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January 28, 2003

ABC Fee increase effective May 1, 2003

Union Gas will increase its monthly ABC service fee from \$1.05 to \$1.35 per customer bill. The new fee will be effective May 1, 2003.

While Union Gas has been an industry leader in keeping bad debt levels low over the last few years, declining economic conditions have changed the environment in which we're all operating. The percentage of bad debt for all General Service customers increased in 2002. The bad debt component of the existing ABC fee was estimated at 0.41% of billed revenue. However, in 2002 Union experienced an actual bad debt ratio of 0.76%. Union's forecast now reflects a bad debt ratio of 0.60% which results in the \$0.30 increase in the ABC fee.

Bad debt allocated to both system and ABC customers

The ABC market will not be alone in paying for the increase in forecast bad debt. Union's system customers will also see rates adjusted to cover these increased costs.

Future adjustments to ABC Fee

We recognize that your agreements with your customers do not always make it easy to accommodate changes in overhead pricing mid term. Please keep in mind that you may be able to

use the "Administrative Fee" component of the price point in Unionline to recover this increase. As well, we commit to more frequent reviews of the underlying costs of the ABC service and will make adjustments in a timely manner.

If you have any questions about the fee increase, please contact your [Account Representative](#).

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