

For Immediate Release
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**MINNESOTA PUBLIC UTILITIES COMMISSION
ACTS ON MERC'S NATURAL GAS RATE CASE**

St. Paul, Minnesota - The Minnesota Public Utilities Commission ("Commission") today took action on the petition by Minnesota Energy Resources Corporation ("MERC"), on behalf of its two operating divisions, MERC-PNG and MERC-NMU, for a general increase in its rates for natural gas service in Minnesota.

The Commission authorized a rate increase of approximately \$11 million, or 4.2%, over current rates based on a rate of return on common equity of 9.7%. MERC initially requested an increase of approximately \$15.2 million, or 5.2%, over existing rates, based on a rate of return on common equity of 11.25%. It is important to note that the return authorized by the Commission is a factor needed to determine overall final rates but it is not a guaranteed return for the company. Whether MERC actually earns that return depends on numerous operational and financial factors.

The Commission also approved MERC's request to equalize the distribution rates it charges customers served by its two operating divisions, MERC-PNG and MERC-NMU. The Commission decided to allow MERC to consolidate its four gas cost recovery rate areas into two areas, one for the majority of MERC's customers, who are served off of the Northern Natural Gas Company interstate natural gas pipeline, and the other for MERC's remaining customers who are served by three other interstate pipelines that bring gas to MERC's service area from Canada.

The Commission also authorized MERC's request to start a three-year revenue decoupling pilot program for residential and small commercial customers. Revenue decoupling is intended to separate the link between the amount of revenue MERC collects from its customers and the volume of gas MERC sells to its customers. The goal of revenue decoupling is to remove MERC's financial disincentive to promote energy efficiency by allowing MERC to collect the amount of revenue it is authorized to collect from these customers as a result of this rate case. MERC's revenue decoupling mechanism will be implemented through annual revenue decoupling rate adjustments.

Final written orders formally documenting the Commission's decisions will be issued in several weeks. Those orders will be filed in docket G007,011/GR-10-977, which is available on the Commission's website via the Commission's eDockets system.