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**CONSERVATION COST RECOVERY CHARGE AND ADJUSTMENT**

9th Revised Sheet No. 7.02

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1. Applicability of Conservation Cost Recovery Charge and Adjustment:

“Large Energy Facility”, as defined in Minn. Stat. 216B.2421 customers shall receive a monthly exemption from conservation improvement program charges pursuant to Minn. Stat. 216B.16, subd. 6b Energy Conservation Improvement. Upon exemption from conservation program charges, the “Large Energy Facility” customers can no longer participate in any utility’s Energy Conservation Improvement Program.

“Large Customer Facility” customers that have been exempted from the Company’s Conservation Improvement Program charges pursuant to Minn. Stat. 216B.241, Subd. 1a (b) shall receive a monthly exemption from conservation improvement program charges pursuant to Minn. Stat. 216B.16, subd. 6b Energy Conservation Improvement. Such monthly exemption will be effective beginning January 1 of the year following the grant of exemption. Upon exemption from conservation program charges, the “Large Customer Facility” customers can no longer participate in the Company’s Energy Conservation Improvement Program.

“Commercial Gas Customers” that have been exempted from the Company’s Conservation Improvement Program charges pursuant to Minn. Stat. 216B.241, Subd. 1a (c) shall receive a monthly exemption from conservation improvement program charges pursuant to Minn. Stat. 216B.16, subd. 6b Energy Conservation Improvement. Such monthly exemption will be effective beginning January 1 of the year following the grant of exemption. Upon exemption from conservation program charges, the “Commercial Gas Customers” can no longer participate in the Company’s Energy Conservation Improvement Program. The Company has fewer than 600,000 natural gas customers in Minnesota, thus making the Company subject to this Minnesota Statute.

2. Determination of Conservation Cost Recovery Charge (CCRC): The CCRC is the amount included in base rates dedicated to the recovery of CIP costs as approved by the MPUC in the Company’s rate case. The CCRC factor is approved and applied on a per therm basis by dividing the test-year CIP expenses by the test-year sales volumes (net of CIP-exempt volumes) The CCRC for each rate schedule is:

All Classes MERC	\$0.02889/therm*
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3. Adjustment: There shall be included on each customer’s monthly bill a CCRA factor multiplied by the customer’s monthly billing therms for gas service before any applicable adjustments, city surcharge, or sales tax.

4. Determination of Conservation Cost Recovery Adjustment Factor (CCRA): The CCRA is calculated for each customer class by dividing the recoverable CIP costs by the projected sales volumes for a designated recovery period, excluding the sales volumes of CIP-exempt customers. The factor may be adjusted annually with approval of the Minnesota Public Utilities Commission. The CCRA for each rate schedule is:

\* Effective March 1, 2024 in Docket No. G011/GR-22-504.

All Classes MERC \$0.01221\*

\*Approved effective January 1, 2025 in Docket No. G011/M-24-46

5. Exemption: For those customer accounts granted an exemption by the Commissioner of the Minnesota Department of Commerce (or successor agency) from Conservation Improvement Program (CIP) costs pursuant to Minnesota Statutes section 216B.241, the CCRC and CCRA shall not apply. Those customer accounts determined by the Commission to qualify as a Large Energy Facility Customers, shall receive a monthly exemption from conservation program charges pursuant to Minn. Stat. § 216B.16, subd. 6b Energy Conservation Improvement. Upon exemption from conservation program charges, the Large Energy Facility customers can no longer participate in any utility's energy Conservation Improvement Program.

Under Minn. Stat. 216B.241, any customer account determined by the Commission of the Minnesota Department of Commerce to qualify as a large customer facility shall be exempt from CIP investment and expenditure requirements with respect to retail revenues attributable to the large customer facility. Customer accounts granted exemption by a decision of the Commissioner after the beginning of the calendar year shall be credited for any CIP collections billed after January first of the year following the Commissioner's decision. Upon exemption from the conservation program charges, no exempt customer facility may participate in a utility conservation improvement program unless the owner of the facility submits a filing with the Commissioner to withdraw its exemption.

Under Minn. Stat. 216B.241, any customer account that is not a large customer facility and that purchases or acquires natural gas from a public utility having fewer than 600,000 natural gas customers in Minnesota shall, upon a determination by the Commissioner of the Department of Commerce as qualifying for an opt out of the Conservation Improvement Program, be exempt from CIP investment and expenditure requirements with respect to retail revenues attributable to the commercial gas customers. Customer accounts granted exemption by a decision of the Commissioner after the beginning of the calendar year shall be credited for any CIP collections billed after January first of the year following the Commissioner's decision. Upon exemption from conservation program charges, the customers can no longer participate in any utility's energy Conservation Improvement Program unless the customer submits a filing with the Commissioner to withdraw its exemption.

6. Accounting Requirements: The Company is required to record all costs associated with the conservation program in a CIP Tracker Account. All revenues recovered through the CCRA are booked to the Tracker as an offset to expenses.