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January 22, 2021

VIA ELECTRONIC FILING

Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101-2147

Re: Reply Comments of Minnesota Energy Resources Corporation

In the Matter of the Petition of Minnesota Energy Resources Corporation for
Approval of Natural Gas Extension Project (NGEP) Rider True-Up for 2019,
Rider Revenue Deficiency for 2021, and Revised Surcharge Factors
Docket No. G011/M-20-420

Dear Mr. Seuffert:

On April 13, 2020, Minnesota Energy Resources Corporation ("MERC" or the "Company") filed a Petition with the Minnesota Public Utilities Commission (the "Commission") requesting approval to recover a portion of the Company's 2021 Rochester Natural Gas Extension Project ("Rochester Project") costs through MERC's Natural Gas Extension Project ("NGEP") rider, adjusted to account for the 2019 NGEP true-up and for differences between the 2018 actual Rochester Project capital expenditures and MERC's capital estimates used in Docket No. G011/GR-17-563 in accordance with the Commission's order in that docket, through updated NGEP Rider surcharge rates effective January 1, 2021.

On January 8, 2021, the Minnesota Department of Commerce, Division of Energy Resources (the "Department") filed Comments addressing the Company's Petition. In its Comments, the Department recommends that the Commission allow MERC to implement an NGEP rider surcharge effective for service rendered beginning with the first billing month after the Commission's final order with modifications, and requests that the Company provide additional information in Reply Comments related to (1) estimated Rochester Project area specific property tax data, (2) the Company's calculation of offsetting revenues and weather-normalized sales, and (3) updated NGEP rider surcharge rates based on weather-normalized 2019 sales or the most recent weather normalized calendar year data available.¹

MERC thanks the Department for its review and comments and submits these Reply Comments to respond to the Department's recommendations and requests for additional information.

¹ Department Comments at 28.

1. Department Adjustments to 2021 NGEPRider Recovery Proposal

As discussed in the Department's Comments, MERC filed its 2021 NGEPRider Petition in this docket in April 2020, approximately five months before the Commission issued its Order on the Company's 2020 NGEPRider in Docket No. G011/M-19-608 on September 21, 2020. As a result, MERC's Petition did not incorporate the Commission's final determinations from Docket No. G011/M-19-608. In response to Department Information Request No. 1,² the Company provided updated data and NGEPRider surcharge rate calculations based on the Commission's decisions in Docket No. G011/M-19-608. In its Comments, the Department recommends a number of adjustments based on the Commission's September 21, 2020 Order, which the Company incorporated in response to discovery and which are discussed below. Additionally, the Department recommends additional adjustments to reduce MERC's 2021 NGEPRider eligible revenue deficiency. The Company responds to these recommended adjustments below.

A. Property Taxes – Rate Base Adjustment and Rochester Project-Specific True-Up

First, the Department proposes that MERC reduce its NGEPRider rate base for property taxes to reflect the lag between when 2021 NGEPRider rates are collected and when 2021 property taxes will be paid. While MERC continues to believe such rate base reduction is not appropriate in the context of the NGEPRider where the Company is only recovering 33 percent of its annual revenue requirements over 12 months and where the NGEPRider surcharge rates are not being implemented until well into each forecast year,³ MERC accepts the adjustment as consistent with the Commission's September 21, 2020, Order in Docket No. G011/M-19-608. This adjustment was reflected in MERC's response to Department Information Request No. 1⁴ and results in a reduction to 2021 forecasted rate base of \$597,394 and a reduction to the NGEPRider-eligible revenue requirement of \$18,510.

Additionally, the Department requests that the Company provide updated specific Rochester Project property tax information and corresponding updated NGEPRider surcharge values, consistent with the Commission's September 21, 2020, Order,⁵ which required that MERC include an estimate of property taxes for the specific area of the Rochester Project in its next NGEPRider petition.⁶

As reflected in MERC's response to Department Information Request No. 1, MERC revised its 2019 NGEPRider true-up model in accordance with the Commission's Order in Docket No. G011/M-19-608, to calculate project area-specific property tax for 2019, based on conversations with the Department.⁷ MERC developed this 2019 Rochester Project-specific property tax expense

² See Department Comments at 12, Attachment 2.

³ For example, MERC's 2020 NGEPRider surcharge rates were not implemented until November 2020.

⁴ Included as Attachment A to these Reply Comments.

⁵ Department Comments at 12.

⁶ *In the Matter of Minn. Energy Res. Corp.'s 2020 Rochester Nat. Gas Extension Project Rider*, Docket No. G011/M-19-608, ORDER APPROVING NGEPRIDER SURCHARGE WITH MODIFICATIONS at 9 (Sept. 21, 2020).

⁷ See Attachment A to these Reply Comments.

calculation for 2019 property taxes through the following steps, as shown in Attachment B to these Reply Comments:

1. First, MERC identified the specific parcels where Rochester Project upgrades were placed into service through December 31, 2018 (the period for which 2019 property taxes are assessed). As shown in Attachment B to these Reply Comments, two parcels (99.17.02.900137 in Salem and 99.09.03.900103 in Marion) had Rochester Project upgrades through December 31, 2018.
2. Second, MERC identified the total cost of Rochester Project upgrades for each parcel identified in step 1 above.
3. Third, MERC identified the total cost of all utility property in service on each of the identified parcels as of December 31, 2018.
4. Fourth, MERC calculated the percentage of total property attributable to the Rochester Project upgrades for each parcel.
5. Fifth, MERC applied the relevant percentage calculated in step 4 to the total tax bill for each respective parcel to arrive at the Rochester Project-specific property tax for that parcel.
6. Finally, MERC combined the Rochester Project-specific property tax calculated in step 5 for each parcel to determine the total estimated Rochester Project-specific tax. As shown in Attachment B, this yields the 2019 Rochester Project-specific property tax of \$129,522.

As reflected in Attachment A to these Reply Comments, this update results in actual 2019 incremental property tax expense of \$115,522.⁸

To forecast 2021 Rochester Project-specific property tax expense,⁹ MERC has estimated the value of the Rochester Project property based on its forecasted costs and the projected net operating income related to the Rochester Project through 2020.¹⁰ This process effectively values the Rochester Project property as if it were its own standalone utility, although the property will ultimately be valued as part of MERC's overall system. This forecasting methodology provides estimated Rochester Project area-specific property taxes for 2021. The Company will true-up 2021 property taxes with the 2021 NGEP rider true-up to be filed in 2022 based on the process discussed above.¹¹

⁸ This is a reduction of \$65,750 in property tax expense from MERC's Initial Petition true-up filing, which reduces the 2019 true-up adjustment by \$21,694. MERC reflected this update to Rochester Project-specific property taxes in its response to Department Information Request No. 1, along with other updates as discussed in that response, to reflect the Commission's determinations in its September 21, 2020, Order in Docket No. G011/M-19-608.

⁹ 2021 property taxes payable in 2022 based on 2020 assessed values.

¹⁰ MERC Petition at 33.

¹¹ The true-up calculation can only be completed once MERC has an actual tax bill for the parcels where the property is located.

B. Legal Regulatory Costs

As discussed in the Company's Petition, consistent with Minn. Stat. § 216B.1638 (the "NGEP Statute"), which authorizes rider recovery for any incremental operations and maintenance ("O&M") costs, MERC included a portion of its actual incremental 2019 O&M expense associated with the Rochester Project NGEP rider in the true-up reconciliation. The included incremental O&M expense is related to outside legal regulatory costs for filings, regulatory proceedings, discovery, and approval of MERC's 2019 NGEP rider in Docket No. G011/M-18-182. As explained in the Company's Petition, inclusion of a portion of outside regulatory expense associated with the NGEP rider proceedings in the true-up reconciliation is reasonable and consistent with the NGEP Statute, as these costs are incremental, are not currently being recovered in the Company's base rates approved in Docket No. G011/GR-17-563, and are based on the actual O&M expense incurred related to the NGEP rider. MERC also included a portion of forecasted incremental O&M expense based on the amount of actual incremental O&M expense related to the 2019 rider filing and regulatory proceeding and will account for differences in the actual incremental 2021 O&M through the annual true-up reconciliation.

The Department objects to MERC's proposed recovery of a portion of its incremental legal regulatory costs, arguing that "[a]lthough MERC may not explicitly include these costs in O&M base rates, the Company's claim that these are incremental costs is not valid."¹² The Department focuses its conclusion on the fact that the legal regulatory costs related to the NGEP rider were not unforeseen at the time rates were set in the Company's last general rate case (Docket No. G011/GR-17-563).

Contrary to the Department's objections, the legal regulatory costs proposed for recovery through the Company's NGEP rider are incremental, are based on actual costs incurred by the Company, and are reasonable and prudently incurred. And while the foreseeability of such costs at the time of MERC's last rate case would not alter the conclusion that these costs are incremental, MERC also responds that these costs were not, in fact, foreseeable at the time the Company filed its last rate case in Docket No. G011/GR-17-563.

The NGEP Statute is clear – the revenue deficiency for a natural gas extension project recovered through a rider *must include* "the currently authorized rate of return, incremental income taxes, incremental property taxes, incremental depreciation expenses, *and any incremental operation and maintenance costs*."¹³ The question for the Commission therefore is whether the proposed O&M expense is incremental, which MERC has demonstrated that it is. The Department's focus on whether the legal regulatory costs associated with the NGEP Rider were *foreseen* at the time of MERC's last rate case is a red herring.¹⁴ The fact that MERC theoretically could have proposed a known and measurable adjustment to its O&M expense in its last rate case based on plans to file NGEP rider petitions is irrelevant since the Company did not include such an adjustment. Instead, MERC's authorized O&M included for recovery in

¹² Department Comments at 14.

¹³ Minn. Stat. § 216B.1638, subd. 3(d) (emphasis added).

¹⁴ Department Comments at 14 ("[The Commission's May 5, 2017 Order in Docket No. G011/M-15-895] issued approximately five months before the company filed its 2017 general rate case; as such, MERC had ample time to incorporate these legal and regulatory costs into base rates if the Company believed they would be unusual or extraordinary.").

current base rates was set, as proposed by the Department, based on actual 2017 O&M expense.¹⁵ Further, even if the Company was aware that it would file annual NGEP rider petitions, MERC did not and could not have known the level of complexity of such filings and therefore could not have forecasted the legal regulatory expense that would be incurred. Thus, while the foreseeability of these incremental costs at the time of MERC's last rate case filing is not relevant to the question of whether they are recoverable, the Department's premise that these costs were foreseeable is also not accurate.¹⁶

As explained in MERC's initial Petition, "[t]he incremental O&M costs that MERC has included in its true-up reconciliation were not included in the Company's last rate case test year expense, nor would these types of expenses be included in MERC's O&M expense in current rates."¹⁷ In its past rate cases, MERC has included costs related to legal expense and agency assessments for routine regulatory filings but has not included any adjustment for unique filings like the NGEP rider. As the Department recognizes in its Comments, MERC submitted its first request for NGEP rider recovery in Docket No. G011/M-18-182 on February 28, 2018;¹⁸ as such, the legal regulatory costs associated with the NGEP rider were not included in 2017 O&M and are therefore not included in current base rates. Further, MERC's 2019 NGEP rider filed in February 2018 was not approved until June 2019, sixteen months after the Company's initial filing – the Department's suggestion that such a proceeding is similar to the Company's routine regulatory filings is unsupported.

The Department also argues that recovery of a portion of incremental legal regulatory costs as proposed should be disallowed on the basis that the legal and regulatory fees associated with the 2019 NGEP rider filing are likely associated with "litigating an issue that was decided in a previous regulatory docket."¹⁹ The Department's suggestion that the legal regulatory costs that were incurred are unreasonable or imprudent is also unsupported.

The Department appears to suggest that a "significant amount" of the legal regulatory costs were incurred to support MERC's position in Docket No. G011/M-18-182 that the 33 percent statutory cap on recovery applied to the overall costs of the natural gas project, rather than the annual revenue requirement as recommended by the Department. The Department further suggests that because the Commission ultimately adopted the Department's interpretation, the Company's arguments were inappropriate and as such, any costs incurred in making those arguments are imprudent. This conclusion is contrary to the language of the Commission's decision in Docket No. G011/M-18-182, which reflects the Commission's agreement with the Company that the NGEP Statute is ambiguous, and also reflects a conclusion that MERC's proposed interpretation of that statute was reasonable; however, the Department's interpretation

¹⁵ *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-17-563, FINDINGS OF FACT, CONCLUSIONS, AND ORDER at 7-8 (Dec. 26, 2018).

¹⁶ The fact that MERC could foresee some level of costs would be incurred does not equate to knowing what specific costs would be.

¹⁷ MERC Petition at 34.

¹⁸ See Department Comments at 2.

¹⁹ See Department Comments at 14.

was found to be more reasonable. As reflected in the Commission's June 18, 2019, Order Approving NGEP Rider Surcharge with Modifications,

*After hearing the arguments of the parties on rider recovery under the NGEP statute, the Commission agrees that the NGEP statute is ambiguous. However, after weighing the two interpretations of the statute, the Commission concludes that the Department's legal interpretation of the NGEP statute is more reasonable, and will result in more just and reasonable rates for ratepayers.*²⁰

While MERC recognizes that the Commission adopted the Department's interpretation of the NGEP Statute in Docket No. G011/M-18-182, the Company's positions in that proceeding were not frivolous, unreasonable, or unsupported. Rather, MERC provided practical support for its interpretation of the statutory cap as consistent with the language of the NGEP Statute and the Commission's Order in Docket No. G011/M-15-895.²¹

Finally, the Department's contention that allowing recovery of legal regulatory costs as proposed by the Company would incent utilities to make "inappropriate or superfluous regulatory filings in the hopes of receiving future cost recovery"²² is illogical. First, the incremental legal regulatory costs proposed for inclusion in the 2019 rider true-up reflect a portion of the actual costs that the Company incurred for outside counsel expense. Similarly, the forecasted incremental O&M proposed for recovery in the 2021 NGEP rider is based on actual costs incurred with respect to MERC's previous NGEP rider and will be subject to true up based on actual costs in 2021. The Department's suggestion that the Company would have any opportunity to obtain a windfall by being allowed to recover a portion of its actual incurred and legitimate costs is simply unsupported. Further, under the Company's proposal and consistent with the Commission's prior decisions, MERC will not recover the full amount of its actually incurred legal regulatory costs, let alone anything over and above such actual costs. Rather, the Company will recover only 33 percent of the actual incremental O&M costs incurred. This is equal to \$13,408 of the \$40,632 in incremental legal regulatory costs that were actually incurred in 2019 and forecasted for 2021. The Department's suggestion that the Company would over-recover by being allowed to recover only a portion of the actual costs incurred is irrational. Further, because these costs are O&M expense, to the extent they are incurred outside of a rate case test year, the Company will not have any opportunity to recover the remaining 67 percent through future base rates or any other mechanism.

²⁰ *In the Matter of the Petition of Minn. Energy Res. Corp. for Approval of a Nat. Gas Extension Project (NGEP) Cost Rider Surcharge for the Recovery of 2019 Rochester Project Costs*, Docket No. G011/M-18-182, ORDER APPROVING NGEP RIDER SURCHARGE WITH MODIFICATIONS at 6 (June 18, 2019) (emphasis added).

²¹ *In the Matter of the Petition of Minn. Energy Res. Corp. for Approval of a Nat. Gas Extension Project (NGEP) Cost Rider Surcharge for the Recovery of 2019 Rochester Project Costs*, Docket No. G011/M-18-182, MERC REPLY COMMENTS at 2-3 (June 8, 2018) (discussing specific language from the Commission's Order Approving Rochester Project and Granting Rider Recovery with Conditions in Docket No. G011/M-15-895).

²² Department Comments at 14.

MERC continues to support recovery of 33 percent of its actual incremental O&M expense incurred in 2019 through the 2019 NGEF rider true-up, as well as recovery of 33 percent of forecasted 2021 legal regulatory costs subject to future true up as reasonable and consistent with the NGEF Statute.

C. *Offsetting Revenues*

As discussed in MERC's Petition,

Sales growth through 2018 was already recognized in the 2018 rate case. However, MERC expects to recognize additional incremental sales growth in the Rochester area, as reflected in MERC's forecast in Docket No. G011/M-15-895. Additional 2021 margin revenues of approximately \$811,877 are forecast to be realized as a result of the Rochester area sales growth for the period 2019 through 2021.²³ Therefore, MERC subtracted the incremental revenue from the 2021 costs, leaving a revenue deficiency of \$3,023,928 for 2021.²⁴

Additionally, MERC calculated actual incremental sales and margin growth in the Rochester area in 2019 to determine the 2019 true-up reconciliation associated with offsetting revenues. In particular, MERC calculated the difference between the approved 2018 Rochester area sales consistent with the sales forecast submitted in Docket No. G011/M-15-895 and actual 2019 weather-normalized sales in the Rochester Project area to determine the incremental sales growth and associated offsetting revenues collected in 2019.

While MERC experienced sales growth in customer counts in 2019 as well as an overall increase in sales volumes in the Rochester area, actual sales revenues for 2019 were lower than 2018 baseline revenues. Overall Residential sales volumes and associated use per customer in 2019 was lower than the 2018 forecasted level, resulting in lower Residential sales margin revenues. Additionally, 2019 Firm Class 1 customer counts, sales, and use per customer were lower than the 2018 forecasted level, resulting in lower margin revenues. In total, the difference between the 2018 forecasted Rochester area revenues and actual margin revenues was a reduction in revenues of \$318,548.²⁵

In response to Department inquiries during discovery, MERC provided extensive discussion and details regarding the Company's calculation of offsetting revenues for both the 2021 NGEF forecast and the 2019 true-up.²⁶ This discussion included detailed explanation regarding the change in presentation for MERC's offsetting revenue calculations as between the Company's 2020 NGEF rider filing in Docket No. G011/M-19-608 and this docket, which was driven by

²³ Based on actual 2019 sales and forecasted 2020 and 2021 sales growth.

²⁴ MERC Petition at 18-19.

²⁵ MERC Petition at 37-38.

²⁶ See Department Comments at Attachment 7 (MERC's Response to Department Information Request No. 5).

MERC's implementation of new customer rate classes effective July 1, 2019, as approved in the Company's rate case in Docket No. G011/GR-17-563.

In its Comments, the Department acknowledged that this additional information was helpful in understanding the Company's rationale for presenting a new method for offsetting revenues but identified questions and concerns. These were with respect to (1) MERC's use of 15-year data in its 2020 NGEP filing, (2) differences in the offsetting revenues between MERC's approved 2020 NGEP rider and this filing, and (3) MERC's weather normalization methodology.²⁷ MERC addresses each Department concern and request for information below.

i. Weather Normalized Sales Data

The Department, in its Comments, states that it agrees with the Company's decision in this docket to use weather-normalized sales based on 20-year weather data.²⁸ However, the Department expresses concern that the Company utilized 15-year data in its previously-approved 2020 NGEP rider filing, as the use of 15-year data to weather normalize sales in that docket resulted in an inconsistency between base sales and adjusted actual sales used to forecast offsetting revenues. The Department requests that the Company address this issue and the calculation of offsetting revenues included in its 2020 NGEP rider surcharge in reply comments.²⁹

As a preliminary matter, MERC notes that the Department's concern regarding the Company's prior use of a 15-year weather normalization assumption in the 2020 NGEP docket has no impact on the 2021 revenue requirement or the 2019 true-up as proposed in this docket. While the Company agrees with the Department that use of a 20-year weather normalization assumption is more appropriate for the offsetting revenue calculation, the use of the 15-year weather data for the 2020 NGEP rider has no impact on this docket, as the Company has used 20-year data to weather normalize sales in this docket.

In MERC's 2020 NGEP rider in Docket No. G011/M-19-608, in response to discovery, MERC provided an updated calculation of \$626,362 in offsetting revenues to reflect two years of forecasted Rochester area sales growth based on actual weather-normalized sales through September 2019 and forecasted sales through December 2019. As explained in MERC's supplemental response to Department Information Request No. 5,³⁰ this updated offsetting revenue amount was inadvertently calculated based on a 15-year rather than 20-year normal weather variable.

When conducting the offsetting revenues calculation for the 2021 NGEP rider, this assumption was updated to utilize a 20-year weather normalization average period. This reflects an apples-to-apples comparison of the weather normalized actual data to the weather normalized forecasted data within the offsetting revenues calculation, as the 2018 baseline weather

²⁷ Department Comments at 20-22.

²⁸ Department Comments at 20.

²⁹ Department Comments at 20.

³⁰ See Department Comments at Attachment 7, page 6.

normalized forecasted data comes from the sales forecast approved in Docket No. G011/M-15-895, which used a 20-year weather normalization assumption.

Ultimately, the impact of MERC's use of a 15-year rather than 20-year weather normalization assumption in the 2020 calculation is nominal and will be accounted for through the 2020 true-up to be filed in 2021. If the weather-normalized sales had been calculated using 20-year normal weather rather than 15-year data, the forecasted offsetting revenue calculation would have been \$625,493 or \$869 lower than the forecasted offsetting revenues that were used to set 2020 NGEPR rider surcharge rates.

Because the forecasted offsetting revenues used to set 2020 NGEPR rider surcharge rates were higher than under the 20-year normal weather assumption, ratepayers are not being overcharged. Further, because 2020 NGEPR rider surcharge rates were not implemented until November 2020, MERC likely will have under-recovered its actual NGEPR-rider eligible costs in 2020. Finally, as explained in MERC's Petition in this docket, actual Rochester area revenues declined rather than increased in 2019 – in total, the difference between the 2018 forecasted Rochester area revenues and actual 2019 margin revenues was a reduction in revenues of \$318,548.³¹ As a result, under current 2020 NGEPR rider surcharge rates, customers are being charged lower NGEPR surcharge rates based on a higher level of forecasted offsetting revenues.

These impacts can and should appropriately be addressed in the 2020 true-up to be filed in 2021 – not in this docket. As the Department agrees with MERC's determination of weather-normalized sales based on 20-year weather data in this 2021 NGEPR rider docket, no adjustments are necessary in this proceeding. The impact of having used 15-year weather data in the 2020 offsetting revenue forecast is nominal, does not impact the 2021 NGEPR rider, and will be true-up in 2021 to reflect 2020 weather data along with updates for actual weather normalized sales through 2020.

ii. Weather Normalization Process

The Department requests that MERC fully review its weather-normalization process as it relates to offsetting revenues and provide a discussion in reply comments detailing all changes in methodology between the 2020 and 2021 NGEPR Rider filings that impacted offsetting revenues.³²

MERC responds that the Company made no changes to the weather-normalization methodology between the 2020 and 2021 NGEPR rider filings with the exception of the 15-year versus 20-year normal weather assumption, as discussed above. As noted above, this change had a nominal impact on the 2020 offsetting revenue forecast when no other updates are made to that forecast (increase to 2020 forecasted offsetting revenue of \$869) and no impact to either the 2019 true-up offsetting revenues or the 2021 forecasted offsetting revenues, both of which were calculated using the 20-year normal weather assumption.

Additionally, while not related to the Company's weather normalization process, MERC's 2020 NGEPR offsetting revenue calculation was based on nine months of weather-normalized actuals

³¹ MERC Petition at 37-38.

³² Department Comments at 20-21.

for 2019 and three months of forecast sales, which reflected the data that was available at the time of the calculation. In contrast, MERC's 2021 offsetting revenue calculation utilizes the full 12 months of weather normalized actual sales for 2019. Use of a full year of actuals for the 2019 true-up and 2021 forecast is necessary and appropriate to reflect actual 2019 sales and revenues.³³

The only other difference in the methodology used to calculate offsetting revenues between MERC's 2020 NGEP rider and 2021 NGEP rider relates to the implementation of MERC's new rate classes effective with final rates in July 2019. In MERC's 2020 NGEP rider, Docket No. G011/M-19-608, MERC's offsetting revenues forecast utilized the Company's historic rate classifications and also forecasted revenues by customer class at a high level. For example, all transportation sales and customers were assumed to be class 3 and all interruptible sales and customers were assumed to be class 2. While this approach reflected a reasonable forecast of offsetting revenues, MERC's 2019 offsetting revenue true-up and 2021 forecasted offsetting revenue calculations are significantly more precise. MERC's 2021 offsetting revenue and 2019 true-up calculations separate sales and customer count growth for each customer classification under MERC's current rate class structure as approved by the Commission in Docket No. G011/GR-17-563. This change results in a more accurate offsetting revenue calculation by applying the currently-approved rates to each customer class' sales and customer counts.

Finally, as discussed in MERC's supplemental response to Department Information Request No. 5,³⁴ MERC's 2020 offsetting revenue calculation was based on year-end customer counts while MERC's 2019 offsetting revenue true-up and 2021 offsetting revenue forecast incorporate monthly customer counts to accurately reflect the customer class changes implemented in July 2019.

For example, with the implementation of MERC's new rate schedules in July 2019, a total of 12 customers were reclassified to Firm Class 3. Prior to July 2019, there had been zero customers because the Firm Class 3 rate schedule did not exist. While 2019 year-end customer count for Firm Class 3 is 12, those customers and the associated revenues were only present during July – Dec 2019. As a result, it is inaccurate to utilize the old display format, which assumes each month's customer counts are identical to the year-end customer counts. In this example, using the old display format assumes 12 Firm Class 3 customers for each month during 2019, when in fact, those customers were only charged Firm Class 3 rates for 6 months of 2019. The result of assuming year-end customer counts throughout 2019 is an over-estimation of offsetting revenues.³⁵

³³ Actual 2019 weather-normalized sales were 386,836 Dth lower than the forecasted weather-normalized sales used to forecast 2020 offsetting revenues in Docket No. G011/M-19-608. If a full 12 months of actual weather normalized sales had been available to calculate the 2020 offsetting revenue forecast, the offsetting revenues would have been reduced by \$76,055. 2020 actual offsetting revenues will be trued up in the Company's 2020 NGEP true-up to be filed in 2021.

³⁴ Included as Attachment 7 to the Department's Comments.

³⁵ Department Comments at Attachment 7, page 5.

This results in a more accurate calculation of actual 2019 offsetting revenues, because it accurately reflects the revenues realized as a result of 2019 customers and sales, including customer class changes that occurred in 2019.

As discussed in MERC's supplemental response to Department Information Request No. 5,³⁶ this change has no impact on the calculation of MERC's 2021 offsetting revenues, as the 2021 calculation is utilizing forecasted customer counts.³⁷ Thus, regardless of whether the old or new calculation is used, the forecasted 2021 offsetting revenues are the same – \$811,877.

For the 2019 true-up, utilizing the more detailed customer rates and monthly customer counts to calculate offsetting revenues results in 2019 offsetting revenues of (\$318,548). In contrast, using the less detailed forecasting methodology that was applied for the 2020 offsetting revenue forecast and assuming year-end customer counts, results in a 2019 offsetting revenue true-up calculation of (\$171,462) or \$147,086 greater offsetting revenues. However, as discussed in MERC's supplemental response to Department Information Request No. 5, as well as MERC's initial petition, the 2019 NGEP rider true-up calculation as proposed by the Company does not change regardless of whether MERC's more accurate calculation of offsetting revenues is utilized or not, because both computations show a decrease in offsetting revenues for 2019. Rather than include the (\$318,548) decrease in offsetting revenues, which would increase the under-collection for 2019 by \$105,121, MERC instead included \$0 as offsetting revenues in the 2019 NGEP true-up, thereby foregoing the under-recovered offsetting revenues.³⁸

MERC's 2019 offsetting revenue true-up and 2021 forecasted offsetting revenues as proposed reflect the most accurate actual 2019 offsetting revenues and forecasted 2021 offsetting revenues associated with Rochester area sales and customer growth. These calculations are inclusive of actual weather-normalized 2019 sales based on a 20-year normal weather assumption and actual and forecasted sales and customer counts for each current rate classification.

iii. Regression Results

The Department also notes "that there are, at least, two possible regression analyses that could have been used to determine this weather-normalization process." The Department requests that MERC identify what regression results, including all supporting information, it used to weather normalize sales in this docket.³⁹

MERC responds that it does not use a regression-based method for weather normalization and therefore does not have regression results to provide in response to the Department's request. Instead, the Company uses a ratio method for weather normalization. This is the same

³⁶ Included as Attachment 7 to the Department's Comments.

³⁷ Forecasted customer counts assume each month's customer counts are identical to year-end customer counts, making this change to the calculation of offsetting revenues is irrelevant in a forecast period.

³⁸ As discussed below, the Department recommends including the under-recovered offsetting revenues in the 2019 true-up calculations. While MERC does not object to this approach, the Company does not agree with the Department's other recommended adjustment to offsetting revenues.

³⁹ Department Comments at 21.

methodology the Company has used in its rate case filings.⁴⁰ This ratio method is illustrated in Table 1 below for 2017 Residential sales. The actual weather variable is a daily actual heating-degree day (“HDD”) 65 degrees Fahrenheit (“HDD65”) based on 24-hour average temperature, and the normal weather variable is the 20-year normal HDD65. Baseload sales are equal to the lowest sales of the summer months.

**Table 1. Illustration of Weather Normalization Process
Based on 20-Year Normal Weather**

Calculation	Component	Residential											
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
(1)	Calendar Sales	6,797,602	5,479,960	4,373,194	3,670,373	2,176,027	1,181,484	771,029	690,643	755,956	900,171	2,797,777	4,568,628
(2)	Baseload Sales	690,643	690,643	690,643	690,643	690,643	690,643	690,643	690,643	690,643	690,643	690,643	690,643
(3) (1) - (2)	Weather-Sensitive Sales	6,106,959	4,789,317	3,682,551	2,979,730	1,485,384	490,841	80,386	0	65,314	209,529	2,107,134	3,877,985
(4)	Actual Weather	1,420	1,031	1,048	505	287	33	2	46	118	487	960	1,453
(5)	Normal Weather 20-year Normal	1,524	1,277	1,018	551	245	49	10	24	149	502	873	1,373
(6) (5)/(4)*(3)+(2)	Weather-Normalized Sales	7,247,191	6,626,282	4,269,992	3,947,359	1,961,336	1,412,402	1,032,516	690,643	773,416	906,827	2,606,266	4,355,491
													35,829,721

iv. 2019 Offsetting Revenue True-Up

As explained in MERC’s Petition, “[b]ecause MERC experienced a reduction in revenue rather than an increase in 2019, MERC has included offsetting revenues equal to \$0 in the true-up reconciliation.”⁴¹ In its Comments, the Department states that the under-collection of revenues of \$318,548 in 2019, as calculated by the Company, should be included in the true-up of revenues.⁴² MERC does not object to the Department’s proposal to include these under-collected offsetting revenues in the true-up calculation; however, as discussed below, MERC disagrees with the Department’s recommendation for an additional true-up to 2018 revenues.

D. 2018 True-Up Adjustments

Consistent with the Commission’s Order in Docket No. G011/GR-17-563, MERC has included adjustments to account for actual 2018 Rochester Project capital expenditures and costs through its 2019 NGEF rider true-up, which is the Company’s first NGEF rider true-up. As explained in detail in MERC’s April 13, 2020, Petition, and further discussed in response to Department Information Request No. 4 in this docket,⁴³ the Company has accounted for a true-up to the 2018 actual depreciation expense and property tax expense relative to authorized expense in Docket No. G011/GR-17-563, as shown in Exhibit C. Additionally, MERC has trued up rate base to 2018 actuals in both its 2020 NGEF rider in Docket No. G011/M-19-608 and in

⁴⁰ *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-17-563, DIRECT TESTIMONY AND SCHEDULES OF MATTHEW R. CZERVIONKE at 19 (Oct. 13, 2017).

⁴¹ MERC Petition at 38.

⁴² Department Comments at 21.

⁴³ Included as Attachment C to these Reply Comments.

the 2019 true-up, such that the incremental rate base calculation accounts for differences between 2018 and 2019 forecasts and actuals and are captured in the true up.

In its Comments, the Department questions the timing of the 2018 true-up adjustments⁴⁴ and proposes that two additional adjustments – one to rate base and another to reflect 2018 offsetting revenues – are appropriate. Because MERC has already fully accounted for the true-up to rate base to reflect the difference between forecasted and actual 2018 Rochester Project rate base additions, the additional adjustment proposed by the Department is inappropriate and would result in a duplicative reduction. Additionally, the Department's proposal to include an additional adjustment related to 2018 offsetting revenues is unsupported and inconsistent with the Commission's decision in Docket No. G011/GR-17-563.

i. Commission Decision Requiring 2018 True-Up

In MERC's 2018 rate case, Commission staff, in briefing papers, recommended requiring MERC to include any difference between its 2018 actual Rochester Project capital expenditures and the capital forecasts approved in base rates.⁴⁵ As reflected in the Commission's Order, "MERC preferred that the Commission take no action, but recommended a clarification to the requirement if the Commission were to adopt it."⁴⁶ In particular, MERC proposed that the difference be addressed in its future rider true-up calculation, rather than as an adjustment to its forecasted NGEP rider, so that actual 2018 Rochester Project capital expenditures would be known and could be accounted for through the true up.⁴⁷ Ultimately, the Commission adopted staff's recommendation with the Company's clarification as to timing. As reflected in the Commission's Order:

Because recovery for the Rochester Project is authorized both in base rates and through the NGEP rider, there is a ready mechanism to ensure just and reasonable rates overall even if base rates turn out to be based on an overestimate of actual Project costs. The Commission will therefore require that MERC *include any difference between the 2018 actual Rochester Project capital expenditures and MERC's capital estimates used in this docket in its upcoming NGEP Rider as a true-up with MERC's NGEP rider true-up calculation.* The true up will ensure that an overestimate of

⁴⁴ Department Comments at 16. However, the Department ultimately concludes that MERC's timing is reasonable, stating that "[a]lthough the Company's requested true-up adjustment occurs two filings after the 2017 Rate Case Order was issued, the Department is unclear if a strict application of the Commission's Order, namely, tying recovery to the 2019 NGEP rider filing, follows from the general expectations and intent of the true-up factor."

⁴⁵ *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-17-563, COMMISSION STAFF BRIEFING PAPERS VOLUME 1 at 69 (Oct. 31, 2018).

⁴⁶ *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-17-563, FINDINGS OF FACT, CONCLUSIONS, AND ORDER at 17 (Dec. 26, 2018).

⁴⁷ *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-17-563, PREFERRED AND REVISED/ADDITIONAL DECISION OPTIONS OF MINNESOTA ENERGY RESOURCES CORPORATION at 3 (Nov. 5, 2018).

projected costs built into base rates can be corrected-for. This will protect ratepayers if the Rochester Project capital expenses do not meet projected test-year amounts.⁴⁸

In Docket No. G011/M-19-608, MERC's 2020 NGEPRider, MERC addressed the Commission's Order from Docket No. G011/GR-17-563, stating that "[c]onsistent with the Commission's Order in Docket No. G011/GR-17-563, MERC will true-up for 2018 actual Rochester Project costs within its 2019 true-up to be filed in 2020. In order to avoid the need for a subsequent true up to the 2020 NGEPRider to account for 2018 actuals, MERC has calculated the 2020 NGEPRider revenue requirement based on 2018 actuals."⁴⁹

MERC therefore calculated the 2020 forecasted NGEPRider revenue requirement using 2018 actuals as the starting basis, to avoid the need for a subsequent true-up of the 2020 NGEPRider for 2018 actuals.

In its Petition in this Docket, the Company explained its calculations to account for the 2018 true-up as follows:

(1) First, with respect to depreciation expense, MERC has calculated the difference between the Rochester Project depreciation expense from Docket No. G011/GR-17-563, and actual depreciation expense based on monthly plant in service by plant FERC account and depreciation rates in effect in 2018, as authorized in Docket No. G011/D-17-442. This results in under-recovered annual depreciation expense of \$4,468.

(2) Second, with respect to property tax expense, MERC calculated the difference between the amount of property tax expense allocated to the forecasted 2018 Rochester Project in 2018 in Docket No. G011/GR-17-563 and the updated 2018 property tax expense estimate based on actual 2018 plant in service and the average of the actual rates applied by the townships where the Rochester Project facilities were installed. This true-up calculation of property tax expense reflects actual 2018 installed plant and more accurately estimated tax rates for 2018. This true-up results in under-recovered expense of \$56,574.

⁴⁸ *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-17-563, FINDINGS OF FACT, CONCLUSIONS, AND ORDER at 18 (Dec. 26, 2018).

⁴⁹ *In the Matter of Minn. Energy Res. Corp.'s 2020 Rochester Nat. Gas Extension Project Rider*, Docket No. G011/M-19-608, PETITION at 11 (Sept. 30, 2019). To avoid the need for a subsequent true up to the 2020 NGEPRider to account for 2018 actuals, MERC also calculated the 2020 NGEPRider revenue requirement based on 2018 actuals. As reflected in MERC's 2020 NGEPRider, as approved by the Commission in Docket No. G011/M-19-608, MERC did calculate, to customers' benefit, the 2020 forecast NGEPRider revenue requirement using 2018 actuals as the starting basis to avoid the need for a subsequent true-up on the 2020 NGEPRider for 2018 actuals.

(3) Finally, with respect to the return on Rochester Project rate base, by using the Rochester Project rate base value included in Docket No. G011/GR-17-563 as the basis and adjusting for rate base through 2019 including removals, MERC has trued up for differences in the 2018 forecasted rate base as filed and approved in Docket No. G011/GR-17-563 and actual 2018 rate base, in accordance with the Commission's December 26, 2018, Order. This true-up is captured in the overall 2019 true-up for return on incremental rate base as discussed above.

By accounting for these adjustments in the true-up reconciliation and accounting for them as an adjustment to 2021 NGEF recoveries, MERC is complying with the Commission's December 26, 2018, Findings of Fact, Conclusions, and Order in Docket No. G011/GR-17-563.⁵⁰

i. Timing of 2018 True-Up

First, with respect to the timing of the 2018 true-up, the Department notes that "it is unclear whether the Commission's 2017 rate case Order allows for the Company's proposed 2018 true up adjustment because the Order explicitly references recovery in a previous NGEF rider filing."⁵¹ This is not accurate. As discussed above, the Commission's December 26, 2018, Findings of Fact, Conclusions, and Order in Docket No. G011/GR-17-563 very clearly anticipated that the 2018 capital expenditure true-up would occur "as a true-up with MERC's NGEF rider true-up calculation."⁵² Such timing was approved based on the Company's recommended clarifications. As the Petition submitted in this Docket on April 13, 2020, reflects the first NGEF rider true-up filed by the Company, there was no earlier or alternative opportunity for the Company to have trued up the difference between the 2018 actual Rochester Project capital expenditures and MERC's capital estimates "in its NGEF rider true-up calculation."⁵³ The Department's suggestion that the timing of the 2018-true-up adjustment is in any way inconsistent with the Commission's December 26, 2018, Order in Docket No. G011/GR-17-563 is mistaken.

ii. Rate Base Adjustment

In its Comments, the Department states "it is unclear whether MERC's claimed method accurately accounts for the difference between forecasted and actual 2018 rate base values. . . . [R]ate base, depreciation, and property taxes appear to be treated in the same

⁵⁰ MERC Petition at 36-37.

⁵¹ Department Comments at 17. Ultimately, the Department appears to conclude that the timing of the 2018 true-up in this filing is "not unreasonable." However, the Department devotes substantial time and discussion to questioning whether the timing of the true-up is, in fact, in accordance with the Commission's order.

⁵² *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-17-563, FINDINGS OF FACT, CONCLUSIONS, AND ORDER at 18 (Dec. 26, 2018).

⁵³ *Id.*

manner; as such, the Department concludes that an adjustment to rate base is necessary.”⁵⁴ The Department recommends an adjustment to reduce MERC’s rate base in its 2019 true-up by \$2,350,510 – the difference between the amount of Rochester Project costs included in rate base in Docket No. G011/GR-17-563 and the Company’s actual Rochester Project rate base additions in 2018.⁵⁵

Contrary to the Department’s assertions, however, MERC *has* included a true-up for rate base to reflect the difference between the amount of Rochester Project costs included in rate base in the Company’s authorized base rates and actual 2018 Rochester Project rate base additions. Indeed, MERC’s rate base adjustment is *for the identical amount the Department has proposed is appropriate*.⁵⁶ As a result, the Department’s recommended adjustment would result in a second, duplicate reduction and is therefore unnecessary.

As shown in MERC’s response to Department Information Request No. 1, and as described in detail in the Company’s Petition and in the Company’s response to Department Information Request No. 4,⁵⁷ MERC calculated actual incremental 2019 rate base as the difference between the 2018 authorized Rochester Project Rate Base and actual rate base through 2019, thereby trueing up rate base to reflect the difference between what was authorized in Docket No. G011/GR-17-563 and what was actually placed in service in 2018 in accordance with the Commission’s Order in Docket No. G011/GR-17-563.

An additional adjustment for 2018 to true-up rate base is not needed because the plant balances are accumulative, and the balances portrayed for 2019 in both the 2019 NGEP true-up and the 2021 NGEP rider are already inclusive of 2018 actual plant investment.⁵⁸ Therefore, the 2018 actuals “true-up” is already included in the Over/Under recovery line of the 2021 revenue requirement, and to also include 2018 actuals as the basis for computing the 2021 revenue requirement (i.e. replacing the column “2018 Rate Case” with 2018 actuals) would “double-count” 2018 actuals in the revenue requirement calculation.

Table 2 below illustrates the impact of the adjustment included in MERC’s 2019 true-up:

Table 2. MERC’s True-Up to 2018 Rate Base

MERC’s As Filed 2019 Actual NGEP Rate Base ⁵⁹	\$7,046,094
--	-------------

⁵⁴ Department Comments at 16.

⁵⁵ See Department Comments at Attachment 6.

⁵⁶ As discussed below, the Department’s recommended rate base reduction results in a reduction to the 2019 true up of \$72,830—this is the exact same reduction to the 2019 true up that MERC already included.

⁵⁷ Attachment C to these Reply Comments.

⁵⁸ See MERC Petition at Exhibit B, page 1 (the column “2018 Rate Case” is representative of the 2018 Rochester recovery via MERC’s last rate case in Docket No. G011/GR-17-563).

⁵⁹ See Exhibit C to MERC’s Initial Petition and MERC’s Response to Department Information Request No. 1.

2019 NGEP Rate Base Without 2018 Rate Base True Up ⁶⁰	\$9,396,604
Difference – Resulting Reduction to Rate Base	\$2,350,510 (matches to Department recommended rate base reduction ⁶¹)
Revenue Requirement Impact	\$72,830 reduction to 2019 revenue requirement (matches to Department recommended adjustment) ⁶²

As shown in Table 2, MERC's adjustment to rate base in the amount of \$2,350,510 is identical to the rate base adjustment recommended by the Department. Further, the resulting reduction to the revenue requirement of \$72,830 is identical to the reduction as proposed by the Department. As such, no further adjustments are necessary to reflect the 2018 true-up to rate base.

MERC notes, for illustration, that if the Department prefers to show the rate base reduction as a line item, as reflected in Attachment 6 to the Department's Comments, it would be necessary to remove the adjustment to the 2018 authorized rate base (instead using actual 2018 rate base) to avoid double counting the adjustment, as follows. The result under either methodology, however, should be the same, as illustrated in Table 3 below.

⁶⁰ See Department Comments at 16 ("The Department reviewed information provided in the 2020 NGEP rider filing, Docket No. G011/M-19-608, and notes that actual rate base for 2018 was \$9,032,258.").

⁶¹ See Department Comments at 16 and Attachment 6 ("The Department reviewed information provided in the 2020 NGEP rider filing, Docket No. G011/M-19-608, and notes that actual rate base for 2018 was \$9,032,258, which means that the Company over-stated Rochester Project related rate base by \$2,350,510 because \$11,382,768 in Rochester rate base was included in base rates.").

⁶² As shown in Attachment 6 to the Department's Comments, the impact of the Department's adjustment to reduce rate base by \$2,350,510 is \$72,830. The Department's Attachment 6 reflects two adjustments from MERC's response to Department Information Request No. 1, which calculated a total 2019 true-up of \$205,542 – (1) removal of legal regulatory costs of \$40,632 or \$13,408 from the NGEP revenue requirement and (2) a reduction to rate base of \$2,350,510. The Department's recommended 2019 true-up is \$119,303, which is \$86,239 less than MERC's calculation of \$205,542, of which \$13,408 is attributable to the Department's legal regulatory cost adjustment and \$72,831 is attributable to the Department's proposed rate base reduction.

Table 3. Illustration of Alternative Rate Base Adjustment Presentation

Line	Description	Reference	Forecasted NGEP			Actual NGEP 2019		
			2018 Rate Case	2019 Forecast	2019	2018 Rate Case	2019 Actual	** Adjusted DCR
1	Depreciation Expense		\$ 109,441	\$ 371,221	\$ 261,780	\$ 109,441	\$ 282,365	\$ 172,924
2	2018 True Up Depreciation Expense Adjustment						\$ 4,468	\$ 4,468
3	Property Tax Expense		\$ 14,000	\$ 345,000	\$ 331,000	\$ 14,000	\$ 129,522	\$ 115,522
4	2018 True Up Property Tax Expense Adjustment						\$ 56,574	\$ 56,574
5	Incremental O & M Expense		\$	\$	\$	\$	\$ 40,632	\$ 40,632
6	Rate Base	Note (1)	\$ 11,382,768	\$ 20,913,764	\$ 9,530,996	\$ 9,032,258	\$ 18,428,862	\$ 9,396,604
7	Rate Base Adjustment (2018 actual vs forecast)							\$ (2,350,510)
8	ADIT Priorization Adjustment		\$	\$	\$	\$	\$	\$
9	Adjusted Rate Base	Note (1)	\$ 11,382,768	\$ 20,913,764	\$ 9,530,996	\$ 9,032,258	\$ 18,428,862	\$ 7,046,094
10	Rate of Return	Note (2)			6.8842%	6.8842%	6.6971%	6.6971%
11	Earnings on Rate Base	Line 8 x Line 9			\$ 656,133	\$ 621,799	\$ 1,234,199	\$ 471,884
12	Gross Revenue Conversion Factor	Note (3)			1.402	1.402	1.402	1.402
13	Return on Rate Base	Line 10 x Line 11			\$ 919,898	\$ 871,762	\$ 1,730,347	\$ 661,581
14	Total Revenue Requirement	Sum(Line 1 through Line 6) + Line 13			\$ 1,512,679			\$ 1,051,702
15								
16	Offsetting Project Revenue	Note (4)			\$ 297,561			\$
17								
18	Project Revenue Deficiency	Line 14 less line 16			\$ 1,215,118			\$ 1,051,702
19								
20	33 percent of project revenue deficiency				\$ 400,989			\$ 347,062
21								
22	2019 Rider Revenue Collected							\$ 141,520
23								
24	** Total Adjustment: Over/(Under) Collection - to be collected within the 2021 NGEP Rider							\$ (205,542)

iii. 2018 Offsetting Revenue

Finally, the Department proposes that MERC be required to true-up 2018 revenues from its base rates to account for offsetting revenues,⁶³ arguing that “[i]f the related revenue side is not considered, then the true-up creates an uneven distribution where the Company benefits fully from the true-up while ratepayers are not protected in an instance where weather normalized sales and revenues exceed those included in base rates.”⁶⁴ Contrary to the Department’s suggestion, as discussed above, the 2018 capital cost true-up included in compliance with the Commission’s Order in Docket No. G011/GR-17-563 *does benefit ratepayers* by reducing the 2019 true-up and 2021 NGEP rider recovery amount.

In any given year, sales may be higher or lower than an approved sales forecast, due to a variety of factors from weather to conservation to customer growth. Such fluctuations are to be expected with respect to forecasted test-year sales. While MERC’s Commission-approved revenue decoupling provides an approved mechanism whereby MERC’s revenues are decoupled from sales, subject to certain limitations, the Commission has not approved any general sales or revenue true-up for the Company’s base rates. Nor has the Commission approved or required that the Company true-up offsetting Rochester area revenues from the Company’s base rates. The Commission’s Order in Docket No. G011/GR-17-563 has no mention of true-up with respect to sales or revenues. Instead, that Order required MERC

⁶³ According to the Department, “it appears that weather-normalized, actual revenue in the Rochester Area for 2018 was approximately \$1,117,546 greater than revenues included in base rates. If the Commission seeks to have symmetry in the Company’s true up for 2018, then this over-collection of revenue should be returned to ratepayers.” Department Comments at 21.

⁶⁴ Department Comments at 21.

“include any difference between the 2018 actual Rochester Project *capital expenditures* and MERC’s *capital estimates* used in this docket.”⁶⁵

The Department’s suggestion that the 2018 true-up should include a true-up for 2018 Rochester Project offsetting revenues is contrary to the Commission’s Order in Docket No. G011/GR-17-563, as well as the NGEP Statute, and would constitute impermissible retroactive ratemaking.⁶⁶ The Commission’s December 26, 2018, Order in Docket No. G011/GR-17-563 authorized the Company to increase its Minnesota jurisdictional revenues by \$3,100,635 to produce total gross revenue of \$251,272,242 in the test year ending December 31, 2018. As noted above, the Commission’s Order was clear and unambiguous, expressly limiting the required NGEP rider true-up to “any difference between the 2018 actual Rochester Project capital expenditures and MERC’s capital estimates used in this docket.” Neither the Department, nor any other party, proposed to incorporate a true-up to 2018 Rochester area revenues as part of MERC’s NGEP rider. Although the Commission perhaps could have included such a true-up requirement at the time it approved the Company’s rates, it did not do so and cannot now require that a refund based on such difference be included as part of the NGEP rider true-up.

While MERC has appropriately included an offset for incremental revenues in the NGEP rider consistent with the NGEP Statute, such provision is not applicable to base rate recovery of project costs. MERC did not have an NGEP rider in effect in 2018 and therefore the true-up for 2018 Rochester Project costs is limited to the Commission’s Order Point in Docket No. G011/GR-17-563. As the Order language expressly requires true-up only with respect to capital expenditures, the Department’s suggestion that a requirement to true-up for offsetting revenues would be inconsistent with the Commission’s order and would constitute impermissible retroactive ratemaking.

2. Proposed Rate Design and Direct Connect Surcharge Rate

In its Comments, the Department concluded that MERC’s proposed rate design and apportionment of revenue responsibility, apart from the Company’s proposal to apply a nominal surcharge rate to Direct Connect customers, is reasonable and consistent with the Commission’s September 21, 2020, Order.⁶⁷

With respect to the surcharge rate applicable to MERC’s Direct Connect customers, the Department recommends that the Commission require MERC to apply the full NGEP rider surcharge, based on the Company’s proposed apportionment of revenue responsibility.⁶⁸ The Department bases its recommendation on both the Commission’s decision in its September 21, 2020, Order in Docket No. G011/M-19-608, requiring MERC to apply the full 2020 NGEP rider

⁶⁵ *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-17-563, FINDINGS OF FACT, CONCLUSIONS, AND ORDER at 18 (Dec. 26, 2018).

⁶⁶ See Minn. Stat. § 216B.23; *Peoples Nat. Gas Co. v. Minn. Pub. Utils. Comm’n*, 369 N.W.2d 530, 533 (Minn. 1985) (“[T]he Public Utility Act expressly prohibits retroactive ratemaking.”).

⁶⁷ Department Comments at 11-12.

⁶⁸ Department Comments at 11.

surcharge to all of its customers, including Direct Connect customers,⁶⁹ as well as the Department's conclusion that a bypass risk does not exist for the Company's Direct Connect customers at the current rate or even at a significantly higher rate.⁷⁰

At this time, MERC accepts the Department's proposal to allocate the NGEP rider revenue requirement to Direct Connect customers consistent with the Company's proposed apportionment of revenues. This approach is consistent with the Commission's decision in Docket No. G011/M-19-608.

While MERC and the Department are therefore in agreement regarding the appropriate rate design to be applied to the Company's 2021 NGEP rider, the Company does not agree with the Department's analysis regarding the bypass risk posed by Direct Connect customers for the same reasons detailed by the Company in Docket No. G011/M-19-608.⁷¹ The Department's analysis fails to accurately reflect the cost for Direct Connect customers to remain on MERC's system by omitting the base distribution and customer charges currently paid by those customers.

As the Commission recognized in its September 21, 2020, Order in Docket No. G011/M-19-608, "it is impossible to say with certainty whether certain Direct Connect customers will choose to bypass MERC at different cost levels."⁷² Given that Direct Connect customers are already paying base rates at or above their cost to bypass, MERC continues to caution that a real bypass risk does exist with respect to these customers. If one or more Direct Connect customer(s) bypasses MERC's systems, their contributions to overall system costs will necessarily be borne by MERC's other customers. While MERC accepts the Department's recommendation to allocate a portion of the NGEP revenue requirement consistent with the Company's proposed apportionment to Direct Connect customers, it is important to emphasize that the bypass risk remains an actual, significant concern.

3. 2020 Weather Normalized Sales

In its Comments, the Department notes that "in last year's NGEP filing, the Department expressed concern with MERC's forecasted sales for 2020 and argued that the use of weather-normalized actual sales for 2019 represented the most reasonable sales number to establish rates."⁷³ MERC did not object to using 2019 actual weather-normalized sales to set the 2020

⁶⁹ *In the Matter of Minn. Energy Res. Corp.'s 2020 Rochester Nat. Gas Extension Project Rider*, Docket No. G011/M-19-608, ORDER APPROVING NGEP RIDER SURCHARGE WITH MODIFICATIONS at 8 (Sept. 21, 2020).

⁷⁰ Department Comments at 10.

⁷¹ *See In the Matter of the Petition of Minn. Energy Res. Corp. for Approval of 2020 Nat. Gas Extension Project Rider Revenue Deficiency and Revised Surcharge Factors*, Docket No. G011/M-19-608, REPLY COMMENTS OF MINNESOTA ENERGY RESOURCES CORPORATION at 8-13 (Feb. 28, 2020), ADDITIONAL REPLY COMMENTS OF MINNESOTA ENERGY RESOURCES CORPORATION at 4-5 (Apr. 30, 2020).

⁷² *In the Matter of Minn. Energy Res. Corp.'s 2020 Rochester Nat. Gas Extension Project Rider*, Docket No. G011/M-19-608, ORDER APPROVING NGEP RIDER SURCHARGE WITH MODIFICATIONS at 8 (Sept. 21, 2020).

⁷³ Department Comments at 22.

NGEP rider surcharge rates and the Commission ultimately accepted the parties agreement to calculate 2020 NGEP rider rates based on 2019 actual weather-normalized sales.⁷⁴

Consistent with the Commission's decision on MERC's 2020 NGEP rider in Docket No. G011/M-19-608 and the Department's recommendation in its Comments in this docket, MERC agrees to update its 2021 rider surcharge rates based on 2020 actual weather-normalized sales. However, MERC notes that 2020 weather-normalized sales are not available as of the filing of these Reply Comments. MERC has already provided updated NGEP rider surcharge calculations based on 2019 actual weather normalized sales, as reflected in the Company's response to Department Information Request No.1,⁷⁵ and will provide updated NGEP rider surcharge rates based on 2020 actual weather-normalized sales when such sales are available, either in supplemental comments or in its compliance filing,⁷⁶ depending on the timing of a Commission decision in this docket.⁷⁷

4. Termination of 2021 NGEP Surcharge Rates

The Department concludes that MERC's proposal to terminate rider rates with the implementation of new NGEP rider surcharges or interim rates in a future rate case proceeding is reasonable, as this is the same termination method approved by the Commission in the last NGEP rider filing.⁷⁸ Additionally, the Department states that it reviewed MERC's proposal to continue recovery of depreciation and return on rate base after the Rochester Project is completed and concludes that this proposal is not unreasonable and that the Department does not oppose this approach as long as depreciation recovery and return on rate base are rolled into rates in MERC's future general rate case and that the NGEP rider is suspended with the implementation of interim rates in a future general rate case.⁷⁹ This issue is, therefore, resolved between the Department and the Company.

CONCLUSION

Based on the foregoing, MERC respectfully requests that the Commission approve its 2021 NGEP Rider-eligible revenue deficiency of \$1,184,928, which incorporates the 2019 NGEP true-up and differences between the 2018 actual Rochester Project capital expenditures and

⁷⁴ *In the Matter of the Petition of Minn. Energy Res. Corp. for Approval of 2020 Nat. Gas Extension Project Rider Revenue Deficiency and Revised Surcharge Factors*, Docket No. G011/M-19-608, Order Approving NGEP Rider Surcharge with Modifications at 3-4 (Sept. 21, 2020).

⁷⁵ See Department Comments at Attachment 2.

⁷⁶ The Department recommends that MERC file a compliance filing after the Commission's order adjusting its revenue requirement so that accumulated deferred income taxes are not prorated for any of the months in 2021 that proceed the month when the NGEP rider surcharge rates are implemented.

⁷⁷ The Company anticipates 2020 actual weather-normalized sales data will be available sometime in February 2021.

⁷⁸ Department Comments at 18.

⁷⁹ Department Comments at 19. Despite accepting the Company's proposed treatment of ongoing Rochester Project costs, the Department asserts that MERC has been unclear and has changed its proposals between NGEP rider filings. To the contrary, however, the issue of ongoing NGEP rider recovery beyond 2020 has not previously been discussed by the Company, as MERC's last NGEP rider filing was only for recovery of forecasted costs through 2020. The Department's suggestion that MERC has been inconsistent or unclear regarding its plans for future NGEP rider recovery is unsupported.

Mr. Will Seuffert
January 22, 2021
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MERC's capital estimates used in Docket No. G011/GR-17-563 in accordance with the Commission's order in that docket, as reflected in Attachment A to these Reply Comments. Additionally, MERC requests that the Commission approve its proposed NGEP surcharge rate design by customer class as reflected in Attachment A to these Reply Comments with customer class surcharge rates based on 2020 actual weather-normalized sales and the removal of ADIT proration in the months that proceed implementation of the surcharge rates. The Company proposes to submit a compliance filing reflecting final surcharge rates to be effective on the first of the month after the Commission's final order in this proceeding and to continue until the Commission approves revised surcharge rates or implementation of interim rates in a future rate case proceeding.

Please contact me at (414) 221-4208 if you have any questions regarding the information in this filing. Thank you for your attention to this matter.

Sincerely,

A handwritten signature in cursive script that reads "Joylyn C. Hoffman Malueg".

Joylyn Hoffman Malueg
Project Specialist 3
Minnesota Energy Resources Corporation

cc: Service List



Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: G011/M-20-420
Requested From: Minnesota Energy Resources

☐ Nonpublic ☒ Public
Date of Request: 10/12/20
Response Due: 10/22/20

Type of Inquiry: General

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).

Assigned Analyst(s): Adam Heinen

Email Address(es): adam.heinen@state.mn.us

Phone Number(s): 651-539-1825

ADDITIONAL INSTRUCTIONS:

Each response must be submitted as a text searchable PDF, unless otherwise directed. Please include the docket number, request number, and respondent name and title on the answers. If your response contains Trade Secret data, please include a public copy.

Request Number: 1
Topic: NGEP Rate Calculations
Reference(s): September 21, 2020 Commission Order, Docket No. G011/M-19-608

Request:

Please provide updated data and NGEP rider surcharge rate calculation in the current docket based on the Commission's Order in Docket No. G011/M-19-608.

Please provide any supporting information in Microsoft Excel format with all links and formulae intact.

If this information has already been provided in initial petition or in response to an earlier Department-DER information request, please identify the specific cite(s) or Department-DER information request number(s).

MERC Response:

Please see Attachment DOC IR 001_NGEP Rev Req 2019 True Up_Adjusted and Attachment DOC IR 001_NGEP Rev Req 2021_Adjusted.

Note that the following adjustments were made to the NGEP 2021 Revenue Requirement model based upon the Commission's Order in Docket No. G011/M-19-608:

- A rate base reduction equal to approximately 80 percent of the incremental amount of property tax between 2018 and 2021 to recognize the timing of property tax payments;
- Revenue apportionment based on MERC's approved method of revenue apportionment and rate design but including Direct Connect customers;

To be completed by responder

Response Date: October 22, 2020
Response by: Joylyn Hoffman Malueg
Email Address: Joylyn.HoffmanMalueg@wecenergygroup.com
Phone Number: 414-221-4208



Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: G011/M-20-420
Requested From: Minnesota Energy Resources

☐ Nonpublic ☒ Public
Date of Request: 10/12/20
Response Due: 10/22/20

Type of Inquiry: General

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).

Assigned Analyst(s): Adam Heinen

Email Address(es): adam.heinen@state.mn.us

Phone Number(s): 651-539-1825

ADDITIONAL INSTRUCTIONS:

Each response must be submitted as a text searchable PDF, unless otherwise directed. Please include the docket number, request number, and respondent name and title on the answers. If your response contains Trade Secret data, please include a public copy.

-
- Revenue apportionment based upon actual 2019 Weather Normalized sales. While MERC believes updating to use actual 2020 Weather Normalized sales for the 2021 NGEP (assuming such actual sales are available before implementation) would be consistent with the Commission's decision in Docket No. G011M-19-608 to use 2019 actual weather-normalized sales for the 2020 NGEP, 2020 Weather Normalized sales are not available at this time. MERC will provide 2020 Weather Normalized sales when available.

The Commission's Order in Docket No. G011/M-19-608 also adjusted the revenue requirement so that ADIT is not prorated for any of the months in 2020 that precede the month when the NGEP Rider is implemented. Because MERC has proposed implementation of the 2021 NGEP Rider surcharge rates effective January 1, 2021, no adjustment to remove ADIT proration from months in 2021 that proceed the month of implementation have been included in this response.

Note that no adjustment has been made to the NGEP 2021 model to adjust for 2020 depreciation rates, as MERC has not received an Order from the Commission approving MERC's proposed 2020 depreciation rates in Docket No. G011/D-20-515. Consistent with the Commission's Order in Docket No. G011/M-19-608, MERC will update the 2020 depreciation rates with its 2020 true-up.

Note that no adjustment was made to the NGEP 2021 model to adjust 2021 estimated property tax, as MERC is conducting the calculation of estimated property tax based upon NGEP property estimated to be placed in service for the forecast year.

Note that the following adjustment was made to the NGEP 2019 True-up model based upon the Commission's Order in Docket No. G011/M-19-608:

- Based upon conversations MERC had with the Department in April 2020, MERC has calculated a revised estimate of project area specific property tax for 2019.

To be completed by responder

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Assigned Analyst(s): Adam Heinen

Email Address(es): adam.heinen@state.mn.us

Phone Number(s): 651-539-1825

ADDITIONAL INSTRUCTIONS:

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Note that no adjustments were needed to the NGEP 2019 True-up model based upon the Commission's Order in Docket No. G011/M-19-608, for the following items:

- a Cash Working Capital rate base reduction is not necessary because the 2019 true-up reflects actual rate base additions and estimated actual project-specific property expense, therefore the situation of lead-lag does not exist in the true-up
- the ADIT proration value is zero in the true-up model, therefore adjusting ADIT such that it is not prorated for any month that precedes the month the NGEP rider is implemented is not necessary
- an update to reflect 2019 actual depreciation rates approved for use in the 2019 calendar year because MERC already applied approved 2019 depreciation rates as discussed in its Petition at 32-33.

To be completed by responder

Response Date: October 22, 2020
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Phone Number: 414-221-4208

**NGEP Rider 2021 Forecast
Revenue Requirement on NGEP**

Line	Description	Reference	2018 Rate Case	2021 Forecast	2021 NGEP ** Adjusted DOC IR 001**
1	Depreciation Expense		\$ 109,441	\$ 1,031,470	\$ 922,029
2	Property Tax Expense		\$ 14,000	\$ 768,000	\$ 754,000
3	O&M Expense		\$ -	\$ 40,632	\$ 40,632
4	Rate Base	Note (1)	\$ 11,382,768	\$ 33,938,730	\$ 22,555,962
4	Advanced Paid Property Tax Offset	Note (5)	\$ -	\$ -	\$ (597,394)
5	ADIT Proration Adjustment		\$ -	\$ 13,732	\$ 13,732
6	Adjusted Rate Base	Note (1)	\$ 11,382,768	\$ 33,952,462	\$ 21,972,300
7	Rate of Return	Note (2)			6.6971%
8	Earnings on Rate Base	Line 6 x Line 7			\$ 1,471,507
9	Gross Revenue Conversion Factor	Note (3)			1.402
10	Return on Rate Base	Line 8 x Line 9			\$ 2,063,053
11					
12	Total Revenue Requirement	Sum(Line 1 through Line 3) + Line 10			\$ 3,779,714
13					
14	Offsetting Project Revenue	Note (4)			\$ 811,877
15					
16	2021 Annual Revenue Deficiency	Line 12 less line 14			\$ 2,967,836
17					
18	33% of Annual Revenue Deficiency				\$ 979,386
19					
20	2019 NGEP True-up: Over/(Under) Recovery	Note (6)			\$ (205,542)
21					
22	Total 2021 Revenue Deficiency, including 2019 True-up				\$ 1,184,928
23					
24	Total Therms	Note (7)			871,608,976
25					
26					
27					
28					
29					
30					
31					
32					
33					
34					

Notes

- 13-Month Average Net Plant value
- Commission Authorized 2018 Rate Case
- 2018 Rate Case Adjusted for Tax Reform
- Represents incremental customers and sales growth related specifically to the Rochester project at approved rates from the 2018 rate case
- Docket No. G011/M-19-608, Order Point 1, Cash Working Capital adjustment for incremental Property Tax rate base between 2018 and 2021
- Adjusted based on MERC's Response to DOC IR 001
- Weather normalized 2019 sales

Assumptions

- Assumes no AFUDC, but a return on CWIP in Rate Base
- Does not assume any Destination Medical Center CIAC
- Removes contingency per Commission Order Approving NGEP Rider Surcharge with Modifications

	Rate/Therm	Annual \$/Customer
Residential	\$ 0.00387	\$ 3.39
Class 1-2 Firm (Sales and Transport)	\$ 0.00193	\$ 9.66
Class 1-2 Interruptible (Sales and Transport), Class 1-2 Ag Grain Dryer, and Class 1 Electric Gen	\$ 0.00193	\$ 99.34
Class 3-4 Firm (Sales and Transport)	\$ 0.00031	\$ 56.80
Class 3-4 Interruptible (Sales and Transport) and Class 3 Ag Grain Dryer	\$ 0.00031	\$ 209.97
Class 5, FLEX, Transport for Resale, and Class 2 Electric Gen	\$ 0.00031	\$ 1,682.64
Direct Connect	\$ 0.00031	\$ 9,593.24

2021 NGEP RIDER RATE DESIGN

2021 NGEP Revenue Requirement \$ 1,184,928

Rate Case Apportionment 1					
Therm Sales 2019 WN Actual	Customer Count 2021 Fcst	Revenue Apportionment	Initial Apportionment	Rate/Therm	\$/Customer
Residential	191,313,373	218,327	62.5%	\$ 740,580	\$ 0.00387 \$ 3.39
Firm Sales	122,286,677	23,508	23.5%	\$ 278,458	\$ 0.00228 \$ 11.85
Interruptible Sales	40,490,539	527	3.5%	\$ 41,472	\$ 0.00102 \$ 78.70
Transport	122,436,407	200		\$ 29,435	\$ 0.00024
Class 5, FLEX, Trans for Resale	147,514,622	23	10.5%	\$ 35,464	\$ 0.00024 \$ 538.60
Direct Connect	247,567,358	8		\$ 59,518	\$ 0.00024
Michigan Mines	n/a	n/a		n/a	n/a
	871,608,976	242,593		\$ 1,184,928	

Rate Case Apportionment 2						Option 1				Option 2			
Therm Sales 2019 WN Actual	Customer Count 2021 Fcst	Revenue Apportionment	Initial Apportionment	Rate/Therm	\$/Customer	Redistribute	Apportionment	Rate/Therm	\$/Customer	Redistribute	Apportionment	Rate/Therm	\$/Customer
Residential	191,313,373	218,327	62.5%	\$ 740,580	\$ 0.00387 \$ 3.39		\$ 740,580	\$ 0.00387 \$ 3.39			\$ 740,580	\$ 0.00387 \$ 3.39	
Class 1-2 Firm (Sales and Transport)	117,522,457	23,482	23.5%	\$ 267,609	\$ 0.00228 \$ 11.41		\$ 267,609	\$ 0.00228 \$ 11.41			\$ 227,372	\$ 0.00193 \$ 9.66	
Class 3-4 Firm (Sales and Transport)	4,764,220	26		\$ 10,849	\$ 0.00228 \$ 417.79		\$ 10,849	\$ 0.00228 \$ 417.79			\$ 1,473.50	\$ 0.00031 \$ 56.80	
Class 1-2 Interruptible (Sales and Transport), Class 1-2 Ag Grain Dryer, and Class 1 Power Gen	26,404,942	513		\$ 7,850	\$ 0.00030 \$ 15.44		\$ 13,899.37	\$ 0.00053 \$ 27.28			\$ 51,086	\$ 0.00193 \$ 99.34	
Class 3-4 Interruptible (Sales and Transport) and Class 3-4 Ag Grain Dryer	142,912,053	211	14.0%	\$ 42,486	\$ 0.00030 \$ 203.19		\$ 75,227.89	\$ 0.00053 \$ 358.97			\$ 44,200.36	\$ 0.00031 \$ 209.97	
Class 5, FLEX, Transport for Resale, and Class 2 Power Gen	141,124,573	26		\$ 41,955	\$ 0.00030 \$ 1,628.36		\$ 74,287	\$ 0.00053 \$ 2,876.77			\$ 43,647.52	\$ 0.00031 \$ 1,682.64	
Direct Connect	247,567,358	8		\$ 73,599	\$ 0.00030 \$ 9,283.78		\$ 2,476	\$ 0.00001 \$ 309.46			\$ 76,568.54	\$ 0.00031 \$ 9,593.24	
Michigan Mines	n/a	n/a		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	871,608,976	242,593		\$ 1,184,928		\$ -	\$ 1,184,928			\$ -	\$ 1,184,928		

Proposed:				
Customer Class	Proposed 2021 NGEP Rider Surcharge	Average Annual Cost	Total \$	% of 2021 NGEP revenue requirement
Residential, including Farm Tap	\$ 0.00387	\$ 3.39	\$ 740,580	62.5%
Class 1-2 Firm (Sales and Transport), including Farm Tap	\$ 0.00193	\$ 9.66	\$ 227,372	19.2%
Class 1-2 Interruptible (Sales and Transport), Class 1-2 Ag Grain Dryer, and Class 1 Power Gen	\$ 0.00193	\$ 99.34	\$ 51,086	4.3%
Class 3-4 Firm (Sales and Transport), including Farm Tap	\$ 0.00031	\$ 56.80	\$ 1,473	0.1%
Class 3-4 Interruptible (Sales and Transport) and Class 3-4 Ag Grain Dryer	\$ 0.00031	\$ 209.97	\$ 44,200	3.7%
Class 5 (including Farm Tap), FLEX, Transport for Resale, and Class 2 Power Gen	\$ 0.00031	\$ 1,682.64	\$ 43,648	3.7%
Direct Connect	\$ 0.00031	\$ 9,593.24	\$ 76,569	6.5%
Total			\$ 1,184,928	100%

NGEP Rider 2021 Forecast
Revenue Requirement
Capex Excluding Contingency

	Month	Construction Expenditures	CWIP Balance	Plant In Service Balance	Accumulated Depreciation	Accumulated Deferred Tax	Rate Base	ADIT Proration Adjust (N/A for Actuals)	Adjusted Rate Base	Depreciation Expense	Property Tax	O&M
2017	Dec-17	885,551	3,289,954	2,378,421	(3,204)	(39,304)	5,625,867	-	5,625,867	3,204	-	-
2018	Jan-18	(133,270)	3,293,362	2,241,742	(12,325)	(41,010)	5,481,770	-	5,481,770	9,120	5,881	-
2018	Feb-18	159,187	3,372,894	2,321,397	(20,915)	(43,031)	5,630,346	-	5,630,346	8,590	5,881	-
2018	Mar-18	176,936	3,464,661	2,406,566	(29,814)	(45,144)	5,796,269	-	5,796,269	8,899	5,881	-
2018	Apr-18	8,698	3,463,289	2,416,636	(39,043)	(47,028)	5,793,854	-	5,793,854	9,229	5,881	-
2018	May-18	303,234	3,694,754	2,488,404	(11,308)	(59,821)	6,112,029	-	6,112,029	9,268	5,881	-
2018	Jun-18	129,367	3,816,204	2,496,321	(20,849)	(61,703)	6,229,974	-	6,229,974	9,541	5,881	-
2018	Jul-18	1,389,699	5,145,207	2,557,017	(30,421)	(63,970)	7,607,834	-	7,607,834	9,572	5,881	-
2018	Aug-18	4,249,032	9,426,012	2,525,245	(39,020)	(65,882)	11,846,355	-	11,846,355	9,807	5,881	-
2018	Sep-18	858,934	10,222,942	2,587,249	(48,703)	(68,282)	12,693,206	-	12,693,206	9,684	5,881	-
2018	Oct-18	1,960,090	12,128,351	2,641,929	(8,028)	(85,105)	14,677,147	-	14,677,147	9,924	5,881	-
2018	Nov-18	37,608	12,161,171	2,646,717	(18,156)	(86,974)	14,702,758	-	14,702,758	10,128	5,881	-
2018	Dec-18	364,201	4,506,133	10,665,956	(24,278)	(176,145)	14,971,666	-	14,971,666	10,147	5,883	-
2019	Jan-19	170,003	4,671,034	10,671,057	(42,181)	(189,364)	15,110,547	-	15,110,547	21,930	16,272	3,386
2019	Feb-19	205,565	4,857,918	10,689,739	(64,119)	(201,462)	15,282,075	-	15,282,075	21,939	16,272	3,386
2019	Mar-19	259,399	5,112,551	10,694,505	(82,067)	(214,699)	15,510,290	-	15,510,290	21,975	16,272	3,386
2019	Apr-19	560,680	5,627,456	10,740,280	(100,559)	(227,936)	16,039,241	-	16,039,241	21,984	16,272	3,386
2019	May-19	164,100	5,788,015	10,743,821	(122,616)	(240,045)	16,169,175	-	16,169,175	22,057	16,272	3,386
2019	Jun-19	2,012,207	7,792,321	10,751,723	(125,884)	(257,569)	18,160,590	-	18,160,590	22,070	16,272	3,386
2019	Jul-19	1,495,673	9,285,723	10,753,994	(147,966)	(269,678)	19,622,072	-	19,622,072	22,082	16,272	3,386
2019	Aug-19	1,571,867	10,854,436	10,757,147	(170,051)	(281,797)	21,159,735	-	21,159,735	22,085	16,272	3,386
2019	Sep-19	390,502	11,509,085	10,493,001	(192,144)	(291,774)	21,518,168	-	21,518,168	22,092	16,272	3,386
2019	Oct-19	299,900	11,380,677	10,921,308	(213,857)	(307,581)	21,780,547	-	21,780,547	21,713	16,272	3,386
2019	Nov-19	231,208	3,937,674	18,595,520	(236,213)	(395,368)	21,901,613	-	21,901,613	22,356	16,272	3,386
2019	Dec-19	507,363	3,939,004	19,101,552	(276,295)	(414,770)	22,349,491	-	22,349,491	40,082	16,272	3,386
2020	Jan-20	(32,063)	3,906,942	19,101,552	(340,556)	(427,783)	22,240,154	(8,017)	22,232,137	64,261	41,750	-
2020	Feb-20	34,900	3,941,842	19,101,552	(404,818)	(440,796)	22,197,780	(14,543)	22,183,237	64,261	41,750	-
2020	Mar-20	46,100	3,987,942	19,101,552	(469,079)	(453,809)	22,166,605	(19,526)	22,147,079	64,261	41,750	-
2020	Apr-20	914,300	4,902,242	19,101,552	(533,341)	(466,822)	23,003,631	(22,992)	22,980,639	64,261	41,750	-
2020	May-20	382,300	5,284,542	19,101,552	(597,602)	(479,835)	23,308,657	(24,915)	23,283,742	64,261	41,750	-
2020	Jun-20	1,000,200	6,284,742	19,101,552	(661,863)	(492,848)	24,231,582	(25,321)	24,206,261	64,261	41,750	-
2020	Jul-20	1,162,200	7,446,942	19,101,552	(726,125)	(505,861)	25,316,508	(24,184)	25,292,324	64,261	41,750	-
2020	Aug-20	1,389,700	8,836,642	19,101,552	(790,386)	(518,874)	26,628,934	(21,503)	26,607,430	64,261	41,750	-
2020	Sep-20	1,372,600	10,209,242	19,101,552	(854,647)	(531,887)	27,924,259	(17,306)	27,906,953	64,261	41,750	-
2020	Oct-20	1,615,200	11,824,442	19,101,552	(918,909)	(544,900)	29,462,185	(11,565)	29,450,620	64,261	41,750	-
2020	Nov-20	110,483	-	31,036,477	(983,170)	(675,513)	29,377,794	(4,998)	29,372,796	64,261	41,750	-
2020	Dec-20	107,358	-	31,143,835	(1,066,649)	(694,861)	29,382,325	10,787	29,393,112	83,479	41,750	-
2021	Jan-21	34,950	34,950	31,143,835	(1,150,354)	(720,638)	29,307,793	(15,875)	29,291,918	83,705	64,000	3,386
2021	Feb-21	35,950	70,900	31,143,835	(1,234,059)	(746,423)	29,234,254	(28,858)	29,205,396	83,705	64,000	3,386
2021	Mar-21	40,450	111,350	31,143,835	(1,317,764)	(772,207)	29,165,215	(38,784)	29,126,430	83,705	64,000	3,386
2021	Apr-21	1,688,275	1,799,625	31,143,835	(1,401,468)	(797,992)	30,744,000	(45,704)	30,698,296	83,705	64,000	3,386
2021	May-21	1,232,275	3,031,900	31,143,835	(1,485,173)	(823,777)	31,866,785	(49,566)	31,817,219	83,705	64,000	3,386
2021	Jun-21	1,758,275	4,790,175	31,143,835	(1,568,878)	(849,560)	33,515,572	(50,424)	33,465,149	83,705	64,000	3,386
2021	Jul-21	1,846,100	6,636,275	31,143,835	(1,652,583)	(875,344)	35,252,183	(48,223)	35,203,960	83,705	64,000	3,386
2021	Aug-21	1,811,100	8,447,375	31,143,835	(1,736,288)	(901,128)	36,953,794	(42,965)	36,910,830	83,705	64,000	3,386
2021	Sep-21	1,793,100	10,240,475	31,143,835	(1,819,993)	(926,913)	38,637,405	(34,701)	38,602,704	83,705	64,000	3,386
2021	Oct-21	533,775	10,774,250	31,143,835	(1,903,698)	(952,698)	39,061,690	(23,379)	39,038,310	83,705	64,000	3,386
2021	Nov-21	254,108	-	42,172,194	(1,987,402)	(1,087,149)	39,097,642	(9,908)	39,087,734	83,705	64,000	3,386
2021	Dec-21	26,108	-	42,198,302	(2,098,119)	(1,115,349)	38,984,834	13,732	38,998,566	110,716	64,000	3,386

NGEP Rider 2021 Forecast Estimate of Plant Deferred Taxes														2017 & Prior		2018 & Fwd						
Bl Depr Rate														Federal Tax Rate		0.35	0.21					
Bl Depr Rate														MN Tax Rate		0.099	0.099					
Bl Depr Rate														MN Apportionment Factor		0.98921	0.98921					
Bl Depr Rate														MT Tax Rate		0.06	0.06					
Bl Depr Rate														MT Apportionment Factor		0.00042	0.00042					
Year	Book Basis	Tax Basis Activity	Book Reserve PV	Book Reserve	Vint 2017	Vint 2018	Vint 2019	Vint 2020	Vint 2021	Vint 2022	Vint 2023	Tax Reserve	Accum Sch M	ADIT Fed	ADIT State	Total ADIT	ADIT Expense	MI CV	ADIT CV	ADIT PV		
2016	12/1/2016	-	-	-	-	-	-	-	-	-	-	-	-	-	0	-	-	-	-	-		
2017	12/1/2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2018	1/1/2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2018	2/1/2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2018	3/1/2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2018	4/1/2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2018	5/1/2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2018	6/1/2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2018	7/1/2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2018	8/1/2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2018	9/1/2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2018	10/1/2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2018	11/1/2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2018	12/1/2018	8,014,581.18	8,014,581.18	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2019	1/1/2019	8,018,349.60	4,768.42	(122,021.87)	(12,021.87)	-	(300,546.79)	-	-	-	-	(300,546.79)	(300,546.79)	(63,115.00)	(23,036.00)	(86,151.00)	86,151.00	(300,546.79)	(86,151.00)	(86,151.00)		
2019	2/1/2019	8,034,486.13	-	(24,041.74)	(24,050.00)	-	(396,975.56)	(124.41)	-	-	-	(397,099.97)	(373,049.07)	(78,341.00)	(22,578.00)	(106,934.00)	104,404.00	(117.25)	(134.00)	(106,900.00)		
2019	3/1/2019	8,038,121.17	3,825.04	(38,985.62)	(38,102.63)	-	(445,389.95)	(222.48)	-	-	-	(445,612.43)	(409,209.80)	(85,265.00)	(27,120.00)	(117,538.00)	10,948.00	(185.47)	(53.00)	(117,275.48)		
2019	4/1/2019	8,052,773.66	44,060.49	(65,007.49)	(64,160.00)	-	(495,404.33)	(647.39)	-	-	-	(495,912.72)	(445,091.63)	(93,680.00)	(34,391.00)	(127,871.00)	15,543.00	(774.79)	(222.00)	(127,649.00)		
2019	5/1/2019	8,082,453.93	83.27	(60,109.36)	(60,283.63)	-	(541,618.72)	(1,050.54)	-	-	-	(542,679.26)	(482,395.61)	(101,304.00)	(36,973.00)	(138,277.00)	10,406.00	(888.25)	(254.00)	(138,023.00)		
2019	6/1/2019	8,090,556.97	7,901.04	(72,131.23)	(72,407.34)	-	(585,833.10)	(1,430.80)	-	-	-	(591,253.90)	(518,846.56)	(108,605.00)	(39,767.00)	(148,734.00)	10,406.00	(1,144.66)	(338.00)	(148,396.00)		
2019	7/1/2019	8,092,628.50	2,271.53	(84,151.10)	(84,542.87)	-	(638,047.49)	(1,707.29)	-	-	-	(639,754.77)	(555,211.90)	(116,596.00)	(42,054.00)	(159,150.00)	10,404.00	(1,317.52)	(378.00)	(158,772.00)		
2019	8/1/2019	8,094,789.51	2,361.01	(96,174.97)	(96,681.81)	-	(686,261.87)	(2,005.21)	-	-	-	(688,267.08)	(591,585.26)	(124,234.00)	(45,342.00)	(169,576.00)	10,404.00	(1,498.37)	(430.00)	(169,146.00)		
2019	9/1/2019	8,123,006.31	(271,783.28)	(108,396.85)	(108,824.00)	-	(734,479.26)	5,388.04	-	-	-	(739,867.31)	(620,364.21)	(132,527.00)	(47,440.00)	(191,918.00)	8,211.00	6,033.30	1,794.00	(179,521.00)		
2019	10/1/2019	8,151,265.85	428,259.54	(120,318.72)	(120,558.13)	-	(782,090.64)	(7,396.40)	-	-	-	(789,487.04)	(669,528.53)	(153,115.00)	(51,335.00)	(215,863.00)	14,111.00	(7,056.61)	(2,033.00)	(189,895.00)		
2019	11/1/2019	12,989,357.36	4,738,051.51	(132,249.99)	(132,539.41)	-	(856,905.03)	(17,007.39)	-	-	-	(874,912.42)	(696,977.50)	(182,467.00)	(66,402.00)	(249,089.00)	17,171.00	(170,313.11)	(48,820.00)	(200,269.00)		
2019	12/1/2019	13,003,167.89	13,850.53	(142,464.46)	(142,439.44)	-	(879,119.41)	(187,072.00)	-	-	-	(1,066,191.41)	(913,771.97)	(191,894.00)	(70,035.00)	(261,929.00)	12,840.00	(178,915.02)	(53,285.00)	(210,644.00)		
2020	1/1/2020	13,003,167.89	-	(179,634.26)	(194,302.50)	-	(923,713.88)	(217,082.51)	-	-	-	(1,140,796.38)	(946,493.88)	(198,766.00)	(72,543.00)	(271,309.00)	9,380.00	22,378.31	6,415.00	(277,724.00)		
2020	2/1/2020	13,003,167.89	-	(347,466.96)	(371,250.03)	-	(1,320,964.66)	(487,177.86)	-	-	-	(1,211,463.35)	(979,215.79)	(205,638.00)	(75,051.00)	(298,689.00)	9,380.00	44,756.61	13,829.00	(293,518.00)		
2020	3/1/2020	13,003,167.89	-	(518,933.70)	(578,068.62)	-	(1,612,902.81)	(727,103.32)	-	-	-	(1,290,066.33)	(1,011,937.71)	(212,510.00)	(77,559.00)	(290,069.00)	9,380.00	67,134.92	19,244.00	(309,313.00)		
2020	4/1/2020	13,003,167.89	-	(730,438.45)	(813,951.68)	-	(1,957,497.27)	(937,114.03)	-	-	-	(1,364,611.39)	(1,044,699.62)	(219,362.00)	(80,967.00)	(299,449.00)	9,380.00	89,513.22	23,609.00	(325,108.00)		
2020	5/1/2020	13,003,167.89	-	(949,841.20)	(1,049,881.74)	-	(2,302,091.74)	(1,337,124.53)	-	-	-	(1,499,218.27)	(1,077,881.53)	(226,254.00)	(82,375.00)	(306,621.00)	9,380.00	111,891.54	23,071.00	(340,902.00)		
2020	6/1/2020	13,003,167.89	-	(1,169,479.95)	(1,267,135.04)	-	(2,646,686.20)	(1,637,135.04)	-	-	-	(1,513,821.24)	(1,110,103.44)	(233,126.00)	(85,083.00)	(318,209.00)	9,380.00	134,269.84	38,488.00	(356,697.00)		
2020	7/1/2020	13,003,167.89	-	(1,389,280.67)	(1,485,600.36)	-	(2,986,280.67)	(1,973,145.53)	-	-	-	(1,588,426.12)	(1,142,023.66)	(239,938.00)	(87,299.00)	(327,589.00)	9,380.00	156,448.15	40,902.00	(372,449.00)		
2020	8/1/2020	13,003,167.89	-	(1,609,457.46)	(1,697,483.32)	-	(3,327,156.05)	(2,267,156.05)	-	-	-	(1,663,031.18)	(1,175,547.27)	(246,870.00)	(90,099.00)	(336,969.00)	9,380.00	179,026.46	43,317.00	(388,286.00)		
2020	9/1/2020	13,003,167.89	-	(1,829,212.21)	(1,919,366.58)	-	(3,668,460.60)	(2,517,156.58)	-	-	-	(1,737,636.16)	(1,208,269.18)	(253,742.00)	(92,607.00)	(346,349.00)	9,380.00	201,404.77	57,772.00	(404,081.00)		
2020	10/1/2020	13,003,167.89	-	(2,049,069.45)	(2,139,366.58)	-	(4,009,618.83)	(2,867,156.58)	-	-	-	(1,812,261.13)	(1,240,991.09)	(260,614.00)	(95,115.00)	(355,729.00)	9,380.00	223,783.07	64,447.00	(419,878.00)		
2020	11/1/2020	24,708,719.39	11,705,515.50	(366,971.71)	(363,133.09)	-	(5,369,658.53)	(3,657,156.58)	-	-	-	(2,289,224.43)	(1,676,091.34)	(351,985.00)	(128,464.00)	(480,449.00)	124,720.00	(156,216.95)	(44,779.00)	(435,670.00)		
2020	12/1/2020	24,804,741.57	96,020.39	(586,479.47)	(673,404.38)	-	(5,704,259.00)	(3,942,559.00)	-	-	-	(2,624,020.08)	(1,736,008.04)	(384,633.00)	(132,462.00)	(496,075.00)	13,630.00	(155,531.43)	(44,611.00)	(451,464.00)		
2021	1/1/2021	24,804,741.57	-	(793,681.36)	(793,860.33)	-	(6,495,509.05)	(4,335,551.33)	-	-	-	(2,944,048.77)	(1,841,158.78)	(380,138.00)	(138,739.00)	(534,878.00)	247,646.00	21,248.47	6,644.00	(525,339.00)		
2021	2/1/2021	24,804,741.57	-	(797,818.27)	(798,338.02)	-	(6,496,781.11)	(4,335,551.33)	-	-	-	(2,944,048.77)	(1,889,711.44)	(398,842.00)	(144,837.00)	(544,679.00)	240,909.00	46,497.75	13,328.00	(550,007.00)		
2021	3/1/2021	24,804,741.57	-	(798,023.38)	(798,477.22)	-	(6,496,781.11)	(4,335,551.33)	-	-	-	(2,944,048.77)	(1,889,711.44)	(398,842.00)	(144,837.00)	(544,679.00)	240,909.00	46,497.75	13,328.00	(550,007.00)		
2021	4/1/2021	24,804,741.57	-	(822,232.50)	(815,277.98)	-	(6,579,271.22)	(4,388,227.98)	-	-	-	(2,944,048.77)	(1,889,711.44)	(398,842.00)	(144,837.00)	(544,679.00)	240,909.00	46,497.75	13,328.00	(550,007.00)		
2021	5/1/2021	24,804,741.57	-	(839,438.61)	(831,933.33)	-	(6,732,321.28)	(4,655,277.98)	-	-	-	(3,104,053.51)	(2,126,999.53)	(446,961.00)	(160,591.00)	(607,591.00)	301,242.00	92,945.49	31,321.00	(607,275.00)		
2021	6/1/2021	24,804,741.57	-	(856,644.72)	(848,139.36)	-	(6,885,471.33)	(4,712,742.04)	-	-	-	(3,244,062.19)	(2,207,022.33)	(483,648.00)	(169,238.00)	(650,894.00)	314,448.00	93,493.24	30,985.00	(672,879.00)		
2021	7/1/2021	24,804,741.57	-	(873,850.83)	(865,345.55)	-	(7,038,588.39)	(4,774,499.37)	-	-	-	(3,384,070.88)	(2,287,474.93)	(480,374.00)	(175,234.00)	(693,698.00)	320,109.00	162,742.11	46,499.00	(702,347.00)		
2021	8/1/2021	24,804,741.57	-	(891,056.94)	(882,551.66)	-	(7,190,699.44)	(4,830,251.66)	-	-	-	(3,524,079.56)	(2,367,027.63)	(497,861.00)	(184,421.00)	(738,502.00)	341,533.00	185,999.99	53,334.00	(731,816.00)		
2021	9/1/2021	24,804,741.57																				

NEGP Rider 2021 Forecast
Estimate of Plant Deferred Taxes

Station
Bk Dep Rate 4.4000% 2018 - Prior
Bk Dep Rate 4.4000%

Federal Tax Rate 0.35 2018 & Fed 0.21
MN Tax Rate 0.098 0.098
MN Apportionment Factor 0.598011 0.598011
MI Tax Rate 0.05 0.05
MI Apportionment Factor 0.000542 0.000542

	Book Basis	Tax Basis Activity	Book Reserve PV	Book Reserve	Vint 2017	Vint 2018	Vint 2019	Vint 2020	Vint 2021	Vint 2022	Vint 2023	Tax Reserve	Accum Sch M	ADIT Fed	ADIT State	Total ADIT	ADIT Expense	MI CV	ADIT CV	ADIT PV
12/1/2016																				
12/1/2017	2,291,461.45	2,291,461.45		(2,302.32)	(85,929.80)							(85,929.80)	(83,027.28)	(29,060.00)	(5,236.00)	(14,296.00)	34,296.00	(83,027.28)	(34,296.00)	
1/1/2018	2,161,408.68	(129,792.78)	(11,419.12)	(1,419.12)	(99,714.83)	405.60						(99,309.23)	(87,800.13)	(30,081.00)	(5,609.00)	(15,990.00)	1,994.00	405.60	114.00	(13,306.00)
2/1/2018	2,237,310.67	75,942.01	(18,915.72)	(19,453.32)	(131,499.90)	338.44						(131,161.46)	(93,708.14)	(31,303.00)	(6,055.00)	(17,330.00)	1,668.00	(143.95)	(41.00)	(17,371.00)
3/1/2018	2,181,775.50	80,864.83	(20,431.32)	(27,768.66)	(127,294.95)	230.44						(127,335.40)	(99,766.74)	(32,579.00)	(6,320.00)	(19,099.00)	1,737.00	(934.10)	(268.00)	(19,099.00)
4/1/2018	2,327,712.56	9,375.76	(16,968.91)	(26,384.54)	(141,070.01)	633.62						(141,523.83)	(105,119.08)	(33,709.00)	(6,832.00)	(26,453.00)	3,540.00	(1,037.99)	(298.00)	(40,137.00)
5/1/2018	2,397,768.64	70,017.38	(44,855.11)	(8,032.48)	(154,855.06)	(1,661.05)						(156,516.11)	(148,483.63)	(42,805.00)	(10,255.00)	(33,060.00)	12,425.00	(39,114.08)	(1,212.00)	(14,488.00)
6/1/2018	2,405,286.61	7,517.97	(54,002.11)	(16,944.19)	(168,645.11)	(2,134.22)						(170,774.33)	(153,830.14)	(43,928.00)	(10,645.00)	(36,599.00)	1,533.00	(39,192.15)	(1,214.00)	(14,488.00)
7/1/2018	2,462,240.98	7,638.87	(62,511.71)	(25,883.83)	(182,425.16)	(3,750.76)						(186,175.32)	(160,292.00)	(45,285.00)	(11,160.00)	(56,465.00)	1,852.00	(46,385.64)	(1,576.00)	(44,689.00)
8/1/2018	2,432,813.79	(30,111.19)	(7,035.31)	(33,829.96)	(196,210.21)	(3,533.81)						(199,744.01)	(165,910.24)	(46,466.00)	(11,591.00)	(59,057.00)	1,612.00	(40,739.16)	(16,738.00)	(44,679.00)
9/1/2018	2,491,694.10	58,880.31	(7,551.93)	(42,871.93)	(209,995.26)	(5,611.54)						(215,626.80)	(172,748.90)	(47,903.00)	(12,115.00)	(60,018.00)	1,961.00	(42,311.53)	(12,128.00)	(44,679.00)
10/1/2018	2,546,109.29	54,751.19	(1,531.50)	(221,792.31)	(7,999.62)							(231,739.93)	(230,206.43)	(59,680.00)	(16,518.00)	(76,486.00)	16,468.00	(59,494.62)	(27,087.00)	(49,399.00)
11/1/2018	2,550,715.79	4,546.50	(96,585.10)	(10,996.76)	(237,365.36)	(8,911.87)						(246,477.22)	(235,480.46)	(61,076.00)	(16,922.00)	(77,998.00)	1,512.00	(94,500.21)	(27,088.00)	(49,399.00)
12/1/2018	2,555,441.34	4,635.55	(105,101.70)	(15,451.92)	(251,250.42)	(9,895.50)						(261,245.90)	(244,793.98)	(63,632.00)	(17,636.00)	(89,648.00)	2,670.00	(98,945.27)	(32,420.00)	(49,399.00)
1/1/2019	2,555,657.60	316.26	(103,867.94)	(21,666.32)	(264,100.48)	(11,482.85)	(0.99)					(275,584.42)	(251,918.10)	(64,648.00)	(18,335.00)	(83,283.00)	2,615.00	(4,028.41)	(1,155.00)	(82,128.00)
2/1/2019	2,559,024.36	3,166.76	(49,935.56)	(30,909.28)	(313,070.41)	(13,074.11)	(23.02)					(289,934.70)	(258,054.70)	(66,022.00)	(18,728.00)	(89,750.00)	1,467.00	(4,049.30)	(1,161.00)	(83,889.00)
3/1/2019	2,559,593.51	892.15	(48,177.38)	(56,136.60)	(389,600.63)	(14,637.87)	(42.89)					(304,301.39)	(268,164.79)	(67,939.00)	(19,428.00)	(97,367.00)	2,617.00	(8,083.67)	(2,317.00)	(83,889.00)
4/1/2019	2,561,545.30	1,628.79	(53,541.19)	(40,501.33)	(302,350.70)	(16,245.33)	(77.55)					(318,671.58)	(276,770.05)	(69,760.00)	(20,088.00)	(99,816.00)	2,467.00	(11,591.22)	(1,323.00)	(86,511.00)
5/1/2019	2,564,829.05	3,283.75	(62,641.01)	(51,167.78)	(315,100.77)	(17,832.78)	(145.25)					(331,081.80)	(281,914.02)	(70,826.00)	(20,482.00)	(99,308.00)	1,474.00	(11,641.48)	(3,377.00)	(87,711.00)
6/1/2019	2,564,829.05	-	(71,802.83)	(43,647.43)	(327,850.83)	(19,420.24)	(177.89)					(347,448.98)	(295,806.53)	(72,843.00)	(21,414.00)	(99,137.00)	6,449.00	(10,438.29)	(8,725.00)	(87,711.00)
7/1/2019	2,564,829.05	-	(81,144.63)	(50,931.56)	(340,600.92)	(21,007.70)	(207.54)					(361,816.16)	(310,897.40)	(74,812.00)	(22,794.00)	(99,616.00)	1,459.00	(9,431.63)	(8,724.00)	(89,892.00)
8/1/2019	2,565,771.45	942.40	(90,386.47)	(60,194.70)	(331,530.99)	(22,595.14)	(260.75)					(376,206.90)	(316,012.21)	(77,986.00)	(23,096.00)	(101,082.00)	1,466.00	(10,432.52)	(8,729.00)	(92,153.00)
9/1/2019	2,573,023.19	7,515.74	(98,628.28)	(69,474.24)	(366,101.07)	(24,132.61)	(497.30)					(390,760.98)	(321,306.75)	(79,998.00)	(23,502.00)	(102,660.00)	1,518.00	(10,631.35)	(8,786.00)	(92,153.00)
10/1/2019	2,573,023.19	-	(108,070.10)	(79,760.00)	(378,831.14)	(25,770.07)	(533.88)					(405,175.19)	(326,395.19)	(80,407.00)	(23,892.00)	(104,099.00)	1,459.00	(9,644.08)	(8,784.00)	(95,275.00)
11/1/2019	5,509,183.82	2,936,115.11	(118,111.92)	(88,085.94)	(391,601.21)	(27,357.53)	(103,338.34)					(520,497.08)	(432,411.14)	(102,400.00)	(32,018.00)	(134,448.00)	30,389.00	(131,564.32)	(37,712.00)	(96,736.00)
12/1/2019	497,212.65	(127,353.76)	(100,010.83)	(404,351.29)	(38,844.99)	(29,227.07)						(562,523.34)	(454,512.52)	(107,071.00)	(33,712.00)	(140,783.00)	6,335.00	(16,470.00)	(16,296.00)	(96,736.00)
1/1/2020	6,001,396.47	-	(129,715.87)	(129,715.87)	(414,146.59)	(30,413.26)	(149,957.96)	-				(596,517.90)	(466,801.94)	(109,652.00)	(34,654.00)	(144,306.00)	3,523.00	-	-	(144,306.00)
2/1/2020	6,001,396.47	-	(151,420.92)	(151,420.92)	(427,941.88)	(31,881.53)	(170,888.85)	-				(630,512.27)	(479,091.35)	(121,233.00)	(35,996.00)	(147,829.00)	3,523.00	-	-	(147,829.00)
3/1/2020	6,001,396.47	-	(173,125.97)	(173,125.97)	(445,757.18)	(33,349.80)	(191,610.75)	-				(664,506.70)	(491,380.76)	(131,834.00)	(36,538.00)	(151,322.00)	3,523.00	-	-	(151,322.00)
4/1/2020	6,001,396.47	-	(194,831.02)	(194,831.02)	(453,532.48)	(34,818.07)	(212,150.64)	-				(698,501.17)	(503,670.17)	(137,395.00)	(37,480.00)	(154,875.00)	3,523.00	-	-	(154,875.00)
5/1/2020	6,001,396.47	-	(216,536.07)	(216,536.07)	(463,327.78)	(36,286.34)	(232,881.53)	-				(732,495.65)	(515,959.58)	(139,976.00)	(38,422.00)	(158,398.00)	3,523.00	-	-	(158,398.00)
6/1/2020	6,001,396.47	-	(238,241.12)	(238,241.12)	(473,123.07)	(37,754.62)	(253,429.00)	-				(766,490.12)	(528,249.00)	(142,557.00)	(39,364.00)	(161,921.00)	3,523.00	-	-	(161,921.00)
7/1/2020	6,001,396.47	-	(259,946.17)	(259,946.17)	(486,918.77)	(39,222.89)	(274,343.32)	-				(800,484.58)	(540,538.41)	(143,138.00)	(40,306.00)	(165,444.00)	3,523.00	-	-	(165,444.00)
8/1/2020	6,001,396.47	-	(281,651.22)	(281,651.22)	(498,710.67)	(40,691.16)	(295,074.21)	-				(834,479.04)	(552,827.82)	(143,719.00)	(41,248.00)	(169,967.00)	3,523.00	-	-	(169,967.00)
9/1/2020	6,001,396.47	-	(303,356.27)	(303,356.27)	(510,508.97)	(42,163.11)	(316,829.13)	-				(868,469.50)	(572,819.43)	(144,517.12)	(42,180.00)	(171,490.00)	3,523.00	-	-	(171,490.00)
10/1/2020	6,001,396.47	-	(325,061.32)	(325,061.32)	(522,304.27)	(43,627.70)	(336,316.00)	-				(902,467.97)	(577,406.65)	(145,281.00)	(43,132.00)	(173,013.00)	3,523.00	-	-	(173,013.00)
11/2/2020	6,230,769.84	229,373.37	(346,764.37)	(346,764.37)	(534,099.56)	(45,095.97)	(357,266.89)	(788.71)				(944,347.14)	(597,380.77)	(147,118.00)	(44,678.00)	(181,796.00)	5,783.00	(7,884.71)	(2,260.00)	(173,366.00)
12/1/2020	6,230,769.84	11,316.31	(368,479.68)	(368,479.68)	(546,894.30)	(46,569.46)	(377,997.79)	(9,026.63)				(979,483.50)	(619,483.50)	(149,760.00)	(45,618.00)	(184,648.00)	5,783.00	(8,197.04)	(2,320.00)	(173,366.00)
1/1/2021	6,242,105.98	-	(391,876.61)	(391,876.61)	(559,872.37)	(47,977.12)	(391,722.31)	(10,474.67)	-			(1,012,373.58)	(620,496.97)	(151,928.00)	(46,434.00)	(188,362.00)	44,056.00	-	-	(188,362.00)
2/1/2021	6,242,105.98	-	(414,432.22)	(414,432.22)	(571,713.39)	(49,280.89)	(416,346.64)	(11,927.74)	-			(1,045,263.66)	(630,811.44)	(149,498.00)	(47,225.00)	(191,339.00)	43,900.00	-	-	(191,339.00)
3/1/2021	6,242,105.98	-	(437,027.84)	(437,027.84)	(583,621.06)	(50,599.11)	(435,621.06)	(13,379.83)	-			(1,078,235.11)	(641,125.90)	(146,260.00)	(48,016.00)	(194,276.00)	42,804.00	-	-	(194,276.00)
4/1/2021	6,242,105.98	-	(459,631.46)	(459,631.46)	(595,331.65)	(51,495.49)	(448,188.88)	(15,197.53)	-			(1,110,243.83)	(651,440.37)	(148,427.00)	(48,720.00)	(197,233.00)	42,358.00	-	-	(197,233.00)
5/1/2021	6,242,105.98	-	(482,179.07)	(482,179.07)	(600,441.19)	(53,335.85)	(473,869.91)	(16,266.95)	-			(1,143,933.91)	(661,754.83)	(150,598.00)	(49,597.00)	(200,190.00)	41,792.00	-	-	(200,190.00)
6/1/2021	6,242,105.98	-	(504,754.48)	(504,754.48)	(612,574.88)	(54,714.88)	(494,044.64)	(17,715.02)	-			(1,176,823.98)	(672,069.40)	(152,769.00)	(50,469.00)	(203,147.00)	41,390.00	-	-	(203,147.00)
7/1/2021	6,242,105.98	-	(527,330.31)	(527,330.31)	(622,579.32)	(56,072.50)	(515,218.76)	(18,618.08)	-			(1,209,714.07)	(682,385.17)	(154,926.00)	(51,077.00)	(206,103.00)	40,959.00	-	-	(206,103.00)
8/1/2021	6,242,105.98	-	(549,905.92)	(549,905.92)	(633,168.99)	(57,430.82)	(526,393.19)	(20,611.15)	-			(1,242,604.15)	(692,698.23)	(157,092.00)	(51,998.00)	(209,060.00)	40,993.00	-	-	(209,060.00)
9/1/2021	6,242,105.98	-	(572,481.54)	(572,481.54)	(644,078.36)	(58,785.14)	(539,146.64)	(22,597.29)	-			(1,276,494.28)</								

NGEP Rider 2021 Forecast
Estimated of Plant Deferred Taxes

SCADA

Bk Dep Rate 8.3300% 2018 - Prior
Bk Dep Rate 8.3300%

Federal Tax Rate	2017 & prior	2018 & Fwd
MN Tax Rate	0.01%	0.01%
MN Apportionment Factor	0.589271	0.589271
Mi Tax Rate	0.05%	0.05%
Mi Apportionment Factor	0.000542	0.000542

Year	Book Basis	Tax Basis/Activity	Book Reserve PV	Book Reserve	Vint 2017	Vint 2018	Vint 2019	Vint 2020	Vint 2021	Vint 2022	Vint 2023	Tax Reserve	Accum Sch M	ADIT Fed	ADIT State	Total ADIT	ADIT Expense	M1 CV	ADIT CV	ADIT PV
2016	12/1/2016													0						
2017	12/1/2017	86,959.22	86,959.22	(301.82)	(12,426.47)	(905.46)	(1,246.17)	82.00				(12,426.47)	(12,124.45)	4,244.00	(764.00)	(5,008.00)	5,008.00	(12,124.45)	(5,008.00)	
2018	1/1/2018	80,073.86	8,865.56	(7,055.46)	(30,261.17)	(1,051.31)	(1,509.10)	68.42				(42,118.17)	(13,213.17)	4,474.00	(847.00)	(5,130.00)	5,130.00	82.00	34.00	(5,344.00)
2018	2/1/2018	84,086.50	4,051.84	(1,509.10)	(1,509.10)	(1,509.10)	(1,509.10)	68.42				(15,907.31)	(14,446.13)	4,732.00	(941.00)	(5,673.00)	5,673.00	26.62	6.00	(5,679.00)
2018	3/1/2018	88,396.52	3,864.82	(2,112.75)	(2,040.51)	(1,756.53)	(1,511.33)					(17,801.48)	(15,756.48)	5,007.00	(1,042.00)	(6,249.00)	5,776.00	(11,831)	(14.00)	(6,025.00)
2018	4/1/2018	92,681.76	401.89	(2,756.39)	(2,458.84)	(1,991.24)	(1,756.39)					(19,458.98)	(16,993.98)	5,259.00	(1,134.00)	(6,369.00)	5,640.00	(149.51)	841.00	(6,369.00)
2018	5/1/2018	96,635.81	1,751.40	(3,320.03)	(3,275.59)	(2,739.94)	(2,318.93)					(21,518.85)	(18,243.26)	5,529.00	(1,212.00)	(6,761.00)	5,688.00	(263.31)	(75.00)	(6,686.00)
2018	6/1/2018	100,943.83	398.82	(3,933.45)	(3,894.73)	(3,074.43)	(2,961.39)					(23,365.82)	(19,461.26)	5,783.00	(1,295.00)	(7,150.00)	5,640.00	(110.11)	891.00	(7,150.00)
2018	7/1/2018	104,992.37		(4,527.31)	(4,536.69)	(3,484.32)	(2,994.61)					(25,441.39)	(20,907.24)	6,009.00	(1,436.00)	(7,525.00)	415.00	(585.23)	(168.00)	(7,357.00)
2018	8/1/2018	109,430.88	(1,661.49)	(5,130.96)	(5,189.84)	(3,826.43)	(3,217.27)					(27,145.28)	(21,955.44)	6,309.00	(1,536.00)	(7,825.00)	300.00	(462.38)	(133.00)	(7,692.00)
2018	9/1/2018	113,854.50	3,123.62	(5,734.60)	(5,815.47)	(4,398.71)	(3,702.30)					(29,318.91)	(23,488.44)	6,610.00	(1,638.00)	(8,264.00)	439.00	(824.31)	(256.00)	
2018	10/1/2018	117,960.12	205.62	(6,338.24)	(6,494.78)	(5,017.43)	(4,048.04)					(31,221.48)	(24,726.66)	6,891.00	(1,728.00)	(8,619.00)	355.00	(891.50)	(256.00)	(8,363.00)
2018	11/1/2018	122,000.31	241.19	(6,943.80)	(7,100.53)	(5,366.09)	(4,138.44)					(33,122.59)	(25,972.61)	7,153.00	(1,823.00)	(9,576.00)	357.00	(958.81)	(277.00)	(8,899.00)
2018	12/1/2018	126,033.16	31.85	(7,545.52)	(7,695.22)	(5,722.79)	(4,296.67)					(35,023.62)	(27,593.53)	7,409.00	(1,927.00)	(10,336.00)	350.00	(1,056.27)	(291.00)	(9,559.00)
2019	1/1/2019	130,049.94	16.78	(8,492.55)	(8,492.55)	(6,990.22)	(4,881.85)	(0.20)				(36,472.27)	(27,979.72)	7,574.00	(1,977.00)	(10,551.00)	225.00	(0.20)		(9,551.00)
2019	2/1/2019	132,225.55	178.63	(9,159.18)	(9,159.38)	(7,452.60)	(5,167.05)	(4.45)				(37,628.35)	(28,770.04)	7,740.00	(2,008.00)	(10,778.00)	227.00	(4.54)	(1.00)	(9,777.00)
2019	3/1/2019	134,275.88	47.33	(9,825.81)	(9,827.08)	(7,925.08)	(5,852.22)	(8.67)				(39,385.97)	(29,558.68)	7,906.00	(2,098.00)	(10,904.00)	226.00	(7.02)	(2.00)	(10,002.00)
2019	4/1/2019	136,362.29	86.41	(10,492.44)	(10,495.60)	(8,392.75)	(6,237.40)	(15.68)				(40,845.59)	(30,349.99)	8,072.00	(2,139.00)	(10,231.00)	227.00	(0.52)	(4.00)	(10,277.00)
2019	5/1/2019	138,536.49	174.20	(11,159.07)	(11,164.51)	(8,605.94)	(6,222.38)	(28.97)				(42,312.49)	(31,447.88)	8,240.00	(2,220.00)	(10,231.00)	228.00	(24.53)	(7.00)	(10,453.00)
2019	6/1/2019	140,836.49	-	(11,825.70)	(11,834.64)	(9,432.37)	(6,207.77)	(55.96)				(43,771.10)	(31,936.46)	8,406.00	(2,260.00)	(10,231.00)	227.00	(77.03)	(8.00)	(10,678.00)
2019	7/1/2019	143,166.49	-	(12,492.33)	(12,500.76)	(10,294.80)	(7,592.95)	(61.96)				(45,229.71)	(32,724.65)	8,572.00	(2,340.00)	(10,231.00)	226.00	(25.13)	(8.00)	(10,904.00)
2019	8/1/2019	145,586.48	49.99	(13,158.96)	(13,174.89)	(10,862.23)	(7,778.14)	(57.71)				(46,693.08)	(33,518.20)	8,739.00	(2,400.00)	(11,139.00)	227.00	(36.79)	(11.00)	(11,128.00)
2019	9/1/2019	147,971.19	384.71	(13,825.59)	(13,846.30)	(10,629.66)	(7,963.32)	(100.53)				(48,193.52)	(34,346.86)	8,911.00	(2,444.00)	(11,377.00)	238.00	(80.77)	(23.00)	(11,394.00)
2019	10/1/2019	150,356.49	-	(14,493.22)	(14,518.55)	(10,467.05)	(8,151.13)	(155.89)				(49,693.58)	(35,139.09)	9,079.00	(2,525.00)	(11,604.00)	227.00	(65.71)	(25.00)	(11,579.00)
2019	11/1/2019	152,781.19	4.77	(15,158.81)	(15,191.66)	(10,264.52)	(8,333.69)	(123.82)				(51,222.08)	(35,930.37)	9,245.00	(2,586.00)	(11,831.00)	227.00	(91.03)	(26.00)	(11,805.00)
2019	12/1/2019	155,200.31	9.38	(15,825.45)	(15,868.81)	(10,053.95)	(8,516.17)	(189.41)				(52,744.49)	(36,722.99)	9,413.00	(2,647.00)	(12,058.00)	227.00	(97.05)	(28.00)	(12,020.00)
2020	1/1/2020	157,620.31	-	(16,493.11)	(16,538.13)	(10,087.05)	(8,691.13)	(255.89)	-			(54,244.07)	(37,505.97)	9,582.00	(2,678.00)	(12,168.00)	110.00	-	-	(12,168.00)
2020	2/1/2020	159,967.76	-	(17,121.38)	(17,211.38)	(10,742.15)	(8,783.38)	(375.38)	-			(54,700.91)	(37,489.55)	9,574.00	(2,705.00)	(12,278.00)	110.00	-	-	(12,278.00)
2020	3/1/2020	162,316.49	-	(17,884.52)	(17,884.52)	(10,647.25)	(9,015.53)	(504.86)	-			(55,753.74)	(37,873.40)	9,574.00	(2,740.00)	(12,388.00)	110.00	-	-	(12,388.00)
2020	4/1/2020	164,667.76	-	(18,557.88)	(18,557.88)	(10,552.36)	(9,047.88)	(634.34)	-			(56,814.58)	(38,252.36)	9,735.00	(2,763.00)	(12,498.00)	110.00	-	-	(12,498.00)
2020	5/1/2020	166,967.76	-	(19,231.13)	(19,231.13)	(10,457.46)	(9,180.54)	(763.82)	-			(57,871.41)	(38,640.28)	9,816.00	(2,790.00)	(12,608.00)	110.00	-	-	(12,608.00)
2020	6/1/2020	169,267.76	-	(19,904.38)	(19,904.38)	(10,362.56)	(9,312.38)	(893.30)	-			(58,928.22)	(39,023.86)	9,897.00	(2,817.00)	(12,718.00)	110.00	-	-	(12,718.00)
2020	7/1/2020	171,567.76	-	(20,577.63)	(20,577.63)	(10,267.66)	(9,444.64)	(1,022.78)	-			(59,985.08)	(39,407.44)	9,978.00	(2,850.00)	(12,828.00)	110.00	-	-	(12,828.00)
2020	8/1/2020	173,867.76	-	(21,250.88)	(21,250.88)	(10,172.76)	(9,536.90)	(1,157.27)	-			(61,041.92)	(39,791.02)	10,059.00	(2,879.00)	(12,938.00)	110.00	-	-	(12,938.00)
2020	9/1/2020	176,167.76	-	(21,924.13)	(21,924.13)	(10,077.86)	(9,629.15)	(1,290.51)	-			(62,104.75)	(40,174.60)	10,140.00	(2,908.00)	(13,048.00)	110.00	-	-	(13,048.00)
2020	10/1/2020	178,467.76	-	(22,597.42)	(22,597.42)	(9,982.96)	(9,641.40)	(1,423.23)	-			(63,155.59)	(40,558.17)	10,221.00	(2,937.00)	(13,158.00)	110.00	-	-	(13,158.00)
2020	11/1/2020	180,767.76	-	(23,270.67)	(23,270.67)	(9,888.06)	(9,737.61)	(1,556.71)	-			(64,212.43)	(40,942.61)	10,302.00	(2,966.00)	(13,268.00)	110.00	-	-	(13,268.00)
2020	12/1/2020	183,067.76	-	(23,943.91)	(23,943.91)	(9,793.16)	(9,505.91)	(1,700.18)	-			(65,269.24)	(41,325.33)	10,383.00	(2,995.00)	(13,378.00)	110.00	-	-	(13,378.00)
2021	1/1/2021	185,367.76	-	(24,617.16)	(24,617.16)	(9,698.26)	(9,300.35)	(1,843.11)	-			(66,326.09)	(41,707.55)	10,395.00	(3,006.00)	(13,487.00)	123.00	-	-	(13,487.00)
2021	2/1/2021	187,667.76	-	(25,290.41)	(25,290.41)	(9,603.36)	(9,204.48)	(1,986.23)	-			(67,382.94)	(42,089.78)	10,411.00	(3,017.00)	(13,596.00)	123.00	-	-	(13,596.00)
2021	3/1/2021	189,967.76	-	(25,963.70)	(25,963.70)	(9,508.46)	(9,389.24)	(2,129.33)	-			(68,439.79)	(42,472.02)	10,431.00	(3,027.00)	(13,705.00)	123.00	-	-	(13,705.00)
2021	4/1/2021	192,267.76	-	(26,636.95)	(26,636.95)	(9,413.56)	(9,284.40)	(2,272.44)	-			(69,496.64)	(42,854.26)	10,451.00	(3,037.00)	(13,814.00)	123.00	-	-	(13,814.00)
2021	5/1/2021	194,567.76	-	(27,310.21)	(27,310.21)	(9,318.66)	(9,179.13)	(2,415.55)	-			(70,553.49)	(43,236.50)	10,471.00	(3,047.00)	(13,923.00)	123.00	-	-	(13,923.00)
2021	6/1/2021	196,867.76	-	(27,983.47)	(27,983.47)	(9,223.76)	(9,074.27)	(2,558.67)	-			(71,610.34)	(43,618.74)	10,484.00	(3,057.00)	(14,032.00)	123.00	-	-	(14,032.00)
2021	7/1/2021	199,167.76	-	(28,656.73)	(28,656.73)	(9,128.86)	(8,974.37)	(2,701.78)	-			(72,667.19)	(44,001.00)	10,497.00	(3,067.00)	(14,141.00)	123.00	-	-	(14,141.00)
2021	8/1/2021	201,467.76	-	(29,330.00)	(29,330.00)	(9,033.96)	(8,880.48)	(2,844.89)	-			(73,724.04)	(44,383.26)	10,510.00	(3,077.00)	(14,250.00)	123.00	-	-	(14,250.00)
2021	9/1/2021	203,767.76	-	(30,003.24)	(30,003.24)	(8,939.06)	(8,787.59)	(2,988.00)	-			(74,780.89)	(44,765.51)	10,523.00	(3,087.00)	(14,359.00)	123.00	-	-	(14,359.00)
2021	10/1/2021	206,067.76	-	(30,676.50)	(30,676.50)	(8,844.16)	(8,693.69)	(3,131.11)	-			(75,837.74)	(45,147.76)	10,535.00	(3,097.00)	(14,468.00)	123.00	-	-	(14,468.00)
2021	11/1/2021	208,367.76	-	(31,349.75)	(31,349.75)	(8,749.26)	(8,644.80)	(3,274.24)	-			(76,894.59)	(45,529.99)	10,547.00	(3,107.00)	(14,577.00)	123.00	-	-	(14,577.00)
2021	12/1/2021	210,667.76	-	(32,023.01)	(32,023.01)	(8,654.36)	(8,539.94)	(3,417.37)	-			(77,951.44)	(45,912.22)	10,559.00	(3,117.00)	(14,686.00)	123.00	-	-	(14,686.00)

Proportion is NOT APPLICABLE for actuals

	Forecasted Month End Federal ADIT	Forecasted Month End State ADIT	Forecasted Month End Balance	Forecasted Federal ADIT Change	Days to Prorate	Days in Calendar Year	Prorated Federal ADIT Activity	Prorated Federal ADIT Balance	ADIT Proration Adjustment	PS	Acc Dep	Tax Dep	M1	Fed ADIT Balance	Balance Difference	Tax Dep CV
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**NGEP Rider 2019 True-up
Revenue Requirement on NGEP**

Line	Description	Reference	Forecasted NGEP			Actual NGEP 2019 ** Adjusted DOC IR		
			2018 Rate Case	2019 Forecast	2019	2018 Rate Case	2019 Actual	001**
1	Depreciation Expense		\$ 109,441	\$ 371,221	\$ 261,780	\$ 109,441	\$ 282,365	\$ 172,924
2	2018 True Up Depreciation Expense Adjustment						\$ 4,468	\$ 4,468
3	Property Tax Expense		\$ 14,000	\$ 345,000	\$ 331,000	\$ 14,000	\$ 129,522	\$ 115,522
4	2018 True Up Property Tax Expense Adjustment						\$ 56,574	\$ 56,574
5	Incremental O&M Expense		\$ -	\$ -	\$ -	\$ -	\$ 40,632	\$ 40,632
6	Rate Base	Note (1)	\$ 11,382,768	\$ 20,913,764	\$ 9,530,996	\$ 11,382,768	\$ 18,428,862	\$ 7,046,094
7	ADIT Proration Adjustment		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	Adjusted Rate Base	Note (1)	\$ 11,382,768	\$ 20,913,764	\$ 9,530,996	\$ 11,382,768	\$ 18,428,862	\$ 7,046,094
9	Rate of Return	Note (2)			6.8842%	6.8842%	6.6971%	6.6971%
10	Earnings on Rate Base	Line 8 x Line 9			\$ 656,133	\$ 783,613	\$ 1,234,199	\$ 471,884
11	Gross Revenue Conversion Factor	Note (3)			1.402	1.402	1.402	1.402
12	Return on Rate Base	Line 10 x Line 11			\$ 919,898	\$ 1,098,625	\$ 1,730,347	\$ 661,581
13								
14	Total Revenue Requirement	Sum(Line 1 through Line 6) + Line 13			\$ 1,512,679			\$ 1,051,702
15								
16	Offsetting Project Revenue	Note (4)			\$ 297,561			\$ -
17								
18	Project Revenue Deficiency	Line 14 less line 16			\$ 1,215,118			\$ 1,051,702
19								
20	33 percent of project revenue deficiency				\$ 400,989			\$ 347,062
21								
22	2019 Rider Revenue Collected							\$ 141,520
23								
24	** Total Adjustment: Over/(Under) Collection - to be collected within the 2021 NGEP Rider							\$ (205,542)

Notes

- 13-Month Average Net Plant value
- Commission Authorized 2018 Rate Case
- 2018 Rate Case Adjusted for Tax Reform
- Represents incremental customers and sales growth related specifically to the Rochester project at approved rates from the 2018 rate case

Assumptions

- Assumes no AFUDC, but a return on CWIP in Rate Base
- Does not assume any Destination Medical Center CIAC
- Removes contingency per Commission Order Approving NGEP Rider Surcharge with Modifications

NGEP Rider 2019 True-up
Total Mains, Stations, SCADA
Revenue Requirement

Return on Revenue																	Return of Depreciation				Property Tax				O&M	
Year	Month	Construction Expenditures	CWIP Balance	Plant In Service Balance, net	Accumulated Depreciation, net	Accumulated Deferred Tax	Rate Base	DRIT Proration Adjust (N/A for Actuals)	2019 True-up Rate Case		Return on Revenue: Attributable to NGEF Rider	2019 True-up Return of Depreciation	2018 Rate Case Return of Depreciation		Return of Depreciation: Attributable to NGEF Rider	2019 True-up Property Tax	2018 Rate Case Property Tax	Property Tax: Attributable to NGEF Rider	2019 True-up O&M	YTD Revenue Accrued	Offsetting Revenues	33% Recovery Revenue Req Accrued	YTD Revenue Billed	Tracker Balance		
									Adjusted Rate Base	Adjusted Rate Case			Return of Depreciation	Return of Depreciation												
2017	Dec-17	885,551	3,289,954	2,378,421	(5,204)	(19,304)	5,625,867	-	5,625,867	5,841,142	44,799	-	-	-	-	-	-	-	-	-	-	-	-	-		
2018	Jan-18	(131,270)	3,299,362	2,241,742	(12,325)	(41,010)	5,481,770	-	5,481,770	6,031,152	46,981	9,120	4,672	4,448	5,881	1,167	4,714	-	9,162	3,023	-	3,023	-	3,023		
2018	Feb-18	159,187	3,372,894	2,321,397	(20,915)	(43,031)	5,630,346	-	5,630,346	6,266,966	48,509	8,590	4,751	3,839	5,881	1,167	4,714	-	17,715	5,846	-	5,846	-	5,846		
2018	Mar-18	176,936	3,464,661	2,406,546	(29,814)	(45,144)	5,796,269	-	5,796,269	6,530,673	50,405	8,899	4,849	3,950	5,881	1,167	4,714	-	26,380	8,705	-	8,705	-	8,705		
2018	Apr-18	6,098	3,463,289	2,416,636	(29,043)	(47,038)	5,793,854	-	5,793,854	8,510,527	52,536	9,229	5,186	4,044	5,881	1,167	4,714	-	35,138	11,595	-	11,595	-	11,595		
2018	May-18	301,234	3,694,754	2,488,404	(11,308)	(59,821)	6,112,029	-	6,112,029	10,076,101	68,451	9,268	5,423	3,846	5,881	1,167	4,714	-	43,698	14,420	-	14,420	-	14,420		
2018	Jun-18	129,367	3,816,204	2,496,321	(20,849)	(61,703)	6,229,974	-	6,229,974	11,662,183	81,042	9,541	5,778	3,763	5,881	1,167	4,714	-	52,175	17,218	-	17,218	-	17,218		
2018	Jul-18	1,389,699	5,145,207	2,557,037	(30,421)	(63,970)	7,607,834	-	7,607,834	13,312,315	93,799	9,572	6,331	3,241	5,881	1,167	4,714	-	60,129	19,843	-	19,843	-	19,843		
2018	Aug-18	4,240,032	9,476,012	2,555,245	(29,020)	(65,882)	11,846,355	-	11,846,355	14,949,805	107,071	9,807	6,963	2,844	5,881	1,167	4,714	-	67,688	22,337	-	22,337	-	22,337		
2018	Sep-18	858,934	10,222,942	2,587,249	(48,703)	(68,282)	12,693,206	-	12,693,206	16,586,392	120,242	9,684	7,595	2,089	5,881	1,167	4,714	-	74,491	24,582	-	24,582	-	24,582		
2018	Oct-18	1,960,090	12,128,351	2,641,929	(8,028)	(85,105)	14,677,147	-	14,677,147	16,792,596	133,405	9,924	8,227	1,698	5,881	1,167	4,714	-	80,903	26,698	-	26,698	-	26,698		
2018	Nov-18	37,609	12,161,171	2,646,717	(18,156)	(86,974)	14,702,758	-	14,702,758	16,116,604	125,064	10,128	19,322	(9,194)	5,881	1,167	4,714	-	76,423	25,220	-	25,220	-	25,220		
2018	Dec-18	364,201	4,506,133	10,685,956	(24,278)	(176,145)	14,971,666	-	14,971,666	15,299,536	129,626	10,147	30,244	(20,097)	5,883	1,167	4,716	-	61,042	20,144	-	20,144	-	20,144		
2019	Jan-19	170,003	4,671,034	10,671,057	(42,181)	(189,364)	15,110,547	-	15,110,547	-	70,164	21,930	17,258	10,794	9,627	3,386	161,477	-	53,287	-	-	53,287	-	53,287		
2019	Feb-19	205,565	4,857,018	10,680,739	(64,139)	(201,462)	15,282,075	-	15,282,075	-	69,723	21,939	17,187	10,794	9,627	3,386	161,400	-	86,262	-	-	86,262	-	86,262		
2019	Mar-19	259,399	5,112,551	10,694,505	(82,067)	(214,699)	15,510,290	-	15,510,290	-	90,967	21,975	17,026	10,794	9,627	3,386	382,406	-	126,194	-	-	126,194	-	126,194		
2019	Apr-19	560,680	5,627,456	10,740,280	(100,559)	(227,938)	16,039,241	-	16,039,241	-	68,833	21,984	16,798	10,794	9,627	3,386	481,050	-	158,746	-	-	158,746	-	158,746		
2019	May-19	164,100	5,798,015	10,743,821	(122,616)	(240,045)	16,169,175	-	16,169,175	-	57,048	22,057	16,634	10,794	9,627	3,386	567,744	-	187,356	-	-	187,356	-	187,356		
2019	Jun-19	2,012,207	7,792,121	10,751,123	(115,884)	(257,569)	18,160,590	-	18,160,590	-	45,472	22,070	16,292	10,794	9,627	3,386	642,521	-	212,032	-	-	212,032	-	212,032		
2019	Jul-19	1,495,673	9,285,723	10,753,994	(147,966)	(269,678)	19,622,072	-	19,622,072	-	48,297	22,082	15,751	10,794	9,627	3,386	719,582	-	237,462	-	-	237,462	-	237,462		
2019	Aug-19	1,371,867	10,654,436	10,757,147	(170,051)	(281,797)	21,159,735	-	21,159,735	-	46,460	22,085	15,122	10,794	9,627	3,386	794,178	-	262,079	-	-	262,079	-	262,079		
2019	Sep-19	390,502	11,509,085	10,490,001	(192,144)	(291,774)	21,518,168	-	21,518,168	-	45,321	22,092	14,498	10,794	9,627	3,386	867,009	-	286,113	-	-	286,113	-	286,113		
2019	Oct-19	299,900	11,380,677	10,921,308	(213,857)	(307,581)	21,780,547	-	21,780,547	-	34,963	21,713	13,487	10,794	9,627	3,386	928,472	-	306,396	-	-	306,396	-	306,396		
2019	Nov-19	231,208	3,937,674	18,595,520	(236,213)	(395,368)	21,901,613	-	21,901,613	-	35,357	22,356	3,034	10,794	9,627	3,386	979,875	-	323,359	-	-	323,359	-	323,359		
2019	Dec-19	507,363	3,939,004	19,101,552	(276,295)	(414,710)	22,349,491	-	22,349,491	-	41,741	40,082	9,818	10,794	9,627	3,386	1,044,468	-	344,674	-	-	344,674	-	344,674		

NGEP Rider 2019 True-up
Estimate of Plant Deferred Taxes

Bk Depr Rate 1.8000%

	2017 & prior	2018 & Fwd
Federal Tax Rate	0.35	0.21
MN Tax Rate	0.098	0.098
MN Apportionment Factor	0.989671	0.989671
MI Tax Rate	0.06	0.06
MI Apportionment Factor	0.000542	0.000542

Year	Book Basis	Tax Basis Activity	Book Reserve PV	Book Reserve	Vint 2017	Vint 2018	Vint 2019	Vint 2020	Vint 2021	Vint 2022	Vint 2023	Tax Reserve	Accum Sch M	ADIT Fed	ADIT State	Total ADIT	ADIT Expense	M1 CV	ADIT CV	ADIT PV
2016	12/1/2016	-	-	-	-	-	-	-	-	-	-	-	-	0	-	-	-	-	-	-
2017	12/1/2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2018	1/1/2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2018	2/1/2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2018	3/1/2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2018	4/1/2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2018	5/1/2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2018	6/1/2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2018	7/1/2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2018	8/1/2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2018	9/1/2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2018	10/1/2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2018	11/1/2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2018	12/1/2018	8,014,581.18	8,014,581.18	-	-	-	(300,546.79)	-	-	-	-	(300,546.79)	(300,546.79)	(63,115.00)	(23,036.00)	(86,151.00)	86,151.00	-	-	(86,151.00)
2019	1/1/2019	8,019,349.60	4,768.42	(12,021.87)	(12,021.87)	-	(348,761.18)	(14.90)	-	-	-	(348,776.08)	(336,754.21)	(70,719.00)	(25,811.00)	(96,530.00)	10,379.00	-	-	(96,530.00)
2019	2/1/2019	8,034,486.13	15,136.53	(24,043.74)	(24,050.90)	-	(396,975.56)	(124.41)	-	-	-	(397,099.97)	(373,049.07)	(78,341.00)	(28,593.00)	(106,934.00)	10,404.00	7.15	3.00	(106,937.00)
2019	3/1/2019	8,038,312.17	3,826.04	(36,065.62)	(36,102.63)	-	(445,189.95)	(222.48)	-	-	-	(445,412.43)	(409,309.80)	(85,956.00)	(31,372.00)	(117,328.00)	10,394.00	37.01	15.00	(117,343.00)
2019	4/1/2019	8,082,372.66	44,060.49	(46,087.49)	(46,160.09)	-	(493,404.33)	(847.39)	-	-	-	(494,251.73)	(446,091.63)	(93,680.00)	(34,191.00)	(127,871.00)	10,543.00	72.61	30.00	(127,901.00)
2019	5/1/2019	8,082,455.93	83.27	(60,109.36)	(60,283.65)	-	(541,618.72)	(1,060.54)	-	-	-	(542,679.26)	(482,395.61)	(101,304.00)	(36,973.00)	(138,277.00)	10,406.00	174.29	72.00	(138,349.00)
2019	6/1/2019	8,090,356.97	7,901.04	(72,131.23)	(72,407.34)	-	(589,833.10)	(1,420.80)	-	-	-	(591,253.90)	(518,846.56)	(108,959.00)	(39,767.00)	(148,726.00)	10,449.00	276.11	114.00	(148,840.00)
2019	7/1/2019	8,092,628.50	2,271.53	(84,153.10)	(84,542.87)	-	(638,047.49)	(1,707.29)	-	-	-	(639,754.77)	(555,211.90)	(116,596.00)	(42,554.00)	(159,150.00)	10,424.00	389.77	161.00	(159,311.00)
2019	8/1/2019	8,094,789.51	2,161.01	(96,174.97)	(96,681.81)	-	(686,261.87)	(2,005.21)	-	-	-	(688,267.08)	(591,585.26)	(124,234.00)	(45,342.00)	(169,576.00)	10,426.00	506.84	209.00	(169,785.00)
2019	9/1/2019	7,823,006.31	(271,783.20)	(108,196.85)	(108,824.00)	-	(734,476.26)	5,388.04	-	-	-	(729,088.21)	(620,264.21)	(130,257.00)	(47,540.00)	(177,797.00)	8,221.00	627.15	259.00	(178,056.00)
2019	10/1/2019	8,251,265.85	428,259.54	(120,218.72)	(120,558.51)	-	(782,690.64)	(7,396.40)	-	-	-	(790,087.04)	(669,528.53)	(140,603.00)	(51,315.00)	(191,918.00)	14,121.00	338.79	140.00	(192,058.00)
2019	11/1/2019	12,989,357.36	4,738,091.51	(132,240.59)	(132,935.41)	-	(830,905.03)	(171,007.93)	-	-	-	(1,001,912.96)	(868,977.55)	(182,487.00)	(66,602.00)	(249,089.00)	57,171.00	694.82	287.00	(249,376.00)
2019	12/1/2019	13,003,167.89	13,810.53	(144,262.46)	(152,419.44)	-	(879,119.41)	(187,072.00)	-	-	-	(1,066,191.41)	(913,771.97)	(191,894.00)	(70,035.00)	(261,929.00)	12,840.00	8,156.98	3,369.00	(265,298.00)

NGEP Rider 2019 True-up
Estimate of Plant Deferred Taxes

Bk Depr Rate 4.4600% 2018 - Prior
Bk Depr Rate 4.3400%

	2017 & prior	2018 & Fwd
Federal Tax Rate	0.35	0.21
MN Tax Rate	0.098	0.098
MN Apportionment Factor	0.989671	0.989671
MI Tax Rate	0.06	0.06
MI Apportionment Factor	0.000542	0.000542

Year	Book Basis	Tax Basis Activity	Book Reserve PV	Book Reserve	Vint 2017	Vint 2018	Vint 2019	Vint 2020	Vint 2021	Vint 2022	Vint 2023	Tax Reserve	Accum Sch M	ADIT Fed	ADIT State	Total ADIT	ADIT Expense	M1 CV	ADIT CV	ADIT PV
2016	12/1/2016	-	-	-	-	-	-	-	-	-	-	-	-	0	-	-	-	-	-	-
2017	12/1/2017	2,291,461.45	2,291,461.45	-	(2,902.52)	(85,929.80)	-	-	-	-	-	(85,929.80)	(83,027.28)	(29,060.00)	(5,236.00)	(34,296.00)	34,296.00	-	(83,027.28)	(34,296.00)
2018	1/1/2018	2,161,668.66	(129,792.79)	(11,419.12)	(11,419.12)	(99,714.85)	405.60	-	-	-	-	(99,309.25)	(87,890.13)	(30,081.00)	(5,609.00)	(35,690.00)	1,394.00	(99,714.85)	(41,189.00)	5,499.00
2018	2/1/2018	2,237,310.67	75,642.01	(19,935.72)	(19,935.72)	(113,499.90)	338.44	-	-	-	-	(113,161.46)	(93,708.14)	(31,303.00)	(6,055.00)	(37,358.00)	1,668.00	(113,982.30)	(47,082.00)	9,724.00
2018	3/1/2018	2,318,175.50	80,864.83	(28,452.32)	(27,768.66)	(127,284.95)	(250.44)	-	-	-	-	(127,535.40)	(99,766.74)	(32,575.00)	(6,520.00)	(39,095.00)	1,737.00	(127,968.61)	(52,859.00)	13,764.00
2018	4/1/2018	2,327,751.26	9,575.76	(36,968.91)	(36,384.54)	(141,070.01)	(453.62)	-	-	-	-	(141,523.63)	(105,139.08)	(33,703.00)	(6,932.00)	(40,635.00)	1,540.00	(141,654.37)	(58,512.00)	17,877.00
2018	5/1/2018	2,397,768.64	70,017.38	(45,485.51)	(8,032.48)	(154,855.06)	(1,661.05)	-	-	-	-	(156,516.11)	(148,483.63)	(42,805.00)	(10,255.00)	(53,060.00)	12,425.00	(192,308.09)	(79,435.00)	26,375.00
2018	6/1/2018	2,405,286.61	7,517.97	(54,002.11)	(16,944.19)	(168,640.11)	(2,134.22)	-	-	-	-	(170,774.33)	(153,830.14)	(43,928.00)	(10,665.00)	(54,593.00)	1,533.00	(205,698.03)	(84,966.00)	30,373.00
2018	7/1/2018	2,462,924.98	57,638.37	(62,518.71)	(25,883.83)	(182,425.16)	(3,750.76)	-	-	-	-	(186,175.92)	(160,292.09)	(45,285.00)	(11,160.00)	(56,445.00)	1,852.00	(219,060.03)	(90,486.00)	34,041.00
2018	8/1/2018	2,432,813.79	(30,111.19)	(71,035.31)	(33,829.96)	(196,210.21)	(3,533.81)	-	-	-	-	(199,744.01)	(165,914.06)	(46,466.00)	(11,591.00)	(58,057.00)	1,612.00	(233,415.56)	(96,415.00)	38,358.00
2018	9/1/2018	2,491,694.10	58,880.31	(79,551.91)	(42,871.91)	(209,995.26)	(5,631.54)	-	-	-	-	(215,626.80)	(172,754.89)	(47,903.00)	(12,115.00)	(60,018.00)	1,961.00	(246,675.25)	(101,892.00)	41,874.00
2018	10/1/2018	2,546,169.29	54,475.19	(88,064.50)	(1,533.50)	(223,780.31)	(7,959.62)	-	-	-	-	(231,739.93)	(230,206.43)	(59,968.00)	(16,518.00)	(76,486.00)	16,468.00	(310,315.31)	(128,180.00)	51,694.00
2018	11/1/2018	2,550,715.79	4,546.50	(96,585.10)	(10,996.76)	(237,565.36)	(8,911.87)	-	-	-	-	(246,477.22)	(235,480.46)	(61,076.00)	(16,922.00)	(77,998.00)	1,512.00	(323,153.70)	(133,483.00)	55,485.00
2018	12/1/2018	2,555,341.34	4,625.55	(105,101.70)	(16,451.92)	(251,350.41)	(9,895.50)	-	-	-	-	(261,245.90)	(244,793.98)	(63,032.00)	(17,636.00)	(80,668.00)	2,670.00	(340,000.18)	(140,442.00)	59,774.00
2019	1/1/2019	2,555,657.60	316.26	(25,693.74)	(21,666.32)	(264,100.48)	(11,482.95)	(0.99)	-	-	-	(275,584.42)	(253,918.10)	(64,948.00)	(18,335.00)	(83,283.00)	2,615.00	(268,127.90)	(110,754.00)	27,471.00
2019	2/1/2019	2,559,024.36	3,366.76	(34,935.56)	(30,909.28)	(276,850.55)	(13,070.41)	(23.02)	-	-	-	(289,943.98)	(259,034.70)	(66,022.00)	(18,728.00)	(84,750.00)	1,467.00	(280,876.83)	(116,020.00)	31,270.00
2019	3/1/2019	2,559,916.51	892.15	(44,177.38)	(36,136.60)	(289,600.63)	(14,657.87)	(42.89)	-	-	-	(304,301.39)	(268,164.79)	(67,939.00)	(19,428.00)	(87,367.00)	2,617.00	(297,641.40)	(122,945.00)	35,578.00
2019	4/1/2019	2,561,545.30	1,628.79	(53,419.19)	(41,903.53)	(302,350.70)	(16,245.33)	(77.55)	-	-	-	(318,671.58)	(276,770.05)	(69,746.00)	(20,088.00)	(89,834.00)	2,467.00	(313,866.37)	(129,647.00)	39,813.00
2019	5/1/2019	2,564,829.05	3,283.75	(62,661.01)	(51,167.78)	(315,100.77)	(17,832.78)	(148.25)	-	-	-	(333,081.80)	(281,914.02)	(70,826.00)	(20,482.00)	(91,308.00)	1,474.00	(326,594.00)	(134,904.00)	43,596.00
2019	6/1/2019	2,564,829.05	-	(71,902.83)	(41,642.43)	(327,850.85)	(19,420.24)	(177.89)	-	-	-	(347,448.98)	(305,806.55)	(75,843.00)	(22,314.00)	(98,157.00)	6,849.00	(358,111.24)	(147,923.00)	49,766.00
2019	7/1/2019	2,564,829.05	-	(81,144.65)	(50,918.56)	(340,600.92)	(21,007.70)	(207.54)	-	-	-	(361,816.16)	(310,897.60)	(76,912.00)	(22,704.00)	(99,616.00)	1,459.00	(370,827.00)	(153,175.00)	53,559.00
2019	8/1/2019	2,565,771.45	942.40	(90,386.47)	(60,194.70)	(353,350.99)	(22,595.16)	(260.75)	-	-	-	(376,206.90)	(316,012.21)	(77,986.00)	(23,096.00)	(101,082.00)	1,466.00	(383,542.76)	(158,427.00)	57,345.00
2019	9/1/2019	2,573,023.19	7,251.74	(99,628.28)	(69,474.24)	(366,101.07)	(24,182.61)	(497.30)	-	-	-	(390,780.98)	(321,306.75)	(79,098.00)	(23,502.00)	(102,600.00)	1,518.00	(396,255.11)	(163,678.00)	61,078.00
2019	10/1/2019	2,573,068.71	45.52	(108,870.10)	(78,780.00)	(378,851.14)	(25,770.07)	(553.98)	-	-	-	(405,175.19)	(326,395.19)	(80,167.00)	(23,892.00)	(104,059.00)	1,450.00	(408,941.24)	(168,919.00)	64,860.00
2019	11/1/2019	5,509,183.82	2,936,115.11	(118,111.92)	(88,085.94)	(391,601.21)	(27,357.53)	(101,538.34)	-	-	-	(520,497.08)	(432,411.14)	(102,430.00)	(32,018.00)	(134,448.00)	30,389.00	(421,627.20)	(174,159.00)	39,711.00
2019	12/1/2019	6,001,396.47	492,212.65	(127,353.74)	(108,010.82)	(404,351.29)	(28,944.99)	(129,227.07)	-	-	-	(562,523.34)	(454,512.52)	(107,071.00)	(33,712.00)	(140,783.00)	6,335.00	(423,694.21)	(175,012.00)	34,229.00

NGEF Rider 2019 True-up
Estimate of Plant Deferred Taxes

Bk Depr Rate 8.3300%

	2017 & prior	2018 & Fwd
Federal Tax Rate	0.35	0.21
MN Tax Rate	0.098	0.098
MN Apportionment Factor	0.989671	0.989671
MI Tax Rate	0.06	0.06
MI Apportionment Factor	0.000542	0.000542

Year	Book Basis	Tax Basis Activity	Book Reserve PV	Book Reserve	Vint 2017	Vint 2018	Vint 2019	Vint 2020	Vint 2021	Vint 2022	Vint 2023	Tax Reserve	Accum Sch M	ADIT Fed	ADIT State	Total ADIT	ADIT Expense	M1 CV	ADIT CV	ADIT PV
2016	12/1/2016	-	-	-	-	-	-	-	-	-	-	-	-	0	-	-	-	-	-	-
2017	12/1/2017	86,959.22	86,959.22	-	(301.82)	(12,426.47)						(12,426.47)	(12,124.65)	(4,244.00)	(764.00)	(5,008.00)	5,008.00	(12,124.65)	(5,008.00)	-
2018	1/1/2018	80,073.66	(6,885.56)	(905.46)	(905.46)	(14,201.17)		82.00				(14,119.17)	(13,213.71)	(4,473.00)	(847.00)	(5,320.00)	312.00	(14,201.17)	(5,866.00)	546.00
2018	2/1/2018	84,086.50	4,012.84	(1,509.10)	(1,461.31)	(15,975.86)		68.42				(15,907.44)	(14,446.13)	(4,732.00)	(941.00)	(5,673.00)	353.00	(16,023.66)	(6,619.00)	946.00
2018	3/1/2018	88,390.52	4,304.02	(2,112.75)	(2,045.01)	(17,750.55)		(51.13)				(17,801.68)	(15,756.68)	(5,007.00)	(1,042.00)	(6,049.00)	376.00	(17,818.29)	(7,360.00)	1,311.00
2018	4/1/2018	88,884.41	493.89	(2,716.39)	(2,658.59)	(19,525.24)		(91.70)				(19,616.95)	(16,958.36)	(5,259.00)	(1,134.00)	(6,393.00)	344.00	(19,583.05)	(8,089.00)	1,696.00
2018	5/1/2018	90,635.81	1,751.40	(3,320.03)	(3,275.59)	(21,299.94)		(218.91)				(21,518.85)	(18,243.26)	(5,529.00)	(1,232.00)	(6,761.00)	368.00	(21,344.38)	(8,817.00)	2,056.00
2018	6/1/2018	91,034.63	398.82	(3,923.67)	(3,904.76)	(23,074.63)		(291.19)				(23,365.82)	(19,461.06)	(5,785.00)	(1,325.00)	(7,110.00)	349.00	(23,093.55)	(9,539.00)	2,429.00
2018	7/1/2018	94,092.37	3,057.74	(4,527.31)	(4,536.69)	(24,849.32)		(594.61)				(25,443.93)	(20,907.24)	(6,089.00)	(1,436.00)	(7,525.00)	415.00	(24,839.95)	(10,260.00)	2,735.00
2018	8/1/2018	92,430.88	(1,661.49)	(5,130.96)	(5,189.84)	(26,624.01)		(521.27)				(27,145.28)	(21,955.44)	(6,309.00)	(1,516.00)	(7,825.00)	300.00	(26,565.13)	(10,973.00)	3,148.00
2018	9/1/2018	95,554.50	3,123.62	(5,734.60)	(5,831.47)	(28,398.71)		(921.20)				(29,319.91)	(23,488.44)	(6,631.00)	(1,633.00)	(8,264.00)	439.00	(28,301.84)	(11,690.00)	3,426.00
2018	10/1/2018	95,760.12	205.62	(6,338.24)	(6,494.78)	(30,173.40)		(1,048.04)				(31,221.44)	(24,726.66)	(6,891.00)	(1,728.00)	(8,619.00)	355.00	(30,016.86)	(12,399.00)	3,780.00
2018	11/1/2018	96,001.31	241.19	(6,941.88)	(7,159.51)	(31,948.09)		(1,184.44)				(33,132.53)	(25,973.02)	(7,153.00)	(1,823.00)	(8,976.00)	357.00	(31,730.46)	(13,107.00)	4,131.00
2018	12/1/2018	96,033.16	31.85	(7,545.52)	(7,825.92)	(33,722.79)		(1,296.67)				(35,019.45)	(27,193.53)	(7,409.00)	(1,917.00)	(9,326.00)	350.00	(33,442.39)	(13,814.00)	4,488.00
2019	1/1/2019	96,049.94	16.78	(8,492.55)	(8,492.55)	(34,990.22)		(1,481.85)	(0.20)			(36,472.27)	(27,979.72)	(7,574.00)	(1,977.00)	(9,551.00)	225.00	(34,990.22)	(14,453.00)	4,902.00
2019	2/1/2019	96,228.55	178.61	(9,159.18)	(9,159.30)	(36,257.65)		(1,667.03)	(4.65)			(37,929.33)	(28,770.04)	(7,740.00)	(2,038.00)	(9,778.00)	227.00	(36,257.53)	(14,977.00)	5,199.00
2019	3/1/2019	96,275.88	47.33	(9,825.81)	(9,827.28)	(37,525.08)		(1,852.22)	(8.67)			(39,385.97)	(29,558.68)	(7,906.00)	(2,098.00)	(10,004.00)	226.00	(37,523.60)	(15,500.00)	5,496.00
2019	4/1/2019	96,362.29	86.41	(10,492.44)	(10,495.60)	(38,792.51)		(2,037.40)	(15.68)			(40,845.59)	(30,349.99)	(8,072.00)	(2,159.00)	(10,231.00)	227.00	(38,789.35)	(16,022.00)	5,791.00
2019	5/1/2019	96,536.49	174.20	(11,159.07)	(11,164.51)	(40,059.94)		(2,222.59)	(29.97)			(42,312.49)	(31,147.98)	(8,240.00)	(2,220.00)	(10,460.00)	229.00	(40,054.50)	(16,545.00)	6,085.00
2019	6/1/2019	96,536.49	-	(11,825.70)	(11,834.64)	(41,327.37)		(2,407.77)	(35.96)			(43,771.10)	(31,936.46)	(8,406.00)	(2,280.00)	(10,686.00)	226.00	(41,318.43)	(17,067.00)	6,381.00
2019	7/1/2019	96,536.49	-	(12,492.33)	(12,504.76)	(42,594.80)		(2,592.95)	(41.96)			(45,229.71)	(32,724.95)	(8,572.00)	(2,340.00)	(10,912.00)	226.00	(42,582.37)	(17,589.00)	6,677.00
2019	8/1/2019	96,586.48	49.99	(13,158.96)	(13,174.89)	(43,862.23)		(2,778.14)	(52.71)			(46,693.08)	(33,518.20)	(8,739.00)	(2,400.00)	(11,139.00)	227.00	(43,846.31)	(18,111.00)	6,972.00
2019	9/1/2019	96,971.19	384.71	(13,825.59)	(13,845.36)	(45,129.66)		(2,963.32)	(100.53)			(48,193.52)	(34,348.16)	(8,913.00)	(2,464.00)	(11,377.00)	238.00	(45,109.90)	(18,633.00)	7,256.00
2019	10/1/2019	96,973.61	2.42	(14,492.22)	(14,518.50)	(46,397.09)		(3,148.51)	(111.99)			(49,657.59)	(35,139.09)	(9,079.00)	(2,525.00)	(11,604.00)	227.00	(46,370.82)	(19,154.00)	7,550.00
2019	11/1/2019	96,978.38	4.77	(15,158.85)	(15,191.66)	(47,664.52)		(3,333.69)	(123.82)			(51,122.03)	(35,930.37)	(9,245.00)	(2,586.00)	(11,831.00)	227.00	(47,631.72)	(19,675.00)	7,844.00
2019	12/1/2019	96,987.76	9.38	(15,825.48)	(15,864.85)	(48,931.95)		(3,518.87)	(136.41)			(52,587.24)	(36,722.39)	(9,411.00)	(2,647.00)	(12,058.00)	227.00	(48,892.59)	(20,196.00)	8,138.00

MERC
NGEP Tracker
2019

Month	Billed Revenue				Revenue Requirement **	Cumulative Tracker Balance
	Residential	Commercial/Industrial (Firm and Interruptible)	Transportation	Total		
Jan-18	-	-	-	-	3,023	3,023
Feb-18	-	-	-	-	2,822	5,846
Mar-18	-	-	-	-	2,859	8,705
Apr-18	-	-	-	-	2,890	11,595
May-18	-	-	-	-	2,825	14,420
Jun-18	-	-	-	-	2,797	17,218
Jul-18	-	-	-	-	2,625	19,843
Aug-18	-	-	-	-	2,494	22,337
Sep-18	-	-	-	-	2,245	24,582
Oct-18	-	-	-	-	2,116	26,698
Nov-18	-	-	-	-	(1,478)	25,220
Dec-18	-	-	-	-	(5,076)	20,144
Jan-19	-	-	-	-	33,144	53,287
Feb-19	-	-	-	-	32,975	86,262
Mar-19	-	-	-	-	39,932	126,194
Apr-19	-	-	-	-	32,553	158,746
May-19	-	-	-	-	28,609	187,356
Jun-19	-	-	-	-	24,676	212,032
Jul-19	-	-	-	-	25,430	237,462
Aug-19	422	782	8	1,212	24,617	260,867
Sep-19	1,710	2,038	20,875	24,623	24,034	260,278
Oct-19	2,888	3,043	19,266	25,197	20,283	255,364
Nov-19	9,893	9,142	22,954	41,989	16,963	230,338
Dec-19	13,411	11,649	23,439	48,499	21,315	203,155
TOTALS	28,324	26,654	86,542	141,520	344,674	

** Note - Represents a depiction of the monthly calculation of Revenue Requirements, based upon current Rate of Return and Gross Conversion factor applied against the previous month's ending Rate Base balance, and taking into account any applicable Offsetting Revenues and 33% allowed revenue deficiency. This monthly calculation is performed in order to compute a Tracker Balance each month. This monthly calculation of Revenue Requirement will not tie to the computation of Revenue Requirements based upon a 13-month average.

	Parcel	Property	12/31/17 Cost	Additions	Retirements	2019	Rochester Project	Rochester Project % of	Property Taxes	Estimated Project	
						December 31, 2018	Apportioned			Property Cost	Related Property
						Market Value Per	(December 31,	Total	per Bill	Taxes Paid 2020	
						MNDOR	2018)				
Salem	99.17.02.900137	Gas Dist	168,724	8,014,581	58,185	8,125,120	4,123,702	8,014,581	0.986395423	127,362	125,629
		Other	5,570	0	655	4,915	2,494		0	127,362	0
Marion	99.09.03.900103	Gas Dist	1,675,195	36,187	5,660	1,705,722	865,697	9,074	0.005319706	67,900	361
		Other	3,278,753	171,044	161,178	3,288,619	1,669,056	171,044	0.052011008	67,900	3,532
			5,128,242	8,221,812	225,678	13,124,376	6,660,949	8,194,700		195,262	129,522



OLMSTED COUNTY
Property Records and Revenue
151 4th Street S.E.
P.O. Box 95
Rochester, MN 55903-0095
(507)328-7636
www.co.olmsted.mn.us

Tax Payer:

Property ID: PP 99.17.02.900137

MINNESOTA ENERGY RESOURCES
PO BOX 19001
GREEN BAY WI 54307-9001

Property Description:

TAX STATEMENT

2019 Values for Taxes Payable in

2020

	VALUES & CLASSIFICATIONS	
	Taxes Payable Year:	
Step 1	2019	2020
	Estimated Market Value:	87,700 4,126,200
	Improvements Excluded:	
	Homestead Exclusion:	0 0
	Taxable Market Value:	87,700 4,126,200
	New Improvements/ Expired Exclusions:	
	Property Class:	PERS PROP PERS PROP
Sent in March 2019		
Step 2	PROPOSED TAX	
	Proposed Tax:	127,934.00
Sent in November 2019		
Step 3	PROPERTY TAX STATEMENT	
	First half Taxes:	127,362.00
	Second half Taxes:	0.00
	Total Taxes Due in 2020 :	127,362.00

\$\$\$
REFUNDS?

You may be eligible for one or even two
refunds to reduce your property tax.
Read the back of this statement to
find out how to apply.

Tax Detail for Your Property:

Taxes Payable Year:		2019	2020	Taxes Payable Year:		2019	2020
1. Use this amount on Form M1PR to see if you are eligible for a property tax refund. File by August 15. If this box is checked, you owe delinquent taxes and are not eligible.		<input type="checkbox"/>	0.00	10. Special Taxing Districts			
				A. Other special taxing districts		22.56	1,396.32
				B. Tax increment		0.00	0.00
2. Use these amounts on Form M1PR to see if you are eligible for a special refund.		0.00		11. Non-school voter approved referenda levies		0.00	0.00
				12. Total property tax before special assessments		2,798.00	127,362.00
Property Tax and Credits				Special Assessments			
3. Property tax before credits		2,798.00	127,362.00	13. A.			
4. Credits that reduce your property ta:				B.			
A. Agricultural market value credits		0.00	0.00	C.			
B. Other Credits		0.00	0.00	14. YOUR TOTAL PROPERTY TAX AND SPECIAL ASSESSMENTS		2,798.00	127,362.00
5. Property tax after credits		2,798.00	127,362.00				
Property Tax by Jurisdiction							
6. Olmsted County		938.78	42,926.70				
7. City or Township SALEM TOWNSHIP		261.86	13,433.26				
8. State General Tax		743.98	32,057.28				
9. School District 0531							
A. Voter Approved Levies		575.44	25,428.96				
B. Other Local Levies		255.38	12,119.48				

PAYABLE 2020 2nd HALF PAYMENT STUB
TO AVOID PENALTY PAY ON OR BEFORE
Property ID: PP 99.17.02.900137

Tax Payer:

MINNESOTA ENERGY RESOURCES
PO BOX 19001
GREEN BAY WI 54307-9001

20190029917029001370000000000000

PLEASE READ THE BACK OF THIS STATEMENT FOR IMPORTANT

If your address has changed please check this box
and show the change on the back of this stub

☐

Total Property Tax: \$ 127,362.00
Second half Due: \$ 0.00

MAKE CHECKS PAYABLE TO:
Olmsted County PRL
P.O. Box 95
Rochester, MN 55903-0095

DETACH HERE AND RETURN
THIS STUB

No Receipt sent. Your cancelled check is proof of payment. Do not
send postdated checks or cash. \$30 fee for returned payments.

PAYABLE 2020 1st HALF PAYMENT STUB
TO AVOID PENALTY PAY ON OR BEFORE MAY 15, 2020
Property ID: PP 99.17.02.900137

Tax Payer:

MINNESOTA ENERGY RESOURCES
PO BOX 19001
GREEN BAY WI 54307-9001

2019002991702900137000127362005

PLEASE READ THE BACK OF THIS STATEMENT FOR IMPORTANT

If your address has changed please check this box
and show the change on the back of this stub

☐

Total Property Tax: \$ 127,362.00
First half Due: \$ 127,362.00

MAKE CHECKS PAYABLE TO:
Olmsted County PRL
P.O. Box 95
Rochester, MN 55903-0095

DETACH HERE AND RETURN
THIS STUB

No Receipt sent. Your cancelled check is proof of payment. Do not
send postdated checks or cash. \$30 fee for returned payments.

\$\$\$ REFUNDS

Even if you did not qualify in previous years, you may qualify for one or even two refunds from the State of Minnesota based on your 2020 Property Taxes.

If you owned and occupied this property on January 2, 2020 as your homestead, you may qualify for the following refunds:

- 1. You may be eligible for a refund if your taxes exceed certain income-based thresholds, and your total household income is less than \$100,780.
- 2. If you also owned and occupied this property on January 2, 2019 as your homestead, you may be eligible for a refund if your property taxes increased by more than 12 percent and at least \$100 over last year.

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www.taxes.state.mn.us



(651)296-4444



Minnesota Tax Forms
Mail Station 1421
St. Paul, Mn 55146-1421

Make sure to provide your Property ID Number on your M1PR to ensure prompt processing.

Senior Citizens Property Tax Deferral

The Senior Citizen Deferral Program was established to help senior citizens having difficulty paying property taxes. This deferral program allows senior citizens to leverage the equity in their home, providing two primary advantages:

- 1. It limits the annual out-of-pocket payment for property taxes to 3 percent of total household income, and
 - 2. It provides predictability. The amount you pay will not change for as long as you participate in this program.
- To be eligible, you must be 1) at least 65 years old, 2) with a household income of \$60,000 or less, and 3) have lived in your home for at least 15 years. While in this program, you will only have to pay taxes equal to 3 percent of your net income, with the remaining tax paid by a low interest loan by the State of Minnesota. This is not a tax forgiveness program - the unpaid tax along with accumulated interest will become a lien on the property for future satisfaction, such as upon a sale or disposition of the estate. To receive a fact sheet and application, please call: (651) 556-6088.

Penalty for Late Payment of Property Tax

If you pay your first half and second half property tax after the due dates, a penalty will be added to your tax. The later you pay, the greater the penalty you must pay. The table below shows the penalty you will pay if your property taxes are not paid before the date shown.

Property Type:	2020										2021
	May 16	June 1	July 1	Aug 1	Sep 1	Oct 1	Oct 16	Nov 1	Nov 16	Dec 1	Jan 2
Homesteads and Cabins											
1st half	2%	4%	5%	6%	7%	8%	8%	8%		8%	10%
2nd half							2%	4%		5%	7%
Both Unpaid							5%	6%		6.5%	8.5%
Agricultural Homesteads											
1st half	2%	4%	5%	6%	7%	8%	8%	8%	8%	8%	10%
2nd half								2%		4%	6%
Both Unpaid								5%		6%	8%
Nonhomesteads											
1st half	4%	8%	9%	10%	11%	12%	12%	12%		12%	14%
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Agricultural Nonhomesteads											
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Personal Property:	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%
Manufactured Homes											
1st half					8%	8%	8%	8%	8%	8%	8%
2nd half								8%	8%	8%	8%

Personal Property Located on Leased Government-owned Land: Taxes may be paid in two installments due at the same time as real property taxes. These taxes are subject to the same penalty schedule and penalty rates as real property taxes. All other personal property taxes are due in full on or before May 15, 2020.

Note to manufactured homeowners: The title to your manufactured home cannot be transferred unless all current year and delinquent personal property taxes are paid at the time of transfer

When you send in or present a check to make your payment, you authorize Olmsted County to initiate an electronic funds transfer from your bank account for the amount of your check. Please note, when your check is converted to an electronic fund transfer, your check will not be returned to your bank and funds may be withdrawn your checking account the same day we receive payment. Please call(507)328-7680 if you do not want check to be converted to an electronic funds transfer.

If your check, bankcard (debit or credit) charge, or other instrument or electronic transfer transaction used to pay us is dishonored, refused or returned for any reason, we reserve the right to electronically debit your account for the amount of the attempted payment, plus a processing fee up to amount allowable by law. Your bank account may be debited as early as the same day such initial payment is dishonored, refused or returned.

ADDRESS CORRECTION

NEW ADDRESS

NAME _____

STREET ADDRESS _____

CITY _____

STATE _____ ZIP CODE _____

TAX PAYER ID: _____

IMPORTANT: ON THE PROPERTY DESCRIBED HEREON, CHECK YOUR STATEMENTS TO SEE THAT ALL YOUR PROPERTY IS INCLUDED. (WE ARE NOT RESPONSIBLE FOR ANY PARCEL OMITTED.) THIS DOCUMENT IS NOT VALID AS A RECEIPT OF PAYMENT FOR YOUR PROPERTY TAXES UNTIL YOUR CHECK HAS CLEARED THE BANK.

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OLMSTED COUNTY
Property Records and Revenue
151 4th Street S.E.
P.O. Box 95
Rochester, MN 55903-0095
(507)328-7636
www.co.olmsted.mn.us

Tax Payer:

Property ID: PP 99.09.03.900103

MINNESOTA ENERGY RESOURCES
PO BOX 19001
GREEN BAY WI 54307-9001

Property Description:

TAX STATEMENT

2019 Values for Taxes Payable in

2020

	VALUES & CLASSIFICATIONS	
	Taxes Payable Year:	
Step 1	2019	2020
	Estimated Market Value:	2,494,100 2,534,800
	Improvements Excluded:	
	Homestead Exclusion:	0 0
	Taxable Market Value:	2,494,100 2,534,800
	New Improvements/ Expired Exclusions:	
	Property Class:	PERS PROP PERS PROP
Sent in March 2019		
Step 2	PROPOSED TAX	
	Proposed Tax:	64,790.00
Sent in November 2019		
Step 3	PROPERTY TAX STATEMENT	
	First half Taxes:	67,900.00
	Second half Taxes:	0.00
	Total Taxes Due in 2020 :	67,900.00

\$\$\$
REFUNDS?

You may be eligible for one or even two
refunds to reduce your property tax.
Read the back of this statement to
find out how to apply.

Tax Detail for Your Property:

Taxes Payable Year:	2019	2020	Taxes Payable Year:	2019	2020
1. Use this amount on Form M1PR to see if you are eligible for a property tax refund. File by August 15. If this box is checked, you owe delinquent taxes and are not eligible.	<input type="checkbox"/>	0.00	10. Special Taxing Districts		
2. Use these amounts on Form M1PR to see if you are eligible for a special refund.	0.00		A. Other special taxing districts	641.48	857.78
			B. Tax increment	0.00	0.00
			11. Non-school voter approved referenda levies	0.00	0.00
			12. Total property tax before special assessments	67,776.00	67,900.00
Property Tax and Credits			Special Assessments		
3. Property tax before credits	67,776.00	67,900.00	13. A.		
4. Credits that reduce your property tax:			B.		
A. Agricultural market value credits	0.00	0.00	C.		
B. Other Credits	0.00	0.00	14. YOUR TOTAL PROPERTY TAX AND SPECIAL ASSESSMENTS	67,776.00	67,900.00
5. Property tax after credits	67,776.00	67,900.00			
Property Tax by Jurisdiction					
6. Olmsted County	26,718.34	26,371.08			
7. City or Township MARION TOWNSHIP	5,960.42	5,732.20			
8. State General Tax	21,157.96	19,693.38			
9. School District 0535					
A. Voter Approved Levies	3,754.14	5,973.26			
B. Other Local Levies	9,543.66	9,272.30			

PAYABLE 2020 2nd HALF PAYMENT STUB
TO AVOID PENALTY PAY ON OR BEFORE
Property ID: PP 99.09.03.900103

Tax Payer:

MINNESOTA ENERGY RESOURCES
PO BOX 19001
GREEN BAY WI 54307-9001

20190029909039001030000000000000

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☐

Total Property Tax: \$ 67,900.00
Second half Due: \$ 0.00

MAKE CHECKS PAYABLE TO:
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P.O. Box 95
Rochester, MN 55903-0095

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PAYABLE 2020 1st HALF PAYMENT STUB
TO AVOID PENALTY PAY ON OR BEFORE MAY 15, 2020
Property ID: PP 99.09.03.900103

Tax Payer:

MINNESOTA ENERGY RESOURCES
PO BOX 19001
GREEN BAY WI 54307-9001

20190029909039001030000067900002

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First half Due: \$ 67,900.00

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ADDRESS CORRECTION

NEW ADDRESS

NAME _____

STREET ADDRESS _____

CITY _____

STATE _____ ZIP CODE _____

TAX PAYER ID: _____

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Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: G011/M-20-420
Requested From: Minnesota Energy Resources

☐ Nonpublic ☒ Public
Date of Request: 10/23/2020
Response Due: 11/2/2020

Type of Inquiry: General

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).

Assigned Analyst(s): Adam Heinen

Email Address(es): adam.heinen@state.mn.us

Phone Number(s): 651-539-1825

ADDITIONAL INSTRUCTIONS:

Each response must be submitted as a text searchable PDF, unless otherwise directed. Please include the docket number, request number, and respondent name and title on the answers. If your response contains Trade Secret data, please include a public copy.

Request Number:	4
Topic:	NGEP Rate Calculations
Reference(s):	Click or tap here to enter text.

Request:

Please fully explain why MERC changed its 2018 Rate case expense and rate base items between Docket No. 19-608 and the current docket.

If this information has already been provided in initial petition or in response to an earlier Department-DER information request, please identify the specific cite(s) or Department-DER information request number(s).

MERC Response:

Docket No. 19-608 was MERC's 2020 NGEP Rider petition. It was comprised of a revenue requirement for the forecasted 2020 year. At page 11 of MERC's Initial Petition in Docket No. 19-608, MERC states:

In Docket No. G011/GR-17-563, the Commission authorized recovery of MERC's Rochester Phase II costs through the 2018 test year based on 2017 actual rate base additions and the 2018 projected 13-month average additions to rate base. Additionally, in Docket No. G011/GR-17-563, the Commission required that MERC include any difference between the 2018 actual Rochester Project capital expenditures and MERC's capital estimates used in that docket in its NGEP Rider as

To be completed by responder

Response Date: October 30, 2020
Response by: Joylyn Hoffman Malueg
Email Address: Joylyn.HoffmanMalueg@wecenergygroup.com
Phone Number: 414-221-4208



Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

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a true-up with MERC's NGEP rider true-up calculation. The true-up will ensure that an overestimate of projected costs built into base rates can be corrected-for. Consistent with the Commission's Order in Docket No. G011/GR-17-563, MERC will true-up for 2018 actual Rochester Project costs within its 2019 true-up to be filed in [calendar year] 2020. In order to avoid the need for a subsequent true up to the 2020 NGEP to account for 2018 actuals, MERC has calculated the 2020 NGEP revenue requirement based on 2018 actuals.

On page 1 of Exhibit B in MERC's Initial Petition in Docket No. 19-608, which shows the 2020 Revenue Requirement for the NGEP Rider, the values in the column "2018 Rate Case" are representative of 2018 actuals, and correspond to MERC's statement at page 11 of the Initial Petition. Note that Docket No. 19-608 was a forecasted 2020 year, and 2019 would present the first calendar year where a true-up in the NGEP rider would occur. Therefore the revenue requirements calculation for 2020 NGEP in Docket No. 19-608 did not include a line item for Over/Under recovery of actual costs; as stated at Page 11 of MERC's Initial Petition, true-up would occur with its 2019 true-up, which was to be filed in calendar year 2020. MERC did calculate the 2020 forecasted NGEP revenue requirement using 2018 actuals as the starting basis, to avoid the need for a subsequent true-up on the 2020 NGEP for 2018 actuals.

Docket No. 20-420 is MERC's 2021 NGEP Rider petition. It is comprised of a forecasted 2021 year, and a true-up of 2019 NGEP. The revenue requirements calculation for 2021 NGEP differs from Docket No. 19-608 in that an Over/Under recovery of actual costs is included as a line item, which is inclusive of both 2019 actuals and 2018 actuals. MERC provides a detailed discussion of the accounting for the differences between the 2018 actual Rochester Project capital expenditures and the capital forecast used to set base rates in Docket No. G011/GR-17-563, at pages 36-37 of the Company's Petition in this docket.

To be completed by responder

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Requested From: Minnesota Energy Resources

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(1) First, with respect to depreciation expense, MERC has calculated the difference between the Rochester Project depreciation expense from Docket No. G011/GR-17-563, and actual depreciation expense based on monthly plant in service by plant FERC account and depreciation rates in effect in 2018, as authorized in Docket No. G011/D-17-442. This results in under-recovered annual depreciation expense of \$4,468.

(2) Second, with respect to property tax expense, MERC calculated the difference between the amount of property tax expense allocated to the forecasted 2018 Rochester Project in 2018 in Docket No. G011/GR-17-563 and the updated 2018 property tax expense estimate based on actual 2018 plant in service and the average of the actual rates applied by the townships where the Rochester Project facilities were installed. This true-up calculation of property tax expense reflects actual 2018 installed plant and more accurately estimated tax rates for 2018. This true-up results in under-recovered expense of \$56,574.

(3) Finally, with respect to the return on Rochester Project rate base, by using the Rochester Project rate base value included in Docket No. G011/GR-17-563 as the basis and adjusting for rate base through 2019 including removals, MERC has true-up for differences in the 2018 forecasted rate base as filed and approved in Docket No. G011/GR-17-563 and actual 2018 rate base, in accordance with the Commission's December 26, 2018, Order. This true-up is captured in the overall 2019 true-up for return on incremental rate base as discussed above.

By accounting for these adjustments in the true-up reconciliation and accounting for them as an adjustment to 2021 NGEP recoveries, MERC is complying with the

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Commission's December 26, 2018, Findings of Fact, Conclusions, and Order in
Docket No. G011/GR-17-563.

As a result,

- The over/under recovery for year 2019 is represented by the difference between Forecasted 2019 NGEP (which was computed on the basis of 2019 Forecast to 2018 Rate Case) to Actual 2019 NGEP (which is computed on the basis of 2019 Actuals to 2018 Rate Case)
- The over/under recovery for year 2018 is represented by the difference between 2018 Actual Rochester expenditures and 2018 Rochester recovery via MERC's rate case Docket G011/GR-17-563).

At page 1 and 2 of MERC's Filing Letter in Docket No. 20-420, MERC states:

"Through this filing, MERC seeks approval to recover its 2021 NGEP-eligible revenue requirement...adjusted to account for the 2019 NGEP true-up *based on actual 2019 costs and revenues and to account for differences between the 2018 actual Rochester Project capital expenditures and MERC's capital estimates used in Docket No. G011/GR-17-563*" [emphasis added]

Again, the Over/Under recovery line item is inclusive of both 2018 and 2019 actuals. Page 1 of Exhibit B in MERC's Initial Petition in Docket No. 20-420, the column "2018 Rate Case" is representative of the 2018 Rochester recovery via MERC's rate case Docket G011/GR-17-563. Therefore the 2018 actuals "true-up" is already included in the Over/Under recovery line of the 2021 revenue requirement, and to also include 2018 actuals as the basis for computing the 2021 revenue requirement (i.e. replacing the column "2018 Rate Case" with 2018 actuals) would "double-count" 2018 actuals in the revenue requirement calculation.

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Minnesota Department of Commerce
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Further documentation of the true-up of 2018 actuals to 2018 rate case expense and rate base items can be found in Docket No. 20-420, Exhibit C, page 2. Also shown on page 2 of Exhibit C is the computation of 2019 rate base and expense, confirming that the return on 2019 balances and expenses are computed properly by excluding the return and expense recovery already received for 2018 via base rates from G011/GR-17-563. Please also see MERC's response to DOC IR 003, which provides an electronic version of Exhibit C.

To be completed by responder

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In the Matter of the Petition of Minnesota
Energy Resources Corporation for Approval
of Natural Gas Extension Project (NGEP)
Rider True-Up for 2019, Rider Revenue
Deficiency for 2021, and Revised Surcharge
Factors

Docket No. G011/M-20-420

CERTIFICATE OF SERVICE

I, Colleen T. Sipiorski, hereby certify that on the 22th day of January, 2021, on behalf of Minnesota Energy Resources Corporation (MERC) I electronically filed a true and correct copy of the enclosed Reply Comments on www.edockets.state.mn.us. Said documents were also served via U.S. mail and electronic service as designated on the attached service lists.

Dated this 22th day of January, 2021.

/s/ Colleen T. Sipiorski

Colleen T. Sipiorski

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Michael	Ahern	ahern.michael@dorsey.com	Dorsey & Whitney, LLP	50 S 6th St Ste 1500 Minneapolis, MN 554021498	Electronic Service	No	OFF_SL_20-420_M-20-420
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1400 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_20-420_M-20-420
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_20-420_M-20-420
Daryll	Fuentes	dfuentes@usg.com	USG Corporation	550 W Adams St Chicago, IL 60661	Electronic Service	No	OFF_SL_20-420_M-20-420
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