

# Answers to FAQs

SiEnergy appreciates the opportunity to provide natural gas distribution services to your development. We understand you have multiple options for natural gas service. At SiEnergy, we are committed to becoming your development partners, and hope you find the following information to be the first demonstration of our commitment.

[www.sienergy.com](http://www.sienergy.com)

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Lakeway, Texas 78734  
512.261.6216

## RATES

Like all investor-owned natural gas local distribution companies, SíEnergy is regulated by the Railroad Commission of Texas (the “Commission”) and the cities in which it provides service (the “Cities”). The utility cost-of-service rates billed to customers by SíEnergy are set by the Commission and Cities, and are set sufficient to provide a reasonable return to investors on their invested capital. To do so, all costs of providing service must be included in those rates.

The Commission audits all natural gas utilities annually and publishes data that facilitates comparison between utilities. The most recently available published information is for the year ended 2010. SíEnergy’s rates are extremely competitive with other utilities serving the Greater Houston Area. Due to the complexity and variances between individual utility tariffs, the Commission reports revenues on a per Mcf basis to provide an objective comparison that includes all fees charged to customers. The following provides selected data provided by the Commission for the year ended 2010. A copy of the report can be found at: <http://www.rrc.state.tx.us/data/gasservices/annualrpt/Table4C.pdf>.

<u>Company Name</u>	<u>Residential Customers</u>	<u>Small Commercial Customers</u>
SíEnergy, LP	\$10.76	\$8.78
CenterPoint Energy Entex	\$12.45	\$9.57
Consumers Gas Company, Inc.	\$13.27	\$11.11
Gas Energy, LLC	\$16.57	N/A
Hughes Natural Gas, Inc.	\$15.36	\$14.05
LDC, LLC	\$17.54	\$12.39
Markham Gas Corporation	\$17.20	\$9.77
Universal Natural Gas, Inc.	\$11.31	\$9.34

## FINANCIAL STRENGTH

SíEnergy’s financial statements are public record. All years through 2010 are available on the Railroad Commission’s website at the following link using Company ID 5393: <https://rrcsearch3.neubus.com/esd3-rrc/index.php?module=esd&action=keysearch&profile=13>  
A copy of our 2011 annual report will be provided upon request. SíEnergy has a long-term relationship with Texas Capital bank. Contact SíEnergy for more information.

## **REGULATORY COMFORT**

The regulatory environment provides certain guarantees to customers within service areas that, absent such guarantees, would have to be addressed contractually. For instance, gas utilities cannot abandon pipelines or discontinue service without Commission approval. A gas utility cannot stop providing gas to its customers even when experiencing financial difficulties.

We welcome you to call our regulatory lawyer, John Arnold with Winstead PC, to have a discussion regarding any concerns and the assurances provided through the regulatory environment, especially in the event any natural gas distribution utility were to have financial difficulties. A short discussion may serve to alleviate a number of concerns. Contact SíEnergy for more information.

## **QUALITY CONSTRUCTION**

Standards for construction are well established industry-wide. Like all natural gas distribution utilities, SíEnergy's construction standards comply with the Code of Federal Regulations, Title 49, PART 192--TRANSPORTATION OF NATURAL AND OTHER GAS BY PIPELINE: MINIMUM FEDERAL SAFETY STANDARDS. As required by regulation, SíEnergy maintains a construction standards policy manual in accordance with these requirements. All construction adheres to those standards and is audited for compliance by the Commission on an annual basis.

The natural gas distribution system for your development will be professionally engineered. Construction will be performed by experienced utility construction crews, inspected by qualified engineering firms, and inspected by the Company itself by its onsite construction and operations supervisor.

## SOLVENCY

As a regulated natural gas utility, SiEnergy's capital structure must be maintained such that the risk to both customers and investors is balanced and its financial health is stable. Consistent with Commission standards, SiEnergy targets a capital structure comprised of a minimum of 50% equity and will continue to do so into the future.

In the event revenues become insufficient to cover SiEnergy's cost of service, a rate increase request can be filed with the Commission to change rates. A mechanism has been created by the Texas Legislature to allow all natural gas utilities to increase rates annually based upon investments in gas distribution plant assets, without the need for formal rate increase requests. Due to the revenue assurances inherent in the regulatory environment, rate increase requests typically take place when investor's returns decline and long before any risk of insolvency. With a balanced capital structure, SiEnergy's rates will remain competitive as compared to other investor owned natural gas distribution utilities.

If you have any additional questions of the SiEnergy team, please do not hesitate to contact Daniel Pope, Developer Relations Manager, at the phone number below. We will address any concerns you may have as quickly as possible. We look forward to a long and successful relationship.



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