

STATE OF NEW YORK

# Public Service Commission

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## **NATURAL GAS UTILITIES READY FOR WINTER HEATING SEASON — Natural Gas Prices Expected to be 4-6% Lower Than Last Year—**

Albany, NY—10/13/11—Based upon an annual review of local utilities’ winter preparedness, the New York State Public Service Commission (Commission) today announced that utilities providing natural gas service in the state have adequate supplies, delivery capacity, and storage inventory to satisfy customer demand under severe winter conditions. In addition to having necessary supplies of natural gas, prices are expected to be lower this heating season.

“Ensuring a reliable gas supply to New York’s ratepayers continues to be of paramount concern to the Commission,” said Chairman Garry Brown. “The utilities serving New York have adequate supply and inventory to satisfy expected demand this winter. Meanwhile, the cost for natural gas is anticipated to be somewhat lower than last year, based on current market conditions. This is clearly good news for residential and commercial natural gas customers.”

As part of the winter readiness review, staff of the Department of Public Service provided an oral report to the Commission regarding the arrangements utilities have made to obtain adequate commodity supply to meet expected customer demands under severe winter conditions. Additionally, staff reviewed the utilities’ compliance with Commission policy regarding gas purchasing practices. Special attention was given by staff to the methods utilized by the utilities for gas price risk management efforts, including the use of hedges (i.e., storage gas and fixed price contracts) and financial instruments, such as futures and options.

The Commission's assessment of natural gas supplies and prices is based on staff's monitoring of utilities' actions to prepare for the winter. Throughout the winter season, staff will monitor issues that could potentially affect the utilities' operations and their customers, such as weather and heating degree day data; storage inventory management; interstate pipeline operational issues; operational flow orders; utility operation issues; gas price levels and fluctuations; and customer interruptions. Staff will report to the Commission if a problem develops, or if action is warranted.

In New York, there are about 3.9 million natural gas heating customers. About half of the households in the state use natural gas for heating purposes and residential customers constitute the majority of natural gas customers. Nearly 90 percent of the natural gas used in New York is imported from other regions, principally from the Gulf states and Canada. The Commission regulates natural gas delivery rates and not the price of natural gas itself, often referred to as the "commodity price." Natural gas as a commodity was deregulated by Congress in 1978; prices are determined by national and international markets, not the Commission or New York utilities.

As of the end of September, the projected price of flowing gas is projected by the New York Mercantile Exchange (NYMEX) to be lower than last year, and when combined with a lower cost of gas in storage and a lower price of hedged gas supply, it is expected that this year's total commodity cost on average will be 4 percent to 6 percent lower than last year. As the winter progresses, prices for November through March will change in response to changes in market conditions, such as weather and gas availability.

For information on how to lower energy costs this winter, call the New York State Public Service Commission's information line at 1-888-Ask-PSC1 (1-888-275-7721), or visit the Commission's Web site at [www.AskPSC.com](http://www.AskPSC.com) and click the New York's Natural Gas Outlook link. Also, energy savings tips and programs are available from the New York State Energy Research and Development Authority (NYSERDA) by calling 518-862-1090 or toll-free at 1-877-NY-Smart or by visiting NYSEDA's [www.GetEnergySmart.org](http://www.GetEnergySmart.org) Web site.

