

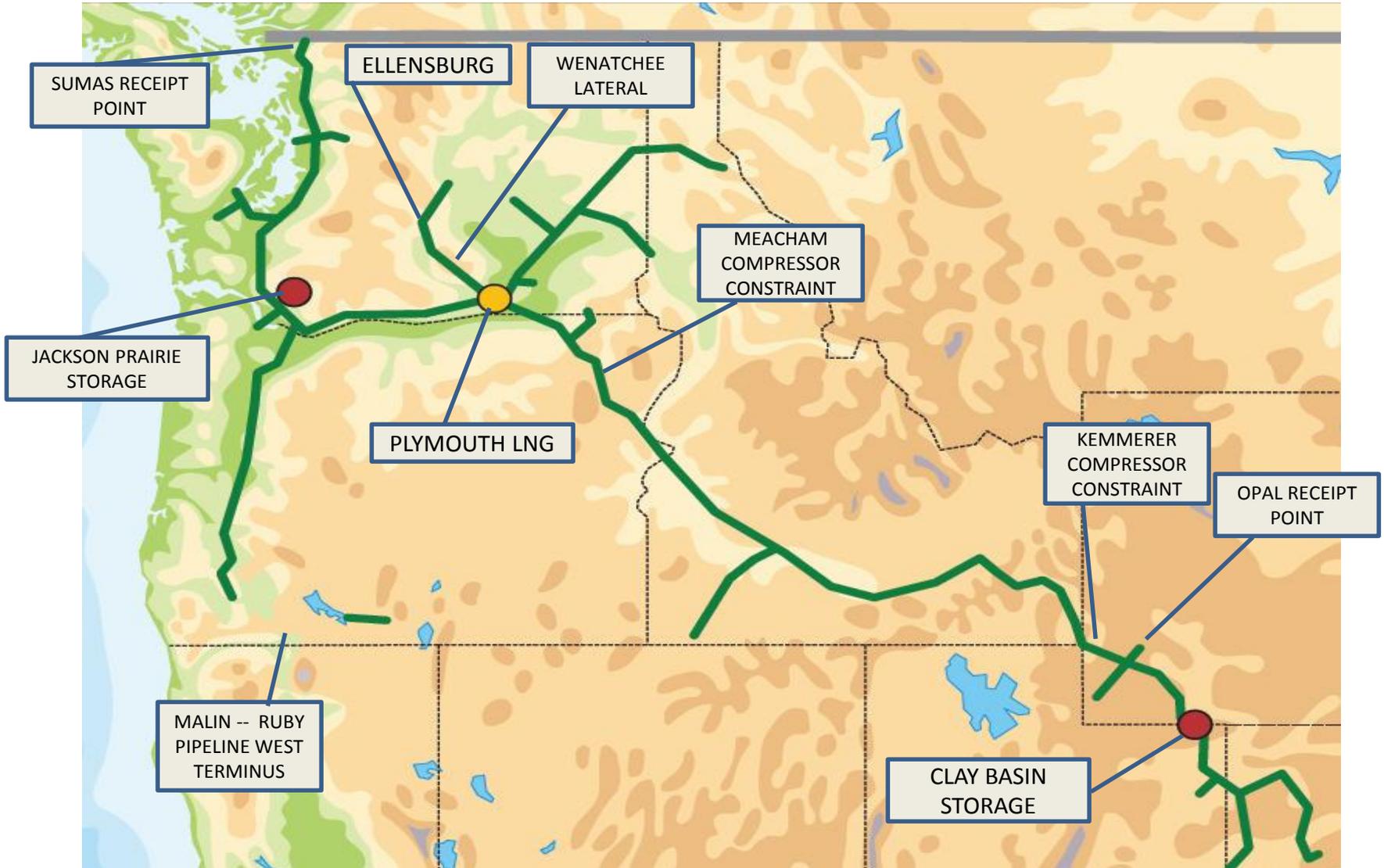
NATURAL GAS DELIVERY TO ELLENSBURG

WHAT IT TAKES AND WHERE FACILITIES ARE

HOW DOES OUR GAS GET HERE?

The City is connected to and contracted with Williams-Northwest Pipeline for delivery of our natural gas. This pipeline spans from the Canadian border to Northern New Mexico and beyond. We purchase gas at Wyoming or Sumas Washington and they transport it to our 'city gate'. We can also purchase gas and store it at one of two facilities we are contracted with for later delivery.

NORTHWEST PIPELINE LOCATIONS



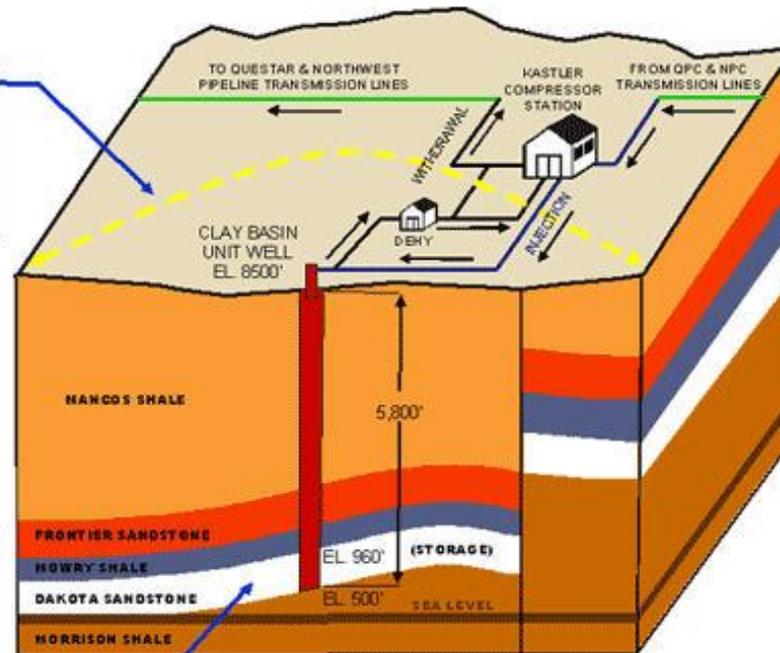
ELLENSBURG GAS STORAGE FACILITIES

- CLAY BASIN STORAGE IS IN NORTH EAST UTAH
- CITY CONTRACTUAL CAPACITY IS 127,800 DTH
- PLYMOUTH LIQUID NATURAL GAS STORAGE IS IN PLYMOUTH WASHINGTON
- CITY CONTRACTUAL CAPACITY IS 8,965 DTH
- LOCATED ON WENATCHEE LATERAL FOR UP TO 3 DAYS EMERGENCY SUPPLY

CLAY BASIN STORAGE

Clay Basin Cross Section Map

The Clay Basin Field is an anticlinal dome about four miles long and two miles wide that underlies some 4,680 acres.



Storage capacity is held in the Dakota formation at approximate depths of between 5,600 and 5,800 feet below the surface.

CLAY BASIN
Daggett County, Utah
1976
Depleted Gas
Dakota (5800')
44 0 44
5 Reciprocating 32,500 HP 3 Turbines
117,500 MMCF 125,138 Mdth
765 MMCF/d or 815 Mdth/d 385 MMCF/d or 410 Mdth/d MRD*
51,250 MMcf 54,581 Mdth
66,210 MMCF 70,514 Mdth
117,500 MMCF 125,138 Mdth
Max. 2,600 psig Min. 375 psig
6" - 66,120' 10" - 53,592' 20" - 77,246'

CLAY BASIN STORAGE (cont)

- CLAY BASIN STORAGE GIVES US THE ABILITY TO INJECT GAS MID TO LATE SUMMER WHEN LOW PRICE OPPORTUNITIES ARE PRESENT THEN WITHDRAWAL GAS FOR DELIVERY IN WINTER MONTHS WHEN PRICES ARE HIGHER
- SUMMER CASH PRICES LOWER THAN NOV – MAR WINTER STRIPS
- REASONABLE INJECTION/WITHDRAWAL FEES COMPARED TO LNG

NORTHWEST PIPELINE'S PLYMOUTH WA. LIQUEFIED
NATURAL GAS STORAGE LOCATED JUST NORTH OF
COLUMBIA RIVER AND WEST OF I-82



PLYMOUTH LIQUEFIED NATURAL GAS STORAGE

- LOCATED AT INTERSECTION OF NWPL MAINLINE, WENATCHEE LATERAL & SPOKANE LATERAL 2.4 Bcf CAPACITY.
- FOR ELLENSBURG IT IS AN INSURANCE POLICY FOR A 3 DAY GAS SUPPLY IF MAINLINE HAS BREAK OR NO FLOW.
- MORE COST EFFECTIVE THAN ONE RELIGHT OF ENTIRE CITY AND DAMAGES FROM INTERRUPTION OF SERVICE.
- EXPENSIVE IN & OUT FEES.
- CANNOT INJECT IN WINTER – TAKE IT OUT AND WAIT TILL SPRING TO REFILL -- LIMITS FLEXIBILITY FOR OUR USE.

GAS SUPPLY PRODUCTS

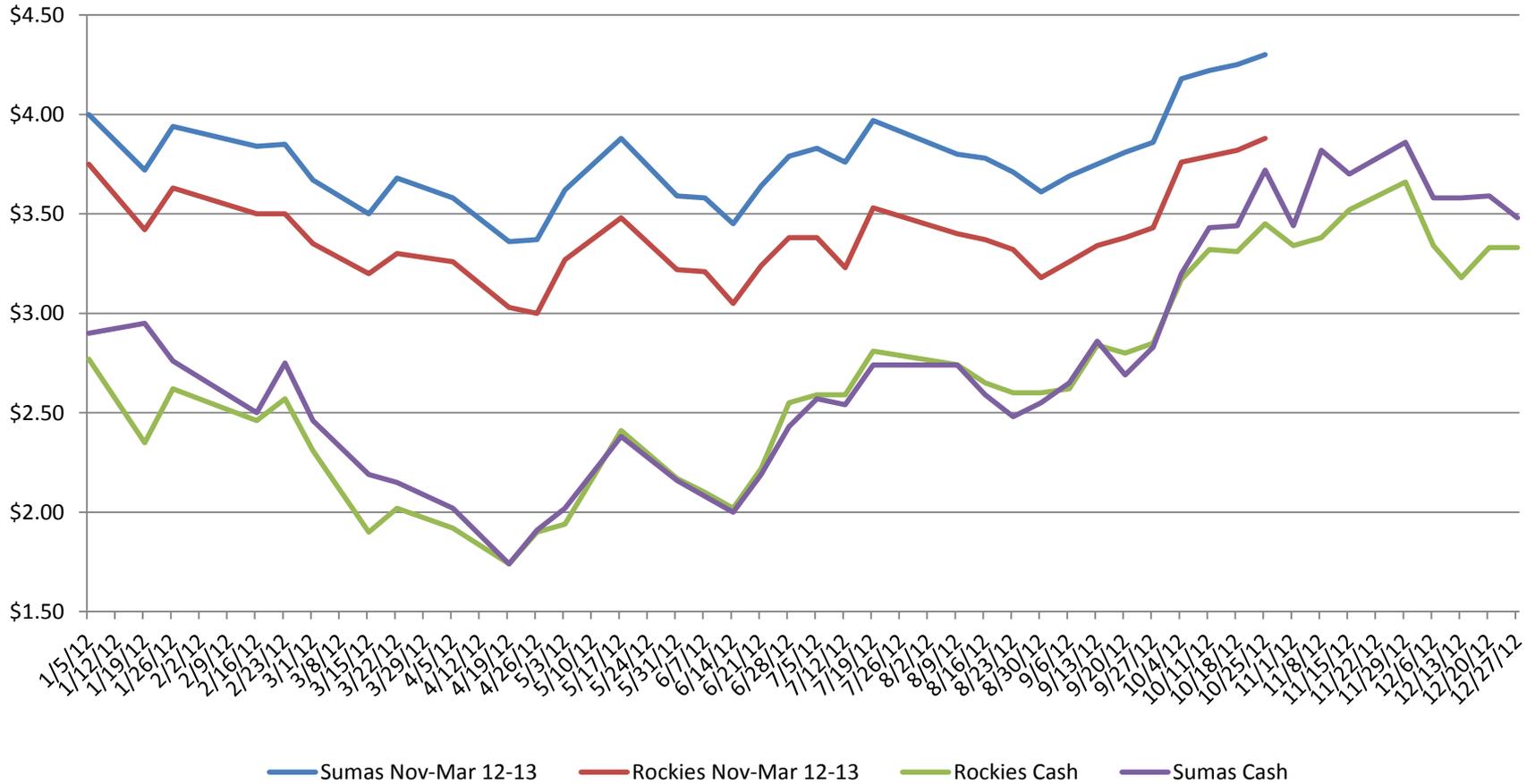
There are two main types of physical trading contracts: **baseload and firm, and then the daily spot market.**

- **Baseload** contracts. Neither the buyer nor seller is obligated to deliver or receive the exact volume specified. However, it is agreed that both parties will attempt to deliver or receive the specified volume, on a 'best-efforts' basis. In addition, both parties generally agree not to end the agreement due to market price movements. Both of these understandings are not legal obligations - there is no legal recourse for either party if they believe the other party did not make its best effort to fulfill the agreement - they rely instead on the relationship (both personal and professional) between the buyer and seller.
- **Firm** contracts are different from baseload contracts in that there is legal recourse available to either party, should the other party fail to meet its obligations under the agreement. This means that both parties are legally obligated to either receive or deliver the amount of gas specified in the contract. These contracts are used primarily when both the supply and demand for the specified amount of natural gas are unlikely to change or drop off.
- **The daily spot market** for natural gas is active, and trading can occur 24 hours a day, seven days a week. However, in the natural gas market, the largest volume of trading occurs in the last week of every month. Known as 'bid week', this is when producers are trying to sell their core production and consumers are trying to buy for their core natural gas needs for the upcoming month. The core natural gas supply or demand is not expected to change; producers know they will have that much natural gas over the next month, and consumers know that they will require that much natural gas over the next month. The average prices set during bid week are commonly the prices used in physical contracts.

GAS SUPPLY PRODUCTS (cont)

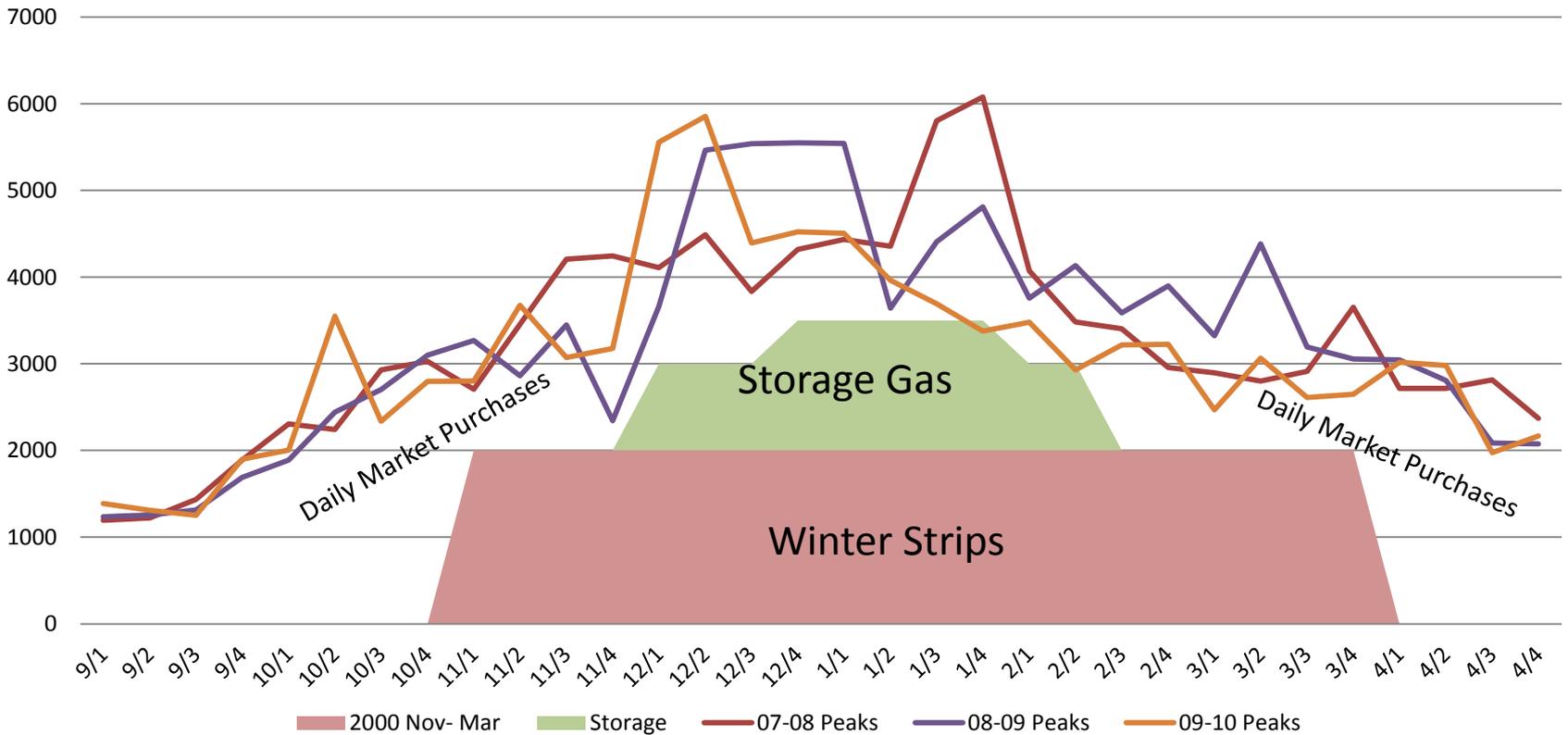
- PHYSICAL GAS SUPPLY PRODUCTS AVAILABLE
 - NOV-MAR WINTER STRIPS
 - 1 YEAR STRIPS (CAN BE COMBINED FOR A MULTI YEAR CONTRACT)
 - DAILY CASH MARKETS (PRICED EACH DAY OF TRADING SUBJECT TO THE MOST VOLATILITY BUT TYPICALLY LOWER THAN FIXED CONTRACT)
 - INDEX GAS (A MONTH AT FIXED INDEX PRICE SET IN 'BID WEEK' BEFORE THE MONTH STARTS)

WINTER STRIPS AND CASH MARKET PRICE HISTORY



HOW WE SUPPLY OUR BURN NEEDS

Sept-April Burns & Historic Supply Shape



RETAIL GAS RATES

- RETAIL RATES COMPOSED OF 3 COMPONENTS
 - BASE RATE is set by City Council and covers most of the expense of distributing the gas and maintaining the distribution system.
 - PURCHASED GAS COST ADJUSTMENT is the wholesale cost of gas the prior month at our 'city gate'. This changes each month.
 - MONTHLY CUSTOMER CHARGE set by City Council and covers the balance of expense of distributing the gas and maintaining the distribution system.
 - ❖ Some new services prior to January 2008 could have a main extension surcharge of \$.15 or \$.19 per ccf billed.
- A Cost of Service Analysis is used to establish the BASE RATE and MONTHLY CUSTOMER CHARGE and is approved by City Council.

RETAIL GAS RATES (cont)

- The City completes multiple purchases for Firm Gas delivery during the winter.
- We target about 60% of our load to be locked up at a fixed price leaving 40% to be supplied on the Day Market.
- This is a good balance to reduce price risk yet take advantage of savings on the Day Market.
- Storage gas purchased at low summer prices can be used to supplement our other sources in the winter months as needed.