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HEATING YOUR HOME

As temps drop, bills rise

By Joshua Boak

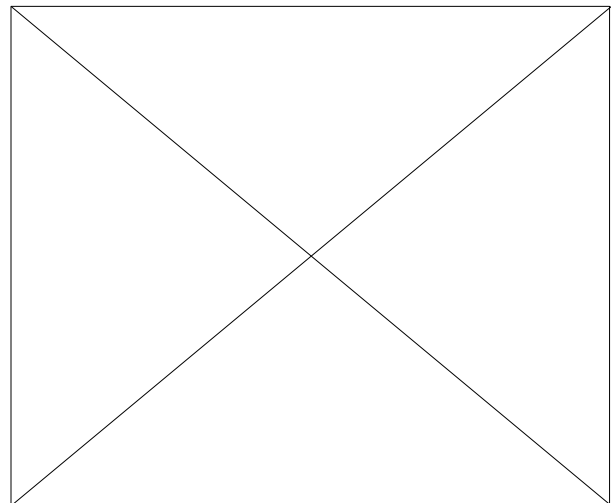
Chicago Tribune reporter

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A hint of fall greeted Chicago on Tuesday, as residents awoke to brisk 50 degree temperatures. Another chill awaits when heating season starts.

The average cost of keeping a home warm could be hundreds of dollars higher this winter, according to natural gas utilities and figures compiled by the Citizens Utility Board.

"It's hard to get a handle on it because of how volatile things are," Tom Zack, vice president of gas supply for Integrys Energy Group, told the Illinois Commerce Commission on Tuesday. "Our best guess, our range, is that winter gas bills will be up 10 to 25 percent from last year."



That means, if you live in Chicago, your Peoples Gas bill for the November-to-March season may be \$75 to \$185 more than last year's (not including delivery fees or taxes). Those in the northern suburbs with North Shore Gas may see \$77 to \$185 increases. And Nicor Gas customers in the suburbs could pay an additional \$78 to \$200.

Overall, the average household in the Chicago area could spend about \$1,000 on natural gas for the season.

Amazingly, the utilities, consumer activists and the state regulator are heaving sighs of relief that prices aren't likely to soar higher. Only two months ago, when natural gas futures were at record levels, the cost of heating a house would have been almost double what it was last year.

"We have dodged a bullet, but that doesn't mean we should relax," said CUB policy director Chris Thomas.

Natural gas joins gasoline, food and other basic expenses that are emptying bank accounts. Under Illinois law, the utilities pass the market prices along to consumers.

The utilities suggest customers prepare for a bleak midwinter in advance of the first frost by better

insulating their homes and participating in budget plans.

"What was it last night? 42 degrees?" said Rod Sierra, vice president of public affairs for Peoples Gas and North Shore Gas. "It's never too early to do the simple things, calking the windows, weather-stripping around doors."

Lowering the thermostat by one degree should reduce a natural gas bill by 3 percent to 5 percent, Sierra said.

Nicor customers who were disconnected for non-payment can be reconnected if they cover half of their outstanding balance in the next two weeks.

"This is the first time we're doing it," said Nicor spokeswoman Annette Martinez. "We've recognized that it's a sagging economy, energy costs are high and some customers needed help getting their natural gas reconnected."

Organizations such as CUB recommend signing up for the budget plans offered by utilities, an option embraced by a little more than 10 percent of customers. The plans spread payments through the year, instead of allowing them to bunch during cold spells.

One of the problems in estimating natural gas costs has been the volatility in the futures markets, which enable commercial users and financial speculators to invest in natural gas prices for coming months.

Prices have swung quite dramatically this year, complicating the ability of utilities to estimate what customers will ultimately pay. With crude oil almost hitting \$150 a barrel, the collapse of the dollar and predictions that hurricanes could shut down refineries on the Gulf Coast, natural gas peaked in July.

It has since fallen, amid a drop in oil prices, an increased supply of natural gas and a mild August that limited the dependence on air conditioning.

Based on futures prices, natural gas bills this winter will be roughly 40 percent above the average for the past 10 years.

Over the past decade, hot summers have restructured the natural gas market, since electric utilities rely on natural gas to generate electricity to power air conditioners.

In the past, natural gas prices peaked around February. Natural gas utilities then built up their supplies during the summer in advance of winter. But air conditioners have led to a second peak use of natural gas in late July that influences prices and supplies going into the winter, said Christopher McGill, managing director of policy analysis for the American Gas Association.

Natural gas utilities now have to compete against power companies to purchase natural gas, thus raising costs.

But some market watchers believe that prices could continue to decline during the winter if Mother Nature cooperates.

"There is a hope that prices could get down below year-ago levels, assuming there are no hurricanes and winter gets a late start," said Phil Flynn, a commodity analyst for Chicago-based Alaron Trading Corp. "It's not going to be good, but it's better than it could have been."

jboak@tribune.com

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