

## REASONS FOR THE INCREASE

Since the last natural gas rate case in 2000, MERC-PNG has invested over \$64.1 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 \$1.0 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](http://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

Customers served by the Northern Natural Gas Pipeline

### AN EXPLANATION OF CHANGES TO YOUR NATURAL GAS RATES

On July 31, 2008, Minnesota Energy Resources (MERC-PNG) requested permission to increase its natural gas rates by approximately \$18.4 million, or about 6.92% 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 \$13.5 million, or 6.66%, beginning January 1, 2010.

Under the MPUC's June 29, 2009 Order, the fixed customer charge for residential customers will increase from \$6.50 to \$7.25 per month, and the distribution charge will increase from \$0.11771 to \$0.17746 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 75 therms of natural gas per month will see a \$5.23 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 \$16.8 million annually, or 6.30%, 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 17.81% of the amount of interim increase paid. A typical residential customer's refund will be approximately \$15.



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

## CHANGE IN AVERAGE MONTHLY BILLS

Customer Class	Average Monthly Usage (Therms)	Current Average Monthly Bill	New Average Monthly Bill
<b>General Service</b>			
General Service-1 Residential	75	\$67	\$72
General Service-1 Small Commercial & Industrial	72	\$68	\$74
General Service-1 Large Commercial & Industrial	636	\$531	\$566
<b>Interruptible and Joint</b>			
Small Volume Interruptible-1	3,102	\$2,149	\$2,233
Large Volume Interruptible-1 Town Plant	11,567	\$7,145	\$7,264
Large Volume Interruptible-1 Main Line	1,652	\$1,074	\$1,157
Small Joint-1	2,185	\$1,536	\$1,596
<b>Transportation</b>			
Small Volume Interruptible 1-Transportation	3,284	\$521	\$628
Small Joint-1-Transportation	8,728	\$1,282	\$1,581
Large Volume Interruptible-1 Town Plant-Transportation	86,393	\$2,546	\$3,390
Large Volume Interruptible-1 Main Line-Transportation	19,729	\$467	\$753
Large Joint-1 Town Plant-Transportation	89,765	\$2,944	\$3,871
Super Large Volume Joint-Transportation	3,228,133	\$22,976	\$23,652
Super Large Volume Interruptible-Transportation	1,106,972	\$4,728	\$4,979

## 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-PNG 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
<b>General Service</b>				
General Service-1 Residential	\$6.50	0.11771	\$7.25	\$0.17746
General Service-1 Small Commercial & Industrial	\$9.00	0.11771	\$12.00	\$0.15022
General Service-1 Large Commercial & Industrial	\$14.00	0.11771	\$17.00	\$0.14984
<b>Interruptible and Joint</b>				
Small Volume Interruptible-1	\$75.00	0.09000	\$80.00	\$0.11681
Large Volume Interruptible-1 Town Plant	\$150.00	0.02600	\$160.00	\$0.03248
Large Volume Interruptible-1 Main Line	\$100.00	0.01100	\$160.00	\$0.03248
Small Joint-1	\$75.00	0.09000	\$80.00	\$0.11681
Large Joint-1 Town Plant	\$150.00	0.02600	\$160.00	\$0.03248
Large Joint-1 Mainline	\$100.00	0.01100	\$160.00	\$0.03248
Super Large Volume Interruptible	\$150.00	0.00400	\$160.00	\$0.00420
Super Large Volume Joint	\$150.00	0.00400	\$160.00	\$0.00420
<b>Transportation</b>				
Small Volume Interruptible-1 Transport	\$225.00	0.09000	\$250.00	\$0.11681
Large Volume-1 Town Plant Transport	\$300.00	0.02600	\$330.00	\$0.03248
Large Volume Interruptible-1 Mainline Transport	\$250.00	0.01100	\$270.00	\$0.03248
Small Joint-1 Transport	\$225.00	0.09000	\$250.00	\$0.11681
Large Joint-1 Town Plant Transport	\$300.00	0.02600	\$330.00	\$0.03248
Large Joint-1 Mainline Transport	\$250.00	0.01100	\$270.00	\$0.03248
Super Large Volume Interruptible Transport	\$300.00	0.00400	\$330.00	\$0.00420
Super Large Volume Joint Transport	\$300.00	0.00400	\$330.00	\$0.00420