



Rates Would Help Promote Energy Efficiency

Citizens Gas recently filed more information with the Indiana Utility Regulatory Commission (IURC) further defining and supporting its proposed new base rates, which are designed to fundamentally change the way the utility collects revenues, while stabilizing customer bills and promoting energy conservation and efficiency.

The utility currently estimates that the rate request, if approved by the IURC, would increase the average Marion County residential customer's annual bill about \$105 or about 9.97 percent. Any increase in base rates would not take effect for several months, pending review and approval by the IURC. The rate request does not apply to Westfield customers.

The filing marks the first request for an increase in base rates by Citizens Gas since 1991. Over the 14 years since its last base rate increase, Citizens Gas estimates the overall cost of doing business has increased more than 35 percent.

The proposed base rate changes would apply to the Delivery and Service portion of the customer's bill, which typically accounts for about one-third of the total monthly bill. The Delivery and Service charge covers costs such as operation and maintenance of pipelines, employee payroll and health care costs, costs to store gas, taxes, repayment of debt, system extensions and replacements, working capital, uncollected gas bill costs and other expenses.

The proposed increase in base rates does not apply to the Gas Used charge, which typically accounts for two-thirds of the monthly bill. The Gas Used charge is adjusted monthly to reflect the fluctuating wholesale price of natural gas, which is set by market forces, including supply and demand levels. Under state law, all Indiana gas utilities must pass on gas costs on a dollar-for-dollar basis, with no retail profit added.

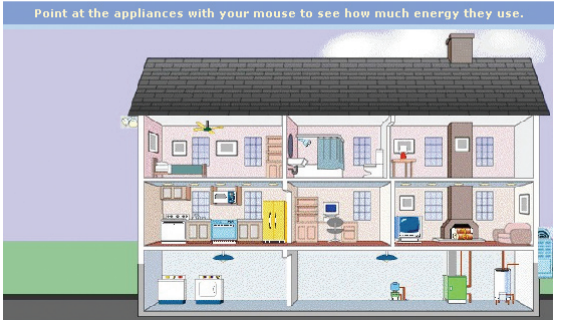
"Like most gas companies, the utility's current base rates tie collection of revenues to gas sales volumes. This approach means the

(continued on back)



Appliances in my home

Your appliance house contains all of the appliances you selected on the previous page. To find out how much it costs to run your appliances, just use your mouse. Point at an item to see the annual energy cost and usage. Click Next to see a graph of your energy use.



Clean Up with Energy Savings from Citizens Home Energy Advisor

Take a break from your spring-cleaning, and spend a few minutes inside Citizens Home Energy Advisor at www.citizensgas.com. You'll find ways to clean up with energy saving ideas that may cost little or nothing to implement.

After users answer a few questions about the size of their home and the appliances they use, the Citizens Home Energy Advisor provides comparisons that show how efficient their particular home is versus similar-sized homes in Indianapolis. The energy audit tool also provides detailed suggestions on how they might reduce both gas and electric use in their particular home.

Among the information provided for each home are specific dollar saving estimates from weatherization, water heating, lighting, heating and cooling. Citizens Home Energy Advisor will calculate savings for more than 40 different gas and electric appliances used in a particular home.

Budget Payment Plan

When you join the Citizens Gas Budget Plan, you can pay the same amount each month to help spread out the cost of winter heating. Call (317) 924-3311 to find out about eligibility.



Citizens Gas

2020 N. Meridian St.
Indianapolis, IN 46202

How to contact us:

(317) 924-3311

1-800-GAS-4217

(317) 924-3333 Automated

TDD: (317) 927-4747

www.citizensgas.com

E-Mail: write@cgcu.com

(continued from front)

company collects more revenue when it's cold and customers use more gas, and less when it's warm and customers use less," explained Carey Lykins, Executive Vice President and Chief Operating Officer of Citizens Gas. "Our base rate petition proposes a new Volume Variance and Conservation Adjustment that is intended to fundamentally change the way the utility collects revenue, while allowing us to more aggressively promote energy conservation and efficiency."

The new Volume Variance and Conservation Adjustment would break the connection between gas sales volumes and collection of base rate revenues. Under the new rate adjustment mechanism, Delivery and Service rates would be adjusted up or down on a monthly basis to ensure the utility only recovers its IURC-authorized fixed operating costs, regardless of fluctuations in customer gas use during a given year.

"This new approach to ratemaking means that Citizens Gas customers pay only what it costs the company to serve them – no more and no less," Lykins said.

The traditional volume-based approach to rate design effectively penalizes the company for promoting energy conservation, such as through the new Internet-based Citizens Home Energy Advisor. Together with this new approach to

ratemaking, the utility would increase its annual investment in conservation and weatherization programs for customers from the current level of \$500,000 to approximately \$1.5 million.

"The Volume Variance and Conservation Adjustment helps align the utility's financial interests with customer interests, and lets us more aggressively promote new and innovative ways to reduce gas consumption either through conservation or the purchase of more efficient gas appliances," Lykins said. "We believe this new approach to ratemaking fits better with the utility's Public Charitable Trust operating status, which prescribes that the company operate for the benefit of customers and the community."

This new approach to ratemaking has been endorsed by leading environmental and energy conservation organizations, including the Natural Resources Defense Council, the Alliance to Save Energy, the American Council for an Energy Efficient Economy and the American Gas Association. This ratemaking approach also has been endorsed by the National Association of Regulatory Utility Commissioners (NARUC), the nation's leading utility regulatory organization.

More information regarding the ongoing base rate proceeding will be provided to customers via the company web site at www.citizensgas.com as well as through public hearings scheduled by the IURC.

Impact of Base Rate Increase On Average Annual Residential Heating Bill

Present	Proposed	Dollar Increase	Percent Increase
\$1,053	\$1,158	\$105	9.97%

Stuffed Pork Tenderloin

Recipe courtesy of Chris Clair, Executive Chef of Oh Yumm! Bistro

Ingredients:

- 1 pork tenderloin (3/4lb.-1lb.)
- 2 tomatillos
- 1 pear
- 2 tbsp gorgonzola cheese
- 1/2 cup balsamic vinegar
- 1 tbsp shagbark syrup
- salt and pepper

Directions:

Pound loin flat to 1/4 inch. Dice pear and tomatillos in 1/2 inch dice. Place fruit and cheese in the center of the loin. Roll up loin and tie with string. Season with salt and pepper and sear on stovetop. Finish in 350 degree oven about 15 minutes. Meanwhile, reduce balsamic vinegar and shagbark by one half. Slice the pork diagonally and drizzle with vinegar-shagbark reduction.

