

# Daily Southtown

## Timing everything on gas roller coaster

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Timing is everything. Just ask gas natural gas customers these days.

Accustomed to nothing but bad news when it comes to winter heating prices, consumers may be in for a surprise when they look at their gas bill this month. We're heading into winter, turning on the

heat, and natural gas prices are...dropping—proving once again that the laws of supply and demand don't always apply to utility companies.

In October, Peoples Gas charged 56 cents per therm, less than half what it charged last October and the lowest prices in three years. Nicor's price has plummeted to 44 cents per therm, down from a whopping \$1.17 last October. That's the lowest price suburban customers have seen since January, 2002.

Economists and industry analysts give myriad explanations for the sudden shift in prices—no disruptive hurricanes, the bursting of a speculative bubble, predictions of a mild winter—but the fact remains that energy markets these days are extremely volatile.

You need a crystal ball to predict the price of natural gas and a bad bet can cost you big. Just look at the losses posted recently by Amaranth Advisors, a Connecticut-based hedge fund that lost \$5 billion in about a week after natural gas prices took a nose dive in September. Another fund closed shop altogether in the face of staggering losses on its natural gas bets.

Individual consumers also can lose big if they make the wrong gamble.

And a look at CUB's Gas Market Monitor shows just how big those losses can be.

The monitor, available at [www.citizensutilityboard.org](http://www.citizensutilityboard.org), tracks the natural gas prices offered by alterna-

tive gas suppliers, like U.S. Energy, Santanna Energy Services or Illinois Natural Gas Corp., to Chicago-area consumers. It analyzes how these alternative companies stack up to the regulated rates of Nicor and Peoples Gas.

It's not a pretty picture.

According to the market monitor, the only service of its kind in Illinois, the vast majority of Illinois consumers who have switched gas suppliers have lost money. The few customers who have saved did so because they locked in natural gas rates at just the right time, before prices spiked.

For example, in the fall of 2004, one company offered customers a fixed rate of 69 cents per therm for two years. When prices skyrocketed to over \$1 per therm in 2004, those customers did well. But if prices had not soared to those record levels, it's likely that deal would have been a bad one, as well.

Today natural gas prices are at three and four-year lows in the Chicago area, yet one supplier is selling a plan that locks in prices for four to five years at \$1.19 per therm, a record-high price for gas in our region. If you take that offer, you're betting that gas prices for the next four or five years will be higher than the highest price ever seen in the state.

Is it possible to save money on such a plan? Theoretically, yes. But you have a better shot at the Black Jack table and it's a lot more fun.

These unregulated companies prey on consumers' legitimate fears about the recent volatility of natural gas prices. They scare people—and some would say even trick people—into signing up, promising the “security” of a fixed rate that won't go up regardless of how high prices go.

But unless you're sure of your timing—and who can be these days—you'll probably want to take a pass on these offers and stick with your regular gas company. At least until you get that crystal ball you've been dreaming of.