

REASONS FOR THE INCREASE

Since the last natural gas rate case in 2000, MERC-NMU has invested over \$15.0 million to maintain and improve the safety and reliability of our system and to connect new customers. In addition, the controllable cost of operating our business has increased by an annual average of \$0.1 million.

HOW THE RATE CHANGE WILL AFFECT MONTHLY BILLS

The MPUC's June 29, 2009 Order increases rates for all customer classes. However, the rate increase will affect individual monthly bills differently depending on natural gas use and customer type. The customer charges and the distribution charges recover only the cost of providing distribution service to our customers. These rates do not include the wholesale cost of gas — which is passed on to you directly without adding a penny to the price. Your monthly bills will continue to vary due to changes in the wholesale cost of natural gas.

PLEASE SEE INSIDE FOR AN EXPLANATION OF HOW THE CHANGES WILL IMPACT YOUR NATURAL GAS BILL.

for more INFORMATION

If you would like more information, please visit us online at www.minnesotaenergyresources.com, visit your local Minnesota Energy Resources customer service office, or call 800-889-9508.

IMPORTANT INFORMATION

about your natural gas rates

NEW NATURAL GAS RATES BEGIN WITH THIS BILL

For Minnesota Energy Resources – NMU Customers

AN EXPLANATION OF CHANGES TO YOUR NATURAL GAS RATES

On July 31, 2008, Minnesota Energy Resources requested permission to increase its natural gas rates by approximately \$3.6 million, or about 4.58% overall.

On June 29, 2009, the Minnesota Public Utilities Commission (MPUC) approved new natural gas rates for Minnesota Energy Resources customers. Overall, rates will increase by approximately \$1.9 million, or 3.08%, beginning January 1, 2010.

Under the MPUC's June 29, 2009 Order, the fixed customer charge for residential customers will increase from \$5.50 to \$7.25 per month, and the distribution charge will increase from \$0.19411 to \$0.21759 per therm. These rates are effective on January 2010 bills. Although the net effect on customers will vary by rate classification, the average residential customer using 77 therms of natural gas per month will see a \$3.56 increase on their monthly bill.

(Please see inside for an explanation of how the changes will impact your natural gas bill.)

REFUND ON INTERIM RATES

State law allowed Minnesota Energy Resources to collect an interim (temporary) rate increase while the MPUC considered our rate request. The interim increase of \$3.05 million annually, or 3.85%, began on October 1, 2008. Since the final rate increase is less than the interim rate increase, Minnesota Energy Resources will refund the difference, with interest, on your March 2010 bill. According to the MPUC approved refund plan, customers will receive a refund of approximately 39.47% of the amount of interim increase paid. A typical residential customer's refund will be approximately \$24.



The chart below shows the effect of the rate change on monthly bills for MERC-NMU customers with average gas usage.

CHANGE IN AVERAGE MONTHLY BILLS

Customer Class	Average Monthly Usage (Therms)	Current Average Monthly Bill	New Average Monthly Bill
General Service			
General Service-Residential	77	\$74	\$77
General Service-Small Commercial & Industrial	84	\$83	\$87
General Service-Large Commercial & Industrial	418	\$384	\$392
Interruptible and Joint			
Small Volume Interruptible	5,742	\$3,878	\$3,955
Large Volume Interruptible-Town Plant	17,748	\$10,901	\$11,000
Transportation			
Small Volume Interruptible-Transportation	10,533	\$1,120	\$1,278
Large Volume Interruptible Town Plant-Transportation	79,706	\$2,572	\$3,000
Large Volume Interruptible Main Line-Transportation	70,125	\$1,142	\$1,033
Small Joint Transportation	6,263	\$1,526	\$1,784
Large Joint Transportation	44,567	\$1,725	\$1,823
Super Large Volume	373,544	\$3,475	\$3,382

CHANGES FOR MONTHLY FIXED CHARGE AND THE PER UNIT GAS DISTRIBUTION CHARGE

This chart shows the current and authorized fixed customer charge and distribution charge for each MERC-NMU customer class.

Customer Class	Current Fixed Customer Charge Per Therm	Current Distribution Charge Per Therm	New Fixed Customer Charge Per Therm	New Distribution Charge Per Therm
General Service				
General Service-Residential	\$5.50	0.19411	\$7.25	\$0.21759
General Service-Small Commercial & Industrial	\$9.00	0.19411	\$12.00	\$0.18564
General Service-Large Commercial & Industrial	\$14.00	0.19411	\$17.00	\$0.19660
Interruptible and Joint				
Small Volume Interruptible	\$75.00	0.08500	\$80.00	\$0.09560
Large Volume Interruptible-Town Plant	\$150.00	0.02850	\$160.00	\$0.02846
Large Volume Interruptible-NMU Mainline	\$150.00	0.01200	\$160.00	\$0.01024
Small Joint-NMU	\$75.00	0.08500	\$80.00	\$0.09560
Large Joint-NMU Town Plant	\$150.00	0.02850	\$160.00	\$0.02846
Small Volume-NMU Interruptible Town Plant	\$150.00	0.02850	\$160.00	\$0.00850
Transportation				
Small Volume Interruptible-NMU Transport	\$225.00	0.08500	\$250.00	\$0.09560
Large Volume Interruptible-NMU Town Plant Transport	\$300.00	0.02850	\$330.00	\$0.02846
Large Volume Interruptible-NMU Mainline Transport	\$300.00	0.01200	\$330.00	\$0.01024
Small Joint-NMU Transport	\$225.00	0.08500	\$250.00	\$0.09560
Large Joint-NMU Town Plant Transport	\$300.00	0.02850	\$330.00	\$0.02846
Super Large Volume-NMU Interruptible Town Plant Transport	\$300.00	0.00850	\$330.00	\$0.00850