## A Message About Your Natural Gas Delivery Rates

Nicor Gas has been delivering safe, reliable natural gas service to customers in northern Illinois for over 54 years. For many years, we have been the lowest-cost provider among major Illinois natural gas utilities and one of the lowest-cost providers in the nation.

As is true for all businesses, we must seek periodic rate increases to cover the costs of doing business and ensure that we continue to provide safe and reliable service. To this end, the Illinois Commerce Commission has approved a rate increase that took effect in April. It is our first increase in nearly four years. Below is more information regarding the need for rate relief and how your bill will be affected.



In late March, the Illinois Commerce Commission (ICC) approved a rate increase, effective April 3. On average, the increase will add about \$2.50 per month to a residential customer's bill.

The increase affects the fees related to bringing gas service to your home. Therefore, you will only see a change in the amount of your Delivery Charges, made up of your Customer Charge (a flat monthly charge) and Distribution Charges (variable charges based on gas use). An explanation of the three parts of your bill amount appears on the back of this insert.

It is critical to note that the rate change does not affect the Gas Cost, which is the natural gas commodity cost incurred by Nicor Gas and then passed along to customers without markup. The gas cost makes up 75-80% of your annual bill. By law, Nicor Gas does not profit on the gas cost.

Even with these new rates, Nicor Gas remains the lowest-cost provider among major Illinois natural gas utilities and is among the lowestcost providers in the nation.

Because the new rates only apply to gas service used on or after April 3, 2009, your first bill will also include separate calculations for gas service billed at the previous rates. Below is a comparison of the new rates vs. old rates, as well as an example of how a typical bill will be impacted. For more information, please visit nicor.com/newrates.

## Impact of the New Delivery Charges on Your Bill

DELIVERY CHARGES	OLD RATES	NEW RATES	CHANGE
Customer Charge (a flat monthly charge that includes a \$0.45 Energy Assistance Charge )	\$8.85	\$14.00	+\$5.15
Distribution Charges (per therm variable charge)*			
First 20 therms	14.73 ¢	4.53 ¢	-10.20¢
Next 30 therms	5.79¢	4.53 ¢	-1.26¢
Over 50 therms	5.19¢	4.53 ¢	-0.66¢

<sup>\*</sup>In the new rate structure, the distribution rate is 4.53 ¢ per therm. This rate remains the same regardless of how much gas you use.

BILLING IMPACT EXAMPLE BASED ON USING 110 THERMS DURING A ONE-MONTH PERIOD		OLD RATES	NEW RATES	CHANGE
Customer Charge (flat monthly charge)		\$8.85	\$14.00	+\$5.15
Distribution Charges - (per therm variable charge)				
New rate step:				
All therms	110 @ 4.53¢		\$4.98	
Old rate steps:				
First 20 therms	20 @ 14.73¢	\$2.95		
Next 30 therms	30 @ 5.79¢	\$1.74		
Over 50 therms	60 @ 5.19¢	\$3.11		
Total Distribution Charges		\$7.80	\$4.98	-\$2.82
Total Delivery Charges (based on a 110-therm example)		\$16.65	\$18.98	+\$2.33

# Understanding the Three Parts Of Your Gas Bill Amount



These percentages are based on an annual average.
Gas costs fluctuate throughout the year based on factors including weather, the economy, natural gas production levels and the amount of natural gas in storage.

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#### **NATURAL GAS COST (75-80%)**

Natural gas costs make up the largest portion of your Nicor Gas bill. This is the charge for the gas you use during the billing month. It is calculated by multiplying your gas usage by the average cost per therm we pay for gas supplies. The amount you pay varies monthly based on the cost of gas and the amount you use. Nicor Gas does not profit from gas costs; we pass our cost on to you without markup.

#### **DELIVERY CHARGES (15-20%)**

Delivery charges shown on your bill are comprised of the following:

> Monthly Customer Charge – a fixed amount that covers our expenses to read your meter, produce your bill and other fixed operating and administrative costs. A small portion of this charge covers various taxes. This charge is incurred even if no gas is used.

- Distribution Charges covers other variable operating and distribution costs. These charges vary monthly based on the amount of natural gas you use.
- > Environmental Recovery Cost\* covers our cost for the environmental monitoring and clean-up of former manufactured gas facilities. This cost changes periodically.
- > **Franchise Cost\*** covers our cost for municipal franchise agreements.
- Governmental Agency Adjustment\*

   an adjustment for governmental fees
   and added costs, excluding franchise
   costs. This cost changes periodically.

\*Nicor Gas does not profit from these charges.



#### **TAXES (5-10%)**

Taxes are levied by the State of Illinois and various local municipalities.

#### **PLEASE NOTE:**

Effective June 1 your rates will also include an **Efficiency Program Charge.** This charge will fund programs that encourage energy efficiency and conservation, while also helping to protect the environment for the future. Nicor Gas will administer these programs and will not profit from the Efficiency Program Charge.

Nicor Gas will provide additional details as these programs are implemented.

Visit www.nicor.com for more information.

## Frequently Asked Questions

#### Q: When was your last rate increase?

A: The last increase took effect in October of 2005. Prior to 2005 Nicor Gas had not changed its rates for 10 years.

#### Q: Why is another increase necessary?

A: To ensure that Nicor Gas can continue to provide safe and reliable natural gas service to the more than 2 million homes and businesses in northern Illinois that depend on us.

#### Q: How will the increase be used?

A: The increase in rates is needed to recover higher operating costs, material and fuel costs, and for investments in our distribution pipeline system and natural gas storage facilities.

#### Q: Who determines Nicor Gas' delivery rates?

**A:** Nicor Gas is a regulated utility and is required to have its delivery rates approved by the Illinois Commerce Commission.

