

**STATE OF MINNESOTA
BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION**

In the Matter of a Petition by
Minnesota Energy Resources Corporation
for Authority to
Increase Natural Gas Rates in Minnesota

Docket No. G011/GR-13-617

September 30, 2013

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Minnesota Energy Resources

(a subsidiary of Integrys Energy Group, Inc.)

2665 145th Street West

Box 455

Rosemount, MN 55068-0455

September 30, 2013

Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, MN 55101

Re: In the Matter of the Application of Minnesota Energy Resources Corporation for Authority to Increase Rates for Natural Gas Service in Minnesota;
Docket No. G011/GR-13-617

Dear Dr. Haar:

Enclosed for filing is the Application of Minnesota Energy Resources Corporation (“MERC”) for Authority to Increase Rates for Natural Gas Service in Minnesota (the “Application”). This Application is being filed with the Minnesota Public Utilities Commission (the “Commission”) pursuant to Minn. Stat. § 216B.16, subd. 1.

MERC seeks authority to increase rates to reflect the current cost of providing natural gas service to our customers, including an appropriate return on common equity. Pursuant to Section 216B.16, subd. 1, MERC requests a final increase in natural gas rates of \$14,187,597 or 5.52% effective January 1, 2014 without suspension. If the Commission elects to suspend the proposed rate increase under Minn. Stat. § 216B.16, subd. 2, the Company requests, pursuant to Minn. Stat. § 216B.16, subd.3, that an interim rate increase of \$12,401,502 or 4.82% be effective on January 1, 2014, with final rates becoming effective within 10 months of the date of the Application.

MERC's Application is presented in 4 volumes as described below:

Volume 1	<p style="text-align: center;">Table of Contents Cover Letter Filing Requirement Compliance Table Summary of Filing Notice of Change in Rates Proposed Notices to Counties and Municipalities Proposed Notices to Customers Notice of Petition for Interim Rates Agreement and Undertaking Certification Interim Rate Petition Schedules Interim Tariff Sheets – Redlined Interim Tariff Sheets – Clean</p>
Volume 2	<p style="text-align: center;">Testimony & Schedules Proposed Tariffs</p>
Volume 3	<p style="text-align: center;">Informational Requirements</p>
Volume 4	<p style="text-align: center;">Workpapers</p>

Pursuant to Minn. R. 7825.2700, subp. 2, MERC is also submitting a separate miscellaneous rate change filing seeking to restate the Base Cost of Gas for interim rates in Docket No. G011/MR-13-732.

A copy of the Application has been served on the Department of Commerce – Office of Energy Security and the Office of Attorney General – Residential Utilities Division, and a Summary of Filing has been served on all parties to the Company's most recent natural gas rate case or incentive plan proceeding, as well as to persons on the Company's general natural gas service list, as shown on the Affidavit of Service included with the Notice of Change of Rates.

Thank you for your attention to this matter. MERC looks forward to working with the Commission and the state agencies as they review the Application.

Sincerely yours,

A handwritten signature in black ink, appearing to read "B. A. Nick". The signature is written in a cursive style with a large, stylized initial "B".

Barbara A. Nick
President
Minnesota Energy Resources Corporation

Enclosures

cc: Service List

**MINNESOTA ENERGY RESOURCES CORPORATION
FILING REQUIREMENT COMPLIANCE TABLE**

DOCKET NO. G011/GR-13-617

<u>Citation/Source of Requirement</u>	<u>Information Required by Commission Rule and Statute</u>	<u>Section and Page of Application</u>
Minnesota Rules, Part		
	<u>General Information</u>	
7825.3500	The utility's proposal for a change in rates shall summarize the notice of change in rates and shall include the following information:	
(A)	Name, address, and telephone number of the utility without abbreviation and the name and address and telephone number of the attorney for the utility, if there be one;	Notice of Change in Rates, Volume 1
(B)	Date of filing and date modified rates are effective;	Notice of Change in Rates, Volume 1
(C)	Description and purpose of the change in rates requested;	Notice of Change in Rates, Volume 1
(D)	Effect of the change in rates expressed in gross revenue dollars and as a percentage of test year gross revenue; and	Notice of Change in Rates, Volume 1
(E)	Signature and title of utility officer authorizing the proposal.	Notice of Change in Rates, Volume 1
7829.2400	Filing requiring determination of gross revenue.	
Subpart 1	A utility filing a general rate case or other filing that requires determination of its gross revenue requirement shall include, on a separate page, a brief summary of the filing, sufficient to apprise potentially interested parties of its nature and general content.	Summary of Filing, Volume 1
Subpart 2	A utility filing a general rate change request shall serve copies of the filing on the department and Residential Utilities Division of the office of the Attorney General. The utility shall serve the filing or the summary described in subpart 1 on the persons on the applicable general service	Certificate of Service, Volume 1

<u>Citation/Source of Requirement</u>	<u>Information Required by Commission Rule and Statute</u>	<u>Section and Page of Application</u>
	list and persons who were parties to its last general rate case or incentive plan proceeding.	
Subpart 3	A utility seeking a general rate change shall give notice of the proposed change to the governing body of each municipality and county in its service area and to its ratepayers. The utility shall also publish notice of the proposed change in newspapers of general circulation in all county seats in its service area.	Proposed Notices, Volume 1 Notices will be distributed after they are approved by the Commission

<u>Citation/Source of Requirement</u>	<u>Information Required by Commission Rule and Statute</u>	<u>Section and Page of Application</u>
7825.3300	Insure payment of refunds under either of the following methods: file with the commission a bond, signed by an authorized official of the utility, in an amount and with sureties approved by the commission; or file an unqualified agreement, signed by an authorized official of the utility, to refund to the customers or credit to customers' accounts within 90 days from the effective date of the commission order any portion of the increase in rates determined to be unreasonable together with interest at the average prime interest rate computed from the effective date of the proposed rates through the date of refund or credit.	Agreement and Undertaking, Volume 1
7825.3600	Revised or new pages to the rate book previously filed with the commission and identifying those pages which were not changed. Each revised or new page of the rate book shall contain the information required for each page of the rate book and shall be in a format consistent with the currently filed rate book. In addition, each revised page shall contain the revision number and the page number of the revised page.	Tariff Pages, Volume 2
7825.3700	Expert opinions and supporting exhibits shall include written statements, in question and answer format, together with supporting exhibits of utility personnel and other expert witnesses as deemed appropriate by the utility in support of the proposal. At a minimum, expert opinions shall include a statement by the chief executive officer or other designated official in support of the proposal.	Testimony and Schedules of MERC President and Thirteen Other MERC Witnesses, Volume 2
7825.3900	A jurisdictional financial summary schedule as required by part 7825.3800 shall be filed showing:	
(A)	The proposed rate base, operating income, overall rate of return, and the calculation of income requirements, income deficiency, and revenue requirements for the test year;	Informational Requirement Document 1, Volume 3
(B)	The actual unadjusted average rate base consisting of the same components as the proposed rate base, unadjusted operating income, overall rate of return, and the calculation of income requirements, income deficiency, and revenue requirements for the most recent fiscal year; and	Informational Requirement Documents 1, 2, 3, 4, 5, 6 and 7, Volume 3

<u>Citation/Source of Requirement</u>	<u>Information Required by Commission Rule and Statute</u>	<u>Section and Page of Application</u>
(C)	The projected unadjusted average rate base consisting of the same components as the proposed rate base, unadjusted operating income under present rates, overall rate of return, and the calculation of income requirements, income deficiency, and revenue requirements for the projected fiscal year.	Informational Requirement Documents 1, 2, 3, 4, 5, 6 and 7, Volume 3
7825.4000	The following rate base schedules as required by part 7825.3800 shall be filed:	
(D)	A rate base summary schedule by major rate base component (e.g. plant in service, construction work in progress, and plant held for future use) showing the proposed rate base, the unadjusted average rate base for the most recent fiscal year and unadjusted average rate base for the projected fiscal year. The totals for this schedule shall agree with the rate base amounts included in the financial summary.	Informational Requirement Documents 2, 3 and 4, Volume 3
(E)	A comparison of total utility and Minnesota jurisdictional rate base amounts by detailed rate base component showing:	
(1)	total utility and the proposed jurisdictional rate base amounts for the test year including the adjustments, if any, used in determining the proposed rate base;	Informational Requirement Documents 2, 3 and 4, Volume 3
(2)	the unadjusted average total utility and jurisdictional rate base amounts for the most recent fiscal year and the projected fiscal year.	Informational Requirement Documents 2, 3 and 4, Volume 3
(F)	Adjustment schedules, if any, showing the title, purpose, and description and the summary calculations of each adjustment used in determining the proposed jurisdictional rate base.	Informational Requirement Documents 2, 3 and 4, Volume 3
(G)	A summary by rate base component of the assumptions made and the approaches used in determining average unadjusted rate base for the projected fiscal year. Such assumptions and approaches shall be identified and quantified into two categories: known changes from the most recent fiscal year and projected changes.	Informational Requirement Documents 3 and 4, Volume 3
(H)	For multijurisdictional utilities only, a summary by rate base component of the jurisdictional allocation factors used in allocating the total utility rate base amounts to the Minnesota jurisdiction. This summary shall be supported by a schedule showing for each allocation factor the total	Informational Requirement Documents 2, 4 and 9, Volume 3

<u>Citation/Source of Requirement</u>	<u>Information Required by Commission Rule and Statute</u>	<u>Section and Page of Application</u>
	utility and jurisdictional statistics used in determining the proposed rate base and the Minnesota jurisdictional rate base for the most recent fiscal year and the projected fiscal year.	
7825.4100	The following operating income schedules as required by part 7825.3800 shall be filed:	
(I)	A summary schedule of jurisdictional operating income statements which reflect proposed test year operating income, and unadjusted jurisdictional operating income for the most recent fiscal year and the projected fiscal year calculated using present rates.	Informational Requirement Documents 5, 6, 7 and 10, Volume 3
(J)	For multijurisdictional utilities only, a schedule showing the comparison of total utility and unadjusted jurisdictional operating income statement for the test year, for the most recent fiscal year and the projected fiscal year. In addition, the schedule shall provide the proposed adjustments, if any, to jurisdictional operating income for the test year together with the proposed operating income statement.	Informational Requirement Documents 5, 6 and 7, Volume 3
(K)	For investor-owned utilities only, a summary schedule showing the computation of total utility and allocated Minnesota jurisdictional federal and state income tax expense and deferred income taxes for the test year, the most recent fiscal year, and the projected fiscal year. This summary schedule shall be supported by a detailed schedule, showing the development of the combined federal and state income tax rates.	Informational Requirement Document 8, Volume 3
(L)	A summary schedule of adjustments, if any, to jurisdictional test year operating income and detailed schedules for each adjustment providing an adjustment title, purpose and description of the adjustment, and summary calculations.	Informational Requirement Documents 5, 6 and 7, Volume 3
(M)	A schedule summarizing the assumptions made and the approaches used in projecting each major element of operating income. Such assumptions and approaches shall be identified and quantified into two categories: known changes from the most recent fiscal year and projected changes.	Informational Requirement Documents 6 and 7, Volume 3
(N)	For multijurisdictional utilities only, a schedule providing, by operating income element, the factor or factors used in allocating total utility operating income to Minnesota jurisdiction. This schedule shall be	Informational Requirement Documents 5, 7 and 9, Volume 3

<u>Citation/Source of Requirement</u>	<u>Information Required by Commission Rule and Statute</u>	<u>Section and Page of Application</u>
	supported by a schedule that sets forth the statistics used in determining each jurisdictional allocation factor for the test year, the most recent fiscal year, and the projected fiscal year.	
7825.4200	The following rate of return cost of capital schedules as required by part 7825.3800 shall be filed:	
(O)	A rate of return cost of capital summary schedule showing the calculation of the weighted cost of capital using the proposed capital structure and the average capital structures for the most recent fiscal year and the projected fiscal year. This information shall be provided for the unconsolidated parent and subsidiary corporations, or for the consolidated parent corporation.	Lisa J. Gast Testimony & Exhibits, Volume 2
(P)	Supporting schedules showing the calculation of the embedded cost of long-term debt, if any, and the embedded cost of preferred stock, if any, at the end of the most recent fiscal year and the projected fiscal year.	Lisa J. Gast Testimony & Exhibits, Volume 2
(Q)	Schedule showing average short-term securities for the proposed test year, most recent fiscal year, and the projected fiscal year.	Lisa J. Gast Testimony & Exhibits, Volume 2
7825.4300	The following rate structure and design information as required by part 7825.3800 shall be filed:	
(R)	A summary comparison of test year operating revenue under present and proposed rates by customer class of service showing the difference in revenue and the percentage change.	Greg J. Walters Testimony & Exhibits, Volume 2
(S)	A detailed comparison of test year operating revenue under present and proposed rates by type of charge including minimum, demand, energy by block, gross receipts, automatic adjustments, and other charge categories within each rate schedule and within each customer class of service.	Greg J. Walters Testimony & Exhibits, Volume 2
(T)	A cost-of-service study by customer class of service, by geographic area, or other categorization as deemed appropriate for the change in rates requested, showing revenues, costs, and profitability for each class of service, geographic area, or other appropriate category, identifying the procedures and underlying rationale for cost and revenue allocations. Such study is appropriate whenever the utility proposes a change in rates which results in a material change in its rate structure.	Joylyn C. Hoffman Malueg Testimony, Volume 2 Volume 3, Informational Requirement Document 12

<u>Citation/Source of Requirement</u>	<u>Information Required by Commission Rule and Statute</u>	<u>Section and Page of Application</u>
7825.4400	The following supplemental information as required by part 7825.3800 shall be filed:	
(U)	Annual report to stockholders or members including financial statements and statistical supplements for the most recent fiscal year. If a utility is not audited by an independent public accountant, unaudited financial statements will satisfy this filing requirement.	Volume 3, Informational Requirement Document 11
(V)	For investor-owned utilities only, a schedule showing the development of the gross revenue conversion factor.	Volume 3, Informational Requirement Document 1
(W)	For cooperatives only, REA Form 7, Financial and Statistical Report for the last month of the most recent fiscal year.	Not applicable.
(X)	For cooperatives only. REA Form 7A, Annual Supplement to Financial and Statistical Report.	Not applicable.
(Y)	For REA cooperatives only, REA Form 325, Financial Forecast.	Not applicable.
7825.2700	New Base Cost of Gas	
Subpart 2	A new base cost of gas must be submitted as a miscellaneous rate change to coincide with the implementation of interim rates during a general rate proceeding. A new base gas cost must also be part of the rate design compliance filing submitted as a result of a general rate proceeding. The base gas cost must separately state the commodity base cost and the demand base cost components for each class. The base gas cost for each class is determined by dividing the estimated base period cost of purchased gas for each class by the estimated base period annual sales volume for each class.	MERC filed its base cost of gas as a miscellaneous filing on the same day as this general rate case, Docket No. G-011/MR-13-732. The base cost of gas included in that filing is also included in the interim and proposed tariff sheets in Volumes 1 & 2.
Minn. Stat. § 216B.16	Rate Change, Procedure, Hearing	
Subd. 1	If the filing utility does not have an approved energy conservation improvement plan on file with the department, it shall also include in its notice an energy conservation plan pursuant to section 216B.241.	MERC's CIP plan for 2013-2015 has been approved in Docket No. G007,011/CIP-12-548, so MERC is not subject to this filing requirement.
Subd. 17	(a) The commission may not allow as operating expenses a public utility's travel, entertainment, and related employee expenses that the commission deems unreasonable and unnecessary for the provision of	Seth S. DeMerritt Testimony & Exhibits, Volume 2

<u>Citation/Source of Requirement</u>	<u>Information Required by Commission Rule and Statute</u>	<u>Section and Page of Application</u>
	<p>utility service. In order to assist the commission in evaluating the travel, entertainment, and related employee expenses that may be allowed for ratemaking purposes, a public utility filing a general rate case petition shall include a schedule separately itemizing all travel, entertainment, and related employee expenses as specified by the commission, including but not limited to the following categories:</p> <p>(1) travel and lodging expenses;</p> <p>(2) food and beverage expenses;</p> <p>(3) recreational and entertainment expenses;</p> <p>(4) board of director-related expenses, including and separately itemizing all compensation and expense reimbursements;</p> <p>(5) expenses for the ten highest paid officers and employees, including and separately itemizing all compensation and expense reimbursements;</p> <p>(6) dues and expenses for memberships in organizations or clubs;</p> <p>(7) gift expenses;</p> <p>(8) expenses related to owned, leased, or chartered aircraft; and</p> <p>(9) lobbying expenses.</p> <p>(b) To comply with the requirements of paragraph (a), each applicable expense incurred in the most recently completed fiscal year must be itemized separately, and each itemization must include the date of the expense, the amount of the expense, the vendor name, and the business purpose of the expense. The separate</p>	<p>Volume 3, Informational Requirement Document 14</p>

<u>Citation/Source of Requirement</u>	<u>Information Required by Commission Rule and Statute</u>	<u>Section and Page of Application</u>
	<p>itemization required by this paragraph may be provided using standard accounting reports already utilized by the utility involved in the rate case, in a written format or an electronic format that is acceptable to the commission. For expenses identified in response to paragraph (a), clauses (1) and (2), the utility shall disclose the total amounts for each expense category and provide separate itemization for those expenses incurred by or on behalf of any employee at the level of vice president or higher and for board members. The petitioning utility shall also provide a one-page summary of the total amounts for each expense category included in the petitioning utility's proposed test year.</p> <p>(c) Except as otherwise provided in this paragraph, data submitted to the commission under paragraph (a) are public data. The commission or an administrative law judge assigned to the case may treat the salary of one or more of the ten highest paid officers and employees, other than the five highest paid, as private data on individuals as defined in section <u>13.02, subdivision 12</u>, or issue a protective order governing release of the salary, if the utility establishes that the competitive disadvantage to the utility that would result from release of the salary outweighs the public interest in access to the data. Access to the data by a government entity that is a party to the rate case must not be restricted.</p>	

<u>Citation/Source of Requirement</u>	<u>Information Required Under Commission Policy Statements</u>	<u>Section and Page of Application</u>
<u>Policy Statement</u>		
Advertising	<p>Statement that recovery is requested only for permitted advertisements.</p> <p>Complete samples of all advertising for which recovery is sought, including a schedule that:</p> <ol style="list-style-type: none"> 1. Identifies the sample ad. 2. Categorizes the advertisement by allowable and disallowable type. 3. Defines the percentage by which the content fits into the allowable and disallowable statutory categories. 4. Provides the corresponding test year dollar amount for each ad. 5. Describes the period of time during which each ad will be used, the service area in which it will appear, and the media employed. 	<p>Volume 3, Informational Requirement Document 13</p> <p>Seth S. DeMerritt Testimony & Exhibits, Volume 2</p>
Charitable Contributions	<p>Evidence as to whether the recipients of the contributions: serve the utility's Minnesota service area, are nondiscriminatory in selecting recipients; and do not promote political or special interest groups.</p> <p>Evidence as to what organizations are gifted, their activities, and that no part of the contribution goes to benefit any private stockholder or individual.</p> <p>Itemized schedule showing amount, recipient and time of donations.</p>	<p>Seth S. DeMerritt Testimony & Exhibits, Volume 2</p> <p>Volume 3, Informational Requirement Document 15</p>
Organizational Dues	<p>Schedule showing each organization being paid, the number of employees belonging to each organization and the dollar amount of dues being paid to each organization.</p> <p>Testimony explaining the primary purpose of each organization.</p>	<p>MERC is not requesting recovery of organizational dues in the proposed test year, so these informational requirements do not apply to this filing.</p> <p>Seth S. DeMerritt Testimony & Exhibits, Volume 2</p>
Research Expenses	Schedule that describes each research activity for which an expense is	Not applicable. There are no

<u>Citation/Source of Requirement</u>	<u>Information Required Under Commission Policy Statements</u>	<u>Section and Page of Application</u>
	<p>claimed that completely itemizes and supports all expenses for each activity.</p> <p>Testimony that: explains the nature of control of the research, including the setting of research goals and evaluation of services; identifies the persons or groups who will conduct the research; describes the persons who will benefit from the research and the time expected to be needed for benefits to begin to accrue to those persons; and reveals the parties who will acquire ownership of any processes, patents, rights, or other tangible products that result from the research.</p>	<p>research costs in the proposed 2011 test year.</p> <p>Seth S. DeMerritt Testimony & Exhibits, Volume 2</p>
Cash Working Capital	<p>Lead-lag study with: (1) lead time divided into service to meter reading; meter reading to billing; and billing to collection; and (2) lag expenses divided in categories such as fuel, purchased power, labor, etc.</p> <p>Separate components of working capital not included in the lead-lag study may include average or minimum cash balances required, depreciation, dividends and interest on debt.</p>	<p>Seth S. DeMerritt Testimony & Exhibits, Volume 2</p>
Interim Rates		
Item 1, page 2	Name, address and telephone number of utility without abbreviations and the name, address and telephone number for the attorney for the utility.	Volume 1, Interim Rate Petition
Item 2, page 2	Date of filing and date proposed interim rates are requested to become effective.	Volume 1, Interim Rate Petition
Item 3, page 2	Description and need for interim rates.	<p>Volume 1, Interim Rate Petition</p> <p>Seth S. DeMerritt Testimony & Exhibits, Volume 2</p> <p>Barbara A. Nick Testimony & Exhibits, Volume 2</p>
Item 4, page 2	Description and corresponding dollar amount of changes included in interim rates as compared with most current approved general rate case	Volume 1, Interim Rate Petition Schedules and Work papers

<u>Citation/Source of Requirement</u>	<u>Information Required Under Commission Policy Statements</u>	<u>Section and Page of Application</u>
	and with the most recent year for which audited data is available. The data for the most recent actual year should be for the same time period in months as the test year, if the test year is a projected test year.	Seth S. DeMerritt Testimony & Exhibits, Volume 2
Item 5, page 2	Effect of the interim rates expressed in gross revenue dollars and as a percentage of test year gross revenue.	Volume 1, Interim Rate Petition Schedules and Work Papers Seth S. DeMerritt Testimony & Exhibits, Volume 2
Item 6, page 2	Certification signed by the Chief Executive Officer of the utility, that affirms the proposed interim rate petition is in compliance with Minnesota Statutes.	Volume 1, Certification of Officer of MERC
	Methods and procedures for refunding.	Volume 1, Agreement and Undertaking
Item 7, page 2	Signature and title of the utility officer authorizing the proposed interim rates.	Volume 1, Interim Rate Petition
Items 1-4, page 3	Supporting schedules and work papers, including:	
(2)	A schedule showing the interim rate of return calculation.	Volume 1, Interim Rate Petition Supporting Schedules
(3)	A schedule showing the interim operating income statement.	Volume 1, Interim Rate Petition Supporting Schedules
(4)	A schedule showing the interim proposed rate base.	Volume 1, Interim Rate Petition Supporting Schedules
(5)	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.	Volume 1, Interim Rate Petition Supporting Schedules
	Modified tariffs.	Volume 1, Interim Tariffs
	Notices.	Volume 1, Proposed Notices Notices will be distributed after they are approved by the Commission

<u>Citation/Source of Requirement</u>	<u>Information Required Under Commission Orders Addressed Or Used To Determine Cost of Service in This Filing</u>	<u>Section and Page of Application</u>
Docket Number/Name of Order	Name of Proceeding	
G-011/M-91-989	PNG's Request to Establish a Tariff for Repairing and Replacing Farm Tap Lines	
Order Permitting Company to Continue Deferred Accounting (February 17, 1998)	Aquila shall file with the PUC, the Department, and the Office of Pipeline Safety within 90 days of the end of each five-year inspection period and in each general rate case a five-year report on the farm tap inspection program including the cumulative results of the inspection program and any recommendations for future improvements.	Dave G. Kult Testimony & Exhibits, Volume 2
G-007,011/M-05-1676	Sale of Aquila, Inc.'s Minnesota Assets to Minnesota Energy Resources Corporation	
Order Approving Sale Subject to Conditions (June 1, 2006)	Recovery of any sale-related acquisition premium and transaction costs is denied. Recovery of transition costs is not denied and may be sought in a future rate case.	MERC is not seeking recovery of any sale-related acquisition premium and transaction costs or transition costs in this proceeding. Seth S. DeMerritt Testimony & Exhibits, Volume 2
	MERC is put on notice that in its future general rate cases it must conform to the Commission's policies and procedures and filing requirements for allocation of costs for all WPSR's non-regulated activities as well as Service Guard and shall comply with accounting standards established by the Commission in its September 28, 1994 Order in Docket No. G,E-999/CI-90-1008.	Tracy L. Kupsh Testimony & Exhibits, Volume 2, discusses the allocation of costs by Integrys Business Support, LLC to its regulated affiliates. Greg J. Walters Testimony & Exhibits, Volume 2, discusses the allocation of costs between MERC utility operations and ServiceChoice.
G-007,011/AI-07-779	Formation of Integrys Business Support, LLC	
Order (March 5, 2008)	MERC shall demonstrate in the Company's future general rate cases that the General/Corporate Allocation method provides similar results compared to the Commission's preferred general allocation method, or that the Company's method better serves the public interest.	Tracy L. Kupsh Testimony & Exhibits, Volume 2 Greg J. Walters Testimony & Exhibits,

<u>Citation/Source of Requirement</u>	<u>Information Required Under Commission Orders Addressed Or Used To Determine Cost of Service in This Filing</u>	<u>Section and Page of Application</u>
		Volume 2
G-007,011/PA-13-201	Approval of Property Acquisition	
Order	Costs will be subject to review for prudence in MERC's next rate case, and any of the costs of the new building may be disallowed if they exceed MERC's estimates.	Costs associated with new building have not been included in this docket.
G-007,011/GR-10-977	2010 General Rate Case	
Order Accepting Audit Report and Requiring Annual Deferral	[Order Point 3] MERC shall establish a regulatory liability and annually defer the \$9,710 with carrying costs for refund to customers in MERC's next rate case.	Seth S. DeMerritt Testimony & Exhibits, Volume 2
Findings of Fact, Conclusions and Order (July 13, 2012).	[Order Point 7] The Commission adopts the recommendation of the Administrative Law Judge and approves the continuation of the farm tap inspection program, clarifying as follows. (C) Within 90 days of the end of each five-year inspection cycle and in each general rate case, the Company shall file with the Commission, the Department, and the Minnesota Office of Pipeline Safety a five-year report including cumulative results of the inspection program and any recommendations for future improvements.	Dave G. Kult Testimony & Exhibits, Volume 2
	[Order Point 8] The Company shall track rate case expense recoveries exceeding the authorized test-year expense, for possible crediting against the revenue requirement in the next rate case.	Seth S. DeMerritt Testimony & Exhibits, Volume 2
	[Order Point 14] In its next rate case, the Company shall fully support the reasonableness of having ratepayers pay 100% of its pension obligation.	Noreen E. Cleary Testimony & Exhibits, Volume 2
	[Order Point 15] Requires MERC, in future general rate cases, to prepare and submit its filings (i.e., testimony) so that these filings reflect the financial adjustments to the Company's positions in pre-filed direct testimony.	On-going throughout the rate case proceeding.
G-007,011-GR- 08-835	2008 General Rate Case	
Findings of Fact, Conclusions of Law, and Order (June 29, 2009)	In future Class Cost of Service Studies filed in general rate cases, the Company shall allocate income taxes on the basis of the taxable income attributable to each customer class, not on the basis of rate base.	Joylyn C. Hoffman Malueg Testimony & Exhibits, Volume 2

<u>Citation/Source of Requirement</u>	<u>Information Required Under Commission Orders Addressed Or Used To Determine Cost of Service in This Filing</u>	<u>Section and Page of Application</u>
		Volume 3, Informational Requirement Document 12
	In future Class Cost of Service Studies filed in general rate cases, the Company shall include an explanatory filing identifying and describing each allocation method used in the study and detailing the reasons for concluding that each allocation method is appropriate and superior to other allocation methods considered.	Joylyn C. Hoffman Malueg Testimony & Exhibits, Volume 2 Volume 3, Informational Requirement Document 12
Order After Reconsideration (September 14, 2009)	MERC shall:	
A.	File in its next general rate case the Commission's required demonstration regarding the appropriateness of the general allocators for the allocations between MERC and Integrys Business Support, and for the allocations between MERC's regulated utility business and MERC's nonregulated home services business.	Tracy L. Kupsh Testimony & Exhibits, Volume 2 Greg J. Walters Testimony & Exhibits, Volume 2
B.	(1) Work with the OES and other interested parties in advance of its next rate case filing and any other dockets (including demand entitlement filings) that require sales or revenue forecasting, to ensure that it has adequate sales and revenue data, its forecasting technique is based on industry standards, and it has sufficient evidence substantiating its data and forecasting technique; (2) prepare summary spreadsheets that link together its test year sales and revenue estimates, the CCOSS and its rate design schedules, and provide these in its initial filing; and (3) separate sales and revenue forecasts by individual rate classes, for each of its Purchased Gas Adjustment systems.	Harry W. John Testimony & Exhibits, Volume 2 Greg J. Walters Testimony & Exhibits, Volume 2 Seth S. DeMerritt Testimony and Exhibits, Volume 2
C.	If it uses a forecast for its test-year financials, disclose the forecast and support it through company witnesses and work papers.	Seth S. DeMerritt Testimony & Exhibits, Volume 2 Christine M. Hans Testimony &

<u>Citation/Source of Requirement</u>	<u>Information Required Under Commission Orders Addressed Or Used To Determine Cost of Service in This Filing</u>	<u>Section and Page of Application</u>
		<p>Exhibits, Volume 2</p> <p>Harry W. Johns Testimony & Exhibits, Volume 2</p> <p>Lisa J. Gast Testimony & Exhibits, Volume 2</p> <p>Tracy L. Kupsh Testimony & Exhibits, Volume 2</p> <p>John R. Wilde Testimony & Exhibits, Volume 2</p> <p>Michael E. Gerth Testimony & Exhibits, Volume 2</p>
D.	Include in its filing its most recent five-year farm tap inspection report, discuss the results of the report, and include any recommendations for improvement of the program.	Dave G. Kult Testimony & Exhibits, Volume 2
E.	File testimony on whether winter construction charges were assessed to customers outside the winter construction period.	Dave G. Kult Testimony & Exhibits, Volume 2
F.	Retain records pertaining to all abnormal construction charges, including frost charges out of the winter construction period, and provide a list summarizing each such charge in its next rate case filing.	Dave G. Kult Testimony & Exhibits, Volume 2
G.	Retain the documentation needed to substantiate in the next rate case filing the reasonableness of any charges for materials assessed in situations where tampering has occurred and any new materials are needed for reconnection of gas service.	Dave G. Kult Testimony & Exhibits, Volume 2
H.	Have available at the time of the next rate case documentation providing the information required by the Company's approved extensions tariff, including the feasibility model exhibit.	Dave G. Kult Testimony & Exhibits, Volume 2
I.	Work with OES and Commission Staff prior to the filing of the next rate	Seth S. DeMerritt

<u>Citation/Source of Requirement</u>	<u>Information Required Under Commission Orders Addressed Or Used To Determine Cost of Service in This Filing</u>	<u>Section and Page of Application</u>
	case to develop an acceptable format, supporting workpaper references, and organization of the information specified in the filing requirements.	Testimony & Exhibits, Volume 2
G-007,011/AI-12-910	Approval of Modification to Integrys Business Support Affiliated Interest Agreement	
Order Approving Changes to Affiliated Interest Agreement	[Order Point 2] In the initial filing of its next rate case, Minnesota Energy Resources Corporation shall include the following: <ul style="list-style-type: none"> • A schedule providing a year-by-year description and explanation of all changes to the new Composite Allocator since this allocator was established. • A schedule that shows how this allocator has changed for each Integrys jurisdiction that receives an allocation of cost since Integrys established this new Composite Allocator, and the amount of costs allocated to each jurisdiction by the allocator. 	Tracy L. Kupsh Testimony & Exhibits, Volume 2
G007,011/AI-10-783	Application for Approval of Non-IBS Affiliated Interest Agreement	
[No Order has Been Issued; MERC has acknowledged its burden to prove it has followed cost allocations, etc.]	Department Comments (June 3, 2013); When MERC next files a general rate case all of the Company's cost allocations will be subject to review by the Commission. In a rate case, MERC has the burden of proving that it has followed cost allocation rules so as to protect ratepayers. If MERC has not filed a non-IBS cost study when the Company files its next rate case, MERC risks having its proposed cost allocations found invalid and its cost-recovery requests disallowed.	MERC understands the burden of proof falls onto MERC's shoulders in terms of justifying if the cost allocations are valid.
G-007,011/CIP-12-548	2013-2015 Triennial Conservation Improvement Program	
Decisions (June 11, 2012 and April 30, 2013)	Test year CIP expenses used to calculate the CCRC are consistent with the expenses approved for 2013 in this docket.	Seth S. DeMerritt Testimony & Exhibits, Volume 2
G007,011/D-12-533	Request for Approval of Five Year Depreciation Study	
[Order Not Yet Issued]	[From Briefing Papers as adopted by Commission] Require MERC to separately document its accumulated depreciation reserve in its next rate case to recognize the higher level of depreciation.	Seth S. DeMerritt Testimony & Exhibits, Volume 2

<u>Citation/Source of Requirement</u>	<u>Information Required Under Commission Orders Addressed Or Used To Determine Cost of Service in This Filing</u>	<u>Section and Page of Application</u>
G,E999/CI-90- 563	Commission Inquiry into Competition Between Gas Utilities in MN	
Order Terminating Investigation and Closing Docket (March 31, 1995)	In future rate cases, the Department is to investigate the service extension-related additions to rate base to determine: that LDCs are applying tariffs correctly and consistently, that they are appropriately cost and load justified, and that wasteful additions to plant and facilities are not allowed into rate base.	Dave G. Kult Testimony & Exhibits, Volume 2
G,E999/CI-90- 1008	Investigation into the Competitive Impact of Appliance Sales and Service Practices of Minnesota Gas and Electric Utilities	
Order Setting Filing Requirements (September 28, 1994)	Demonstrate in future rate case filing that [MERC] follows the cost allocation principles recommended by the Commission; or its regulated activities are insignificant; or its cost allocation principles produce similar results as would allocations following the recommended cost allocation principles; or the public interest is better served by another method.	Tracy Kupsch Testimony & Exhibits, Volume 2 Greg J. Walters Testimony & Exhibits, Volume 2
U999/CI-92-96	Accounting and Ratemaking Effects of the Statement of Financial Accounting Standard No. 106	
Order Adopting Accounting Standard and Allowing Deferred Accounting (September 22, 1992)	Utilities filing future rate cases must file, in addition to information regarding the funding method they have chosen for OPEB obligations, detailed evidence and arguments supporting and justifying the choice of their funding methods over funding alternatives.	Seth S. DeMerritt Testimony & Exhibits, Volume 2 Christine M. Hans Testimony & Exhibits, Volume 2
E,G-999/CI-08- 132	Revenue Decoupling Criteria for Pilot Proposals	
Order (June 19, 2009)	7. Review: All utility pilot proposals shall be reviewed yearly. If the Commission determines that the pilot is harming ratepayers and/or failing to meet objectives, the Commission may suspend the pilot at any time or recommend modifications. As part of this annual review, all utilities shall provide information that shall be specified in an evaluation plan established as part of the pilot plan that shall include, but not be limited to the following information: A. total adjustments by class B. total adjustment charges collected C. number of customer complaints	This requirement is no longer applicable. The Commission approved MERC's request for full revenue decoupling pilot program in MERC's last rate case, Docket No. G-007,011/GR-10-977. Pursuant to Order Point 11 of the Order in Docket No. G-007,011/GR-10-977, MERC shall file annual

<u>Citation/Source of Requirement</u>	<u>Information Required Under Commission Orders Addressed Or Used To Determine Cost of Service in This Filing</u>	<u>Section and Page of Application</u>
	<p>D. has the pilot stabilized revenues for the class(es) under the pilot and how has such stabilization impacted the utility's overall risk profile</p> <p>E. comparison of how revenues under traditional regulation would have differed from those collected under the decoupling pilot</p> <p>F. is the utility meeting energy efficiency savings goals? has the decoupling pilot influenced the achievement or likelihood of achievement of those goals?</p> <p>G. problems encountered and improvements/suggestions for the future.</p>	<p>reports to the Commission that specify the Revenue Decoupling Mechanism (RDM) adjustment to be applied to each rate class for the billing period and demonstrate annual progress toward achieving the 1.5% energy efficiency goal set forth in Minn. Stat. § 216B.241.</p>
G-999/CI-09- 409	Gas Utility Service Quality Standards	
Order Setting Reporting Requirements (August 26, 2010)	MERC shall also provide in its first report, or in its next rate case, whichever is filed first, a status report on the implementation of telemetering for its Small Volume, Large Volume, and Super Large Volume customers, as well as the status of automated meter reading, if applicable, for its other customers.	Testimony of Greg J. Walters & Exhibits, Volume 2

**MINNESOTA ENERGY RESOURCES CORPORATION
FILING REQUIREMENTS NO LONGER APPLICABLE**

MERC includes in this table filing requirements that either were identified as not applicable in its last general rate case filing, or that were addressed in Docket No. G007,011/GR-10-977 and are not applicable to this rate case filing.

	Information Required Under Commission Orders Addressed Or Used To Determine Cost of Service in This Filing	Applicability of Requirement
Docket Number/Name of Order	Name of Proceeding	
G-007,011/GR- 00-951	2000 General Rate Case	
Stipulation and Agreement (March 31, 2003)	Aquila Networks will separately maintain the financial data needed for each system to conduct a separate CCOSS for each system in the next rate case. (Page 36)	This requirement is no longer applicable. [Explanation of why this requirement is no longer applicable] This requirement is not applicable to MERC, which acquired Aquila, Inc.'s Minnesota gas operations on July 1, 2006.
G-007,011/AI-06-1052	Affiliated Interest Agreement Between WPS Resources Corporation and Its Public Utility Subsidiaries	
Order (March 18, 2008)	Put MERC on notice that it should be prepared to demonstrate in the Company's next rate case that its Category 1 allocation method provides similar results compared to the Commission's preferred general allocation method, or that the Company's method better serves the public interest.	This requirement has been superseded by the requirement in Docket No. G-007,011/AI-07-779, Formation of Integrys Business Support, LLC. Integrys Business Support, LLC was formed as a centralized service company on January 1, 2008.
G-007,011/M- 08-271	Request to Consolidate PGAs	
Order (April 16, 2010)	In its next rate case or miscellaneous rate filing, if that rate case or miscellaneous rate filing includes the request to consolidate its PGAs, MERC	This requirement is no longer applicable. The Commission approved MERC's request to

	Information Required Under Commission Orders Addressed Or Used To Determine Cost of Service in This Filing	Applicability of Requirement
	shall include information that: a. fully describes the physical flow and extent of integration of the pipeline system; b. addresses whether there will be inter-pipeline or inter-regional subsidy as a result of consolidation; and c. addresses whether any changes in the conditions of service are sufficiently gradual to avoid drastic rate changes (rate shock) to customers.	consolidate its four gas-cost recovery and PGA systems into two new PGAs in MERC's last rate case, Docket No. G-007,011/GR-10-977.
	At least 60 days prior to filing its request to consolidate its PGAs either in a rate case or other filing, MERC shall meet with the OES, Commission staff, and any other interested parties to discuss the proposal and clarifying any concerns raised by other parties.	This requirement is no longer applicable. The Commission approved MERC's request to consolidate its four gas-cost recovery and PGA systems into two new PGAs in MERC's last rate case, Docket No. G-007,011/GR-10-977. A meeting was held August 18, 2010.
	In its next rate case or miscellaneous rate filing, if that rate case or miscellaneous rate filing includes the request to consolidate its PGAs. MERC shall include all the necessary Work Papers and documentation to support all the claims made as to why it is in the ratepayer's interest to consolidate the PGAs.	This requirement is no longer applicable. The Commission approved MERC's request to consolidate its four gas-cost recovery and PGA systems into two new PGAs in MERC's last rate case, Docket No. G-007,011/GR-10-977.
G-007,011/AI-08-1376	Approval of Modifications to Integrys Business Support Affiliated Interest Agreement	
Order (May 26, 2009)	Accept the changes to the Master AIA as proposed by MERC subject to the condition that the Company is required to provide evidence of the reasonableness of the cost allocation factors used in all subsequent rate cases.	This requirement has been superseded by the requirement in Docket No. G-007,011/AI-12-910, Approval of Modification to Integrys Business Support Affiliated Interest Agreement.
G-007,011/D-09-630	Request for Certification of Depreciation Rates	
Order (December 18, 2009)	Depreciation expense reflects the rates approved in this docket. [Superseded by 12-533]	This requirement has been superseded by the requirement in Docket No. G007,011/D-12-533, Approval of Five Year Depreciation Study

	Information Required Under Commission Orders Addressed Or Used To Determine Cost of Service in This Filing	Applicability of Requirement
G-007/CIP-09- 803 G-011/CIP-09- 800	2010-2012 Triennial Conservation Improvement Program	
Decisions (December 14, 2009 and January 29, 2010)	Test year CIP expenses used to calculate the CCRC are consistent with the expenses approved for 2011 in these dockets.	This requirement has been superseded by the requirement in Docket No. G-007,011/CIP-12-548, 2013-2015 Triennial docket.
E,G-999/CI-08- 132	Revenue Decoupling Criteria for Pilot Proposals	
Order (June 19, 2009)	<p>All utility decoupling pilot proposals under Minn. Stat. 216B.2412 shall provide the following information in the initial filing:</p> <ol style="list-style-type: none"> 1. Purpose: All utilities shall state how their proposed decoupling mechanism adheres to the guiding statute. Each utility shall explain the purpose of their mechanism in the context of the Next Generation Energy Act of 2007's energy savings goals and how their mechanism will further the state policy of increased conservation investment. 2. Form: All utilities shall state the form of decoupling proposed and the purpose behind such choice. This should provide a detailed definition of what types of sales changes are included in the mechanism, i.e. weather-related sales changes, declining use per customer, etc., and the reason for such inclusion. 3. Cost of Capital: All utilities shall detail how their proposed mechanism will/will not impact the company's cost of capital. 4. Classes Included: All utilities must identify the rate classes involved in the pilot, as well as provide rationale for the inclusion of participating classes and the exclusion, if any, of other classes. 5. Mechanics: All utilities must provide precise detail on how the decoupling mechanism will operate, with the understanding that any decoupling pilot program be transparent and easy to follow from a customer perspective. Details to be provided are as follows: <ol style="list-style-type: none"> A. how rate adjustments will be calculated; 	<p>This requirement is no longer applicable. The Commission approved MERC's request for full revenue decoupling pilot program in MERC's last rate case, Docket No. G-007,011/GR-10-977.</p> <p>Pursuant to Order Point 11 of the Order in Docket No. G-007,011/GR-10-977, MERC shall file annual reports to the Commission that specify the Revenue Decoupling Mechanism (RDM) adjustment to be applied to each rate class for the billing period and demonstrate annual progress toward achieving the 1.5% energy efficiency goal set forth in Minn. Stat. § 216B.241.</p>

	Information Required Under Commission Orders Addressed Or Used To Determine Cost of Service in This Filing	Applicability of Requirement
	<ul style="list-style-type: none"> B. when rate adjustments will be made; C. whether a rate cap or collar is provided to mitigate the risk of rate shock and justification for not so providing if a proposal lacks such safeguards; D. what portion of the customer’s bill will be impacted by the true-up (volumetric vs. customer charge); E. how will the rate adjustment be displayed on the customer’s bill; F. length of pilot (with the understanding that no pilot may extend longer than 36 months except through implementation in a rate case); G. how the decoupling mechanism will work in concert with any automatic recovery mechanism or financial incentive; this evaluation requires that all utilities provide a list of all automatic recovery mechanisms and incentives as well as justification for any such mechanism/incentive that the utility plans to continue throughout the course of the pilot including an explanation as to how the decoupling pilot mechanism, coupled with any other automatic adjustments and incentives, will not result in double recovery. <p>6. Service Quality: All utilities must provide detail, consistent with other service quality documentation, on how the utility plans to measure and maintain service quality under the pilot program. Phone answer time, gas emergency response time, missed appointments for service installations, time to reconnect service, and number of customers disconnected for non-payment should all be addressed in a pilot service quality evaluation.</p> <p>7. Review: All utility pilot proposals shall be reviewed yearly. If the Commission determines that the pilot is harming ratepayers and/or failing to meet objectives, the Commission may suspend the pilot at</p>	

	Information Required Under Commission Orders Addressed Or Used To Determine Cost of Service in This Filing	Applicability of Requirement
	<p>any time or recommend modifications. As part of this annual review, all utilities shall provide information that shall be specified in an evaluation plan established as part of the pilot plan that shall include, but not be limited to the following information:</p> <ul style="list-style-type: none"> A. total adjustments by class B. total adjustment charges collected C. number of customer complaints D. has the pilot stabilized revenues for the class(es) under the pilot and how has such stabilization impacted the utility's overall risk profile E. comparison of how revenues under traditional regulation would have differed from those collected under the decoupling pilot F. is the utility meeting energy efficiency savings goals? has the decoupling pilot influenced the achievement or likelihood of achievement of those goals? G. problems encountered and improvements/suggestions for the future. <p>8. Pilot Implementation:</p> <ul style="list-style-type: none"> A. Pilot proposals should be filed and implemented within a rate case; or B. Pilot proposals may be filed outside of a rate case if the following conditions are met: <ul style="list-style-type: none"> 1) updated sales forecasts are provided with the pilot proposal; 2) detailed evaluation of how any decrease in risk as a result of the pilot proposal will impact the cost of capital; and 3) proposals are filed within one year of the final Commission order in a rate case. C. Class Exclusion. The Commission requires that all decoupling pilot programs be implemented in more than one customer 	

	Information Required Under Commission Orders Addressed Or Used To Determine Cost of Service in This Filing	Applicability of Requirement
	class D. Deadline for filing Pilot Programs 1) All utilities shall file a non-binding notice of intent as to their plans for filing a decoupling pilot by June 1, 2010. 2) All pilot proposals shall be filed by December 30, 2011.	
G-011/M-07- 1403, G-011/M- 07-1404	MERC Request for Approval of a Change in Demand Entitlement for its Viking Gas Transmission System; MERC Request for Approval of a Change in Demand Entitlement for its Great Lakes Gas Transmission System	
OES Comments dated June 12, 2008	Recommends that the Commission require that MERC-PNG file testimony in its next rate case related to its joint-rate service tariffs and whether firm customers subsidize joint-rate customers	This requirement is not applicable. In its Reply Comments dated July 8, 2008, MERC agreed to provide this testimony in its next rate case, and MERC did so in the Direct Testimony of Greg J. Walters in Docket No. G-007,011/GR-08 835.

STATE OF MINNESOTA
BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger	Chair
David Boyd	Commissioner
Nancy Lange	Commissioner
J. Dennis O'Brien	Commissioner
Betsy Wergin	Commissioner

In the Matter of the Application of)	Docket No. G011/GR-13-617
Minnesota Energy Resources Corporation)	
for Authority to Increase Rates for Natural)	
Gas Service in Minnesota)	

SUMMARY OF FILING

On September 30, 2013, Minnesota Energy Resources Corporation (“MERC”), filed with the Minnesota Public Utilities Commission (the “Commission”) an application to increase retail gas rates in the State of Minnesota (the “Application”). Pursuant to Minn. Stat. § 216B.16, subd. 1, MERC requests a rate increase of \$14,187,597 or 5.52% January 1, 2014, without suspension. MERC has determined that it will incur an interim revenue deficiency of \$12,401,502 or 4.82%. If the Commission elects to suspend the proposed rate increase under Minn. Stat. § 216B.16, subd. 2, the Company requests, pursuant to Minn. Stat. § 216B.16, subd. 3, that an interim rate increase of \$12,095,382 or 4.70% be effective on January 1, 2014, with final rates becoming effective within 10 months of the date of the Application.

On average, the proposed rate change would increase the bill for a typical residential gas customer by \$4.71 per month or \$56.57 annually.

If the requested rates are suspended, the interim rates would increase the bill for a typical residential gas customer by \$3.35 per month or \$40.21 annually.

The proposed rate schedules and a comparison of present and proposed rates are available at www.minnesotaenergyresources.com and can also be examined during normal business hours at MERC's offices located in Bemidji, Cloquet, Fairmont, Rochester, and Rosemount, or at the Minnesota Department of Commerce, 85 7th Place East, Suite 500, St. Paul, MN 55101.

Additionally, this filing is available through the eDockets system maintained by the Minnesota Department of Commerce and the Minnesota Public Utilities Commission. You can access this document by going to eDockets through the websites of the Department of Commerce or the Public Utilities Commission or going to the eDockets homepage at <https://www.edockets.state.mn.us/Efiling/search.jsp>, under Docket Number G011/GR-13-617.

STATE OF MINNESOTA
BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger	Chair
David Boyd	Commissioner
Nancy Lange	Commissioner
J. Dennis O'Brien	Commissioner
Betsy Wergin	Commissioner

In the Matter of the Application of)	Docket No. G011/GR-13-617
Minnesota Energy Resources Corporation)	
for Authority to Increase Rates for Natural)	NOTICE OF CHANGE IN RATES
Gas Service in Minnesota)	

A. Introduction.

Minnesota Energy Resources Corporation (“MERC”), seeks authority from the Minnesota Public Utilities Commission (the “Commission”) to increase the rates for natural gas service provided to retail customers in Minnesota. Pursuant to Minn. Stat. § 216B.16, subd. 1, MERC requests a rate increase of \$14,187,597 or 5.52% effective January 1, 2014 without suspension. MERC has determined that it will incur an interim revenue deficiency of \$12,401,502 or 4.82%. If the Commission elects to suspend the proposed rate increase under Minn. Stat. § 216B.16, subd. 2, MERC requests, pursuant to Minn. Stat. § 216B.16, subd. 3, that an interim rate increase of \$12,095,382 or 4.70% be effective on January 1, 2014, with final rates becoming effective within 10 months of the date of the Application.

This Application includes the following information in accordance with Minnesota Statutes and the Commission’s rules:

**B. Notice and Proposal Regarding General Rate Change
(Minn. R. 7825.3200A(1) and 7825.3500)**

1. Name, address and telephone number of utility.

Minnesota Energy Resources Corporation
2665 145th Street West
Box 455
Rosemount, MN 55068-0455
(651) 322-8901

2. Name, address and telephone number of attorneys for the utility.

Michael J. Ahern
Kristin M. Stastny
Dorsey & Whitney LLP
50 South Sixth Street, Suite 1500
Minneapolis, MN 55402-1498
(612) 340-2600

3. Date of filing and date modified rates are to be effective.

The date of this filing is September 30, 2013. Pursuant to Minn. Stat. § 216B.16, subd. 1, MERC proposes and requests that the requested natural gas rates become effective January 1, 2014, 92 days after filing, without suspension.¹ A schedule of rates and tariffs, reflecting the revenue increase requested and the proposed rate design described in the attached documents is included with the Application.

If the Commission suspends the proposed natural gas rates pursuant to Minn. Stat. § 216B.16, subd. 2, then, pursuant to Minn. Stat. § 216B.16, subd. 3, MERC requests that the Commission approve the interim natural gas rates proposed in the Petition for Interim Rates, which is filed as part of this Application, effective January 1, 2014, with final rates effective within 10 months of the date of this Application.

¹ Although Minn. Stat. § 216B.16, subd. 3 requires the Commission to approve interim rates no later than 60 days after the initial filing date, MERC waives its right, under the statute to have interim rates in effect not later than 60 days after the initial filing. MERC's customers would not be harmed by granting MERC's request. *See In the Matter of the Application of Minnesota Energy Resources Corporation for Authority to Increase Rates for Natural Gas Service in Minnesota*, ORDER SETTING INTERIM RATES, Docket No. G007,011/GR-08-835 (Sept. 25, 2008).

4. Description and purpose of the change in rates requested.

The Application for a change in rates applies to all of MERC's retail natural gas customers in the State of Minnesota, and the proposed rates are designed to produce additional revenues sufficient to meet MERC's cost of service for the test year ending December 31, 2014. This filing complies with the provisions of Minn. Stat. § 216B.16 and the Commission's rules governing rate changes.

5. Effect of the change in rates.

The effect on the proposed natural gas rate increase will be an increase in gross revenues for the test year of \$14,187,597, or an approximate increase of 5.52% above the test year gross revenues. The typical residential gas customer served by MERC uses 859 therms per year. On average, the proposed rate change would increase the bill for a typical residential gas customer by \$4.71 per month or \$56.57 annually.

If the requested rates are suspended, the interim rates would increase the bill for a typical residential gas customer as outlined below. On average, the proposed rate change would increase the bill for a typical residential gas customer by \$3.35 per month or \$40.21.

6. Signature and title of utility officer authorizing the proposal.

The Application is signed on behalf of MERC by Barbara A. Nick, President of Minnesota Energy Resources Corporation.

C. Modified rates.

(Minn. R. 7825.3200A(2) and 7825.3600)

Included in this Application are rate schedules containing the proposed changed rates and tariffs. These schedules and tariffs are supported by the pre-filed Direct Testimony of Gregory J. Walters, and are included in Volume 2 of this Application.

D. Expert opinions and supporting documents.

(Minn. R. 7825.3200A(3) and 7825.3700)

Included in this Application are statements of fact, expert opinions, substantiating documents and exhibits supporting the change in retail natural gas rates. Pursuant to Minn. R. 7825.3700, Barbara A. Nick provides Direct Testimony as MERC's designated official in support of the Application. A list of MERC's other witnesses is provided in Ms. Nick's Direct Testimony.

E. Information requirements.
(Minn. R. 7825.3200A(4) and 7825.3800 – 7825.4400)

Included in this Application in Volume 2 are the Direct Testimony of MERC's witnesses and proposed tariffs, which along with Volumes 3 and 4, represents MERC's supporting documentation and contains the information in support of a general rate increase required by Minn. R. 7825.3800 through Minn. R. 7825.4400.

Data is provided for the 2012 historical year, the 2013 projected year, and the proposed test year ending December 31, 2014.

F. Methods and procedures for refunding.
(Minn. R. 7825.3200A(5) and 7825.3300)

Included with this Application is an "Agreement and Undertaking" signed and verified by Barbara A. Nick, President of Minnesota Energy Resources Corporation.

G. Notice to municipalities and counties.
(Minn. Stat. § 216B.16, subd. 1)

Pursuant to Minn. Stat. § 216B.16, subd. 1, MERC proposes to mail the Proposed Notice to Counties and Municipalities included with the Application to all municipalities and counties in MERC's natural gas service territory. This notice includes a discussion of the proposed interim rates, as well as information regarding the general natural gas rate case filing. The representation of present, interim and proposed rates on this notice reflects the approach described in our response to Part B.5 above. MERC requests Commission approval of the notice so it may be mailed in a timely fashion.

H. Customer notice.
(Minn. R. 7829.2400, subp. 3)

MERC will notify customers through a bill insert of its Application to increase retail natural gas rates and explain the proposed general rate increase. If MERC's requested retail natural gas rate increase is suspended, MERC also will explain the impact of its interim rates on customer bills in the same bill insert.

Included in this Application is an example of MERC's proposed notice of its rate increase. MERC requests approval of the customer notice so it can be included prior to or with the first bills issued with interim rates.

I. Filing requiring determination of gross revenue requirement.
(Minn. R. 7829.2400)

Pursuant to Minn. R. 7829.2400, MERC is submitting the following information in addition to that required by Minn. R. 7825.3100 – 7825.4600.

1. Summary.

A summary of the Application is attached to this Notice.

2. Service; proof of service.

MERC has served copies of this Application on the Department of Commerce – Division of Energy Resources and the Office of the Attorney General – Antitrust & Utilities Division. MERC will serve a copy of the Summary of Filing on the other parties on the general service list for MERC natural gas filings and on the service list in the MERC's last natural gas rate case proceeding (Docket No. G007,011/GR-10-977) and MERC's most recent financial incentive proceedings (Docket Nos. G011/M-12-369 and G007/M-13-370). The combined service list for these proceedings and a certificate of service are attached.

3. Notice to public and governing bodies.

See Sections G. and H., above. In addition, MERC will publish a notice of the proposed change in newspapers of general circulation in all county seats in MERC's Minnesota natural gas service territory.

4. Notice of hearing.

MERC will notify ratepayers of hearings held in connection with this Application as directed by the Commission. MERC will also publish notice of the hearings in newspapers of general circulation in all county seats in MERC's natural gas service area, as directed by the Commission.

J. Service list.

Pursuant to Minn. R. 7829.0700, MERC requests the following persons representing MERC be placed on the Commission's official service list for this proceeding:

Michael J. Ahern
Kristin M. Stastny
Dorsey & Whitney LLP
50 South Sixth Street, Suite 1500
Minneapolis, MN 55402-1498
(612) 340-2600

Barbara A. Nick
Minnesota Energy Resources Corporation
2665 145th Street West
P.O. Box 455
Rosemount, MN 55068-0455

Greg J. Walters
Minnesota Energy Resources Corporation
3460 Technology Drive NW
Rochester, MN 55901

Seth S. DeMerritt
Integrays Business Support, LLC
700 North Adams
P.O. Box 19001
Green Bay, WI 54307-9001

K. Conclusion.

MERC respectfully requests consideration and acceptance of its Application.

Dated: September 30, 2013

Respectfully submitted,



Barbara A. Nick
President
Minnesota Energy Resources Corporation

2665 145th Street West
P.O. Box 455
Rosemount, MN 55068-0455

Subscribed and sworn to before me
this 30th day of September, 2013.



Notary Public, State of Wisconsin



AFFIDAVIT OF SERVICE

STATE OF MINNESOTA)
) ss.
COUNTY OF HENNEPIN)

Kristin M. Stastny, being first duly sworn on oath, deposes and states that on the 30th day of September, 2013, she electronically filed Minnesota Energy Resources Corporation's Application for Authority to Increase Rates for Natural Gas Service in Minnesota with the Minnesota Public Utilities Commission and the Minnesota Department of Commerce. A copy of the filing was provided via personal service to the Antitrust & Utilities Division of the Office of the Attorney General. A summary of the filing was provided via electronic service or United States first class mail to the remaining individuals on the attached service list.

/s/ Kristin M. Stastny

Subscribed and sworn to before me
this 30th day of September, 2013

/s/ Alice Jaworski
Notary Public, State of Minnesota

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
ASD	Advocacy	N/A	AARP	Suite 1200 30 E. Seventh St. Paul, MN 55101	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties
George	Agriesti		Minnesota Power	30 W Superior St Duluth, MN 55802	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties
Michael	Ahern	ahern.michael@dorsey.com	Dorsey & Whitney, LLP	50 S 6th St Ste 1500 Minneapolis, MN 554021498	Electronic Service	Yes	SPL_SL_13-617_Potentially Interested Parties
Julie Rae	Ambach	jambach@shakopeeutilities.com	Shakopee Public Utilities	255 Sarazin St Shakopee, MN 55379	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	Yes	SPL_SL_13-617_Potentially Interested Parties
Christopher	Anderson	canderson@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022191	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Christopher	Anderson	canderson@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022191	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Michael	Auger	mauger@usenergyservices.com	U S Energy Services, Inc.	Suite 1200 605 Highway 169 N Minneapolis, MN 554416531	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
John	Bailey	bailey@ilsr.org	Institute For Local Self-Reliance	1313 5th St SE Ste 303 Minneapolis, MN 55414	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Tom	Balster	tombalster@alliantenergy.com	Interstate Power & Light Company	PO Box 351 200 1st St SE Cedar Rapids, IA 524060351	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
James J.	Bertrand	james.bertrand@leonard.com	Leonard Street & Deinard	150 South Fifth Street, Suite 2300 Minneapolis, MN 55402	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
William	Black	bblack@mmua.org	MMUA	Suite 400 3025 Harbor Lane North Plymouth, MN 554475142	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Michael	Bradley	bradley@moss-barnett.com	Moss & Barnett	4800 Wells Fargo Ctr 90 S 7th St Minneapolis, MN 55402-4129	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Kathleen M.	Brennan	kmb@mcgrannshea.com	McGrann Shea Carnival	Straughn & Lamb, Chartered 800 Nicollet Mall, Suite 2600 Minneapolis, MN 554027035	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Christina	Brusven	cbrusven@fredlaw.com	Fredrikson & Byron, P.A.	200 S 6th St Ste 4000 Minneapolis, MN 554021425	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Richard G	Burud	rburud@noblesce.com	Nobles Cooperative Electric	22636 US HIGHWAY 59 PO Box 788 Worthington, MN 56187	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties
Manuel	Cervantes	Manuel.Cervantes@state.mn.us	Office of Administrative Hearings	PO Box 64620 St. Paul, MN 551640620	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Gary	Chesnut	gchesnut@agp.com	AG Processing Inc. a cooperative	12700 West Dodge Road PO Box 2047 Omaha, NE 681032047	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Chuck	Cloninger		Minnesota Energy Resources	P.O. Box 455 2665 145th Street West Rosemount, MN 550680455	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties
Gary	Connett		Great River Energy	12300 Elm Creek Blvd N Maple Grove, MN 553694718	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties
George	Crocker	gwillc@nawo.org	North American Water Office	PO Box 174 Lake Elmo, MN 55042	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties
Jill	Curran	jcurran@mnchamber.com	Minnesota Waste Wise	400 Robert Street North Suite 1500 St. Paul, Minnesota 55101	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Jeffrey A.	Daugherty	jeffrey.daugherty@centerpointenergy.com	CenterPoint Energy	800 LaSalle Ave Minneapolis, MN 55402	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Seth	DeMerritt	ssdemerritt@integrysgroup.com	Integrus Business Support	700 North Adams P.O. Box 19001 Green Bay, WI 543079001	Electronic Service	Yes	SPL_SL_13-617_Potentially Interested Parties
Executive	Director	N/A	Sustainable Resources Center	1081 10th Ave SE Minneapolis, MN 55414	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties
Ian	Dobson	ian.dobson@ag.state.mn.us	Office of the Attorney General-RUD	Antitrust and Utilities Division 445 Minnesota Street, 1400 BRM Tower St. Paul, MN 55101	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Steve	Downer	sdowner@mmua.org	MMUA	3025 Harbor Ln N Ste 400 Plymouth, MN 554475142	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Chris	Duffrin	chrisd@thenec.org	Neighborhood Energy Connection	624 Selby Avenue St. Paul, MN 55104	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Richard	Eichstadt	richard.eichstadt@poet.com	Poet Biorefining - Preston	701 Industrial Drive North PO Box 440 Preston, MN 55965	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties
Jana	Emery	jemery@otpc.com	Otter Tail Power Company	216 S Cascade St PO Box 496 Fergus Falls, MN 56538	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Jim	Erchul		Daytons Bluff Neighborhood Housing Sv.	823 E 7th St St. Paul, MN 55106	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties
Greg	Ernst	gaernst@q.com	G. A. Ernst & Associates, Inc.	2377 Union Lake Trl Northfield, MN 55057	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Melissa S	Feine	melissa.feine@semcac.org	SEMCAC	PO Box 549 204 S Elm St Rushford, MN 55971	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500 Saint Paul, MN 551012198	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Daryll	Fuentes	N/A	USG	550 W. Adams Street Chicago, IL 60661	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties
Kelsey	Genung	kelsey.genung@xcelenergy.com	Xcel Energy	414 Nicollet Mall, Fl. 6 Minneapolis, MN 55401	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
David P.	Geschwind	dp.geschwind@smmpa.org	Southern Minnesota Municipal Power Agency	500 First Avenue SW Rochester, MN 55902	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Mark	Glaess		Minnesota Rural Electric Association	11640 73rd Ave N Maple Grove, MN 55369	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Elizabeth	Goodpaster	bgoodpaster@mncenter.org	MN Center for Environmental Advocacy	Suite 206 26 East Exchange Street St. Paul, MN 551011667	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Angela E.	Gordon	angela.e.gordon@lmco.com	Lockheed Martin	1000 Clark Ave. St. Louis,MO 63102	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Lara V	Greden	N/A	The Weidt Group	5800 Baker Rd Minnetonka, MN 55345	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties
Pat	Green	N/A	N Energy Dev	City Hall 401 E 21st St Hibbing, MN 55746	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Stephan	Gunn	sgunn@appliedenergygroup.com	Applied Energy Group	1941 Pike Ln De Pere, WI 54115	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Burl W.	Haar	burl.haar@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 551012147	Electronic Service	Yes	SPL_SL_13-617_Potentially Interested Parties
Jeffrey	Haase	jhaase@grenergy.com	Great River Energy	12300 Elm Creek Blvd Maple Grove, MN 55369	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Tony	Hainault	anthony.hainault@co.hennepin.mn.us	Hennepin County DES	701 Fourth Ave. S., Ste 700 Minneapolis, MN 55415-1842	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Patty	Hanson	phanson@rpu.org	Rochester Public Utilities	4000 E River Rd NE Rochester, MN 55906	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Norm	Harold	N/A	NKS Consulting	5591 E 180th St Prior Lake, MN 55372	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties
Richard	Haubensak	richard.haubensak@constellation.com	Constellation New Energy Gas	Suite 200 12120 Port Grace Boulevard La Vista, NE 68128	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Annete	Henkel	mui@mutilityinvestors.org	Minnesota Utility Investors	413 Wacouta Street #230 St.Paul, MN 55101	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Jessy	Hennesy	jessy.hennesy@avantenergy.com	Avant Energy	220 S. Sixth St. Ste 1300 Minneapolis, Minnesota 55402	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Holly	Hinman	holly.r.hinman@xcelenergy.com	Xcel Energy	414 Nicollet Mall, 6th Floor Minneapolis, MN 55401	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Randy	Hoffman	rhoffman@eastriver.coop	East River Electric Power Coop	121 SE 1st St PO Box 227 Madison, SD 57042	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Karolanne	Hoffman	kmh@dairynet.com	Dairyland Power Cooperative	PO Box 817 La Crosse, WI 54602-0817	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Tom	Holt	tholt@eastriver.coop	East River Electric Power Coop., Inc.	PO Box 227 Madison, SD 57042	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Michael	Hoy	mhoy@dakotaelectric.com	Dakota Electric Association	4300 220th St W Farmington, MN 55024-9583	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
John	Hulse		Swift & Company	1770 Promontory Circle Greeley, CO 806349038	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties
Anne	Hunt	anne.hunt@ci.stpaul.mn.us	City of Saint Paul	390 City Hall 15 West Kellogg Boulevard Saint Paul, MN 55102	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Eric	Jensen	ejensen@iwla.org	Izaak Walton League of America	Suite 202 1619 Dayton Avenue St. Paul, MN 55104	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Dave	Johnson	dave.johnson@aeoa.org	Arrowhead Economic Opportunity Agency	702 3rd Ave S Virginia, MN 55792	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Paula N.	Johnson	PaulaJohnson@alliantenergy.com	Interstate Power and Light Company	200 First Street SE PO Box 351 Cedar Rapids, IA 524060351	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Dave	Johnson	N/A	Community Action of Minneapolis	2104 Park Ave S Minneapolis, MN 55404	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Dave	Johnson	dave.johnson@aeoa.org	Arrowhead Economic Opportunity Agency	702 3rd Ave S Virginia, MN 55792	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Larry	Johnston	lw.johnston@smmpa.org	SMMPA	500 1st Ave SW Rochester, MN 55902-3303	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties
John	Kingstad	N/A	MN Public Utilities Reports	15336 Afton Blvd S Afton, MN 55001	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties
Tina	Koecher	tkoecher@mnpower.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Heidi	Konynenbelt	hkynenbelt@otpc.com	Otter Tail Power Company	215 S. Cascade Street, PO Box 496 Fergus Falls, MN 565380496	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
David G.	Kult	dkgult@minnesotaenergyresources.com	Minnesota Energy Resources Corporation	2665 145th St. NW Rosemount, MN 55068	Electronic Service	Yes	SPL_SL_13-617_Potentially Interested Parties
David	Kyto	djkyto@integrysgroup.com	Integrys Business Support	700 North Adams P.O. Box 19001 Green Bay, WI 543079001	Paper Service	Yes	SPL_SL_13-617_Potentially Interested Parties
Kelly	Lady	kellyl@austinutilities.com	Austin Utilities	400 4th St NE Austin, MN 55912	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
James D.	Larson	james.larson@avantenergy.com	Avant Energy Services	220 S 6th St Ste 1300 Minneapolis, MN 55402	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Amber	Lee	lee.amber@dorsey.com	Briggs and Morgan	2200 IDS Center 80 South 8th Street Minneapolis, MN 55402	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Martin	Lepak	N/A	Arrowhead Economic Opportunity	702 S 3rd Ave Virginia, MN 55792	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties
Allan	Lian	alian@mnpower.com	Minnesota Power	30 W Superior St Duluth, MN 55802	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
John	Lindell	agorud.ecf@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Eric	Lipman	eric.lipman@state.mn.us	Office of Administrative Hearings	PO Box 64620 St. Paul, MN 551640620	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Michael	Loeffler		Northern Natural Gas Co.	CORP HQ, 714 1111 So. 103rd Street Omaha, NE 681241000	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties
William M.	Mahlum	wmahlum@mahlumlaw.com	Mahlum & Associates	937 Summit Avenue St. Paul, MN 551053032	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Nick	Mark	nick.mark@centerpointenergy.com	CenterPoint Energy	800 LaSalle Ave Minneapolis, MN 55402	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E St. Paul, MN 55106	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties
Samuel	Mason	smason@beltramelectric.com	Beltrami Electric Cooperative, Inc.	4111 Technology Dr. NW PO Box 488 Bemidji, MN 56619-0488	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Thomas R.	Maus		Energy Associates, Inc.	254 Highway 33 North Cloquet, MN 557209403	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Scot	McClure		Interstate Power And Light Company	4902 N Biltmore Ln PO Box 77007 Madison, WI 537071007	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties
Tom	McDougall	N/A	The Weidt Group	5800 Baker Rd Minnetonka, MN 55345	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties
Mike	McGlone	N/A	Heat Share - Salvation Army	2445 Prior Avenue Roseville, MN 55113	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties
John	McWilliams	jmm@dairynet.com	Dairyland Power Cooperative	3200 East Ave SPO Box 817 La Crosse, WI 54601-7227	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Brian	Meloy	brian.meloy@leonard.com	Leonard, Street & Deinard	150 S 5th St Ste 2300 Minneapolis, MN 55402	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Karen	Moe	karenmoe@minncap.org	MN Community Action Partnership	100 Empire Drive Suite 202 SAINT PAUL, Minnesota 55103	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Andrew	Moratzka	apmoratzka@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Gary	Myers	garym@hpuc.com	Hibbing Public Utilities	1902 E 6th Ave Hibbing, MN 55746	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties
Susan K	Nathan	snathan@appliedenergygroup.com	Applied Energy Group	2215 NE 107th Ter Kansas City,MO 64155-8513	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Carl	Nelson	cnelson@mncee.org	Center for Energy and Environment	212 3rd Ave N Ste 560 Minneapolis, MN 55401	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Robert	Nevitt		Energy Conservatory	2801 21st Avenue South Minneapolis, MN 55407	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Diane E.	Nordstrom	Diane.Nordstrom@state.mn.us	Office of Administrative Hearings	PO Box 64620 St. Paul, MN 551640620	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Gary	Olson		Product Recovery, Inc.	2605 E Cliff Rd Burnsville, MN 55337	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties
Kim	Pederson	kpederson@otpc.com	Otter Tail Power Company	215 S Cascade St PO Box 496 Fergus Falls, MN 565380496	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Audrey	Peer	audrey.peer@centerpointenergy.com	CenterPoint Energy	800 Lasalle Avenue - 14th Floor Minneapolis, Minnesota 55402	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
James	Phillippo	jophillippo@minnesotaenergyresources.com	Minnesota Energy Resources Corporation	PO Box 19001 Green Bay, WI 54307-9001	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Lisa	Pickard	lpickard@minnkota.com	Minnkota Power Cooperative	1822 Mill Rd PO Box 13200 Grand Forks, ND 582083200	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Bill	Poppert		Technology North	2433 Highwood Ave St. Paul, MN 55119	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties
Kent	Ragsdale	kentragsdale@alliantenergy.com	Alliant Energy-Interstate Power and Light Company	P.O. Box 351 200 First Street, SE Cedar Rapids, IA 524060351	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Michael	Sachse	N/A	Opower	1515 N Courthouse Rd FL 8 Arlington, VA 22201	Paper Service	No	SPL_SL_13- 617_Potentially Interested Parties
Jeff	Sande		Bemidji State University	Box 1 Deputy Hall 1500 Birchmont Drive Bemidji, MN 566012699	Paper Service	No	SPL_SL_13- 617_Potentially Interested Parties
Bruce	Sayler	bruces@connexusenergy.com	Connexus Energy	14601 Ramsey Boulevard Ramsey, MN 55303	Electronic Service	No	SPL_SL_13- 617_Potentially Interested Parties
Cindy	Schweitzer Rott	cindy.schweitzer@clearResult.com	CLEARResult's	S12637A Merrilee Rd. Spring Green, WI 53588	Electronic Service	No	SPL_SL_13- 617_Potentially Interested Parties

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Janet	Shaddix Elling	jshaddix@janetshaddix.com	Shaddix And Associates	Ste 122 9100 W Bloomington Frwy Bloomington, MN 55431	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Andrew J.	Shea		McGrann Shea Anderson Carnival	Straughn & Lamb, Chartered 800 Nicollet Mall, Suite 2600 Minneapolis, MN 554027035	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties
Tom	Smilanich		Passive Concepts	228 6th Ave N South St. Paul, MN 55075	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Sara	Smith	sara.smith@metc.state.mn.us	Metropolitan Council	390 Robert St N St. Paul, MN 55101-1805	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Ken	Smith	ken.smith@districtenergy.com	District Energy St. Paul Inc.	76 W Kellogg Blvd St. Paul, MN 55102	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Steve	Sorenson	N/A	Constellation Energy	1202 Wilson Avenue Cloquet, MN 55720	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties
Byron E.	Starns	byron.starns@leonard.com	Leonard Street and Deinard	150 South 5th Street Suite 2300 Minneapolis, MN 55402	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Kristin	Stastny	stastny.kristin@dorsey.com	Dorsey & Whitney LLP	50 South 6th Street Suite 1500 Minneapolis, MN 55402	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Leo	Steidel	N/A	The Weidt Group	5800 Baker Rd Minnetonka, MN 55345	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties
John	Steinhoff		Resource Solutions, Inc.	318 Kensington Drive Madison, WI 53704	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties
Sheldon	Strom		Center For Energy And Environment	212 3rd Ave N Ste 560 Minneapolis, MN 554011459	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Dale	Sullivan	N/A	Ramsey Action Programs	3315 Labore Rd Vadnais Heights, MN 55110	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties
Deb	Sundin	deb.sundin@xcelenergy.com	Xcel Energy	414 Nicollet Mall Minneapolis, MN 55401	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Eric	Swanson	eswanson@winthrop.com	Winthrop Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Richard	Szydlowski	N/A	Center for Energy & Environment	212 3rd Ave N Ste 560 Minneapolis, MN 55401-1459	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
SaGonna	Thompson	Regulatory.Records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7 Minneapolis, MN 554011993	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Steve	Tomac	N/A	Basin Electric Power Cooperative	1717 E Interstate Ave Bismarck, ND 58501	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties
Laurance R.	Waldoch		Lindquist & Vennum	4200 IDS Center 80 South 8th Street Minneapolis, MN 554022274	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties
Robert	Walsh	bwalsh@mnvalleyrec.com	Minnesota Valley Coop Light and Power	PO Box 248 501 S 1st St Montevideo, MN 56265	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Gregory	Walters	gjwalters@minnesotaenergyresources.com	Minnesota Energy Resources Corporation	3460 Technology Dr. NW Rochester, MN 55901	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
Rebecca	Wentler	N/A	Otter Tail Power Company	215 S Cascade St Fergus Falls, MN 56538-0496	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties
Casey	Whelan		U.S. Energy Services, Inc.	Suite 1200 605 Highway 169 North Minneapolis, MN 554416531	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties
Lisa	Wilson	lisa.wilson@enbridge.com	Enbridge Energy Company, Inc.	1409 Hammond Ave FL 2 Superior, WI 54880	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Robyn	Woeste	robynwoeste@alliantenergy.com	Interstate Power and Light Company	200 First St SE Cedar Rapids, IA 52401	Electronic Service	No	SPL_SL_13-617_Potentially Interested Parties
James P.	Zakoura		Smithyman & Zakoura Chartered	750 Commerce Plaza II 7400 West 110th Street Overland Park, KS 662102362	Paper Service	No	SPL_SL_13-617_Potentially Interested Parties

Notice to Counties and Municipalities, under Minnesota Stat. § 216B.16, Subd. 1

Re: Minnesota Energy Resource Corporation Request for Increase in Natural Gas Rates

On September 30, 2013, Minnesota Energy Resources Corporation (“MERC”) filed with the Minnesota Public Utilities Commission (the “Commission”) an application for a general increase in rates for natural gas services provided to customers in the State of Minnesota of \$14,187,597, or 5.52%, pursuant to Minn. Stat. § 216B.16.

In accordance with Minn. Stat. § 216B.16, subd. 2, the Commission has suspended proposed final rates to allow the Commission time to evaluate the application. In accordance with Minn. Stat. § 216B.16, subd. 3, the Commission has authorized an interim rate increase of \$12,095,382, or approximately 4.82% to be effective January 1, 2014. During this interim period, all MERC gas customers’ bills will be approximately 4.82% higher, and the rates will remain in effect until a final rate level is determined.

The chart below shows the effect of the interim and proposed rate change on monthly bills for customers with average gas usage. The interim monthly bill amount includes a 14.80% interim rate increase on distribution margins. Distribution margins include the customer charge, the distribution charge, and if applicable, the demand charge. This calculation will not necessarily result in an interim monthly bill that is uniformly 4.82% higher than present bills because gas costs are not included in the calculation of the interim rate increase.

PROPOSED CHANGE IN AVERAGE MONTHLY BILLS

Customer Class	Average Monthly Usage (Therms)	Present Monthly Bill*	Interim Monthly Bill	Proposed Monthly Bill
General Service - Residential Sales	72	\$67	\$70	\$72
General Service - Small Commercial & Industrial Sales	78	\$76	\$81	\$83
General Service - Large Commercial & Industrial Sales	670	\$558	\$580	\$567
Small Volume Interruptible Sales	3,672	\$2,208	\$2,288	\$2,238
Large Volume Interruptible Sales	12,945	\$6,484	\$6,578	\$6,660
Small Volume Joint Sales	4,086	\$2,520	\$2,620	\$2,560
Small Volume Interruptible Transportation	14,939	\$1,753	\$2,012	\$1,864
Transport for Resale	14,318	\$1,276	\$1,465	\$1,326
Small Volume Joint Transportation	6,660	\$1,073	\$1,232	\$1,167
Large Volume Interruptible	120,968	\$2,878	\$3,260	\$3,683

Transportation

Large Volume Joint Transportation	91,654	\$3,214	\$3,571	\$3,920
Super Large Volume Joint Transportation	1,649,303	\$17,874	\$17,929	\$17,964
Super Large Volume Interruptible Transportation	751,558	\$4,374	\$4,429	\$4,465

**The present rate levels identified in this application represent the rates authorized in Docket No. G007,011/GR-10-977.*

The Commission will determine the amount of increase in rates it will allow on or before July 30, 2014, and final rates reflecting that determination will be implemented thereafter. If the final rate level is less than the interim rate level, the amount collected during the interim period attributable to that difference will be refunded to customers with interest.

The proposed rate schedules and a comparison of present and proposed rates may be examined by the public during normal business hours at the Minnesota Department of Commerce, 85 7th Place East, Suite 500, St. Paul, Telephone: 651-296-4026; and at the following MERC-PNG offices located at:

301 2nd Street NW
Bemidji, MN 56601

910 Cloquet Avenue
Cloquet, MN 55720

304 North Park Street
Fairmont, MN 56031

3460 Technology Drive NW
Rochester, MN 55901

2665 145th Street West
Rosemount, MN 55068

They are also available at www.minnesotaenergyresources.com and on the Commission's website at <https://www.edockets.state.mn.us/EFiling/search.jsp>, under Docket Number G011/GR-13-617.

The Minnesota Department of Commerce - Office of Energy Security is conducting an investigation of MERC's books and records.

An Administrative Law Judge will schedule public hearings. Customers will be notified when the hearings are scheduled. Public notice of hearing dates and locations will be published in local newspapers in MERC's service area.

Persons who wish to formally intervene or testify in this case should contact the Administrative Law Judge, Minnesota Office of Administrative Hearings, P.O. Box 64620, St. Paul, MN 55101, Telephone: (651) 361-7900.

November 1, 2013

PROPOSED INTERIM GAS RATES BILL INSERT FOR MERC CUSTOMERS

SERVED BY THE NORTHERN NATURAL GAS PIPELINE

INTERIM GAS RATES IN EFFECT JANUARY 1, 2014

Minnesota Energy Resources Corporation (“MERC”) has asked the Minnesota Public Utilities Commission (“MPUC”) for permission to increase its natural gas rates by \$14,187,597, or approximately 5.52% overall. While the MPUC considers MERC’s request, state law allows MERC to collect higher rates on an interim basis. **The overall interim rate increase is \$12,095,382, or an average of 4.70% over current rates including the cost of gas.** This increase appears on your bill as an interim rate adjustment. The amount of this adjustment is calculated by multiplying 14.80% by the total of the customer charge, the distribution charge, and if applicable, the demand charge, that is on your bill.

The MPUC has 10 months to evaluate MERC’s request. The MPUC must make its decision by July 30, 2014. If final rates are lower than interim rates, we will refund customers the difference with interest. If final rates are higher than interim rates, we will not charge customers the difference.

Why Is MERC Asking For An Increase?

MERC is requesting this increase due to increased costs related to customer service functions, conservation programs, and general inflation.

Here’s How The Rate Change Will Affect Monthly Bills

The proposed rate increase will affect individual monthly bills differently depending on natural gas use and customer type. The proposed 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.

The chart below shows the effect of the interim and proposed rate change on monthly bills for customers with average gas usage. The interim monthly bill includes a 14.80% interim rate increase on distribution margins. Distribution margins include the customer charge, the distribution charge, and if applicable, the demand charge. This calculation will not necessarily result in an interim monthly bill that is uniformly 4.70% higher than present bills because gas costs are not included in the calculation of the interim rate increase.

PROPOSED CHANGE IN AVERAGE MONTHLY BILLS

Customer Class	Average Monthly Usage (Therms)	Present Monthly Bill*	Interim Monthly Bill	Proposed Monthly Bill
General Service - Residential Sales	72	\$67	\$70	\$72
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General Service - Large Commercial & Industrial Sales	670	\$558	\$580	\$567
Small Volume Interruptible Sales	3,672	\$2,208	\$2,288	\$2,238
Large Volume Interruptible Sales	12,945	\$6,484	\$6,578	\$6,660
Small Volume Joint Sales	4,086	\$2,520	\$2,620	\$2,560
Small Volume Interruptible Transportation	14,939	\$1,753	\$2,012	\$1,864
Transport for Resale	14,318	\$1,276	\$1,465	\$1,326
Small Volume Joint Transportation	6,660	\$1,073	\$1,232	\$1,167
Large Volume Interruptible Transportation	120,968	\$2,878	\$3,260	\$3,683
Large Volume Joint Transportation	91,654	\$3,214	\$3,571	\$3,920
Super Large Volume Joint Transportation	1,649,303	\$17,874	\$17,929	\$17,964
Super Large Volume Interruptible Transportation	751,558	\$4,374	\$4,429	\$4,465

**The present rate levels identified in this application represent the rates authorized in Docket No. G007,011/GR-10-977.*

PROPOSED CHANGES FOR MONTHLY CUSTOMER CHARGE AND THE PER UNIT GAS DISTRIBUTION CHARGE

This chart shows the current and proposed customer charge and distribution charge for each customer class.

Customer Class	Current Fixed Charge	Proposed Fixed Charge	Current Distribution Charge	Proposed Distribution Charge
General Service - Residential Sales	\$8.50	\$11.00	\$0.19754	\$0.22848
General Service - Small Commercial & Industrial Sales	\$14.50	\$18.00	\$0.18525	\$0.22817
General Service - Large Commercial & Industrial Sales	\$35.00	\$45.00	\$0.16868	\$0.16713
Small Volume Interruptible Sales	\$150.00	\$165.00	\$0.10647	\$0.11048
Large Volume Interruptible Sales	\$175.00	\$185.00	\$0.03568	\$0.04854
Small Volume Joint Sales	\$150.00	\$165.00	\$0.10647	\$0.11048
Small Volume Interruptible Transportation	\$220.00	\$275.00	\$0.10647	\$0.11048
Transport for Resale	\$245.00	\$295.00	\$0.07200	\$0.07200
Small Volume Joint Transportation	\$220.00	\$275.00	\$0.10647	\$0.11048
Large Volume Interruptible Transportation Applicable	\$245.00	\$295.00	\$0.3568	\$0.04854
Large Volume Interruptible Transportation Exempt	\$245.00	\$295.00	\$0.02055	\$0.02453

Large Volume Joint Transportation	\$245.00	\$295.00	\$0.03568	\$0.04854
Super Large Volume Joint Transportation	\$370.00	\$460.00	\$0.000420	\$0.00420
Super Large Volume Interruptible Transportation NNG Exempt	\$370.00	\$460.00	\$0.00420	\$0.00420
Super Large Volume Interruptible Transportation NNG Applicable	\$370.00	\$460.00	\$0.01933	\$0.01933
Super Large Volume Interruptible Transportation Consolidated Exempt	\$370.00	\$460.00	\$0.00850	\$0.00850

What Is The Process For Reviewing MERC's Request?

In addition to the review by the MPUC, the Minnesota Department of Commerce ("DOC") conducts an investigation of MERC's books and records. The Minnesota Office of the Attorney General-Antitrust & Utilities Division ("OAG-AUD") may investigate this proposal as well as other parties such as customer or public interest groups.

Public hearings will be scheduled by the MPUC and overseen by an Administrative Law Judge. Customers and others will have the opportunity to comment on our rate request at the hearings. The public is encouraged to attend and provide comments. Public notice of the hearing dates and locations will be published in local newspapers in MERC's service area, in an insert in your monthly bill, and on the internet at www.minnesotaenergyresources.com.

For More Information

You may visit MERC's offices during normal business hours to examine the current and proposed rate schedules. Offices are located at:

301 2nd Street NW
Bemidji

910 Cloquet Avenue
Cloquet

304 North Park Street
Fairmont

3460 Technology Drive NW
Rochester

2665 145th Street West
Rosemount

You may also examine our current and proposed rate schedules and our request for new rates by visiting our website at www.minnesotaenergyresources.com. Or, you may contact the Minnesota Department of Commerce located at 85 Seventh Place East, Suite 500, St. Paul, MN 55101, Telephone: 651-539-1534, or persons with hearing or speech disabilities may call us through their preferred Telecommunications Relay Service at 651-297-3067, or visit the eDockets Web site at <https://www.edockets.state.mn.us/EFiling/search.jsp>, under Docket No. G-011/GR-13-617 to examine this filing.

How to Participate

Anyone who wishes to formally intervene in this case should contact the Administrative Law Judge at the Office of Administrative Hearings, P.O. Box 64620, St. Paul, MN 55101, Telephone: (651) 361-7900, TTY: (651) 361-7878. You do not need to contact the Administrative Law Judge if you simply want to attend the public hearings, provide oral comments at the public hearings or submit comment letters to the Administrative Law Judge. Written comments are most effective when the following three items are included: (1) the section of MERC's proposal you are addressing, (2) your specific recommendation, and (3) the reason for your recommendation.

You may also provide comments to the MPUC, 121 Seventh Place East, Suite 350, St. Paul, MN 55101-2147, Telephone: 651-296-0406 or 800-657-3782, TTY: 800-627-3529, or e-mail: consumer.puc@state.mn.us.

Please be sure to reference Docket No. G-011/GR-13-617 in all correspondence or comments.

The MPUC does not edit or delete personally identifying information from submissions.

MINNESOTA COUNTIES SERVED BY MERC

Aitkin
Becker
Beltrami
Benton
Big Stone
Carlton
Cass
Chisago
Cottonwood
Crow Wing
Dakota
Dodge
Faribault
Fillmore
Freeborn
Goodhue
Houston
Hubbard

Itasca
Jackson
Kanabec
Koochiching
Lac qui Parle
Lake
Lake of the Woods
Lincoln
Lyon
Martin
Morrison
Mower
Murray
Nobles
Norman
Olmsted
Ottertail
Pennington

Pine
Redwood
Rice
Roseau
Scott
Steele
St. Louis
Swift
Todd
Wabasha
Wadena
Waseca
Washington
Watonwan
Winona
Yellow Medicine

MINNESOTA CITIES SERVED BY MERC

Ada	Eagan	Lewiston	Scanlon
Aitkin	Elgin	Mabel	Sebeka
Alden	Elko	Madison	Silver Bay
Altura	Ellendale	Mantorville	Silver Brook Township
Appleton	Emmons	Marble	Sherburn
Audubon	Empire	Mayhew	Spring Grove
Aurora	Eveleth	Menahga	Spring Lake Township
Barnum	Eureka Township	Midway	Spring Valley
Baudette	Eyota	Moose Lake	Staples
Bemidji	Fairmont	Moose Lake Township	St. Charles
Bertha	Farmington	Mora	Stewartville
Biwabik	Fayal Township	Motley	Sturgeon Lake
Blooming Prairie	Finlayson Floodwood	Mountain Iron	Tracy
Bovey	Fountain	Mountain Lake	Thief River Falls
Brewster	Frazee	Nashwauk	Trimont
Brownsdale	Freeborn	New Market	Truman
Buhl	Gilbert	New Market Township	Twin Lakes
Butterfield	Grand Lake Township	New Richland New	Twin Lake Township
Byron	Grand Rapids	Scandia Township	Utica
Caledonia	Harmony	North Branch	Verndale
Calumet	Harris	Northrop	Viola
Camp Ripley*	Hayfield	Oakland	Wadena
Canby	Hayward	Oronoco	Walnut Grove
Cannon Falls	Hendricks	Ortonville	Waltham
Canosia Township (Duluth)	Hermantown	Pengilly	Wanamingo
Canton	Hewitt	Peterson	Warroad
Carlton	Hinckley	Pine City	Webster Township
Castle Rock	Houston	Pine Island	Welcome
Chatfield	Hoyt Lakes	Plainview	Wells
Chisholm	International Falls	Pokegama Township	West Concord
Claremont	Ironton	Preston	Willow River
Cloquet	Ivanhoe	Prior Lake	Windemere Township
Cohasset	Jackson	Proctor	Windom
Coleraine	Kasson	Randolph Township	Worthington
Cottage Grove	Keewatin	Ranier	Wrenshall
Cottonwood	Kenyon	Revere	Zemple
Credit River	Kettle River	Riverton	Zumbrota
Crosby	LaCrescent	Rochester	
Deer River	LaPrairie	Roseau	
Deerwood	Lakefield	Rosemount	
Detroit Lakes	Lakeville	Rush City	
Dodge Center	Lamberton	Rushford	
Dover	Lanesboro	Rushford Village	
Duluth	Lansing Township	Sanborn	
Dunnell	Leonadis	Sandstone	

STATE OF MINNESOTA
BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger	Chair
David Boyd	Commissioner
Nancy Lange	Commissioner
J. Dennis O'Brien	Commissioner
Betsy Wergin	Commissioner

In the Matter of the Application of)	Docket No. G011/GR-13-617
Minnesota Energy Resources Corporation)	
for Authority to Collect Interim Rates)	NOTICE OF PETITION FOR
From Natural Gas Customers in the)	INTERIM RATES
State of Minnesota)	

A. Introduction.

Minnesota Energy Resources Corporation (“MERC”), hereby submits to the Minnesota Public Utilities Commission (the “Commission”) this Petition for Interim Rates (the “Petition”) for Minnesota natural gas customers, pursuant to Minn. Stat. § 216B.16, subd. 3; the Commission’s Statement of Policy on Interim Rates dated April 14, 1982; and relevant Commission rules.

B. Information Provided Pursuant to the Commission Statement of Policy on Interim Rates and Relevant Commission Rules.

**1. Name, address and telephone number of utility and name address and telephone number of attorneys for the utility.
(Policy Statement, Item 1, page 2)**

Minnesota Energy Resources Corporation
2665 145th Street West
Box 455
Rosemount, MN 55068-0455
(651) 322-8901

Michael J. Ahern
Kristin M. Stastny
Dorsey & Whitney LLP
50 South Sixth Street, Suite 1500
Minneapolis, MN 55402-1498
(612) 340-2600

**2. Date of filing and date proposed interim rates are requested to become effective.
(Policy Statement, Item 2, page 2)**

The date of the submission of this Petition is September 30, 2013. The Petition is submitted as part of MERC's Application for a general natural gas rate increase. Pursuant to Minn. Stat. § 216B.16, subd. 3, MERC requests, if the Commission suspends the operation of the general rate schedules which accompany the Application pursuant to Minn. Stat. § 216B.16, subd. 2, that the proposed interim rates be made effective on January 1, 2014. Although more than sixty days after filing of the Application, MERC waives its right under the statute to have interim rates in effect not later than 60 days after the initial filing and requests an effective date of January 1, 2014 to correspond with the start of the test year. The interim rates will be subject to refund, pending final Commission determination on the general natural gas rate increase Application.

**3. Description and need for interim rates.
(Policy Statement, Item 3, page 2)**

Interim rates are needed because the increased costs of service reflected in MERC's general rate Application will be incurred on or before January 1, 2014, the proposed effective date. Without interim rate relief, MERC would be unable to recover these increased costs of service.

Schedule A of this filing provides the interim revenue deficiency of \$12,401,502 or 4.82%. As required by Minn. Stat. § 216B.16, subd. 3, and the Commission's Statement of Policy on Interim Rates, MERC has removed from the interim rate request the recovery of costs that are not of the same nature and kind as allowed in the most recent rate proceeding. *See* Direct Testimony & Exhibits of Seth S. DeMerritt.

In addition, the return on equity requested for interim rates for is 9.70%, the return on equity approved by the Commission in MERC's last natural gas rate case (Docket No. G007,011/GR-

10-977). Minn. Stat. § 216B.16, subd. 3(b) requires that the interim rate of return on common equity equal the rate of return authorized in the last general rate proceeding, unless exigent circumstances exist.

Consistent with Commission precedent, MERC proposes to collect less than the full amount of the interim rate increase from its Super Large Volume (“SLV”) customers, as well as MERC’s FLEX rate customers. The SLV customers are especially sensitive to rate increases, even during a period of interim rates, and have the ability to bypass MERC’s system in favor of alternative natural gas service they may receive elsewhere, and the FLEX rate customers have contracted rates in place. The departure of the SLV customers from MERC’s system would result in a significant permanent increase in rates for MERC’s remaining customers. Therefore, MERC requests that the Commission find that exigent circumstances exist to alter the present rate design during the period of interim rates. The Commission has previously found exigent circumstances justifying a departure from existing rate design under similar circumstances. *See ORDER SETTING INTERIM RATES, In the Matter of the Application of Minnesota Energy Resources Corporation for Authority to Increase Rates for Natural Gas Service in Minnesota*, Docket No. G-007,011/GR-10-977 (Jan. 28, 2011); *ORDER SETTING INTERIM RATES, In the Matter of the Application of Minnesota Energy Resources Corporation for Authority to Increase Rates for Natural Gas Service in Minnesota*, Docket No. G-007,011/GR-08-835 (Sept. 25, 2008); *ORDER SETTING INTERIM RATES, In the Matter of a Petition by Peoples Natural Gas Company and Northern Minnesota Utilities, Divisions of UtiliCorp United Inc., for Authority to Increase Natural Gas Rates in Minnesota and to Consolidate the Two Utilities*, Docket No. G-007,011/GR-00-951 (Sept. 29, 2000); *ORDER SETTING INTERIM RATES, In the Matter of the Application of CenterPoint Energy for Authority to Increase Natural Gas Rates in Minnesota*, Docket No. G-008/GR-08-1075 (Dec. 22, 2008); *ORDER SETTING INTERIM RATES, In the Matter of the Application of Northern States Power Company d/b/a Xcel Energy for Authority to Increase Rates for Natural Gas Service in Minnesota*, Docket No. G-002/GR-09-1153 (Jan. 7, 2010).

MERC proposes to recover some of the interim rates increase attributed to its SLV and FLEX rate customers in the MERC system rather than forgo the entire amount. In particular, MERC proposes to increase the customer charge for these customers by the same 14.74% requested as

the interim rate increase request for MERC. This increase will have a small overall impact on these customers' bills and is not expected to create a bypass situation. MERC proposes to keep the distribution charge for the SLV and FLEX rate classes consistent with their current rates, which are also the rates MERC proposes in the final rate design. The Commission has previously authorized such increases where a utility sought a small increase in final rates for certain classes of customers. *See ORDER SETTING INTERIM RATES, In the Matter of the Application of Minnesota Energy Resources Corporation for Authority to Increase Rates for Natural Gas Service in Minnesota*, Docket No. G-007,011/GR-10-977 (Jan. 28, 2011); *ORDER SETTING INTERIM RATES, In the Matter of the Application of Minnesota Energy Resources Corporation for Authority to Increase Rates for Natural Gas Service in Minnesota*, Docket No. G-007,011/GR-08-835 (Sept. 25, 2008); *ORDER SETTING INTERIM RATES, In the Matter of the Application of CenterPoint Energy Minnegasco, a Division of CenterPoint Energy Resources Corp., for Authority to Increase Natural Gas Rates in Minnesota*, Docket No. G-008/GR-05-1380 (Dec. 21, 2005); *ORDER SETTING INTERIM RATES, In the Matter of the Application of Minnegasco, Division of Arkla, Inc., for Authority to Increase Rates for Natural Gas Service in the State of Minnesota*, Docket No. G-008/GR-95-700 (Oct. 10, 1995). However, while MERC proposes to collect less than the full amount of the interim rate increase from its SLV and FLEX rate customers it does not seek to recover the difference from its other customer classes.

This adjustment results in an interim rate increase of \$12,095,382 or 4.70% inclusive of the new base cost of gas filed contemporaneously with this application. The current Conservation Cost Recovery Charge ("CCRC") factor included in interim rates is \$0.02432/therm.

**4. Description and corresponding dollar amount of changes included in interim rates as compared with most current approved general rate case and with the most recent year for which audited data is available.
(Policy Statement, Item 4, page 2)**

A comparison of the changes included in interim rates as compared with MERC's most recently approved natural gas rate case (Docket No. G011/GR-13-617) is contained along with this Petition in Schedule B of this filing.

**5. Effect of the interim rates expressed in gross revenue dollars and as a percentage of test year gross revenues.
(Policy Statement, Item 5, page 2)**

The test year for MERC's general natural gas rate increase filing is the calendar year ending December 31, 2014. The revenue requirement study supporting the necessity for interim rate relief shows a deficiency in revenue of \$12,401,502 or 4.82% under present rates. Present rates, as referred to in this Petition, are the rates authorized by the Commission in its final order in Docket No. G007,011/GR-10-977. MERC is requesting an interim rate adjustment which will increase MERC's test year revenues by \$12,095,382 or 4.70% increase above present rates.

**6. Certification by Officer of the Utility.
(Policy Statement, Item 6, page 2)**

This Petition contains a certificate signed by Barbara A. Nick, President of Minnesota Energy Resources Corporation, affirming that this interim rate Petition complies with Minnesota Statutes.

7. Methods and procedures for refunding.

Pursuant to Minn. Stat. § 216B.16, subd. 3, this filing contains MERC's Agreement and Undertaking of Refund by MERC.

**8. Signature and title of the utility officer authorizing the proposed interim rates.
(Policy Statement, Item 7, page 2)**

This Petition is signed by Barbara A. Nick, President of Minnesota Energy Resources Corporation.

**9. Supporting schedules and workpapers.
(Policy Statement, Items 1-4, page 3)**

The supporting schedules and workpapers described in the Commission's Policy Statement are included along with this Petition. These schedules include the rate base amounts, income statement amounts, revenue deficiencies, capital structures and rates of return required for interim rates as compared to the same information for MERC's general rate increase Application, the allowed amounts in MERC's most recent general rate case in Docket No. G007,011/GR-10-977, and the most recent actual year. The workpapers containing the jurisdictional cost of service study and supporting the interim rate data are included in Volumes 3 and 4.

**10. Interim rate schedules. Revenue rate comparisons.
(Minn. R. 7825.3600)**

The rate schedules containing proposed interim rates are included along with the Petition in Volume 1. Consistent with Minn. Stat. § 216B.16, subd. 3, no change has been made in the existing rate design, except as noted above. A uniform percentage equal to the proposed interim rate increase has been applied to the non-gas revenues (margins) currently being recovered from each customer class, other than the SLV and FLEX rate classes, as discussed above.

**11. Customer notice.
(Minn. R. 7829.2400, subp. 3; Minn. Stat. § 216B.16, subd. 1)**

Pursuant to Minn. R. 7829.2400, subp. 3 and Minn. Stat. § 216B.16, subd. 1, MERC proposes to send a notice to the counties and municipalities it serves in Minnesota and a bill insert to its natural gas customers in the State of Minnesota. The proposed notice to counties and municipalities and a proposed customer notice pursuant to Minn. Stat. § 216B.16, subd. 1, are included with this filing. In addition, MERC will publish a display advertisement in the newspapers of general circulation in all county seats in MERC's service territory. The display advertisement will replicate the notice to the counties and municipalities.

12. Interim Bills

The Commission's Policy Statement on Interim Rates suggests that changes in interim rates be shown on customer bills as a separate line item "if practical." The interim rate amount will be shown as a separate line item identified as "Interim Increase."

C. Conclusion.

MERC hereby submits this Petition for Interim Rates. If the Commission suspends the operation of the general rate schedules under Minn. Stat. § 216B.16, subd. 2, MERC respectfully requests that the Petition for Interim Rates be promptly considered and accepted by the Commission, and that the interim rate schedule be approved and made effective on January 1, 2014, pursuant to Minn. Stat. § 216B.16, subd. 3, subject to refund pending final Commission action on the general rate increase Application.

Dated: September 30, 2013

Respectfully submitted,



Barbara A. Nick
President
Minnesota Energy Resources Corporation

2665 145th Street West
P.O. Box 455
Rosemount, MN 55068-0455

Subscribed and sworn to before me
this 30th day of September, 2013.



Notary Public, State of Wisconsin



STATE OF MINNESOTA
BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger	Chair
David Boyd	Commissioner
Nancy Lange	Commissioner
J. Dennis O'Brien	Commissioner
Betsy Wergin	Commissioner

In the Matter of the Application of)	Docket No. G011/GR-13-617
Minnesota Energy Resources Corporation)	
for Authority to Increase Rates for Natural)	AGREEMENT AND UNDERTAKING
Gas Service in Minnesota)	

Minnesota Energy Resources Corporation (“MERC”), in conjunction with the Notice and Petition for Interim Rates filing with the Minnesota Public Utilities Commission (the “Commission”) makes the following unqualified agreement concerning refunding any portion of the requested increase in rates determined by the Commission to be unreasonable.

Pursuant to Minn. R. 7825.3300, MERC hereby agrees and undertakes to refund to its customers the amount, if any, collected during the interim rate period, plus interest at the current rate determined by the Commission, computed from the effective date of the interim rates through the date of refund. The refund shall be made in accordance with Minn. Stat. § 216B.16, subd. 3, and in a manner approved by the Commission.

In addition, MERC agrees to keep such records of sales and billings under the proposed interim rates as will be necessary to compute any potential refund.

This Agreement and Undertaking is made pursuant to authority granted by the Board of Directors of Minnesota Energy Resource Corporation.

Dated: September 30, 2013

Respectfully submitted,

A handwritten signature in black ink, appearing to read "B. Nick". The signature is written in a cursive style with a large, stylized initial "B".

Barbara A. Nick
President
Minnesota Energy Resources Corporation

2665 145th Street West
P.O. Box 455
Rosemount, MN 55068-0455

CERTIFICATION OF OFFICER OF MINNESOTA ENERGY RESOURCES CORPORATION

As required by the Minnesota Public Utilities Commission's Statement of Policy on Interim Rates dated April 14, 1982, I hereby certify and affirm that the petition of Minnesota Energy Resources Corporation for approval of Proposed Interim Rates and Final Rates is in compliance with Minnesota Statutes.

Dated: September 30, 2013

Respectfully submitted,



Barbara A. Nick
President
Minnesota Energy Resources Corporation

2665 145th Street West
P.O. Box 455
Rosemount, MN 55068-0455

Subscribed and sworn to before me
this 30th day of September, 2013.



Notary Public, State of Wisconsin



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 S. 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, 2014, 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, 2014 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, 2011 from Docket No. G,007,011/GR-10-977 as approved by the Commission.

Most Recent Actual Year

This information represents actual unadjusted financial information for the calendar year ended December 31, 2012.

Minnesota Energy Resources Corporation
Interim Rate Schedule
Summary of Revenue Requirements

Line No.	Description	Total MERC Interim Rate Petition Present Rates
1	Average Rate Base	198,314,568
2	Operating Income	7,557,893
3	Allowance for funds used during Construction	0
4	Total Available for Return	7,557,893
5	Overale Rate of Return (Line 4 / Line 1)	3.8111%
6	Required Rate of Return	7.4809%
7	Required Operating Income (Line 1 x Line 6)	14,835,769
8	Income Deficiency (Line 7 - Line 4)	7,277,876
9	Gross Revenue Conversion Factor	1.704
10	Revenue Defieciency (Line 8 x Line 9)	<u>12,401,502</u>
11	Retail Related Revenues Under Present Rates	257,186,462
12	Percentage Increase Needed in Overall Revenue (Line 10 / Line 11)	4.82%

Minnesota Energy Resources Corporation
Interim Rate Schedule
Statement of Operating Income

Line No.	Description	Total MERC Interim Rate Petition Present Rates
	Operating Revenues	
1	Retail	251,306,311
2	Weather Impact Net Margin Adjustment	-
3	Interdepartmental & Transportation	5,880,151
4	Other Operating	759,470
6	Total Operating Revenues	<u>257,945,932</u>
	Expenses	
	Operating Expenses:	
7	Purchased Gas	173,412,058
8	Other Production	715,000
9	Transmission	94,181
10	Distribution	17,894,619
11	Customer Accounting	11,801,783
12	Customer Service & Information	927,914
13	Administrative & General	15,997,548
14	Amortizations	9,656,957
15	Total Operating Expenses	<u>230,500,061</u>
16	Depreciation	9,347,278
	Taxes:	
18	Property	7,300,282
19	Federal & State Income Tax	1,544,627
20	Payroll & Other	1,596,078
21	Total Taxes	<u>10,440,987</u>
22	Total Expenses	250,288,325
23	Tax Effect of Interest Allowed	(98,779)
24	Allowance for Funds Used During Construction	-
25	Other Interest	935
26	Total Operating Income	<u><u>7,557,893</u></u>

Minnesota Energy Resources Corporation
Interim Rate Schedule
Detailed Rate Base Components

Line No.	Description	Total MERC Interim Rate Petition Present Rates
1	Plant in Service	381,516,461
2	Property Held for Future Use	-
3	Construction Work in Progress	-
4	Accumulated Depreciation and Plant Deferred Taxes	(206,529,242)
5	Customer Advances	-
6	Net Utility Plant	<u>174,987,219</u>
7	Cash Working Capital	(8,608,270)
	Other Rate Base Items	
8	Materials and Supplies	279,570
9	Gas Storage	12,013,242
10	Non-Plant Assets & Liabilities	19,642,806
11	Total Other Rate Base Items	<u>31,935,618</u>
12	Total Average Rate Base	<u><u>198,314,568</u></u>

Minnesota Energy Resources Corporation
Interim Rate Schedule
Statement of Operating Income

Minnesota Energy Resources Corporation
Docket No. G011/GR-13-617
Schedule B
Part 1 of 3

Line No.	Description	Total MERC General Rate Case Filing	Total MERC Interim Rate Petition Present Rates	Change
	Operating Revenues			
1	Retail	251,306,311	251,306,311	-
2	Weather Impact Net Margin Adjustment	-	-	-
3	Interdepartmental & Transportation	5,880,151	5,880,151	-
4	Other Operating	759,470	759,470	-
6	Total Operating Revenues	<u>257,945,932</u>	<u>257,945,932</u>	<u>-</u>
	Expenses			
	Operating Expenses:			
7	Purchased Gas	173,412,058	173,412,058	-
8	Other Production	715,000	715,000	-
9	Transmission	94,181	94,181	-
10	Distribution	17,894,619	17,894,619	-
11	Customer Accounting	11,801,783	11,801,783	-
12	Customer Service & Information	927,914	927,914	-
13	Administrative & General	15,998,503	15,997,548	(956)
14	Amortizations	9,656,957	9,656,957	-
15	Total Operating Expenses	<u>230,501,016</u>	<u>230,500,061</u>	<u>(956)</u>
16	Depreciaiton	9,347,278	9,347,278	-
	Taxes:			
18	Property	7,300,282	7,300,282	-
19	Federal & State Income Tax	1,544,232	1,544,627	395
20	Payroll & Other	1,596,078	1,596,078	-
21	Total Taxes	<u>10,440,592</u>	<u>10,440,987</u>	<u>395</u>
22	Total Expenses	250,288,886	250,288,325	(561)
23	Tax Effect of Interest Allowed	(98,779)	(98,779)	-
24	Allowance for Funds Used During Construction	-	-	-
25	Other Interest	935	935	-
26	Total Operating Income	<u><u>7,557,332</u></u>	<u><u>7,557,893</u></u>	<u><u>561</u></u>

Line No.	Description	Total MERC General Rate Case Filing	Total MERC Interim Rate Petition Present Rates	Change
1	Plant in Service	381,516,461	381,516,461	-
2	Property Held for Future Use	-	-	-
3	Construction Work in Progress	-	-	-
4	Accumulated Depreciation and Plant Deferred Taxes	(206,529,242)	(206,529,242)	-
5	Customer Advances	-	-	-
6	Net Utility Plant	<u>174,987,219</u>	<u>174,987,219</u>	<u>-</u>
7	Cash Working Capital	(8,608,270)	(8,608,270)	-
	Other Rate Base Items			
8	Materials and Supplies	279,570	279,570	-
9	Gas Storage	12,013,242	12,013,242	-
10	Non-Plant Assets & Liabilities	19,642,806	19,642,806	-
11	Total Other Rate Base Items	<u>31,935,618</u>	<u>31,935,618</u>	<u>-</u>
12	Total Average Rate Base	<u><u>198,314,568</u></u>	<u><u>198,314,568</u></u>	<u><u>-</u></u>

Line No.	Description	Total MERC General Rate Case Filing	Total MERC Interim Rate Petition Present Rates	Change
1	Average Rate Base	198,314,568	198,314,568	-
2	Adjusted Operating Income	7,557,332	7,557,893	561
3	Allowance for funds used during Construction	-	-	-
4	Total Available for Return	7,557,332	7,557,893	561
5	Overale Rate of Return (Line 4 / Line 1)	3.81%	3.81%	0.00%
6	Required Rate of Return	8.01%	7.48%	-0.53%
7	Required Operating Income (Line 1 x Line 6)	15,883,387	14,835,769	(1,047,618)
8	Income Deficiency (Line 7 - Line 4)	8,326,055	7,277,876	(1,048,178)
9	Gross Revenue Conversion Factor	1.704	1.704	-
10	Revenue Deficiency (Line 8 x Line 9)	14,187,597	12,401,502	(1,786,096)
11	Retail Related Revenues Under Present Rates	257,186,462	257,186,462	-
12	Percentage Increase Needed in Overall Revenue (Line 10 / Line 11)	5.52%	4.82%	-0.69%

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

Minnesota Energy Resources Corporation
Docket No. G011/GR-13-617
Schedule C
Part 1 of 4

<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	265,841,857	251,306,311	(14,535,546)
2	Weather Impact Net Margin Adjustment	-	-	-
3	Interdepartmental & Transportation	8,612,530	5,880,151	(2,732,379)
4	Other Operating	1,319,700	759,470	(560,230)
6	Total Operating Revenues	<u>275,774,087</u>	<u>257,945,932</u>	<u>(17,828,155)</u>
<u>Expenses</u>				
Operating Expenses:				
7	Purchased Gas	185,725,253	173,412,058	(12,313,195)
8	Other Production	753,171	715,000	(38,171)
9	Transmission	52,851	94,181	41,330
10	Distribution	13,495,501	17,894,619	4,399,118
11	Customer Accounting	11,350,358	11,801,783	451,425
12	Customer Service & Information	792,674	927,914	135,240
13	Administrative & General	16,249,265	15,997,548	(251,717)
14	Amortizations	8,856,622	9,656,957	800,335
15	Total Operating Expenses	<u>237,275,695</u>	<u>230,500,061</u>	<u>(6,775,635)</u>
16	Depreciaiton	10,164,714	9,347,278	(817,436)
Taxes:				
18	Property	5,733,578	7,300,282	1,566,704
19	Federal & State Income Tax	6,391,169	1,544,627	(4,846,542)
20	Payroll & Other	1,219,058	1,596,078	377,020
21	Total Taxes	<u>13,343,805</u>	<u>10,440,987</u>	<u>(2,902,818)</u>
22	Total Expenses	<u>260,784,214</u>	<u>250,288,325</u>	<u>(10,495,889)</u>
23	Tax Effect of Interest Allowed	131,558	(98,779)	(230,337)
24	Allowance for Funds Used During Construction	-	-	-
25	Other Interest		935	935
26	Total Operating Income	<u><u>15,121,431</u></u>	<u><u>7,557,893</u></u>	<u><u>(7,563,538)</u></u>

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

Utility operating income decreases by approximately \$7.6 million for MERC's Minnesota Operations from the 2011 test year used for the most recent Commission approved rate case, at Docket No. G007,011/GR-10-977, compared to the 2014 test year in MERC's proposed interim rate petition, in Docket No. G011/GR-13-617.

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

Retail Gas, Transportation, and Other Operating Revenues decreased by \$17.8 million. Approximately \$12.3 million of the decrease is the result of lower cost of gas.

Other Operating Expenses increased by \$5.5 million.

Depreciation expense decreased by \$0.8 million.

Property taxes increase by \$1.6 million.

Taxes other than income taxes, exclusive of property taxes, increased \$0.4 million.

Income taxes decreased \$4.8 million.

Minnesota Energy Resources Corporation
Comparison of Proposed Interim Rates to Present Rates
Detailed Rate Base Components

Minnesota Energy Resources Corporation
Docket No. G011/GR-13-617
Schedule C
Part 2 of 4

Line No.	Description	Total MERC From Most Recent General Rate Case Filing	Total MERC Interim Rate Petition Present Rates	Change
1	Plant in Service	335,469,121	381,516,461	46,047,340
2	Property Held for Future Use	-	-	-
3	Construction Work in Progress	-	-	-
4	Accumulated Depreciation and Plant Deferred Taxes	(164,142,456)	(206,529,242)	(42,386,786)
5	Customer Advances	(130,480)	-	130,480
6	Net Utility Plant	<u>171,196,185</u>	<u>174,987,219</u>	<u>3,791,034</u>
7	Cash Working Capital	(1,984,067)	(8,608,270)	(6,624,203)
	Other Rate Base Items			
8	Materials and Supplies	(1,217,291)	279,570	1,496,861
9	Gas Storage	12,842,087	12,013,242	(828,845)
10	Non-Plant Assets & Liabilities	<u>8,971,714</u>	<u>19,642,806</u>	<u>10,671,092</u>
11	Total Other Rate Base Items	<u>20,596,510</u>	<u>31,935,618</u>	<u>11,339,108</u>
12	Total Average Rate Base	<u><u>189,808,628</u></u>	<u><u>198,314,568</u></u>	<u><u>8,505,940</u></u>

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

Utility Rate Base decreased by approximately \$8.5 million for MERC's Minnesota operations from the Company's 2011 test year used for the most recent Commission approved rate case, at Docket No. G007,011/GR-10-977, compared to the 2014 test year in MERC's proposed interim rate petition, in Docket No. G011/GR-13-617.

Major components of the change of rate base include:

Net utility plant increased by \$3.8 million. These increases are primarily driven by increase in customer connections and cost of service installation.

Cash working capital decreased by \$6.6 million.

Materials & Supplies increased \$1.5 million.

The cost of gas in storage has decreased by \$0.8 million primarily driven by the lower gas prices.

Other increased \$10.7 million primarily as a result of benefit plan funding.

Minnesota Energy Resources Corporation
Comparison of Proposed Interim Rates to Present Rates
Summary of Revenue Requirements

Minnesota Energy Resources Corporation
Docket No. G011/GR-13-617
Schedule C
Part 3 of 4

Line No.	Description	Total MERC From Most Recent General Rate Case Filing	Total MERC Interim Rate Petition Present Rates	Change
1	Average Rate Base	189,808,628	198,314,568	8,505,940
2	Operating Income	15,121,431	7,557,893	(7,563,538)
3	Allowance for funds used during Construction	-	-	-
4	Total Available for Return	15,121,431	7,557,893	(7,563,538)
5	Overale Rate of Return (Line 4 / Line 1)	7.9667%	3.8111%	-4.1556%
6	Required Rate of Return	7.8275%	7.4809%	-0.3466%
7	Required Operating Income (Line 1 x Line 6)	14,857,270	14,835,769	(21,501)
8	Income Deficiency (Line 7 - Line 4)	(264,161)	7,277,877	7,542,037
9	Gross Revenue Conversion Factor	1.704	1.704	-
10	Revenue Defieciency (Line 8 x Line 9)	(450,130)	12,401,502	12,851,631
11	Retail Related Revenues Under Present Rates	274,454,387	257,186,462	(17,267,925)
12	Percentage Increase Needed in Overall Revenue (Line 10 / Line 11)	-0.16%	4.82%	4.99%

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

Revenue Requirement increases by approximately \$12.9 million for MERC's Minnesota Operations from the Company's 2011 test year used for the most recent Commission approved rate case, at Docket No. G007,011/GR-10-977, compared to the 2014 test year in MERC's proposed interim rate petition, in Docket No. G011/GR-13-617.

The major components of the change in revenue requirement include:

Increase in rate base as before mentioned.

Decrease in operating income as before mentioned.

Minnesota Energy Resources Corporation
Comparison of Proposed Interim Rates to Present Rates
Detailed Rate Base Components

Minnesota Energy Resources Corporation
Docket No. G011/GR-13-617
Schedule C
Part 4 of 4

<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)	44.60%	6.55%	2.92%
2	Short-Term Debt	(1)	4.93%	0.18%	0.01%
3	Total Debt	-	49.53%		2.93%
4	Preferred Stock	(1) 0	0.00%		0.00%
5	Net Common Equity	(1)	50.48%	9.70%	4.90%
6	Total Equity	-	50.48%		4.90%
7	Total Capitalization	-	100.01%		7.83%
<u>II. Captial Structure from Interim Rate Case Proposal</u>					
1	Long-Term Debt	91,583,333	44.64%	5.56%	2.48%
2	Short-Term Debt	10,362,707	5.05%	2.35%	0.12%
3	Total Debt	101,946,040	49.69%		2.60%
4	Preferred Stock	0	0.00%	0.00%	0.00%
5	Net Common Equity	103,220,220	50.31%	9.70%	4.88%
6	Total Equity	103,220,220	50.31%		4.88%
9	Total Capitalization	205,166,260	100.00%		7.48%

Note (1): Dollar values for these items were not listed in the Commission's July 13, 2012 Order in Docket No. G-007,011/GR-10-977. 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 decreases by approximately 0.35% from the Company's 2011 test year used for the most recent Commission approved rate case, at Docket No. G007,011/GR-10-977, compared to the 2014 test year in MERC's proposed interim rate petition, in Docket No. G011/GR-13-617.

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

Increase in the Short Term Debt Weighted Cost of Capital from .01% in 2011 to 0.12% in 2014.

Decrease in Long Term Debt Weighted Cost of Capital from 2.92% in 2011 to 2.48% in 2014.

Decrease in the Net Common Equity Weighted Cost of Capital from 4.90% in 2011 to 4.88% in 2014.

Minnesota Energy Resources Corporation
Comparison of Proposed Interim Rates to 2012 Actual (Unadjusted)
Statement of Operating Income

Minnesota Energy Resources Corporation
Docket No. G011/GR-13-617
Schedule D
Part 1 of 3

Line No.	Description	Total MERC	Total MERC	Change
		2012 Unadjusted	Interim Rate Petition Present Rates	
	Operating Revenues			
1	Retail	192,541,561	251,306,311	58,764,750
2	Weather Impact Net Margin Adjustment	-	-	-
3	Interdepartmental & Transportation	7,741,611	5,880,151	(1,861,460)
4	Other Operating	7,448,552	759,470	(6,689,082)
6	Total Operating Revenues	<u>207,731,724</u>	<u>257,945,932</u>	<u>50,214,208</u>
	Expenses			
	Operating Expenses:			
7	Purchased Gas	129,885,325	173,412,058	43,526,733
8	Other Production	703,335	715,000	11,666
9	Transmission	87,044	94,181	7,137
10	Distribution	15,626,966	17,894,619	2,267,653
11	Customer Accounting	10,325,222	11,801,783	1,476,561
12	Customer Service & Information	908,606	927,914	19,308
13	Administrative & General	16,098,269	15,997,548	(100,721)
14	Amortizations	8,482,316	9,656,957	1,174,641
15	Total Operating Expenses	<u>182,117,082</u>	<u>230,500,061</u>	<u>48,382,978</u>
16	Depreciaiton	10,405,298	9,347,278	(1,058,020)
	Taxes:			
18	Property	6,574,490	7,300,282	725,792
19	Federal & State Income Tax	625,522	1,544,627	919,105
20	Payroll & Other	1,465,457	1,596,078	130,620
21	Total Taxes	<u>8,665,469</u>	<u>10,440,987</u>	<u>1,775,517</u>
22	Total Expenses	201,187,850	250,288,325	49,100,476
23	Tax Effect of Interest Allowed	(134,292)	(98,779)	35,513
24	Allowance for Funds Used During Construction	-	-	-
25	Other Interest	84,154	935	(83,219)
26	Total Operating Income	<u>6,325,429</u>	<u>7,557,893</u>	<u>1,232,464</u>

**COMPARISON OF PROPOSED INTERIM RATES TO 2012 ACTUAL
STATEMENT OF OPERATING INCOME
DESCRIPTION OF CHANGES**

Utility operating income increased by approximately \$1.2 million for MERC's Minnesota Operations from the Company's 2012 historic year, compared to the 2014 test year in MERC's proposed interim rate petition, in Docket No. G011/GR-13-617.

Major components of the change in utility operating income include:

Operating Revenues increased by \$56.9 million which is primarily explained by an increase in the cost of gas of \$43.5 million. The remaining increase is mainly attributable to weather normalization.

Non-Fuel O&M expenses increase by \$3.7 million. These increases are primarily due to inflation and the known and measurable described in the Direct Testimony of Mr. Seth S. DeMerritt.

Amortization expense increased by \$1.2 million. This increase is primarily due to the reduced sales volumes in 2012 because of weather and therefore reduced CIP collections.

Depreciation expense decreased by \$1.1 million, primarily as a result of new lower depreciation rates authorized in Docket No. G011/D-12-533.

Property taxes increased by \$0.7 million.

Minnesota Energy Resources Corporation
Comparison of Proposed Interim Rates to 2012 Actual (Unadjusted)
Detailed Rate Base Components

Minnesota Energy Resources Corporation
Docket No. G011/GR-13-617
Schedule D
Part 2 of 3

Line No.	Description	Total MERC	Total MERC	Change
		2012 Unadjusted	Interim Rate Petition Present Rates	
1	Plant in Service	347,618,867	381,516,461	33,897,594
2	Property Held for Future Use	-		-
3	Construction Work in Progress	2,518,857		(2,518,857)
4	Accumulated Depreciation and Plant Deferred Taxes	(182,896,008)	(206,529,242)	(23,633,234)
5	Customer Advances	-		
6	Net Utility Plant	<u>167,241,716</u>	<u>174,987,219</u>	<u>7,745,503</u>
7	Cash Working Capital	(2,506,031)	(8,608,270)	(6,102,239)
	Other Rate Base Items			
8	Materials and Supplies	229,559	279,570	50,012
9	Gas Storage	8,943,325	12,013,242	3,069,917
10	Non-Plant Assets & Liabilities	<u>12,732,508</u>	<u>19,642,806</u>	<u>6,910,298</u>
11	Total Other Rate Base Items	<u>21,905,392</u>	<u>31,935,618</u>	<u>10,030,227</u>
12	Total Average Rate Base	<u><u>186,641,077</u></u>	<u><u>198,314,568</u></u>	<u><u>11,673,491</u></u>

**COMPARISON OF PROPOSED INTERIM RATES TO 2012 ACTUAL
RATE BASE
DESCRIPTION OF CHANGES**

Utility rate base increased by approximately \$11.7 million for MERC's Minnesota Operations from the Company's 2012 historic year, compared to the 2014 test year in MERC's proposed interim rate petition, in Docket No. G011/GR-13-617.

Major components of this increase include:

Net utility plant in service which increased by \$7.7 million, primarily due to customer growth, life cycle planning, and decreased accumulated depreciation as a result of the lower depreciation rates approved in Docket No. G011/D-12-533.

Cost of gas storage increased by \$3.1 million.

Cash working capital decreased \$6.1 million. This decrease is a result of a 2012 actual compared to the output of the 2014 Lead/Lag study.

Regulatory assets and liabilities increased \$6.9 million, primarily as a result of benefit plan funding.

Minnesota Energy Resources Corporation
 Comparison of Proposed Interim Rates to 2012 Actual (Unadjusted)
 Summary of Revenue Requirements

Minnesota Energy Resources Corporation
 Docket No. G011/GR-13-617
 Schedule D
 Part 3 of 3

Line No.	Description	Total MERC 2012 Unadjusted	Total MERC Interim Rate Petition Present Rates	Change
1	Average Rate Base	186,641,077	198,314,568	11,673,491
2	Operating Income	6,325,429	7,557,893	1,232,464
3	Allowance for funds used during Construction	-	-	-
4	Total Available for Return	6,325,429	7,557,893	1,232,464
5	Overall Rate of Return (Line 4 / Line 1)	3.3891%	3.8111%	0.4220%
6	Required Rate of Return	7.7563%	7.4809%	-0.2754%
7	Required Operating Income (Line 1 x Line 6)	14,476,442	14,835,769	359,327
8	Income Deficiency (Line 7 - Line 4)	8,151,013	7,277,877	(873,137)
9	Gross Revenue Conversion Factor	1.704	1.704	0
10	Revenue Deficiency (Line 8 x Line 9)	13,889,326	12,401,502	(1,487,825)
11	Retail Related Revenues Under Present Rates	200,283,172	257,186,462	56,903,290
12	Percentage Increase Needed in Overall Revenue (Line 10 / Line 11)	6.93%	4.82%	-2.11%

**COMPARISON OF PROPOSED INTERIM RATES TO 2012 ACTUAL
REVENUE REQUIREMENT
DESCRIPTION OF CHANGES**

Revenue Requirement decreased by approximately \$1.5 million for MERC's Minnesota Operations as a whole from the Company's 2012 historic year, compared to the 2014 test year in MERC's proposed interim rate petition, in Docket No. G011/GR-12-617.

The major components of the change in revenue requirement include:

Increase in operating income as before mentioned.

Minnesota Energy Resources Corporation
Comparison of Most Recent General Rate Case to 2012 Actual (Unadjusted)
Statement of Operating Income

Minnesota Energy Resources Corporation
Docket No. G011/GR-13-617
Schedule E
Part 1 of 3

<u>Line No.</u>	<u>Description</u>	<u>Total MERC From Most Recent General Rate Case Filing</u>	<u>Total MERC 2012 Unadjusted</u>	<u>Change</u>
<u>Operating Revenues</u>				
1	Retail	265,841,857	192,541,561	(73,300,296)
2	Weather Impact Net Margin Adjustment	-	-	-
3	Interdepartmental & Transportation	8,612,530	7,741,611	(870,919)
4	Other Operating	1,319,700	7,448,552	6,128,852
6	Total Operating Revenues	275,774,087	207,731,724	(68,042,363)
<u>Expenses</u>				
Operating Expenses:				
7	Purchased Gas	185,725,253	129,885,325	(55,839,928)
8	Other Production	753,171	703,335	(49,836)
9	Transmission	52,851	87,044	34,193
10	Distribution	13,495,501	15,626,966	2,131,465
11	Customer Accounting	11,350,358	10,325,222	(1,025,136)
12	Customer Service & Information	792,674	908,606	115,932
13	Administrative & General	16,249,265	16,098,269	(150,996)
14	Amortizations	8,856,622	8,482,316	(374,306)
15	Total Operating Expenses	237,275,695	182,117,082	(55,158,613)
16	Depreciaton	10,164,714	10,405,298	240,584
Taxes:				
18	Property	5,733,578	6,574,490	840,912
19	Federal & State Income Tax	6,391,169	625,522	(5,765,647)
20	Payroll & Other	1,219,058	1,465,457	246,399
21	Total Taxes	13,343,805	8,665,469	(4,678,336)
22	Total Expenses	260,784,214	201,187,850	(59,596,364)
23	Tax Effect of Interest Allowed	131,558	(134,292)	(265,850)
24	Allowance for Funds Used During Construction	-	-	-
25	Other Interest	-	84,154	84,154
26	Total Operating Income	15,121,431	6,325,429	(8,796,002)

**COMPARISON OF MOST RECENT COMMISSION APPROVED
RATE CASE TO 2012 ACTUALS
STATEMENT OF OPERATING INCOME
DESCRIPTION OF CHANGES**

Utility operating income decreased by approximately \$8.8 million for MERC's Minnesota Operations the Company's 2011 test year used for the most recent Commission approved rate case, at Docket No. G007,011/GR-10-977, compared to the 2012 historic year.

Major components of the decrease include:

A decrease in operating revenues of \$74.2 million, offset by a decrease in the cost of gas of \$55.8 million.

Operating expenses increased \$1.0 million.

Amortization decreased \$0.4 million due to lower collection of CIP revenue because of lower sales.

Depreciation expense increase \$0.2 million due to capital expenditures.

Property taxes increased \$0.8 million.

Taxes other than income taxes excluding property taxes increased \$0.2 million.

Income taxes decreased \$5.8 million.

Minnesota Energy Resources Corporation
Comparison of Most Recent General Rate Case to 2012 Actual (Unadjusted)
Detailed Rate Base Components

Minnesota Energy Resources Corporation
Docket No. G011/GR-13-617
Schedule E
Part 2 of 3

Line No.	Description	Total MERC From Most Recent General Rate Case Filing	Total MERC 2012 Unadjusted	Change
1	Plant in Service	335,469,121	347,618,867	12,149,746
2	Property Held for Future Use	-	-	-
3	Construction Work in Progress	-	2,518,857	2,518,857
4	Accumulated Depreciation and Plant Deferred Taxes	(164,142,456)	(182,896,008)	(18,753,552)
5	Customer Advances	(130,480)	-	
6	Net Utility Plant	<u>171,196,185</u>	<u>167,241,716</u>	<u>(4,084,949)</u>
7	Cash Working Capital	(1,984,067)	(2,506,031)	(521,964)
	Other Rate Base Items			
8	Materials and Supplies	(1,217,291)	229,559	1,446,850
9	Gas Storage	12,842,087	8,943,325	(3,898,762)
10	Non-Plant Assets & Liabilities	<u>8,971,714</u>	<u>12,732,508</u>	<u>3,760,794</u>
11	Total Other Rate Base Items	<u>20,596,510</u>	<u>21,905,392</u>	<u>1,308,882</u>
12	Total Average Rate Base	<u><u>189,808,628</u></u>	<u><u>186,641,077</u></u>	<u><u>(3,298,031)</u></u>

**COMPARISON OF MOST RECENT COMMISSION APPROVED
RATE CASE TO 2012 ACTUALS
RATE BASE
DESCRIPTION OF CHANGES**

Utility rate base decreases by approximately \$3.3 million for MERC's Minnesota Operations from the Company's 2011 test year used for the most recent Commission approved rate case, at Docket No. G007,011/GR-10-977, compared to the 2012 historic year.

Major components of the change of rate base include:

Net utility plant decreased by \$4.1 million primarily driven by an increase in plant deferred taxes.

The cost of gas in storage has decreased by \$3.9 million.

Cash working capital decreased by \$0.5 million.

Other rate based increased \$3.8 million primarily as a result of benefit plan funding.

Minnesota Energy Resources Corporation
Comparison of Most Recent General Rate Case to 2012 Actual (Unadjusted)
Summary of Revenue Requirements

Minnesota Energy Resources Corporation
Docket No. G011/GR-13-617
Schedule E
Part 3 of 3

<u>Line No.</u>	<u>Description</u>	<u>Total MERC From Most Recent General Rate Case Filing</u>	<u>Total MERC 2012 Unadjusted</u>	<u>Change</u>
1	Average Rate Base	189,808,628	186,641,077	(3,167,551)
2	Operating Income	15,121,431	6,325,429	(8,796,002)
3	Allowance for funds used during Construction	-	-	-
4	Total Available for Return	15,121,431	6,325,429	(8,796,002)
5	Overall Rate of Return (Line 4 / Line 1)	7.9667%	3.3891%	-4.5776%
6	Required Rate of Return	7.8275%	7.7563%	-0.0712%
7	Required Operating Income (Line 1 x Line 6)	14,857,270	14,476,442	(380,829)
8	Income Deficiency (Line 7 - Line 4)	(264,161)	8,151,013	8,415,174
9	Gross Revenue Conversion Factor	1.704	1.704	-
10	Revenue Deficiency (Line 8 x Line 9)	(450,130)	13,889,326	14,339,456
11	Retail Related Revenues Under Present Rates	274,454,387	200,283,172	(74,171,215)
12	Percentage Increase Needed in Overall Revenue (Line 10 / Line 11)	-0.16%	6.93%	7.10%

**COMPARISON OF MOST RECENT COMMISSION APPROVED
RATE CASE TO 2012 ACTUALS
REVENUE REQUIREMENTS
DESCRIPTION OF CHANGES**

Revenue Requirement increases by approximately \$14.3 million for MERC's Minnesota Operations from the Company's 201 test year used for the most recent Commission approved rate case, at Docket No. G007,011/GR-10-977, compared to the 2012 historic year.

The major components of the change in revenue requirement include:

Decrease in operating income as before mentioned.

INTERIM TARIFFS – REDLINE

SUMMARY OF INTERIM TARIFF CHANGES

Section V – Rate Schedules

General Service – Firm

GS-NNG 5.00

GS-Consolidated 5.02

Small Volume Interruptible Service

SVI-NNG 5.10

SVI-Consolidated 5.14

Large Volume Interruptible Service

LVI-NNG 5.20

LVI-Consolidated 5.24

Section VI – Transportation Schedule

Firm/Interruptible Transportation 6.01

Transportation Rate Schedule 6.10

Transportation for Resale 6.40

Section VII – Purchased Gas Adjustment 7.07

(This tariff page is filed on a monthly basis. Therefore, the tariff page contains only those numbers that do not change from month to month).

All other tariff pages remain as filed.

RATE SCHEDULE GS-NNG GENERAL SERVICE

1. Availability: Service under this rate schedule is available to towns and to related rural areas supplied by Northern Natural Gas in MERC's Minnesota Service Area.
2. Applicability and Character of Service: This rate schedule shall apply to firm gas service for customers whose normal requirement does not exceed 1,990 therms on peak day and such service shall not be subject to curtailment or interruption, but will be subject to curtailment by pipeline supplier in compliance with their approved Federal Energy Regulatory Commission curtailment plan.
3. Rates: Base rate of gas @ \$0.6~~35904355~~ (MERC-NNG) per therm
 - A. Residential
 Customer Charge per Month - \$8.50
 Distribution Charge @ \$0.19754 per therm
 - B. Commercial and Industrial - 1,500 therms or less per Year
 Customer Charge per Month - \$14.50
 Distribution Charge @ \$0.18525 per therm
 - C. Commercial and Industrial - Over 1,500 therms per Year
 Customer Charge per Month - \$35.00
 Distribution Charge @ \$0.16868 per therm

Rates set forth above are base rates subject to change in accordance with the provisions Purchase Gas Adjustment - Uniform Clause.

Interim Rate Adjustment: A customer charge interim rate adjustment on the bill will be calculated by multiplying the current customer charge by 14.8%. A per therm interim rate adjustment will be calculated by multiplying the current distribution charge by 14.8%. The combined effect of these interim rate adjustments will be shown as a single line item on the customer bill.

Monthly Minimum Bill: The minimum bill is the customer charge.

Volume Adjustment: Rates are based on gas with the equivalent heating value of 1000 Btu's.

Volumes may be subject to a Btu variance adjustment pursuant to designation 2.A of MERC's Minnesota General Rules, Regulations, Terms and Conditions.

Btu's will be calculated on an arithmetic average.

4. Late Payment Charge: If the unpaid balance is in excess of \$10, a late payment charge of 1.5% of the unpaid balance or \$1 whichever is greater shall be added to the unpaid balance if the bill is not paid by the next billing date, for residential and Even Pay Plan customers, or within 17 days of the current billing date for nonresidential customers. For residential customers, the next billing date must not be less than 25 days from the current billing date. No late payment charge will be made if the unpaid balance is \$10 or less.
5. General Terms and Conditions: The General Terms and Conditions contained in this tariff shall apply to this rate schedule.

RATE SCHEDULE GS-NNG GENERAL SERVICE (Continued)

6. Remarks: Reflects interim rates at Docket No. G011/GR-13-617. If the total amount of the rate increase approved at the end of the Company's rate case is lower than the total amount of interim rates collected, the Company will refund the difference with interest, and if the total amount of final rates is higher than the total amount of interim rates, the Company will not charge customers for the difference.

CANCELED

Issued By: DM Derricks~~J-F Schott~~
Asst. VP Regulatory Affairs
Submittal Date: September 30, 2013

*Effective Date: December 1, 201~~3~~2
Proposed Effective Date: December 1, 201~~3~~2

*Effective with bills issued on and after this date.

RATE SCHEDULE GS-CONSOLIDATED GENERAL SERVICE

1. Availability: Service under this rate schedule is available to towns and to related rural areas supplied by Viking Gas Transmission, Great Lakes Gas Transmission, and Centra in MERC's Minnesota Service Area.
2. Applicability and Character of Service: This rate schedule shall apply to firm gas service for customers whose normal requirement does not exceed 1,990 therms on peak day and such service shall not be subject to curtailment or interruption, but will be subject to curtailment by pipeline supplier in compliance with their approved Federal Energy Regulatory Commission curtailment plan.
3. Rates: Base rate of gas @ \$0.530837194 (MERC-Consolidated) per therm
 - A. Residential
Customer Charge per Month - \$8.50
Distribution Charge @ \$0.19754 per therm
 - B. Commercial and Industrial - 1,500 therms or less per Year
Customer Charge per Month - \$14.50
Distribution Charge @ \$0.18525 per therm
 - C. Commercial and Industrial - Over 1,500 therms per Year
Customer Charge per Month - \$35.00
Distribution Charge @ \$0.16868 per therm

Rates set forth above are base rates subject to change in accordance with the provisions Purchase Gas Adjustment - Uniform Clause.

Interim Rate Adjustment: A customer charge interim rate adjustment on the bill will be calculated by multiplying the current customer charge by 14.8%. A per therm interim rate adjustment will be calculated by multiplying the current distribution charge by 14.8%. The combined effect of these interim rate adjustments will be shown as a single line item on the customer bill.

Monthly Minimum Bill: The minimum bill is the customer charge.

Volume Adjustment: Rates are based on gas with the equivalent heating value of 1000 Btu's.

Volumes may be subject to a Btu variance adjustment pursuant to designation 2.A of MERC's General Rules, Regulations, Terms and Conditions.

Btu's will be calculated on an arithmetic average.

4. Late Payment Charge: If the unpaid balance is in excess of \$10, a late payment charge of 1.5% of the unpaid balance or \$1 whichever is greater shall be added to the unpaid balance if the bill is not paid by the next billing date, for residential and Even Pay Plan customers, or within 17 days of the current billing date for nonresidential customers. For residential customers, the next billing date must not be less than 25 days from the current billing date. No late payment charge will be made if the unpaid balance is \$10 or less.
5. General Terms and Conditions: The General Terms and Conditions contained in this tariff shall apply to this rate schedule.

Issued By: DM Derricks

Asst. VP Regulatory Affairs

Submittal Date: ~~June 10, 2013~~ September 30, 2013

*Effective with bills issued on and after this date.

*Effective Date: ~~December~~ July 1, 2013

Proposed Effective Date: ~~December~~ July 1, 2013

RATE SCHEDULE GS-CONSOLIDATED GENERAL SERVICE (Continued)

6. Remarks: Reflects interim rates at Docket No. G011/GR-13-617. If the total amount of the rate increase approved at the end of the Company's rate case is lower than the total amount of interim rates collected, the Company will refund the difference with interest, and if the total amount of final rates is higher than the total amount of interim rates, the Company will not charge customers for the difference.

CANCELED

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Asst. VP Regulatory Affairs

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*Effective Date: December 1, 201~~32~~
Proposed Effective Date: December 1, 201~~32~~

RATE SCHEDULE SVI-NNG SMALL VOLUME INTERRUPTIBLE SERVICE

1. Availability: Service under this rate schedule is available to towns and to related rural areas supplied through Northern Natural Gas in MERC's Minnesota Service Area.
2. Applicability and Character of Service: This rate schedule shall apply to small volume gas service which is subject to interruption at any time upon order of MERC. Daily consumption should not exceed 199 dekatherms on any day. Customer must have and maintain both the proven capability and adequate fuel supplies to use alternative fuel if MERC's service to such customer is interrupted. At MERC's request, the customer must demonstrate that it has such capability and fuel supplies. If customer or MERC thinks customer's maximum daily consumption is 200 dekatherms per day or more, usage will be monitored by the MERC to determine whether the customer qualifies for large volume service. Interruptible service is available to a Human Needs Customer only if the customer has signed an affidavit that it has and will maintain both the proven capability and adequate fuel supplies to use alternate fuel if MERC's service to such customer is interrupted. At MERC's request, the customer must demonstrate that it has such capability and fuel supplies. A firm customer may transfer to interruptible service for the period November 1 through October 31 after giving the Company ninety days advance notice prior to November 1. An interruptible customer may not return to firm service until the next November 1st and must notify the Company in writing at least ninety days prior to the transfer. A customer may only transfer to firm sales service if Company is able to arrange adequate additional firm gas entitlements to meet the needs imposed on its system by the customer, without jeopardizing system reliability or increasing costs for its other customers.
3. Customer has the option to obtain joint gas service consisting of a base of firm gas volume, supplemented by interruptible volumes not to exceed 199 dekatherms per day. A customer may transfer to joint gas service for the period November 1 through October 31 after giving the Company ninety days advance notice prior to November 1. A joint customer must maintain joint gas service and must nominate a DFC for the entire November through October period. A joint customer may not return to interruptible or firm service until the next November 1st and must notify the Company in writing at least ninety days prior to the transfer. A customer may only transfer to firm sales service if Company is able to arrange adequate additional firm gas entitlements to meet the needs imposed on its system by the customer, without jeopardizing system reliability or increasing costs for its other customers.
4. Rates:
 - A. Per month: Customer Charge \$150.00 per meter
 Base rate of gas @ \$0.4~~56357461~~ (MERC-NNG) per therm
 Distribution charge @ \$0.10647 per therm
 - B. The rate per therm of daily firm capacity, if any, shall be \$~~1-956202.00712~~ per MDQ, as defined in the General Rules, Regulations, Terms and Conditions, per month. See Sheet No. 7.07 for rate details.

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Asst. VP Regulatory Affairs

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*Effective Date: ~~December~~July 1, 2013Proposed Effective Date: ~~December~~July 1, 2013

RATE SCHEDULE SVI-NNG SMALL VOLUME INTERRUPTIBLE SERVICE (Continued)

C. **Late Payment Charge:** If the unpaid balance is in excess of \$10, a late payment charge of 1.5% of the unpaid balance or \$1 whichever is greater shall be added to the unpaid balance if the bill is not paid by the next billing date, for residential and Even Pay Plan customers, or within 17 days of the current billing date for nonresidential customers. For residential customers, the next billing date must not be less than 25 days from the current billing date. No late payment charge will be made if the unpaid balance is \$10 or less.

D. Rates set forth above are base rates subject to change in accordance with the provisions of Purchase Gas Adjustment Uniform Clause.

Volume Adjustment: Rates are based on gas with the equivalent heating value of 1000 Btu's. Volumes may be subject to a Btu variance adjustment pursuant to designation 2.A of MERC's General Rules, Regulations, Terms and Conditions. Btu's will be calculated on an arithmetic average.

5. **Monthly Minimum Bill:** The monthly minimum bill is the customer charge, the daily firm capacity charge, if any, and the applicable commodity charge for all volumes taken.
6. **Penalty For Unauthorized Takes When Service Is Interrupted:** Applicable rate in Paragraph "4" plus either the charge from pipeline (see Sheet 6.50) or \$20.00 per dekatherm so taken, whichever is applicable.
7. **Telemetry:** Customers other than farm tap customers must install telemetry equipment. Customer shall reimburse Company for all costs incurred by Company to install and maintain telemetry equipment or other related improvements. Any such equipment and improvements shall remain the property of Company.
8. **General Terms and Conditions:** The General Terms and Conditions contained in this tariff shall apply to this rate schedule.

<p>CANCELED</p>

Issued By: J-F Schott~~DM Derricks~~
Asst. VP Regulatory Affairs
Submittal Date: September 30, 2013

*Effective Date: December 1, 201~~32~~
Proposed Effective Date: December 1, 201~~32~~

*Effective with bills issued on and after this date.

CANCELED

Issued By: J-F Schott~~DM Derricks~~
Asst. VP Regulatory Affairs
Submittal Date: September 30, 2013

*Effective Date: December 1, 201~~32~~
Proposed Effective Date: December 1, 201~~32~~

*Effective with bills issued on and after this date.

RATE SCHEDULE SVI-CONSOLIDATED SMALL VOLUME INTERRUPTIBLE SERVICE

1. Availability: Service under this rate schedule is available to towns and to related rural areas supplied through Viking Gas Transmission, Great Lakes Gas Transmission, and Centra in MERC's Minnesota Service Area.
2. Applicability and Character of Service: This rate schedule shall apply to small volume gas service which is subject to interruption at any time upon order of MERC. Daily consumption should not exceed 199 dekatherms on any day. Customer must have and maintain both the proven capability and adequate fuel supplies to use alternative fuel if MERC's service to such customer is interrupted. At MERC's request, the customer must demonstrate that it has such capability and fuel supplies. If customer or MERC thinks customer's maximum daily consumption is 200 dekatherms per day or more, usage will be monitored by MERC to determine whether the customer qualifies for large volume service. Interruptible service is available to a Human Needs Customer only if the customer has signed an affidavit that it has and will maintain both the proven capability and adequate fuel supplies to use alternate fuel if MERC's service to such customer is interrupted. At MERC's request, the customer must demonstrate that it has such capability and fuel supplies. A firm customer may transfer to interruptible service for the period November 1 through October 31 after giving the Company ninety days advance notice prior to November 1. An interruptible customer may not return to firm service until the next November 1st and must notify the Company in writing at least ninety days prior to the transfer. A customer may only transfer to firm sales service if Company is able to arrange adequate additional firm gas entitlements to meet the needs imposed on its system by the customer, without jeopardizing system reliability or increasing costs for its other customers.
3. Customer has the option to obtain joint gas service consisting of a base of firm gas volume, supplemented by interruptible volumes not to exceed 199 dekatherms per day. A customer may transfer to joint gas service for the period November 1 through October 31 after giving the Company ninety days advance notice prior to November 1. A joint customer must maintain joint gas service and must nominate a DFC for the entire November through October period. A joint customer may not return to interruptible or firm service until the next November 1st and must notify the Company in writing at least ninety days prior to the transfer. A customer may only transfer to firm sales service if Company is able to arrange adequate additional firm gas entitlements to meet the needs imposed on its system by the customer, without jeopardizing system reliability or increasing costs for its other customers.
4. Rates:
 - A. Per month: Customer Charge \$150.00 per meter
Base rate of gas @ \$0.48256555(MERC) per therm
Distribution charge @ \$0.10647 per therm
 - B. The rate per therm of daily firm capacity, if any, shall be \$0.590376880 per MDQ, as defined in the General Rules, Regulations, Terms and Conditions, per month. See Sheet No. 7.07 for rate details.

Issued By: DM Derricks
Asst. VP Regulatory Affairs

Submittal Date: ~~June 10, 2013~~ September 30, 2013

*Effective with bills issued on and after this date.

*Effective Date: ~~December~~ July 1, 2013
Proposed Effective Date: ~~December~~ July 1, 2013

RATE SCHEDULE SVI-CONSOLIDATED SMALL VOLUME INTERRUPTIBLE SERVICE (Continued)

Interim Rate Adjustment: A customer charge interim rate adjustment on the bill will be calculated by multiplying the current customer charge by 14.8%. A per therm interim rate adjustment will be calculated by multiplying the current distribution charge by 14.8%. For customers receiving joint service, a per therm interim rate adjustment for daily firm capacity will be calculated by multiplying the current margin rate of \$0.2300 by 14.8%. The combined effect of these interim rate adjustments will be shown as a single line item on the customer bill.

C. Late Payment Charge: If the unpaid balance is in excess of \$10, a late payment charge of 1.5% of the unpaid balance or \$1 whichever is greater shall be added to the unpaid balance if the bill is not paid by the next billing date, for residential and Even Pay Plan customers, or within 17 days of the current billing date for nonresidential customers. For residential customers, the next billing date must not be less than 25 days from the current billing date. No late payment charge will be made if the unpaid balance is \$10 or less.

D. Rates set forth above are base rates subject to change in accordance with the provisions of Purchase Gas Adjustment Uniform Clause.

Volume Adjustment: Rates are based on gas with the equivalent heating value of 1000 Btu's. Volumes may be subject to a Btu variance adjustment pursuant to designation 2.A of MERC's General Rules, Regulations, Terms and Conditions. Btu's will be calculated on an arithmetic average.

5. Monthly Minimum Bill: The monthly minimum bill is the customer charge, the daily firm capacity charge, if any, and the applicable commodity charge for all volumes taken.
6. Penalty For Unauthorized Takes When Service Is Interrupted: Applicable rate in Paragraph "4" plus either the charge from pipeline (see Sheet 6.50) or \$20.00 per dekatherm so taken, whichever is applicable.
7. Telemetry: Customer must install telemetry equipment. Customer shall reimburse Company for all costs incurred by Company to install and maintain telemetry equipment or other related improvements. Any such equipment and improvements shall remain the property of Company.
8. General Terms and Conditions: The General Terms and Conditions contained in this tariff shall apply to this rate schedule.
9. Remarks: Reflects interim rates at Docket No. G011/GR-13-617. If the total amount of the rate increase approved at the end of the Company's rate case is lower than the total amount of interim rates collected, the Company will refund the difference with interest, and if the total amount of final rates is higher than the total amount of interim rates, the Company will not charge customers for the difference.

CANCELED

Issued By: DM Derricks~~J-F Schott~~
Asst. VP Regulatory Affairs
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RATE SCHEDULE LVI-NNG LARGE VOLUME INTERRUPTIBLE SERVICE

1. Availability: Service under this rate schedule is available to towns and mainline customers supplied through Northern Natural Gas in MERC's Minnesota Service Area.
2. Applicability and Character of Service: This rate schedule shall apply to large volume gas service which is subject to interruption at any time upon order of MERC. Customer must have and maintain both the proven capability and adequate fuel supplies to use alternative fuel if MERC's service to such customer is interrupted. At MERC's request, the customer must demonstrate that it has such capability and fuel supplies. Customer must take 200 dekatherms or more per day at least once in a calendar year. MERC will have measuring equipment in place to determine that customer takes at least 200 dekatherms per day at least once on an annual basis. Interruptible service is available to a Human Needs Customer only if the customer has signed an affidavit that it has and will maintain both the proven capability and adequate fuel supplies to use alternate fuel if MERC's service to such customer is interrupted. At MERC's request, the customer must demonstrate that it has such capability and fuel supplies. A firm customer may transfer to interruptible service for the period November 1 through October 31 after giving the Company ninety days advance notice prior to November 1. An interruptible customer may not return to firm service until the next November 1st and must notify the Company in writing at least ninety days prior to the transfer. A customer may only transfer to firm sales service if Company is able to arrange adequate additional firm gas entitlements to meet the needs imposed on its system by the customer, without jeopardizing system reliability or increasing costs for its other customers.
3. Customer has the option to obtain joint gas service consisting of a base of firm gas volume, supplemented by interruptible volumes which must be 200 dekatherms or more per day at least once in a calendar year. A customer may transfer to joint gas service for the period November 1 through October 31 after giving the Company ninety days advance notice prior to November 1. A joint customer must maintain joint gas service and must nominate a DFC for the entire November through October period. A joint customer may not return to interruptible or firm service until the next November 1st and must notify the Company in writing at least ninety days prior to the transfer. A customer may only transfer to firm sales service if Company is able to arrange adequate additional firm gas entitlements to meet the needs imposed on its system by the customer, without jeopardizing system reliability or increasing costs for its other customers.
4. Rates:
 - A. Per month: Customer Charge \$175.00 per meter
Base rate of gas @ \$0.4~~56357461~~ (MERC-NNG) per therm
Distribution charge @ \$0.03568 per therm
 - B. The rate per therm of daily firm capacity, if any, shall be \$~~1.956202.00712~~ per MDQ, as defined in the General Rules, Regulations, Terms and Conditions, per month. See Sheet No. 7.07 for rate details.

Interim Rate Adjustment: A customer charge interim rate adjustment on the bill will be calculated by multiplying the current customer charge by 14.8%. A per therm interim rate adjustment will be calculated by multiplying the current distribution charge by 14.8%. For customers receiving joint service, a per therm interim rate adjustment for daily firm capacity will be calculated by multiplying the current margin rate of \$0.2300 by 14.8%. The combined effect of these interim rate adjustments will be shown as a single line item on the customer bill.

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RATE SCHEDULE LVI-NNG LARGE VOLUME INTERRUPTIBLE SERVICE (Continued)

C. **Late Payment Charge:** If the unpaid balance is in excess of \$10, a late payment charge of 1.5% of the unpaid balance or \$1 whichever is greater shall be added to the unpaid balance if the bill is not paid by the next billing date, for residential and Even Pay Plan customers, or within 17 days of the current billing date for nonresidential customers. No late payment charge will be made if the unpaid balance is \$10 or less.

D. Rates set forth above are base rates subject to change in accordance with the provisions of Purchase Gas Adjustment Uniform Clause.

Volume Adjustment: Rates are based on gas with the equivalent heating value of 1000 Btu's. Volumes may be subject to a Btu variance adjustment pursuant to designation 2.A of MERC's General Rules, Regulations, Terms and Conditions. Btu's will be calculated on an arithmetic average.

5. Monthly Minimum Bill: The monthly minimum bill is the customer charge, the daily firm capacity charge, if any, and the applicable commodity charge for all volumes taken.
6. Penalty For Unauthorized Takes When Service Is Interrupted: Applicable rate in Paragraph "4" plus either the charge from pipeline (see Sheet 6.50) or \$20.00 per dekatherm so taken, whichever is applicable.
7. Telemetry: Customers other than farm tap customers must install telemetry equipment. Customer shall reimburse Company for all costs incurred by Company to install and maintain telemetry equipment or other related improvements. Any such equipment and improvements shall remain the property of Company.
8. General Terms and Conditions: The General Terms and Conditions contained in this tariff shall apply to this rate schedule.
9. Determination of Conservation Cost Recovery Charge (CCRC): The CCRC is the amount included in base rates dedicated to the recovery of CIP costs as approved by the MPUC. The CCRC factor is approved and applied on a per therm basis.
10. Determination of CCRC Exemption: For those customer accounts granted an exemption by the Commissioner of Minnesota Department of Commerce, Division of Energy Resources (or successor agency) from Conservation Improvement Program (CIP) costs pursuant to Minnesota Statutes § 216B.241, the CCRC shall not apply. Those customers will not be charged the per therm CCRC factor.

11. **Remarks: Reflects interim rates at Docket No. G011/GR-13-617. If the total amount of the rate increase approved at the end of the Company's rate case is lower than the total amount of interim rates collected, the Company will refund the difference with interest, and if the total amount of final rates is higher than the total amount of interim rates, the Company will not charge customers for the difference.**

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RATE SCHEDULE LVI-CONSOLIDATED LARGE VOLUME INTERRUPTIBLE SERVICE

1. Availability: Service under this rate schedule is available to towns and to related rural areas supplied through Viking Gas Transmission, Great Lakes Gas Transmission, and Centra in MERC's Minnesota Service Area.
2. Applicability and Character of Service: This rate schedule shall apply to large volume gas service which is subject to interruption at any time upon order of MERC. Customer must have and maintain both the proven capability and adequate fuel supplies to use alternative fuel if MERC's service to such customer is interrupted. At MERC's request, the customer must demonstrate that it has such capability and fuel supplies. Customer must take 200 dekatherms or more per day at least once in a calendar year. MERC will have measuring equipment in place to determine that customer takes at least 200 dekatherms per day at least once on an annual basis. Interruptible service is available to a Human Needs Customer only if the customer has signed an affidavit that it has and will maintain both the proven capability and adequate fuel supplies to use alternate fuel if MERC's service to such customer is interrupted. At MERC's request, the customer must demonstrate that it has such capability and fuel supplies. A firm customer may transfer to interruptible service for the period November 1 through October 31 after giving the Company ninety days advance notice prior to November 1. An interruptible customer may not return to firm service until the next November 1st and must notify the Company in writing at least ninety days prior to the transfer. A customer may only transfer to firm sales service if Company is able to arrange adequate additional firm gas entitlements to meet the needs imposed on its system by the customer, without jeopardizing system reliability or increasing costs for its other customers.
3. Customer has the option to obtain joint gas service consisting of a base of firm gas volume, supplemented by interruptible volumes which must be 200 dekatherms or more per day at least once in a calendar year. A customer may transfer to joint gas service for the period November 1 through October 31 after giving the Company ninety days advance notice prior to November 1. A joint customer must maintain joint gas service and must nominate a DFC for the entire November through October period. A joint customer may not return to interruptible or firm service until the next November 1st and must notify the Company in writing at least ninety days prior to the transfer. A customer may only transfer to firm sales service if Company is able to arrange adequate additional firm gas entitlements to meet the needs imposed on its system by the customer, without jeopardizing system reliability or increasing costs for its other customers.
4. Rates:
 - A. Per month: Customer Charge - \$175.00 per meter
Base rate of gas @ \$0.4~~825655~~ (MERC) per therm
Distribution charge @ \$0.03568 per therm
 - B. The rate per therm of daily firm capacity, if any, shall be \$0.5~~90376880~~ per MDQ, as defined in the General Rules, Regulations, Terms and Conditions, per month. See Sheet No. 7.07 for rate details.

Interim Rate Adjustment: A customer charge interim rate adjustment on the bill will be calculated by multiplying the current customer charge by 14.8%. A per therm interim rate adjustment will be calculated by multiplying the current distribution charge by 14.8%. For customers receiving joint service, a per therm interim rate adjustment for daily firm capacity will be calculated by multiplying the current margin rate of \$0.2300 by 14.8%. The combined effect of these interim rate adjustments will be shown as a single line item on the customer bill.

RATE SCHEDULE LVI-CONSOLIDATED- LARGE VOLUME INTERRUPTIBLE SERVICE
 (Continued)

C. **Late Payment Charge:** If the unpaid balance is in excess of \$10, a late payment charge of 1.5% of the unpaid balance or \$1 whichever is greater shall be added to the unpaid balance if the bill is not paid by the next billing date, for residential and Even Pay Plan customers, or within 17 days of the current billing date for nonresidential customers. For residential customers, the next billing date must not be less than 25 days from the current billing date. No late payment charge will be made if the unpaid balance is \$10 or less.

D. Rates set forth above are base rates subject to change in accordance with the provisions of Purchased Gas Adjustment - Uniform Clause.

Volume Adjustment: Rates are based on gas with the equivalent heating value of 1000 Btu's. Volumes may be subject to a Btu variance adjustment pursuant to designation 2.A of MERC's General Rules, Regulations, Terms and Conditions. Btu's will be calculated on an arithmetic average.

5. Monthly Minimum Bill: The monthly minimum bill is the customer charge, the daily firm capacity charge, if any, and the applicable commodity charge for all volumes taken.
6. Penalty For Unauthorized Takes When Service Is Interrupted: Applicable rate in Paragraph "4" plus either applicable charge from pipeline (see Sheet 6.50) or \$20.00 per dekatherm so taken, whichever is applicable.
7. General Terms and Conditions: The General Terms and Conditions contained in this tariff shall apply to this rate schedule.
8. Telemetry: Customer must install telemetry equipment. Customer shall reimburse Company for all costs incurred by Company to install and maintain telemetry equipment or other related improvements. Any such equipment and improvements shall remain the property of Company.
9. Determination of Conservation Cost Recovery Charge (CCRC): The CCRC is the amount included in base rates dedicated to the recovery of CIP costs as approved by the MPUC. The CCRC factor is approved and applied on a per therm basis.
10. Determination of CCRC Exemption: For those customer accounts granted an exemption by the Commissioner of the Minnesota Department of Commerce, Division of Energy Resources (or successor agency) from Conservation Improvement Program (CIP) costs pursuant to Minnesota Statutes § 216B.241, the CCRC shall not apply. Those customers will not be charged the per therm CCRC factor.
11. Remarks: Reflects interim rates at Docket No. G011/GR-13-617. If the total amount of the rate increase approved at the end of the Company's rate case is lower than the total amount of interim rates collected, the Company will refund the difference with interest, and if the total amount of final rates is higher than the total amount of interim rates, the Company will not charge customers for the difference.

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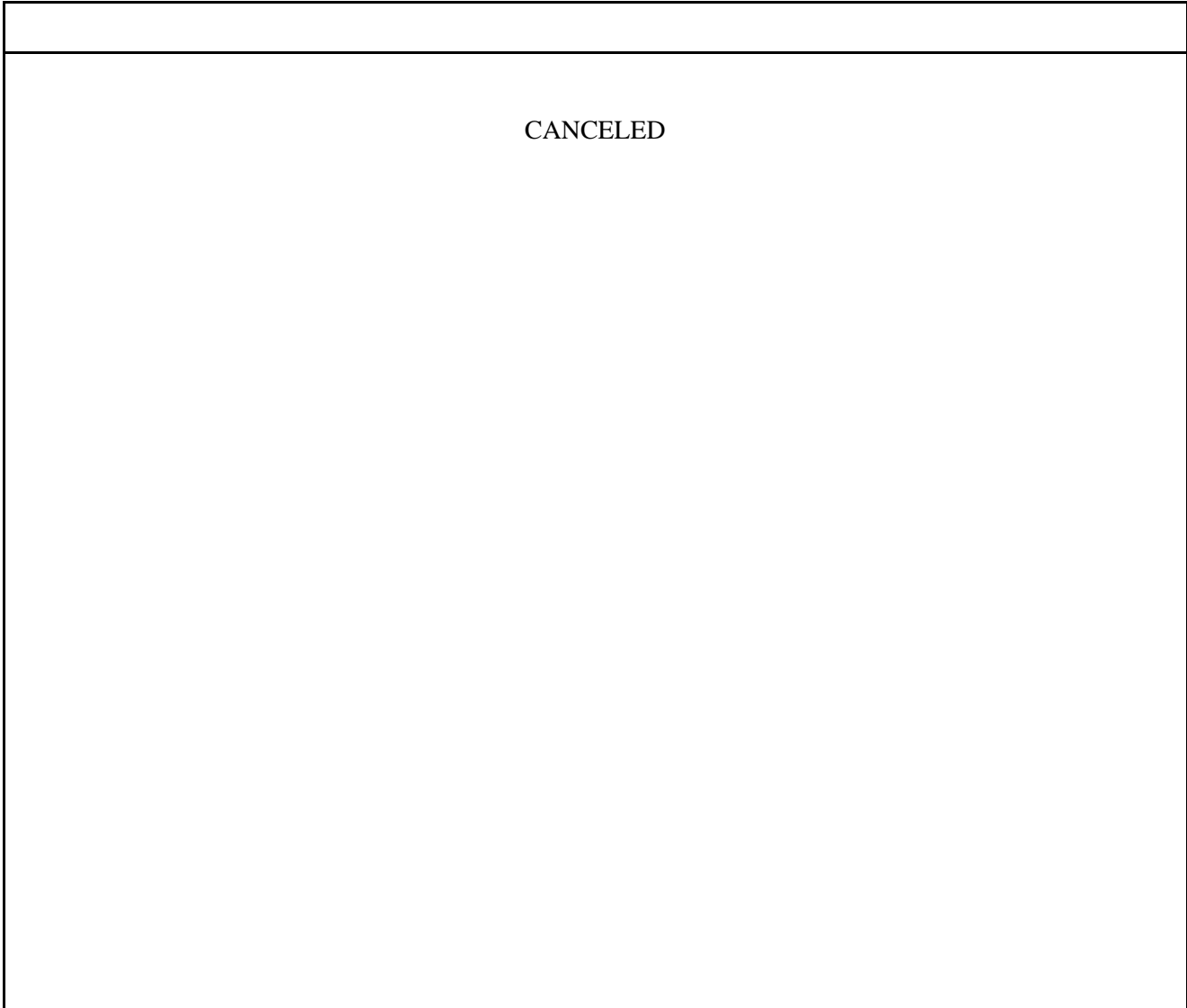
CANCELED

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RATE SCHEDULE S-LV SUPER LARGE VOLUME SERVICE

1. Availability: Service under this rate schedule is available to large volume mainline customers supplied through Northern Natural Gas Company.

2. Applicability and Character of Service: This rate schedule shall apply to joint gas service consisting of a base of firm gas volume, supplemented by additional interruptible gas volumes authorized from day to day. A customer may transfer to joint gas service for the period November 1 through October 31 after giving the Company ninety days advance notice prior to November 1 and must maintain joint gas service and must nominate a DFC for the entire November through October period. A customer may not transfer to interruptible or firm service until the next November 1st and must notify the Company in writing at least ninety days prior to the transfer. A customer may only transfer to firm sales service if Company is able to arrange adequate additional firm gas entitlements to meet the needs imposed on its system by the customer, without jeopardizing system reliability or increasing costs for its other customers. Customer must have and maintain both the proven capability and adequate fuel supplies to use alternative fuel if MERC's service to such customer is interrupted. At MERC's request the customer must demonstrate it has such capability and fuel supplies for amounts in excess of firm entitlement volumes to maintain operations during periods of curtailment. Customer must have capacity to take 4,000 dekatherms or more per day and annual consumption of 1.2 Bcf (1,200,000 dekatherms), except that, where consumption falls below this level due exclusively to efforts to conserve energy, or temporarily due to a strike or shutdown, customer is still eligible to take service under this tariff. Customer must document conservation efforts to justify consumption below 1,200,000 dekatherms.

3. Rate:
 - A. The customer charge shall be \$300.00 per month per meter.
 - B. The rate per therm of daily firm capacity shall be ~~\$1.95620~~2.00712 (MERC-NNG) per MDQ, as defined in the General Rules, Regulations, Terms and Conditions, per month. See Sheet No. 7.07 for rate details. No demand charge shall be billed to customer or shall be due from them for days during a month when total curtailment of their daily firm capacity entitlement was in effect. For days of partial curtailment, however, daily firm capacity charges shall be billed to and paid by customer in an amount determined by dividing the monthly daily firm capacity charge by 30 and multiplying the product by a ratio, the numerator of which is the actual volumes delivered on such day and the denominator of which is the customer's daily firm capacity.
 - C. The base rate of gas is \$0.47461 (MERC-NNG) per therm, and the distribution charge is \$0.00420 per therm.
 - D. The monthly minimum bill shall be the customer charge, the daily firm capacity charge and the applicable commodity charge for all volumes taken subject to and computed in accordance with C.
 - E. Rates set forth above are base rates subject to change in accordance with the provisions of Purchased Gas Adjustment - Uniform Clause.

RATE SCHEDULE S-LV SUPER LARGE VOLUME SERVICE (CONTINUED)

Volume Adjustment: Rates are based on gas with the equivalent heating value of 1000 Btu's.

Volumes may be subject to a Btu variance adjustment pursuant to designation 2.A. of MERC's General Rules, Regulations, Terms and Conditions.

Btu's will be calculated on an arithmetic average.

4. Late Payment Charge: If the unpaid balance is in excess of \$10, a late payment charge of 1.5% of the unpaid balance or \$1 whichever is greater shall be added to the unpaid balance if the bill is not paid within 17 days of the current billing date. No late payment charge will be made if the unpaid balance is \$10 or less.
5. Penalty For Unauthorized Takes When Service Is Interrupted: Buyer shall be billed and shall pay \$20.00 per dekatherm for unauthorized overrun gas in addition to the rates in Paragraph "3". In addition, should Northern Natural Gas Company call a Critical Day, the penalty for unauthorized takes will be those set out on Sheet No. 6.50.
6. General Terms and Conditions: The General Terms and Conditions contained in this tariff shall apply to this rate schedule.
7. Telemetry: Customers other than farm tap customers must install telemetry equipment. Customer shall reimburse Company for all costs incurred by Company to install and maintain telemetry equipment or other related improvements. Any such equipment and improvements shall remain the property of Company.
8. Determination of Conservation Cost Recovery Charge (CCRC): The CCRC is the amount included in base rates dedicated to the recovery of CIP costs as approved by the MPUC. The CCRC factor is approved and applied on a per therm basis.
9. Determination of CCRC Exemption: For those customer accounts granted an exemption by the Commissioner of the Minnesota Department of Commerce, Division of Energy Resources (or successor agency) from Conservation Improvement Program (CIP) costs pursuant to Minnesota Statutes § 216B.241, the CCRC shall not apply. Those customers will not be charged the per therm CCRC factor.

TRANSPORTATION RATE SCHEDULE

1. Availability: Service under this rate schedule is available to any non-general service end-use customer who purchases gas supplies that can be transported on a firm or interruptible basis by MERC. Service hereunder shall be offered on a firm or interruptible basis contingent upon adequate interstate pipeline system capacity. Transportation service is not available to general service customers. Transportation is only allowed on open access pipelines (Centra is the only non-open access pipeline).

Service will be provided on a firm basis only if the customer has arranged firm transportation for such gas supplies on the interstate pipeline serving Company's distribution system and the customer has provided to Company a joint affidavit confirming this signed by the customer and, if applicable, the marketer. Interruptible transportation is available to a Human Needs Customer only if the customer has signed an affidavit that it has and will maintain both the proven capability and adequate fuel supplies to use alternate fuel if Company's service to such customer is interrupted. At Company's request, the customer must demonstrate that it has such capability and fuel supplies.

Class of Service: Transportation customers, if otherwise qualified for the rate, may choose transportation service from one of the following classes:

Small Volume Interruptible Service
 Large Volume Interruptible Service

Small Volume Joint Firm/Interruptible Service
 Large Volume Joint Firm/Interruptible Service

Super Large Volume Service
 Super Large Volume Interruptible Transport (See Rate Schedule Sheet Nos. 6.20 and 6.25) only available for transportation not sales service.

2. Rate:

Fixed Rate

Customer Charge - \$70.00 per month per metered account for administrative costs related to transportation plus the monthly customer charge according to the applicable sales rate schedule for which the customer would otherwise qualify.

Daily Firm Capacity Charge

If applicable is at the rate set in the customer's regular sales tariff schedule as shown on Sheet 7.07, Column F.

Commodity Charge

All volumes received by the customer hereunder shall be charged a rate equal to the tariff margin component of Company's rate then in effect under its sales rate schedule for such customer as shown on Sheet 7.07, Column D. In addition, the customer must pay for all fixed gas costs assigned to the customer in the regular sales tariff rate. Fixed gas costs could include but are not limited to the following:

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TRANSPORTATION RATE SCHEDULE (Continued)

Daily Firm Capacity Charge
 Annual Cost Adjustment Charges
 Any other Fixed costs passed on by the pipeline, applicable for recovery

Additional costs will be assigned as they are authorized by the FERC or Minnesota Public Utilities Commission to be charged for transportation services, including but not limited to take-or-pay costs, TCR costs, and GRI costs. In addition, all firm volumes delivered from system gas supply shall be charged the rate set in the appropriate sales tariff schedule.

Interim Rate Adjustment: A 14.8% adjustment will be applied to each bill prior to any applicable cost of gas charges and surcharges. The interim rate adjustment will be shown as a single line item on the customer bill.

3. Special Conditions:

- A. Customer must have arranged for the purchase of gas other than Company's system supply and for its delivery to Company system. Company shall be deemed to have title to transportation gas, as necessary, to arrange interstate pipeline transportation to Company's system.
- B. The customer shall execute a written contract for transportation services pursuant to this rate schedule containing such terms and conditions as Company may reasonably require.
- C. All Large Volume transportation customers other than farm tap customers must have Company install telemetry equipment at the customer's expense. The telemetry equipment must be installed no later than 90 days after the commencement of natural gas service to the customer. Large volume seasonal, non-winter peaking customers whose annual volumes are less than 50,000 dekatherm, may request in writing a waiver of the telemetry requirements. All Small Volume transportation customers other than farm tap customers must have Company install telemetry equipment at the customer's expense. Customers must reimburse Company for the cost incurred by Company to install telemetry equipment and for the cost of any other improvements made by Company in order to provide this transportation service. Company will offer financing for periods up to 90 days interest free. Company will offer financing with interest to a customer to pay for the installation of telemetry equipment for a period of more than 90 days but not more than 12 consecutive months on a non-regulated basis. The telemetry equipment and any other improvements made by Company shall remain the property of Company.
- D. Company's sales refunds applicable to the period when gas is transported will not be made to transportation customers.
- E. The order of gas delivery for purposes of billing will be as follows:
 - a. First, customer-owned firm volumes.
 - b. Second, customer-owned interruptible volumes.
 - c. Third, sales gas priced per Company's applicable sales tariffs.
- F. Customer agrees to curtail the use of gas purchased from third party suppliers of gas when the gas purchased from the third party is not delivered to Company's system.
- G. Customers may transfer to Transportation Service for the period November 1 through October 31 after giving the Company ninety days advance notice prior to November 1. A transportation customer must maintain transportation service for the entire November through October period. A transportation customer may not return to sales service until the next November 1st and must notify the Company in writing at least ninety days prior to the transfer. A customer may only transfer to

TRANSPORTATION RATE SCHEDULE (Continued)

firm sales service if Company is able to arrange adequate additional firm gas entitlements to meet the needs imposed on its system by the customer, without jeopardizing system reliability or increasing costs for its other customers.

- H. Joint rate transportation service customers can select one of the following two options:
- 1) Customers served under the joint sales rate may purchase both interstate pipeline capacity and Company's distribution system capacity from Company. In this case, customers would be billed the "Base Gas Cost", "PGA Adjustment", "Annual ACA Adjustment", and the "Tariff Margin" (as shown on Company's tariff sheet No. 7.07).
 - 2) Customers may choose to separately purchase interstate pipeline capacity from a third party non-regulated supplier (as demonstrated by providing Company with a joint affidavit signed by the customer and the third party supplier) and distribution system capacity from Company. In this case, customers would be billed only the "Tariff Margin" (as shown on Company tariff sheet No. 7.07).

Customers purchasing interstate pipeline capacity from third party non-regulated suppliers must be able to demonstrate they have been provided the necessary units of interstate pipeline capacity to meet their firm needs. Customers who have previously entered into contracts with Company for the purchase of interstate pipeline capacity are responsible for completing their contract obligations.

4. BTU Adjustment: Customer billed usage in therm volumes will be adjusted when the Btu content of delivered gas varies from 1,000 Btu per cubic foot.
5. Nomination: Customers requesting volumes to flow on the first day of any month must directly advise Company's Gas Control Department by 9:00 a.m. (Central Clock time) five (5) working days prior to the end of the preceding month of the volumes to be delivered on their behalf. Customers requesting nomination changes on days subsequent to the first day commencing at 9:00 a.m. Central Clock time must directly advise Company's Gas Control Department by 9:00 a.m. (Central Clock time) on the preceding day of the volumes to be delivered on their behalf. Intraday nominations will be accepted by the Company on a best efforts basis, provided the nomination is confirmed by the interstate pipeline.

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TRANSPORTATION RATE SCHEDULE (Continued)

6. Balancing: To assure Company's system integrity, the customer is responsible for: 1) providing nominations which accurately reflect customer's expected consumption, and 2) balancing deliveries to Company's system with volumes consumed at the delivery points.
7. Balancing and Scheduling Charges: Failure to fulfill these responsibilities will result in the customer incurring balancing and/or scheduling charges as described below.

These charges are applicable only to Company's town plant customers whose supply requirements could impact other customers and do not apply to Company's mainline customers who are the only customer taking gas at those points or MERC's SLVI-NNG Transport or SLVI-Consolidated Transport customers. However, each mainline or SLVI-NNG Transport and SLVI-Consolidated Transport customer must pay for any balancing or scheduling penalties from pipelines that the customer causes Company to incur.

Daily Scheduling Charges

This section is applicable to all transportation customers except for Company's mainline or SLVI-NNG Transport or SLVI-Consolidated Transport customers. Mainline or SLVI-NNG Transport and SVLI-Consolidated Transport customers must pay for any balancing or scheduling penalties from pipelines that they cause Company to incur. Except as noted below, the following charges will apply:

Northern Natural Gas

- A. A tolerance of +/-5% of confirmed nomination will be applied
- B. For consumption within tolerance, no scheduling charges will be applied.
- C. For consumption outside tolerance, a scheduling charge shall be applied to the volume exceeding tolerance equal to the maximum effective Northern Natural Gas TI rate for the customer's market area.

On days that Northern Natural Gas calls a **System Overrun Limitation** the following charges will be in effect:

- A. For consumption greater than the confirmed nomination, the following charges will be applied:
 - 1. For consumption up to 105% of confirmed nomination, \$1.00 per dekatherm in excess of confirmed nomination up to 105%.
 - 2. For consumption greater than 105% of confirmed nomination, \$10.66 per dekatherm in excess of 105% of confirmed nomination.
- B. For consumption less than the confirmed nomination, there is no charge.

On days that Northern Natural Gas calls a **System Underrun Limitation** the following charges will be in effect:

TRANSPORTATION RATE SCHEDULE (Continued)

- A. For consumption greater than the confirmed nomination, there is no charge.
- B. For consumption less than the confirmed nomination, \$1.00 per dekatherm.

On days that Northern Natural Gas calls a **Critical Day** the following charges will be in effect:

- A. For consumption greater than the confirmed nomination, the following charges will be applied:
 - a. For consumption up to 102% of confirmed nomination, \$15.00 per dekatherm in excess of confirmed nomination up to 102%.
 - b. For consumption greater than 102% up to 105% of confirmed nomination, \$22.00 per dekatherm in excess of 102% up to 105% of confirmed nomination.
 - c. For consumption greater than 105% up to 110% of confirmed nomination, \$56.50 per dekatherm in excess of 105% up to 110% of confirmed nomination.
 - d. For consumption greater than 110% of confirmed nomination, \$113.00 per dekatherm in excess of 110% of confirmed nomination.
- B. For consumption less than the confirmed nomination, there is no charge.

These charges are in addition to any Company charges, as provided for in Company tariff, for unauthorized takes of gas when service is interrupted.

Great Lakes and Viking

Any penalties incurred as a result of the customer will be passed along to the customer.

Any upstream costs that can be specifically identified as being caused by a specific end use customer will be assigned to that customer.

These charges are in addition to any Company charges, as provided for in Company's tariff, for unauthorized takes of gas when service is interrupted.

Monthly Imbalances: This Section is applicable to all transportation customers except for Company's mainline or SLVI-NNG Transport and SLVI-Consolidated customers. Mainline or SLVI-NNG and SLVI-Consolidated Transport customers must pay for any balancing or scheduling penalties from pipelines that they cause Company to incur. As imbalances occur, Company and the customer will attempt to correct them within the same month in which they occur. Failing such a correction, the imbalances will be corrected on a monthly basis through the following cash out procedure:

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TRANSPORTATION RATE SCHEDULE (Continued)

Northern Natural Gas

The difference between confirmed nominated volumes and actual consumption will be charged or credited to the customer based on the appropriate Market Index Price (MIP). The basis for the MIP shall be the average weekly prices as quoted for the Ventura and Demarc points in Gas Daily for a 5 week period starting on the first Tuesday of the calendar month for which the MIP is being established and ending on the first or second Monday of the following month, whichever is applicable, to arrive at a 5 week period.

The MIPs shall be determined as follows:

High MIP: The highest weekly average during the 5 week period for the applicable month, plus pipeline fuel at the effective pipeline fuel rate, plus pipeline commodity at the effective pipeline commodity rate, plus a capacity release value, which will be deemed to be \$0.07/dekatherm.

Low MIP: The lowest weekly average during the 5 week period for the applicable month, plus pipeline fuel at the effective pipeline fuel rate, plus pipeline commodity at the effective pipeline commodity rate.

Average MIP: The average of the weekly averages during the 5 week period for the applicable month, plus pipeline fuel at the effective pipeline fuel rate, plus pipeline commodity at the effective pipeline commodity rate.

In addition, the cash out price is tiered to encourage good performance and discourage gaming of the system.

<u>Imbalance Level</u>	<u>Due Company</u>	<u>Due Customer</u>
0% - 3%	High MIP * 100%	Low MIP * 100%
For the increment that is greater than 3% up to 5%	High MIP * 102%	Low MIP * 98%
For the increment that is greater than 5% up to 10%	High MIP * 110%	Low MIP * 90%
For the increment that is greater than 10% up to 15%	High MIP * 120%	Low MIP * 80%
For the increment that is greater than 15% up to 20%	High MIP * 130%	Low MIP * 70%
For the increment that is greater than 20%	High MIP * 140%	Low MIP * 60%

Example:

If the nominated volume was 100 dekatherm and the actual consumption was 130 dekatherm, there is an imbalance of 30 dekatherm due Company. The transportation customer would owe Company the following amount using the above hypothetical High MIP of \$2.23: (*)

TRANSPORTATION RATE SCHEDULE (Continued)

3 dekatherm at MIP * 100%	\$ 6.69
2 dekatherm at MIP * 102%	\$ 4.55
5 dekatherm at MIP * 110%	\$12.26
5 dekatherm at MIP * 120%	\$13.38
5 dekatherm at MIP * 130%	\$14.49
10 dekatherm at MIP * 140%	<u>\$31.22</u>
	\$82.59

(*) These hypothetical prices are used for illustration purposes only.

If the pipeline provides an imbalance to storage option, and the transporter has a storage account on the pipeline, Company and the transporter may transfer imbalances to or from pipeline storage accounts, provided certain conditions are met. If the transaction would cause Company’s storage account to breach any contractual limitations, or would otherwise cause undue harm to Company’s management of its storage accounts, the storage transfer may not be allowed. If there are any charges from the pipeline to effectuate the storage transfer, the customer will be responsible for payment of any such actual costs.

Viking and Great Lakes

If the monthly imbalance is due to a deficiency of deliveries (customer excess) relative to scheduled nominations, Company shall pay customer in accordance with Schedule A below. If the monthly imbalance is due to an excess of deliveries (customer shortfall) relative to scheduled nominations, customer shall pay Company in accordance with Schedule B below. In addition to correcting the monthly imbalance in cash, (a) Company shall pay to customer the “Transportation Component” if deliveries are greater than scheduled nominations, or (b) Customer shall pay to Company the “Transportation Component” if deliveries are less than scheduled nominations. For Viking, the “Transportation Component” shall be equal to the Commodity Rate under Rate Schedule FT-A rate for transportation to the applicable zone multiplied by the monthly imbalance, plus an applicable fuel and use charges, as stated in Viking’s tariff. For Great Lakes, the “Transportation component” shall be equal to the Usage Rate under Rate Schedule FT, for a West to West transport (Emerson to Cloquet) multiplied by the monthly imbalance plus fuel, plus FERC’s Annual Charge Adjustment (ACA), plus Gas Research Institute charge (GRI), as stated in Great Lakes tariff.

Schedule A

% Monthly Imbalance	Company Pays Customer Following % of the Index Price
0-5%	100% Average Monthly
>5-10%	85% Average Monthly
>10-15%	70% Average Monthly
>15-20%	60% Average Monthly
>20%	50% Average Monthly

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TRANSPORTATION RATE SCHEDULE (Continued)

Schedule B

% Monthly Imbalance	Customer Pays Company Following % of the Index Price
0-5%	100% Average Monthly
>5-10%	115% Average Monthly
>10-15%	130% Average Monthly
>15-20%	140% Average Monthly
>20%	150% Average Monthly

The Index Price shall be determined on a weekly and monthly basis. Each Weekly Index Price shall equal the price of gas at Emerson, Manitoba as published in the “Weekly Price Survey” of Gas Daily for such week. For purposes of determining the cashout of imbalances in accordance with Schedules A and B herein, the “Average Monthly Index Price” shall be the average of the Weekly Index Prices determined during a given month.

If Gas Daily’s “Weekly Price Survey” is no longer published, customer and Company shall meet to undertake to agree upon alternative spot price indices.

- 8. Pipeline Charges: Any charges which Company incurs from the pipeline on behalf of a customer shall be passed through to that customer.

- 9. Firm Backup Sales Service: In order to obtain a firm backup sales service, customer must purchase a sufficient number of daily firm capacity units to cover the desired level of firm sales service. The rate for firm backup sales service will be the applicable firm sales rate, plus the appropriate monthly customer charge and appropriate daily firm capacity charge for the applicable class of sales service. A customer who takes gas in excess of the contracted amount will be subject to applicable penalties listed in Section 7, Balancing and Scheduling Charges. If a customer’s transportation gas does not arrive on schedule, the customer will be shut off until the transportation gas does arrive, unless the customer has not taken more than its contracted amount of gas, as noted above.

- 10. Aggregation Service: A Marketer or other third-party supplier may combine a group of transportation customers that have the same balancing provisions and are located on the same interstate pipeline system and within the same interstate pipeline operational zone. If the Marketer or other third-party supplier purchases this aggregation service, the aggregated group will be considered as one customer for purposes of calculating the daily scheduling penalties and monthly imbalances, i.e., individual customer nominations and consumption will be summed and treated as if there were one customer. In the event that the pipeline calls a limitation day (SOL, SUL, critical day) at less than a pipeline or zone level, the Company has the right to require the aggregation provisions to occur at the same level.

The cost of the aggregation service is \$.0425 per dekatherm of gas delivered to the aggregated group.

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TRANSPORTATION RATE SCHEDULE (Continued)

11. Small Volume Balancing Service

Daily Balancing: Small Volume customers with daily consumption of less than 200 dekatherms who elect transportation service may purchase Company's Small Volume Balancing Service in lieu of meeting Company's Transportation Tariff daily scheduling requirements. Customers choosing this daily balancing service must submit a daily nomination to Company on those days the service is used. Under certain circumstances described below, Company may, at its option, require customer to deliver its MDQ, as defined in General Rules, Regulations, Terms and Conditions, to the Receipt Point up to a cumulative 20 days (in addition to interstate pipeline OFO and critical days) during the months of November through March. If MDQ delivery does not occur then customer must curtail to the level of their confirmed nomination. The delivery of the MDQ must be confirmed. Confirmation occurs when Company receives confirmed nomination from the interstate pipeline. In the event that interstate pipeline calls a critical day or operational flow order, customer must, without notice from Company, deliver its MDQ to the receipt point. In the event that Company calls a Critical Day, as defined in general Rules, Regulations, Terms and Conditions, or issues an Operational Flow Order as defined in general Rules, Regulations, Terms and Conditions, Company will notify customer via fax that customer must deliver its MDQ to the Receipt Point. Company will provide customer with at least 25 hours notice prior to the start of the gas day for which such Critical Day or Operational Flow Order applies. Note, however, that Company will automatically require, without providing notice to customer, that customer deliver its MDQ whenever the interstate pipeline calls a Critical Day or Operational Flow Order. If customer fails to deliver its MDQ as required and the interstate pipeline has called a Critical Day or Operational Flow Order, or the Company has called a critical day, then Company shall assess a penalty to customer for each dekatherm that customer failed to deliver in an amount equal to the highest daily penalty applicable to a Critical Day as defined by the interstate pipeline in its tariff. If Company has not called a Critical Day but has issued an Operational Flow Order and customer fails to deliver its MDQ then Company will assess a penalty to customer in an amount equal to that identified in 13. below for each dekatherm that customer failed to deliver.

The cost of the service is 7.0¢ per dekatherm transported on Company's system. Revenues collected from this balancing service will be credited against the cost of sales gas (demand and commodity) Weighted Average Cost of Gas (WACOG).

12. Large Volume Balancing Service (LVBS) Program

This service is available to Large Volume Transportation customers that have telemetry equipment installed. This service is also available to aggregators that have pooled Large Volume Transportation customers with telemetry equipment installed. The service is not available to mainline customers or customers with end user allocation agreements. Company shall have the right to deny service if it deems the customer or aggregator is intentionally over or under nominating.

This service allows the customer to purchase additional swing capability. This allows the customer's daily usage to vary from its nomination by the amount of service that the customer chooses to purchase, beyond the tolerance permitted under Section 7. of this Transportation Rate Schedule. For example, a customer purchasing 20 units of LVBS and nominating 100 MMBtu on a normal day would be permitted to consume as little as 75 MMBtu or as much as 125 MMBtu during that day before incurring any daily scheduling charges. (100 x 5% + 20 = 25 MMBtu+/-).

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TRANSPORTATION RATE SCHEDULE (Continued)

This service will not be available on pipeline SOL, SUL, or Critical Days. Likewise, this service shall not be available on any day that the Company issues a Curtailment Day, or any other day that the Company determines, in its sole judgment, that the service would be detrimental to its General Service customers.

The reservation rate for this service is \$2.18 per dekatherm. This rate is equivalent to Northern Natural Gas' SMS demand charge. A variable charge of \$0.0208 per dekatherm shall be applied to those volumes consumed outside the daily tolerance level of +/- 5%. This rate is equivalent to NNG's SMS variable/commodity rate. The Company will change the rates for LVBS any time NNG changes its rate for SMS by calculating the new SMS rate using a 50% utilization factor. The Company will submit a miscellaneous tariff filing, including revised tariff sheets, with the Minnesota Public Utilities Commission any time it proposes to adjust this rate due to a change in the SMS rate. Revenues collected from this service will be credited against the cost of sales gas.

The term of service is one month commencing on the first gas day of the calendar month and shall remain in effect from month-to-month thereafter until terminated by either party by thirty days written notice.

13. Payment: The bill is due seventeen days after issuance. There shall be a late payment charge of one and one-half percent per month on the unpaid balance.
14. Penalty for Unauthorized Takes When Service is Interrupted or Curtailed: If customer fails to curtail its use of gas hereunder when requested to do so by Company, customer shall be billed at the transportation charge, plus the cost of gas Company secures for the customer, plus the greater of either the pipeline daily delivery variance charges (see Sheet 6.50) or \$20 per dekatherm, whichever is applicable, for gas used in excess of the volumes of gas to which customer is limited. Company may in addition disconnect customer's supply of gas if customer fails to curtail its use thereof when requested by Company to do so.
15. Notification: Company will provide written notice to each customer contracting for transportation service that unless the customer buys firm backup sales service from Company, Company is not obligated to supply gas to such customer. The notice will advise the customer of the nature of any identifiable penalties related to the balancing and scheduling charges as provided in Section 7 above, any charges Company incurs from the pipeline on behalf of the customer, unauthorized take charges described in Section 14 above, and the price for such gas.
16. End User Allocation Agreement: Company will enter into and/or maintain an End User Allocation Agreement ("EUAA") with any transportation customer requesting such EUAA under the following conditions: (1) Customer must have telemetry installed at its facility; (2) Such EUAA will not negatively impact Company's sales customers; and (3) Northern Natural Gas Company is willing to enter into such EUAA.
17. General Terms and Conditions: The General Terms and Conditions contained in this tariff shall apply to this rate schedule.

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TRANSPORTATION RATE SCHEDULE (Continued)

18. Remarks: Reflects interim rates at Docket No. G011/GR-13-617. If the total amount of the rate increase approved at the end of the Company's rate case is lower than the total amount of interim rates collected, the Company will refund the difference with interest, and if the total amount of final rates is higher than the total amount of interim rates, the Company will not charge customers for the difference.

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RATE SCHEDULE SLVI-NNG
 SUPER LARGE VOLUME INTERRUPTIBLE TRANSPORTATION SERVICE

1. Availability: Service under this rate schedule is available to large volume transport customers served by Northern Natural Gas within two (2) miles of an alternate supply source.

2. Applicability and Character of Service: This rate schedule shall apply to large volume gas service which is subject to interruption at anytime upon order of MERC. Customer must have and maintain both the proven capability and adequate fuel supplies to use alternative fuel if MERC's service to such customer is interrupted. At MERC's request, the customer must demonstrate it has such capacity and fuel supplies. Customer must have capacity to take 1,666 dekatherm or more per day and annual consumption of .5 Bcf (500,000 dekatherm), except that, where consumption falls below this level due exclusively to efforts to conserve energy, or temporarily due to a strike or shutdown, customer is still eligible to take service under this tariff. Customer must document conservation efforts to justify consumption below .5 Bcf. A customer may transfer to joint gas service for the period November 1 through October 31 after giving the Company ninety days advance notice prior to November 1. A joint customer must maintain joint gas service and must nominate a DFC for the entire November through October period. A joint customer may not return to interruptible or firm service until the next November 1st and must notify the Company in writing at least ninety days prior to the transfer. A customer may only transfer to firm sales service if Company is able to arrange adequate additional firm gas entitlements to meet the needs imposed on its system by the customer, without jeopardizing system reliability or increasing costs for its other customers.

3. Rate
 Customer Charge - \$370.00 per month per meter

Commodity Charge:
 All volumes received by the customer hereunder shall be charged a rate equal to the tariff margin of \$.042/dekatherm. Additional costs will be assigned as they are authorized by the FERC or state Commissions to be charged for transportation services, including but not limited to take-or-pay costs, TCR costs, and GRI costs.

Volume Adjustment: Rates based on gas with the equivalent heating value of 1000 Btu's. Volumes may be subject to a Btu variance adjustment pursuant to designation 2.A. of MERC's General Rules, Regulations, Terms and Conditions.

 Btu's will be calculated on an arithmetic average.

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RATE SCHEDULE SLVI-NNG
SUPER LARGE VOLUME INTERRUPTIBLE TRANSPORTATION SERVICE (Continued)4. Special Conditions

- A. Customer must have arranged for the purchase of gas other than MERC system supply and for its delivery to MERC's system. MERC shall be deemed to have title to transportation gas, as necessary, to arrange interstate pipeline transportation to MERC's system.
- B. The customer shall execute a written contract for transportation services pursuant to this rate schedule containing such terms and conditions as MERC may reasonably require.
- C. All Large Volume transportation customers other than farm tap customers must have MERC install telemetry equipment at the customer's expense. The telemetry equipment must be installed no later than 90 days after the commencement of natural gas service to the customer. Large volume seasonal, non-winter peaking customers whose annual volumes are less than 50,000 dekatherm, may request in writing a waiver of the telemetry requirements. Customers must reimburse MERC for the cost incurred by MERC to install telemetry equipment and for the cost of any other improvements made by MERC in order to provide this transportation service. MERC will offer financing for periods up to 90 days interest free. MERC will offer financing with interest to a customer to pay for the installation of telemetry equipment for a period of more than 90 days but not more than 12 consecutive months on a non-regulated basis. The telemetry equipment and any other improvements made by MERC shall remain the property of MERC.
- D. MERC's sales refunds applicable to the period when gas is transported will not be made to transportation customers.
- E. The order of gas delivery for purposes of billing will be as follows:
 - a. First, customer-owned firm volumes.
 - b. Second, customer-owned interruptible volumes.
 - c. Third, sales gas priced per MERC's applicable sales tariffs.
- F. Customer agrees to curtail the use of gas purchased from third party suppliers of gas when the gas purchased from the third party is not delivered to MERC's system.
- G. Customers may transfer to Transportation Service for the period November 1 through October 31 after giving MERC ninety days advance notice prior to November 1. A transportation customer must maintain transportation service for the entire November through October period. A transportation customer may not return to sales service until the next November 1st and must notify MERC in writing at least ninety days prior to the transfer.

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RATE SCHEDULE SLVI-NNG
SUPER LARGE VOLUME INTERRUPTIBLE TRANSPORTATION SERVICE (Continued)

A customer may only transfer to firm sales service if MERC is able to arrange adequate additional firm gas entitlements to meet the needs imposed on its system by the customer, without jeopardizing system reliability or increasing costs for its other customers.

5. Nomination: Customers requesting volumes to flow on the first day of any month must directly advise MERC's Gas Control Department by 9:00 a.m. (Central Clock time) five (5) working days prior to the end of the preceding month of the volumes to be delivered on their behalf. Customers requesting nomination changes on days subsequent to the first day commencing at 9:00 a.m. Central Clock time must directly advise MERC's Gas Control Department by 9:00 a.m. (Central Clock time) on the preceding day of the volumes to be delivered on their behalf. Intraday nominations will be accepted by MERC on a best efforts basis.
6. Balancing: To assure MERC system integrity, the customer is responsible for: 1) providing nominations which accurately reflect customer's expected consumption, and 2) balancing deliveries to MERC's system with volumes consumed at the delivery points.
7. Balancing and Scheduling Charges: Failure to fulfill these responsibilities will result in the customer incurring balancing and/or scheduling charges. MERC's SLVI-NNG transport customers must pay for any balancing and scheduling penalties from pipelines that the customer causes MERC to incur.
8. Pipeline Charges: Any charges which MERC incurs from the pipeline on behalf of a customer shall be passed through to that customer.

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RATE SCHEDULE SLVI-NNG

SUPER LARGE VOLUME INTERRUPTIBLE TRANSPORTATION SERVICE (Continued)

9. Firm Backup Sales Service: In order to obtain a firm backup sales service, customer must purchase a sufficient number of daily firm capacity units to cover the desired level of firm sales service. The rate for firm backup sales service will be the applicable firm sales rate, plus the appropriate monthly customer charge and appropriate daily firm capacity charge for the applicable class of sales service. A customer who takes gas in excess of the contracted amount will be subject to applicable penalties listed in Section 7, Balancing and Scheduling Charges. If a customer's transportation gas does not arrive on schedule, the customer will be shut off until the transportation gas does arrive, unless the customer has not taken more than its contracted amount of gas.
10. Aggregation Service: A Marketer or other third-party supplier may combine a group of transportation customers that have the same balancing provisions and are located on the same interstate pipeline system and within the same interstate pipeline operational zone. If the Marketer or other third-party supplier purchases this aggregation service, the aggregated group will be considered as one customer for purposes of calculating the daily scheduling penalties and monthly imbalances, i.e. individual nominations and consumption will be summed and treated as if there were one customer. In the event that the pipeline calls a limitation day (SOL, SUL, critical day) at less than a pipeline or zone level, the Company has the right to require the aggregation provisions to occur at the same level.
- The cost of aggregation service is \$.0425 per dekatherm of gas delivered to the aggregated group.
11. Late Payment Charge: If the unpaid balance is in excess of \$10, a late payment charge of 1.5% of the unpaid balance or \$1 whichever is greater shall be added to the unpaid balance if the bill is not paid within 17 days of the current billing date. No late payment charge will be made if the unpaid balance is \$10 or less.

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RATE SCHEDULE SLVI

SUPER LARGE VOLUME INTERRUPTIBLE TRANSPORTATION SERVICE (Continued)

12. Penalty for Unauthorized Takes When Service Is Interrupted: Buyer shall be billed and shall pay \$20.00 per dekatherm for unauthorized overrun gas in addition to the rates in Paragraph "3".
13. Notification: MERC will provide written notice to each customer contracting for transportation service that unless the customer buys firm backup sales service from MERC is not obligated to supply gas to such customer. The notice will advise the customer of the nature of any identifiable penalties related to the balancing and scheduling charges as provided in Section 7 above, any charges MERC incurs from the pipeline on behalf of the customer, unauthorized take charges described in Section 12 above, and the price for such gas.
14. General Terms and Conditions: The General Terms and Conditions contained in this tariff shall apply to this rate schedule.

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RATE SCHEDULE SLVI-CONSOLIDATED
 SUPER LARGE VOLUME INTERRUPTIBLE TRANSPORTATION SERVICE

1. Availability: Service under this rate schedule is available to large volume transport customers served by Viking Gas Transmission or Great Lakes Gas Transmission within two (2) miles of an alternate supply source.

2. Applicability and Character of Service: This rate schedule shall apply to large volume gas service which is subject to interruption at anytime upon order of MERC. Customer must have and maintain both the proven capability and adequate fuel supplies to use alternative fuel if MERC's service to such customer is interrupted. At MERC's request, the customer must demonstrate it has such capacity and fuel supplies. Customer must have capacity to take 1,666 dekatherm or more per day and annual consumption of .5 Bcf (500,000 dekatherm), except that, where consumption falls below this level due exclusively to efforts to conserve energy, or temporarily due to a strike or shutdown, customer is still eligible to take service under this tariff. Customer must document conservation efforts to justify consumption below .5 Bcf. A customer may transfer to joint gas service for the period November 1 through October 31 after giving the Company ninety days advance notice prior to November 1. A joint customer must maintain joint gas service and must nominate a DFC for the entire November through October period. A joint customer may not return to interruptible or firm service until the next November 1st and must notify the Company in writing at least ninety days prior to the transfer. A customer may only transfer to firm sales service if Company is able to arrange adequate additional firm gas entitlements to meet the needs imposed on its system by the customer, without jeopardizing system reliability or increasing costs for its other customers.

3. Rate
 Customer Charge - \$370.00 per month per meter

Commodity Charge:
 All volumes received by the customer hereunder shall be charged a rate equal to the tariff margin of \$.0085/therm. Additional costs will be assigned as they are authorized by the FERC or state Commissions to be charged for transportation services, including but not limited to take-or-pay costs, TCR costs, and GRI costs.

Volume Adjustment: Rates based on gas with the equivalent heating value of 1000 Btu's. Volumes may be subject to a Btu variance adjustment pursuant to designation 2.A. of MERC's General Rules, Regulations, Terms and Conditions.

 Btu's will be calculated on an arithmetic average.

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RATE SCHEDULE SLVI-CONSOLIDATED
SUPER LARGE VOLUME INTERRUPTIBLE TRANSPORTATION SERVICE (Continued)5. Special Conditions

- A. Customer must have arranged for the purchase of gas other than MERC system supply and for its delivery to MERC's system. MERC shall be deemed to have title to transportation gas, as necessary, to arrange interstate pipeline transportation to MERC's system.
- B. The customer shall execute a written contract for transportation services pursuant to this rate schedule containing such terms and conditions as MERC may reasonably require.
- C. All Large Volume transportation customers must have MERC install telemetry equipment at the customer's expense. The telemetry equipment must be installed no later than 90 days after the commencement of natural gas service to the customer. Large volume seasonal, non-winter peaking customers whose annual volumes are less than 50,000 dekatherm, may request in writing a waiver of the telemetry requirements. Customers must reimburse MERC for the cost incurred by MERC to install telemetry equipment and for the cost of any other improvements made by MERC in order to provide this transportation service. MERC will offer financing for periods up to 90 days interest free. MERC will offer financing with interest to a customer to pay for the installation of telemetry equipment for a period of more than 90 days but not more than 12 consecutive months on a non-regulated basis. The telemetry equipment and any other improvements made by MERC shall remain the property of MERC.
- D. MERC's sales refunds applicable to the period when gas is transported will not be made to transportation customers.
- E. The order of gas delivery for purposes of billing will be as follows:
 - a. First, customer-owned firm volumes.
 - b. Second, customer-owned interruptible volumes.
 - c. Third, sales gas priced per MERC's applicable sales tariffs.
- F. Customer agrees to curtail the use of gas purchased from third party suppliers of gas when the gas purchased from the third party is not delivered to MERC's system.
- G. Customers may transfer to Transportation Service for the period November 1 through October 31 after giving MERC ninety days advance notice prior to November 1. A transportation customer must maintain transportation service for the entire November through October period. A transportation customer may not return to sales service until the next November 1st and must notify MERC in writing at least ninety days prior to the transfer.

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RATE SCHEDULE SLVI-CONSOLIDATED
SUPER LARGE VOLUME INTERRUPTIBLE TRANSPORTATION SERVICE (Continued)

A customer may only transfer to firm sales service if MERC is able to arrange adequate additional firm gas entitlements to meet the needs imposed on its system by the customer, without jeopardizing system reliability or increasing costs for its other customers.

5. Nomination: Customers requesting volumes to flow on the first day of any month must directly advise MERC's Gas Control Department by 9:00 a.m. (Central Clock time) five (5) working days prior to the end of the preceding month of the volumes to be delivered on their behalf. Customers requesting nomination changes on days subsequent to the first day commencing at 9:00 a.m. Central Clock time must directly advise MERC's Gas Control Department by 9:00 a.m. (Central Clock time) on the preceding day of the volumes to be delivered on their behalf. Intraday nominations will be accepted by MERC on a best efforts basis.
6. Balancing: To assure MERC system integrity, the customer is responsible for: 1) providing nominations which accurately reflect customer's expected consumption, and 2) balancing deliveries to MERC's system with volumes consumed at the delivery points.
7. Balancing and Scheduling Charges: Failure to fulfill these responsibilities will result in the customer incurring balancing and/or scheduling charges. MERC's SLVI-Consolidated transport customers must pay for any balancing and scheduling penalties from pipelines that the customer causes MERC to incur.
8. Pipeline Charges: Any charges which MERC incurs from the pipeline on behalf of a customer shall be passed through to that customer.

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RATE SCHEDULE SLVI-CONSOLIDATED
SUPER LARGE VOLUME INTERRUPTIBLE TRANSPORTATION SERVICE (Continued)

9. Firm Backup Sales Service: In order to obtain a firm backup sales service, customer must purchase a sufficient number of daily firm capacity units to cover the desired level of firm sales service. The rate for firm backup sales service will be the applicable firm sales rate, plus the appropriate monthly customer charge and appropriate daily firm capacity charge for the applicable class of sales service. A customer who takes gas in excess of the contracted amount will be subject to applicable penalties listed in Section 7, Balancing and Scheduling Charges. If a customer's transportation gas does not arrive on schedule, the customer will be shut off until the transportation gas does arrive, unless the customer has not taken more than its contracted amount of gas.
10. Aggregation Service: A Marketer or other third-party supplier may combine a group of transportation customers that have the same balancing provisions and are located on the same interstate pipeline system and within the same interstate pipeline operational zone. If the Marketer or other third-party supplier purchases this aggregation service, the aggregated group will be considered as one customer for purposes of calculating the daily scheduling penalties and monthly imbalances, i.e. individual nominations and consumption will be summed and treated as if there were one customer. In the event that the pipeline calls a limitation day (SOL, SUL, critical day) at less than a pipeline or zone level, the Company has the right to require the aggregation provisions to occur at the same level.
- The cost of aggregation service is \$.0425 per dekatherm of gas delivered to the aggregated group.
11. Late Payment Charge: If the unpaid balance is in excess of \$10, a late payment charge of 1.5% of the unpaid balance or \$1 whichever is greater shall be added to the unpaid balance if the bill is not paid within 17 days of the current billing date. No late payment charge will be made if the unpaid balance is \$10 or less.

Issued By: DM Derricks~~J-F Schott~~
Asst. VP Regulatory Affairs

Submittal Date: September 30, 2013

*Effective with bills issued on and after this date.

*Effective Date: December 1, 201~~3~~
Proposed Effective Date: December 1, 201~~3~~

RATE SCHEDULE SLVI-CONSOLIDATED
SUPER LARGE VOLUME INTERRUPTIBLE TRANSPORTATION SERVICE (Continued)

12. Penalty for Unauthorized Takes When Service Is Interrupted: Buyer shall be billed and shall pay \$20.00 per dekatherm for unauthorized overrun gas in addition to the rates in Paragraph "3".
13. Notification: MERC will provide written notice to each customer contracting for transportation service that unless the customer buys firm backup sales service from MERC is not obligated to supply gas to such customer. The notice will advise the customer of the nature of any identifiable penalties related to the balancing and scheduling charges as provided in Section 7 above, any charges MERC incurs from the pipeline on behalf of the customer, unauthorized take charges described in Section 12 above, and the price for such gas.
14. General Terms and Conditions: The General Terms and Conditions contained in this tariff shall apply to this rate schedule.

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FLEXIBLE RATE GAS SERVICE RIDER

1. Availability: Service under this rate schedule is available to any non-general-service customer.
2. Applicability and Character of Service:

Service under this rate schedule is limited to customers subject to effective competition. (“Effective competition” means that a customer who either receives interruptible service or whose daily requirement exceeds 50 dekatherm maintains or plans on acquiring the capability to switch to the same, equivalent or substitutable energy supplies or service, except indigenous biomass energy supplies composed of wood products, grain, biowaste, or cellulosic materials, at comparable prices from a supplier not regulated by the Commission.)

A customer whose only alternative source of energy is gas from a supplier not regulated by the Commission and who must use Company’s system to transport the gas is not eligible for flexible-rate service. However, customers who have or can reasonably acquire the capability to bypass Company’s system are eligible to take service under flexible tariffs.
3. Rate:

Minimum and maximum charges are shown on Sheet 7.07, Columns I and J, for each class of customers eligible to take flexible-rate service.

 - A. The Customer Charge shall be the amount in the applicable non-flexible tariff under which customer would otherwise take service.
 - B. The minimum charge for daily firm capacity shall be the amount the interstate pipeline charges Company.
 - C. The rate for gas delivered shall be at least \$0.0045 per therm.
 - D. The minimum monthly bill shall be the sum of the Customer Charge, the daily firm capacity charge, and the commodity charge for all volumes taken subject to and computed in accordance with Part C.
 - E. Rates set forth on Sheet 7.07 are base rates subject to change in accordance with the Provisions of Purchased Gas Adjustment - Uniform Clause.

Volume Adjustment: Rates are based on gas with the equivalent heating value of 1,000 Btu’s. Volumes may be subject to a Btu variance adjustment pursuant to designation 2.A of MERC’s General Rules, Regulations, Terms and Conditions. Btu’s will be calculated on an arithmetic average.
4. General Terms and Conditions:

All terms of the non-flexible tariff under which customer would otherwise take service apply. The General Terms and Conditions contained in the tariff book shall also apply to service taken under this rider.

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FLEXIBLE RATE GAS SERVICE RIDER (Continued)

5. Election of Service:
Service under this rider is at the option of the customer, except that, customers who use alternative energy supplies as described in the Applicability of Service Section are limited to taking service under this rider. Any customer electing service under this rider must remain on this rider for a period of at least one year.
6. Default Rate:
If a rate cannot be negotiated in a timely manner, the customer agrees to pay Company a default rate equal to the applicable upward flexible rate shown on Sheet 7.07.

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TRANSPORTATION FOR RESALE NORTHWEST NATURAL GAS

1. Availability: Service under this rate schedule is available to Northwest Natural Gas and other "Transportation for Resale" customers with similar cost characteristics, i.e., customers for whom the cost of providing service is approximately equal to that of Northwest Natural Gas.
2. Applicability and Character of Service: This rate schedule shall apply to transportation service provided for resale to end use customers.
3. Rate:
 - A. The customer charge shall be \$175.00 per month plus a charge of \$70.00 per month for administrative costs related to transportation.
 - B. The rate per dekatherm for transportation charge shall be \$.72.

Interim Rate Adjustment: A customer charge interim rate adjustment will be calculated by multiplying the current customer charge by 14.8%. A transportation charge interim rate adjustment will be calculated by multiplying the transportation charge by 14.8%. The combined effect of these interim rate adjustments will be shown as a single line item on the customer bill.

The customer is responsible for purchasing its own entitlement units, e.g., Daily Firm Capacity, etc. The customer is also responsible for overrun penalties, balancing charges and any out of balance penalties incurred from its transportation of gas by its pipeline suppliers.

4. Payment: The bill is due seventeen days after issuance. There shall be a late payment charge of one and one-half percent (1.5%) per month on the unpaid balance.
5. Volume Adjustment:
Rates are based on gas with the equivalent heating value of 1000 Btu's. Volumes may be subject to a Btu variance adjustment pursuant to designation 2.A. of MERC's General Rules, Regulations, Terms and Conditions. Btu's will be calculated on an arithmetic average.
6. General Terms and Conditions: The General Terms and Conditions contained in this tariff shall apply to this rate schedule.
7. Remarks: Reflects interim rates at Docket No. G011/GR-13-617. If the total amount of the rate increase approved at the end of the Company's rate case is lower than the total amount of interim rates collected, the Company will refund the difference with interest, and if the total amount of final rates is higher than the total amount of interim rates, the Company will not charge customers for the difference.

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PENALTY FOR UNAUTHORIZED TAKES WHEN SERVICE IS INTERRUPTED

1. Northern Natural Gas Penalty: Should Northern Natural Gas Company call a Critical Day, the penalty for unauthorized takes will be a charge equal to the daily delivery variance charge of the pipeline. Currently, this charge is \$113 per dekatherm and is equal to twice the reservation charge to reserve one (1) MMBTU of capacity under the current Northern Natural Gas Rate Schedule TFX.
2. Viking Gas Transmission Company: Not applicable.
3. Great Lakes Transmission: Not applicable.

NOTE: This tariff will be amended when changes in pipeline tariffs occur.

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MINNESOTA ENERGY RESOURCES CORPORATION
MERC-NNG
MERC-Consolidated

MINNESOTA PUBLIC UTILITIES COMMISSION
 ##th Revised Sheet No. 7.07
 Superceding ##th Revised Sheet No. 7.07

TARIFF SALES RATES										
Per Therm										
Rates Subject to Fuel Adjustment Clause										
(A)	(B)	(C)	(D)	(A+B+C) (E)	(D+E) (F)	(G)	(D-G+D) (H)	(E+G) (I)	(E+H) (J)	
Base Gas Cost	PGA Adjustment	Annual ACA Adjustment	Tariff Margin	Total Tariff Rate w/o Margin	Total Tariff Rate	Minimum Flex Margin	Maximum Flex Margin	Minimum Total Flex Tariff	Maximum Total Flex Tariff	
<u>Small Volume Interruptible</u>										
SVI-NNG	0.45635	0.00000	0.00000	0.12223	0.45635	0.57858	0.00450	0.23996	0.46085	0.69631
SVI-Consolidated	0.44825	0.00000	0.00000	0.12223	0.44825	0.57048	0.00450	0.23996	0.45275	0.68821
<u>Large Volume Interruptible</u>										
LVI-NNG	0.45635	0.00000	0.00000	0.04096	0.45635	0.49731	0.00450	0.07742	0.46085	0.53377
LVI-Consolidated	0.44825	0.00000	0.00000	0.04096	0.44825	0.48921	0.00450	0.07742	0.45275	0.52567
<u>Daily Firm Capacity-Small Volume</u>										
SVJ-NNG*	2.00712	0.00000	0.00000	0.26400	2.00712	2.27112	0.00000	0.52800	2.00712	2.53512
SVJ-Consolidated	0.59037	0.00000	0.00000	0.26400	0.59037	0.85437	0.00000	0.52800	0.59037	1.11837
<u>Daily Firm Capacity-Large Volume</u>										
LVJ-NNG*	2.00712	0.00000	0.00000	0.26400	2.00712	2.27112	0.00000	0.52800	2.00712	2.53512
LVJ-Consolidated	0.59037	0.00000	0.00000	0.26400	0.59037	0.85437	0.00000	0.52800	0.59037	1.11837
<u>Super Large Volume</u>										
S-LV-Commodity	0.45635	0.00000	0.00000	0.01959	0.45635	0.47594	0.00450	0.03468	0.46085	0.49103
S-LV-Daily Firm Capacity*	2.00712	0.00000	0.00000	0.06200	2.00712	2.06912	0.00000	0.12400	2.00712	2.13112

*If customer prefers to be a Transportation only customer, the Base Gas Cost Component of Firm Transportation is the NNG TF12 Base

Tariff Rates plus all applicable Surcharges including GRI based on Northern Natural Gas FERC Gas Tariff Sheet No. 50.

Base Gas Cost as submitted in Docket No. G011/MR-13-732.

Issued by: D. M. Derricks
 Assistant Vice President
 Submitted Date: September 30, 2013

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Docket No. G011/GR-13-617

INTERIM TARIFFS – CLEAN

RATE SCHEDULE GS-NNG GENERAL SERVICE

1. Availability: Service under this rate schedule is available to towns and to related rural areas supplied by Northern Natural Gas in MERC's Minnesota Service Area.
2. Applicability and Character of Service: This rate schedule shall apply to firm gas service for customers whose normal requirement does not exceed 1,990 therms on peak day and such service shall not be subject to curtailment or interruption, but will be subject to curtailment by pipeline supplier in compliance with their approved Federal Energy Regulatory Commission curtailment plan.
3. Rates: Base rate of gas @ \$0.63590 (MERC-NNG) per therm
 - A. Residential
Customer Charge per Month - \$8.50
Distribution Charge @ \$0.19754 per therm
 - B. Commercial and Industrial - 1,500 therms or less per Year
Customer Charge per Month - \$14.50
Distribution Charge @ \$0.18525 per therm
 - C. Commercial and Industrial - Over 1,500 therms per Year
Customer Charge per Month - \$35.00
Distribution Charge @ \$0.16868 per therm

Rates set forth above are base rates subject to change in accordance with the provisions Purchase Gas Adjustment - Uniform Clause.

Interim Rate Adjustment: A customer charge interim rate adjustment on the bill will be calculated by multiplying the current customer charge by 14.8%. A per therm interim rate adjustment will be calculated by multiplying the current distribution charge by 14.8%. The combined effect of these interim rate adjustments will be shown as a single line item on the customer bill.

Monthly Minimum Bill: The minimum bill is the customer charge.

Volume Adjustment: Rates are based on gas with the equivalent heating value of 1000 Btu's.

Volumes may be subject to a Btu variance adjustment pursuant to designation 2.A of MERC's Minnesota General Rules, Regulations, Terms and Conditions.

Btu's will be calculated on an arithmetic average.

4. Late Payment Charge: If the unpaid balance is in excess of \$10, a late payment charge of 1.5% of the unpaid balance or \$1 whichever is greater shall be added to the unpaid balance if the bill is not paid by the next billing date, for residential and Even Pay Plan customers, or within 17 days of the current billing date for nonresidential customers. For residential customers, the next billing date must not be less than 25 days from the current billing date. No late payment charge will be made if the unpaid balance is \$10 or less.
5. General Terms and Conditions: The General Terms and Conditions contained in this tariff shall apply to this rate schedule.

RATE SCHEDULE GS-NNG GENERAL SERVICE (Continued)

6. Remarks: Reflects interim rates at Docket No. G011/GR-13-617. If the total amount of the rate increase approved at the end of the Company's rate case is lower than the total amount of interim rates collected, the Company will refund the difference with interest, and if the total amount of final rates is higher than the total amount of interim rates, the Company will not charge customers for the difference.

CANCELED

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RATE SCHEDULE GS-CONSOLIDATED GENERAL SERVICE

1. Availability: Service under this rate schedule is available to towns and to related rural areas supplied by Viking Gas Transmission, Great Lakes Gas Transmission, and Centra in MERC's Minnesota Service Area.
2. Applicability and Character of Service: This rate schedule shall apply to firm gas service for customers whose normal requirement does not exceed 1,990 therms on peak day and such service shall not be subject to curtailment or interruption, but will be subject to curtailment by pipeline supplier in compliance with their approved Federal Energy Regulatory Commission curtailment plan.
3. Rates: Base rate of gas @ \$0.53083 (MERC-Consolidated) per therm
 - A. Residential
Customer Charge per Month - \$8.50
Distribution Charge @ \$0.19754 per therm
 - B. Commercial and Industrial - 1,500 therms or less per Year
Customer Charge per Month - \$14.50
Distribution Charge @ \$0.18525 per therm
 - C. Commercial and Industrial - Over 1,500 therms per Year
Customer Charge per Month - \$35.00
Distribution Charge @ \$0.16868 per therm

Rates set forth above are base rates subject to change in accordance with the provisions Purchase Gas Adjustment - Uniform Clause.

Interim Rate Adjustment: A customer charge interim rate adjustment on the bill will be calculated by multiplying the current customer charge by 14.8%. A per therm interim rate adjustment will be calculated by multiplying the current distribution charge by 14.8%. The combined effect of these interim rate adjustments will be shown as a single line item on the customer bill.

Monthly Minimum Bill: The minimum bill is the customer charge.

Volume Adjustment: Rates are based on gas with the equivalent heating value of 1000 Btu's.

Volumes may be subject to a Btu variance adjustment pursuant to designation 2.A of MERC's General Rules, Regulations, Terms and Conditions.

Btu's will be calculated on an arithmetic average.

4. Late Payment Charge: If the unpaid balance is in excess of \$10, a late payment charge of 1.5% of the unpaid balance or \$1 whichever is greater shall be added to the unpaid balance if the bill is not paid by the next billing date, for residential and Even Pay Plan customers, or within 17 days of the current billing date for nonresidential customers. For residential customers, the next billing date must not be less than 25 days from the current billing date. No late payment charge will be made if the unpaid balance is \$10 or less.
5. General Terms and Conditions: The General Terms and Conditions contained in this tariff shall apply to this rate schedule.

RATE SCHEDULE GS-CONSOLIDATED GENERAL SERVICE (Continued)

6. Remarks: Reflects interim rates at Docket No. G011/GR-13-617. If the total amount of the rate increase approved at the end of the Company's rate case is lower than the total amount of interim rates collected, the Company will refund the difference with interest, and if the total amount of final rates is higher than the total amount of interim rates, the Company will not charge customers for the difference.

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RATE SCHEDULE SVI-NNG SMALL VOLUME INTERRUPTIBLE SERVICE

1. Availability: Service under this rate schedule is available to towns and to related rural areas supplied through Northern Natural Gas in MERC's Minnesota Service Area.
2. Applicability and Character of Service: This rate schedule shall apply to small volume gas service which is subject to interruption at any time upon order of MERC. Daily consumption should not exceed 199 dekatherms on any day. Customer must have and maintain both the proven capability and adequate fuel supplies to use alternative fuel if MERC's service to such customer is interrupted. At MERC's request, the customer must demonstrate that it has such capability and fuel supplies. If customer or MERC thinks customer's maximum daily consumption is 200 dekatherms per day or more, usage will be monitored by the MERC to determine whether the customer qualifies for large volume service. Interruptible service is available to a Human Needs Customer only if the customer has signed an affidavit that it has and will maintain both the proven capability and adequate fuel supplies to use alternate fuel if MERC's service to such customer is interrupted. At MERC's request, the customer must demonstrate that it has such capability and fuel supplies. A firm customer may transfer to interruptible service for the period November 1 through October 31 after giving the Company ninety days advance notice prior to November 1. An interruptible customer may not return to firm service until the next November 1st and must notify the Company in writing at least ninety days prior to the transfer. A customer may only transfer to firm sales service if Company is able to arrange adequate additional firm gas entitlements to meet the needs imposed on its system by the customer, without jeopardizing system reliability or increasing costs for its other customers.
3. Customer has the option to obtain joint gas service consisting of a base of firm gas volume, supplemented by interruptible volumes not to exceed 199 dekatherms per day. A customer may transfer to joint gas service for the period November 1 through October 31 after giving the Company ninety days advance notice prior to November 1. A joint customer must maintain joint gas service and must nominate a DFC for the entire November through October period. A joint customer may not return to interruptible or firm service until the next November 1st and must notify the Company in writing at least ninety days prior to the transfer. A customer may only transfer to firm sales service if Company is able to arrange adequate additional firm gas entitlements to meet the needs imposed on its system by the customer, without jeopardizing system reliability or increasing costs for its other customers.
4. Rates:
 - A. Per month: Customer Charge \$150.00 per meter
Base rate of gas @ \$0.45635 (MERC-NNG) per therm
Distribution charge @ \$0.10647 per therm
 - B. The rate per therm of daily firm capacity, if any, shall be \$2.00712 per MDQ, as defined in the General Rules, Regulations, Terms and Conditions, per month. See Sheet No. 7.07 for rate details.

RATE SCHEDULE SVI-NNG SMALL VOLUME INTERRUPTIBLE SERVICE (Continued)

C. **Late Payment Charge:** If the unpaid balance is in excess of \$10, a late payment charge of 1.5% of the unpaid balance or \$1 whichever is greater shall be added to the unpaid balance if the bill is not paid by the next billing date, for residential and Even Pay Plan customers, or within 17 days of the current billing date for nonresidential customers. For residential customers, the next billing date must not be less than 25 days from the current billing date. No late payment charge will be made if the unpaid balance is \$10 or less.

D. Rates set forth above are base rates subject to change in accordance with the provisions of Purchase Gas Adjustment Uniform Clause.

Volume Adjustment: Rates are based on gas with the equivalent heating value of 1000 Btu's. Volumes may be subject to a Btu variance adjustment pursuant to designation 2.A of MERC's General Rules, Regulations, Terms and Conditions. Btu's will be calculated on an arithmetic average.

5. **Monthly Minimum Bill:** The monthly minimum bill is the customer charge, the daily firm capacity charge, if any, and the applicable commodity charge for all volumes taken.
6. **Penalty For Unauthorized Takes When Service Is Interrupted:** Applicable rate in Paragraph "4" plus either the charge from pipeline (see Sheet 6.50) or \$20.00 per dekatherm so taken, whichever is applicable.
7. **Telemetry:** Customers other than farm tap customers must install telemetry equipment. Customer shall reimburse Company for all costs incurred by Company to install and maintain telemetry equipment or other related improvements. Any such equipment and improvements shall remain the property of Company.
8. **General Terms and Conditions:** The General Terms and Conditions contained in this tariff shall apply to this rate schedule.

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RATE SCHEDULE SVI-CONSOLIDATED SMALL VOLUME INTERRUPTIBLE SERVICE

1. Availability: Service under this rate schedule is available to towns and to related rural areas supplied through Viking Gas Transmission, Great Lakes Gas Transmission, and Centra in MERC's Minnesota Service Area.
2. Applicability and Character of Service: This rate schedule shall apply to small volume gas service which is subject to interruption at any time upon order of MERC. Daily consumption should not exceed 199 dekatherms on any day. Customer must have and maintain both the proven capability and adequate fuel supplies to use alternative fuel if MERC's service to such customer is interrupted. At MERC's request, the customer must demonstrate that it has such capability and fuel supplies. If customer or MERC thinks customer's maximum daily consumption is 200 dekatherms per day or more, usage will be monitored by MERC to determine whether the customer qualifies for large volume service. Interruptible service is available to a Human Needs Customer only if the customer has signed an affidavit that it has and will maintain both the proven capability and adequate fuel supplies to use alternate fuel if MERC's service to such customer is interrupted. At MERC's request, the customer must demonstrate that it has such capability and fuel supplies. A firm customer may transfer to interruptible service for the period November 1 through October 31 after giving the Company ninety days advance notice prior to November 1. An interruptible customer may not return to firm service until the next November 1st and must notify the Company in writing at least ninety days prior to the transfer. A customer may only transfer to firm sales service if Company is able to arrange adequate additional firm gas entitlements to meet the needs imposed on its system by the customer, without jeopardizing system reliability or increasing costs for its other customers.
3. Customer has the option to obtain joint gas service consisting of a base of firm gas volume, supplemented by interruptible volumes not to exceed 199 dekatherms per day. A customer may transfer to joint gas service for the period November 1 through October 31 after giving the Company ninety days advance notice prior to November 1. A joint customer must maintain joint gas service and must nominate a DFC for the entire November through October period. A joint customer may not return to interruptible or firm service until the next November 1st and must notify the Company in writing at least ninety days prior to the transfer. A customer may only transfer to firm sales service if Company is able to arrange adequate additional firm gas entitlements to meet the needs imposed on its system by the customer, without jeopardizing system reliability or increasing costs for its other customers.
4. Rates:
 - A. Per month: Customer Charge \$150.00 per meter
Base rate of gas @ \$0.44825(MERC) per therm
Distribution charge @ \$0.10647 per therm
 - B. The rate per therm of daily firm capacity, if any, shall be \$0.59037 per MDQ, as defined in the General Rules, Regulations, Terms and Conditions, per month. See Sheet No. 7.07 for rate details.

RATE SCHEDULE SVI-CONSOLIDATED SMALL VOLUME INTERRUPTIBLE SERVICE (Continued)

Interim Rate Adjustment: A customer charge interim rate adjustment on the bill will be calculated by multiplying the current customer charge by 14.8%. A per therm interim rate adjustment will be calculated by multiplying the current distribution charge by 14.8%. For customers receiving joint service, a per therm interim rate adjustment for daily firm capacity will be calculated by multiplying the current margin rate of \$0.2300 by 14.8%. The combined effect of these interim rate adjustments will be shown as a single line item on the customer bill.

C. Late Payment Charge: If the unpaid balance is in excess of \$10, a late payment charge of 1.5% of the unpaid balance or \$1 whichever is greater shall be added to the unpaid balance if the bill is not paid by the next billing date, for residential and Even Pay Plan customers, or within 17 days of the current billing date for nonresidential customers. For residential customers, the next billing date must not be less than 25 days from the current billing date. No late payment charge will be made if the unpaid balance is \$10 or less.

D. Rates set forth above are base rates subject to change in accordance with the provisions of Purchase Gas Adjustment Uniform Clause.

Volume Adjustment: Rates are based on gas with the equivalent heating value of 1000 Btu's. Volumes may be subject to a Btu variance adjustment pursuant to designation 2.A of MERC's General Rules, Regulations, Terms and Conditions. Btu's will be calculated on an arithmetic average.

5. Monthly Minimum Bill: The monthly minimum bill is the customer charge, the daily firm capacity charge, if any, and the applicable commodity charge for all volumes taken.
6. Penalty For Unauthorized Takes When Service Is Interrupted: Applicable rate in Paragraph "4" plus either the charge from pipeline (see Sheet 6.50) or \$20.00 per dekatherm so taken, whichever is applicable.
7. Telemetry: Customer must install telemetry equipment. Customer shall reimburse Company for all costs incurred by Company to install and maintain telemetry equipment or other related improvements. Any such equipment and improvements shall remain the property of Company.
8. General Terms and Conditions: The General Terms and Conditions contained in this tariff shall apply to this rate schedule.
9. Remarks: Reflects interim rates at Docket No. G011/GR-13-617. If the total amount of the rate increase approved at the end of the Company's rate case is lower than the total amount of interim rates collected, the Company will refund the difference with interest, and if the total amount of final rates is higher than the total amount of interim rates, the Company will not charge customers for the difference.

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RATE SCHEDULE LVI-NNG LARGE VOLUME INTERRUPTIBLE SERVICE

1. Availability: Service under this rate schedule is available to towns and mainline customers supplied through Northern Natural Gas in MERC's Minnesota Service Area.
2. Applicability and Character of Service: This rate schedule shall apply to large volume gas service which is subject to interruption at any time upon order of MERC. Customer must have and maintain both the proven capability and adequate fuel supplies to use alternative fuel if MERC's service to such customer is interrupted. At MERC's request, the customer must demonstrate that it has such capability and fuel supplies. Customer must take 200 dekatherms or more per day at least once in a calendar year. MERC will have measuring equipment in place to determine that customer takes at least 200 dekatherms per day at least once on an annual basis. Interruptible service is available to a Human Needs Customer only if the customer has signed an affidavit that it has and will maintain both the proven capability and adequate fuel supplies to use alternate fuel if MERC's service to such customer is interrupted. At MERC's request, the customer must demonstrate that it has such capability and fuel supplies. A firm customer may transfer to interruptible service for the period November 1 through October 31 after giving the Company ninety days advance notice prior to November 1. An interruptible customer may not return to firm service until the next November 1st and must notify the Company in writing at least ninety days prior to the transfer. A customer may only transfer to firm sales service if Company is able to arrange adequate additional firm gas entitlements to meet the needs imposed on its system by the customer, without jeopardizing system reliability or increasing costs for its other customers.
3. Customer has the option to obtain joint gas service consisting of a base of firm gas volume, supplemented by interruptible volumes which must be 200 dekatherms or more per day at least once in a calendar year. A customer may transfer to joint gas service for the period November 1 through October 31 after giving the Company ninety days advance notice prior to November 1. A joint customer must maintain joint gas service and must nominate a DFC for the entire November through October period. A joint customer may not return to interruptible or firm service until the next November 1st and must notify the Company in writing at least ninety days prior to the transfer. A customer may only transfer to firm sales service if Company is able to arrange adequate additional firm gas entitlements to meet the needs imposed on its system by the customer, without jeopardizing system reliability or increasing costs for its other customers.
4. Rates:
 - A. Per month: Customer Charge \$175.00 per meter
Base rate of gas @ \$0.45635 (MERC-NNG) per therm
Distribution charge @ \$0.03568 per therm
 - B. The rate per therm of daily firm capacity, if any, shall be \$2.00712 per MDQ, as defined in the General Rules, Regulations, Terms and Conditions, per month. See Sheet No. 7.07 for rate details.

Interim Rate Adjustment: A customer charge interim rate adjustment on the bill will be calculated by multiplying the current customer charge by 14.8%. A per therm interim rate adjustment will be calculated by multiplying the current distribution charge by 14.8%. For customers receiving joint service, a per therm interim rate adjustment for daily firm capacity will be calculated by multiplying the current margin rate of \$0.2300 by 14.8%. The combined effect of these interim rate adjustments will be shown as a single line item on the customer bill.

RATE SCHEDULE LVI-NNG LARGE VOLUME INTERRUPTIBLE SERVICE (Continued)

C. **Late Payment Charge:** If the unpaid balance is in excess of \$10, a late payment charge of 1.5% of the unpaid balance or \$1 whichever is greater shall be added to the unpaid balance if the bill is not paid by the next billing date, for residential and Even Pay Plan customers, or within 17 days of the current billing date for nonresidential customers. No late payment charge will be made if the unpaid balance is \$10 or less.

D. Rates set forth above are base rates subject to change in accordance with the provisions of Purchase Gas Adjustment Uniform Clause.

Volume Adjustment: Rates are based on gas with the equivalent heating value of 1000 Btu's. Volumes may be subject to a Btu variance adjustment pursuant to designation 2.A of MERC's General Rules, Regulations, Terms and Conditions. Btu's will be calculated on an arithmetic average.

5. Monthly Minimum Bill: The monthly minimum bill is the customer charge, the daily firm capacity charge, if any, and the applicable commodity charge for all volumes taken.
6. Penalty For Unauthorized Takes When Service Is Interrupted: Applicable rate in Paragraph "4" plus either the charge from pipeline (see Sheet 6.50) or \$20.00 per dekatherm so taken, whichever is applicable.
7. Telemetry: Customers other than farm tap customers must install telemetry equipment. Customer shall reimburse Company for all costs incurred by Company to install and maintain telemetry equipment or other related improvements. Any such equipment and improvements shall remain the property of Company.
8. General Terms and Conditions: The General Terms and Conditions contained in this tariff shall apply to this rate schedule.
9. Determination of Conservation Cost Recovery Charge (CCRC): The CCRC is the amount included in base rates dedicated to the recovery of CIP costs as approved by the MPUC. The CCRC factor is approved and applied on a per therm basis.
10. Determination of CCRC Exemption: For those customer accounts granted an exemption by the Commissioner of Minnesota Department of Commerce, Division of Energy Resources (or successor agency) from Conservation Improvement Program (CIP) costs pursuant to Minnesota Statutes § 216B.241, the CCRC shall not apply. Those customers will not be charged the per therm CCRC factor.
11. Remarks: Reflects interim rates at Docket No. G011/GR-13-617. If the total amount of the rate increase approved at the end of the Company's rate case is lower than the total amount of interim rates collected, the Company will refund the difference with interest, and if the total amount of final rates is higher than the total amount of interim rates, the Company will not charge customers for the difference.

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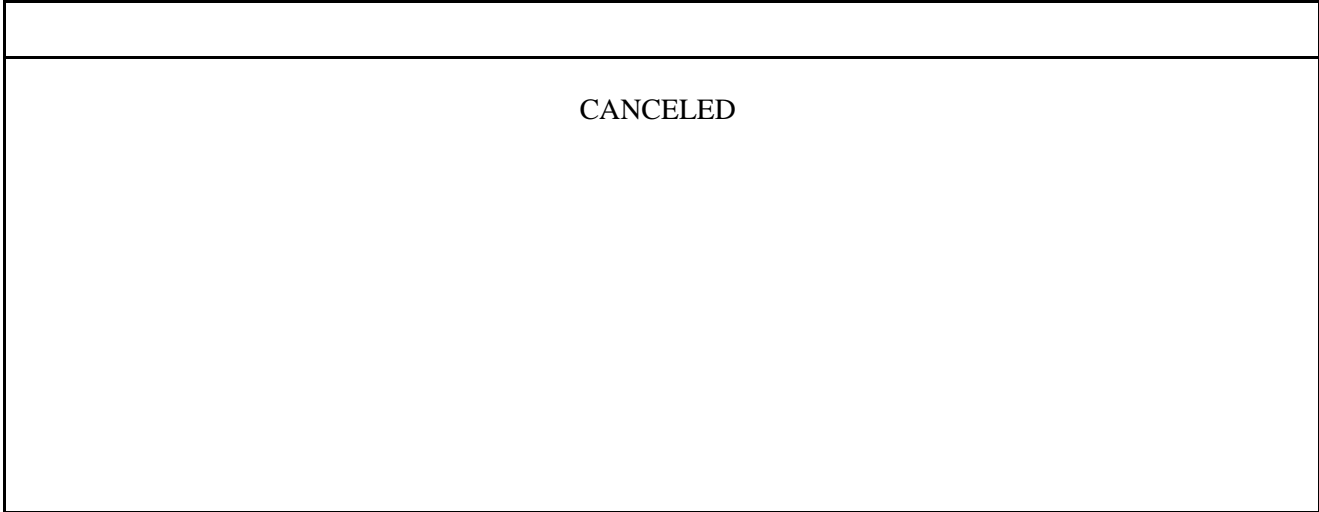
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RATE SCHEDULE LVI-CONSOLIDATED LARGE VOLUME INTERRUPTIBLE SERVICE

1. Availability: Service under this rate schedule is available to towns and to related rural areas supplied through Viking Gas Transmission, Great Lakes Gas Transmission, and Centra in MERC's Minnesota Service Area.
2. Applicability and Character of Service: This rate schedule shall apply to large volume gas service which is subject to interruption at any time upon order of MERC. Customer must have and maintain both the proven capability and adequate fuel supplies to use alternative fuel if MERC's service to such customer is interrupted. At MERC's request, the customer must demonstrate that it has such capability and fuel supplies. Customer must take 200 dekatherms or more per day at least once in a calendar year. MERC will have measuring equipment in place to determine that customer takes at least 200 dekatherms per day at least once on an annual basis. Interruptible service is available to a Human Needs Customer only if the customer has signed an affidavit that it has and will maintain both the proven capability and adequate fuel supplies to use alternate fuel if MERC's service to such customer is interrupted. At MERC's request, the customer must demonstrate that it has such capability and fuel supplies. A firm customer may transfer to interruptible service for the period November 1 through October 31 after giving the Company ninety days advance notice prior to November 1. An interruptible customer may not return to firm service until the next November 1st and must notify the Company in writing at least ninety days prior to the transfer. A customer may only transfer to firm sales service if Company is able to arrange adequate additional firm gas entitlements to meet the needs imposed on its system by the customer, without jeopardizing system reliability or increasing costs for its other customers.
3. Customer has the option to obtain joint gas service consisting of a base of firm gas volume, supplemented by interruptible volumes which must be 200 dekatherms or more per day at least once in a calendar year. A customer may transfer to joint gas service for the period November 1 through October 31 after giving the Company ninety days advance notice prior to November 1. A joint customer must maintain joint gas service and must nominate a DFC for the entire November through October period. A joint customer may not return to interruptible or firm service until the next November 1st and must notify the Company in writing at least ninety days prior to the transfer. A customer may only transfer to firm sales service if Company is able to arrange adequate additional firm gas entitlements to meet the needs imposed on its system by the customer, without jeopardizing system reliability or increasing costs for its other customers.
4. Rates:
 - A. Per month: Customer Charge - \$175.00 per meter
Base rate of gas @ \$0.44825 (MERC) per therm
Distribution charge @ \$0.03568 per therm
 - B. The rate per therm of daily firm capacity, if any, shall be \$0.59037 per MDQ, as defined in the General Rules, Regulations, Terms and Conditions, per month. See Sheet No. 7.07 for rate details.

Interim Rate Adjustment: A customer charge interim rate adjustment on the bill will be calculated by multiplying the current customer charge by 14.8%. A per therm interim rate adjustment will be calculated by multiplying the current distribution charge by 14.8%. For customers receiving joint service, a per therm interim rate adjustment for daily firm capacity will be calculated by multiplying the current margin rate of \$0.2300 by 14.8%. The combined effect of these interim rate adjustments will be shown as a single line item on the customer bill.

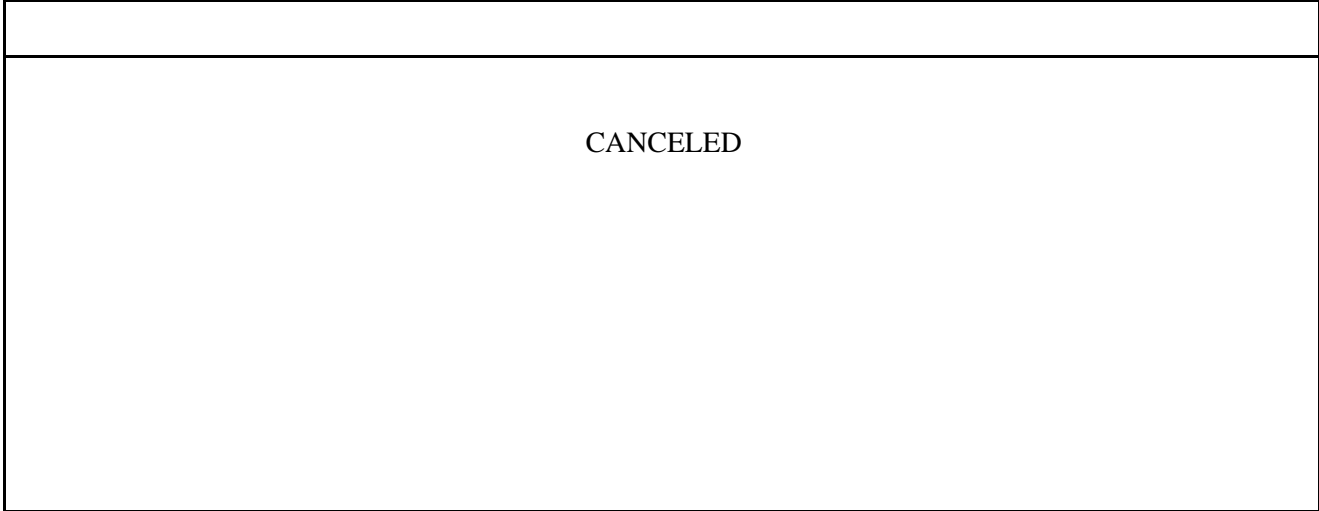
RATE SCHEDULE LVI-CONSOLIDATED- LARGE VOLUME INTERRUPTIBLE SERVICE
(Continued)

C. **Late Payment Charge:** If the unpaid balance is in excess of \$10, a late payment charge of 1.5% of the unpaid balance or \$1 whichever is greater shall be added to the unpaid balance if the bill is not paid by the next billing date, for residential and Even Pay Plan customers, or within 17 days of the current billing date for nonresidential customers. For residential customers, the next billing date must not be less than 25 days from the current billing date. No late payment charge will be made if the unpaid balance is \$10 or less.

D. Rates set forth above are base rates subject to change in accordance with the provisions of Purchased Gas Adjustment - Uniform Clause.

Volume Adjustment: Rates are based on gas with the equivalent heating value of 1000 Btu's. Volumes may be subject to a Btu variance adjustment pursuant to designation 2.A of MERC's General Rules, Regulations, Terms and Conditions. Btu's will be calculated on an arithmetic average.

5. **Monthly Minimum Bill:** The monthly minimum bill is the customer charge, the daily firm capacity charge, if any, and the applicable commodity charge for all volumes taken.
6. **Penalty For Unauthorized Takes When Service Is Interrupted:** Applicable rate in Paragraph "4" plus either applicable charge from pipeline (see Sheet 6.50) or \$20.00 per dekatherm so taken, whichever is applicable.
7. **General Terms and Conditions:** The General Terms and Conditions contained in this tariff shall apply to this rate schedule.
8. **Telemetry:** Customer must install telemetry equipment. Customer shall reimburse Company for all costs incurred by Company to install and maintain telemetry equipment or other related improvements. Any such equipment and improvements shall remain the property of Company.
9. **Determination of Conservation Cost Recovery Charge (CCRC):** The CCRC is the amount included in base rates dedicated to the recovery of CIP costs as approved by the MPUC. The CCRC factor is approved and applied on a per therm basis.
10. **Determination of CCRC Exemption:** For those customer accounts granted an exemption by the Commissioner of the Minnesota Department of Commerce, Division of Energy Resources (or successor agency) from Conservation Improvement Program (CIP) costs pursuant to Minnesota Statutes § 216B.241, the CCRC shall not apply. Those customers will not be charged the per therm CCRC factor.
11. **Remarks:** Reflects interim rates at Docket No. G011/GR-13-617. If the total amount of the rate increase approved at the end of the Company's rate case is lower than the total amount of interim rates collected, the Company will refund the difference with interest, and if the total amount of final rates is higher than the total amount of interim rates, the Company will not charge customers for the difference.



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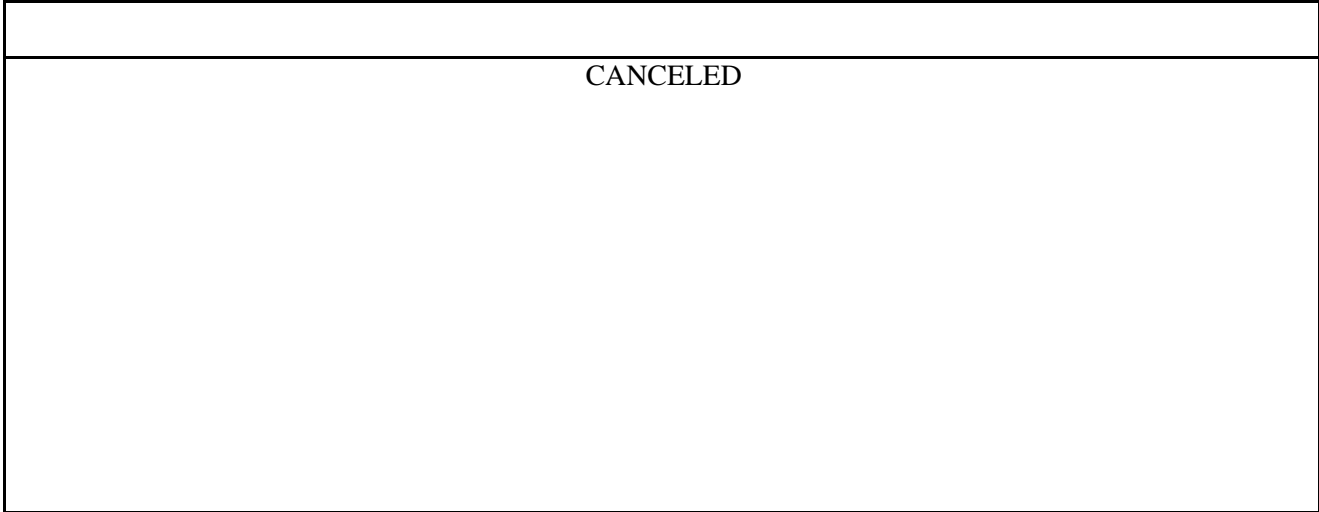
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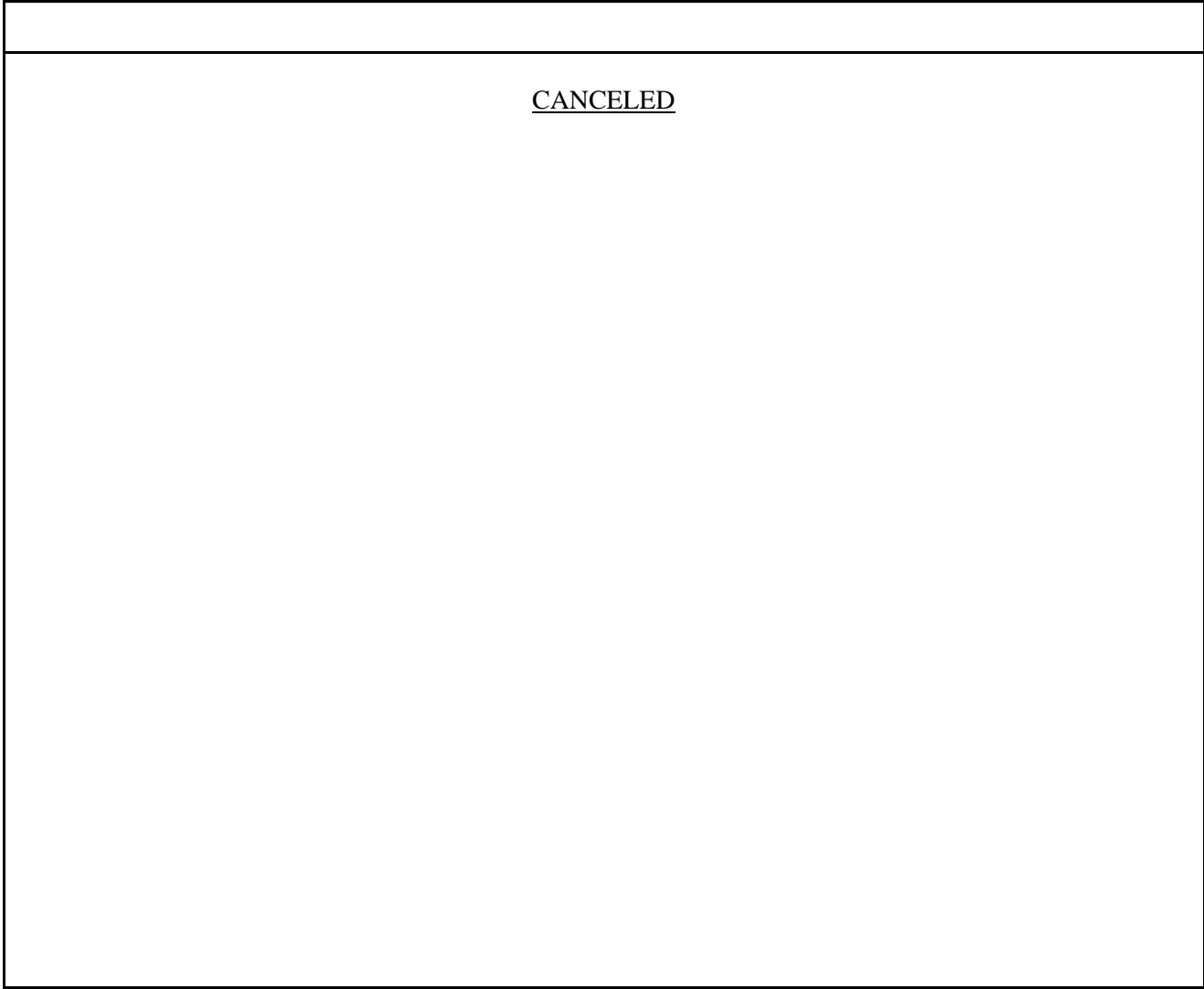
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RATE SCHEDULE S-LV SUPER LARGE VOLUME SERVICE

1. Availability: Service under this rate schedule is available to large volume mainline customers supplied through Northern Natural Gas Company.
2. Applicability and Character of Service: This rate schedule shall apply to joint gas service consisting of a base of firm gas volume, supplemented by additional interruptible gas volumes authorized from day to day. A customer may transfer to joint gas service for the period November 1 through October 31 after giving the Company ninety days advance notice prior to November 1 and must maintain joint gas service and must nominate a DFC for the entire November through October period. A customer may not transfer to interruptible or firm service until the next November 1st and must notify the Company in writing at least ninety days prior to the transfer. A customer may only transfer to firm sales service if Company is able to arrange adequate additional firm gas entitlements to meet the needs imposed on its system by the customer, without jeopardizing system reliability or increasing costs for its other customers. Customer must have and maintain both the proven capability and adequate fuel supplies to use alternative fuel if MERC's service to such customer is interrupted. At MERC's request the customer must demonstrate it has such capability and fuel supplies for amounts in excess of firm entitlement volumes to maintain operations during periods of curtailment. Customer must have capacity to take 4,000 dekatherms or more per day and annual consumption of 1.2 Bcf (1,200,000 dekatherms), except that, where consumption falls below this level due exclusively to efforts to conserve energy, or temporarily due to a strike or shutdown, customer is still eligible to take service under this tariff. Customer must document conservation efforts to justify consumption below 1,200,000 dekatherms.
3. Rate:
 - A. The customer charge shall be \$300.00 per month per meter.
 - B. The rate per therm of daily firm capacity shall be \$2.00712 (MERC-NNG) per MDQ, as defined in the General Rules, Regulations, Terms and Conditions, per month. See Sheet No. 7.07 for rate details. No demand charge shall be billed to customer or shall be due from them for days during a month when total curtailment of their daily firm capacity entitlement was in effect. For days of partial curtailment, however, daily firm capacity charges shall be billed to and paid by customer in an amount determined by dividing the monthly daily firm capacity charge by 30 and multiplying the product by a ratio, the numerator of which is the actual volumes delivered on such day and the denominator of which is the customer's daily firm capacity.
 - C. The base rate of gas is \$0.47461 (MERC-NNG) per therm, and the distribution charge is \$0.00420 per therm.
 - D. The monthly minimum bill shall be the customer charge, the daily firm capacity charge and the applicable commodity charge for all volumes taken subject to and computed in accordance with C.
 - E. Rates set forth above are base rates subject to change in accordance with the provisions of Purchased Gas Adjustment - Uniform Clause.

RATE SCHEDULE S-LV SUPER LARGE VOLUME SERVICE (CONTINUED)

Volume Adjustment: Rates are based on gas with the equivalent heating value of 1000 Btu's.

Volumes may be subject to a Btu variance adjustment pursuant to designation 2.A. of MERC's General Rules, Regulations, Terms and Conditions.

Btu's will be calculated on an arithmetic average.

4. Late Payment Charge: If the unpaid balance is in excess of \$10, a late payment charge of 1.5% of the unpaid balance or \$1 whichever is greater shall be added to the unpaid balance if the bill is not paid within 17 days of the current billing date. No late payment charge will be made if the unpaid balance is \$10 or less.
5. Penalty For Unauthorized Takes When Service Is Interrupted: Buyer shall be billed and shall pay \$20.00 per dekatherm for unauthorized overrun gas in addition to the rates in Paragraph "3". In addition, should Northern Natural Gas Company call a Critical Day, the penalty for unauthorized takes will be those set out on Sheet No. 6.50.
6. General Terms and Conditions: The General Terms and Conditions contained in this tariff shall apply to this rate schedule.
7. Telemetry: Customers other than farm tap customers must install telemetry equipment. Customer shall reimburse Company for all costs incurred by Company to install and maintain telemetry equipment or other related improvements. Any such equipment and improvements shall remain the property of Company.
8. Determination of Conservation Cost Recovery Charge (CCRC): The CCRC is the amount included in base rates dedicated to the recovery of CIP costs as approved by the MPUC. The CCRC factor is approved and applied on a per therm basis.
9. Determination of CCRC Exemption: For those customer accounts granted an exemption by the Commissioner of the Minnesota Department of Commerce, Division of Energy Resources (or successor agency) from Conservation Improvement Program (CIP) costs pursuant to Minnesota Statutes § 216B.241, the CCRC shall not apply. Those customers will not be charged the per therm CCRC factor.

TRANSPORTATION RATE SCHEDULE

1. Availability: Service under this rate schedule is available to any non-general service end-use customer who purchases gas supplies that can be transported on a firm or interruptible basis by MERC. Service hereunder shall be offered on a firm or interruptible basis contingent upon adequate interstate pipeline system capacity. Transportation service is not available to general service customers. Transportation is only allowed on open access pipelines (Centra is the only non-open access pipeline).

Service will be provided on a firm basis only if the customer has arranged firm transportation for such gas supplies on the interstate pipeline serving Company's distribution system and the customer has provided to Company a joint affidavit confirming this signed by the customer and, if applicable, the marketer. Interruptible transportation is available to a Human Needs Customer only if the customer has signed an affidavit that it has and will maintain both the proven capability and adequate fuel supplies to use alternate fuel if Company's service to such customer is interrupted. At Company's request, the customer must demonstrate that it has such capability and fuel supplies.

Class of Service: Transportation customers, if otherwise qualified for the rate, may choose transportation service from one of the following classes:

Small Volume Interruptible Service
Large Volume Interruptible Service

Small Volume Joint Firm/Interruptible Service
Large Volume Joint Firm/Interruptible Service

Super Large Volume Service
Super Large Volume Interruptible Transport (See Rate Schedule Sheet Nos. 6.20 and 6.25) only available for transportation not sales service.

2. Rate:

Fixed Rate

Customer Charge - \$70.00 per month per metered account for administrative costs related to transportation plus the monthly customer charge according to the applicable sales rate schedule for which the customer would otherwise qualify.

Daily Firm Capacity Charge

If applicable is at the rate set in the customer's regular sales tariff schedule as shown on Sheet 7.07, Column F.

Commodity Charge

All volumes received by the customer hereunder shall be charged a rate equal to the tariff margin component of Company's rate then in effect under its sales rate schedule for such customer as shown on Sheet 7.07, Column D. In addition, the customer must pay for all fixed gas costs assigned to the customer in the regular sales tariff rate. Fixed gas costs could include but are not limited to the following:

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TRANSPORTATION RATE SCHEDULE (Continued)

Daily Firm Capacity Charge
Annual Cost Adjustment Charges
Any other Fixed costs passed on by the pipeline, applicable for recovery

Additional costs will be assigned as they are authorized by the FERC or Minnesota Public Utilities Commission to be charged for transportation services, including but not limited to take-or-pay costs, TCR costs, and GRI costs. In addition, all firm volumes delivered from system gas supply shall be charged the rate set in the appropriate sales tariff schedule.

Interim Rate Adjustment: A 14.8% adjustment will be applied to each bill prior to any applicable cost of gas charges and surcharges. The interim rate adjustment will be shown as a single line item on the customer bill.

3. Special Conditions:

- A. Customer must have arranged for the purchase of gas other than Company's system supply and for its delivery to Company system. Company shall be deemed to have title to transportation gas, as necessary, to arrange interstate pipeline transportation to Company's system.
- B. The customer shall execute a written contract for transportation services pursuant to this rate schedule containing such terms and conditions as Company may reasonably require.
- C. All Large Volume transportation customers other than farm tap customers must have Company install telemetry equipment at the customer's expense. The telemetry equipment must be installed no later than 90 days after the commencement of natural gas service to the customer. Large volume seasonal, non-winter peaking customers whose annual volumes are less than 50,000 dekatherm, may request in writing a waiver of the telemetry requirements. All Small Volume transportation customers other than farm tap customers must have Company install telemetry equipment at the customer's expense. Customers must reimburse Company for the cost incurred by Company to install telemetry equipment and for the cost of any other improvements made by Company in order to provide this transportation service. Company will offer financing for periods up to 90 days interest free. Company will offer financing with interest to a customer to pay for the installation of telemetry equipment for a period of more than 90 days but not more than 12 consecutive months on a non-regulated basis. The telemetry equipment and any other improvements made by Company shall remain the property of Company.
- D. Company's sales refunds applicable to the period when gas is transported will not be made to transportation customers.
- E. The order of gas delivery for purposes of billing will be as follows:
 - a. First, customer-owned firm volumes.
 - b. Second, customer-owned interruptible volumes.
 - c. Third, sales gas priced per Company's applicable sales tariffs.
- F. Customer agrees to curtail the use of gas purchased from third party suppliers of gas when the gas purchased from the third party is not delivered to Company's system.
- G. Customers may transfer to Transportation Service for the period November 1 through October 31 after giving the Company ninety days advance notice prior to November 1. A transportation customer must maintain transportation service for the entire November through October period. A transportation customer may not return to sales service until the next November 1st and must notify the Company in writing at least ninety days prior to the transfer. A customer may only transfer to

TRANSPORTATION RATE SCHEDULE (Continued)

firm sales service if Company is able to arrange adequate additional firm gas entitlements to meet the needs imposed on its system by the customer, without jeopardizing system reliability or increasing costs for its other customers.

- H. Joint rate transportation service customers can select one of the following two options:
- 1) Customers served under the joint sales rate may purchase both interstate pipeline capacity and Company's distribution system capacity from Company. In this case, customers would be billed the "Base Gas Cost", "PGA Adjustment", "Annual ACA Adjustment", and the "Tariff Margin" (as shown on Company's tariff sheet No. 7.07).
 - 2) Customers may choose to separately purchase interstate pipeline capacity from a third party non-regulated supplier (as demonstrated by providing Company with a joint affidavit signed by the customer and the third party supplier) and distribution system capacity from Company. In this case, customers would be billed only the "Tariff Margin" (as shown on Company tariff sheet No. 7.07).

Customers purchasing interstate pipeline capacity from third party non-regulated suppliers must be able to demonstrate they have been provided the necessary units of interstate pipeline capacity to meet their firm needs. Customers who have previously entered into contracts with Company for the purchase of interstate pipeline capacity are responsible for completing their contract obligations.

4. BTU Adjustment: Customer billed usage in therm volumes will be adjusted when the Btu content of delivered gas varies from 1,000 Btu per cubic foot.
5. Nomination: Customers requesting volumes to flow on the first day of any month must directly advise Company's Gas Control Department by 9:00 a.m. (Central Clock time) five (5) working days prior to the end of the preceding month of the volumes to be delivered on their behalf. Customers requesting nomination changes on days subsequent to the first day commencing at 9:00 a.m. Central Clock time must directly advise Company's Gas Control Department by 9:00 a.m. (Central Clock time) on the preceding day of the volumes to be delivered on their behalf. Intraday nominations will be accepted by the Company on a best efforts basis, provided the nomination is confirmed by the interstate pipeline.

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TRANSPORTATION RATE SCHEDULE (Continued)

6. Balancing: To assure Company's system integrity, the customer is responsible for: 1) providing nominations which accurately reflect customer's expected consumption, and 2) balancing deliveries to Company's system with volumes consumed at the delivery points.
7. Balancing and Scheduling Charges: Failure to fulfill these responsibilities will result in the customer incurring balancing and/or scheduling charges as described below.

These charges are applicable only to Company's town plant customers whose supply requirements could impact other customers and do not apply to Company's mainline customers who are the only customer taking gas at those points or MERC's SLVI-NNG Transport or SLVI-Consolidated Transport customers. However, each mainline or SLVI-NNG Transport and SLVI-Consolidated Transport customer must pay for any balancing or scheduling penalties from pipelines that the customer causes Company to incur.

Daily Scheduling Charges

This section is applicable to all transportation customers except for Company's mainline or SLVI-NNG Transport or SLVI-Consolidated Transport customers. Mainline or SLVI-NNG Transport and SVLI-Consolidated Transport customers must pay for any balancing or scheduling penalties from pipelines that they cause Company to incur. Except as noted below, the following charges will apply:

Northern Natural Gas

- A. A tolerance of +/-5% of confirmed nomination will be applied
- B. For consumption within tolerance, no scheduling charges will be applied.
- C. For consumption outside tolerance, a scheduling charge shall be applied to the volume exceeding tolerance equal to the maximum effective Northern Natural Gas TI rate for the customer's market area.

On days that Northern Natural Gas calls a **System Overrun Limitation** the following charges will be in effect:

- A. For consumption greater than the confirmed nomination, the following charges will be applied:
 - 1. For consumption up to 105% of confirmed nomination, \$1.00 per dekatherm in excess of confirmed nomination up to 105%.
 - 2. For consumption greater than 105% of confirmed nomination, \$10.66 per dekatherm in excess of 105% of confirmed nomination.
- B. For consumption less than the confirmed nomination, there is no charge.

On days that Northern Natural Gas calls a **System Underrun Limitation** the following charges will be in effect:

TRANSPORTATION RATE SCHEDULE (Continued)

- A. For consumption greater than the confirmed nomination, there is no charge.
- B. For consumption less than the confirmed nomination, \$1.00 per dekatherm.

On days that Northern Natural Gas calls a **Critical Day** the following charges will be in effect:

- A. For consumption greater than the confirmed nomination, the following charges will be applied:
 - a. For consumption up to 102% of confirmed nomination, \$15.00 per dekatherm in excess of confirmed nomination up to 102%.
 - b. For consumption greater than 102% up to 105% of confirmed nomination, \$22.00 per dekatherm in excess of 102% up to 105% of confirmed nomination.
 - c. For consumption greater than 105% up to 110% of confirmed nomination, \$56.50 per dekatherm in excess of 105% up to 110% of confirmed nomination.
 - d. For consumption greater than 110% of confirmed nomination, \$113.00 per dekatherm in excess of 110% of confirmed nomination.
- B. For consumption less than the confirmed nomination, there is no charge.

These charges are in addition to any Company charges, as provided for in Company tariff, for unauthorized takes of gas when service is interrupted.

Great Lakes and Viking

Any penalties incurred as a result of the customer will be passed along to the customer.

Any upstream costs that can be specifically identified as being caused by a specific end use customer will be assigned to that customer.

These charges are in addition to any Company charges, as provided for in Company's tariff, for unauthorized takes of gas when service is interrupted.

Monthly Imbalances: This Section is applicable to all transportation customers except for Company's mainline or SLVI-NNG Transport and SLVI-Consolidated customers. Mainline or SLVI-NNG and SLVI-Consolidated Transport customers must pay for any balancing or scheduling penalties from pipelines that they cause Company to incur. As imbalances occur, Company and the customer will attempt to correct them within the same month in which they occur. Failing such a correction, the imbalances will be corrected on a monthly basis through the following cash out procedure:

TRANSPORTATION RATE SCHEDULE (Continued)

Northern Natural Gas

The difference between confirmed nominated volumes and actual consumption will be charged or credited to the customer based on the appropriate Market Index Price (MIP). The basis for the MIP shall be the average weekly prices as quoted for the Ventura and Demarc points in Gas Daily for a 5 week period starting on the first Tuesday of the calendar month for which the MIP is being established and ending on the first or second Monday of the following month, whichever is applicable, to arrive at a 5 week period.

The MIPs shall be determined as follows:

High MIP: The highest weekly average during the 5 week period for the applicable month, plus pipeline fuel at the effective pipeline fuel rate, plus pipeline commodity at the effective pipeline commodity rate, plus a capacity release value, which will be deemed to be \$0.07/dekatherm.

Low MIP: The lowest weekly average during the 5 week period for the applicable month, plus pipeline fuel at the effective pipeline fuel rate, plus pipeline commodity at the effective pipeline commodity rate.

Average MIP: The average of the weekly averages during the 5 week period for the applicable month, plus pipeline fuel at the effective pipeline fuel rate, plus pipeline commodity at the effective pipeline commodity rate.

In addition, the cash out price is tiered to encourage good performance and discourage gaming of the system.

<u>Imbalance Level</u>	<u>Due Company</u>	<u>Due Customer</u>
0% - 3%	High MIP * 100%	Low MIP * 100%
For the increment that is greater than 3% up to 5%	High MIP * 102%	Low MIP * 98%
For the increment that is greater than 5% up to 10%	High MIP * 110%	Low MIP * 90%
For the increment that is greater than 10% up to 15%	High MIP * 120%	Low MIP * 80%
For the increment that is greater than 15% up to 20%	High MIP * 130%	Low MIP * 70%
For the increment that is greater than 20%	High MIP * 140%	Low MIP * 60%

Example:

If the nominated volume was 100 dekatherm and the actual consumption was 130 dekatherm, there is an imbalance of 30 dekatherm due Company. The transportation customer would owe Company the following amount using the above hypothetical High MIP of \$2.23: (*)

TRANSPORTATION RATE SCHEDULE (Continued)

3 dekatherm at MIP * 100%	\$ 6.69
2 dekatherm at MIP * 102%	\$ 4.55
5 dekatherm at MIP * 110%	\$12.26
5 dekatherm at MIP * 120%	\$13.38
5 dekatherm at MIP * 130%	\$14.49
10 dekatherm at MIP * 140%	<u>\$31.22</u>
	\$82.59

(*) These hypothetical prices are used for illustration purposes only.

If the pipeline provides an imbalance to storage option, and the transporter has a storage account on the pipeline, Company and the transporter may transfer imbalances to or from pipeline storage accounts, provided certain conditions are met. If the transaction would cause Company’s storage account to breach any contractual limitations, or would otherwise cause undue harm to Company’s management of its storage accounts, the storage transfer may not be allowed. If there are any charges from the pipeline to effectuate the storage transfer, the customer will be responsible for payment of any such actual costs.

Viking and Great Lakes

If the monthly imbalance is due to a deficiency of deliveries (customer excess) relative to scheduled nominations, Company shall pay customer in accordance with Schedule A below. If the monthly imbalance is due to an excess of deliveries (customer shortfall) relative to scheduled nominations, customer shall pay Company in accordance with Schedule B below. In addition to correcting the monthly imbalance in cash, (a) Company shall pay to customer the “Transportation Component” if deliveries are greater than scheduled nominations, or (b) Customer shall pay to Company the “Transportation Component” if deliveries are less than scheduled nominations. For Viking, the “Transportation Component” shall be equal to the Commodity Rate under Rate Schedule FT-A rate for transportation to the applicable zone multiplied by the monthly imbalance, plus an applicable fuel and use charges, as stated in Viking’s tariff. For Great Lakes, the “Transportation component” shall be equal to the Usage Rate under Rate Schedule FT, for a West to West transport (Emerson to Cloquet) multiplied by the monthly imbalance plus fuel, plus FERC’s Annual Charge Adjustment (ACA), plus Gas Research Institute charge (GRI), as stated in Great Lakes tariff.

Schedule A

% Monthly Imbalance	Company Pays Customer Following % of the Index Price
0-5%	100% Average Monthly
>5-10%	85% Average Monthly
>10-15%	70% Average Monthly
>15-20%	60% Average Monthly
>20%	50% Average Monthly

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TRANSPORTATION RATE SCHEDULE (Continued)

Schedule B

% Monthly Imbalance	Customer Pays Company Following % of the Index Price
0-5%	100% Average Monthly
>5-10%	115% Average Monthly
>10-15%	130% Average Monthly
>15-20%	140% Average Monthly
>20%	150% Average Monthly

The Index Price shall be determined on a weekly and monthly basis. Each Weekly Index Price shall equal the price of gas at Emerson, Manitoba as published in the “Weekly Price Survey” of Gas Daily for such week. For purposes of determining the cashout of imbalances in accordance with Schedules A and B herein, the “Average Monthly Index Price” shall be the average of the Weekly Index Prices determined during a given month.

If Gas Daily’s “Weekly Price Survey” is no longer published, customer and Company shall meet to undertake to agree upon alternative spot price indices.

8. Pipeline Charges: Any charges which Company incurs from the pipeline on behalf of a customer shall be passed through to that customer.

9. Firm Backup Sales Service: In order to obtain a firm backup sales service, customer must purchase a sufficient number of daily firm capacity units to cover the desired level of firm sales service. The rate for firm backup sales service will be the applicable firm sales rate, plus the appropriate monthly customer charge and appropriate daily firm capacity charge for the applicable class of sales service. A customer who takes gas in excess of the contracted amount will be subject to applicable penalties listed in Section 7, Balancing and Scheduling Charges. If a customer’s transportation gas does not arrive on schedule, the customer will be shut off until the transportation gas does arrive, unless the customer has not taken more than its contracted amount of gas, as noted above.

10. Aggregation Service: A Marketer or other third-party supplier may combine a group of transportation customers that have the same balancing provisions and are located on the same interstate pipeline system and within the same interstate pipeline operational zone. If the Marketer or other third-party supplier purchases this aggregation service, the aggregated group will be considered as one customer for purposes of calculating the daily scheduling penalties and monthly imbalances, i.e., individual customer nominations and consumption will be summed and treated as if there were one customer. In the event that the pipeline calls a limitation day (SOL, SUL, critical day) at less than a pipeline or zone level, the Company has the right to require the aggregation provisions to occur at the same level.

The cost of the aggregation service is \$.0425 per dekatherm of gas delivered to the aggregated group.

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TRANSPORTATION RATE SCHEDULE (Continued)

11. Small Volume Balancing Service

Daily Balancing: Small Volume customers with daily consumption of less than 200 dekatherms who elect transportation service may purchase Company's Small Volume Balancing Service in lieu of meeting Company's Transportation Tariff daily scheduling requirements. Customers choosing this daily balancing service must submit a daily nomination to Company on those days the service is used. Under certain circumstances described below, Company may, at its option, require customer to deliver its MDQ, as defined in General Rules, Regulations, Terms and Conditions, to the Receipt Point up to a cumulative 20 days (in addition to interstate pipeline OFO and critical days) during the months of November through March. If MDQ delivery does not occur then customer must curtail to the level of their confirmed nomination. The delivery of the MDQ must be confirmed. Confirmation occurs when Company receives confirmed nomination from the interstate pipeline. In the event that interstate pipeline calls a critical day or operational flow order, customer must, without notice from Company, deliver its MDQ to the receipt point. In the event that Company calls a Critical Day, as defined in general Rules, Regulations, Terms and Conditions, or issues an Operational Flow Order as defined in general Rules, Regulations, Terms and Conditions, Company will notify customer via fax that customer must deliver its MDQ to the Receipt Point. Company will provide customer with at least 25 hours notice prior to the start of the gas day for which such Critical Day or Operational Flow Order applies. Note, however, that Company will automatically require, without providing notice to customer, that customer deliver its MDQ whenever the interstate pipeline calls a Critical Day or Operational Flow Order. If customer fails to deliver its MDQ as required and the interstate pipeline has called a Critical Day or Operational Flow Order, or the Company has called a critical day, then Company shall assess a penalty to customer for each dekatherm that customer failed to deliver in an amount equal to the highest daily penalty applicable to a Critical Day as defined by the interstate pipeline in its tariff. If Company has not called a Critical Day but has issued an Operational Flow Order and customer fails to deliver its MDQ then Company will assess a penalty to customer in an amount equal to that identified in 13. below for each dekatherm that customer failed to deliver.

The cost of the service is 7.0¢ per dekatherm transported on Company's system. Revenues collected from this balancing service will be credited against the cost of sales gas (demand and commodity) Weighted Average Cost of Gas (WACOG).

12. Large Volume Balancing Service (LVBS) Program

This service is available to Large Volume Transportation customers that have telemetry equipment installed. This service is also available to aggregators that have pooled Large Volume Transportation customers with telemetry equipment installed. The service is not available to mainline customers or customers with end user allocation agreements. Company shall have the right to deny service if it deems the customer or aggregator is intentionally over or under nominating.

This service allows the customer to purchase additional swing capability. This allows the customer's daily usage to vary from its nomination by the amount of service that the customer chooses to purchase, beyond the tolerance permitted under Section 7. of this Transportation Rate Schedule. For example, a customer purchasing 20 units of LVBS and nominating 100 MMBtu on a normal day would be permitted to consume as little as 75 MMBtu or as much as 125 MMBtu during that day before incurring any daily scheduling charges. (100 x 5% + 20 = 25 MMBtu+/-).

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TRANSPORTATION RATE SCHEDULE (Continued)

This service will not be available on pipeline SOL, SUL, or Critical Days. Likewise, this service shall not be available on any day that the Company issues a Curtailment Day, or any other day that the Company determines, in its sole judgment, that the service would be detrimental to its General Service customers.

The reservation rate for this service is \$2.18 per dekatherm. This rate is equivalent to Northern Natural Gas' SMS demand charge. A variable charge of \$0.0208 per dekatherm shall be applied to those volumes consumed outside the daily tolerance level of +/- 5%. This rate is equivalent to NNG's SMS variable/commodity rate. The Company will change the rates for LVBS any time NNG changes its rate for SMS by calculating the new SMS rate using a 50% utilization factor. The Company will submit a miscellaneous tariff filing, including revised tariff sheets, with the Minnesota Public Utilities Commission any time it proposes to adjust this rate due to a change in the SMS rate. Revenues collected from this service will be credited against the cost of sales gas.

The term of service is one month commencing on the first gas day of the calendar month and shall remain in effect from month-to-month thereafter until terminated by either party by thirty days written notice.

13. Payment: The bill is due seventeen days after issuance. There shall be a late payment charge of one and one-half percent per month on the unpaid balance.
14. Penalty for Unauthorized Takes When Service is Interrupted or Curtailed: If customer fails to curtail its use of gas hereunder when requested to do so by Company, customer shall be billed at the transportation charge, plus the cost of gas Company secures for the customer, plus the greater of either the pipeline daily delivery variance charges (see Sheet 6.50) or \$20 per dekatherm, whichever is applicable, for gas used in excess of the volumes of gas to which customer is limited. Company may in addition disconnect customer's supply of gas if customer fails to curtail its use thereof when requested by Company to do so.
15. Notification: Company will provide written notice to each customer contracting for transportation service that unless the customer buys firm backup sales service from Company, Company is not obligated to supply gas to such customer. The notice will advise the customer of the nature of any identifiable penalties related to the balancing and scheduling charges as provided in Section 7 above, any charges Company incurs from the pipeline on behalf of the customer, unauthorized take charges described in Section 14 above, and the price for such gas.
16. End User Allocation Agreement: Company will enter into and/or maintain an End User Allocation Agreement ("EUAA") with any transportation customer requesting such EUAA under the following conditions: (1) Customer must have telemetry installed at its facility; (2) Such EUAA will not negatively impact Company's sales customers; and (3) Northern Natural Gas Company is willing to enter into such EUAA.
17. General Terms and Conditions: The General Terms and Conditions contained in this tariff shall apply to this rate schedule.

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TRANSPORTATION RATE SCHEDULE (Continued)

18. Remarks: Reflects interim rates at Docket No. G011/GR-13-617. If the total amount of the rate increase approved at the end of the Company's rate case is lower than the total amount of interim rates collected, the Company will refund the difference with interest, and if the total amount of final rates is higher than the total amount of interim rates, the Company will not charge customers for the difference.

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RATE SCHEDULE SLVI-NNG
SUPER LARGE VOLUME INTERRUPTIBLE TRANSPORTATION SERVICE

1. Availability: Service under this rate schedule is available to large volume transport customers served by Northern Natural Gas within two (2) miles of an alternate supply source.
2. Applicability and Character of Service: This rate schedule shall apply to large volume gas service which is subject to interruption at anytime upon order of MERC. Customer must have and maintain both the proven capability and adequate fuel supplies to use alternative fuel if MERC's service to such customer is interrupted. At MERC's request, the customer must demonstrate it has such capacity and fuel supplies. Customer must have capacity to take 1,666 dekatherm or more per day and annual consumption of .5 Bcf (500,000 dekatherm), except that, where consumption falls below this level due exclusively to efforts to conserve energy, or temporarily due to a strike or shutdown, customer is still eligible to take service under this tariff. Customer must document conservation efforts to justify consumption below .5 Bcf. A customer may transfer to joint gas service for the period November 1 through October 31 after giving the Company ninety days advance notice prior to November 1. A joint customer must maintain joint gas service and must nominate a DFC for the entire November through October period. A joint customer may not return to interruptible or firm service until the next November 1st and must notify the Company in writing at least ninety days prior to the transfer. A customer may only transfer to firm sales service if Company is able to arrange adequate additional firm gas entitlements to meet the needs imposed on its system by the customer, without jeopardizing system reliability or increasing costs for its other customers.
3. Rate
Customer Charge - \$370.00 per month per meter

Commodity Charge:
All volumes received by the customer hereunder shall be charged a rate equal to the tariff margin of \$.042/dekatherm. Additional costs will be assigned as they are authorized by the FERC or state Commissions to be charged for transportation services, including but not limited to take-or-pay costs, TCR costs, and GRI costs.

Volume Adjustment: Rates based on gas with the equivalent heating value of 1000 Btu's. Volumes may be subject to a Btu variance adjustment pursuant to designation 2.A. of MERC's General Rules, Regulations, Terms and Conditions.

Btu's will be calculated on an arithmetic average.

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RATE SCHEDULE SLVI-NNG
SUPER LARGE VOLUME INTERRUPTIBLE TRANSPORTATION SERVICE (Continued)4. Special Conditions

- A. Customer must have arranged for the purchase of gas other than MERC system supply and for its delivery to MERC's system. MERC shall be deemed to have title to transportation gas, as necessary, to arrange interstate pipeline transportation to MERC's system.
- B. The customer shall execute a written contract for transportation services pursuant to this rate schedule containing such terms and conditions as MERC may reasonably require.
- C. All Large Volume transportation customers other than farm tap customers must have MERC install telemetry equipment at the customer's expense. The telemetry equipment must be installed no later than 90 days after the commencement of natural gas service to the customer. Large volume seasonal, non-winter peaking customers whose annual volumes are less than 50,000 dekatherm, may request in writing a waiver of the telemetry requirements. Customers must reimburse MERC for the cost incurred by MERC to install telemetry equipment and for the cost of any other improvements made by MERC in order to provide this transportation service. MERC will offer financing for periods up to 90 days interest free. MERC will offer financing with interest to a customer to pay for the installation of telemetry equipment for a period of more than 90 days but not more than 12 consecutive months on a non-regulated basis. The telemetry equipment and any other improvements made by MERC shall remain the property of MERC.
- D. MERC's sales refunds applicable to the period when gas is transported will not be made to transportation customers.
- E. The order of gas delivery for purposes of billing will be as follows:
 - a. First, customer-owned firm volumes.
 - b. Second, customer-owned interruptible volumes.
 - c. Third, sales gas priced per MERC's applicable sales tariffs.
- F. Customer agrees to curtail the use of gas purchased from third party suppliers of gas when the gas purchased from the third party is not delivered to MERC's system.
- G. Customers may transfer to Transportation Service for the period November 1 through October 31 after giving MERC ninety days advance notice prior to November 1. A transportation customer must maintain transportation service for the entire November through October period. A transportation customer may not return to sales service until the next November 1st and must notify MERC in writing at least ninety days prior to the transfer.

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RATE SCHEDULE SLVI-NNG

SUPER LARGE VOLUME INTERRUPTIBLE TRANSPORTATION SERVICE (Continued)

A customer may only transfer to firm sales service if MERC is able to arrange adequate additional firm gas entitlements to meet the needs imposed on its system by the customer, without jeopardizing system reliability or increasing costs for its other customers.

5. Nomination: Customers requesting volumes to flow on the first day of any month must directly advise MERC's Gas Control Department by 9:00 a.m. (Central Clock time) five (5) working days prior to the end of the preceding month of the volumes to be delivered on their behalf. Customers requesting nomination changes on days subsequent to the first day commencing at 9:00 a.m. Central Clock time must directly advise MERC's Gas Control Department by 9:00 a.m. (Central Clock time) on the preceding day of the volumes to be delivered on their behalf. Intraday nominations will be accepted by MERC on a best efforts basis.
6. Balancing: To assure MERC system integrity, the customer is responsible for: 1) providing nominations which accurately reflect customer's expected consumption, and 2) balancing deliveries to MERC's system with volumes consumed at the delivery points.
7. Balancing and Scheduling Charges: Failure to fulfill these responsibilities will result in the customer incurring balancing and/or scheduling charges. MERC's SLVI-NNG transport customers must pay for any balancing and scheduling penalties from pipelines that the customer causes MERC to incur.
8. Pipeline Charges: Any charges which MERC incurs from the pipeline on behalf of a customer shall be passed through to that customer.

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RATE SCHEDULE SLVI-NNG

SUPER LARGE VOLUME INTERRUPTIBLE TRANSPORTATION SERVICE (Continued)

9. Firm Backup Sales Service: In order to obtain a firm backup sales service, customer must purchase a sufficient number of daily firm capacity units to cover the desired level of firm sales service. The rate for firm backup sales service will be the applicable firm sales rate, plus the appropriate monthly customer charge and appropriate daily firm capacity charge for the applicable class of sales service. A customer who takes gas in excess of the contracted amount will be subject to applicable penalties listed in Section 7, Balancing and Scheduling Charges. If a customer's transportation gas does not arrive on schedule, the customer will be shut off until the transportation gas does arrive, unless the customer has not taken more than its contracted amount of gas.
10. Aggregation Service: A Marketer or other third-party supplier may combine a group of transportation customers that have the same balancing provisions and are located on the same interstate pipeline system and within the same interstate pipeline operational zone. If the Marketer or other third-party supplier purchases this aggregation service, the aggregated group will be considered as one customer for purposes of calculating the daily scheduling penalties and monthly imbalances, i.e. individual nominations and consumption will be summed and treated as if there were one customer. In the event that the pipeline calls a limitation day (SOL, SUL, critical day) at less than a pipeline or zone level, the Company has the right to require the aggregation provisions to occur at the same level.
- The cost of aggregation service is \$.0425 per dekatherm of gas delivered to the aggregated group.
11. Late Payment Charge: If the unpaid balance is in excess of \$10, a late payment charge of 1.5% of the unpaid balance or \$1 whichever is greater shall be added to the unpaid balance if the bill is not paid within 17 days of the current billing date. No late payment charge will be made if the unpaid balance is \$10 or less.

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RATE SCHEDULE SLVI

SUPER LARGE VOLUME INTERRUPTIBLE TRANSPORTATION SERVICE (Continued)

12. Penalty for Unauthorized Takes When Service Is Interrupted: Buyer shall be billed and shall pay \$20.00 per dekatherm for unauthorized overrun gas in addition to the rates in Paragraph "3".
13. Notification: MERC will provide written notice to each customer contracting for transportation service that unless the customer buys firm backup sales service from MERC is not obligated to supply gas to such customer. The notice will advise the customer of the nature of any identifiable penalties related to the balancing and scheduling charges as provided in Section 7 above, any charges MERC incurs from the pipeline on behalf of the customer, unauthorized take charges described in Section 12 above, and the price for such gas.
14. General Terms and Conditions: The General Terms and Conditions contained in this tariff shall apply to this rate schedule.

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**RATE SCHEDULE SLVI-CONSOLIDATED
SUPER LARGE VOLUME INTERRUPTIBLE TRANSPORTATION SERVICE**

1. Availability: Service under this rate schedule is available to large volume transport customers served by Viking Gas Transmission or Great Lakes Gas Transmission within two (2) miles of an alternate supply source.

2. Applicability and Character of Service: This rate schedule shall apply to large volume gas service which is subject to interruption at anytime upon order of MERC. Customer must have and maintain both the proven capability and adequate fuel supplies to use alternative fuel if MERC's service to such customer is interrupted. At MERC's request, the customer must demonstrate it has such capacity and fuel supplies. Customer must have capacity to take 1,666 dekatherm or more per day and annual consumption of .5 Bcf (500,000 dekatherm), except that, where consumption falls below this level due exclusively to efforts to conserve energy, or temporarily due to a strike or shutdown, customer is still eligible to take service under this tariff. Customer must document conservation efforts to justify consumption below .5 Bcf. A customer may transfer to joint gas service for the period November 1 through October 31 after giving the Company ninety days advance notice prior to November 1. A joint customer must maintain joint gas service and must nominate a DFC for the entire November through October period. A joint customer may not return to interruptible or firm service until the next November 1st and must notify the Company in writing at least ninety days prior to the transfer. A customer may only transfer to firm sales service if Company is able to arrange adequate additional firm gas entitlements to meet the needs imposed on its system by the customer, without jeopardizing system reliability or increasing costs for its other customers.

3. Rate
Customer Charge - \$370.00 per month per meter

Commodity Charge:
All volumes received by the customer hereunder shall be charged a rate equal to the tariff margin of \$.0085/therm. Additional costs will be assigned as they are authorized by the FERC or state Commissions to be charged for transportation services, including but not limited to take-or-pay costs, TCR costs, and GRI costs.

Volume Adjustment: Rates based on gas with the equivalent heating value of 1000 Btu's. Volumes may be subject to a Btu variance adjustment pursuant to designation 2.A. of MERC's General Rules, Regulations, Terms and Conditions.

Btu's will be calculated on an arithmetic average.

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RATE SCHEDULE SLVI-CONSOLIDATED
SUPER LARGE VOLUME INTERRUPTIBLE TRANSPORTATION SERVICE (Continued)5. Special Conditions

- A. Customer must have arranged for the purchase of gas other than MERC system supply and for its delivery to MERC's system. MERC shall be deemed to have title to transportation gas, as necessary, to arrange interstate pipeline transportation to MERC's system.
- B. The customer shall execute a written contract for transportation services pursuant to this rate schedule containing such terms and conditions as MERC may reasonably require.
- C. All Large Volume transportation customers must have MERC install telemetry equipment at the customer's expense. The telemetry equipment must be installed no later than 90 days after the commencement of natural gas service to the customer. Large volume seasonal, non-winter peaking customers whose annual volumes are less than 50,000 dekatherm, may request in writing a waiver of the telemetry requirements. Customers must reimburse MERC for the cost incurred by MERC to install telemetry equipment and for the cost of any other improvements made by MERC in order to provide this transportation service. MERC will offer financing for periods up to 90 days interest free. MERC will offer financing with interest to a customer to pay for the installation of telemetry equipment for a period of more than 90 days but not more than 12 consecutive months on a non-regulated basis. The telemetry equipment and any other improvements made by MERC shall remain the property of MERC.
- D. MERC's sales refunds applicable to the period when gas is transported will not be made to transportation customers.
- E. The order of gas delivery for purposes of billing will be as follows:
 - a. First, customer-owned firm volumes.
 - b. Second, customer-owned interruptible volumes.
 - c. Third, sales gas priced per MERC's applicable sales tariffs.
- F. Customer agrees to curtail the use of gas purchased from third party suppliers of gas when the gas purchased from the third party is not delivered to MERC's system.
- G. Customers may transfer to Transportation Service for the period November 1 through October 31 after giving MERC ninety days advance notice prior to November 1. A transportation customer must maintain transportation service for the entire November through October period. A transportation customer may not return to sales service until the next November 1st and must notify MERC in writing at least ninety days prior to the transfer.

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RATE SCHEDULE SLVI-CONSOLIDATED
SUPER LARGE VOLUME INTERRUPTIBLE TRANSPORTATION SERVICE (Continued)

A customer may only transfer to firm sales service if MERC is able to arrange adequate additional firm gas entitlements to meet the needs imposed on its system by the customer, without jeopardizing system reliability or increasing costs for its other customers.

5. Nomination: Customers requesting volumes to flow on the first day of any month must directly advise MERC's Gas Control Department by 9:00 a.m. (Central Clock time) five (5) working days prior to the end of the preceding month of the volumes to be delivered on their behalf. Customers requesting nomination changes on days subsequent to the first day commencing at 9:00 a.m. Central Clock time must directly advise MERC's Gas Control Department by 9:00 a.m. (Central Clock time) on the preceding day of the volumes to be delivered on their behalf. Intraday nominations will be accepted by MERC on a best efforts basis.
6. Balancing: To assure MERC system integrity, the customer is responsible for: 1) providing nominations which accurately reflect customer's expected consumption, and 2) balancing deliveries to MERC's system with volumes consumed at the delivery points.
7. Balancing and Scheduling Charges: Failure to fulfill these responsibilities will result in the customer incurring balancing and/or scheduling charges. MERC's SLVI-Consolidated transport customers must pay for any balancing and scheduling penalties from pipelines that the customer causes MERC to incur.
8. Pipeline Charges: Any charges which MERC incurs from the pipeline on behalf of a customer shall be passed through to that customer.

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RATE SCHEDULE SLVI-CONSOLIDATED
SUPER LARGE VOLUME INTERRUPTIBLE TRANSPORTATION SERVICE (Continued)

9. Firm Backup Sales Service: In order to obtain a firm backup sales service, customer must purchase a sufficient number of daily firm capacity units to cover the desired level of firm sales service. The rate for firm backup sales service will be the applicable firm sales rate, plus the appropriate monthly customer charge and appropriate daily firm capacity charge for the applicable class of sales service. A customer who takes gas in excess of the contracted amount will be subject to applicable penalties listed in Section 7, Balancing and Scheduling Charges. If a customer's transportation gas does not arrive on schedule, the customer will be shut off until the transportation gas does arrive, unless the customer has not taken more than its contracted amount of gas.
10. Aggregation Service: A Marketer or other third-party supplier may combine a group of transportation customers that have the same balancing provisions and are located on the same interstate pipeline system and within the same interstate pipeline operational zone. If the Marketer or other third-party supplier purchases this aggregation service, the aggregated group will be considered as one customer for purposes of calculating the daily scheduling penalties and monthly imbalances, i.e. individual nominations and consumption will be summed and treated as if there were one customer. In the event that the pipeline calls a limitation day (SOL, SUL, critical day) at less than a pipeline or zone level, the Company has the right to require the aggregation provisions to occur at the same level.
- The cost of aggregation service is \$.0425 per dekatherm of gas delivered to the aggregated group.
11. Late Payment Charge: If the unpaid balance is in excess of \$10, a late payment charge of 1.5% of the unpaid balance or \$1 whichever is greater shall be added to the unpaid balance if the bill is not paid within 17 days of the current billing date. No late payment charge will be made if the unpaid balance is \$10 or less.

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RATE SCHEDULE SLVI-CONSOLIDATED
SUPER LARGE VOLUME INTERRUPTIBLE TRANSPORTATION SERVICE (Continued)

12. Penalty for Unauthorized Takes When Service Is Interrupted: Buyer shall be billed and shall pay \$20.00 per dekatherm for unauthorized overrun gas in addition to the rates in Paragraph "3".
13. Notification: MERC will provide written notice to each customer contracting for transportation service that unless the customer buys firm backup sales service from MERC is not obligated to supply gas to such customer. The notice will advise the customer of the nature of any identifiable penalties related to the balancing and scheduling charges as provided in Section 7 above, any charges MERC incurs from the pipeline on behalf of the customer, unauthorized take charges described in Section 12 above, and the price for such gas.
14. General Terms and Conditions: The General Terms and Conditions contained in this tariff shall apply to this rate schedule.

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FLEXIBLE RATE GAS SERVICE RIDER

1. Availability: Service under this rate schedule is available to any non-general-service customer.
2. Applicability and Character of Service:

Service under this rate schedule is limited to customers subject to effective competition. (“Effective competition” means that a customer who either receives interruptible service or whose daily requirement exceeds 50 dekatherm maintains or plans on acquiring the capability to switch to the same, equivalent or substitutable energy supplies or service, except indigenous biomass energy supplies composed of wood products, grain, biowaste, or cellulosic materials, at comparable prices from a supplier not regulated by the Commission.)

A customer whose only alternative source of energy is gas from a supplier not regulated by the Commission and who must use Company’s system to transport the gas is not eligible for flexible-rate service. However, customers who have or can reasonably acquire the capability to bypass Company’s system are eligible to take service under flexible tariffs.
3. Rate:

Minimum and maximum charges are shown on Sheet 7.07, Columns I and J, for each class of customers eligible to take flexible-rate service.

 - A. The Customer Charge shall be the amount in the applicable non-flexible tariff under which customer would otherwise take service.
 - B. The minimum charge for daily firm capacity shall be the amount the interstate pipeline charges Company.
 - C. The rate for gas delivered shall be at least \$0.0045 per therm.
 - D. The minimum monthly bill shall be the sum of the Customer Charge, the daily firm capacity charge, and the commodity charge for all volumes taken subject to and computed in accordance with Part C.
 - E. Rates set forth on Sheet 7.07 are base rates subject to change in accordance with the Provisions of Purchased Gas Adjustment - Uniform Clause.

Volume Adjustment: Rates are based on gas with the equivalent heating value of 1,000 Btu’s. Volumes may be subject to a Btu variance adjustment pursuant to designation 2.A of MERC’s General Rules, Regulations, Terms and Conditions. Btu’s will be calculated on an arithmetic average.
4. General Terms and Conditions:

All terms of the non-flexible tariff under which customer would otherwise take service apply. The General Terms and Conditions contained in the tariff book shall also apply to service taken under this rider.

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FLEXIBLE RATE GAS SERVICE RIDER (Continued)

5. Election of Service:
Service under this rider is at the option of the customer, except that, customers who use alternative energy supplies as described in the Applicability of Service Section are limited to taking service under this rider. Any customer electing service under this rider must remain on this rider for a period of at least one year.

6. Default Rate:
If a rate cannot be negotiated in a timely manner, the customer agrees to pay Company a default rate equal to the applicable upward flexible rate shown on Sheet 7.07.

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TRANSPORTATION FOR RESALE NORTHWEST NATURAL GAS

1. Availability: Service under this rate schedule is available to Northwest Natural Gas and other "Transportation for Resale" customers with similar cost characteristics, i.e., customers for whom the cost of providing service is approximately equal to that of Northwest Natural Gas.
2. Applicability and Character of Service: This rate schedule shall apply to transportation service provided for resale to end use customers.
3. Rate:
 - A. The customer charge shall be \$175.00 per month plus a charge of \$70.00 per month for administrative costs related to transportation.
 - B. The rate per dekatherm for transportation charge shall be \$.72.

Interim Rate Adjustment: A customer charge interim rate adjustment will be calculated by multiplying the current customer charge by 14.8%. A transportation charge interim rate adjustment will be calculated by multiplying the transportation charge by 14.8%. The combined effect of these interim rate adjustments will be shown as a single line item on the customer bill.

The customer is responsible for purchasing its own entitlement units, e.g., Daily Firm Capacity, etc. The customer is also responsible for overrun penalties, balancing charges and any out of balance penalties incurred from its transportation of gas by its pipeline suppliers.

4. Payment: The bill is due seventeen days after issuance. There shall be a late payment charge of one and one-half percent (1.5%) per month on the unpaid balance.
5. Volume Adjustment:

Rates are based on gas with the equivalent heating value of 1000 Btu's. Volumes may be subject to a Btu variance adjustment pursuant to designation 2.A. of MERC's General Rules, Regulations, Terms and Conditions. Btu's will be calculated on an arithmetic average.
6. General Terms and Conditions: The General Terms and Conditions contained in this tariff shall apply to this rate schedule.
7. Remarks: Reflects interim rates at Docket No. G011/GR-13-617. If the total amount of the rate increase approved at the end of the Company's rate case is lower than the total amount of interim rates collected, the Company will refund the difference with interest, and if the total amount of final rates is higher than the total amount of interim rates, the Company will not charge customers for the difference.

PENALTY FOR UNAUTHORIZED TAKES WHEN SERVICE IS INTERRUPTED

1. Northern Natural Gas Penalty: Should Northern Natural Gas Company call a Critical Day, the penalty for unauthorized takes will be a charge equal to the daily delivery variance charge of the pipeline. Currently, this charge is \$113 per dekatherm and is equal to twice the reservation charge to reserve one (1) MMBTU of capacity under the current Northern Natural Gas Rate Schedule TFX.
2. Viking Gas Transmission Company: Not applicable.
3. Great Lakes Transmission: Not applicable.

NOTE: This tariff will be amended when changes in pipeline tariffs occur.

Issued By: DM Derricks
Asst. VP Regulatory Affairs
Submittal Date: September 30, 2013

*Effective Date: December 1, 2013
Proposed Effective Date: December 1, 2013

*Effective with bills issued on and after this date.

MINNESOTA ENERGY RESOURCES CORPORATION
MERC-NNG
MERC-Consolidated

MINNESOTA PUBLIC UTILITIES COMMISSION
##th Revised Sheet No. 7.07
Superceding ##th Revised Sheet No. 7.07

TARIFF SALES RATES										
Per Therm										
Rates Subject to Fuel Adjustment Clause										
(A)	(B)	(C)	(D)	(A+B+C)	(D+E)	(G)	(D-G+D)	(E+G)	(E+H)	(E+H)
Base Gas Cost	PGA Adjustment	Annual ACA Adjustment	Tariff Margin	Total Tariff Rate w/o Margin	Total Tariff Rate	Minimum Flex Margin	Maximum Flex Margin	Minimum Total Flex Tariff	Maximum Total Flex Tariff	Maximum Total Flex Tariff
<u>Small Volume Interruptible</u>										
SVI-NNG	0.45635	0.00000	0.00000	0.12223	0.45635	0.57858	0.00450	0.23996	0.46085	0.69631
SVI-Consolidated	0.44825	0.00000	0.00000	0.12223	0.44825	0.57048	0.00450	0.23996	0.45275	0.68821
<u>Large Volume Interruptible</u>										
LVI-NNG	0.45635	0.00000	0.00000	0.04096	0.45635	0.49731	0.00450	0.07742	0.46085	0.53377
LVI-Consolidated	0.44825	0.00000	0.00000	0.04096	0.44825	0.48921	0.00450	0.07742	0.45275	0.52567
<u>Daily Firm Capacity-Small Volume</u>										
SVJ-NNG*	2.00712	0.00000	0.00000	0.26400	2.00712	2.27112	0.00000	0.52800	2.00712	2.53512
SVJ-Consolidated	0.59037	0.00000	0.00000	0.26400	0.59037	0.85437	0.00000	0.52800	0.59037	1.11837
<u>Daily Firm Capacity-Large Volume</u>										
LVJ-NNG*	2.00712	0.00000	0.00000	0.26400	2.00712	2.27112	0.00000	0.52800	2.00712	2.53512
LVJ-Consolidated	0.59037	0.00000	0.00000	0.26400	0.59037	0.85437	0.00000	0.52800	0.59037	1.11837
<u>Super Large Volume</u>										
S-LV-Commodity	0.45635	0.00000	0.00000	0.01959	0.45635	0.47594	0.00450	0.03468	0.46085	0.49103
S-LV-Daily Firm Capacity*	2.00712	0.00000	0.00000	0.06200	2.00712	2.06912	0.00000	0.12400	2.00712	2.13112

*If customer prefers to be a Transportation only customer, the Base Gas Cost Component of Firm Transportation is the NNG TF12 Base

Tariff Rates plus all applicable Surcharges including GRI based on Northern Natural Gas FERC Gas Tariff Sheet No. 50.

Base Gas Cost as submitted in Docket No. G011/MR-13-732.

Issued by: D. M. Derricks
Assistant Vice President
Submitted Date: September 30, 2013

Effective Date: 01-Dec-13