

Rates

As the coldest months approach and fuel prices soar, you are likely concerned about how much you pay for your utilities. You may have looked at a bill and wondered what your money pays for and whether you are paying too much. This issue explains how rates are established and what can force them to increase.

The NPU Business Model

Norwich Public Utilities operates under municipal ownership, which means that it is owned by its customers and the city of Norwich. NPU turns over 10% of its total billings to the city's general fund. Last year, that amounted to 4.8 million dollars. The city, in turn, can use this money to support the community. The business model of NPU is cost based which means that customers pay rates that reflect the cost of the services provided. At investor-owned utilities, profits may be maximized for return to individual investors, which forces customer rates higher. In contrast, NPU's municipal ownership returns funds directly to the community it serves.

Understanding Your Bill

Utility rates can be confusing because they reflect many different costs, some volatile and others fixed for one year or more.

CUSTOMER CHARGE:

This is a fixed cost, charged at the same rate each month- one charge for electricity, as well as one for natural gas. It pays for some of the costs to run NPU. For example, services like meter reading and customer service can be included in this fee. This fee is subject to increases from time to time reflecting inflation and increased operating costs.

NPU does not collect extra profit on energy supply costs, so cost increases cannot be absorbed by NPU. Cost increases, and cost savings are passed on to customers. To ease the pain of cost increases, Norwich balances the needed adjustments over a period of time so that large price spikes are not reflected in monthly bills.

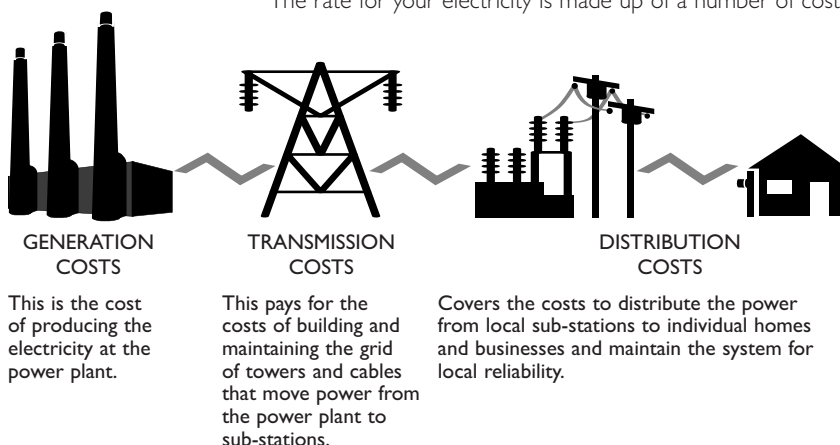
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PURCHASED POWER ADJUSTMENT & PURCHASED GAS ADJUSTMENT

You will see adjustments to your electricity and natural gas rates that may increase or decrease your bill. These are needed because both of these energy sources are subject to price fluctuations. NPU develops its rates based on a forecasted cost of the supply. Sometimes, the actual rate is more, or less, than this forecasted rate. When this occurs, the cost increase, or cost savings, are shown as an adjustment.

ELECTRICITY RATE [ELEC RATE]

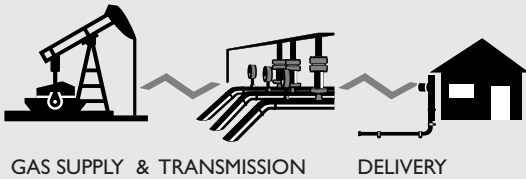
The rate for your electricity is made up of a number of costs:



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GAS RATE [GAS RATE]

The natural gas rate is made up of a number of costs:



This pays for the production costs for natural gas, as well as transporting it through pipelines to the local area.

Pays for maintaining the local area pipeline systems that deliver the natural gas to your home.

Concerned About Higher Prices?

Prices for electricity and natural gas supplies fluctuate for many reasons. Increased demand, or simply a forecasted increase in demand can cause prices to go up. Natural gas is traded on the commodities market, and more recently, prices have increased purely because traders can make money by driving the prices higher.

Natural gas producers set prices based on what the market will pay. If you use natural gas to heat your home you have no choice but to pay the price dictated by increased market speculation and trading. Home heating oil has also had sharp price spikes, hitting all time high records recently. Adding to this, electricity rates are expected to increase because some power is generated by oil. All in all, consumers will feel the pinch of higher prices. We invite you to visit our web site for more information about steps being taken to advocate change to the current natural gas pricing system.

Warmer Homes, Warmer Hearts

While there are government-sponsored programs to aid families in need of assistance to pay for home heating costs, it's simply not enough. Operation Fuel provides crisis funding to people who are not eligible for other state aid. For some families, an unexpected medical cost can mean there is no money to pay for essential services like heating the home. Last year, Operation Fuel assisted over 4700 families in Connecticut. This year, with rising fuel costs, the need is forecasted to be even greater. Please consider making a donation to Operation Fuel this season. To donate \$1 per month, simply check the box on your utility bill. For other donation amounts, please see the Operation Fuel web site at www.operationfuel.org. If you think you will have financial difficulty in meeting payments for home heating, we urge you to contact us. There are recent changes to federal and state sponsored benefits programs that may adversely affect you.

HOME HEATING TIPS

- Use a programmable thermostat to automatically control your furnace to lower temperatures when you are not at home, or when you are sleeping.
- Keep your heating system well maintained so furnace filters are clean and ducts are clear. Ensure that vents are not covered by furniture.
- Ensure doors and windows are sealed with weather stripping or caulking.
- Close the damper on your wood-burning fireplace when not in use.
- Consider purchasing a high efficiency furnace that wastes less fuel.
- Make sure your home, including the ducts that run through your home are well insulated.
- Install a carbon monoxide detector to alert you of dangerous emissions in your home from oil or gas-burning furnaces.



Here to Serve You

Visit a special link on our web site for more information:
www.norwichpublicutilities.com/communitymatters

Please call, fax or email us your questions, comments and suggestions.

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