
NATURAL GAS EXTENSION PROJECT RIDER

1st Revised Sheet No. 7.22

NATURAL GAS EXTENSION PROJECT (NGEP) RIDER

1. APPLICABILITY

Applicable to bills for natural gas service provided under the Company's retail and transportation rate schedules as approved by the MPUC.

2. RIDER

The Natural Gas Extension Project (NGEP) rider statute (Minn. Stat. § 216B.1638) permits a public utility to petition the Minnesota Public Utilities Commission (MPUC) outside of a general rate case for a rider to be billed to all of the utility's customers, including transport customers, to recover the revenue deficiency from a qualifying natural gas extension project. Qualifying Projects are natural gas service extensions to unserved or inadequately served areas where the cost would otherwise have been prohibitive under the Company's present rate and service extension policy.

Nothing in this rate schedule shall obligate the Company to extend natural gas service to any area. Rather, the NGEP Rider will be used and implemented at the Company's discretion upon receipt of MPUC approval.

3. RATE

The NGEP Rider rate for any customer class will be the MPUC-approved rate for that customer class. Such NGEP Rider rates may be volumetric, a flat fee, or some other form of approved recovery.

The MPUC may not approve an NGEP Rider that allows a utility to recover more than 33 percent of the costs of a Qualifying Project.

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NATURAL GAS EXTENSION PROJECT (NGEP) RIDER (Continued)

4. DEFINITIONS

- A. Revenue Deficiency: The deficiency in funds that results when projected revenues from customers receiving natural gas service as the result of a natural gas extension project, plus any contribution in aid of construction paid by those customers, fall short of the total revenue requirement of the natural gas extension project.

A standard model will be used to calculate the Revenue Deficiency related to Qualifying Project(s) for the filing period. The Revenue Deficiency will be adjusted for retail revenues (actual and/or expected) generated from incremental customers served by the Qualifying Project(s) in the one-year NGEP Rider period.

- B. NGEP Tracker: An accounting process used to accumulate any difference between the actual revenue requirement impact of Qualifying Projects and the actual revenues received through the NGEP Rider.
- C. NGEP Rider Reconciliation: The balance at the end of each calendar year in the NGEP Rider Tracker, either positive or negative, is subject to review and approval by the MPUC in an annual NGEP Rider Reconciliation filing. The approved balance is to be applied as an adjustment to the ongoing NGEP Rider rate. In the event the Company files a general rate case, any remaining reconciliation(s) will be rolled into base rates.
- D. Qualifying Project: A project eligible for recovery via the NGEP Rider under Minn. Stat. § 216B.1638 is one used to extend or expand service to an unserved or inadequately served area, further defined as an area in Minnesota lacking adequate natural gas pipeline infrastructure to meet the demand of existing or potential end use customers.
- E. Recoverable NGEP Expenses: The annual revenue requirement for costs associated with the Qualifying Project(s) includes the currently authorized rate of return on capital investment, incremental income taxes, incremental property taxes, incremental depreciation expenses, and any incremental operation and maintenance costs relative to the Qualifying Project(s).

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NATURAL GAS EXTENSION PROJECT (NGEP) RIDER (Continued)

5. NGEP RATES

A. Currently Authorized NGEP Rate

A separate NGEP Rate may be calculated for each customer class or the same rate may be applied across all or a portion of customer classes, as approved by the MPUC. The NGEP rate shall be calculated to recover the NGEP Revenue Deficiency over the period approved by the MPUC.

The NGEP Rates effective January 1, 2023 shall be:

Customer Class	NGEP Surcharge Rate Per Therm
Residential, including Farm Tap	\$0.00000
Class 1 & 2 Firm (Sales and Transport), including Farm Tap	\$0.00000
Class 1 & 2 Interruptible (Sales and Transport), Class 1 & 2 Ag Grain Dryer, and Class 1 Electric Generation	\$0.00000
Class 3 & 4 Firm (Sales and Transport), including Farm Tap	\$0.00000
Class 3 & 4 Interruptible (Sales and Transport) and Class 3 Ag Grain Dryer	\$0.00000
Class 5 (including Farm Tap), FLEX, Transport for Resale, and Class 2 Electric Generation	\$0.00000
Direct Connect	\$0.00000

B. Adjustment to NGEP Tracker with Changes in Base Rates

Whenever the Company implements changes in base rates in a general rate case, the Company shall simultaneously adjust the NGEP Tracker to remove all costs that have been included in the approved base rates.