



CUB Facts Natural Gas

Nicor Advanced Energy Plans

Have you been offered a plan from Nicor Advanced Energy?

Nicor Advanced Energy, an unregulated sister company of Nicor Gas, the utility, markets five plans in northern Illinois. Given the structure of most of these plans, it's impossible to make an "apples-to-apples" comparison with the rate offered by your utility, Nicor Gas, Peoples Gas, or North Shore Gas. Unlike with a utility, the rates of Nicor Advanced Energy are not regulated or reviewed by the Illinois Commerce Commission (ICC), meaning the company can charge whatever it wants. Nicor Advanced Energy acknowledges you "may or may not save money" on its plans. Each offer is explained in greater detail below.



What is it?

This program locks you into a fixed monthly natural gas bill for 12 months, all surcharges and taxes included. According to the company, your "customized" monthly billing amount is determined by such factors as weather forecasts, gas prices and your past gas usage. The price also includes a markup. Nicor Advanced Energy reserves the right to increase your billing amount if your usage goes beyond what would be expected for the weather.

Exit fee?

Customers who sign(ed) up for Lock 12 after April 10, 2009 can cancel without penalty within 10 days of receiving their first bill. After that time period, there is a \$50 cancellation fee. Customers who sign up during the summer months can cancel at any time without penalty. If you signed up before April 10, 2009, you will be penalized \$20 for every month left in your contract if you cancel after the initial 30-day opt-out period.

CUB Analysis

CUB has yet to find a customer who has saved money under Lock 12. This is NOT your utility's budget-billing plan, which attempts to even out your monthly bills over a year. Similar to Lock 12, the budget-billing amount is based on past usage, projected

gas prices and weather forecasts.

Unlike Lock 12, the monthly budget-billing amount could be adjusted. Most importantly, there's no markup. In fact, if the utility overestimates your usage and assigns you a monthly billing amount that's too high, it will reimburse you at the end of the year. If you pay more under Lock 12 than the standard utility rates you do NOT get that money back.

Is Nicor Advanced Energy the same as Nicor Gas?

No. Despite having a similar name and logo, the two companies are not the same. Nicor Advanced Energy is an unregulated sister company of the utility, Nicor Gas. Normally, you pay your utility—Nicor Gas, Peoples Gas, or North Shore Gas—for the natural gas you use as well as the cost of delivering it to your home. By signing up for Nicor Advanced Energy, you are paying that unregulated company for its gas. You will still pay your utility to deliver that gas to your home.



What is it?

This 12-month program charges you a variable price per therm that will never go higher than a cap amount determined when you enroll. For that "cap protection," the company says you also pay a monthly fee. The company says its variable rate is based on the "prevailing daily market price." The fine print reveals that the price is the sum of a daily

index, called the Gas Daily Daily (GDD), and a cents-per-therm markup, which is then multiplied by the "Allocated Actual Daily Gas Usage," or AADU, for each day of the month. The AADU is calculated based on your total usage during the month. That usage is allocated by day based on typical usage of consumers in the utility's territory and weather. Basically, more usage is allocated to colder days.

Exit fee?

Customers who sign(ed) up after April 10, 2009 can cancel without penalty within 10 days of receiving their first bill. After that time period, there is a \$50 cancellation fee. If you signed up before April 10, 2009, you will be penalized \$20 for every month left in your contract if you cancel after the initial 30-day opt-out period.

CUB Analysis

This plan is not offered by Nicor Advanced Energy year-round. The offer's complexity coupled with the volatility of the gas market make it impossible to tell whether it would ever save you money. Nicor Advanced Energy says the GDD is "commonly used in the natural gas industry to establish daily pricing," but it's hard to find the GDD index. It appears you only can see those prices by paying Platts.com for a subscription. Even if you did have access to the pricing information, it would be hard to make a judgment on whether this is a good deal. The cap could be well above market prices, and even the company admits "you may or may not save money on the PriceCap Plan."



What is it?

This plan locks customers into a fixed price per therm for one year. In March 2009, for example, that rate was 68¢ per therm for Nicor customers, compared with a per-therm utility rate of 43 cents. The price was 71¢ per therm for Peoples and North Shore Gas customers, compared to utility rates of about 65¢ per therm and about 68¢ per therm, respectively. It's not exactly clear how the fixed price is determined but it is based on "several factors such as the current price of natural gas and other program costs."

Exit fee?

Customers who sign(ed) up after April 10, 2009 can cancel without penalty within 10 days of receiving their first bill. After that time period, there is a \$50 cancellation fee. If you signed up before April 10, 2009, you will be penalized \$20 for every month left in your contract if you cancel after the initial 30-day opt-out period.

CUB Analysis

Fixed rates are tempting, given record-high gas prices over the past few years. But lock-ins can lose you money, unless prices stay high for an extended period of time. Remember, you are locked into that rate for a year. What seems like a good deal now, may not be in a few months. Also, Nicor Advanced Energy reserves the right to increase the per therm price "due to any regulatory, tariff or procedural change."



What is it?

The Flex Plan's price could change daily. It's based on the market price of gas from the Gas Daily Daily (GDD), a natural gas index, PLUS a markup. At times, the markup quoted to CUB

has been 16 cents to 19 cents per therm. The daily rate plus the markup is multiplied by your "estimated daily usage." At the end of the billing period you pay the sum of each day's heating costs. The company has at times offered at least a nickel per therm savings in the warmer months of the plan, when usage is typically lower. It is currently making that offer through October 2009 bills. The terms and conditions state that if the Nicor Advanced Energy price is not a nickel off the utility price, the company "will credit you the difference on you November bill."

Exit Fee?

No. However, you will have to stay on until November to get the bill credit mentioned above.

CUB Analysis

It's impossible to tell whether a complicated and confusing plan like this will save you money. The GDD may be "commonly used in the natural gas industry to establish daily pricing," but it appears you only can see GDD prices by paying Platts.com for a subscription. With the promised discount, you could save in warmer-weather months when usage is typically low. However, those savings could be easily wiped out during the winter months, when you use the most gas. Also, if the company can't beat the utility price by at least a nickel during the warmer months, you may get the promised savings in the form of a credit on your November 2009 bill. So you would have to stay on the plan until at least then.



What is it?

This plan is a 50-50 combination of a variable price per therm plan (Flex Plan) and a fixed price per therm plan (PriceGuard). Your total monthly usage is allotted to each day, based on "the temperature taken at Midway Airport, estimated consumption behavior and system factors," to determine what the company calls your "Allocated Actual Daily Usage" (AADU). Half of each day's AADU is charged at that day's variable rate, which is based on an index price called the Gas Daily Daily (GDD), plus a markup (see description of Flex Plan). The other half is charged at a fixed rate determined on the day you sign up for the program. The total charges for each day are then added to calculate your monthly bill.

Exit Fee?

Customers who sign(ed) up after April 10, 2009 can cancel without penalty within 10 days of receiving their first bill. After that time period, there is a \$50 cancellation fee. If you signed up before April 10, 2009, you will be penalized \$20 for every month left in your contract if you cancel after the initial 30-day opt-out period.

CUB Analysis

This is the most confusing of the four plans. Given the volatility of the gas market, like the other plans, you're gambling that Nicor Advanced Energy's price will be better than the utility's rate.