

STATE OF NEW YORK

Public Service Commission

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Local Natural Gas Utilities are “Winter Ready” for Heating Season -Commission Implements Winter Outreach and Education Efforts-

Albany, NY—10/17/07—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 demands under severe winter design conditions, although capacity remains tight in some areas.

Although gas prices are projected to be about the same as last year, customer bills are projected to be higher compared to last year due to the fact that last winter’s usage was lower than expected due to mild weather. To help consumers lower their fuel bills, the Commission will launch its winter heating outreach program to ensure that consumers are aware of the steps they can take to prepare for the winter ahead.

“The availability and price of gas supply has been a priority concern of the Commission,” said Commission Chairwoman Patricia L. Acampora. “For many of New York’s natural gas customers, particularly the elderly and people on fixed or low incomes, this winter’s energy bills will again be difficult to manage. In response, I have directed Staff to work with the utilities, service organizations and other State agencies on a statewide outreach and education program designed to inform the public about the expected level of natural gas prices and to provide consumers with information and assistance to better manage their energy and heating bills this winter.”

Staff of the Department of Public Service (Staff) today reported to the Commission that going into this winter, utilities have made arrangements to obtain adequate commodity supply to

meet expected customer demands under severe winter weather conditions. In addition, 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 physical 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 the Department of Public Service Staff's monitoring of utilities' actions to prepare for the winter. Throughout the upcoming winter season Staff will monitor several issues that can potentially affect the utilities operations and their customers. These issues include, but are not limited to: weather and accumulated heating degree day data; storage inventory management; interstate pipeline operational issues; operational flow orders; utility operational issues; gas price levels and fluctuations; and customer interruptions. Staff will report to the Commission if a problem develops, or if action is warranted.

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 natural gas delivery rates and not the price of natural 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.

Staff also reported at today's briefing that natural gas futures prices on the NYMEX last winter averaged \$7.72 per decatherm last winter, a warmer than normal winter. As of September 26, 2007, NYMEX futures prices for November 2007 through March 2008 average \$7.79 per decatherm about the same as the 2006-2007 winter season. As the winter progresses, these prices for November through March deliveries will change in response to changes in market conditions, such as weather and gas availability.

Although gas prices are projected to be about the same as last year, customer bills are projected to be higher compared to last year due to the fact that last winter's usage was lower than what would be used in a winter with normal weather. Assuming normal weather, the

utilities' forecasted bill impacts are consistent with the projected gas price levels and actual or projected delivery rate increases. Residential heating customers' bills are forecasted to range from about 1.1 percent higher to approximately 17.5 percent higher compared to last year, depending upon the utility, and based on a normal winter.

In New York State, there are about 3 million natural gas heating customers. 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.

Outreach and Education

The Commission's Staff has implemented an extensive consumer awareness campaign to alert New Yorkers to the 2007-2008 natural gas outlook for the state and actions they can take to control winter heating bills. A strong outreach and education program also supports the energy conservation and efficiency programs that are needed to help ensure the state meets its goal of reducing New York's energy consumption.

The outreach and education program for the upcoming winter heating season will include plain language publications, mailings to community leaders, radio and newspaper advertising, grassroots outreach at consumer shows, speaking presentations, and partnerships with service organizations, such as American Association of Retired Persons, Cornell Cooperative Extension, the state Consumer Protection Board, the New York State Office for the Aging, the New York State Research and Development Authority (NYSERDA), New York State Legislators, the New York State Library System, county, town, and village governments, as well as selected schools and education centers.

For 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 Commission Web site at www.AskPSC.com and click on the New York's Natural Gas Outlook link. Energy savings tips also 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 Web site.