

STATE OF NEW YORK

Public Service Commission

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NATURAL GAS UTILITIES READY FOR WINTER HEATING SEASON

— **Natural Gas Commodity Prices Expected to be Lower Than Last Year** —

Albany, NY – 10/18/12 – Based on 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, commodity 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 commodity cost for natural gas is anticipated to be lower than last year, based on current market conditions.”

As part of the winter readiness review, staff of the Department of Public Service provided a 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 incentives, 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.

As of October 1, 2012, the price of flowing gas is projected by the New York Mercantile Exchange (NYMEX) to be higher than last year. However, when combined with a lower cost of gas in storage and a lower price of hedged gas supply, this year's total commodity cost on average is expected to be 12 percent lower than last year. As the winter progresses, prices for November through March could increase in response to changes in market conditions, such as weather and gas availability.

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. The Commission regulates natural gas delivery rates and not the price of natural gas itself, often referred to as the commodity price. Natural gas prices are determined by national and international markets, not the Commission or New York utilities.

For information on how to lower energy costs this winter, call the Commission's information line at 1-888-Ask-PSC1 (1-888-275-7721), or visit the Commission's Web site at www.AskPSC.com.

The report today, when issued, may be obtained by going to the Commission Documents section of the Commission's Web site at www.dps.ny.gov and entering Case Number 12-G-0206 in the input box labeled "Search for Case/Matter Number". Many libraries offer free Internet access. Commission orders may also be obtained from the Commission's Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500).