

MERC - Minnesota Rate Base

Line No.	Description	Reference	Historic 01/01/21 - 12/31/21	Adjustments	Projected 01/01/22 - 12/31/22	Adjustments	Proposed 01/01/23 - 12/31/23
1	Energy Plant	IR-2 Schedule 1 Page 2	2,106	138	2,244	109	2,353
2	Transmission Plant	IR-2 Schedule 1 Page 2	7,956	1,006	8,962	1,995	10,957
3	Distribution Plant	IR-2 Schedule 1 Page 2	718,608	55,817	774,426	50,263	824,689
4	Customer Plant	IR-2 Schedule 1 Page 2	11,780	771	12,552	943	13,494
5	Total Plant		<u>740,451</u>	<u>57,732</u>	<u>798,183</u>	<u>53,309</u>	<u>851,493</u>
6	Energy Accumulated Depreciation	IR-2 Schedule 1 Page 2	(476)	(135)	(611)	(88)	(699)
7	Transmission Accumulated Depreciation	IR-2 Schedule 1 Page 2	(3,212)	(154)	(3,366)	(199)	(3,565)
8	Distribution Accumulated Depreciation	IR-2 Schedule 1 Page 2	(221,232)	(14,996)	(236,228)	(16,784)	(253,012)
9	Customer Accumulated Depreciation	IR-2 Schedule 1 Page 2	(2,663)	(754)	(3,417)	(591)	(4,008)
10	Total Accumulated Depreciation		<u>(227,584)</u>	<u>(16,038)</u>	<u>(243,622)</u>	<u>(17,662)</u>	<u>(261,284)</u>
11	Energy Plant Deferred Tax	IR-2 Schedule 1 Page 2	(296)	(34)	(330)	(9)	(339)
12	Transmission Plant Deferred Tax	IR-2 Schedule 1 Page 2	(1,547)	(235)	(1,782)	23	(1,760)
13	Distribution Plant Deferred Tax	IR-2 Schedule 1 Page 2	(99,555)	(13,049)	(112,603)	(4,275)	(116,878)
14	Customer Plant Deferred Tax	IR-2 Schedule 1 Page 2	(1,696)	(197)	(1,893)	(50)	(1,942)
15	Total Plant Deferred Tax		<u>(103,094)</u>	<u>(13,515)</u>	<u>(116,609)</u>	<u>(4,310)</u>	<u>(120,919)</u>
16	Energy CWIP	IR-2 Schedule 1 Page 2	65	23	88	158	246
17	Transmission CWIP	IR-2 Schedule 1 Page 2	2,911	(883)	2,028	(2,026)	1
18	Distribution CWIP	IR-2 Schedule 1 Page 2	10,754	(6,520)	4,234	2,217	6,451
19	Customer CWIP	IR-2 Schedule 1 Page 2	365	126	491	919	1,410
20	Total CWIP		<u>14,095</u>	<u>(7,254)</u>	<u>6,841</u>	<u>1,267</u>	<u>8,108</u>
21	Customer Advances	IR-2 Schedule 1 Page 2	-	-	-	-	-
22	Net Utility Plant		<u>423,868</u>	<u>20,925</u>	<u>444,794</u>	<u>32,604</u>	<u>477,397</u>
23	Materials and Supplies	IR-2 Schedule 1 Page 3	257	11	267	1	268
24	Gas Storage	IR-2 Schedule 1 Page 4	12,759	6,963	19,722	3,282	23,004
25	Prepayments	IR-2 Schedule 1 Page 5	875	130	1,005	(85)	921
26	Deferred Taxes Other than Plant, M&S	IR-2 Schedule 1 Page 6	15,142	2,444	17,586	7,119	24,705
27	Regulatory Assets & Liabilities	IR-2 Schedule 1 Page 7	(34,201)	(433)	(34,634)	(23)	(34,657)
28	Cash Working Capital (Lead Lag)	IR-2 Schedule 1 Page 8	(7,393)	(1,288)	(8,682)	(506)	(9,187)
28	Sub-Total		<u>(12,561)</u>	<u>7,826</u>	<u>(4,735)</u>	<u>9,788</u>	<u>5,053</u>
29	Total Minnesota Rate Base		<u>411,307</u>	<u>28,751</u>	<u>440,058</u>	<u>42,392</u>	<u>482,450</u>

Line No.	Description	Reference	Historic 01/01/21 - 12/31/21	Adjustments	Projected 01/01/22 - 12/31/22	Adjustments	Proposed 01/01/23 - 12/31/23
1	Minnesota Production Plant		2,106	138	2,244	109	2,353
2	Minnesota Transmission Plant		7,956	1,006	8,962	1,995	10,957
3	Minnesota Distribution Plant		718,608	55,817	774,426	50,263	824,689
4	Minnesota Customer Plant		11,780	771	12,552	943	13,494
5	Minnesota Total Plant		740,451	57,732	798,183	53,309	851,493
6	Michigan Production Plant		-	-	-	-	-
7	Michigan Transmission Plant		860	29	889	227	1,116
8	Michigan Distribution Plant		-	-	-	-	-
9	Michigan Customer Plant		0	0	0	0	0
10	Michigan Total Plant		860	29	889	227	1,116
11	Production Plant		2,106	138	2,244	109	2,353
12	Transmission Plant		8,816	1,036	9,851	2,221	12,073
13	Distribution Plant		718,608	55,817	774,426	50,263	824,689
14	Customer Plant		11,781	771	12,552	943	13,494
15	Total Plant		741,311	57,762	799,073	53,536	852,609
16	Minnesota Production Accumulated Depreciation		(476)	(135)	(611)	(88)	(699)
17	Minnesota Transmission Accumulated Depreciation		(3,212)	(154)	(3,366)	(199)	(3,565)
18	Minnesota Distribution Accumulated Depreciation		(221,232)	(14,996)	(236,228)	(16,784)	(253,012)
19	Minnesota Customer Accumulated Depreciation		(2,663)	(754)	(3,417)	(591)	(4,008)
20	Minnesota Total Accumulated Depreciation		(227,584)	(16,038)	(243,622)	(17,662)	(261,284)
21	Michigan Production Accumulated Depreciation		-	-	-	-	-
22	Michigan Transmission Accumulated Depreciation		(347)	13	(334)	(29)	(363)
23	Michigan Distribution Accumulated Depreciation		-	-	-	-	-
24	Michigan Customer Accumulated Depreciation		(0)	(0)	(0)	(0)	(0)
25	Michigan Total Accumulated Depreciation		(347)	13	(334)	(29)	(363)
26	Production Accumulated Depreciation		(476)	(135)	(611)	(88)	(699)
27	Transmission Accumulated Depreciation		(3,559)	(141)	(3,700)	(228)	(3,928)
28	Distribution Accumulated Depreciation		(221,232)	(14,996)	(236,228)	(16,784)	(253,012)
29	Customer Accumulated Depreciation		(2,663)	(754)	(3,417)	(591)	(4,008)
30	Total Accumulated Depreciation		(227,931)	(16,025)	(243,956)	(17,692)	(261,647)
31	Minnesota Production Plant Deferred Tax		(296)	(34)	(330)	(9)	(339)
32	Minnesota Transmission Plant Deferred Tax		(1,547)	(235)	(1,782)	23	(1,760)
33	Minnesota Distribution Plant Deferred Tax		(99,555)	(13,049)	(112,603)	(4,275)	(116,878)
34	Minnesota Customer Plant Deferred Tax		(1,696)	(197)	(1,893)	(50)	(1,942)
35	Minnesota Plant Deferred Tax		(103,094)	(13,515)	(116,609)	(4,310)	(120,919)
36	Michigan Production Plant Deferred Tax		-	-	-	-	-
37	Michigan Transmission Plant Deferred Tax		(167)	(10)	(177)	(2)	(179)
38	Michigan Distribution Plant Deferred Tax		-	-	-	-	-
39	Michigan Customer Plant Deferred Tax		(0)	(0)	(0)	(0)	(0)
40	Michigan Plant Deferred Tax		(167)	(10)	(177)	(2)	(179)
41	Production Plant Deferred Tax		(296)	(34)	(330)	(9)	(339)
42	Transmission Plant Deferred Tax		(1,715)	(245)	(1,959)	20	(1,939)
43	Distribution Plant Deferred Tax		(99,555)	(13,049)	(112,603)	(4,275)	(116,878)
44	Customer Plant Deferred Tax		(1,696)	(197)	(1,893)	(50)	(1,942)
45	Total Plant Deferred Tax		(103,261)	(13,525)	(116,786)	(4,313)	(121,099)
46	Minnesota Production CWIP		65	23	88	158	246
47	Minnesota Transmission CWIP		2,911	(883)	2,028	(2,026)	1
48	Minnesota Distribution CWIP		10,754	(6,520)	4,234	2,217	6,451
49	Minnesota Customer Accumulated CWIP		365	126	491	919	1,410
50	Minnesota CWIP		14,095	(7,254)	6,841	1,267	8,108
51	Michigan Production CWIP		-	-	-	-	-
52	Michigan Transmission CWIP		315	(113)	201	(201)	0
53	Michigan Distribution CWIP		-	-	-	-	-
54	Michigan Customer Accumulated CWIP		0	0	0	0	0
55	Michigan CWIP		315	(113)	201	(201)	0
56	Production CWIP		65	23	88	158	246
57	Transmission CWIP		3,225	(997)	2,229	(2,227)	1
58	Distribution CWIP		10,754	(6,520)	4,234	2,217	6,451
59	Customer Accumulated CWIP		365	126	491	919	1,410
60	Total CWIP		14,409	(7,367)	7,042	1,066	8,108
61	Minnesota Customer Advances for Construction		-	-	-	-	-
62	Michigan Customer Advances for Construction		-	-	-	-	-
63	Net Utility Plant		424,528	20,845	445,373	32,598	477,971
64	MERC-Minnesota		423,868	20,925	444,794	32,604	477,397
65	MERC-Michigan		660	(80)	580	(6)	574

Line No.	Description	Reference	Historic 01/01/21 - 12/31/21	Adjustments	Projected 01/01/22 - 12/31/22	Adjustments	Proposed 01/01/23 - 12/31/23
1	154 Plant Materials and Operations Supplies		257	11	267	1	268
2	Total Materials and Supplies		<u>257</u>	<u>11</u>	<u>267</u>	<u>1</u>	<u>268</u>
3	Allocated to Minnesota based on Distribution Plant	IR-9 Schedule 1 Page 2	257		267		268
4	Allocated to Michigan	IR-9 Schedule 1 Page 2	-		-		-

Line No.	Description	Reference	Historic 01/01/21 - 12/31/21	Adjustments	Projected 01/01/22 - 12/31/22	Adjustments	Proposed 01/01/23 - 12/31/23
1	164 Gas Storage		12,759	6,963	19,722	3,282	23,004
2	Allocated to Minnesota based on System Sales	IR-9 Schedule 1 Page 1	12,759		19,722		23,004
3	Allocated to Michigan based on System Sales	IR-9 Schedule 1 Page 1	-		-		-

Line No.	Description	Reference	Historic 01/01/21 - 12/31/21	Adjustments	Projected 01/01/22 - 12/31/22	Adjustments	Proposed 01/01/23 - 12/31/23
1	165 Prepayments		876	130	1,006	(85)	922
2	Total Prepayments		<u>876</u>	<u>130</u>	<u>1,006</u>	<u>(85)</u>	<u>922</u>
3	MERC - Minnesota based on Rate Base						
4	Production	IR-9 Schedule 1 Page 3	40		62		45
5	Transmission	IR-9 Schedule 1 Page 3	11		10		10
6	Distribution	IR-9 Schedule 1 Page 3	809		916		849
7	Customer	IR-9 Schedule 1 Page 3	15		17		16
8	Total MERC - Minnesota		<u>875</u>		<u>1,005</u>		<u>921</u>
9	MERC - Michigan Based on Rate Base						
10	Production	IR-9 Schedule 1 Page 3	-		-		-
11	Transmission	IR-9 Schedule 1 Page 3	1		1		1
12	Distribution	IR-9 Schedule 1 Page 3	-		-		-
13	Customer	IR-9 Schedule 1 Page 3	0		0		0
14	Total MERC - Michigan		<u>1</u>		<u>1</u>		<u>1</u>

Line No.	Description	Reference	Historic 01/01/21 - 12/31/21	Adjustments	Projected 01/01/22 - 12/31/22	Adjustments	Proposed 01/01/23 - 12/31/23
1	Deferred Income Tax Asset - Other		9,388	2,543	11,930	89	12,019
2	Section 311 (b) Deferred Tax Asset		30	(10)	20	(1)	19
3	Deferred Income Tax Asset - FAS 109		10,405	(292)	10,112	(31)	10,081
4	FAS109, FAS133 and Other Def Tax Liability exclude:		(40,365)	(340)	(40,705)	7,073	(33,632)
5	Goodwill Related Deferred Tax (credit balance)		35,706	540	36,246	-	36,246
6	Deferred Taxes Other than Plant, M&S		<u>15,162</u>	<u>2,441</u>	<u>17,603</u>	<u>7,130</u>	<u>24,733</u>
7	MERC - Minnesota based on Rate Base						
8	Production	IR-9 Schedule 1 Page 3	690		1,091		1,212
9	Transmission	IR-9 Schedule 1 Page 3	188		170		278
10	Distribution	IR-9 Schedule 1 Page 3	13,995		16,024		22,773
11	Customer	IR-9 Schedule 1 Page 3	268		301		442
12	MERC - Minnesota Allocation of Def Taxes Other		15,142		17,586		24,705
13	MERC - Michigan Based on Rate Base						
14	Production	IR-9 Schedule 1 Page 3	-		-		-
15	Transmission	IR-9 Schedule 1 Page 3	20		17		28
16	Distribution	IR-9 Schedule 1 Page 3	-		-		-
17	Customer	IR-9 Schedule 1 Page 3	0		0		0
18	MERC - Michigan Allocation of Def Taxes Other		20		17		28

Line No.	Description	Reference	Historic 01/01/21 - 12/31/21	Adjustments	Projected 01/01/22 - 12/31/22	Adjustments	Proposed 01/01/23 - 12/31/23
1	Reg Asset - Farm Taps (182023171)		640	114	754	(168)	586
1	Reg Asset - Purch Acctg - PEC Merger & Aquila (182024158)		2,978	(596)	2,383	(596)	1,787
1	Reg Liability - TR - Remeasure (P) (254024083 & 254024084)		(24,381)	118	(24,263)	132	(24,131)
1	Reg Liability - TR - Remeasure - (U) (254024040 & 254024042)		(7,306)	968	(6,338)	632	(5,706)
1	Reg Liability - TR - Remeasure (U) non-ARAM (254024082)		(4,514)	58	(4,456)	104	(4,352)
1	Reg Liability - Def Rev LT Rate Case (254423012)		(1,631)	(1,087)	(2,718)	(136)	(2,854)
1	Reg Liability - Def Tax - Health Care Leg (254021062)		(34)	5	(30)	3	(26)
1	Total Regulatory Assets and Liabilities		(34,247)	(420)	(34,667)	(29)	(34,696)
2	MERC - Minnesota based on Rate Base						
3	Production	IR-9 Schedule 1 Page 3	(1,559)		(2,149)		(1,700)
4	Transmission	IR-9 Schedule 1 Page 3	(426)		(334)		(390)
5	Distribution	IR-9 Schedule 1 Page 3	(31,612)		(31,559)		(31,947)
6	Customer	IR-9 Schedule 1 Page 3	(605)		(592)		(620)
7	Total MERC - Minnesota		(34,201)		(34,634)		(34,657)
8	MERC - Michigan Based on Rate Base						
9	Production	IR-9 Schedule 1 Page 3	-		-		-
10	Transmission	IR-9 Schedule 1 Page 3	(46)		(33)		(40)
11	Distribution	IR-9 Schedule 1 Page 3	-		-		-
12	Customer	IR-9 Schedule 1 Page 3	(0)		(0)		(0)
13	Total MERC - Michigan		(46)		(33)		(40)

2021 & 2021 Estimates of Cash Working Capital - Minnesota

In lieu of completing a detailed lead-lag study for each of these time periods, the Company presents the following estimates of cash from operating expenses / Cash Working Capital.

	Reference	Amount	Minnesota based on Rate Base					Michigan based on Rate Base					
			Production	Transmission	Distribution	Customer	Total Minnesota	Production	Transmission	Distribution	Customer	Total Michigan	Total Company
Test Year 2023 Cash Working Capital divided by	Lead/Lag, IR No. 9 Page 3	(9,187)	(450)	(114)	(8,459)	(164)	(9,187)	(1)	(0)	(10)	(0)	(11)	(9,198)
Test Year Operating Expenses	IR-5 Summary Income	402,961											
Cash Working Capital % to Operating Expense		-2.2799%											
2022 Operating Expenses	IR-5 Summary Income	380,786											
x TY2023 Cash Working Capital % to Operating Expense		(8,682)	(538)	(92)	(7,903)	(148)	(8,682)	(1)	(0)	(8)	(0)	(8)	(8,690)
2021 Operating Expenses	IR-5 Summary Income	324,284											
x TY2023 Cash Working Capital % to Operating Expense		(7,393)	(337)	(102)	(6,824)	(131)	(7,393)	(0)	(0)	(9)	(0)	(10)	(7,403)

**Minnesota Energy Resources Corporation
Rate Base Variance Explanations**

	2023 Proposed Less 2021 Historical	
Net Utility Plant	53,443	This increase in rate base is related to \$110 million of projected capital spending in 2022 and 2023. Depreciation was calculated using the rates approved in Docket No. G011/D-22-261 MERC's 2022 Five-Year Review of Depreciation Certification.
Gas Storage	10,245	The 2023 proposed test year is based off of the sales forecast identified in the Direct Testimony and Exhibits of Jared Pecarrelli, and uses a NYMEX date of July 21, 2022 for the cost of gas.
Deferred Taxes Other than Plant, M&S	9,571	Non-Plant Deferred Taxes are forecasted to increase due to related deferral account activity.
Reg A/L	(450)	Regulatory Assets and Liabilities decrease due to the small amount of assets included amortizing at a rate faster than the liabilities.
Working Capital	(1,794)	Working Capital in the proposed test year was adjusted based on the Lead/Lag Study included in the the Testimony and Exhibits of Joylyn Hoffman Malueg.