

INTERIM RATE PETITION SCHEDULES SUPPORTING SCHEDULES AND WORKPAPERS

The Minnesota Public Utilities Commission (“Commission”), in its Statement of Policy on Interim Rates, encourages any regulated company seeking interim rates to submit to the Commission an interim rate petition as part of its general rate case filing. The interim rate petition should include a cover letter and supporting schedules. The supporting schedules should include the following:

- 1) A schedule showing the interim rate of return calculation. This schedule should show the capital structure and rate of return calculation approved by the Commission in the most recent general rate case; the capital structure and rate of return calculation proposed for interim rates; and a description and corresponding dollar amount of any changes between the two capital structures.

Note:

Schedule C, Part 4 of 4 of this volume contains this information.

- 2) A schedule showing the interim operating income statement. This schedule should show the same operating income statement accounts as filed in the general rate case. Also, the schedule should include the operating income statement approved by the Commission in the most recent general rate case; the equivalent operating income statement corresponding with the most recent actual year for which audited data is available and corresponding with the same period in months as the test year, if the test year is a projected year and the operating income statement proposed for interim rates. A description of all changes and corresponding dollar amounts between each of the operating income statements should be provided. Workpapers should be provided which show how revenues, AFUDC, taxes, expenses, and other income statement components have been determined.

Notes:

Schedule C, Part 1 of 4 of this volume compares the operating income statement approved by the Commission in the most recent general rate case with the income statement for the proposed interim rate test year, including a description of all changes and corresponding dollar amounts.

Schedule D, Part 1 of 3 of this volume compares the operating income statement for the most recent actual year for which audited data is available with the income statement for the test year, as adjusted for interim rates, including a description of all changes and corresponding dollar amounts.

Schedule E, Part 1 of 3 of this volume compares the operating income statement approved by the Commission in the most recent general rate case with the most recent actual year for which audited data is available, including a description of all changes and corresponding dollar amounts.

Although the Commission’s Statement of Policy does not require regulated companies to do so, MERC has included as Schedule B, Part 1 of 3 of this volume, a comparison of the operating

income statement for this general rate case filing with the income statement for the proposed interim test year, including a description of all changes and corresponding dollar amounts.

Workpapers for the above Interim Rate Petition Schedules can be found in the materials referencing the proposed test year in Volumes 2 - 4 of this filing, as the revenue deficiency for interim rates and the proposed final rates are closely linked except for the small number of items discussed in the direct testimony of Mr. Seth DeMerritt.

- 3) A schedule showing the interim proposed rate base. This schedule should show the same rate base accounts as filed in the general rate case. This schedule should include the average rate base approved by the Commission in the most recent general rate case; the equivalent average rate base corresponding with the most recent actual year for which audited data is available and corresponding with the same period in months as the test year, if the test year is a projected test year; and the average rate base proposed for interim rates. A description of all changes and corresponding dollar amounts between each of the rate bases should be provided. Workpapers should be provided which show how the rate base components have been determined.

Notes:

Schedule C, Part 2 of 4 of this volume compares the average rate base approved by the Commission in the most recent general rate case with the average rate base proposed for interim rates, including a description of all changes and corresponding dollar amounts.

Schedule D, Part 2 of 3 of this volume compares the average rate base for the most recent actual year for which audited data is available with the average rate base proposed for interim rates, including a description of all changes and corresponding dollar amounts.

Schedule E, Part 2 of 3 of this volume compares the average rate base approved by the Commission in the most recent general rate case with average rate base for the most recent actual year for which audited data is available, including a description of all changes and corresponding dollar amounts.

Although not required by the Commission's Policy Statement, MERC has included as Schedule B, Part 2 of 3 of this volume, a comparison of the average rate base for this general rate case filing with the average rate base for the proposed interim test year, including a description of all changes and corresponding dollar amounts.

Workpapers for the above Interim Rate Petition Schedules can be found in the materials referencing the proposed test year in Volumes 2 - 4 of this filing.

- 4) A schedule showing revenue deficiency calculations for each of the operating income statements and rate bases requested in 2) and 3) above. The revenue deficiency should be calculated for the actual data and the interim data using the rate of return calculated in 1) above.

Notes:

Schedule C, Part 3 of 4 of this volume shows the revenue deficiency calculations for the most recent general rate case and for the proposed interim rates.

Schedule D, Part 3 of 3 of this volume shows the revenue deficiency calculations for the most recent actual year for which audited data is available and for the proposed interim rates.

Schedule E, Part 3 of 3 of this volume shows the revenue deficiency calculations for the most recent general rate case and the most recent actual year for which audited data is available.

Although not required by the Commission's Policy Statement, MERC has included as schedule B, Part 3 of 3 of this volume, the revenue deficiency calculations for this general rate case filing and for the proposed interim rates.

DEFINITIONS

The following definitions have been used in this filing:

Proposed Interim Test Year

The proposed interim test year information is for the calendar year ending December 31, 2011, and includes the effect of rate making adjustments.

General Rate Case Filing

The general rate case filing information is for the proposed test year ending December 31, 2011 and includes the effects of rate making adjustments.

Most Recent General Rate Case

This information represents the financial data for the calendar test year ending December 31, 2008 from Docket No. G,007,011/GR-08-835 as approved by the Commission.

Most Recent Actual Year

This information represents actual unadjusted financial information for the calendar year ended December 31, 2009.

Minnesota Energy Resources Corporation
Interim Rate Schedule
Summary of Revenue Requirements

<u>Line No.</u>	<u>Description</u>	<u>Total MERC Interim Rate Petition Present Rates</u>	<u>MERC-PNG Interim Rate Petition Present Rates</u>	<u>MERC-NMU Interim Rate Petition Present Rates</u>
1	Average Rate Base	194,901,055	150,377,155	44,523,900
2	Operating Income	11,410,763	8,896,592	2,514,171
3	Allowance for funds used during Construction	-	-	-
4	Total Available for Return	11,410,763	8,896,592	2,514,171
5	Overale Rate of Return (Line 4 / Line 1)	5.8546%	5.9162%	5.6468%
6	Required Rate of Return	8.1470%	8.1470%	8.1470%
7	Required Operating Income (Line 1 x Line 6)	15,878,683	12,251,300	3,627,384
8	Income Deficiency (Line 7 - Line 4)	4,467,920	3,354,707	1,113,213
9	Gross Revenue Conversion Factor	1.704	1.704	1.704
10	Revenue Defieciency (Line 8 x Line 9)	7,613,336	5,716,422	1,896,914
11	Retail Related Revenues Under Present Rates	292,743,403	232,348,654	60,394,750
12	Percentage Increase Needed in Overall Revenue (Line 10 / Line 11)	2.60%	2.46%	3.14%

Minnesota Energy Resources Corporation
Interim Rate Schedule
Statement of Operating Income

<u>Line No.</u>	<u>Description</u>	<u>Total MERC Interim Rate Petition Present Rates</u>	<u>MERC-PNG Interim Rate Petition Present Rates</u>	<u>MERC-NMU Interim Rate Petition Present Rates</u>
<u>Operating Revenues</u>				
1	Retail	285,758,750	226,612,254	59,146,496
2	Weather Impact Net Margin Adjustment	-	-	-
3	Interdepartmental & Transportation	6,984,653	5,736,399	1,248,254
4	Other Operating	6,403,428	5,155,762	1,247,666
6	Total Operating Revenues	299,146,831	237,504,415	61,642,415
<u>Expenses</u>				
Operating Expenses:				
7	Purchased Gas	215,065,515	171,654,432	43,411,083
8	Other Production	691,798	544,568	147,230
9	Transmission	22,375	17,613	4,762
10	Distribution	14,537,915	11,246,342	3,291,573
11	Customer Accounting	12,683,156	10,220,519	2,462,638
12	Customer Service & Information	781,795	629,997	151,798
13	Administrative & General	15,054,006	11,793,293	3,260,713
14	Amortizations	8,829,624	7,027,593	1,802,031
15	Total Operating Expenses	267,666,185	213,134,358	54,531,827
16	Depreciation	10,200,512	7,812,174	2,388,338
Taxes:				
18	Property	4,617,000	3,530,869	1,086,131
19	Federal & State Income Tax	4,035,725	3,178,738	856,987
20	Payroll & Other	1,219,058	953,749	265,309
21	Total Taxes	9,871,783	7,663,355	2,208,427
22	Total Expenses	287,738,480	228,609,887	59,128,593
23	Tax Effect of Interest Allowed	2,412	2,064	348
24	Allowance for Funds Used During Construction	-	0	0
25	Total Operating Income	11,410,763	8,896,592	2,514,171

Minnesota Energy Resources Corporation
Interim Rate Schedule
Detailed Rate Base Components

Line No.	Description	Total MERC Interim Rate Petition Present Rates	MERC-PNG Interim Rate Petition Present Rates	MERC-NMU Interim Rate Petition Present Rates
1	Plant in Service	337,130,690	257,028,429	80,102,261
2	Property Held for Future Use	-	-	-
3	Construction Work in Progress	-	-	-
4	Accumulated Depreciation and Plant Deferred Taxes	(164,671,177)	(124,189,055)	(40,482,122)
5	Customer Advances	<u>(130,480)</u>	<u>(130,480)</u>	
6	Net Utility Plant	<u>172,329,033</u>	<u>132,708,894</u>	<u>39,620,139</u>
7	Cash Working Capital	(453,770)	(351,192)	(102,577)
	Other Rate Base Items			
8	Materials and Supplies	(1,217,291)	(940,236)	(277,055)
9	Gas Storage	14,878,509	11,712,035	3,166,474
10	Non-Plant Assets & Liabilities	<u>9,364,574</u>	<u>7,247,654</u>	<u>2,116,920</u>
11	Total Other Rate Base Items	<u>23,025,792</u>	<u>18,019,454</u>	<u>5,006,338</u>
12	Total Average Rate Base	<u><u>194,901,055</u></u>	<u><u>150,377,155</u></u>	<u><u>44,523,900</u></u>

Minnesota Energy Resources Corporation
Interim Rate Schedule
Statement of Operating Income

<u>Line No.</u>	<u>Description</u>	<u>Total MERC General Rate Case Filing</u>	<u>Total MERC Interim Rate Petition Present Rates</u>	<u>Change</u>
<u>Operating Revenues</u>				
1	Retail	285,758,750	285,758,750	-
2	Weather Impact Net Margin Adjustment	-	-	-
3	Interdepartmental & Transportation	6,984,653	6,984,653	-
4	Other Operating	1,319,700	6,403,428	5,083,728
6	Total Operating Revenues	294,063,103	299,146,831	5,083,728
<u>Expenses</u>				
Operating Expenses:				
7	Purchased Gas	215,065,515	215,065,515	-
8	Other Production	691,798	691,798	-
9	Transmission	22,375	22,375	-
10	Distribution	14,537,915	14,537,915	-
11	Customer Accounting	12,683,156	12,683,156	-
12	Customer Service & Information	781,795	781,795	-
13	Administrative & General	15,953,282	15,054,006	(899,276)
14	Amortizations	8,829,624	8,829,624	-
15	Total Operating Expenses	268,565,461	267,666,185	(899,276)
16	Depreciaiton	10,200,512	10,200,512	-
Taxes:				
18	Property	4,617,000	4,617,000	-
19	Federal & State Income Tax	1,466,958	4,035,725	2,568,767
20	Payroll & Other	1,219,058	1,219,058	-
21	Total Taxes	7,303,016	9,871,783	2,568,767
22	Total Expenses	286,068,989	287,738,480	1,669,491
23	Tax Effect of Interest Allowed	2,419	2,412	(7)
24	Allowance for Funds Used During Construction	0	0	-
25	Total Operating Income	7,996,533	11,410,763	3,414,230

Minnesota Energy Resources Corporation
Interim Rate Schedule
Statement of Operating Income

<u>Line No.</u>	<u>Description</u>	<u>MERC-PNG General Rate Case Filing</u>	<u>MERC-PNG Interim Rate Petition Present Rates</u>	<u>Change</u>
<u>Operating Revenues</u>				
1	Retail	226,612,254	226,612,254	-
2	Weather Impact Net Margin Adjustment	-	-	-
3	Interdepartmental & Transportation	5,736,399	5,736,399	-
4	Other Operating	1,003,803	5,155,762	4,151,959
6	Total Operating Revenues	<u>233,352,457</u>	<u>237,504,415</u>	<u>4,151,959</u>
<u>Expenses</u>				
Operating Expenses:				
7	Purchased Gas	171,654,432	171,654,432	-
8	Other Production	544,568	544,568	-
9	Transmission	17,613	17,613	-
10	Distribution	11,246,342	11,246,342	-
11	Customer Accounting	10,220,519	10,220,519	-
12	Customer Service & Information	629,997	629,997	-
13	Administrative & General	12,497,785	11,793,293	(704,492)
14	Amortizations	7,027,593	7,027,593	-
15	Total Operating Expenses	<u>213,838,849</u>	<u>213,134,358</u>	<u>(704,492)</u>
16	Depreciaiton	7,812,174	7,812,174	-
Taxes:				
18	Property	3,530,869	3,530,869	-
19	Federal & State Income Tax	1,097,545	3,178,738	2,081,193
20	Payroll & Other	953,749	953,749	-
21	Total Taxes	<u>5,582,163</u>	<u>7,663,355</u>	<u>2,081,193</u>
22	Total Expenses	<u>227,233,186</u>	<u>228,609,887</u>	<u>1,376,701</u>
23	Tax Effect of Interest Allowed	2,069	2,064	348
24	Allowance for Funds Used During Construction	0	0	-
25	Total Operating Income	<u><u>6,121,340</u></u>	<u><u>8,896,592</u></u>	<u><u>2,775,606</u></u>

Minnesota Energy Resources Corporation
Interim Rate Schedule
Statement of Operating Income

Line No.	Description	MERC-NMU General Rate Case Filing	MERC-NMU Interim Rate Petition Present Rates	Change
<u>Operating Revenues</u>				
1	Retail	59,146,496	59,146,496	-
2	Weather Impact Net Margin Adjustment	-	-	-
3	Interdepartmental & Transportation	1,248,254	1,248,254	-
4	Other Operating	315,897	1,247,666	931,769
6	Total Operating Revenues	60,710,647	61,642,415	931,769
<u>Expenses</u>				
Operating Expenses:				
7	Purchased Gas	43,411,083	43,411,083	-
8	Other Production	147,230	147,230	-
9	Transmission	4,762	4,762	-
10	Distribution	3,291,573	3,291,573	-
11	Customer Accounting	2,462,638	2,462,638	-
12	Customer Service & Information	151,798	151,798	-
13	Administrative & General	3,455,497	3,260,713	(194,784)
14	Amortizations	1,802,031	1,802,031	-
15	Total Operating Expenses	54,726,611	54,531,827	(194,784)
16	Depreciaiton	2,388,338	2,388,338	-
Taxes:				
18	Property	1,086,131	1,086,131	-
19	Federal & State Income Tax	369,413	856,987	487,574
20	Payroll & Other	265,309	265,309	-
21	Total Taxes	1,720,853	2,208,427	487,574
22	Total Expenses	58,835,803	59,128,593	292,790
23	Tax Effect of Interest Allowed	350	348	(2)
24	Allowance for Funds Used During Construction	0	0	-
25	Total Operating Income	1,875,194	2,514,171	638,977

Minnesota Energy Resources Corporation
Interim Rate Schedule
Detailed Rate Base Components

<u>Line No.</u>	<u>Description</u>	Total MERC General Rate Case Filing	Total MERC Interim Rate Petition Present Rates	<u>Change</u>
1	Plant in Service	337,130,690	337,130,690	-
2	Property Held for Future Use	-	-	-
3	Construction Work in Progress	-	-	-
4	Accumulated Depreciation and Plant Deferred Taxes	(164,671,177)	(164,671,177)	-
5	Customer Advances	(130,480)	(130,480)	-
6	Net Utility Plant	<u>172,329,033</u>	<u>172,329,033</u>	-
7	Cash Working Capital	(453,770)	(453,770)	-
	Other Rate Base Items			
8	Materials and Supplies	(1,217,291)	(1,217,291)	-
9	Gas Storage	14,878,509	14,878,509	-
10	Non-Plant Assets & Liabilities	9,364,574	9,364,574	-
11	Total Other Rate Base Items	<u>23,025,792</u>	<u>23,025,792</u>	-
12	Total Average Rate Base	<u><u>194,901,055</u></u>	<u><u>194,901,055</u></u>	-

Minnesota Energy Resources Corporation
Interim Rate Schedule
Detailed Rate Base Components

Line No.	Description	MERC-PNG General Rate Case Filing	MERC-PNG Interim Rate Petition Present Rates	Change
1	Plant in Service	257,028,429	257,028,429	-
2	Property Held for Future Use	-	-	-
3	Construction Work in Progress	-	-	-
4	Accumulated Depreciation and Plant Deferred Taxes	(124,189,055)	(124,189,055)	-
5	Customer Advances	(130,480)	(130,480)	-
6	Net Utility Plant	<u>132,708,894</u>	<u>132,708,894</u>	<u>-</u>
7	Cash Working Capital	(351,192)	(351,192)	-
	Other Rate Base Items			
8	Materials and Supplies	(940,236)	(940,236)	-
9	Gas Storage	11,712,035	11,712,035	-
10	Non-Plant Assets & Liabilities	7,247,654	7,247,654	-
11	Total Other Rate Base Items	<u>18,019,454</u>	<u>18,019,454</u>	<u>-</u>
12	Total Average Rate Base	<u><u>150,377,155</u></u>	<u><u>150,377,155</u></u>	<u><u>-</u></u>

Minnesota Energy Resources Corporation
Interim Rate Schedule
Detailed Rate Base Components

<u>Line No.</u>	<u>Description</u>	<u>MERC-NMU General Rate Case Filing</u>	<u>MERC-NMU Interim Rate Petition Present Rates</u>	<u>Change</u>
1	Plant in Service	80,102,261	80,102,261	-
2	Property Held for Future Use	-	-	-
3	Construction Work in Progress	-	-	-
4	Accumulated Depreciation and Plant Deferred Taxes	(40,482,122)	(40,482,122)	-
5	Customer Advances	-	-	-
6	Net Utility Plant	<u>39,620,139</u>	<u>39,620,139</u>	<u>-</u>
7	Cash Working Capital	(102,577)	(102,577)	-
	Other Rate Base Items			
8	Materials and Supplies	(277,055)	(277,055)	-
9	Gas Storage	3,166,474	3,166,474	-
10	Non-Plant Assets & Liabilities	<u>2,116,920</u>	<u>2,116,920</u>	<u>-</u>
11	Total Other Rate Base Items	<u>5,006,338</u>	<u>5,006,338</u>	<u>-</u>
12	Total Average Rate Base	<u><u>44,523,900</u></u>	<u><u>44,523,900</u></u>	<u><u>-</u></u>

Minnesota Energy Resources Corporation
Interim Rate Schedule
Summary of Revenue Requirements

Line No.	Description	Total MERC General Rate Case Filing	Total MERC Interim Rate Petition Present Rates	Change
1	Average Rate Base	194,901,055	194,901,055	-
2	Adjusted Operating Income	7,996,533	11,410,763	3,414,230
3	Allowance for funds used during Construction	-	-	-
4	Total Available for Return	7,996,533	11,410,763	3,414,230
5	Overale Rate of Return (Line 4 / Line 1)	4.1029%	5.8546%	1.7518%
6	Required Rate of Return	8.6692%	8.1470%	-0.5222%
7	Required Operating Income (Line 1 x Line 6)	16,896,362	15,878,683	(1,017,679)
8	Income Deficiency (Line 7 - Line 4)	8,899,829	4,467,920	(4,431,909)
9	Gross Revenue Conversion Factor	1.704	1.704	-
10	Revenue Defieciency (Line 8 x Line 9)	15,165,309	7,613,336	(7,551,973)
11	Retail Related Revenues Under Present Rates	292,743,403	292,743,403	-
12	Percentage Increase Needed in Overall Revenue (Line 10 / Line 11)	5.18%	2.60%	-2.58%

Minnesota Energy Resources Corporation
Interim Rate Schedule
Summary of Revenue Requirements

Line No.	Description	MERC-PNG General Rate Case Filing	MERC-PNG Interim Rate Petition Present Rates	Change
1	Average Rate Base	150,377,155	150,377,155	-
2	Adjusted Operating Income	6,121,340	8,896,592	2,775,252
3	Allowance for funds used during Construction	-	-	-
4	Total Available for Return	6,121,340	8,896,592	2,775,252
5	Overale Rate of Return (Line 4 / Line 1)	4.0707%	5.9162%	1.8455%
6	Required Rate of Return	8.6692%	8.1470%	-0.5222%
7	Required Operating Income (Line 1 x Line 6)	13,036,496	12,251,300	(785,197)
8	Income Deficiency (Line 7 - Line 4)	6,915,157	3,354,707	(3,560,449)
9	Gross Revenue Conversion Factor	1.704	1.704	-
10	Revenue Defieciency (Line 8 x Line 9)	11,783,427	5,716,422	(6,067,005)
11	Retail Related Revenues Under Present Rates	232,348,654	232,348,654	-
12	Percentage Increase Needed in Overall Revenue (Line 10 / Line 11)	5.07%	2.46%	-2.61%

Minnesota Energy Resources Corporation
Interim Rate Schedule
Summary of Revenue Requirements

Line No.	Description	MERC-NMU General Rate Case Filing	MERC-NMU Interim Rate Petition Present Rates	Change
1	Average Rate Base	44,523,900	44,523,900	-
2	Adjusted Operating Income	1,875,194	2,514,171	638,977
3	Allowance for funds used during Construction	-	-	-
4	Total Available for Return	1,875,194	2,514,171	638,977
5	Overale Rate of Return (Line 4 / Line 1)	4.2117%	5.6468%	1.4351%
6	Required Rate of Return	8.6692%	8.1470%	-0.5222%
7	Required Operating Income (Line 1 x Line 6)	3,859,866	3,627,384	(232,482)
8	Income Deficiency (Line 7 - Line 4)	1,984,672	1,113,213	(871,460)
9	Gross Revenue Conversion Factor	1.704	1.704	-
10	Revenue Defieciency (Line 8 x Line 9)	3,381,882	1,896,914	(1,484,967)
11	Retail Related Revenues Under Present Rates	60,394,750	60,394,750	-
12	Percentage Increase Needed in Overall Revenue (Line 10 / Line 11)	5.60%	3.14%	-2.46%

Minnesota Energy Resources Corporation
Comparison of Proposed Interim Rates to Present Rates
Statement of Operating Income

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<u>Line No.</u>	<u>Description</u>	<u>Total MERC From Most Recent General Rate Case Filing</u>	<u>Total MERC Interim Rate Petition Present Rates</u>	<u>Change</u>
<u>Operating Revenues</u>				
1	Retail	273,758,814	285,758,750	11,999,936
2	Weather Impact Net Margin Adjustment	-	-	-
3	Interdepartmental & Transportation	5,907,946	6,984,653	1,076,707
4	Other Operating	1,362,785	6,403,428	5,040,643
6	Total Operating Revenues	281,029,545	299,146,831	18,117,286
<u>Expenses</u>				
Operating Expenses:				
7	Purchased Gas	203,546,400	215,065,515	11,519,115
8	Other Production	724,960	691,798	(33,162)
9	Transmission	24,344	22,375	(1,969)
10	Distribution	13,528,812	14,537,915	1,009,103
11	Customer Accounting	10,388,814	12,683,156	2,294,342
12	Customer Service & Information	630,941	781,795	150,854
13	Administrative & General	11,717,690	15,054,006	3,336,316
14	Amortizations	3,870,336	8,829,624	4,959,288
15	Total Operating Expenses	244,432,297	267,666,185	23,233,888
16	Depreciaton	8,895,371	10,200,512	1,305,141
Taxes:				
18	Property	5,025,200	4,617,000	(408,200)
19	Federal & State Income Tax	6,524,101	4,035,725	(2,488,376)
20	Payroll & Other	954,187	1,219,058	264,871
21	Total Taxes	12,503,488	9,871,783	(2,631,705)
22	Total Expenses	265,831,156	287,738,480	21,907,324
23	Tax Effect of Interest Allowed	(113,781)	2,412	116,193
24	Allowance for Funds Used During Construction	-	-	-
25	Total Operating Income	15,084,608	11,410,763	(3,673,845)

Minnesota Energy Resources Corporation
Comparison of Proposed Interim Rates to Present Rates
Statement of Operating Income

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Line No.	Description	MERC-PNG From Most Recent General Rate Case Filing	MERC-PNG Interim Rate Petition Present Rates	Change
<u>Operating Revenues</u>				
1	Retail	212,103,231	226,612,254	14,509,023
2	Weather Impact Net Margin Adjustment	-	-	-
3	Interdepartmental & Transportation	4,726,881	5,736,399	1,009,518
4	Other Operating	1,107,387	5,155,762	4,048,375
6	Total Operating Revenues	217,937,499	237,504,415	19,566,916
<u>Expenses</u>				
Operating Expenses:				
7	Purchased Gas	158,612,885	171,654,432	13,041,547
8	Other Production	561,039	544,568	(16,471)
9	Transmission	18,839	17,613	(1,226)
10	Distribution	10,340,729	11,246,342	905,613
11	Customer Accounting	8,359,806	10,220,519	1,860,713
12	Customer Service & Information	507,713	629,997	122,284
13	Administrative & General	9,070,347	11,793,293	2,722,946
14	Amortizations	3,010,940	7,027,593	4,016,653
15	Total Operating Expenses	190,482,298	213,134,358	22,652,060
16	Depreciaton	6,659,665	7,812,174	1,152,509
Taxes:				
18	Property	3,801,630	3,530,869	(270,761)
19	Federal & State Income Tax	4,881,282	3,178,738	(1,702,544)
20	Payroll & Other	738,196	953,749	215,553
21	Total Taxes	9,421,108	7,663,355	(1,757,753)
22	Total Expenses	206,563,071	228,609,887	22,046,816
23	Tax Effect of Interest Allowed	(85,239)	2,064	87,303
24	Allowance for Funds Used During Construction	0	-	-
25	Total Operating Income	11,289,189	8,896,592	(2,392,597)

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<u>Line No.</u>	<u>Description</u>	<u>MERC-NMU From Most Recent General Rate Case Filing</u>	<u>MERC-NMU Interim Rate Petition Present Rates</u>	<u>Change</u>
<u>Operating Revenues</u>				
1	Retail	61,655,583	59,146,496	(2,509,087)
2	Weather Impact Net Margin Adjustment	-	-	-
3	Interdepartmental & Transportation	1,181,065	1,248,254	67,189
4	Other Operating	255,398	1,247,666	992,268
6	Total Operating Revenues	63,092,046	61,642,415	(1,449,631)
<u>Expenses</u>				
Operating Expenses:				
7	Purchased Gas	44,933,515	43,411,083	(1,522,432)
8	Other Production	163,921	147,230	(16,691)
9	Transmission	5,505	4,762	(743)
10	Distribution	3,188,083	3,291,573	103,490
11	Customer Accounting	2,029,008	2,462,638	433,630
12	Customer Service & Information	123,228	151,798	28,570
13	Administrative & General	2,647,343	3,260,713	613,370
14	Amortizations	859,396	1,802,031	942,635
15	Total Operating Expenses	53,949,999	54,531,827	581,828
16	Depreciaton	2,235,706	2,388,338	152,632
Taxes:				
18	Property	1,223,570	1,086,131	(137,439)
19	Federal & State Income Tax	1,642,819	856,987	(785,832)
20	Payroll & Other	215,991	265,309	49,318
21	Total Taxes	3,082,380	2,208,427	(873,953)
22	Total Expenses	59,268,085	59,128,593	(139,492)
23	Tax Effect of Interest Allowed	(28,542)	348	28,890
24	Allowance for Funds Used During Construction	0	-	-
25	Total Operating Income	3,795,419	2,514,171	(1,281,248)

**COMPARISON OF PROPOSED INTERIM RATES TO PRESENT RATES
STATEMENT OF OPERATING INCOME
DESCRIPTION OF CHANGES**

Utility operating income decreases by approximately \$2.4 million for MERC-PNG, \$1.3 million for MERC-NMU, and \$3.7 million for MERC as a whole from the Company's 2008 test year used for the most recent Commission approved rate case, at Docket No. G007,011/GR-08-835, compared to the 2011 test year in MERC's proposed interim rate petition, in Docket No. G007,011/GR-10-977.

Major components of the change in utility operating income included the following:

Retail Gas, Transportation, and Other Operating Revenues increased by \$19.6 million for MERC-PNG and decreased \$1.4 million for MERC-NMU for a net increase of \$18.1 million for total MERC. Approximately \$13.0, (\$1.5), and \$11.5 million, respectively, of the increase is the result of higher cost of gas.

Other Operating Expenses increased by \$9.6 million for MERC-PNG, \$2.1 million for MERC-NMU, and \$11.7 million for total MERC.

Depreciation expense increased by \$1.2 million for MERC-PNG, \$0.2 million for MERC-NMU, and \$1.3 million for total MERC.

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<u>Line No.</u>	<u>Description</u>	<u>Total MERC From Most Recent General Rate Case Filing</u>	<u>Total MERC Interim Rate Petition Present Rates</u>	<u>Change</u>
1	Plant in Service	293,038,103	337,130,690	44,092,587
2	Property Held for Future Use	-	-	-
3	Construction Work in Progress	1,647,130	-	(1,647,130)
4	Accumulated Depreciation and Plant Deferred Taxes	(133,154,602)	(164,671,177)	(31,516,575)
5	Customer Advances	-	(130,480)	
6	Net Utility Plant	<u>161,530,631</u>	<u>172,329,033</u>	<u>10,928,882</u>
7	Cash Working Capital	(5,924,671)	(453,770)	5,470,901
	Other Rate Base Items			
8	Materials and Supplies	297,165	(1,217,291)	(1,514,456)
9	Gas Storage	21,633,061	14,878,509	(6,754,552)
10	Non-Plant Assets & Liabilities	<u>11,729,809</u>	<u>9,364,574</u>	<u>(2,365,235)</u>
11	Total Other Rate Base Items	<u>33,660,035</u>	<u>23,025,792</u>	<u>(10,634,243)</u>
12	Total Average Rate Base	<u><u>189,265,995</u></u>	<u><u>194,901,055</u></u>	<u><u>5,765,540</u></u>

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<u>Line No.</u>	<u>Description</u>	<u>MERC-PNG From Most Recent General Rate Case Filing</u>	<u>MERC-PNG Interim Rate Petition Present Rates</u>	<u>Change</u>
1	Plant in Service	219,620,511	257,028,429	37,407,918
2	Property Held for Future Use	-	-	-
3	Construction Work in Progress	1,235,729	-	(1,235,729)
4	Accumulated Depreciation and Plant Deferred Taxes	(100,615,698)	(124,189,055)	(23,573,357)
5	Customer Advances	-	(130,480)	
6	Net Utility Plant	<u>120,240,542</u>	<u>132,708,894</u>	<u>12,598,832</u>
7	Cash Working Capital	(4,494,492)	(351,192)	4,143,300
	Other Rate Base Items			
8	Materials and Supplies	227,370	(940,236)	(1,167,606)
9	Gas Storage	16,741,588	11,712,035	(5,029,553)
10	Non-Plant Assets & Liabilities	<u>8,989,337</u>	<u>7,247,654</u>	<u>(1,741,683)</u>
11	Total Other Rate Base Items	<u>25,958,295</u>	<u>18,019,454</u>	<u>(7,938,841)</u>
12	Total Average Rate Base	<u><u>141,704,345</u></u>	<u><u>150,377,155</u></u>	<u><u>8,803,290</u></u>

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<u>Line No.</u>	<u>Description</u>	<u>MERC-NMU From Most Recent General Rate Case Filing</u>	<u>MERC-NMU Interim Rate Petition Present Rates</u>	<u>Change</u>
1	Plant in Service	73,417,592	80,102,261	6,684,669
2	Property Held for Future Use	-	-	-
3	Construction Work in Progress	411,401	-	(411,401)
4	Accumulated Depreciation and Plant Deferred Taxes	(32,538,904)	(40,482,122)	(7,943,218)
5	Customer Advances	-	-	-
6	Net Utility Plant	<u>41,290,089</u>	<u>39,620,139</u>	<u>(1,669,950)</u>
7	Cash Working Capital	(1,430,179)	(102,577)	1,327,602
	Other Rate Base Items			
8	Materials and Supplies	69,795	(277,055)	(346,850)
9	Gas Storage	4,891,473	3,166,474	(1,724,999)
10	Non-Plant Assets & Liabilities	<u>2,740,472</u>	<u>2,116,920</u>	<u>(623,552)</u>
11	Total Other Rate Base Items	<u>7,701,740</u>	<u>5,006,338</u>	<u>(2,695,402)</u>
12	Total Average Rate Base	<u><u>47,561,650</u></u>	<u><u>44,523,900</u></u>	<u><u>(3,037,750)</u></u>

**COMPARISON OF PROPOSED INTERIM RATES TO PRESENT RATES
RATE BASE
DESCRIPTION OF CHANGES**

Utility Rate Base increases by approximately \$8.8 million for MERC-PNG and decreased \$3.0 million for MERC-NMU for a net increase of \$5.8 million for MERC as a whole from the Company's 2008 test year used for the most recent Commission approved rate case, at Docket No. G007,011/GR-08-835, compared to the 2011 test year in MERC's proposed interim rate petition, in Docket No. G007,011/GR-10-977.

Major components of the change of rate base include:

Net utility plant increased by \$12.6 million for MERC-PNG and decreased \$1.7 million for MERC-NMU for a net increase of \$10.9 million for total MERC. These increases are primarily driven by increase in customer connections and cost of service installation.

Cash working capital has increased by \$4.1 million for MERC-PNG, \$1.3 million for MERC-NMU, and \$5.5 million for total MERC.

The cost of gas in storage has decreased by \$5.0 million for MERC-PNG, \$1.7 million for MERC-NMU, and \$6.8 million for total MERC primarily driven by the lower gas prices.

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Line No.	Description	Total MERC From Most Recent General Rate Case Filing	Total MERC Interim Rate Petition Present Rates	Change
1	Average Rate Base	189,265,995	194,901,055	5,635,060
2	Operating Income	15,084,608	11,410,763	(3,673,845)
3	Allowance for funds used during Construction	-	-	-
4	Total Available for Return	15,084,608	11,410,763	(3,673,845)
5	Overale Rate of Return (Line 4 / Line 1)	7.9701%	5.8546%	-2.1154%
6	Required Rate of Return	7.9800%	8.1470%	0.1670%
7	Required Operating Income (Line 1 x Line 6)	15,103,426	15,878,683	775,257
8	Income Deficiency (Line 7 - Line 4)	18,818	4,467,920	4,449,102
9	Gross Revenue Conversion Factor	1.704	1.704	-
10	Revenue Defieciency (Line 8 x Line 9)	32,067	7,613,336	7,581,269
11	Retail Related Revenues Under Present Rates	279,666,760	292,743,403	13,076,643
12	Percentage Increase Needed in Overall Revenue (Line 10 / Line 11)	0.01%	2.60%	2.59%

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Line No.	Description	MERC-PNG From Most Recent General Rate Case Filing	MERC-PNG Interim Rate Petition Present Rates	Change
1	Average Rate Base	141,704,345	150,377,155	8,672,810
2	Operating Income	11,289,189	8,896,592	(2,392,597)
3	Allowance for funds used during Construction	-	-	-
4	Total Available for Return	11,289,189	8,896,592	(2,392,597)
5	Overale Rate of Return (Line 4 / Line 1)	7.9667%	5.9162%	-2.0505%
6	Required Rate of Return	7.9800%	8.1470%	0.1670%
7	Required Operating Income (Line 1 x Line 6)	11,308,007	12,251,300	943,293
8	Income Deficiency (Line 7 - Line 4)	18,818	3,354,707	3,335,890
9	Gross Revenue Conversion Factor	1.704	1.704	-
10	Revenue Defieciency (Line 8 x Line 9)	32,065	5,716,422	5,684,356
11	Retail Related Revenues Under Present Rates	216,830,112	232,348,654	15,518,542
12	Percentage Increase Needed in Overall Revenue (Line 10 / Line 11)	0.01%	2.46%	2.45%

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<u>Line No.</u>	<u>Description</u>	<u>MERC-NMU From Most Recent General Rate Case Filing</u>	<u>MERC-NMU Interim Rate Petition Present Rates</u>	<u>Change</u>
1	Average Rate Base	47,561,650	44,523,900	(3,037,750)
2	Operating Income	3,795,419	2,514,171	(1,281,248)
3	Allowance for funds used during Construction	-	-	-
4	Total Available for Return	3,795,419	2,514,171	(1,281,248)
5	Overale Rate of Return (Line 4 / Line 1)	7.9800%	5.6468%	-2.3332%
6	Required Rate of Return	7.9800%	8.1470%	0.1670%
7	Required Operating Income (Line 1 x Line 6)	3,795,420	3,627,384	(168,036)
8	Income Deficiency (Line 7 - Line 4)	1	1,113,213	1,113,212
9	Gross Revenue Conversion Factor	1.704	1.704	-
10	Revenue Defieciency (Line 8 x Line 9)	1	1,896,914	1,896,913
11	Retail Related Revenues Under Present Rates	62,836,648	60,394,750	(2,441,898)
12	Percentage Increase Needed in Overall Revenue (Line 10 / Line 11)	0.00%	3.14%	0

**COMPARISON OF PROPOSED INTERIM RATES TO PRESENT RATES
REVENUE REQUIREMENT CALC
DESCRIPTION OF CHANGES**

Revenue Requirement increases by approximately \$5.7 million for MERC-PNG, \$1.9 million for MERC-NMU, and \$7.6 million for MERC as a whole from the Company's 2008 test year used for the most recent Commission approved rate case, at Docket No. G007,011/GR-08-835, compared to the 2011 test year in MERC's proposed interim rate petition, in Docket No. G007,011/GR-10-977.

The major components of the change in revenue requirement include:

Increase in rate base as before mentioned.

Decrease in operating income as before mentioned.

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<u>Line No.</u>	<u>Capitaization</u>	<u>Amount</u>	<u>Percent of Total Capitaization</u>	<u>Cost of Capital</u>	<u>Weighted Cost of Capital</u>
<u>I. Captial Structure from Most Recent General Rate Case</u>					
1	Long-Term Debt	(1)	43.42%	6.28%	2.73%
2	Short-Term Debt	(1)	7.81%	3.45%	0.27%
3	Total Debt	-	51.23%		3.00%
4	Preferred Stock	(1) 0	0.00%		0.00%
5	Net Common Equity	(1)	48.77%	10.21%	4.98%
6	Total Equity	-	48.77%		4.98%
7	Total Capitalization	-	100.00%		7.98%
<u>II. Captial Structure from Interim Rate Case Proposal</u>					
1	Long-Term Debt	87,000,000	44.68%	6.55%	2.93%
2	Short-Term Debt	9,956,355	5.11%	1.83%	0.09%
3	Total Debt	96,956,355	49.80%		3.02%
4	Preferred Stock	0	0.00%	0.00%	0.00%
5	Net Common Equity	97,751,452	50.20%	10.21%	5.13%
6	Total Equity	97,751,452	50.20%		5.13%
9	Total Capitalization	194,707,807	100.00%		8.15%

Note (1): Dollar values for these items were not listed in the Commission's September 29, 2009 Order in Docket No. G-007,011/GR-08-835. Therefore, dollar values are not available.

**COMPARISON OF PROPOSED INTERIM RATES TO PRESENT RATES
CAPITAL STRUCTURE AND RATE OF RETURN CALCULATIONS
DESCRIPTION OF CHANGES**

Rate of Return increases by approximately 0.17% from the Company's 2008 test year used for the most recent Commission approved rate case, at Docket No. G007,011/GR-08-835, compared to the 2011 test year in MERC's proposed interim rate petition, in Docket No. G007,011/GR-10-977.

The major components of the change in rate of return include:

Decrease in Short Term Debt Costs 3.45% (2008) compared to 1.83% (2011).

Increase in Long Term Debt Costs 6.28% (2008) compared to 6.55% (2011).

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<u>Line No.</u>	<u>Description</u>	<u>Total MERC 2009 Unadjusted</u>	<u>Total MERC Interim Rate Petition Present Rates</u>	<u>Change</u>
<u>Operating Revenues</u>				
1	Retail	274,563,141	285,758,750	11,195,609
2	Weather Impact Net Margin Adjustment	-	-	-
3	Interdepartmental & Transportation	6,645,662	6,984,653	338,991
4	Other Operating	(7,807,899)	6,403,428	14,211,327
6	Total Operating Revenues	<u>273,400,904</u>	<u>299,146,831</u>	<u>25,745,927</u>
<u>Expenses</u>				
Operating Expenses:				
7	Purchased Gas	194,059,187	215,065,515	21,006,328
8	Other Production	653,360	691,798	38,438
9	Transmission	21,384	22,375	991
10	Distribution	14,006,701	14,537,915	531,214
11	Customer Accounting	11,158,753	12,683,156	1,524,403
12	Customer Service & Information	745,652	781,795	36,143
13	Administrative & General	14,517,739	15,054,006	536,267
14	Amortizations	1,506,368	8,829,624	7,323,256
15	Total Operating Expenses	<u>236,669,144</u>	<u>267,666,185</u>	<u>30,997,041</u>
16	Depreciaton	9,403,202	10,200,512	797,310
Taxes:				
18	Property	3,925,616	4,617,000	691,384
19	Federal & State Income Tax	6,788,483	4,035,725	(2,752,758)
20	Payroll & Other	1,217,413	1,219,058	1,645
21	Total Taxes	<u>11,931,512</u>	<u>9,871,783</u>	<u>(2,059,729)</u>
22	Total Expenses	<u>258,003,858</u>	<u>287,738,480</u>	<u>29,734,622</u>
23	Tax Effect of Interest Allowed	23,725	2,412	(21,313)
24	Allowance for Funds Used During Construction	-	-	-
25	Total Operating Income	<u><u>15,420,771</u></u>	<u><u>11,410,763</u></u>	<u><u>(4,010,008)</u></u>

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<u>Line No.</u>	<u>Description</u>	<u>MERC-PNG 2009 Unadjusted</u>	<u>MERC-PNG Interim Rate Petition Present Rates</u>	<u>Change</u>
<u>Operating Revenues</u>				
1	Retail	212,876,361	226,612,254	13,735,893
2	Weather Impact Net Margin Adjustment	-	-	-
3	Interdepartmental & Transportation	5,411,920	5,736,399	324,479
4	Other Operating	(7,982,831)	5,155,762	13,138,593
6	Total Operating Revenues	<u>210,305,450</u>	<u>237,504,415</u>	<u>27,198,965</u>
<u>Expenses</u>				
Operating Expenses:				
7	Purchased Gas	151,237,116	171,654,432	20,417,316
8	Other Production	510,236	544,568	34,332
9	Transmission	16,700	17,613	913
10	Distribution	10,729,876	11,246,342	516,467
11	Customer Accounting	8,997,236	10,220,519	1,223,283
12	Customer Service & Information	601,215	629,997	28,782
13	Administrative & General	11,279,731	11,793,293	513,562
14	Amortizations	1,288,452	7,027,593	5,739,141
15	Total Operating Expenses	<u>184,660,561</u>	<u>213,134,358</u>	<u>28,473,797</u>
16	Depreciaton	7,096,073	7,812,174	716,101
Taxes:				
18	Property	2,970,631	3,530,869	560,238
19	Federal & State Income Tax	4,245,467	3,178,738	(1,066,730)
20	Payroll & Other	945,137	953,749	8,612
21	Total Taxes	<u>8,161,235</u>	<u>7,663,355</u>	<u>(497,880)</u>
22	Total Expenses	<u>199,917,868</u>	<u>228,609,887</u>	<u>28,692,018</u>
23	Tax Effect of Interest Allowed	17,021	2,064	(14,957)
24	Allowance for Funds Used During Construction	-	-	-
25	Total Operating Income	<u><u>10,404,602</u></u>	<u><u>8,896,592</u></u>	<u><u>(1,508,010)</u></u>

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<u>Line No.</u>	<u>Description</u>	<u>MERC-NMU 2009 Unadjusted</u>	<u>MERC-NMU Interim Rate Petition Present Rates</u>	<u>Change</u>
<u>Operating Revenues</u>				
1	Retail	61,686,780	59,146,496	(2,540,284)
2	Weather Impact Net Margin Adjustment	-	-	-
3	Interdepartmental & Transportation	1,233,742	1,248,254	14,512
4	Other Operating	174,932	1,247,666	1,072,734
6	Total Operating Revenues	63,095,454	61,642,415	(1,453,039)
<u>Expenses</u>				
Operating Expenses:				
7	Purchased Gas	42,822,071	43,411,083	589,012
8	Other Production	143,124	147,230	4,106
9	Transmission	4,684	4,762	78
10	Distribution	3,276,826	3,291,573	14,747
11	Customer Accounting	2,161,517	2,462,638	301,120
12	Customer Service & Information	144,437	151,798	7,361
13	Administrative & General	3,238,007	3,260,713	22,705
14	Amortizations	217,916	1,802,031	1,584,115
15	Total Operating Expenses	52,008,583	54,531,827	2,523,244
16	Depreciaton	2,307,130	2,388,338	81,209
Taxes:				
18	Property	954,985	1,086,131	131,146
19	Federal & State Income Tax	2,543,015	856,987	(1,686,028)
20	Payroll & Other	272,276	265,309	(6,967)
21	Total Taxes	3,770,277	2,208,427	(1,561,849)
22	Total Expenses	58,085,989	59,128,593	1,042,603
23	Tax Effect of Interest Allowed	6,704	348	(6,356)
24	Allowance for Funds Used During Construction	-	-	-
25	Total Operating Income	5,016,169	2,514,171	(2,501,998)

**COMPARISON OF PROPOSED INTERIM RATES TO 2009 ACTUAL
STATEMENT OF OPERATING INCOME
DESCRIPTION OF CHANGES**

Utility operating income decreased by approximately \$1.5 million for MERC-PNG, \$2.5 million for MERC-NMU, and \$4.0 million for MERC as a whole from the Company's 2009 historic year, compared to the 2011 test year in MERC's proposed interim rate petition, in Docket No. G007,011/GR-11-977.

Major components of the change in utility operating income include:

Operating Revenues increased by \$27.2 million for MERC-PNG, decreased \$1.5 million for MERC-NMU for a net increase of and \$25.7 million for total MERC. This is primarily explained by an increase in the cost of gas of \$20.4 million, \$0.6 million, and \$21.0 million, respectively. The remaining increase is attributable to weather normalization and growth.

Non-Fuel O&M expenses increase by \$2.3 million for MERC-PNG, \$0.4 million for MERC-NMU, and \$2.7 million for total MERC. These increases are primarily due to inflation, an increase in benefits expense, and increased charges from third party services provider of customer support.

Amortization expense increased by \$5.7 million for MERC-PNG, \$1.6 million for MERC-NMU, and \$7.3 million for total MERC. This increase is primarily due to the inclusion of the 2011 approved CIP budgets.

Depreciation expense increased by \$0.8 million for MERC-PNG, \$0.1 million for MERC-NMU, and \$0.8 for total MERC. This increase is related to plant growth due to new customer connections.

Property taxes increased by \$0.6 million for MERC-PNG, \$0.1 million for MERC-NMU, and \$0.7 for total MERC. This increase is related to an accrual booked in 2009 for an overestimation of 2008 property tax costs.

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Line No.	Description	Total MERC 2009 Unadjusted	Total MERC Interim Rate Petition Present Rates	Change
1	Plant in Service	310,163,834	337,130,690	26,966,856
2	Property Held for Future Use	-	-	-
3	Construction Work in Progress	1,004,493	-	(1,004,493)
4	Accumulated Depreciation and Plant Deferred Taxes	(142,854,459)	(164,671,177)	(21,816,718)
5	Customer Advances	(132,067)	(130,480)	
6	Net Utility Plant	<u>168,181,801</u>	<u>172,329,033</u>	<u>4,145,645</u>
7	Cash Working Capital	1,294,293	(453,770)	(1,748,063)
	Other Rate Base Items			
8	Materials and Supplies	(392,863)	(1,217,291)	(824,428)
9	Gas Storage	12,544,363	14,878,509	2,334,146
10	Non-Plant Assets & Liabilities	10,573,331	9,364,574	(1,208,757)
11	Total Other Rate Base Items	<u>22,724,831</u>	<u>23,025,792</u>	<u>300,961</u>
12	Total Average Rate Base	<u><u>192,200,925</u></u>	<u><u>194,901,055</u></u>	<u><u>2,698,543</u></u>

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Line No.	Description	MERC-PNG 2009 Unadjusted	MERC-PNG Interim Rate Petition Present Rates	Change
1	Plant in Service	233,512,681	257,028,429	23,515,748
2	Property Held for Future Use	-	-	-
3	Construction Work in Progress	935,892	-	(935,892)
4	Accumulated Depreciation and Plant Deferred Taxes	(108,326,949)	(124,189,055)	(15,862,106)
5	Customer Advances	(132,067)	(130,480)	
6	Net Utility Plant	<u>125,989,557</u>	<u>132,708,894</u>	<u>6,717,750</u>
7	Cash Working Capital	992,015	(351,192)	(1,343,207)
	Other Rate Base Items			
8	Materials and Supplies	(300,508)	(940,236)	(639,728)
9	Gas Storage	9,796,420	11,712,035	1,915,615
10	Non-Plant Assets & Liabilities	8,103,960	7,247,654	(856,306)
11	Total Other Rate Base Items	<u>17,599,872</u>	<u>18,019,454</u>	<u>419,581</u>
12	Total Average Rate Base	<u><u>144,581,444</u></u>	<u><u>150,377,155</u></u>	<u><u>5,794,124</u></u>

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Line No.	Description	MERC-NMU 2009 Unadjusted	MERC-NMU Interim Rate Petition Present Rates	Change
1	Plant in Service	76,651,153	80,102,261	3,451,108
2	Property Held for Future Use	-	-	-
3	Construction Work in Progress	68,601	-	(68,601)
4	Accumulated Depreciation and Plant Deferred Taxes	(34,527,510)	(40,482,122)	(5,954,612)
5	Customer Advances	-	-	-
6	Net Utility Plant	<u>42,192,244</u>	<u>39,620,139</u>	<u>(2,572,105)</u>
7	Cash Working Capital	302,278	(102,577)	(404,856)
	Other Rate Base Items			
8	Materials and Supplies	(92,355)	(277,055)	(184,700)
9	Gas Storage	2,747,943	3,166,474	418,531
10	Non-Plant Assets & Liabilities	<u>2,469,371</u>	<u>2,116,920</u>	<u>(352,451)</u>
11	Total Other Rate Base Items	<u>5,124,959</u>	<u>5,006,338</u>	<u>(118,620)</u>
12	Total Average Rate Base	<u><u>47,619,481</u></u>	<u><u>44,523,900</u></u>	<u><u>(3,095,581)</u></u>

**COMPARISON OF PROPOSED INTERIM RATES TO 2009 ACTUAL
RATE BASE
DESCRIPTION OF CHANGES**

Utility rate base increased by approximately \$5.8 million for MERC-PNG, decreased \$3.1 million for MERC-NMU, for a net increase of \$2.7 million for MERC as a whole from the Company's 2009 historic year, compared to the 2011 test year in MERC's proposed interim rate petition, in Docket No. G007,011/GR-10-977.

Major components of this increase include:

Net utility plant in service which increased by \$6.7 million for MERC-PNG, decreased \$2.6 million for MERC-NMU, for a net increase of \$4.1 million for total MERC. This increase is due to customer growth and life cycle planning.

Cost of gas storage increased by \$1.9 million for MERC-PNG, \$0.4 million for MERC-NMU, and \$2.3 million for total MERC, due to the increase in the cost of gas.

Cash working capital decreased \$1.3 million for MERC-PNG, \$0.4 million for MERC-NMU, and \$1.8 million for total MERC. This decrease is a result of a 2009 actual compared to the output of the 2011 Lead/Lag study.

Regulatory assets and liabilities decreased \$0.9 million for MERC-PNG, \$0.4 million for MERC-NMU, and \$1.2 for total MERC. This decrease is a result of the amortization of the deferral of Purchase Account effect on Benefits.

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Line No.	Description	Total MERC 2009 Unadjusted	Total MERC Interim Rate Petition Present Rates	Change
1	Average Rate Base	192,200,925	194,901,055	2,700,130
2	Operating Income	15,420,771	11,410,763	(4,010,008)
3	Allowance for funds used during Construction	-	-	-
4	Total Available for Return	15,420,771	11,410,763	(4,010,008)
5	Overale Rate of Return (Line 4 / Line 1)	8.0233%	5.8546%	-2.1686%
6	Required Rate of Return	8.1329%	8.1470%	0.0141%
7	Required Operating Income (Line 1 x Line 6)	15,631,509	15,878,683	247,174
8	Income Deficiency (Line 7 - Line 4)	210,738	4,467,920	4,257,182
9	Gross Revenue Conversion Factor	1.704	1.704	-
10	Revenue Defieciency (Line 8 x Line 9)	359,098	7,613,336	7,254,238
11	Retail Related Revenues Under Present Rates	281,208,803	292,743,403	11,534,600
12	Percentage Increase Needed in Overall Revenue (Line 10 / Line 11)	0.13%	2.60%	2.47%

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Line		MERC-PNG	MERC-PNG	
No.	Description	2009	Interim Rate	
		Unadjusted	Petition	Change
			Present Rates	
1	Average Rate Base	144,581,444	150,377,155	5,795,711
2	Operating Income	10,404,602	8,896,592	(1,508,010)
3	Allowance for funds used during Construction	-	-	-
4	Total Available for Return	10,404,602	8,896,592	(1,508,010)
5	Overale Rate of Return (Line 4 / Line 1)	7.1964%	5.9162%	-1.2802%
6	Required Rate of Return	8.1329%	8.1470%	0.0141%
7	Required Operating Income (Line 1 x Line 6)	11,758,664	12,251,300	492,635
8	Income Deficiency (Line 7 - Line 4)	1,354,062	3,354,707	2,000,645
9	Gross Revenue Conversion Factor	1.704	1.704	-
10	Revenue Defieciency (Line 8 x Line 9)	2,307,322	5,716,422	3,409,100
11	Retail Related Revenues Under Present Rates	218,288,281	232,348,654	14,060,373
12	Percentage Increase Needed in Overall Revenue (Line 10 / Line 11)	1.06%	2.46%	1.40%

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Line No.	Description	MERC-NMU 2009 Unadjusted	MERC-NMU Interim Rate Petition Present Rates	Change
1	Average Rate Base	47,619,481	44,523,900	(3,095,581)
2	Operating Income	5,016,169	2,514,171	(2,501,998)
3	Allowance for funds used during Construction	-	-	-
4	Total Available for Return	5,016,169	2,514,171	(2,501,998)
5	Overale Rate of Return (Line 4 / Line 1)	10.5339%	5.6468%	-4.8871%
6	Required Rate of Return	8.1329%	8.1470%	0.0141%
7	Required Operating Income (Line 1 x Line 6)	3,872,845	3,627,384	(245,461)
8	Income Deficiency (Line 7 - Line 4)	(1,143,324)	1,113,213	2,256,537
9	Gross Revenue Conversion Factor	1.704	1.704	-
10	Revenue Defieciency (Line 8 x Line 9)	(1,948,224)	1,896,914	3,845,139
11	Retail Related Revenues Under Present Rates	62,920,522	60,394,750	(2,525,772)
12	Percentage Increase Needed in Overall Revenue (Line 10 / Line 11)	-3.10%	3.14%	6.24%

**COMPARISON OF PROPOSED INTERIM RATES TO 2009 ACTUAL
REVENUE REQUIREMENT
DESCRIPTION OF CHANGES**

Revenue Requirement increased by approximately \$5.8 million for MERC-PNG, decreased \$3.1 million for MERC-NMU, for a net increase of \$2.7 million for MERC as a whole from the Company's 2009 historic year, compared to the 2011 test year in MERC's proposed interim rate petition, in Docket No. G007,011/GR-10-977.

The major components of the change in revenue requirement include:

Increase in rate base as before mentioned.

Decrease in operating income as before mentioned.

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<u>Line No.</u>	<u>Description</u>	<u>Total MERC From Most Recent General Rate Case Filing</u>	<u>Total MERC 2009 Unadjusted</u>	<u>Change</u>
<u>Operating Revenues</u>				
1	Retail	273,758,814	274,563,141	804,327
2	Weather Impact Net Margin Adjustment	-	-	-
3	Interdepartmental & Transportation	5,907,946	6,645,662	737,716
4	Other Operating	1,362,785	(7,807,899)	(9,170,684)
6	Total Operating Revenues	<u>281,029,545</u>	<u>273,400,904</u>	<u>(7,628,641)</u>
<u>Expenses</u>				
Operating Expenses:				
7	Purchased Gas	203,546,400	194,059,187	(9,487,213)
8	Other Production	724,960	653,360	(71,600)
9	Transmission	24,344	21,384	(2,960)
10	Distribution	13,528,812	14,006,701	477,889
11	Customer Accounting	10,388,814	11,158,753	769,939
12	Customer Service & Information	630,941	745,652	114,711
13	Administrative & General	11,717,690	14,517,739	2,800,049
14	Amortizations	3,870,336	1,506,368	(2,363,968)
15	Total Operating Expenses	<u>244,432,297</u>	<u>236,669,144</u>	<u>(7,763,153)</u>
16	Depreciaton	8,895,371	9,403,202	507,831
Taxes:				
18	Property	5,025,200	3,925,616	(1,099,584)
19	Federal & State Income Tax	6,524,101	6,788,483	264,382
20	Payroll & Other	954,187	1,217,413	263,226
21	Total Taxes	<u>12,503,488</u>	<u>11,931,512</u>	<u>(571,976)</u>
22	Total Expenses	<u>265,831,156</u>	<u>258,003,858</u>	<u>(7,827,298)</u>
23	Tax Effect of Interest Allowed	(113,781)	23,725	137,506
24	Allowance for Funds Used During Construction	-	-	-
25	Total Operating Income	<u><u>15,084,608</u></u>	<u><u>15,420,771</u></u>	<u><u>336,163</u></u>

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<u>Line No.</u>	<u>Description</u>	<u>MERC-PNG From Most Recent General Rate Case Filing</u>	<u>MERC-PNG 2009 Unadjusted</u>	<u>Change</u>
<u>Operating Revenues</u>				
1	Retail	212,103,231	212,876,361	773,130
2	Weather Impact Net Margin Adjustment	-	-	-
3	Interdepartmental & Transportation	4,726,881	5,411,920	685,039
4	Other Operating	1,107,387	(7,982,831)	(9,090,218)
6	Total Operating Revenues	<u>217,937,499</u>	<u>210,305,450</u>	<u>(7,632,049)</u>
<u>Expenses</u>				
Operating Expenses:				
7	Purchased Gas	158,612,885	151,237,116	(7,375,769)
8	Other Production	561,039	510,236	(50,803)
9	Transmission	18,839	16,700	(2,139)
10	Distribution	10,340,729	10,729,876	389,147
11	Customer Accounting	8,359,806	8,997,236	637,430
12	Customer Service & Information	507,713	601,215	93,502
13	Administrative & General	9,070,347	11,279,731	2,209,384
14	Amortizations	3,010,940	1,288,452	(1,722,488)
15	Total Operating Expenses	<u>190,482,298</u>	<u>184,660,561</u>	<u>(5,821,737)</u>
16	Depreciaton	6,659,665	7,096,073	436,408
Taxes:				
18	Property	3,801,630	2,970,631	(830,999)
19	Federal & State Income Tax	4,881,282	4,245,467	(635,815)
20	Payroll & Other	738,196	945,137	206,941
21	Total Taxes	<u>9,421,108</u>	<u>8,161,235</u>	<u>(1,259,873)</u>
22	Total Expenses	<u>206,563,071</u>	<u>199,917,868</u>	<u>(6,645,203)</u>
23	Tax Effect of Interest Allowed	(85,239)	17,021	102,260
24	Allowance for Funds Used During Construction	-	-	-
25	Total Operating Income	<u><u>11,289,189</u></u>	<u><u>10,404,602</u></u>	<u><u>(884,587)</u></u>

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<u>Line No.</u>	<u>Description</u>	<u>MERC-NMU From Most Recent General Rate Case Filing</u>	<u>MERC-NMU 2009 Unadjusted</u>	<u>Change</u>
<u>Operating Revenues</u>				
1	Retail	61,655,583	61,686,780	31,197
2	Weather Impact Net Margin Adjustment	-	-	-
3	Interdepartmental & Transportation	1,181,065	1,233,742	52,677
4	Other Operating	255,398	174,932	(80,466)
6	Total Operating Revenues	63,092,046	63,095,454	3,408
<u>Expenses</u>				
Operating Expenses:				
7	Purchased Gas	44,933,515	42,822,071	(2,111,444)
8	Other Production	163,921	143,124	(20,797)
9	Transmission	5,505	4,684	(821)
10	Distribution	3,188,083	3,276,826	88,743
11	Customer Accounting	2,029,008	2,161,517	132,509
12	Customer Service & Information	123,228	144,437	21,209
13	Administrative & General	2,647,343	3,238,007	590,664
14	Amortizations	859,396	217,916	(641,480)
15	Total Operating Expenses	53,949,999	52,008,583	(1,941,416)
16	Depreciaiton	2,235,706	2,307,130	71,424
Taxes:				
18	Property	1,223,570	954,985	(268,585)
19	Federal & State Income Tax	1,642,819	2,543,015	900,196
20	Payroll & Other	215,991	272,276	56,285
21	Total Taxes	3,082,380	3,770,277	687,897
22	Total Expenses	59,268,085	58,085,989	(1,182,096)
23	Tax Effect of Interest Allowed	(28,542)	6,704	35,246
24	Allowance for Funds Used During Construction	-	-	-
25	Total Operating Income	3,795,419	5,016,169	1,220,750

**COMPARISON OF MOST RECENT COMMISSION APPROVED
RATE CASE TO 2009 ACTUALS
STATEMENT OF OPERATING INCOME
DESCRIPTION OF CHANGES**

Utility operating income decreased by approximately \$0.9 million for MERC-PNG, increased by \$1.2 million for MERC-NMU, for a net increase of \$0.3 million for MERC as a whole from the Company's 2008 test year used for the most recent Commission approved rate case, at Docket No. G007,011/GR-08-835, compared to the 2009 historic year.

Major components of the decrease include:

A decrease in operating revenues of \$7.6 million for MERC-PNG, \$0.0 million for MERC-NMU, and \$7.6 million for total MERC. This decrease is offset by a decrease in the cost of gas of \$7.4 million for MERC-PNG, \$2.1 million for MERC-NMU, and \$9.5 million for total MERC.

Operating expenses increased \$1.5 million for MERC-PNG, \$0.2 million for MERC-NMU, and \$1.7 million for total MERC.

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Line No.	Description	Total MERC From Most Recent General Rate Case Filing	Total MERC 2009 Unadjusted	Change
1	Plant in Service	293,038,103	310,163,834	17,125,731
2	Property Held for Future Use	-	-	-
3	Construction Work in Progress	1,647,130	1,004,493	(642,637)
4	Accumulated Depreciation and Plant Deferred Taxes	(133,154,602)	(142,854,459)	(9,699,857)
5	Customer Advances	-	(132,067)	
6	Net Utility Plant	<u>161,530,631</u>	<u>168,181,801</u>	<u>6,783,237</u>
7	Cash Working Capital	(5,924,671)	1,294,293	7,218,964
	Other Rate Base Items			
8	Materials and Supplies	297,165	(392,863)	(690,028)
9	Gas Storage	21,633,061	12,544,363	(9,088,698)
10	Non-Plant Assets & Liabilities	11,729,809	10,573,331	(1,156,478)
11	Total Other Rate Base Items	<u>33,660,035</u>	<u>22,724,831</u>	<u>(10,935,204)</u>
12	Total Average Rate Base	<u><u>189,265,995</u></u>	<u><u>192,200,925</u></u>	<u><u>3,066,997</u></u>

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Line No.	Description	MERC-PNG From Most Recent General Rate Case Filing	MERC-PNG 2009 Unadjusted	Change
1	Plant in Service	219,620,511	233,512,681	13,892,170
2	Property Held for Future Use	-	-	-
3	Construction Work in Progress	1,235,729	935,892	(299,837)
4	Accumulated Depreciation and Plant Deferred Taxes	(100,615,698)	(108,326,949)	(7,711,251)
5	Customer Advances	-	(132,067)	
6	Net Utility Plant	<u>120,240,542</u>	<u>125,989,557</u>	<u>5,881,082</u>
7	Cash Working Capital	(4,494,492)	992,015	5,486,507
	Other Rate Base Items			
8	Materials and Supplies	227,370	(300,508)	(527,878)
9	Gas Storage	16,741,588	9,796,420	(6,945,168)
10	Non-Plant Assets & Liabilities	<u>8,989,337</u>	<u>8,103,960</u>	<u>(885,377)</u>
11	Total Other Rate Base Items	<u>25,958,295</u>	<u>17,599,872</u>	<u>(8,358,423)</u>
12	Total Average Rate Base	<u><u>141,704,345</u></u>	<u><u>144,581,444</u></u>	<u><u>3,009,166</u></u>

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<u>Line No.</u>	<u>Description</u>	<u>MERC-NMU From Most Recent General Rate Case Filing</u>	<u>MERC-NMU 2009 Unadjusted</u>	<u>Change</u>
1	Plant in Service	73,417,592	76,651,153	3,233,561
2	Property Held for Future Use	-	-	-
3	Construction Work in Progress	411,401	68,601	(342,800)
4	Accumulated Depreciation and Plant Deferred Taxes	(32,538,904)	(34,527,510)	(1,988,606)
5	Customer Advances	-	-	-
6	Net Utility Plant	<u>41,290,089</u>	<u>42,192,244</u>	<u>902,155</u>
7	Cash Working Capital	(1,430,179)	302,278	1,732,457
	Other Rate Base Items			
8	Materials and Supplies	69,795	(92,355)	(162,150)
9	Gas Storage	4,891,473	2,747,943	(2,143,530)
10	Non-Plant Assets & Liabilities	<u>2,740,472</u>	<u>2,469,371</u>	<u>(271,101)</u>
11	Total Other Rate Base Items	<u>7,701,740</u>	<u>5,124,959</u>	<u>(2,576,781)</u>
12	Total Average Rate Base	<u><u>47,561,650</u></u>	<u><u>47,619,481</u></u>	<u><u>57,831</u></u>

**COMPARISON OF MOST RECENT COMMISSION APPROVED
RATE CASE TO 2009 ACTUALS
RATE BASE
DESCRIPTION OF CHANGES**

Utility rate base increases by approximately \$3.0 million for MERC-PNG, \$0.1 million for MERC-NMU, and \$3.1 million for MERC as a whole from the Company's 2008 test year used for the most recent Commission approved rate case, at Docket No. G007,011/GR-08-835, compared to the 2009 historic year.

Major components of the change of rate base include:

Net utility plant increased by \$5.9 million for MERC-PNG, \$0.9 million for MERC-NMU, and \$6.8 million for total MERC. These increases are primarily driven by increase in customer connections and cost of service installation.

The cost of gas in storage has decreased by \$6.9 million for MERC-PNG, \$2.1 million for MERC-NMU, and \$9.1 million for total MERC.

Cash working capital increased by \$5.5 million for MERC-PNG, \$1.7 million for MERC-NMU, and \$7.2 million for total MERC.

Minnesota Energy Resources Corporation
Comparison of Most Recent General Rate Case to 2009 Actual (Unadjusted)
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<u>Line No.</u>	<u>Description</u>	<u>Total MERC From Most Recent General Rate Case Filing</u>	<u>Total MERC 2009 Unadjusted</u>	<u>Change</u>
1	Average Rate Base	189,265,995	192,200,925	2,934,930
2	Operating Income	15,084,608	15,420,771	336,163
3	Allowance for funds used during Construction	-	-	-
4	Total Available for Return	15,084,608	15,420,771	336,163
5	Overale Rate of Return (Line 4 / Line 1)	7.9701%	8.0233%	0.0532%
6	Required Rate of Return	7.9800%	8.1329%	0.1529%
7	Required Operating Income (Line 1 x Line 6)	15,103,426	15,631,509	528,083
8	Income Deficiency (Line 7 - Line 4)	18,818	210,738	191,920
9	Gross Revenue Conversion Factor	1.704	1.704	-
10	Revenue Defieciency (Line 8 x Line 9)	32,067	359,098	327,031
11	Retail Related Revenues Under Present Rates	273,758,814	281,208,803	7,449,989
12	Percentage Increase Needed in Overall Revenue (Line 10 / Line 11)	0.01%	0.13%	0

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Line No.	Description	MERC-PNG From Most Recent General Rate Case Filing	MERC-PNG 2009 Unadjusted	Change
1	Average Rate Base	141,704,345	144,581,444	2,877,099
2	Operating Income	11,289,189	10,404,602	(884,587)
3	Allowance for funds used during Construction	-	-	-
4	Total Available for Return	11,289,189	10,404,602	(884,587)
5	Overale Rate of Return (Line 4 / Line 1)	7.9667%	7.1964%	-0.7704%
6	Required Rate of Return	7.9800%	8.1329%	0.1529%
7	Required Operating Income (Line 1 x Line 6)	11,308,007	11,758,664	450,658
8	Income Deficiency (Line 7 - Line 4)	18,818	1,354,062	1,335,244
9	Gross Revenue Conversion Factor	1.704	1.704	-
10	Revenue Defeciency (Line 8 x Line 9)	32,065	2,307,322	2,275,256
11	Retail Related Revenues Under Present Rates	212,103,231	218,288,281	6,185,050
12	Percentage Increase Needed in Overall Revenue (Line 10 / Line 11)	0.02%	1.06%	0

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<u>Line No.</u>	<u>Description</u>	<u>MERC-NMU From Most Recent General Rate Case Filing</u>	<u>MERC-NMU 2009 Unadjusted</u>	<u>Change</u>
1	Average Rate Base	47,561,650	47,619,481	57,831
2	Operating Income	3,795,419	5,016,169	1,220,750
3	Allowance for funds used during Construction	-	-	-
4	Total Available for Return	3,795,419	5,016,169	1,220,750
5	Overale Rate of Return (Line 4 / Line 1)	7.9800%	10.5339%	2.5539%
6	Required Rate of Return	7.9800%	8.1329%	0.1529%
7	Required Operating Income (Line 1 x Line 6)	3,795,420	3,872,845	77,425
8	Income Deficiency (Line 7 - Line 4)	1	(1,143,324)	(1,143,325)
9	Gross Revenue Conversion Factor	1.704	1.704	-
10	Revenue Defieciency (Line 8 x Line 9)	1	(1,948,224)	(1,948,225)
11	Retail Related Revenues Under Present Rates	61,655,583	62,920,522	1,264,939
12	Percentage Increase Needed in Overall Revenue (Line 10 / Line 11)	0.00%	-3.10%	(0)

**COMPARISON OF MOST RECENT COMMISSION APPROVED
RATE CASE TO 2009 ACTUALS
REVENUE REQUIREMENTS
DESCRIPTION OF CHANGES**

Revenue Requirement increases by approximately \$2.9 million for MERC-PNG, \$0.1 million for MERC-NMU, and \$2.9 million for MERC as a whole from the Company's 2008 test year used for the most recent Commission approved rate case, at Docket No. G007,011/GR-08-835, compared to the 2009 historic year.

The major components of the change in revenue requirement include:

Increase in rate base as before mentioned.

Increase in operating income as before mentioned.

Increase in cost of capital.