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News Release

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AUB ANNOUNCES INCREASE IN BASE NATURAL GAS RATE

ATHENS, Tenn. – Athens Utilities Board (AUB) has announced an eight-cent per therm increase in the base rate for natural gas customers. Year-round users, such as those with gas water heaters, will see a six-cent per therm increase.

AUB's board of directors passed the measure upon second reading at its board meeting held at AUB headquarters on Tuesday, June 20.

The increase will mean about \$15 to \$20 per year for the average residential natural gas customer, said AUB's Wayne Scarbrough.

"Typical residential customers will see all of that over a three-to-four month period in the winter when they are heating their homes," he said.

Scarbrough said that the utility has not increased its base rate for natural gas in several years and must do so now to contend with year-over-year increases in the cost of operating the gas system and providing services. The gas division operated in the red for most all of fiscal year 2006.

"A reasonable question we're hearing now is, 'If you haven't raised your rates in years, why was my bill so much higher last winter?'" Scarbrough said. "That was a function of the cost of gas from wholesalers, not the AUB operational rate."

AUB has a two-part gas rate with one part being a simple pass-through of the cost of gas and the second part providing the utility's operating margin for overhead, maintenance, and cash reserve.

Because of that rate structure, Scarbrough said that if the cost of gas goes down next winter compared to last, customer bills may actually be lower in a given period than last year even with an AUB rate increase.

"If we pay less for a therm of gas, so will the customer. Therefore, if that cost decreases by more than eight cents per therm in a given period, that period's bill will actually be lower compared to last year despite of our operational rate increase of eight cents per therm," he said.

AUB General Manager Eric Newberry said that the board and AUB staff have worked diligently to keep rates as low as possible while prudently running the gas division's business.

"Increasing revenue through rates is not the only measure we have taken to stay afloat. We've cut costs significantly as well. For instance, in the last three years we have cut seven positions

from AUB, two positions from gas division specifically. That's 15 percent of the division work force. We are doing more with less," Newberry said.

Still, he said, increased costs hit consumers hard last winter and he understands public skepticism and questions.

"I heat with natural gas myself. Last winter some of my utility bills took me by surprise because of the cost of gas. Though I fully understood it was a function of the market, I also understand customer concerns when it comes to rate changes," Newberry said. "We have to make hard rate decisions sometimes in running the business and ensuring its fiscal health."

Despite the high bills customers saw last winter, AUB's gas division lost money most of the year and hopes to break even for the fiscal year ending June 30, Newberry added.

"That's why we are now at a point where the base rate needs a boost so that our operating revenue can keep pace with operating costs," he said.

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