

Customer Service Special Edition



Superior Customer Value

The challenging economic conditions in our country have impacted the natural gas industry. Regardless of these conditions, the commitment by Northern Natural Gas Company to its customers has not changed. Our commitment is to provide the best value in the industry. We will keep our commitment by:

- Providing safe, reliable and flexible natural gas transportation and storage services.
- Offering competitive pricing and access to diverse supplies.
- Delivering superior customer service.
- Using our resources to help facilitate the growth of our customers.

By relentlessly pursuing our commitments to our customers, Northern will continue to provide superior value. This publication includes examples of how Northern is meeting its commitments and providing value. Northern appreciates your business and looks forward to continuing our partnership.

“Our goal is to lead the industry in customer satisfaction. In order to do this, we will: Continue to listen to you, deliver what we promise on time, share the purpose behind our actions, operate our pipeline with unquestioned integrity and negotiate in good faith. “



A handwritten signature in black ink, appearing to read "Mark Handt".

Providing Safe and Reliable Service

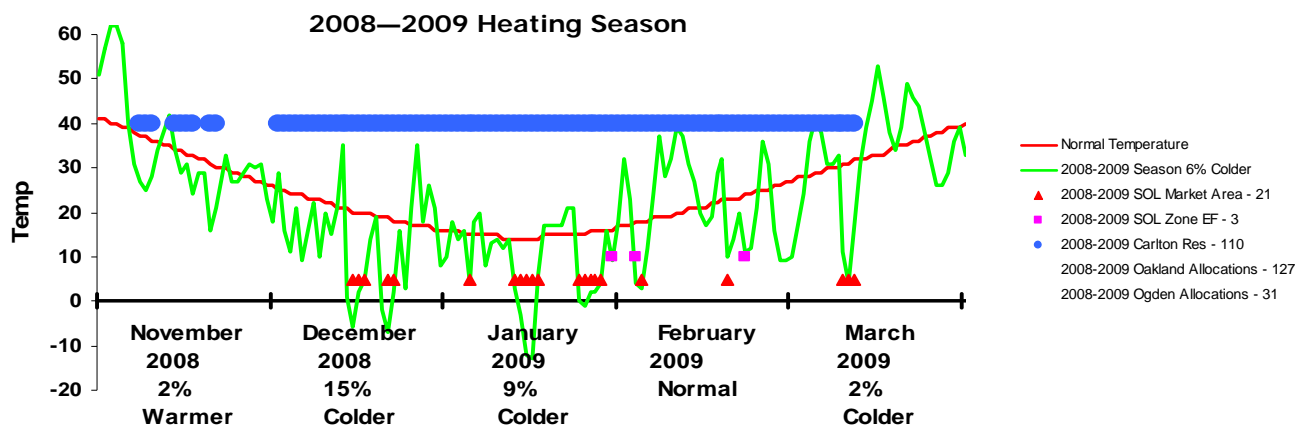
Since 2002, Northern has invested more than \$700 million in capital to maintain the integrity of the pipeline. In addition, Northern has partnered with customers to increase pipeline capacity by more than 10% from 2006 to 2008 without impacting primary contractual commitments to current customers.

Northern's compressor stations have performed at the highest levels of uptime, surpassing 99.87% reliability in 2007, 99.93% reliability in 2008 and 99.97% reliability in 2009.

Northern's system reliability was tested during the 2008-2009 record-breaking heating season. The winter was 6% colder than normal, causing three new winter peak

days. Northern also exceeded 4 Bcf/day of market area deliveries on 19 days. (See graph below.)

During these periods of extreme cold, safety is paramount. Northern's commitment to safety is evidenced, as the company consistently ranks at the top of its peer group in the Southern Gas Association for workplace safety.



Respecting the Environment

Northern's commitment to reducing its impact to the environment is reflected in its environmental RESPECT principles of Responsibility, Efficiency, Stewardship, Performance, Evaluation, Communication and Training.

Northern received the Air Quality Environmental Excellence Award from the state of Iowa during a ceremony held July 28 at the Capitol in Des Moines. Northern received the award for its voluntary efforts to avoid the release of methane into the atmosphere. Northern was among 14 Iowa organizations and businesses that received Environmental Excellence Awards from Gov. Chet Culver. In addition, MidAmerican Energy Company received the Renewable Energy Environmental Excellence



Award for the company's leadership in wind generation development, the strong economic impact the projects have had in Iowa, and MidAmerican Energy's efforts to educate Iowans about wind generation. The awards are the premier environmental honors in Iowa, recognizing leadership and innovation in the protection of Iowa's natural resources.

The Air Quality Environmental Excellence award cited Northern's leadership, innovation and envi-

ronmental results to conserve methane emissions. Methane, the largest component of natural gas, is a greenhouse gas that is believed to be 21 times more damaging to the atmosphere than carbon dioxide.

The awards program recognizes comprehensive environmental programs by organizations and businesses, along with special project awards in water quality, air quality, waste management, habitat restoration/development and energy efficiency/renewable energy.

The awards are sponsored by the Governor's Office, the Agriculture and Land Stewardship, the Department of Economic Development, the Department of Education, the Department of Public Health and the Iowa Waste Reduction Center.

Providing Superior Value

Northern is committed to provide customers with superior value. Northern has delivered value to customers by controlling costs, maintaining rates and offering gas supply diversity along with the flexible services necessary to take advantage of gas supply opportunities.

Northern has stated its intent to maintain its rates at present levels by controlling costs and facilitating the growth of customers. This ap-

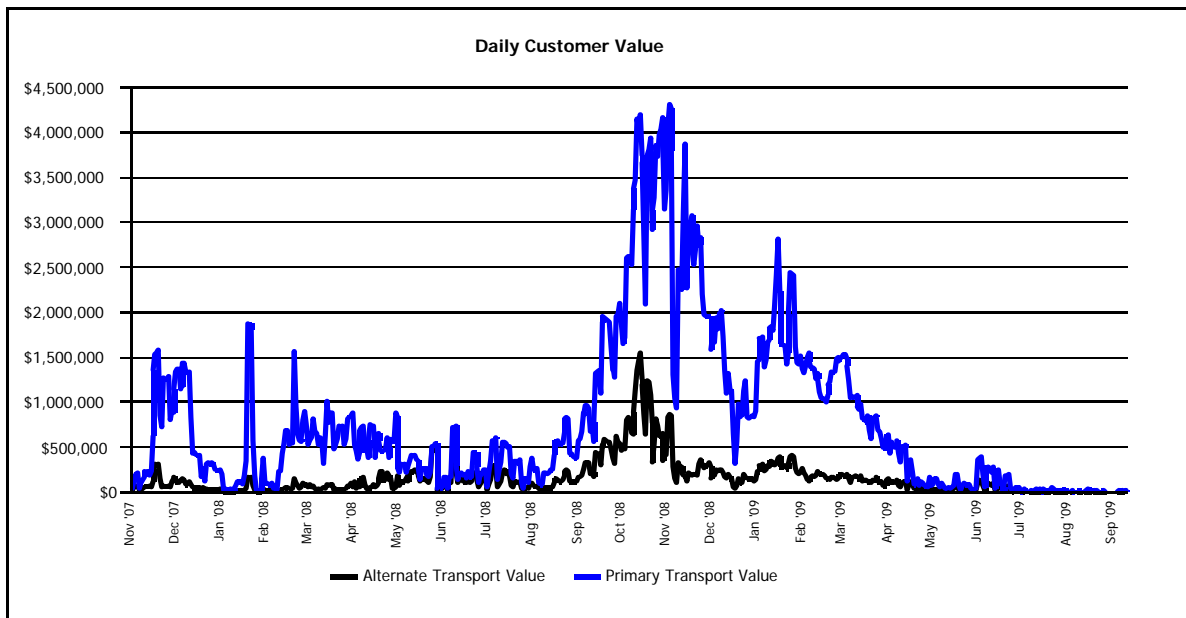
proach avoids rate cases and emphasizes commercial solutions. As a result, customers have stable, predictable rates as they develop their business plans. As Table 1 shows, Northern's rates are favorable when compared to its competition.

Northern is uniquely positioned to offer customers access to long-term gas supplies and price diversity because Northern is connected to four of the most long-lived gas supply basins in North America.

This supply diversity in combination with flexible services has allowed customers to purchase \$532 million of less expensive supply using their primary Demarc/TB/REX receipts compared to Ventura prices. During this same period, customers saved more than \$101 million by using alternate capacity from the south end. (See graph below and refer to the article in this publication titled "Demarc Still a Great Supply Choice.")

Midwest Pipeline Comparison (Maximum Rates)

	Northern (TF Service)		NGPL		ANR		NBPL to Ventura Monthly	Emerson to Michigan GLGT
	Demarc	Ventura	Midcon	La-Gulf	So West	La-Gulf		
Annual cost per unit of peak entitlement	\$93	\$93	\$109	\$132	\$119	\$124	\$96	\$123
Northern Advantage			\$16	\$39	\$27	\$32	\$3	\$30



Focusing on Customer Satisfaction

Northern's mission statement is "We are in business to serve our customers. Fairly. Efficiently. Reliably." At the center of this statement is a goal to lead the industry in customer satisfaction. Five years ago, Northern scored poorly in an industry customer satisfaction survey conducted by Mastio & Company. Since that time, Northern has listened and designed individual business plans to address specific feedback from customers.

This customer-focused approach has helped Northern rank third out of 41 interstate pipelines in the most recent survey published in early 2009. Northern now ranks the highest in the following categories:

- Expertise of the representatives to help solve your business needs
- Quality of pipeline-initiated communications
- Financial stability
- Accuracy of gas metering system

- Effectiveness of capacity release system

Northern's dedicated employees are pleased that customers recognize the efforts to date. However, we understand that our improvements are based on listening to our customers. We sincerely welcome this feedback so that our customer service continues to improve.

Partnering for Growth

Northern is a division of Mid-American Energy Holdings Company and its majority owner Berkshire Hathaway. This relationship positions Northern to provide its customers with the financial stability to effectively partner with customers to manage growth and expansion. This partnership has resulted in storage expansions and the multi-year Northern Lights market area expansion.

Northern values its partnership with its customers and is dedicated to continue this strong relationship.

Northern Lights In-Service Dates	Northern Lights Facilities Capacity	Northern Lights Facilities	Storage Expansion
Nov. 1, 2007 Nov. 1, 2008 Nov. 1, 2009 Nov. 1, 2010	<ul style="list-style-type: none"> • Incremental growth of 638,000 Dth/day • 14% total growth in market area • 27% power • 27% ethanol • 46% core markets • \$350 million of capital • 45% of all capital from 2007-2010 	<ul style="list-style-type: none"> • 221 miles of pipeline • 74 miles of mainline • 147 miles of branch lines/laterals • 71 town border station projects • 19,083 HP of mainline compression 	<ul style="list-style-type: none"> • 2006 – 6 Bcf of firm storage service • 2007 – 2 Bcf of interruptible cycle capacity • 2008 – 8 Bcf of firm storage service

Demarc Still a Great Supply Choice

Demarc continues to be the supply location of choice for Northern's customers. While the price spread between Demarc and Ventura has fluctuated significantly throughout 2009, both recent history and forward-basis trades show Demarc has consistently been the advantageous pricing supply point. During the past 10 years, the winter value of buying gas at Demarc versus Ventura has averaged \$0.22/Dth. The years prior to the receipt of REX averaged a savings of \$0.09/Dth, while the savings during the last two years aver-

aged \$0.75/Dth. The currently traded forward value for the next two winters averages \$0.13/Dth, while the currently traded forward value for the next two summers is \$0.06/Dth.

The extremely wide price spreads during the last two years have provided incentive for customers to aggressively schedule transportation volumes from Demarc, resulting in numerous Oakland transportation allocations. This has created a challenge for customers in managing their daily nominations to maximize their

value from Demarc. While the price benefit from Demarc has lessened recently, so have the frequency of allocations through Oakland. This reduced competition for this capacity has dramatically lowered the hurdle for customers seeking to benefit from the significant savings that are still projected to be had from supplies at Demarc. The facts remain: The safe bet for reliable, low-cost supplies is to first base load primary firm receipts from Demarc closely followed by nominating alternate receipts as capacity allows.

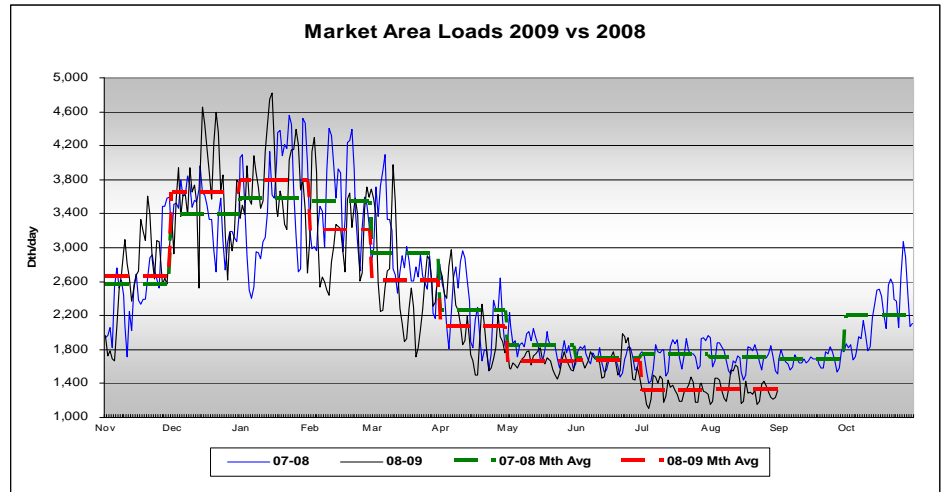
Winter 2007-2008 Versus Winter 2008-2009

The system-weighted temperature was 6% colder than normal during winter 2008-2009. During this time, the pipeline established three new winter peak days:

- Dec. 15, 2008 – 4.638 Bcf – minus 6 degrees system temperature
- Jan. 14, 2009 – 4.722 Bcf – minus 12 degrees system temperature
- Jan. 15, 2009 – 4.817 Bcf – minus 13 degrees system temperature

In addition, market area deliveries exceeded 4 Bcf/day on 19 days.

The graph to the right compares market area deliveries for winter 2007-2008 with deliveries for winter 2008-2009.



Observations:

- Demand on Northern this past winter was consistent with the prior winter, even though customers added nearly 100,000 Dth/day of new firm contracts.

- Loads were down approximately 500,000 Dth through July 2009 compared to July 2008. July 2009 temperatures were 46% cooler than normal compared to 18% warmer than normal for July 2008.
- Load continued to be down approximately 364,000 Dth in August 2009 compared to August 2008. Temperatures for August 2009 were 18% cooler than normal.
- REX moved east to Ohio July 1.

New Northern Natural Gas Web Site

On Aug. 22, Northern implemented its new Web site that has been improved to make it easier for customers to find information that is relevant to their business decisions (see bullets below). While some navigation changes and content streamlining have been made, the basic structure of the pages remains unchanged.

Changes to the Web site include the following:

- The look and feel of the page menu system is easier to navigate.
- Customers are able to access the Informational Postings and Customer Activities sections, as well as other sections and subcategories from the home page drop-down menu.
- Updated fly-out navigation throughout the site helps locate the information needed faster and more efficiently.
- Automated forms in the Support section are now included to make it easier for customers to send information to Northern.
- The Notice section has been up-



- dated with new subtypes to enhance the ability to search for notices.
- On the Informational Postings reporting pages, Northern has incorporated a user-friendly header sorting capability. (ODI, Daily Volume Web reports and Gas Quality Web reports will not be impacted at this time.)

Northern is committed to improving

customer satisfaction, and believes these enhancements will make it easier for customers to navigate quickly and access the pages that are most relevant to their business. Customers are encouraged to contact Northern's Solution Center toll-free at (866) 810-5268, local at (402) 398-7664 or Toby Kuehl at (402) 398-7577 with any feedback or support needs.

Northern Hosts Annual Municipal Customer Meeting in Iowa

Northern held its annual municipal customer meeting Aug. 26-27 in Okoboji, Iowa. Forty-six representatives from 37 municipal customers in Iowa, Minnesota and Nebraska attended, as well as 16 Northern customer service, marketing and operations representatives. On Aug. 28, Northern executives met separately with the board of the Northern Municipal Distributor's Group and Midwest Region Gas Task Force Association. Northern hosts the event each year for small municipal customers to provide them with information on the company's current business and give them a chance to provide input to Northern's management.

Mark Hewett, president, welcomed participants to the business meeting and introduced Royce Ramsay, vice president of operations, who began his presentation with a summary of the 2008-2009 heating season, then discussed Northern's efforts to maintain the reliability of the pipeline system.

Ramsay continued with a review of the two pipeline incidents that occurred during the spring and sum-

mer. On May 6, a third-party excavator severed Northern's Black River Falls 8-inch-diameter branch line near Arkansaw, Wis. Following repairs, the pipeline was returned to normal service the evening of May 7.

On June 23, the Marquette 16-inch-diameter pipeline failed near Ramsay, Mich., due to stress corrosion cracking. Northern maintained service to 22 communities and businesses downstream of the pipeline; however, service was lost to the community of Ramsay, which has approximately 380 customers. "We utilized lessons learned from mock emergency drills and past failures, including the Black River Falls incident, in our response to the incident," Ramsay said.

The response to the incident exemplified the value of forming partnerships with industry counterparts. "Great Lakes Gas Transmission Company and Northern employees were offering each other assistance before the determination had been made as to which pipeline had ruptured," Ramsay said. "When it was determined that the incident had occurred

on Northern's pipeline, Great Lakes allowed Northern to receive gas at the Wakefield interconnect to supply gas downstream of the ruptured pipeline. Currently, the pipeline is being operated at a lower pressure until integrity assessments have been completed, and we are modifying our facilities and examining all alternatives to meet contractual commitments for winter deliveries."

The business meeting continued with a presentation by Gary Hoogeveen, vice president of customer service and business development, who spoke on several company topics, including Northern's latest customer satisfaction ranking from Mastio & Company, the supply and demand dynamics of the natural gas market, and the status of the Northern Lights expansion project and construction projects to increase capacity of Northern's underground storage fields.

The business meeting concluded with a 30-minute question and answer session where no subject was off limits.





1111 South 103rd Street
Omaha, NE 68124

For technical inquiries or information:

E-mail: nng_helpdesk@nngco.com

Local to Omaha: 402-398-7664

Out of area: 866-810-5268

If you have any questions or comments,
please contact us at:

nngcustomerservice@nngco.com

Feedback and Suggestions

To provide feedback about *Northern Notes*, or suggestions of newsworthy topics to cover in this electronic publication, contact Steve Gilbert at steve.gilbert@nngco.com

Northern Natural Gas is based in Omaha, Neb., and operates an interstate natural gas pipeline extending from the Permian Basin in Texas to the Upper Midwest. Northern provides transportation and storage services to approximately 75 utilities and numerous end-use customers in the Upper Midwest. Northern provides cross-haul and grid transportation between other interstate and intrastate pipelines in the Permian, Anadarko, Hugoton and Midwest areas. Northern also operates three natural gas storage facilities and two liquid natural gas peaking units. These storage facilities are fully contracted and are central to meeting Northern's customers' peak-day system requirements.

Northern accesses supply from every major Mid-Continent basin, as well as the Rocky Mountain and Western Canadian basins. This supply is ultimately delivered to end-use customers in Minnesota, Iowa, Nebraska, South Dakota, Wisconsin, Illinois and the Upper Peninsula of Michigan.

Helping You Manage Your Business

Northern offers many services and has access to a wide range of supply basins to help you manage your business easily and efficiently. Many of Northern's systems and procedures have been streamlined to make the business Northern does and the information Northern shares timely and accurate.