

Steven L. Beshear
Governor

Leonard K. Peters, Secretary
Energy and Environment
Cabinet



Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

Charles R. Borders
Commissioner

NEWS RELEASE

Contact:
Andrew Melnykovich
502-564-3940, ext. 208
502-330-5981 (cell)

Natural Gas Costs This Winter About the Same as Last Year

PSC forecasts little change in average bills for same quantity of gas

FRANKFORT, Ky. (Oct. 31, 2011) – With wholesale natural gas prices changing little over the last year, Kentucky customers will be paying about the same for comparable quantities of gas this winter, the Kentucky Public Service Commission (PSC) announced today.

“Natural gas prices have remained fairly constant since late 2009, in contrast to the large fluctuations in prior years,” PSC Chairman David Armstrong said. “Increasing gas supplies should provide a measure of price stability in the coming years as well.”

But weather – not price – is always the largest factor in determining the amount of energy that consumers use to heat their homes and thus the size of their heating bill, Armstrong said. Improvements in energy efficiency and conservation are the only way to permanently control energy bills, he said.

“Consumers should always look for ways to reduce energy usage,” Armstrong said. “It is wise to invest current savings from lower heating costs to make permanent improvements, such as weatherization, that will pay off in long-term savings.”

On average, Kentucky customers can expect to pay about 1 percent less this November than last if they consume 10,000 cubic feet of natural gas. That average total bill for 10,000 cubic feet – including base rates – is almost \$54 less than in November 2008.

Changes in individual ratepayer bills will vary by company and customer usage.

Wholesale costs this year are, on average, about 2 percent lower than a year ago. None of Kentucky’s five large natural gas distribution companies have received base rate increases in the last year.

Wholesale prices over the last two years have remained at less than half the peak prices seen in 2008. Wholesale costs make up the largest portion of retail gas bills during the heating season. They are passed through to consumers on a dollar-for-dollar basis by local distribution companies.

-more-

Natural Gas Costs This Winter About the Same as Last Year – Page 2

The amount of natural gas in storage for use during the winter is at above-average levels, according to data from the federal Energy Information Administration. That suggests adequate supplies and stable prices through the heating season, unless there is widespread and extreme cold weather.

Wholesale natural gas prices last spiked in 2008, and then declined even more abruptly in 2009. Prices have remained in a fairly narrow range since then.

By federal law, natural gas prices are not regulated at the wholesale level and generally fluctuate with supply and demand. Under Kentucky law, gas companies are entitled to recover the wholesale cost of the gas delivered to customers, including the fees they pay to interstate pipelines to transport the gas to their retail distribution systems. Companies are not allowed to earn a profit on their gas commodity costs. The companies' gas cost adjustments are reviewed by the PSC to make sure they accurately reflect the wholesale cost of gas.

About half of the natural gas used for winter heating is put into storage in the summer. The price at which it was purchased is the price passed through to consumers. Until the last decade, natural gas prices typically were considerably lower in the summer than in the winter. That gap has narrowed in recent years, due in large part to the increased use of natural gas to generate electricity.

Kentucky's five major natural gas distribution companies expect their adjusted wholesale cost this November to be, on average, \$5.56 per 1,000 cubic feet (mcf). That is down \$.14 (2 percent) from an average of \$5.70 per mcf a year ago.

In August 2008, the average adjusted wholesale cost peaked at \$15.17 per mcf. In November 2002 the average adjusted wholesale cost was \$4.90 per mcf.

The wholesale cost of natural gas now accounts for about two-thirds of a typical consumer's winter bill. A typical Kentucky customer using 10 mcf next month will pay a total monthly bill of \$96.90, down \$1.29 – or about 1 percent - from the \$98.19 average bill a year ago.

That increase is an average for Kentucky's five major local natural gas distribution companies as of November. It will change as companies make further wholesale cost adjustments throughout the heating season.

The five major natural gas distribution companies in Kentucky are Atmos Energy, Columbia Gas of Kentucky Inc., Delta Natural Gas Co. Inc., Louisville Gas and Electric Co. and Duke Energy Kentucky Inc. Together the five companies serve more than 750,000 customers in Kentucky and deliver about 176 billion cubic feet of gas annually.

Wholesale costs and base rates vary by company. The base rates reflect a utility's day-to-day operating costs, including the cost of delivering gas, as well as a return on equity for company shareholders.

-more-

Natural Gas Costs This Winter About the Same as Last Year – Page 3

About 44 percent of Kentuckians heat their homes with natural gas. Those who heat with propane (10 percent) and fuel oil (3 percent) will see higher costs than last year.

The 39 percent of Kentuckians who use electric heat are likely to see somewhat higher bills on average this winter, due to a combination of base rate increases for some utilities and an increase in the price of coal over the past year. The cost of coal – used to generate more than 90 percent of Kentucky’s electricity – is a major factor in the price of electricity.

Although the slow pace of economic growth has helped keep fuel prices stable, it also has left many Kentuckians struggling to pay their heating bills, Armstrong said. Heating assistance is available from local community action agencies and from utility companies, but funds are limited and sometimes run out during the heating season, he said.

“Do not allow a difficulty in paying a utility bill to become a crisis,” Armstrong said. “Now is the time to take the necessary steps if you think that you may need assistance in paying your heating bill this winter.”

A video presentation on natural gas prices during the coming winter is available on the PSC website, <http://psc.ky.gov>, as well as on the PSC’s YouTube channel, <http://www.youtube.com/KYPSC>. The 18-minute video can be viewed or downloaded in Windows media format.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 100 employees.

-30-

FOLLOW THE PSC ON TWITTER @KYPSC

CONSUMER INFORMATION SHEET FOLLOWS

COPING WITH HOME HEATING COSTS

Information for consumers

Kentucky consumers can take a number of steps to reduce their natural gas usage or to soften the impact of gas costs. They include:

Budget billing: This option allows customers to pay the same amount each month, based on their average monthly usage during the year. Customers should contact their utility for more information.

Energy conservation measures: Simple steps such as turning down thermostats on furnaces (most people are comfortable at 68 degrees) and water heaters (120 degrees is hot enough for nearly all uses) can be big energy savers.

Energy audits: Many local utilities offer home energy audits at little or no cost to consumers. These audits can identify energy-wasting trouble spots and provide information on how to correct the problems.

Weatherization: Consumers can do a number of things to reduce inflows of cold air and leakage of warm air, particularly around windows and doors. Some basic weatherization steps include:

- Use caulk or weatherstripping to seal cracks around windows, doors, pipes and other points where cold air can enter the home. This alone can reduce heating costs by 10 percent or more.
- Install energy-efficient doors and windows.
- Add insulation in attics, crawl spaces and walls.
- Cover windows, especially those with single-pane glass, with storm windows or plastic sheeting before the onset of cold weather.
- Clean or replace furnace filters monthly to improve airflow and efficiency.

Advice on conserving energy, including links to a wide range of information, also is available from the Kentucky Department for Energy Development and Independence on the Web at: <http://energy.ky.gov/efficiency/>.

-more-

COPING WITH HOME HEATING COSTS – Page 2

Weatherization assistance for low-income families is available in Kentucky. Many utilities offer weatherization assistance in conjunction with local social service agencies. Local social service agencies also offer assistance through a state program administered by the Kentucky Cabinet for Health and Family Services. For information on weatherization assistance, go to:

<http://www.communityactionky.org/WhatWeDo/EnergyAssistance/Weatherization/tabid/356/Default.aspx>

Low-income consumers may qualify for assistance with their heating bills through the Low-Income Home Energy Assistance Program (LIHEAP). It is administered at the local level by community action agencies. Consumers who do not qualify for LIHEAP may be eligible for assistance through programs sponsored by their utility company or programs operated by local social service organizations. Consumers should contact their utility for more information. Information about LIHEAP is available on the Web at:

<http://chfs.ky.gov/dcbs/dfs/LIHEAP.htm>

For general information about cutting heating costs, utility issues or for assistance with resolving consumer disputes with utilities, contact the PSC by calling 800-772-4636 or go to the PSC Web site at:

<http://psc.ky.gov>

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 100 employees.

-30-

FOLLOW THE PSC ON TWITTER @KYPSC