

## **Minnesota Energy Resources Corporation**

### **Summary of Allocation Factors - Income Statement**

The following is a summary of the methods used to allocate Income Statement accounts between MERC-Minnesota and MERC-Michigan.

Tariff revenues, other revenues, purchased gas expense, and amortization expense were direct assigned either to MERC-Minnesota or MERC-Michigan.

Non-Fuel Operations & Maintenance Production and Gas Supply expenses are allocated between MERC-Minnesota and MERC-Michigan on System Sales found on Page 1 of Informational Requirement 9.

Non-Fuel Operations & Maintenance Transmission expenses are allocated between MERC-Minnesota and MERC-Michigan on Total Sales found on Page 1 of Informational Requirement 9.

Non-Fuel Operations & Maintenance Distribution expenses are allocated between MERC-Minnesota and MERC-Michigan on Distribution Plant found on Page 2 of Informational Requirement 9.

Non-Fuel Operations & Maintenance Customer expenses are allocated between MERC-Minnesota and MERC-Michigan on Fixed Charge Counts found on Page 1 of Informational Requirement 9.

Non-Fuel Operations & Maintenance Administrative and General expenses are allocated between MERC-Minnesota and MERC-Michigan on Salaries and Wages allocator found on Page 4 of Informational Requirement 9.

Distribution depreciation expense is direct assigned to either MERC-Minnesota or MERC-Michigan.

General depreciation expense is first allocated to Production, Transmission, Distribution, and Customer functions using the salaries and wages allocator found on Page 4 of Information Requirement 9. Next, the Production function is allocated between MERC-Minnesota and MERC-Michigan based on system sales found on Page 1 of Information Requirement 9. The Transmission function is allocated based on Total Sales found on Page 1 of Information Requirement 9. The Distribution function is allocated based on Distribution plant Page 2 of Information Requirement 9. Finally, the Customer function is allocated based on fixed charge count Page 1 of Information Requirement 9.

Transmission depreciation expense allocated based on Total Sales found on Page 1 of Information Requirement 9.

Customer depreciation expense allocated based on fixed charge count found on Page 1 of Information Requirement 9.

Payroll tax expenses are allocated between MERC-Minnesota and MERC-Michigan on Salaries and Wages allocator found on Page 4 of Informational Requirement 9.

Property Tax, Federal Excise Tax, Use Tax, and unauthorized Insurance Tax are allocated between MERC-Minnesota and MERC-Michigan via net plant.

Other interest expense is allocated between MERC-Minnesota and MERC-Michigan by using rate base found on Page 3 on Informational Requirement 9.