



## EXPLAINING THE CAPACITY REVENUE AND EXPENSE ADJUSTMENT

### What is the Capacity Revenue and Expense Adjustment?

- The Capacity Revenue and Expense Adjustment is a mechanism for collecting capacity purchase expenses and crediting capacity sale revenues three years in length or less. It is a combination of forecasted capacity rates for the current MISO Planning Year and capacity true up rates from previous MISO Planning Years.
- The Capacity Revenue and Expense Adjustment will follow the MISO Planning Year which is currently June – May.
- Both the forecasted capacity and the true up capacity rates fluctuate from month to month.
- You won't see the capacity forecast and true up rates listed separately on your statement; they are combined on one line on your bill called "Capacity Revenue and Expense Adjustment." Both the approved forecasted capacity adjustment and the approved true up capacity adjustment are based on the number of kilowatt-hours of energy a customer uses.

### Why is a Capacity Revenue and Expense Adjustment necessary?

- The Capacity Revenue and Expense Adjustment better aligns capacity expense and revenues three years in length or less to the applicable MISO Planning Year. It also allows Minnesota Power to balance the capacity needs between seasons and planning years more effectively.
- The Minnesota Power customers would benefit from the symmetrical treatment of both capacity sale revenue and purchase expense. The Capacity Revenue and Expense Adjustment will enable both revenue and expenses that are incurred in the annual MISO Planning Reserve Auction process to align, and the established regulatory process will provide needed oversight.
- Starting March 1, 2025, the Capacity Revenue and Expense Adjustment is an approved forecasted rate with a true up in subsequent years for any differences between forecasted and actual capacity expenses and revenues.
- Minnesota Power must report its forecasted capacity revenues and expense in an annual filing to state regulators for their review and approval. Minnesota Power must also report its actual capacity revenues and expenses 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 Forecasted Capacity Revenue and Expense Rates-

**Rates Effective: March 1, 2025**

Capacity Expense and Revenue Adjustment Rates- 2025

<b>Forecast</b>	<b>Jan 2025</b>	<b>Feb 2025</b>	<b>Mar 2025</b>	<b>Apr 2025</b>	<b>May 2025</b>	<b>Jun 2025</b>	<b>Jul 2025</b>	<b>Aug 2025</b>	<b>Sep 2025</b>	<b>Oct 2025</b>	<b>Nov 2025</b>	<b>Dec 2025</b>
	\$/kWh											
One Month Fuel Cost			0.00003	0.00003	(0.00006)							
<b>Rate Class</b>	<b>Jan 2025</b>	<b>Feb 2025</b>	<b>Mar 2025</b>	<b>Apr 2025</b>	<b>May 2025</b>	<b>Jun 2025</b>	<b>Jul 2025</b>	<b>Aug 2025</b>	<b>Sep 2025</b>	<b>Oct 2025</b>	<b>Nov 2025</b>	<b>Dec 2025</b>
	\$/kWh											
Residential			0.00003	0.00003	(0.00006)							
Residential On-Peak (TOD)			0.00004	0.00004	(0.00007)							
Residential Off-Peak (TOD)			0.00003	0.00003	(0.00007)							
Residential Super Off-Peak (TOD)			0.00002	0.00002	(0.00005)							
General Service			0.00003	0.00003	(0.00006)							
Large Light and Power			0.00003	0.00003	(0.00006)							
Large Light and Power On-Peak (TOD)			0.00003	0.00003	(0.00007)							
Large Light and Power Off-Peak (TOD)			0.00003	0.00003	(0.00006)							
Large Light and Power Super Off-Peak (TOD)			0.00002	0.00002	(0.00005)							
Large Power			0.00003	0.00003	(0.00006)							
Lighting			0.00003	0.00003	(0.00005)							