

## **Minnesota Energy Resources Corporation**

### **Summary of Planning Assumptions and Approaches - Rate Base**

The following is a summary of the assumptions and approaches used in determining each rate base component for the proposed test year of Minnesota Energy Resources Corporation (“MERC” or “the Company”). All assumptions made and approaches used in determining MERC’s rate base components result in projected changes from the historical test year, and were projected out using March 31, 2022 ending balances as the starting point for the projections.

Rate base includes net plant, construction work in progress, accumulated deferred income taxes, cash working capital, storage gas, materials and supplies, prepayments, deferred taxes other than plant and materials and supplies, regulatory assets, and regulatory liabilities.

Each rate base component is calculated using a thirteen-month average from the December 31, 2022 forecasted balance through the forecasted December 31, 2023 ending balance. A simple average of the thirteen month end values from Dec 2022 to Dec 2023 was used to calculate the 13-month average.

Net plant and construction work in progress were forecasted as required to maintain a safe and reliable gas distribution system, in addition to the

investment required to meet anticipated customer growth. The process used to forecast net plant is described in the Direct Testimony of Joseph Zgonc, and MERC's forecasted projects are provided in Exhibit\_(JLZ-D), Schedule 02. As discussed in the Direct Testimony of Joseph Zgonc, Accumulated Depreciation was calculated off of this forecast using the depreciation rates approved in Docket No. G011/D-22-261.

Working capital was calculated using a lead/lag study that is discussed in Section V of the Direct Testimony of Joylyn Hoffman-Malueg.

Regulatory assets, liabilities, prepayments, and materials and supplies were forecasted based on historical trends and future expectations of these accounts.

Gas Storage was forecasted based on July 21, 2022 NYMEX prices, the sales forecast as discussed in the Direct Testimony of Jared Peccarelli, and is consistent with the Company's filing in Docket No. G011/MR-22-505.

Deferred taxes were calculated based on the 2023 proposed test year balance sheet and income statement.