

STATE OF NEW YORK

# Public Service Commission

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## **State PSC: Higher Natural Gas Prices Could Impact Customer Heating Bills This Winter - Local Natural Gas Utilities Have Adequate Supplies for Heating Season -**

Albany, NY – 10/20/04 – Based on an annual review of local utilities' winter preparedness, the New York State Public Service Commission today announced that utilities providing natural gas service in the state have adequate supplies to meet forecasted customer demands this winter and have taken steps designed to help ease the impact, as much as possible, of higher national natural gas prices on their customers.

"While neither this Commission nor the utilities can set the price of natural gas, which is determined by market forces throughout North America, utilities in New York State have spent the spring, summer and fall months since last winter preparing for this winter's demands," Commission Chairman William M. Flynn said. "Every year our staff works to ensure that the local utilities have taken steps to meet customers' needs for the coming winter and to reduce price volatility as much as possible during the winter months. On this basis, I am pleased to report that local utilities have contracted to obtain adequate supplies to meet projected customer demands, sufficient – although in some cases tight – pipeline capacity to deliver those supplies to customers, and are on track to meet, by November 1, their individual targets for the amount of natural gas to have in storage for customers during this winter's heating season."

Nearly 98 percent of the natural gas used in New York State is imported from other regions of North America, principally from the Gulf States and Canada. The Commission only regulates gas delivery rates and not the price of gas itself, often referred to as the "commodity price." The commodity price of natural gas was deregulated by Congress beginning in 1978 and is determined by national and international markets, not the Commission or New York utilities. The price of natural gas can be tracked on the New York Mercantile Exchange (NYMEX) as it changes daily and almost hourly.

As of October 18, 2004, the futures price on the NYMEX for gas purchased at that time for delivery during the November 2004 through March 2005 heating season averaged \$8.05 per decatherm (Dt), the unit of measurement reflecting consumer usage. This average futures price is about 50 percent higher than the \$5.26/Dt average price for natural gas during last winter,

when temperatures throughout the state were relatively normal. As a reference point, the average statewide total usage for a residential heating customer during the 2003-2004 winter heating season (November through March) was 94 Dt, although usage can vary widely based on individual habits and regional weather patterns.

Local utilities implement strategies to soften the impact of price volatility on their customers, including contracting for gas supplies for the next winter heating season during the spring, summer and fall months when demand is typically less and the price is lower. However, the NYMEX prices for the 2004 spring/summer/fall storage injection season averaged \$5.84/Dt – about 12.5 percent higher than the \$5.19/Dt average during the 2003 spring/summer/fall storage injection season. Overall, it's estimated that price increases for natural gas supplies will result in residential bill impacts of between 5 percent and 15 percent higher than last winter, assuming normal winter weather patterns. In addition to weather, other key factors in consumer's natural gas bills include the energy efficiency of their residences and heating systems, individual usage patterns and the overall demand for natural gas supplies in the country.

In New York State, there are about 3 million natural gas customers who heat with natural gas. About 50 percent of the households in the state use natural gas for heating purposes and residential customers constitute the majority of natural gas customers.

The Commission's assessment of natural gas supplies and prices is based on its staff's monitoring of local distribution utilities and gas marketer actions to prepare for the winter. Throughout the year, staff monitors, among other things, gas supply portfolios, pipeline capacity, storage inventories, contract strategies and commodity pricing.

As of September 24, 2004 United States storage was at 3,011 billion cubic feet (Bcf), which is 6.8 percent higher than the 2,828 Bcf in storage at this time a year ago and 6.5 percent higher than the 5-year average of 2,828 Bcf. The industry's annual goal is to reach at least 3,000 Bcf by November 1<sup>st</sup> each year.

The Commission's staff has implemented an extensive consumer awareness campaign to alert New Yorkers to the 2004-2005 natural gas outlook for the state and the actions they can take to control winter heating bills. The campaign focuses on four major topics: energy conservation, energy competition and the choices it provides, financial assistance programs, and payment options. Staff's consumer education campaign includes: grass roots presentations; statewide distribution of printed information; public service announcements; "Have an Energy Smart Winter" information made available on the Commission's Web site ([www.AskPSC.com](http://www.AskPSC.com)) and through a toll-free number (1-888-ASK-PSC1, that is 1-888-275-7721); and, partnerships with state and local agencies such as the New York State Energy Research and Development Authority (NYSERDA), the New York State Office for the Aging, New York State Consumer Protection Board, AARP, Cornell Cooperative Extension, the New York Library System, county and municipal governments; and local school districts.

## **Managing Winter Bills: Energy Conservation, Budget Billing**

Two very important steps that consumers can take to manage winter heating bills are to implement energy conservation measures that lower usage during winter and to explore budget-billing options.

Adding insulation to an attic, checking weather stripping around doors and windows, ensuring furnaces are working efficiently, and taking steps to conserve energy will all help to lower usage. Initiating such steps and checking the condition of energy conservation measures implemented in the past can result in energy savings.

Customers also should check with their utility or energy services company to ask about budget billing, which can make monthly gas heating bills more predictable. A budget-billing option allows customers to equalize monthly payments. For example, a customer's annual bill can be estimated based on past energy use and then divided into equal monthly payments. Typically, any differences between the original annual estimate and the actual costs incurred will be reconciled annually.

For more information on how to lower energy costs this winter, call the New York State Public Service Commission at 1-888-Ask-PSC1 (1-888-275-7721), or visit the PSC's Web site at [www.AskPSC.com](http://www.AskPSC.com) . Energy saving tips are also available from the New York State Energy Research and Development Authority (NYSERDA) by calling 518-863-1090, or by visiting NYSEDA's Web site at [www.GetEnergySmart.org](http://www.GetEnergySmart.org) . Remember.....If you conserve a little, you can save a lot.

### **Shopping for Natural Gas Supplies: Some Tips**

New York was one of the first states to allow residential and small commercial customers the option of buying their own natural gas supply from sources other than the traditional utility companies. Customers may choose to purchase their gas commodity from nonutility suppliers, gas marketers or agents, or the local utility serving their area. Through competition, it is expected that some customers may see savings reflected in their gas bills. Individual customers will receive different results depending on the supplier and service offerings they choose. Thus far, over 360,000 customers throughout New York State have selected a nonutility provider to supply their natural gas.

Before consumers decide to participate in the competitive market, they should gather relevant information before making a commitment with a marketer or agent, just as they would do before making a major product purchase. First, the consumer should contact the local utility company to get a copy of his or her billing profile, usage history, and the price the utility charges. Then, the consumer should compare the service offerings of nonutility suppliers for costs, other product or service offerings, terms of the contracts, billing arrangements and complaint dispute resolution processes.

This year, beginning in early November New Yorkers can access information on the Commission's Web site that compares the prices of various natural gas offerings and list any value-added services from ESCOs and utilities. The Commission's Web site is [www.AskPSC.com](http://www.AskPSC.com) and the information also can be obtained by calling the Commission's toll-free number 1-888-ASK-PSC1 (1-888-275-7721) and leaving a message requesting information.

When shopping for natural gas supplies, consumers should ask questions. For instance, is the price of the gas being offered fixed or variable? If it is fixed, is it guaranteed? Does the price quoted include taxes? Are there any discounts or bonuses? Are other services available? How long is the agreement? Are there penalties for breaking the agreement? Are there additional fees? Is a deposit required? Where are the company's offices and what are the office hours? What is the complaint handling process? Are there toll-free numbers? Ask for a copy of any contract that the company is offering. Read it carefully.

If New Yorkers have any questions about shopping for natural gas, or want to check to ensure that a company is eligible to provide natural gas services in the state, they can call the Commission's toll-free, energy-assistance line at 1-888-ASK-PSC1 (1-888-275-7721). The Commission also provides extensive information about shopping for natural gas at its Web site at [www.AskPSC.com](http://www.AskPSC.com) that is updated regularly. Many libraries offer free internet access.