

Direct Testimony and Schedules  
Mark E. Kissinger

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-22-504

Exhibit \_\_\_\_ (MEK-D)

**Property Tax**

November 1, 2022

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1 **I. INTRODUCTION AND QUALIFICATIONS**

2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A. My name is Mark E. Kissinger. My business address is WEC Energy Group, Inc.  
4 (“WEC”), 200 East Randolph Street, Chicago, IL 60601.

5

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

8 A. My title is Manager – Tax Administration, and I am employed by WEC Business  
9 Services, LLC. I manage tax administration for WEC and its subsidiaries,  
10 including the Minnesota Energy Resources Corporation (“MERC” or the  
11 “Company”) property tax compliance process.

12

13 Q. PLEASE SUMMARIZE YOUR QUALIFICATIONS AND EXPERIENCE.

14 A. I graduated from Indiana University, Bloomington, Indiana, with a Bachelor of  
15 Science degree in finance. I received my Master of Business Administration from  
16 Butler University, Indianapolis, Indiana; my Juris Doctor from The University of  
17 Illinois – Chicago School of Law, Chicago, Illinois; and my Master of Science in  
18 Taxation from DePaul University, Chicago, Illinois. I have been employed by  
19 WEC or its predecessors since 2008 in the Tax Department.

20

21 Q. FOR WHOM ARE YOU PROVIDING TESTIMONY?

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

23

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

2 A. I present and support the reasonableness of MERC's 2023 test year property tax  
3 expense and continuation of the property tax tracker that was established as part  
4 of MERC's last rate case in Docket No. G011/GR-17-563 ("2017 Rate Case").  
5 Additionally, my testimony describes the Company's continued efforts to  
6 minimize property tax expense. Finally, I address the balance of MERC's  
7 property tax tracker account in compliance with the order of the Minnesota Public  
8 Utilities Commission (the "Commission") in Docket No. G011/GR-17-563.  
9 Company witness Mr. Joseph Zgonc discusses MERC's proposal to refund the  
10 property tax tracker balance.

11

12 In Docket No. G011/GR-17-563, the Commission authorized MERC to establish  
13 a tracker to account for actual Minnesota property tax expense paid each year,  
14 less the amounts approved for recovery in base rates, ensuring that tax refunds  
15 are tracked as they are received from local taxing authorities and netted against  
16 expenses. The Commission required that carrying charges be applied to the  
17 tracker balance at MERC's approved weighted cost of debt and that in  
18 subsequent general rate cases, if relevant, MERC include testimony regarding  
19 the balance in the tracker account, Company actions taken regarding property  
20 taxes, and a proposal on how to refund or collect the balance in the tracker.

21

22 Q. ARE YOU SPONSORING ANY SCHEDULES IN CONNECTION WITH YOUR  
23 TESTIMONY IN THIS PROCEEDING?

1 A. Yes, I am sponsoring the following schedules:

2

3 Exhibit \_\_\_\_ (MEK-D), Schedule 1, which is the calculation of MERC's 2021-2023  
4 property tax obligations by taxing authority, and

5 Exhibit \_\_ (MEK-D), Schedule 2, which is MERC's Property Tax Tracker as  
6 approved in Docket No. G011/GR-17-563.

7

8 Q. WERE THESE SCHEDULES PREPARED BY YOU OR UNDER YOUR DIRECT  
9 SUPERVISION?

10 A. Yes.

11

12 **II. MERC'S 2023 PROPERTY TAX OBLIGATIONS**

13 Q. PLEASE EXPLAIN MERC'S 2023 TEST YEAR PROPERTY TAX EXPENSE.

14 A. MERC is filing the instant general rate case proceeding with an estimated  
15 property tax expense of \$22,064,100 for the 2023 test year, inclusive of \$531,400  
16 of Kansas property taxes associated with storage gas. The \$22,064,100  
17 represents an inflationary increase in MERC's Minnesota property tax expense,  
18 consistent with what MERC has experienced over the last fifteen years, including  
19 the most recent increase of approximately 37 percent for centrally assessed  
20 property for assessment year 2022. Exhibit \_\_\_\_ (MEK-D), Schedule 1 shows the  
21 calculation of MERC's proposed 2023 test year property tax expense.

22

23 Q. PLEASE SUMMARIZE EXHIBIT \_\_\_\_ (MEK-D), SCHEDULE 1.

1 A. Exhibit \_\_ (MEK-D), Schedule 1 provides details regarding MERC’s forecasted  
2 Minnesota and Kansas property tax expense for the 2023 test year. As shown in  
3 Exhibit \_\_\_\_ (MEK-D), Schedule 1, MERC’s Minnesota estimated property tax  
4 expense is approximately \$21,532,700 in the 2023 test year. MERC’s estimated  
5 tax expense for Kansas ad valorem taxes related to gas storage is \$531,400.

6

7 Q. HOW DID MERC CALCULATE THE PROJECTED INCREASE IN MINNESOTA  
8 PROPERTY TAX EXPENSE FOR THE TEST YEAR?

9 A. For MERC’s centrally-assessed property, the 0.597171 Apportionment Factor  
10 included in the 2022 Preliminary Market Value Assessment issued by the  
11 Minnesota Department of Revenue (“MNDOR”) on July 13, 2022 was applied to  
12 the Total Original Value Reported in 2022 for year-end 2021 balances to arrive at  
13 the Total Apportionable Value by MNDOR Property ID. The effective property  
14 tax rate by MNDOR Property ID based on actual Minnesota property taxes paid  
15 in 2022 was increased by two percent and then applied to the Total  
16 Apportionable Value by MNDOR Property ID to arrive at an estimated 2022  
17 property tax to be paid in 2023.

18

19 For MERC’s locally-assessed property, the values as assessed per actual  
20 Minnesota property taxes paid in 2022 were increased by a three percent  
21 inflation factor to arrive at an estimate of locally-assessed value for property  
22 taxes related to assessment year 2022 to be paid in 2023. The respective tax  
23 rates applied per actual taxes paid in 2022 were increased by one percent and

1 then applied to estimated assessed value in arriving at a total of \$347,688 for  
2 locally-assessed property taxes to be paid in 2023.

3  
4 The total estimated 2022 Minnesota property taxes to be paid in 2023 for  
5 assessment year 2022 equals the sum of the centrally-assessed component of  
6 \$15,108,348 and the locally-assessed component of \$347,688 to arrive at total  
7 estimated property tax to be paid for assessment year 2022 of \$15,456,026. For  
8 purposes of forecasting the 2023 test year property tax expense, this amount  
9 was rounded down to \$15,455,000, with \$15,108,000 representing the centrally-  
10 assessed estimated amount and \$347,000 representing the locally-assessed  
11 estimated amount.

12  
13 Forecasted test year 2023 property taxes payable in 2024 are based on the  
14 estimated property taxes to be paid in 2023 (for Assessment Year 2022)  
15 increased by approximately 40 percent for the centrally-assessed property and  
16 10 percent for the locally-assessed component. The 40 percent increase for  
17 centrally assessed property is based on the most recent increase in  
18 apportionable market value as determined by MNDOR (from assessment year  
19 2021, which had an apportionable market value of \$301,000,000 per MNDOR's  
20 valuation, to assessment year 2022, which has an apportionable market value of  
21 \$411,447,400 per MNDOR's valuation) and a small inflationary increase of  
22 approximately 2.4 percent. The increase in locally assessed taxes is based on

1 historical changes in assessed values and the amount of real property owned by  
2 MERC.

3  
4 Q. HOW DOES MERC'S FORECASTED 2023 PROPERTY TAX EXPENSE  
5 COMPARE TO ACTUAL PROPERTY TAXES ASSESSED IN RECENT YEARS?

6 A. MERC's forecasted assessment year 2023 property tax expense is in line with  
7 the actual increase in property valuation MERC received in its most recent  
8 valuation from MNDOR for assessment year 2022. While MERC has achieved  
9 reductions to its valuations in recent years as a result of negotiated settlements  
10 and litigation, the most recent MNDOR valuation reflects the most accurate  
11 current information regarding property tax expense in the 2023 test year and  
12 takes in to account the current inflationary environment

13  
14 Q. WHY IS THE PROPOSED 2023 TEST YEAR PROPERTY TAX EXPENSE  
15 APPROPRIATE TO USE FOR SETTING 2023 TEST YEAR PROPERTY TAX  
16 EXPENSE?

17 A. The proposed 2023 test year property tax expense is appropriate because it  
18 takes in to account both the most recent valuations as determined by MNDOR  
19 and the most recent effective tax rate based on current tax bills. Initial valuation  
20 increases as proposed by MNDOR over the previous three years final valuations  
21 have increased by 25 percent, 39 percent, and 37 percent, respectively.  
22 Effective tax rates have remained fairly constant with a small yearly increase.

23



1           Additionally, as discussed below, in MERC's 2017 Rate Case, Docket No.  
2           G011/GR-17-563, the Commission approved a Minnesota property tax tracker  
3           mechanism, which ensures MERC's actual property tax recoveries and expense  
4           are accounted for and any over- or under-recoveries are collected or refunded to  
5           customers in future rate case proceedings. MERC proposes to continue the  
6           Minnesota property tax tracker in this case, which will ensure customers receive  
7           the benefit of ongoing property tax challenges and appeals, and that the amounts  
8           that are recovered from customers are consistent with MERC's actual property  
9           tax expense.

10  
11   Q.    WILL THE COMPONENTS OF THE 2023 TEST YEAR MINNESOTA  
12       PROPERTY TAX EXPENSE CALCULATION BE UPDATED IN THIS  
13       PROCEEDING?

14   A.    Yes, MERC proposes to provide an update during the course of this proceeding  
15       to reflect any updates in the status of its property tax challenge. MERC has  
16       forecasted its 2023 test year property tax expense based on the current MNDOR  
17       valuation for assessment year 2022. As detailed above, MERC's assessed value  
18       increased from \$301 million in assessment year 2021 to \$411 million in  
19       assessment year 2022. MERC appealed its valuation for assessment year 2022  
20       with MNDOR and was unable to reach agreement with MNDOR as to the  
21       valuation. As a result, the Company anticipates it will file suit later this year with  
22       the Minnesota tax court to challenge the valuation. Pending resolution of that  
23       challenge, MERC's property taxes payable in 2023 will be based on the current

1           \$411 million valuation, subject to potential refund or additional payment based on  
2           resolution of the litigation.

3

4   Q.    HOW DID MERC CALCULATE ITS TEST YEAR KANSAS AD VALOREM TAX  
5           EXPENSE?

6   A.    MERC has estimated its 2023 test year Kansas ad valorem tax expense based  
7           on 2022 assessed value and the 2021 composite tax rate. The estimates for  
8           assessment years 2022 and 2023 are based on the estimate for assessment  
9           year 2021 increased by 5 percent to address forecasted increases in the value of  
10          gas in storage. The tax bills for assessment year 2021 will not be received until  
11          late November or early December of 2022.

12

13   Q.    WHY IS THE FORECASTED 2023 TEST YEAR KANSAS AD VALOREM TAX  
14          APPROPRIATE TO USE FOR SETTING 2023 TEST YEAR EXPENSE?

15   A.    MERC's estimated 2023 test year Kansas tax expense is based on the 2021  
16          actual Kansas ad valorem tax rate and 2022 assessed value based on total  
17          MERC storage volumes. The amount of natural gas MERC has in storage<sup>1</sup> in  
18          Kansas and the price of natural gas have both increased, with prices going from  
19          approximately \$2/dekatherm in 2020 to \$4/dekatherm in 2021. Natural gas  
20          prices for 2022 are currently trending substantially higher than those in 2021.

21

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<sup>1</sup> While MERC has not increased its contracted storage volumes, the amount of gas in storage is higher as a result of customer demand and increased baseload volumes.

1 **III. MERC'S EFFORTS TO MITIGATE PROPERTY TAX EXPENSE**

2 Q. WHAT STEPS HAS THE COMPANY TAKEN TO MITIGATE INCREASING  
3 PROPERTY TAX EXPENSE IN MINNESOTA?

4 A. As discussed in MERC's previous rate cases, Docket Nos. G007,011/GR-10-  
5 977, G011/GR-13-617, G011/GR-15-736, and G011/GR-17-563, MERC's  
6 property assessments dramatically increased beginning in 2008, and MERC has  
7 continued to see significant increases each year since that time. For example,  
8 MNDOR proposed valuations have increased as follows:

9 **Table 1. MNDOR Assessed Value (2008-2022)**

Assessment Year	Assessed Value (MNDOR)	Final Valuation (Results of Settlements and Litigation)
2008	\$118,247,871	\$94,732,200
2009	\$112,627,661	\$102,981,800
2010	\$144,628,839	\$131,233,100
2011	\$155,934,300	\$144,747,800
2012	\$161,525,900	\$174,125,500
2013	\$166,471,700	\$156,680,000
2014	\$183,754,600	\$183,135,000
2015	\$199,201,600	\$195,380,000
2016	\$240,579,600	\$191,829,400
2017	\$264,015,200	\$203,597,600
2018	\$248,411,200	\$235,990,640
2019	\$277,143,500	\$260,000,000
2020	\$325,905,400	\$278,000,000
2021	\$386,829,400	\$301,000,000
2022	\$411,447,400	pending

10  
11 In response to these significant increases, MERC protested its property  
12 valuations for these years and as a result of those challenges, was able to  
13 achieve reduced valuations each year, with the exception of 2012.

14

1 Q. WHAT HAS THE OUTCOME OF MERC'S CHALLENGES BEEN?

2 A. Table 1 above includes the final valuation by year based on MERC's challenges  
3 and appeals of MNDOR valuations.

4

5 In November of 2016, the Minnesota Supreme Court issued its opinion for the  
6 years 2008-2012, adjudicating certain issues favorably to MERC, and remanding  
7 the case back to the Minnesota Tax Court to address specific issues. The tax  
8 court issued its opinion on remand in April of 2017, which MERC appealed to the  
9 Minnesota Supreme Court in June of 2017. On March 21, 2018, the Minnesota  
10 Supreme Court issued a decision in MERC's 2008-2012 property tax appeal,  
11 affirming the decision of the tax court on remand from the Minnesota Supreme  
12 Court's November 9, 2016 decision. As a result, MERC's 2008 through 2012 tax  
13 appeals were fully adjudicated.

14

15 On June 19, 2018, MERC met with MNDOR to discuss potential settlement of the  
16 Company's then-pending property tax appeals, including assessment years  
17 2013, 2014, 2015, 2016 and 2017. On July 2, 2018, the Minnesota Tax Court  
18 accepted a settlement between MERC and MNDOR for pending appeals for  
19 assessment years 2013 through 2017 and entered Orders for Judgements for  
20 each of those years. As a result, the taxes due and payable to each of the  
21 counties were recomputed and billed accordingly and refunds were required to  
22 be paid by respective counties with interest in accordance with Minn. Stat.  
23 §278.08.

1  
2 Assessment years 2018, 2019, and 2021 were settled during informal appeal  
3 conferences with MNDOR. Initial settlement discussions with MNDOR for  
4 assessment year 2020 were not successful and MERC filed suit with the  
5 Minnesota tax court to appeal MNDOR's valuation. Ultimately MERC and  
6 MNDOR reached a settlement of the valuation for assessment year 2020 without  
7 going to trial. As discussed above, MERC has challenged the valuation for  
8 assessment year 2022 and anticipates filing in the Minnesota tax court in 2022.

9  
10 As of the time of this filing, all protests other than assessment year 2022 have  
11 been resolved. The Company commits to providing updates during the course of  
12 this proceeding regarding the status of the 2022 litigation.

13

14 Q. HAVE MERC'S CONTINUED CHALLENGES TO MNDOR VALUATIONS  
15 RESULTED IN LOWER VALUATIONS?

16 A. Not necessarily, no. As can be seen in Table 1, despite MERC's continued  
17 challenges to MNDOR assessments and reductions achieved through informal  
18 settlements or litigation, MNDOR has continued to significantly increase its  
19 annual valuations for MERC. For instance, despite agreeing to a settled  
20 valuation of \$301,000,000 for assessment year 2021, MNDOR proposed a  
21 valuation of \$411,447,400 for assessment year 2022 – a nearly 37 percent  
22 increase over the 2021 final valuation.

23

1 In the past, MNDOR has attempted to negate favorable appeal outcomes by  
2 adjusting the assignment of weightings to overcome the benefit in subsequent  
3 tax years. Numerous variables, such as the capitalization rate and the weighting  
4 of the cost and income approaches, are subject to discretion and adjustment,  
5 which can significantly affect the Company's annual property tax expense.  
6

#### 7 **IV. MERC'S PROPERTY TAX TRACKER**

8 Q. DOES MERC HAVE AN APPROVED PROPERTY TAX TRACKER  
9 MECHANISM?

10 A. Yes, in MERC's 2017 Rate Case, the Commission authorized MERC to establish  
11 a tracker to account for actual Minnesota property tax expense paid each year,  
12 less the amounts approved for recovery in base rates, ensuring that tax refunds  
13 are tracked as they are received from local taxing authorities and netted against  
14 expenses. The Commission's order required that carrying charges should be  
15 applied to the tracker balance at MERC's approved weighted cost of debt. In  
16 subsequent general rate cases, if relevant, MERC was ordered to include  
17 testimony regarding the balance in the tracker account, Company actions taken  
18 regarding property taxes, and a proposal on how to refund or collect the balance  
19 in the tracker.  
20

21 Q. WHAT IS THE PURPOSE OF THE TRACKER?

22 A. The purpose of the tracker is to ensure that any refunds the Company receives  
23 related to property tax litigation flow back to customers who paid property tax

1 expense through base rates and that MERC recovers its actual annual property  
2 tax expense.

3

4 Q. WHAT IS THE BALANCE OF MERC'S PROPERTY TAX TRACKER?

5 A. Through the end of 2022, MERC has forecasted a positive tracker balance of  
6 \$3,353,936.

7

8 Q. HAS MERC CREDITED THE PROPERTY TAX TRACKER FOR AMOUNTS  
9 RECOVERED THROUGH PROPERTY TAX LITIGATION?

10 A. Yes, as shown in Exhibit \_\_\_\_ (MEK-D), Schedule 2, MERC has recovered a total  
11 of \$8,866,301 in property tax refunds plus statutory interest, which has been  
12 credited to the property tax tracker.

13

14 Q. HOW HAS MERC'S ANNUAL PROPERTY TAX EXPENSE COMPARED TO  
15 PROPERTY TAX RECOVERIES AUTHORIZED IN BASE RATES?

16 A. In Exhibit \_\_ (MEK-D), Schedule 2, the column labeled "MN Property Tax  
17 Expense in Rates" shows property tax recoveries authorized in base rates, and  
18 the columns labeled "MN Property Tax Expense Actual" and "True ups to prior  
19 year actual taxes" show annual property tax expense each year.<sup>2</sup>

20

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<sup>2</sup> Note, however, that the row in the tracker for 2022 reflects accrued property tax expense through July 2022 and projected expense for the remainder of 2022 based on the pending assessment year 2022 valuation.

1 Q. WHAT REFUNDS HAS MERC RECEIVED THAT HAVE BEEN INCLUDED IN  
2 THE PROPERTY TAX TRACKER?

3 A. In Exhibit \_\_ (MEK-D), Schedule 2, the column labeled “MN Property Tax  
4 Refunds Received” shows the refunds received, inclusive of statutory interest,  
5 which have been included in the property tax tracker.  
6

7 Q. WHAT ACTIONS HAS THE COMPANY TAKEN WITH RESPECT TO ITS  
8 PROPERTY TAX ASSESSMENTS SINCE THE COMPANY'S 2017 RATE  
9 CASE?

10 A. See Section III above for a discussion of MERC's continued efforts to mitigate its  
11 annual property tax expense. Since MERC's 2018 rate case, MNDOR has  
12 continued to value MERC's personal property significantly higher than what  
13 MERC believes is the actual value. As a result, MERC has appealed every  
14 assessment year since its 2017 Rate Case. All of these actions are resolved  
15 except with respect to MERC's 2022 property tax assessment.  
16

17 Q. HOW DOES MERC PROPOSE TO ADDRESS THE TRACKER BALANCE IN  
18 THIS RATE CASE?

19 A. Mr. Zgonc addresses MERC's proposal to refund the property tax tracker  
20 balance in this case, amortized over 4 years.  
21



1 Q. DOES THE COMPANY HAVE A PROPOSAL FOR ADDRESSING FUTURE  
2 PROPERTY TAX EXPENSE AND ONGOING PROPERTY TAX CHALLENGES  
3 AND LITIGATION?

4 A. Yes. The Company proposes to continue to use the property tax tracker to  
5 account for actual Minnesota property tax expense paid each year, less the  
6 amounts approved for recovery in base rates, to ensure tax refunds are tracked  
7 as they are received. Tax amounts and tax rates can and do change each year.  
8 As demonstrated by the Company's litigation with MNDOR and protests related  
9 to its property valuations for the last fifteen years, the Company is diligent in  
10 trying to ensure that the property tax amounts are fair. Continuation of the  
11 property tax tracker is appropriate and will ensure recoveries match actual  
12 property tax expense. Additionally, there is a lag between the estimation of the  
13 property tax expense, when the Company receives its actual property tax bills,  
14 and when an appeal is resolved. Calculating net refunds when property tax  
15 appeals are resolved is reasonable and appropriate and ensures property tax  
16 expense is accurately reflected in the tracker.

17

18 Q. DOES THE COMPANY PROPOSE ANY MODIFICATIONS TO THE  
19 STRUCTURE OF THE PROPERTY TAX TRACKER AS PREVIOUSLY  
20 APPROVED?

21 A. Yes, MERC proposes to account for legal costs associated with its protests and  
22 appeals related to property taxes and valuations through the property tax tracker  
23 going forward. As noted above, the Company has been involved in a number of

1 these appeals, some of which are resolved on informal appeal to MNDOR and  
2 some of which have required appeal to the Minnesota Supreme Court or even  
3 multiple appeals to the Minnesota Supreme Court with subsequent remands to  
4 the tax court. While a representative level of costs related to these appeals is  
5 included in the Company's base rates, because the process to resolve appeals  
6 has varied significantly each year, MERC proposes to account for differences  
7 between the costs included in base rates and actual annual costs incurred to  
8 resolve property tax assessments. Including the cost of the challenges and  
9 appeals in the tracker ensures that recoveries are netted against the costs  
10 incurred to appeal. This will also allow the Company to ensure that recovery  
11 matches actual expense and provide corresponding refunds to customers where  
12 there is over-recovery.

13  
14 Q. WHAT LEGAL COSTS HAS MERC FORECASTED FOR INCLUSION IN THE  
15 2023 TEST YEAR RELATED TO ONGOING PROPERTY TAX CHALLENGES  
16 AND APPEALS?

17 A. MERC has forecasted annual legal costs of approximately \$330,000 in the 2023  
18 test year related to ongoing property tax challenges and appeals, inclusive of a  
19 known and measurable adjustment to 2021 inflated legal costs, as described in  
20 the Direct Testimony of Mr. Zgonc. This reflects MERC's expected annual costs  
21 to continue to pursue challenges to MNDOR assessments, where appropriate, to  
22 ensure that annual property tax expense remains reasonable for the benefit of  
23 our customers. MERC developed the proposed 2023 test year forecasted

1 property tax legal costs based on its experience with property tax challenges and  
2 appeals and the projected annual costs to appeal a single assessment year from  
3 notice of appeal, discovery, motion practice, settlement negotiations, trial, and  
4 post-trial briefing.

5  
6 Q. IS MERC'S FORECASTED LEGAL EXPENSE RELATED TO PROPERTY TAX  
7 APPEALS REASONABLE?

8 A. Yes. Based on expected costs to litigate the currently pending 2022 assessment  
9 year as well as future challenges and appeals, MERC's forecasted annual legal  
10 expense related to property tax challenges and appeals is reasonable.

11 Additionally, as discussed above, the Company is proposing to account for  
12 differences in its actual legal costs through the property tax tracker, to ensure  
13 that any over-recovered amounts are refunded to customers and any under-  
14 recovered amounts can be collected in a future rate case proceeding. This  
15 recognizes the practical reality that the costs MERC must incur to challenge its  
16 property tax assessments and mitigate the impacts of tax increases for the  
17 benefit of customers will vary depending on whether MERC is able to negotiate a  
18 settlement with MNDOR or, alternatively, fully litigate and appeal to the  
19 Minnesota Supreme Court. As demonstrated in my testimony, MERC's  
20 challenges and appeals over the past 14 years have resulted in reductions to the  
21 level of property tax expense MERC would have incurred if it had not challenged  
22 and appealed its property tax valuations. As a result of the Commission-approved  
23 tracker mechanism, the resulting refunds are being returned to customers and

1 are providing a benefit as a reduction to the Company's rate increases in this  
2 case.

3

4 Q. HOW DOES THE FACT THAT THE TRACKER IS OVER-RECOVERED  
5 AFFECT THE REASONABLENESS OF CONTINUING THE PROPERTY TAX  
6 TRACKER?

7 A. The fact that MERC is refunding the tracker balance and amounts recovered  
8 through property tax appeals demonstrate the tracker is warranted and provides  
9 a reasonable mechanism to ensure recovered amounts are refunded to  
10 customers.

11

12

## V. CONCLUSION

13 Q. DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?

14 A. Yes, it does.

15

**Minnesota Energy Resources Corporation**  
**Summary of Annual**  
**Property Tax Assessments**

Accrual Expense Year	2023	2022	2021
Bill Date (Paid in Dec and May following AY)	2024*	2023*	2022
MN Taxes Paid - Centrally Assessed	\$ 21,151,000	\$ 15,108,000	\$ 10,687,333
(Refund)/Payment			\$ -
MN Taxes Paid - Locally Assessed	\$ 381,700	\$ 347,000	\$ 335,736
Total MN Property Taxes Paid	\$ 21,532,700	\$ 15,455,000	\$ 11,023,069
Imputed Avg Mill Rate - Centrally Assessed	36.94054	36.21622	35.50610
<b>*Proposed Values, Bills Not as yet Received.</b>			
<b>\$ Increase (Decrease)</b>	\$ 6,077,700	\$ 4,431,931	\$ 1,135,387
<b>% Increase</b>	39.3%	40.2%	11.5%
<b>3 Year Average % Increase</b>	30.33%	18.13%	7.43%

Accrual Expense Year	2023 Estimated	2022 Estimated	2021
Bill Date	2024*	2023*	2022
Expense Accrual for MN Per Payments	\$ 21,532,700	\$ 15,455,000	\$ 11,023,069
Kansas Expense Accrual	\$ 531,400	\$ 506,000	\$ 482,000
<b>Total Expense Accrual</b>	<b>\$ 22,064,100</b>	<b>\$ 15,961,000</b>	<b>\$ 11,505,069</b>

**\*Per Assessed Values, Bills Not as yet Received.**

**Minnesota Energy Resources Corporation**  
**Summary of Kansas Annual**  
**Property Tax Assessments**

<b>Accrual Expense Year</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b><u>Bill Date (Paid in December following AY)</u></b>	<b><u>2024*</u></b>	<b><u>2023*</u></b>	<b><u>2022*</u></b>
Assessed Value	\$4,016,797	\$3,825,521	\$3,643,353
Tax Accrual	\$531,367	\$506,064	\$481,965

**\*Per Assessed Values, Bills Not as yet Received.**

	<b>DOR Proposed Valuation</b>	<b>DOR Final Valuation</b>	<b>Forum</b>
<b>AY 2008</b>	\$118,247,871	\$94,732,200	Tax Court
<b>AY 2009</b>	\$112,627,661	\$102,981,800	Tax Court
<b>AY 2010</b>	\$144,628,839	\$131,233,100	Tax Court
<b>AY 2011</b>	\$155,934,300	\$144,747,800	Tax Court
<b>AY 2012</b>	\$161,525,900	\$174,125,500	Tax Court
<b>AY 2013</b>	\$166,471,700	\$156,680,000	Settlement
<b>AY 2014</b>	\$183,754,600	\$183,135,000	Settlement
<b>AY 2015</b>	\$199,201,600	\$195,380,000	Settlement
<b>AY 2016</b>	\$240,579,600	\$191,829,400	Settlement
<b>AY 2017</b>	\$264,015,200	\$203,597,600	Settlement
<b>AY 2018</b>	\$248,411,200	\$235,990,640	Settlement
<b>AY 2019</b>	\$277,143,500	\$260,000,000	Settlement
<b>AY 2020</b>	\$325,905,400	\$278,000,000	Tax Court/Settlement
<b>AY 2021</b>	\$386,829,400	\$301,000,000	Settlement
<b>AY 2022</b>	\$411,447,400	TBD	

<u>Assessment Year</u>	<u>(Refund)/Payment</u>	<u>Interest</u>
2008	(\$780,503)	(\$261,379.49)
2009	(\$324,550)	(\$108,687.23)
2010	(\$467,720)	(\$156,632.86)
2011	(\$420,922)	(\$140,960.86)
2012	\$485,417	\$162,559.33
2013	(\$382,100)	(\$127,959.92)
2014	(\$59,723)	(\$3,880.93)
2015	(\$142,230)	(\$9,242.41)
2016	(\$1,821,628)	(\$118,373.35)
2017	(\$2,340,381)	(\$152,083.05)
2018	\$0	
2019	\$0	
2020	(\$1,670,893)	(\$24,427.00)
2021	\$0	
2022	TBD	



MERC  
Property Tax Tracker Liability Account  
(Credit)/Debit

Minnesota Energy Resources Corporation  
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Year	MN Property Tax Refunds Received	MN Property Tax Expense in Rates	MN Property Tax Expense Actual	True ups to prior year actual taxes	Carry Cost	Total Balance
2008	\$ -	\$ (5,025,200)	\$ 4,108,803	\$ -	\$ -	\$ (916,397)
2009	-	(5,025,200)	3,560,763	-	-	(2,380,834)
2010	-	(5,025,200)	5,062,842	-	-	(2,343,192)
2011	-	(5,358,587)	6,138,313	-	-	(1,563,466)
2012	-	(5,358,578)	6,343,804	-	-	(578,240)
2013	-	(5,358,578)	6,617,131	-	-	680,313
2014	-	(6,939,733)	6,846,097	-	-	586,677
2015	-	(6,939,733)	8,080,751	-	-	1,727,695
2016	-	(8,008,864)	8,657,747	-	-	2,376,578
2017	-	(8,008,864)	10,483,903	-	-	4,851,617
2018	(3,555,304)	(11,100,000)	8,933,000	(130,211)	52,259	(948,638)
2019	(3,615,677)	(11,100,000)	9,803,747	(22,553)	(78,934)	(5,962,055)
2020	-	(11,100,000)	12,180,159	(171,697)	(100,503)	(5,154,096)
2021	(1,638,849)	(11,100,000)	11,323,000	(597,158)	(92,732)	(7,259,835)
2022 (projected)	(56,470)	(11,100,000)	15,455,001	(299,222)	(93,409)	(3,353,936)
	<u>\$ (8,866,301)</u>	<u>\$ (116,548,537)</u>	<u>\$ 123,595,062</u>	<u>\$ (1,220,841)</u>	<u>\$ (313,319)</u>	<u>\$ (3,353,936)</u>