13	\$ 27,318	\$ 10,528	\$ -	\$ -	\$ 45,169	8.99%	9.89%	6.72%	#DIV/0!	#DIV/0!	8.99%
LVI-ALBERT LEA Transport	C&I INT Class 3		\$ 326.97	\$ 0.02855	\$ 0.02953	\$ -	\$ 7,847.28	\$ 50,272	\$ 51,996	\$ -	\$ -	\$ 110,115	8.99%	11.44%	6.72%	#DIV/0!	#DIV/0!	8.99%
TOTAL							\$37,212,717	\$66,250,435	\$12,233,330	\$0	\$1,176,135	\$116,872,616	8.99%	9.10%	6.72%	#DIV/0!	8.99%	8.81%
							\$37,212,717	\$66,250,435	\$12,233,330		\$1,176,135							

**MINNESOTA ENERGY RESOURCES CORPORATION
COMPARISON OF REVENUE FROM CURRENT AND PROPOSED RATES (EXCLUDING GAS COSTS)**

Current MERC Customer Class	Proposed MERC Customer Class	Current Revenues	Proposed Revenues	\$ Increase/ (Decrease)	% Increase/ (Decrease)
NNG SALES					
GS-NNG Residential Sales	GS-NNG Residential Sales	\$ 54,776,733	\$ 59,701,161	\$ 4,924,428	8.99%
GS-NNG Residential Farm-Tap Sales	GS-NNG Residential Farm-Tap Sales	\$ 703,819	\$ 767,093	\$ 63,273	8.99%
GS-NNG SC&I Sales	C&I FIRM Class 1	\$ 2,857,907	\$ 3,114,833	\$ 256,926	8.99%
GS-NNG SC&I Sales	Agriculture Grain Dryer - Class 1	\$ 251	\$ 274	\$ 23	8.99%
GS-NNG SC&I Sales	GS-NNG SC&I Farm-Tap Sales	\$ 86,610	\$ 94,397	\$ 7,786	8.99%
GS-NNG LC&I Sales	C&I FIRM Class 2	\$ 15,352,542	\$ 16,732,736	\$ 1,380,194	8.99%
GS-NNG LC&I Sales	C&I FIRM Class 3	\$ 496,147	\$ 540,751	\$ 44,604	8.99%
GS-NNG LC&I Sales	Power Generating Unit - Class 1	\$ 1,485	\$ 1,618	\$ 133	8.99%
GS-NNG LC&I Sales	Agriculture Grain Dryer - Class 1	\$ 2,355	\$ 2,567	\$ 212	8.99%
GS-NNG LC&I Sales	GS-NNG LC&I Farm-Tap Sales	\$ 622,950	\$ 678,953	\$ 56,003	8.99%
SVI-NNG Sales	C&I INT Class 2	\$ 1,372,245	\$ 1,495,610	\$ 123,365	8.99%
SVI-NNG Sales	C&I INT Class 3	\$ 556,260	\$ 606,268	\$ 50,008	8.99%
SVI-NNG Sales	Agriculture Grain Dryer - Class 1	\$ 39,020	\$ 42,527	\$ 3,508	8.99%
SVI-NNG Sales	Agriculture Grain Dryer - Class 2	\$ 117,782	\$ 128,371	\$ 10,589	8.99%
LVI-NNG Sales	C&I INT Class 2	\$ 51,183	\$ 55,785	\$ 4,601	8.99%
LVI-NNG Sales	C&I INT Class 3	\$ 445,674	\$ 485,740	\$ 40,066	8.99%
LVI-NNG Sales	Power Generating Unit - Class 1	\$ 19,806	\$ 21,586	\$ 1,781	8.99%
LVI-NNG Sales	Agriculture Grain Dryer - Class 1	\$ 17,599	\$ 19,181	\$ 1,582	8.99%
LVI-NNG Sales	Agriculture Grain Dryer - Class 2	\$ 95,678	\$ 104,280	\$ 8,601	8.99%
SVJ-NNG Sales	C&I JOINT Class 2	\$ 24,017	\$ 26,176	\$ 2,159	8.99%
CONSOLIDATED SALES					
GS-CONSOLIDATED Residential Sales	GS-CONSOLIDATED Residential Sales	\$ 9,766,458	\$ 10,644,462	\$ 878,005	8.99%
GS-CONSOLIDATED SC&I Sales	C&I FIRM Class 1	\$ 984,752	\$ 1,073,282	\$ 88,529	8.99%
GS-CONSOLIDATED SC&I Sales	Agriculture Grain Dryer - Class 1	\$ 2,122	\$ 2,312	\$ 191	8.99%
GS-CONSOLIDATED LC&I Sales	C&I FIRM Class 2	\$ 5,015,327	\$ 5,466,205	\$ 450,878	8.99%
GS-CONSOLIDATED LC&I Sales	C&I FIRM Class 3	\$ 90,802	\$ 98,966	\$ 8,163	8.99%
GS-CONSOLIDATED LC&I Sales	Agriculture Grain Dryer - Class 1	\$ 2,028	\$ 2,210	\$ 182	8.99%
SVI-CONSOLIDATED Sales	C&I INT Class 2	\$ 381,675	\$ 415,987	\$ 34,313	8.99%
SVI-CONSOLIDATED Sales	C&I INT Class 3	\$ 171,986	\$ 187,447	\$ 15,462	8.99%
SVI-CONSOLIDATED Sales	Agriculture Grain Dryer - Class 1	\$ 2,758	\$ 3,006	\$ 248	8.99%
SVI-CONSOLIDATED Sales	Agriculture Grain Dryer - Class 2	\$ 3,997	\$ 4,356	\$ 359	8.99%
LVI-CONSOLIDATED Sales	C&I INT Class 2	\$ 5,339	\$ 5,819	\$ 480	8.99%
LVI-CONSOLIDATED Sales	C&I INT Class 3	\$ 66,135	\$ 72,081	\$ 5,946	8.99%
LVI-CONSOLIDATED Sales	C&I INT Class 4	\$ 194,074	\$ 211,521	\$ 17,447	8.99%
SVJ-CONSOLIDATED Sales	C&I JOINT Class 2	\$ 36,600	\$ 39,891	\$ 3,290	8.99%
ALBERT LEA-NNG SALES					
GS-ALBERT LEA NNG Residential Sales	GS-ALBERT LEA NNG Residential Sales	\$ 2,796,207	\$ 3,047,586	\$ 251,379	8.99%
GS-ALBERT LEA NNG SC&I Sales	C&I FIRM Class 1	\$ 35,845	\$ 39,068	\$ 3,222	8.99%
GS-ALBERT LEA NNG LC&I Sales	C&I FIRM Class 2	\$ 770,929	\$ 840,235	\$ 69,307	8.99%
GS-ALBERT LEA NNG LC&I Sales	C&I FIRM Class 3	\$ 94,561	\$ 103,062	\$ 8,501	8.99%
SVI-ALBERT LEA NNG Sales	C&I INT Class 2	\$ 59,272	\$ 64,600	\$ 5,329	8.99%
SVI-ALBERT LEA NNG Sales	C&I INT Class 3	\$ 80,692	\$ 87,946	\$ 7,254	8.99%
SVI-ALBERT LEA NNG Sales	Agriculture Grain Dryer - Class 1	\$ 9,195	\$ 10,022	\$ 827	8.99%
SVI-ALBERT LEA NNG Sales	Agriculture Grain Dryer - Class 2	\$ 4,434	\$ 4,833	\$ 399	8.99%
LVI-ALBERT LEA NNG Sales	C&I INT Class 2	\$ 24,762	\$ 26,988	\$ 2,226	8.99%
LVI-ALBERT LEA NNG Sales	C&I INT Class 3	\$ 55,563	\$ 60,558	\$ 4,995	8.99%
NNG TRANSPORT					
SVI-NNG Transport	C&I INT Class 3	\$ 193,910	\$ 211,343	\$ 17,433	8.99%

PUBLIC DOCUMENT - TRADE SECRET DATA EXCISED

Current MERC Customer Class	Proposed MERC Customer Class	Current Revenues	Proposed Revenues	\$ Increase/ (Decrease)	% Increase/ (Decrease)
SVI-NNG Transport	C&I INT Class 4	\$ 137,445	\$ 149,802	\$ 12,356	8.99%
LVI-NNG Transport - CIP Applicable	C&I INT Class 3	\$ 1,197,249	\$ 1,304,881	\$ 107,633	8.99%
LVI-NNG Transport - CIP Applicable	C&I INT Class 4	\$ 583,736	\$ 636,214	\$ 52,478	8.99%
LVI-NNG Transport - CIP Applicable	Agriculture Grain Dryer - Class 3	\$ 89,082	\$ 97,090	\$ 8,008	8.99%
SVJ-NNG Transport	C&I JOINT Class 2	\$ 145,463	\$ 158,540	\$ 13,077	8.99%
SVJ-NNG Transport	C&I JOINT Class 3	\$ 328,091	\$ 357,587	\$ 29,495	8.99%
SVJ-NNG Transport	Agriculture Grain Dryer - Class 2	\$ 10,651	\$ 11,609	\$ 958	8.99%
LVJ-NNG Transport - CIP Applicable	C&I JOINT Class 2	\$ 8,181	\$ 8,916	\$ 735	8.99%
LVJ-NNG Transport - CIP Applicable	C&I JOINT Class 3	\$ 753,665	\$ 821,420	\$ 67,754	8.99%
LVJ-NNG Transport - CIP Applicable	C&I JOINT Class 4	\$ 200,516	\$ 218,542	\$ 18,026	8.99%
LVJ-NNG Transport - CIP Exempt	C&I JOINT Class 5 - CIP Exempt	\$ 808,513	\$ 881,199	\$ 72,685	8.99%
SLVI-NNG Transport-CIP Exempt	C&I INT Class 5 - CIP Exempt	\$ 1,079,072	\$ 1,086,213	\$ 7,141	0.66%
SLVI-NNG Transport-CIP Applicable	C&I INT Class 4	\$ 78,908	\$ 79,922	\$ 1,014	1.29%
SLVJ-NNG Transport-CIP Exempt	Power Generating Unit - Class 2 CIP Exempt	\$ 457,992	\$ 482,965	\$ 24,972	5.45%
Transport for Resale	Transport for Resale	\$ 18,952	\$ 20,656	\$ 1,704	8.99%
LVJ-NNG Flex Transport (Cust "A")	LVJ-NNG Flex Transport (Cust "A")	\$ 227,884	\$ 231,525	\$ 3,641	1.60%
LVI-NNG Flex Transport (Cust "B")	LVI-NNG Flex Transport (Cust "B")	\$ -	\$ -	\$ -	#DIV/0!
LVI-NNG Flex Transport (Cust "C")	LVI-NNG Flex Transport (Cust "C")	\$ -	\$ -	\$ -	#DIV/0!
LVI-NNG Flex Transport (Cust "D")	LVI-NNG Flex Transport (Cust "D")	\$ -	\$ -	\$ -	#DIV/0!
LVJ-NNG Flex Transport (Cust "E")	LVJ-NNG Flex Transport (Cust "E")	\$ 137,300	\$ 139,566	\$ 2,265	1.65%
LVJ-NNG Flex Transport (Cust "F")	LVJ-NNG Flex Transport (Cust "F")	\$ 209,337	\$ 214,192	\$ 4,855	2.32%
LVJ-NNG Flex Transport (Cust "G")	LVJ-NNG Flex Transport (Cust "G")	\$ 66,696	\$ 69,447	\$ 2,751	4.12%
CONSOLIDATED TRANSPORT					
SVI-CONSOLIDATED Transport	C&I INT Class 2	\$ 44,127	\$ 48,094	\$ 3,967	8.99%
SVI-CONSOLIDATED Transport	C&I INT Class 3	\$ 101,348	\$ 110,459	\$ 9,111	8.99%
LVI-CONSOLIDATED Transport	C&I INT Class 3	\$ 211,227	\$ 230,216	\$ 18,989	8.99%
LVI-CONSOLIDATED Transport	C&I INT Class 4	\$ 230,165	\$ 250,857	\$ 20,692	8.99%
SVJ-CONSOLIDATED Transport	C&I JOINT Class 2	\$ 214,739	\$ 234,044	\$ 19,305	8.99%
SVJ-CONSOLIDATED Transport	C&I JOINT Class 3	\$ 58,340	\$ 63,584	\$ 5,245	8.99%
LVJ-CONSOLIDATED Transport	C&I JOINT Class 3	\$ 876,513	\$ 955,312	\$ 78,799	8.99%
SLVJ-CONSOLIDATED Transport-CIP Exempt	C&I INT Class 5 - CIP Exempt	\$ 499,741	\$ 510,789	\$ 11,048	2.21%
ALBERT LEA-NNG TRANSPORT					
SVI-ALBERT LEA Transport	C&I INT Class 3	\$ 41,444	\$ 45,169	\$ 3,726	8.99%
LVI-ALBERT LEA Transport	C&I INT Class 3	\$ 101,032	\$ 110,115	\$ 9,083	8.99%
Total NNG Sales Customers		\$ 77,640,064	\$ 84,619,906	\$ 6,979,842	8.99%
Total Consolidated Sales Customers		\$ 16,724,053	\$ 18,227,545	\$ 1,503,492	8.99%
Total Albert Lea Sales Customers		\$ 3,931,461	\$ 4,284,899	\$ 353,438	8.99%
TOTAL SALES CUSTOMERS		\$ 98,295,578	\$ 107,132,350	\$ 8,836,772	8.99%
Total NNG Transport Customers		\$ 6,732,643	\$ 7,181,626	\$ 448,983	6.67%
Total Consolidated Transport Customers		\$ 2,236,200	\$ 2,403,356	\$ 167,156	7.48%
Total Albert Lea Transport Customers		\$ 142,476	\$ 155,284	\$ 12,809	8.99%
TOTAL TRANSPORT CUSTOMERS		\$ 9,111,319	\$ 9,740,266	\$ 628,947	6.90%
Total NNG Customers		\$ 84,372,707	\$ 91,801,532	\$ 7,428,824	8.80%
Total Consolidated Customers		\$ 18,960,253	\$ 20,630,902	\$ 1,670,648	8.81%
Total Albert Lea Customers		\$ 4,073,936	\$ 4,440,183	\$ 366,247	8.99%
TOTAL		\$ 107,406,897	\$ 116,872,616	\$ 9,465,720	8.81%

PUBLIC DOCUMENT - TRADE SECRET DATA EXCISED

Current MERC Customer Class	Proposed MERC Customer Class	Average Monthly Usage (Therms)	Present Monthly Bill	Proposed Monthly Bill	
NNG SALES					
GS-NNG Residential Sales	GS-NNG Residential Sales	73 \$	61 \$	63	\$ 2.43
GS-NNG Residential Farm-Tap Sales	GS-NNG Residential Farm-Tap Sales	135 \$	105 \$	109	\$ 3.77
GS-NNG SC&I Sales	C&I FIRM Class 1	80 \$	73 \$	76	
GS-NNG SC&I Sales	Agriculture Grain Dryer - Class 1	13 \$	27 \$	29	
GS-NNG SC&I Sales	GS-NNG SC&I Farm-Tap Sales	191 \$	150 \$	155	
GS-NNG LC&I Sales	C&I FIRM Class 2	594 \$	423 \$	436	
GS-NNG LC&I Sales	C&I FIRM Class 3	13,860 \$	8,867 \$	9,082	
GS-NNG LC&I Sales	Power Generating Unit - Class 1	100 \$	109 \$	114	
GS-NNG LC&I Sales	Agriculture Grain Dryer - Class 1	315 \$	245 \$	254	
GS-NNG LC&I Sales	GS-NNG LC&I Farm-Tap Sales	1,256 \$	845 \$	868	
SVI-NNG Sales	C&I INT Class 2	3,239 \$	1,692 \$	1,735	
SVI-NNG Sales	C&I INT Class 3	13,063 \$	6,324 \$	6,453	
SVI-NNG Sales	Agriculture Grain Dryer - Class 1	874 \$	577 \$	600	
SVI-NNG Sales	Agriculture Grain Dryer - Class 2	3,105 \$	1,629 \$	1,671	
LVI-NNG Sales	C&I INT Class 2	3,974 \$	1,883 \$	1,919	
LVI-NNG Sales	C&I INT Class 3	31,521 \$	13,655 \$	13,823	
LVI-NNG Sales	Power Generating Unit - Class 1	2,723 \$	1,349 \$	1,378	
LVI-NNG Sales	Agriculture Grain Dryer - Class 1	460 \$	382 \$	400	
LVI-NNG Sales	Agriculture Grain Dryer - Class 2	5,880 \$	2,698 \$	2,742	
SVJ-NNG Sales	C&I JOINT Class 2	4,180 \$	2,231 \$	2,291	
CONSOLIDATED SALES					
GS-CONSOLIDATED Residential Sales	GS-CONSOLIDATED Residential Sales	72 \$	55 \$	57	\$ 2.40
GS-CONSOLIDATED SC&I Sales	C&I FIRM Class 1	85 \$	70 \$	73	
GS-CONSOLIDATED SC&I Sales	Agriculture Grain Dryer - Class 1	186 \$	131 \$	137	
GS-CONSOLIDATED LC&I Sales	C&I FIRM Class 2	507 \$	328 \$	340	
GS-CONSOLIDATED LC&I Sales	C&I FIRM Class 3	9,692 \$	5,461 \$	5,612	
GS-CONSOLIDATED LC&I Sales	Agriculture Grain Dryer - Class 1	234 \$	176 \$	183	
SVI-CONSOLIDATED Sales	C&I INT Class 2	4,794 \$	2,146 \$	2,202	
SVI-CONSOLIDATED Sales	C&I INT Class 3	18,838 \$	7,948 \$	8,128	
SVI-CONSOLIDATED Sales	Agriculture Grain Dryer - Class 1	666 \$	440 \$	461	
SVI-CONSOLIDATED Sales	Agriculture Grain Dryer - Class 2	1,726 \$	878 \$	908	
LVI-CONSOLIDATED Sales	C&I INT Class 2	1,538 \$	752 \$	776	
LVI-CONSOLIDATED Sales	C&I INT Class 3	58,581 \$	21,804 \$	22,101	
LVI-CONSOLIDATED Sales	C&I INT Class 4	89,909 \$	33,365 \$	33,812	
SVJ-CONSOLIDATED Sales	C&I JOINT Class 2	5,288 \$	2,432 \$	2,501	
ALBERT LEA-NNG SALES					
GS-ALBERT LEA NNG Residential Sales	GS-ALBERT LEA NNG Residential Sales	72 \$	58 \$	60	\$ 2.21
GS-ALBERT LEA NNG SC&I Sales	C&I FIRM Class 1	299 \$	217 \$	224	
GS-ALBERT LEA NNG LC&I Sales	C&I FIRM Class 2	331 \$	235 \$	243	
GS-ALBERT LEA NNG LC&I Sales	C&I FIRM Class 3	25,308 \$	16,134 \$	16,520	
SVI-ALBERT LEA NNG Sales	C&I INT Class 2	3,249 \$	1,621 \$	1,658	
SVI-ALBERT LEA NNG Sales	C&I INT Class 3	50,860 \$	24,068 \$	24,521	
SVI-ALBERT LEA NNG Sales	Agriculture Grain Dryer - Class 1	469 \$	311 \$	323	
SVI-ALBERT LEA NNG Sales	Agriculture Grain Dryer - Class 2	2,875 \$	1,445 \$	1,478	
LVI-ALBERT LEA NNG Sales	C&I INT Class 2	3,800 \$	1,723 \$	1,750	
LVI-ALBERT LEA NNG Sales	C&I INT Class 3	102,399 \$	43,860 \$	44,359	
NNG TRANSPORT					
SVI-NNG Transport	C&I INT Class 3	9,806 \$	1,235 \$	1,346	
SVI-NNG Transport	C&I INT Class 4	27,150 \$	2,924 \$	3,187	

PUBLIC DOCUMENT - TRADE SECRET DATA EXCISED

LVI-NNG Transport - CIP Applicable	C&I INT Class 3	60,840 \$	3,542 \$	3,861
LVI-NNG Transport - CIP Applicable	C&I INT Class 4	180,030 \$	9,894 \$	10,783
LVI-NNG Transport - CIP Applicable	Agriculture Grain Dryer - Class 3	133,674 \$	7,423 \$	8,091
SVJ-NNG Transport	C&I JOINT Class 2	4,133 \$	799 \$	871
SVJ-NNG Transport	C&I JOINT Class 3	14,621 \$	2,117 \$	2,307
SVJ-NNG Transport	Agriculture Grain Dryer - Class 2	4,837 \$	888 \$	967
LVJ-NNG Transport - CIP Applicable	C&I JOINT Class 2	850 \$	356 \$	388
LVJ-NNG Transport - CIP Applicable	C&I JOINT Class 3	45,001 \$	3,249 \$	3,541
LVJ-NNG Transport - CIP Applicable	C&I JOINT Class 4	128,477 \$	8,718 \$	9,502
LVJ-NNG Transport - CIP Exempt	C&I JOINT Class 5 - CIP Exempt	1,033,882 \$	33,688 \$	36,717
SLVI-NNG Transport-CIP Exempt	C&I INT Class 5 - CIP Exempt	1,320,322 \$	6,385 \$	6,427
SLVI-NNG Transport-CIP Applicable	C&I INT Class 4	87,646 \$	3,288 \$	3,330
SLVJ-NNG Transport-CIP Exempt	Power Generating Unit - Class 2 CIP Exempt	1,676,072 \$	19,083 \$	20,124
Transport for Resale	Transport for Resale	17,223 \$	1,579 \$	1,721
LVJ-NNG Flex Transport (Cust "A")	LVJ-NNG Flex Transport (Cust "A")	485,401 \$	18,990 \$	19,294
LVI-NNG Flex Transport (Cust "B")	LVI-NNG Flex Transport (Cust "B")	#DIV/0!	#DIV/0!	#DIV/0!
LVI-NNG Flex Transport (Cust "C")	LVI-NNG Flex Transport (Cust "C")	#DIV/0!	#DIV/0!	#DIV/0!
LVI-NNG Flex Transport (Cust "D")	LVI-NNG Flex Transport (Cust "D")	#DIV/0!	#DIV/0!	#DIV/0!
LVJ-NNG Flex Transport (Cust "E")	LVJ-NNG Flex Transport (Cust "E")	622,779 \$	11,442 \$	11,630
LVJ-NNG Flex Transport (Cust "F")	LVJ-NNG Flex Transport (Cust "F")	126,760 \$	5,815 \$	5,950
LVJ-NNG Flex Transport (Cust "G")	LVJ-NNG Flex Transport (Cust "G")	90,630 \$	5,558 \$	5,787
CONSOLIDATED TRANSPORT				
SVI-CONSOLIDATED Transport	C&I INT Class 2	4,804 \$	748 \$	815
SVI-CONSOLIDATED Transport	C&I INT Class 3	11,379 \$	1,388 \$	1,513
LVI-CONSOLIDATED Transport	C&I INT Class 3	52,661 \$	3,106 \$	3,386
LVI-CONSOLIDATED Transport	C&I INT Class 4	326,610 \$	17,705 \$	19,297
SVJ-CONSOLIDATED Transport	C&I JOINT Class 2	6,443 \$	1,090 \$	1,188
SVJ-CONSOLIDATED Transport	C&I JOINT Class 3	23,553 \$	3,241 \$	3,532
LVJ-CONSOLIDATED Transport	C&I JOINT Class 3	102,307 \$	6,691 \$	7,292
SLVJ-CONSOLIDATED Transport-CIP Ex	C&I INT Class 5 - CIP Exempt	599,536 \$	6,941 \$	7,094
ALBERT LEA-NNG TRANSPORT				
SVI-ALBERT LEA Transport	C&I INT Class 3	14,854 \$	1,727 \$	1,882
LVI-ALBERT LEA Transport	C&I INT Class 3	73,366 \$	4,210 \$	4,588