



## EXPLAINING THE RESOURCE ADJUSTMENT

### What is the Resource Adjustment?

- The Resource Adjustment is a combination of two charges – the **Forecasted Fuel and Purchased Energy Adjustment** and the **Conservation Program Adjustment**. A portion of the state-mandated conservation program is recovered in base rates; the rest is recovered in the Resource Adjustment.
- The forecasted fuel adjustment portion of the Resource Adjustment fluctuates from month to month; the conservation adjustment is changed only once a year and must be approved by the Minnesota Public Utilities Commission. The Resource Adjustment is largely controlled by the forecasted fuel adjustment because it is much greater than the conservation adjustment.
- You won't see these two charges listed separately on your statement; they are combined on one line on your bill called "Resource Adjustment" as required by the MPUC. Both the forecasted fuel adjustment and the conservation adjustment are based on the number of kilowatt-hours of energy a customer uses.

### Why is a Fuel and Purchased Energy Adjustment necessary?

- The cost of fuel and purchased power are a large part of an electric utility's expenses. Minnesota Power buys electricity on the open market when customer demand exceeds generation capacity or when outages to generation units occur. Purchasing electricity from other energy providers often costs more than producing it and the Public Utilities Commission allows Minnesota Power to collect the difference. The fuel adjustment is how regulated utilities like Minnesota Power reflect ongoing market fluctuations in the cost of coal and the cost of purchased power.
- Starting January 1, 2020, the Fuel and Purchased Energy Adjustment will be an approved forecasted rate with a true up in subsequent years for any differences between forecasted and actual recovered Fuel and Purchased Energy costs.
- Minnesota Power must report its forecasted costs for fuel and purchased power in an annual filing to state regulators for their review and approval. Minnesota Power must also report its actual recovered costs for fuel and purchased power in an annual filing to state regulators for their review and approval of any over/under recovered costs which will be included in a true up in subsequent years.

Please refer to page 2 for yearly forecasted Fuel and Purchased Energy Rates

### What is the Conservation Program Adjustment?

- Minnesota law requires Minnesota Power and other regulated utilities to invest in energy conservation and energy efficiency programs. Minnesota Power's investments in conservation program rebates, education and outreach are recoverable from customers. For delivering conservation programs that meet or exceed the state-established energy-saving goal, Minnesota Power can earn an incentive, which is also recoverable from customers.
- The conservation adjustment, approved by the MPUC, increased in December 1, 2019. It's now \$0.3299105/kilowatt-hour.

Conservation Program Adjustment Rate – Effective 9/1/2020:      -0.000817 (\$/kWh)

## Forecasted Fuel and Purchased Energy Adjustment Rates

(In addition to the rates below, for each Customer Class, there will be an adder as stipulated in the rate book)

<b>Forecast</b>	<b>Jan 2020</b>	<b>Feb 2020</b>	<b>Mar 2020</b>	<b>Apr 2020</b>	<b>May 2020</b>	<b>Jun 2020</b>	<b>Jul 2020</b>	<b>Aug 2020</b>	<b>Sep 2020</b>	<b>Oct 2020</b>	<b>Nov 2020</b>	<b>Dec 2020</b>
	(\$/kWh)	(\$/kWh)	(\$/kWh)	(\$/kWh)	(\$/kWh)	(\$/kWh)	(\$/kWh)	(\$/kWh)	(\$/kWh)	(\$/kWh)	(\$/kWh)	(\$/kWh)
<b>One Month Fuel Cost</b>	.02335	.02292	.02232	.02126	.02075	.02600	.02627	.02668	.02065	.02127	.02121	.02237
<b>Customer Class</b>	<b>Jan 2020</b>	<b>Feb 2020</b>	<b>Mar 2020</b>	<b>Apr 2020</b>	<b>May 2020</b>	<b>Jun 2020</b>	<b>Jul 2020</b>	<b>Aug 2020</b>	<b>Sep 2020</b>	<b>Oct 2020</b>	<b>Nov 2020</b>	<b>Dec 2020</b>
	(\$/kWh)	(\$/kWh)	(\$/kWh)	(\$/kWh)	(\$/kWh)	(\$/kWh)	(\$/kWh)	(\$/kWh)	(\$/kWh)	(\$/kWh)	(\$/kWh)	(\$/kWh)
Residential	0.02368	0.02324	0.02263	0.02156	0.02104	0.02637	0.02664	0.02706	0.02094	0.02157	0.02151	0.02268
Commercial	0.02417	0.02373	0.02311	0.02201	0.02148	0.02691	0.02719	0.02762	0.02138	0.02202	0.02196	0.02316
Large Light & Power	0.02358	0.02315	0.02254	0.02147	0.02095	0.02626	0.02653	0.02694	0.02085	0.02148	0.02142	0.02259
Large Power	0.02312	0.02270	0.02210	0.02105	0.02055	0.02575	0.02601	0.02642	0.02045	0.02106	0.02100	0.02215
Lighting	0.01928	0.01893	0.01843	0.01755	0.01713	0.02147	0.02169	0.02203	0.01705	0.01756	0.01751	0.01847
							1/	1/	1/	1/	1/	1/
									2/	2/	2/	2/

1/- July - December 2020 Forecasted FAC Rates Updated Effective 7/1/2020 due to Rate Case Resolution- Includes Asset Based Margin Credit.

2/- September - December 2020 Forecasted FAC Rates Updated Effective 9/1/2020 due to Over/Under Credit applied.