

## BURKARDT'S LP GAS

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Bill Weronko  
Vice-Chairman  
Lost Lake Utility District

Bill,

This letter is in response to your letter requesting an explanation of current propane pricing. First of all, I can only speak of the pricing of our company Burkardt's LP Gas. Burkardt's LP Gas has been serving the Lost Lake subdivision as well as Northwest Illinois for 25 years. During this period energy prices have been quite volatile. Our customers indicated to us that they would like to know what they will be paying for propane during the heating season. In an effort to reduce the volatility of propane prices, Burkardt's LP Gas established a fixed price for our propane during the heating season. We have used this program for the last ten heating seasons. Our customers are offered a "Summer Fill Program" in which tanks are filled during June, July or August at a fixed rate. Billing for gas delivered during the "Summer Fill Program" is deferred until September 25th. The price this past summer was \$1.45/gallon. When the "Summer Fill Program" ended August 30th, our customers are locked in at a fixed rate for the remainder of the winter. The fixed rate this winter is \$1.55/gallon. In order for Burkardt's LP Gas to offer a fixed price for our customers, Burkardt's must contract (pre-buy) gas to lock in our cost so that we can offer a fixed price to our customers. The price that we contract at is the price we will pay for propane for the winter regardless of market fluctuations.

Burkardt's LP Gas contracts gas starting in late winter and usually we have our gas purchased for the upcoming season by June 1 when the "Summer Fill Program" starts. We are currently starting to purchase propane for next season. The current drop in wholesale propane prices therefore will not be reflected in this winter's heating season but will be reflected in the 2007-08 heating season.

The purchasing of propane is a huge responsibility. Because we have a fixed price for all our customers, not just a select few, we contract the majority of the gallons we sell. Market timing on when to buy has become increasingly difficult. We work extremely hard studying the market on when the best time to purchase propane.

Fixed pricing has worked extremely well over the ten years in which we have had this program. When energy prices were climbing our customers were locked in at substantially lower prices than our competitors. Sometimes as much as \$.90/gallon. We have always passed that savings along to our customers. Our customers have saved hundreds of dollars over the years because of our fixed price programs. This season our customers may not see a significant savings, but our price is still very competitive.

With high energy prices, we appreciate your concern for your residents. Burkardt's LP Gas works extremely hard to ensure our customers receive fair and honest pricing as well as unparalleled service. We will continue to strive to meet the needs of the Lost Lake Community.

If you have any further concerns, please feel free to contact me.

Mike Faivre

General Manager  
Burkardt's LP Gas