

Recent Questions on the Upcoming Gas Election August 2, 2011

1. Why would the Community want to manage a system that is so old?

-Compared to many communities the natural gas system in Pocahontas is in relatively good shape. Much of the pipe laid in the 50's and 60's is still effectively serving the community today. Regardless of the condition of our local system the cost of replacing pipe or making improvements is always passed to the customer whether the system is operated by Black Hills or by the Community itself. The difference is a community system would only pass the cost of the improvement to the customers whereas Black Hills would pass on the cost of improvements plus their profit margin.

2. Will local Black Hills employees lose their job if the Community operates its own system?

-Black Hills claims that it has 3 local employees here to serve our community. Some fear that these local employees will lose their job if the community operates its own system. The truth is that Black Hills uses their employees all over Northwest Iowa. In fact the local employees spend a majority of their time working in other communities. They will continue to work in those other communities if Pocahontas operates its own system.

3. The City wants to manage the system so they can get more money.

-Some think the City is trying to get more money by operating the local gas distribution system, which is not true. Our three primary reasons are: first to keep local money in the community, second to give the community the opportunity to control its own system, and third to save residents of Pocahontas money. The mission of the City of Pocahontas is to serve our community and provide the best service possible. Not to take money from our customers, neighbors, family, and friends.

4. Since Black Hills is a large corporation can't they buy gas cheaper than we could?

-Black Hills claims that since they are so large and serve so many customers that they can buy natural gas cheaper than the City could. This claim is false. Natural gas is a highly traded commodity like corn, soybeans, oil, gold, silver, etc. It doesn't matter whether you are buying 100 decatherms or 1 million decatherms of gas at a day. The price of gas will be the same per decatherm.

5. What will it cost to purchase the system from Black Hills and how would we pay for it?

-Before the City Council set an election it hired various experts to give them an assessment of what it would cost to buy the gas distribution system in Pocahontas. Based on their appraisals the value of the system in Pocahontas is between \$600,000 and \$1,000,000 with an average value of \$800,000 on an asset depreciated approach. Black Hills will claim that it is worth much more, however ultimately the value will be determined by a three judge panel in district court. Numerous experts have corroborated that an average value of \$800,000 is quite accurate of the true value of the system. If the voters approve creating a local natural gas utility **no property taxes will be used to pay for the purchase of the system.** Gas revenue bonds would be used and paid back by revenues from operating the system.

Yes or no remember to vote on August 2

Submitted by Pocahontas Municipal Utilities