

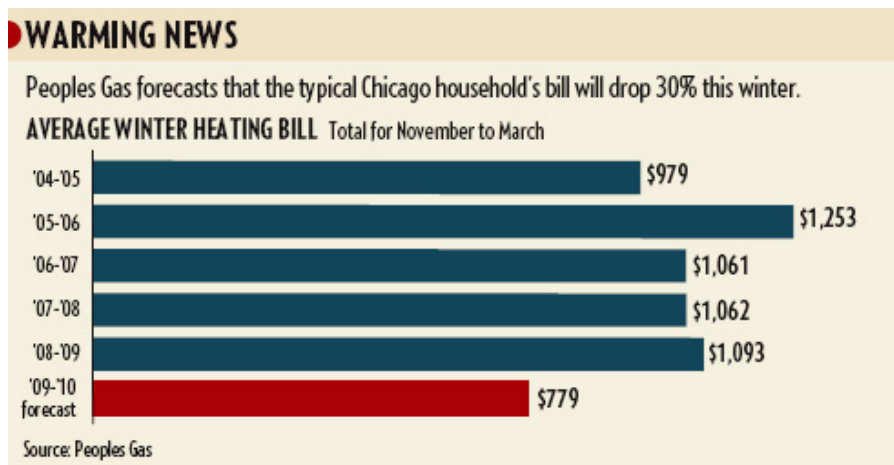
Winter break on gas bills

By Steve Daniels
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Recession-weary consumers and businesses will get a much-needed break this winter in the form of sharply lower heating bills thanks to the cheapest natural gas prices in eight years.

Peoples Gas forecasts that the typical Chicago household's gas bill will drop nearly 30%, producing a savings of more than \$300 from November to March compared with the same period a year earlier. Nicor Inc., which provides gas to most of the suburbs, is predicting a 25% drop, which would save the average household nearly \$200 from October to March.

Cheap heat will help offset reduced incomes that homeowners and businesses are suffering. Chicagoans caught a similar break this summer as lower electric rates, combined with unusually cool weather that slashed the need for air conditioning, produced much lower-than-normal electric bills.



Call it the upside of bad economic times.

"You should look at it as a gift," says Craig Schuttenberg, executive vice-president of Northbrook-based Energy Choices P.C., a consultant to businesses. "Energy savings go right to the bottom line."

While oil and gasoline prices have stayed high despite the recession, natural gas prices have hovered at low levels for months as an increase in supply from North American gas discoveries has collided with sharply lower industrial demand.

SUPPLY-DEMAND IMBALANCE

In addition, utilities have taken advantage of the low summer prices by purchasing gas aggressively for their storage fields, which they tap in the winter, when customers reach for their thermostats. Higher storage levels tend to depress natural gas prices.

The supply-demand imbalance is so pronounced that even a nasty cold snap shouldn't make much of a difference, says Tom Zack, vice-president of utility gas supply for Peoples Gas parent Integrys Energy Group Inc., based in Chicago. "It would take quite a scenario for prices to go crazy," he says.

Businesses are beginning to appreciate what's happening. Universal Scrap Metals Inc., a Chicago metal recycler, could save \$15,000 on heating costs this winter, says David Glassman, director of finance.

"It takes the pressure off of us to cut something else," he says. "It may mean being able to keep someone in the labor force."

The Skokie Park District locked in its natural gas price for the full year last May, but that cost is still nearly half of what it was the year before. That could mean \$100,000 in savings, Business Manager Bill Schmidt says. That's not huge in the context of the district's \$20-million budget, but it's still welcome.

"You can use the money for other things, like repairs," he says. "Maybe some things that get pushed off don't get pushed off."

Low heating costs also are a boon to Chicago's apartment owners, who usually include the cost of heat in their rents. The practice leaves landlords vulnerable to gas-price spikes, but profits grow when fuel costs plummet.

Stuart Handler, CEO of Chicago-based TLC Management Co., owner of 2,300 apartments in the city and Evanston, says he is uncertain how much his firm will save. "A certain portion (of the gas) is bought in advance . . . and a certain portion is bought on spot," he says. "If prices continue to trail down, it should be good."

He notes, though, that rents are falling.

CITY RESIDENTS PAY MORE

While all gas customers should benefit, Chicago residents for now continue to pay more than many in the suburbs. As it was last winter, the cost of gas at Peoples, which the utility passes through without markup to customers, is noticeably higher than at Naperville-based Nicor. For the first nine months of 2009, Peoples' customers are paying about 56 cents per therm for gas, 22% more than Nicor's 46 cents.

"The historical difference between the Peoples gas price and the Nicor gas price is of great concern to us," says David Kolata, executive director of Chicago consumer watchdog Citizens Utility Board. "I think consumers need a good explanation for why that is."

Mr. Zack, the gas supply executive at Peoples' parent, says he doesn't know the answer. He speculates that Peoples locks in the price of more gas sooner than Nicor.

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