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## Gas market a bust for consumers

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**By David Kolata Citizens Utility Board**

Federal regulators in Washington recently acknowledged what most bill-paying consumers have known for a while now - that the wild fluctuations in natural gas prices last year were not the everyday workings of the "free market."

Something else is going on, according to a recent report by the staff of the Federal Energy Regulatory Commission.

What that something else is isn't exactly spelled out by the commission report. But the agency's staff, which monitors our nation's vital energy markets, concluded that the extreme price spikes seen by consumers cannot be explained by a disconnect in supply and demand.

And that's the big headline, because for years the industry has blamed wallet-busting natural gas prices on the market fundamentals of "supply and demand." When demand goes up, the gas companies explain, it puts a squeeze on supplies and prices climb. It's out of their control.

But according to FERC staff, that excuse didn't wash last year because prices skyrocketed to record highs in steamy July, when furnaces sat idle, and then plummeted to levels not seen in years as the cold winds of winter blew in.

This "boom and bust" cycle as the report calls it - it certainly was a bust for consumers - coincided with a huge upsurge in the trading of natural gas, which peaked right along with prices in July and bottomed out at the end of the year as the financial crisis hit and traders pulled their money out of the market.

The FERC report stops short of saying natural gas prices were "manipulated." Instead, a staffer commenting on the report explained that trading of energy products is "a big deal" and lamented the lack of detail about the financial side of those dealings.

When regulators complain they don't have enough information about the companies they're regulating, it can't be good. And when there's more oversight of the markets for soybeans, orange juice and pork bellies than there is for natural gas, you know you're in trouble. As worthwhile as those commodities are, they won't keep you warm during a brutal Chicago winter.

While FERC staff might be hesitant to squarely blame the high prices on financial wheelers and dealers eager to make a fast buck, others are not. A 2007 investigation by Sen. Carl Levin (D-Mich.) and a 2006 report by a group of four Midwestern attorneys general, including our own Lisa Madigan, concluded that financial speculation, not increased demand, was behind skyrocketing natural gas prices.

Congress took some steps last year to close loopholes in the law, like the infamous Enron loophole, which exempted certain energy traders from regulation. But those changes obviously didn't go far enough. Regulators still don't have all the tools and information they need to protect the public from the whims of Wall Street.

Natural gas prices have continued to drop, with the average Illinois price down almost 48 percent from this time last year. But the FERC report shows that consumers aren't in the clear yet.

Exxon Mobil raked in world record profits of \$45 billion last year. With profits like that to be had, unless Congress steps up and adopts stricter oversight of energy markets, we're likely to see another boom and bust sometime soon on our natural gas bills.

*Citizens Utility Board executive director David Kolata writes a column each month. To reach CUB, call (800) 669-5556 or e-mail [info@citizensutilityboard.org](mailto:info@citizensutilityboard.org).*

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