

Minnesota Natural Gas Customers

COST OF GAS

The "Cost of Gas" on your bill reflects the expected cost of natural gas in a given month. The Cost of Gas is the sum of the Base Cost of Gas and the Purchased Gas Adjustment. If your billing period spans two calendar months, the Cost of Gas will be pro-rated to match the period.

The current Cost of Gas and other components of your natural gas bill are show in the following table:

**Customer charge** is per customer  
**Demand charge** is per peak day demand therms  
**All other charges** are per therms consumed

Rates effective:

February 1, 2011

Class	Component	Base Rate A	Resource Adjustment		Affordability Surcharge D	Base Cost of Gas E	PGA F	Total Current Cost of Gas G = E + F	Total Billing Rate H = A + B + C + D + G	Total Billing Rate	Current Month	% Change K = J / I
			CIP B	SEP C						Prior Month I	minus Prior Month J = H - I	
Residential	Customer	\$8.00							\$8.00	\$8.00	\$0.00	0.0%
	Distribution	\$0.182880	\$0.032364	\$0.000860	\$0.004470	\$0.653920	(\$0.089840)	<b>\$0.564080</b>	\$0.784654	\$0.778754	\$0.005900	0.8%
Small Commercial Firm	Customer	\$20.30							\$20.30	\$20.30	\$0.000000	0.0%
	Distribution	\$0.131190	\$0.032364	\$0.000860	\$0.004470	\$0.652210	(\$0.086080)	<b>\$0.566130</b>	\$0.735014	\$0.732114	\$0.002900	0.4%
Large Commercial Firm	Customer	\$40.00							\$40.00	\$40.00	\$0.000000	0.0%
	Distribution	\$0.131030	\$0.032364	\$0.000860	\$0.004470	\$0.652210	(\$0.086080)	<b>\$0.566130</b>	\$0.734854	\$0.731954	\$0.002900	0.4%
Small Commercial Demand Billed	Customer	\$150.00							\$150.00	\$150.00	\$0.000000	0.0%
	Demand	\$0.793100				\$0.596640	(\$0.003600)	<b>\$0.593040</b>	\$1.386140	\$1.386140	\$0.000000	0.0%
	Commodity	\$0.045290	\$0.032364	\$0.000860	\$0.004470	\$0.538740	(\$0.061780)	<b>\$0.476960</b>	\$0.559944	\$0.548064	\$0.011880	2.2%
Large Commercial Demand Billed	Customer	\$275.00							\$275.00	\$275.00	\$0.000000	0.0%
	Demand	\$0.793100				\$0.596640	(\$0.003600)	<b>\$0.593040</b>	\$1.386140	\$1.386140	\$0.000000	0.0%
	Commodity	\$0.045290	\$0.032364	\$0.000860	\$0.004470	\$0.538740	(\$0.061780)	<b>\$0.476960</b>	\$0.559944	\$0.548064	\$0.011880	2.2%
Small Interruptible	Customer	\$125.00							\$125.00	\$125.00	\$0.000000	0.0%
	Distribution	\$0.093900	\$0.032364	\$0.000860	n/a	\$0.549260	(\$0.071030)	<b>\$0.478230</b>	\$0.605354	\$0.593474	\$0.011880	2.0%
Medium Interruptible	Customer	\$300.00							\$300.00	\$300.00	\$0.000000	0.0%
	Distribution	\$0.045290	\$0.032364	\$0.000860	n/a	\$0.546960	(\$0.058520)	<b>\$0.488440</b>	\$0.566954	\$0.555074	\$0.011880	2.1%
Large Interruptible	Customer	\$450.00							\$450.00	\$450.00	\$0.000000	0.0%
	Distribution	\$0.041780	\$0.032364	\$0.000860	n/a	\$0.550060	(\$0.061620)	<b>\$0.488440</b>	\$0.563444	\$0.551564	\$0.011880	2.2%

\*Effective January 11, 2010, an Interim Surcharge of 7.14% on the Base Rates will be applied to customer bills

## Base Cost of Gas

As mentioned above, one component of the Cost of Gas is the Base Cost of Gas. The Base Cost of Gas is an estimate of the Total Cost of Gas that is calculated for and only changed as part of a general rate case.

### **Current Values for Base Cost of Gas (by class)**

Effective: Jan. 11, 2010

\$ / therm

Residential	Summer \$0.59611, Winter \$0.65392
Commercial Firm	Summer \$0.59440, Winter \$0.65221
Demand Billed – Demand	\$0.59664
Demand Billed – Commodity	\$0.53874
Small Interruptible	\$0.54926
Medium Interruptible	\$0.54696
Large Interruptible	\$0.55006

## Purchased Gas Adjustment (PGA)

The other component of the Cost of Gas is the PGA. The PGA is a mechanism designed to recover the current cost of gas supply. The PGA factor is equal to the current wholesale delivered cost of the natural gas supply purchased by Xcel Energy less the Base Cost of Gas. The current cost of gas supply includes supply, transportation, peakshaving, and other costs, which the Minnesota Public Utilities Commission (MPUC) determines from time to time. Because of the volatility in the cost of gas supply, a monthly adjustment is needed to raise or lower rates to reflect current market prices. At the close of each month the cost of gas supply for the next month is estimated. This estimated cost of gas supply is then divided by the forecasted retail sales for the month. This \$/therm result is compared to the \$/therm Base Cost of Gas, and the difference is the PGA factor.

### **Current Values for PGA (by class)**

**January  
2011**

**February  
2011**

\$ / therm

\$ / therm

Residential	(\$0.09574)	(\$0.08984)
Commercial Firm	(\$0.08898)	(\$0.08608)
Demand Billed – Demand	(\$0.00360)	(\$0.00360)
Demand Billed – Commodity	(\$0.07366)	(\$0.06178)
Small Interruptible	(\$0.08291)	(\$0.07103)
Medium Interruptible	(\$0.07040)	(\$0.05852)
Large Interruptible	(\$0.07350)	(\$0.06162)

The PGA also includes a true-up factor. Every September, Xcel Energy determines how much gas expense was incurred for the previous July - June compared to the amount Xcel Energy collected from customers. Any over- or under-recovery is divided by the customer class's forecasted sales to develop the true-up factor. The MPUC approves the true-up factor annually. The true-up ensures that Xcel Energy collects the actual cost of gas supply, no more and no less.

<b>Current Values for True-up (by class)</b>	<b>September 2010 – August 2011</b>
	<u>\$ / therm</u>
Residential	(\$0.00120)
Commercial Firm	\$0.00380
Demand Billed – Demand	\$0.00210
Demand Billed – Commodity	\$0.01111
Small Interruptible	\$0.01238
Medium Interruptible	\$0.02259
Large Interruptible	\$0.02259

**Trends in cost of gas and how they affect the PGA**

- Natural gas, like other commodities, is based on supply and demand.
  - When the demand for gas is high, the price also increases.
  - This causes the PGA to be higher in the winter months and lower in the summer months. However, as natural gas is used more for generation, this trend could change.
  - As was seen in late 2005, severe weather can have significant effects on natural gas supply.
- Xcel Energy's fuel cost forecast is based on "normal" weather. When weather deviates substantially from "normal" there is a direct impact on the PGA.
  - "Normal" weather is defined as actual ambient air temperature that deviates from the 30-year average for the month.

## RIDERS

### Resource Adjustment

The “Resource Adjustment” reflects energy initiative expenses and is shown as a line item on your bill. This includes two riders, which the MPUC reviews annually. They are show below with their current values and effective dates.

<u>Rider</u>	<u>\$ / therm</u>	<u>Effective</u>
Conservation Improvement Program Rider (CIP)	\$0.032364	Dec. 1, 2010
State Energy Policy Rider (SEP)	\$0.000860	Oct. 1, 2010

### Gas Affordability

The “Gas Affordability” surcharge on your bill is recovers the cost of offering a low-income customer co-pay program designed to reduce natural gas service disconnections. This rider is only applied to customers in the Residential, Small & Large Commercial Firm, and Small & Large Commercial Demand Billed Classes.

	<u>\$ / therm</u>	<u>Effective</u>
Gas Affordability Surcharge	\$0.00447	Feb. 1, 2008

These three riders are further explained in the **Minnesota Gas Rates Book** at the following locations:

<u>Rider</u>	<u>Section</u>	<u>Sheet Number</u>
Conservation Improvement Program Rider (CIP)	5	43
State Energy Policy Rider (SEP)	5	63
Gas Affordability Surcharge (a.k.a., Low Income Energy Discount Rider)	5	68 - 70