

The background of the slide is a close-up, slightly draped American flag. The blue field with white stars is on the left, and the red and white stripes are on the right. The text is overlaid on this background.

NATURAL GAS PRICE HEDGE

March 10, 2009

NYMEX Natural Gas Futures Close (Front Month)



Feb. 1, 2008 - Mar. 4, 2009

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— Close

Supply Philosophy

- Hedge prices NOW to reduce future price risk for LBGO customers
- Use a portfolio approach to minimize market risk
- Be price comparable to surrounding gas utilities

Supply Portfolio



Market Pricing

- **Fluctuates up & down with market conditions**
- **Customers fully realize savings when prices are low**
- **Customers fully experience costs when prices are high**

Supply Portfolio



Fixed Pricing

- Not impacted by market ups or market downs
- Customers may pay lower or higher prices than market
- Customers have price certainty

Fixed Price Example



— Market Price — Fixed Price

Fixed Price Example



— Market Price — Fixed Price

Supply Portfolio



3-Way Pricing

- **When prices are very low, customers pay slightly higher than market**
- **When prices are “normal”, customers pay equal to the market**

3-Way Pricing

- When prices are high, customers **SAVE** by paying a fixed price lower than market
- When prices are very high, customers **SAVE** by paying market price with a significant fixed discount

3-Way Price Example



— Market Price — 3-Way Price

3-Way Price Example



— Market Price — 3-Way Price

3-Way Price Example



— Market Price — 3-Way Price

3-Way Price Example

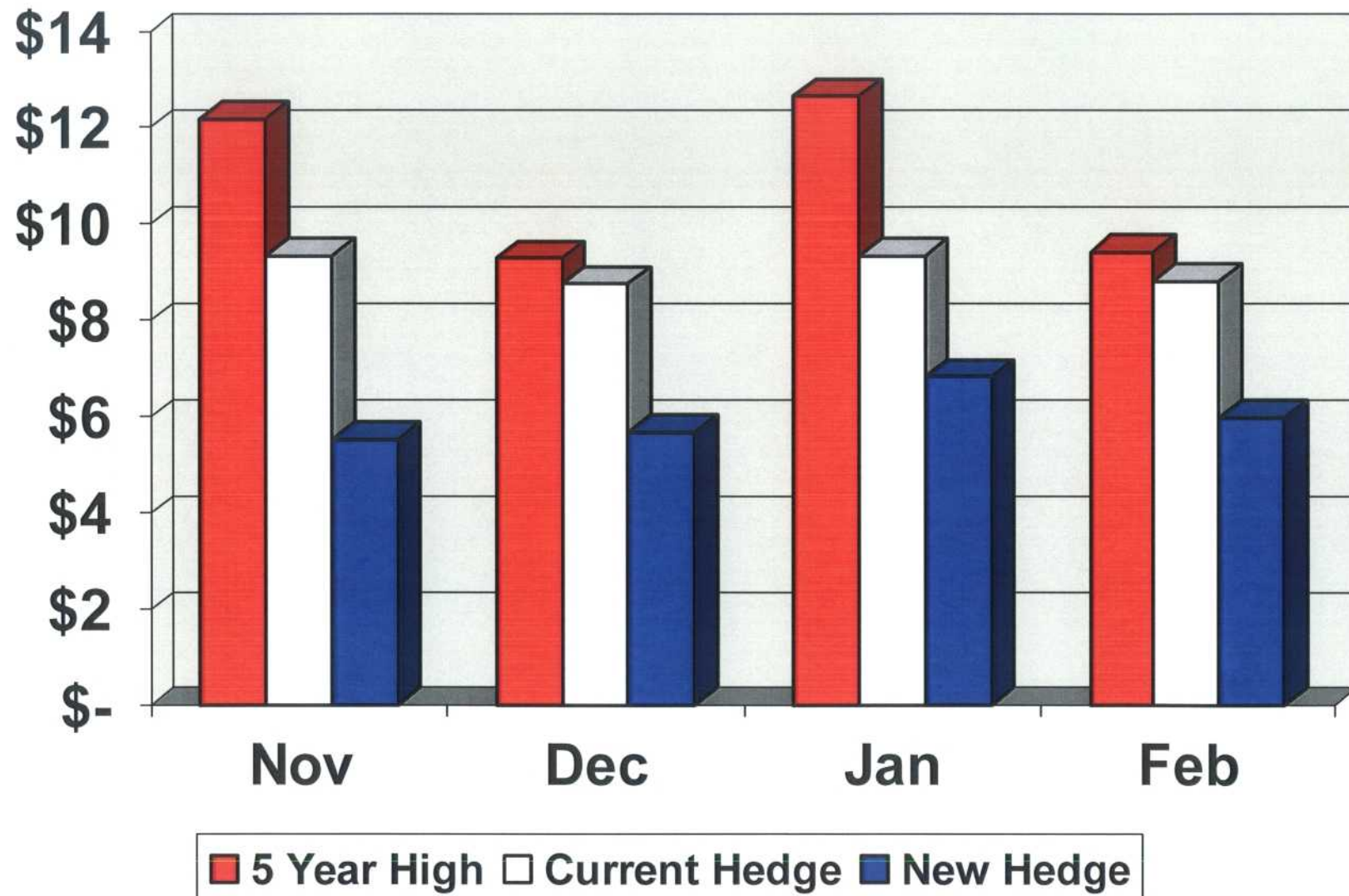


— Market Price — 3-Way Price

Final Deal Negotiated

	Council Approved Terms	Final Negotiated Terms
Term	3 Years	3 Years
Pricing:		
• Fixed	\$8.20	\$3.96 - \$6.87
• Floor	\$5.50	\$3.25 - \$5.50
• Ceiling	\$10.50	\$4.40 - \$7.50
		Fixed \$2 market price discount if price is above \$6.40 - \$7.50

Winter Price Comparison



LBGO CUSTOMERS ARE WELL PROTECTED

