

FOR MORE INFORMATION

You may visit MERC-PNG's offices during normal business hours to examine the current and proposed rate schedules. Our offices are located in:

Bemidji: 301 2nd Street NW

Cloquet: 910 Cloquet Avenue

Fairmont: 304 North Park Street

Rochester: 3460 Technology Drive NW

Rosemount: 2665 145th Street West

Details of these proposed charges for customers in your proposed rate area are described in the February 2011 notice of interim gas rates for MERC-PNG Customers Served by The Northern Natural Gas Pipeline that was in your February bill and are also available here: http://www.minnesotaenergyresources.com/company/rate_case.aspx

Or, you may contact the Minnesota Department of Commerce (MDOC):

MDOC
85 7th Place East, Suite 500
St. Paul, MN 55101
Phone: 651-296-9314

Web: <https://www.edockets.state.mn.us/Efiling/search.jsp>. Select 10 in the year field, enter 977 in the number field, click on Search, and the list of documents will appear on the next page.

Customers may also register a comment or complaint with the Minnesota Public Utilities Commission:

MPUC
121 7th Place East, Suite 350
St. Paul, MN 55101-2147
Email: PublicComments.puc@state.mn.us
Phone: 651-296-0406 or 1-800-657-3782

Persons with hearing or speech disabilities may contact the MDOC or MPUC through Minnesota Relay at 1-800-627-3529 or by dialing 711.

IMPORTANT

Comments will be made available to the public on the MPUC's website, except in limited circumstances consistent with the Minnesota Government Data Practices Act. The MPUC does not edit or delete personal identifying information from submissions.

IMPORTANT INFORMATION
about your natural gas rates

RATE INCREASE NOTICE

For MERC-PNG Customers served by
the Northern Natural Gas Pipeline

NOTICE OF PUBLIC HEARINGS FOR MINNESOTA ENERGY RESOURCES

On November 30, 2010, Minnesota Energy Resources Corporation-PNG ("MERC-PNG") asked for permission to increase its natural gas rates by approximately \$13.7 million, or about 5.9% overall. Depending upon customer class and usage, the actual percentage of any increase will vary. The requested increase would add about \$5.46 to a typical residential customer's monthly bill in the MERC-PNG Northern Natural Gas Pipeline rate area.

The Minnesota Public Utilities Commission ("MPUC") will make its decision regarding the final rates in early 2012.

PUBLIC COMMENT

Administrative Law Judge Manuel J. Cervantes has scheduled public hearings so that customers may present their views regarding MERC-PNG's recently filed rate case. MERC-PNG customers and members of the public are invited to attend and to provide comments at the hearings. You are invited to comment on the adequacy and quality of MERC-PNG's service, the level of rates or other related matters. You do not need to be represented by an attorney in order to participate in these hearings.



PUBLIC HEARINGS SCHEDULE

Rochester

Thursday, June 23 at 2 p.m.

Olmsted County Govt Center – Room 104
151 4th Street SE

Rosemount

Thursday, June 23 at 7 p.m.

Dakota County Technical College – Room 2-104
1300 145th Street East

Cloquet

Monday, June 27 at 7 p.m.

Cloquet City Hall – Council Chambers
1307 Cloquet Avenue

WRITTEN COMMENTS

You may also send written comments to:

Administrative Law Judge Manuel J. Cervantes
Office of Administrative Hearings
P.O. Box 64620
St. Paul, MN 55164-0620
E-mail: Manuel.Cervantes@state.mn.us

Written comments are most effective when they include:

- 1) the issue in MERC-PNG's proposal you are addressing;
- 2) your specific recommendation; and
- 3) the reason for your recommendation.

Please reference Docket Numbers OAH 16-2500-21807-2 and MPUC G-007, 011/GR-10-977 in all correspondence. The deadline for written comments is July 7, 2011.

ACCOMMODATIONS

If you need any reasonable accommodation in order to enable you to fully participate in these public hearings (i.e., sign language or large print materials), please call the MPUC at 651-296-0406 (voice) or 1-800-657-3782 at least one week in advance of the meeting. Persons with hearing or speech disabilities may call through Minnesota Relay at 1-800-627-3529 or by dialing 711.

EVIDENTIARY HEARINGS

Formal evidentiary hearings on MERC-PNG's proposal are scheduled to start on July 19, 2011, in the PUC's Large Hearing Room, 121 Seventh Place East, Suite 350, St. Paul, MN. The purpose of the evidentiary hearings is to allow MERC-PNG, the Minnesota Department of Commerce-Office of Energy Security, the Minnesota Office of the Attorney General-Residential Utilities Division and others to present sworn testimony and to cross-examine witnesses on the structure and reasonableness of the proposed rate increase. Anyone who wishes to formally intervene in these proceedings should contact the Administrative Law Judge, Manuel J. Cervantes, at the Office of Administrative Hearings, P.O. Box 64620, St. Paul, MN 55164-0620.

EFFECT OF RATE CHANGES

Below are examples of the effect of the proposed increase on typical bills of MERC-PNG customers. Individual changes may be higher or lower depending upon actual natural gas usage. The rate changes described in this notice have been requested by MERC-PNG. **The MPUC may either grant or deny the requested changes, in whole or in part, and may grant a lesser or greater increase than that requested by MERC-PNG for any class or classes of service.**

PROPOSED CHANGE IN AVERAGE MONTHLY BILLS MERC-PNG Northern Natural Gas Company Service Area

Customer Class	Average Monthly Usage (Therms)	Present Monthly Bill*	Interim Monthly Bill	Proposed Monthly Bill
General Service – Residential Sales	75	\$76	\$78	\$82
General Service – Small Commercial & Industrial Sales	80	\$83	\$85	\$90
General Service – Large Commercial & Industrial Sales	669	\$614	\$625	\$643
Small Volume Interruptible and Joint Sales	3,282	\$2,327	\$2,371	\$2,369
Large Volume Interruptible and Joint Sales	9,947	\$6,267	\$6,312	\$6,248
Transportation	200,252	\$3,478	\$3,750	\$3,671

* The present rate levels identified in this application represent the rates authorized in Docket No. G-007,011/GR-08-835.

In addition to the proposed increases in the average monthly bill described in the table, MERC-PNG is proposing to increase the **monthly Customer Charge** and the **per therm Distribution Charge** for all of its customers.

MERC is also proposing a revenue decoupling mechanism for residential and small commercial customers to reduce MERC's disincentive to promote energy conservation. If approved, revenue decoupling would allow MERC to automatically adjust rates up or down each year to make up for any shortfall or excess in sales revenue.

MERC is also requesting approval to charge the same rates to its customers in the MERC-PNG Northern Natural Gas Company and MERC-NMU Northern Natural Gas Company service areas.