Is There Anything I Can Do to Cut Costs?

There are a number of things you can do to help reduce your monthly gas bill.

- Have a qualified professional check your furnace to make sure it is operating efficiently and safely.
- Change/clean your furnace filter monthly.
- Caulk and weatherstrip windows and doors. Also check the exterior of your home for places where caulk has deteriorated. Re-caulk any gaps.
- Add insulation to attics and crawl spaces. Heating ducts and hot water pipes can also be wrapped in insulation.
- Obtain a home energy audit to ensure that all appliances are running efficiently.
- Set your thermostat at the lowest possible setting 65 to 68 degrees is comfortable for most people. At night set the thermostat down to a lower setting.
- Use a programmable thermostat to change settings so that you heat your home only when it is occupied.
- During the day, keep shades up and draperies open on the sunny side of the house. Remember to close them at night.
- Participate in your gas company's budget-billing program. This program spreads the costs of gas evenly throughout the year.

What Should I Do If I Have a Complaint?

If you have a complaint about your natural gas utility, contact the company first.

If you are unable to resolve the complaint with your natural gas company, you can call the Kentucky Public Service Commission at 1-800-772-4636.

Where Can I Get More Information About the Rising Costs of Natural Gas?

For more information about the rising costs of natural gas, you can contact the Federal Energy Regulatory Commission (FERC) at the following address:

Federal Energy Regulatory Commission 888 First Street, N.E. Washington, DC 20426 877-303-4340 www.ferc.gov

-OR-

Visit our web page at www.psc.state.ky.us.

Kentucky Public Service Commission P.O. Box 615 Frankfort, KY 40602 1-800-772-4636 www.psc.state.ky.us

A Consumer's Guide to Understanding Natural Gas Prices



Are Gas Prices Regulated?

For many years the federal government regulated the wholesale price of natural gas. Due to the belief that regulation led to natural gas shortages during the 1970s, the federal government began removing controls from the price of natural gas. As of January 1, 1993, natural gas became deregulated. Since that time, the wholesale prices for natural gas have been established by supply and demand.

Why Is My Gas Bill High?

The natural gas industry is structured in such a way that allows gas utilities to recover their costs for purchasing the commodity of natural gas. To help you understand, you'll need to know some basics of natural gas billing.

*Your gas bill is divided into three parts:

- 1. The *customer* charge.
- 2. The *gas cost* charge.
- 3. The gas delivery charge.

The *customer* charge is the amount that is billed each month for basic service regardless of the amount of gas used. The *gas cost*, which is generally two thirds of your bill, is the actual cost of natural gas used. When prices for natural gas rise, this is the only portion of your bill affected. Lastly, the *gas delivery* charge is the amount billed for delivering natural gas to your home.

*Please note that your utility may use different terms.

Why is the Gas Cost so High?

The *gas cost* increase is not the result of mismanaged funds on the part of the utility, nor is it an opportunity for the utility to increase its profits. Instead, the increase is in the wholesale price of natural gas itself. Those prices are market driven, and they fluctuate based on supply and demand. The Public Service Commission does not regulate the wholesale natural gas prices.

What Does the Utility Do With the Increase?

The utility sends the increase to its gas suppliers to cover the increase in wholesale prices. The reverse is also true. When gas costs decrease, the utility lowers its rates accordingly. This process is monitored through a gas cost adjustment. Natural gas utilities in the state file this adjustment routinely with the Commission.

The filing is the mechanism that the Commission uses to ensure that the costs of natural gas are passed through directly, and that the utility is not over or under collecting for its commodity costs. The Commission only authorizes the utility to implement a change in rates after determining that the proposed gas costs are reasonable.

In other words, when a gas utility finds a low price for natural gas, the customers benefit from that low price, paying not a penny more or less than the purchase price the utility received. However, when the prices are high, the price also goes up for the consumer. The utilities gain nothing in buying gas at higher prices as they do not make a profit from the increase.

Why Are Prices For Natural Gas So High?

While gas exploration and development have increased significantly, we don't see the results immediately. This is because of the 6 to 18 month lag time between the time of initial drilling and when the additional production is brought to the market. There is also an increase in the demand for natural gas.

What Can I Do If I Have Trouble Paying My Bill?

First contact your utility to make payment arrangements. It is important to notify your utility of any problems you may have **before** there is any chance you may be disconnected.

Low-income consumers may be eligible for energy assistance programs such as LIHEAP (Low Income Home Energy Assistance Program) that help you to pay your heating bills. To find out if you are eligible, contact your local gas company.