1. Purpose

The purpose of the Revenue Decoupling Mechanism (RDM) is to: (a) reduce the financial disincentive for Minnesota Energy Resources Corporation (Company) to promote energy efficiency and conservation and (b) promote distribution revenue symmetry by breaking the link between sales volumes and distribution revenues.

2. Applicability

Effective January 1, 2019, the RDM shall apply to all customers served under the Residential and Residential-Farm Tap rate schedules. Effective January 1, 2024, the RDM shall be extended to general service system sales Commercial & Industrial Firm Class 1 and general service system sales Commercial & Industrial Firm Class 2 rate schedules, including associated Class 1 and Class 2 Farm Tap customers. The first RDM adjustment for these added customer classes will be filed and implemented June 1, 2025.

3. Definitions

As used in the RDM, the terms below are defined to mean:

Actual Margin (AM) shall mean that dollar amount of distribution revenues, excluding revenues arising from the CCRC and adjustments under the RDM, which were billed for each applicable Rate Schedule Group in the Calendar Year.

Actual Customers (AC) shall mean the number of customers in each applicable Rate Schedule Group in the Calendar Year.

Billing Period shall mean the 12-month period, or any other period deemed reasonable by the Commission, beginning the date the Company submits its RDM adjustment under Section 7 succeeding the Calendar Year for which the RDM is billed.

Conservation Cost Recovery Charge (CCRC) shall mean the Conservation Cost Recovery Charge imbedded in base volumetric distribution rates.

Factor V (V) shall mean the sales volumes, in therms, projected to be delivered by the Company to customers in each applicable Rate Schedule Group for the Billing Period.

Calendar Year shall mean the Calendar Year that ended as of the most recent December 31.

Rate Case Customers (RCC) shall mean the number of customers that underlie the distribution rates approved by the Commission in the Company's most recent rate proceeding for each applicable Rate Schedule Group.

Rate Case Margin (RCM) shall mean the dollar amount of distribution revenues arising from the test year sales volumes and distribution charges approved by the Commission in the Company's most recent rate proceeding for each applicable Rate Schedule Group, less any revenues arising from the CCRC.

Rate Schedule Group shall mean the rate schedule groups approved by the Commission in Docket No. G011/GR-22-504 for the purposes of determining an RDM adjustment.

Reconciliation Adjustment (RA) shall mean dollar amounts due the Company (+RA) or the customers (-RA) arising from RDM adjustments that were under-billed or over-billed to each Rate Schedule Group in the Billing Period.

4. Determination of Adjustment

There shall be a separate per therm adjustment amount determined under the RDM for each applicable Rate Schedule Group and such amount shall be determined as follows:

$$\frac{[(RCM / RCC) - (AM / AC)] \times RCC}{V} + \frac{RA}{V}$$

Where:

RCM = Rate Case Margin for the Calendar Year.

RCC = Rate Case Customers for the Calendar Year.

AM = Actual Margin for the Calendar Year.

AC = Number of Actual Customers for the Calendar Year.

V = Factor V for the Billing Period.

RA = Reconciliation Adjustment as defined in Section 3.

5. Symmetrical Cap

A symmetrical cap of ten percent of non-gas margin rates, excluding CCRC rates, will be imposed on the calculation of the RDM. The cap limits the amount the Company can collect or credit via the RDM to ten percent of distribution revenues.

6. Minnesota Public Utilities Commission (Commission) Authority

If warranted by unforeseen circumstances, the Commission has the authority to modify or suspend the rates set via the RDM calculation during the pilot program.

7. Reports

Beginning in 2022 and until the RDM terminates, no later than June 1 of each year, the Company shall file annually with the Commission a calculation of the RDM adjustments, as well as any applicable reconciliation adjustment calculations, to be effective for each Rate Schedule Group for the Billing Period. Adjustments shall be effective with bills rendered on or after June 1 of the Billing Period and shall continue for 12 months, or any other period deemed reasonable by the Commission.

No later than June 1 each year, the Company shall file annually with the Commission a Decoupling Evaluation Report for the preceding Calendar Year, with information required by the Commission in Docket Nos. G011/GR-15-736, G011/GR-17-563, and G011/M-20-332.

In the event any portions of the proposed RDM adjustments are modified by the Commission, the adjustments shall be adjusted in accordance with the Commission's Order.

The Company shall record its best estimate of the amounts to be recognized under the RDM so as to reflect in its books and records a fair representation of the impact of the RDM in actual earnings. Such estimates shall be adjusted if necessary, upon filing RDM calculations with the Commission and again upon final Commission approval.

8. Pilot Period

Pursuant to the Commission's Order in Docket No. G011/GR-22-504, the pilot revenue decoupling program is extended through 2025, with RDM adjustments effective through May 2027. The Company may request approval from the Commission to extend the RDM beyond the pilot period.

9. RDM Rates

The RDM rates effective June 1, 2025 shall be as follows:

Rate Class	Surcharge/(Refund) Rate/Therm
Residential, including Farm Tap	$ 0.02784
System Sales Commercial & Industrial Firm Class 1, including Farm Tap	$ 0.02950
System Sales Commercial & Industrial Firm Class 2, including Farm Tap	$ 0.02214