

SourceGas Distribution LLC (SourceGas) announced last Thursday it has filed a request with the Nebraska Public Service Commission (PSC) to increase the non-gas component of its rates to cover the increased costs associated with providing natural gas service to approximately 90,000 customers across Nebraska. The last increase in the general distribution rates, which covers items such as infrastructure, equipment, labor, materials and safety services, was approved in 2006, and was based on 2005 costs.

SourceGas is proposing, along with other items, to increase its base distribution rates.

If the filing is approved, the increase for the average residential customer would be approximately \$7.43 per month, or 12.3% on their average monthly bill.

The increase for the average small commercial customer would be \$8.76 per month or 7.9% of their average monthly bill.

Nebraska law requires that SourceGas be afforded the opportunity to earn a fair and reasonable rate of return as compensation for its investment in the pipelines and infrastructure that deliver natural gas safely, reliably and efficiently.

Under volumetric rate designs, such as those SourceGas has had in place, it becomes necessary for utilities to file their updated costs and revenues with the Commission every two to three years. With the proposed rate adjustment mechanisms, SourceGas's filing addresses this situation to reduce rate case costs.

The company's base distribution rates are comprised of two elements addressed by this filing:

1) a fixed, monthly customer charge and 2) a two-step distribution charge, which varies from month-to-month depending on the amount of gas used.

The filing does not affect the larger portion of a customer's bill, the natural gas "commodity" component, which is based on market prices and accounts for 60-65% of the total bill.

Through the Choice Gas program, customers will continue to have the opportunity of locking in a price option for 12 months.

Additionally, SourceGas is proposing to extend its space heating rebate program by adding rebates for customers who purchase and install a high-efficiency water heater.

SourceGas is also proposing rate adjustment mechanisms for revenue impacts such as weather, customer loss and load loss per customer. These mechanisms would allow SourceGas to reconcile revenues up or down on an annual basis helping to stabilize rates and limit volatility to a customer's bill.

SourceGas hopes to complete the PSC review process and have final rates in effect by the end of 2009.