

Revisions to Policy 314 Appendix D – Purchased Power Adjustment
October 2009

1. Purpose The cost the Cooperative must pay for the wholesale power it sells to its members varies widely over time. Such changes are not entirely predictable. As a result, it is in the best interest of the Cooperative and its members to incorporate an automatic adjustment into the electric rates the Cooperative charges its customers to address increases and decreases in the cost of wholesale power and related expenses incurred by the Cooperative in managing rate issues arising out of variations in wholesale power costs.
2. Computation. In order to accommodate variations in the cost of wholesale power, an adjustment will be made to the monthly charges for all energy (kWh) sold by the Cooperative to each member (or other customer) of the Cooperative. The adjustment (“PPA”), expressed in terms of cents per kWh, shall be added or subtracted each month to the energy charges for the customer. The PPA shall be calculated each month by:
 - 2.1. Determining the Average Power Cost (as defined below) per kWh for the previous six month period;
 - 2.2. Determining the Power Cost Adjustment (as defined below) per kWh sold for the month;
 - 2.3. Adding the Power Cost Adjustment to the Average Power Cost per kWh and subtracting from the sum so determined the Baseline Cost (as defined below) per kWh.
 - 2.4. Dividing this balance by the difference between 100 percent and the Estimated Line Loss (as defined below).
3. Definitions. For the purpose of computing the PPA, the following definitions shall apply:
 - 3.1. “Average Power Cost” means the per kWh charge obtained by dividing the sum of the Adjusted Power Cost (as defined below) for the current month and the 5 immediately preceding months by the kWh of electricity purchased by the Cooperative during the same period.
 - 3.2. “Adjusted Power Cost” equals the actual cost of wholesale power purchased by the Cooperative, reduced by any Real Time Adjustment previously made for such month in determining the Power Cost Adjustment for that month, and further reduced by any charges made by the Cooperatives wholesale power supplier for renewable energy to the extent such charges are allocated and paid, all or in substantial part, by the Cooperatives customers electing to receive renewable energy.
 - 3.3. “Power Cost Adjustment” means the cost per kWh determined by adding (i) 1/12th of the Real Time Adjustment made for the year, (note: the Real Time Adjustment will end after March 2010); (ii) any applicable Minnkota

Surcharge, but only as long as a Minnkota surcharge remains in place; (iii) such other adjustments as may be approved by the Board.

- 3.4. "Baseline Cost" means the cost per kWh established by the board of directors of the cooperative as the "Baseline Cost" for the purpose of determining the PPA. The current Baseline Cost is \$0.03273 per kWh.
 - 3.5. "Estimated Line Loss" means estimated portion of the energy purchased by the Cooperative at wholesale which is not metered and billed to the Cooperative's members and customers. The current Estimated Line Loss is 4%.
 - 3.6. "Real Time Adjustment" means the estimated annual increase or decrease in wholesale power costs of the Cooperative based on announced or published rate modifications from the Cooperative's wholesale power supplier. This estimate shall be approved or ratified by the board of directors at least once per year. **The Real Time Adjustment for 1/1/2010 – 3/31/2010 is expected to be approximately \$468,750.** The Real Time Adjustment will cease as of 3/31/2010.
4. Use of Estimates. For the purpose of determining calculations for any month where the actual quantity or cost is not available the Cooperative shall use reasonable estimates of the quantity or cost in order to calculate the PPA for the month, provided that, when available, the actual cost or quantity will be used for any subsequent calculations for that month.

Appendix D approved: May 28, 2002

Revised calculation for 2005 approved: October 22, 2004

Calculation for 2006 presented & approved: October 28, 2005

Calculation for 2007 presented & approved: October 31, 2006

Calculation for 2008 presented & approved: October 29, 2007

Calculation for 2009 presented & approved: October 28, 2008; further revised December 23, 2008

Calculation for 2010 presented & approved: September 29, 2009

2010 ADJUSTMENTS

Until such time as further modifications are authorized by the board of directors, the following calculations shall be used in determining the Purchased Power Adjustment for the Year 2010:

- 1) Real Time Adjustment: \$468,750 in effect only from 1/1/2010 to 3/31/2010
- 2) Estimated Line Loss: four percent (4%)
- 3) Minnkota surcharge of \$0.005/kWh to end when the Minnkota surcharge ends
- 4) Baseline Cost: \$0.03273
- 5) 6-month rolling average

2002 Adjustments Approved: May 28, 2002

Adjustments for 2005 Approved: October 22, 2004

Adjustments for 2006 Approved: October 28, 2005

Adjustments for 2007 approved: October 31, 2006

Adjustments for 2007 approved: October 31, 2006

Adjustments for 2008 approved: October 29, 2007

Adjustments for 2009 approved: October 28, 2008

Further revisions made to 2009 Adjustments: December 23, 2008

Adjustments for 2010 approved: September 29, 2009