

Steven L. Beshear
Governor

Leonard K. Peters, Secretary
Energy and Environment
Cabinet



Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

James W. Gardner
Chairman

Daniel E. Logsdon Jr.
Vice Chairman

NEWS RELEASE

Contact:
Andrew Melnykovich
502-782-2564 or 502-564-3940
502-330-5981 (cell)
Andrew.Melnykovich@ky.gov

Natural Gas Costs Will Be Much Lower This Winter *Energy efficiency improvements can make bills even smaller, PSC says*

FRANKFORT, Ky. (Oct. 27, 2015) – Kentucky residents who heat their homes with natural gas will see much lower prices at the start of the 2015-2016 heating season than they did a year ago, the Kentucky Public Service Commission (PSC) said today.

Gas prices are down by more than a third from this time last year, and have fallen by more than two-thirds from the peak reached in 2008, the PSC said.

On average, Kentucky customers can expect their total gas bill to be about 21 percent smaller this November than last, based on consumption of 10,000 cubic feet of natural gas. The average total bill for 10,000 cubic feet – including base rates – is projected to be about \$83.74.

That is down about \$23 from last year and a decrease of more than \$67 – or about 44 percent - since November of 2008. The lower cost of natural gas has more than offset increases in base rates over that time.

“Development of new sources of natural gas has produced a long-term decline in prices,” PSC Chairman Jim Gardner said. “The supply has kept pace with higher demand from both an improving economy and greater use of natural gas to fuel electric power plants.”

Weather determines the amount of energy that consumers use to heat their homes and thus is the major factor in the size of their heating bill, Gardner said.

“The extended outlook for this winter is for temperatures to be close to normal or perhaps a bit warmer than usual in Kentucky,” Gardner said. “Areas to our north are forecast to be warmer than normal, which would reduce usage and help keep natural gas prices low.”

But whatever the weather or the cost of natural gas, consumers would still benefit by taking steps to reduce consumption, he said.

“Today’s low natural gas costs offer an opportunity to invest in permanent improvements, such as weatherization, that will insulate homeowners against higher energy costs in the future,” Gardner said.

-more-

Natural Gas Costs Will Be Much Lower This Winter – Page 2

Natural gas costs this year are, on average, about 38 percent lower than a year ago. As the cost of gas falls, base rates make up a larger portion of the total bill, which is why the overall average decrease is smaller than the average decline in the cost of gas itself. Only one of Kentucky's five large natural gas distribution companies received a base rate increase in the last 12 months.

Changes in individual ratepayer bills will vary by company and customer usage.

Wholesale prices over the last six years have not approached the peak prices seen during a sharp upward turn in 2008. Prices declined even more abruptly during the economic downturn in 2009, and have fallen since then.

The commodity cost of natural gas is passed through to consumers on a dollar-for-dollar basis by local distribution companies.

By federal law, natural gas prices are not regulated at the wholesale level and generally fluctuate with supply and demand. Under Kentucky law, gas companies are entitled to recover the wholesale cost of the gas delivered to customers, including the fees they pay to interstate pipelines to transport the gas to their retail distribution systems. Companies are not allowed to earn a profit on their gas commodity costs. The companies' gas cost adjustments are reviewed by the PSC to make sure they accurately reflect the cost of natural gas.

About half of the natural gas used for winter heating is put into storage in the summer. The price at which it was purchased is the price passed through to consumers. Until the last decade, natural gas prices typically were considerably lower in the summer than in the winter. That gap has narrowed in recent years, due in large part to the increased use of natural gas to generate electricity.

Kentucky's five major natural gas distribution companies expect their adjusted wholesale cost this November to be, on average, \$3.85 per 1,000 cubic feet (mcf). That is down \$2.32 (38 percent) from an average of \$6.17 per mcf a year ago.

In August 2008, the average adjusted wholesale cost peaked at \$15.17 per mcf.

The commodity cost of natural gas now accounts for less than half of a typical consumer's winter bill. Of the typical customer's total monthly bill of \$83.74, the average commodity cost of gas would be \$38.50.

The projected monthly bill is an average for Kentucky's five major local natural gas distribution companies as of November. It will change as companies make further wholesale cost adjustments throughout the heating season.

Wholesale costs and base rates vary by company. The base rates reflect a utility's day-to-day operating costs, including the cost of delivering gas, as well as a return on equity for company shareholders.

-more-

Natural Gas Costs Will Be Much Lower This Winter – Page 3

The five major natural gas distribution companies in Kentucky are Atmos Energy, Columbia Gas of Kentucky Inc., Delta Natural Gas Co. Inc., Louisville Gas and Electric Co. and Duke Energy Kentucky Inc. Together the five companies serve more than 750,000 customers in Kentucky and deliver about 176 billion cubic feet of gas annually.

About 44 percent of Kentuckians heat their homes with natural gas. For those who heat with propane (10 percent) or fuel oil (3 percent), prices are expected to be lower than last year, according to the U.S. Energy Information Administration.

The 39 percent of Kentuckians who use electric heat are likely to see somewhat higher bills on average this winter, in part because two of Kentucky's largest electric utilities had a rate increase in the last year.

Although fuel prices have been relatively stable in recent years, many Kentuckians still struggle to pay their heating bills, Gardner said. Heating assistance is available from local community action agencies and from utility companies, but funds are limited and sometimes run out during the heating season, he said.

"Do not wait to act until you are in danger of losing utility service," Gardner said. "If you anticipate difficulties in paying your heating bill this winter, now is the time to find out where you might be able to receive assistance."

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 85 employees.

-30-

FOLLOW THE PSC ON TWITTER @KYPSC

GAS COST CHART AND CONSUMER INFORMATION SHEET FOLLOW

NATURAL GAS COSTS AND BILLS IN 2015-2016

Wholesale gas costs

Utility	Nov. 2014 cost per 1000 ft ³	Nov. 2015 cost per 1000 ft ³	Change
Atmos Energy	\$5.75	\$4.08	- \$1.67
Columbia Gas##	\$6.89	\$2.72	- \$4.17
Delta Gas	\$7.22	\$4.61	- \$2.61
Duke Energy#	\$5.36	\$4.41	- \$0.95
Louisville Gas & Electric	\$5.61	\$3.41	- \$2.20
AVERAGE	\$6.17	\$3.85	- \$2.32 (- 38%)

AVERAGE GAS COST IN 2008: \$11.70 (unadjusted for inflation)

Monthly bill – for customer using 10,000 ft³

Utility	Nov. 2014	Nov. 2015	Change
Atmos Energy	\$ 86.66	\$ 70.00	- \$16.66
Columbia Gas##	\$ 106.60	\$ 64.90	- \$41.70
Delta Gas	\$136.29	\$ 110.20	- \$26.09
Duke Energy#	\$ 106.77	\$ 97.30	- \$ 9.47
Louisville Gas & Electric*	\$ 96.06	\$ 76.30	- \$19.76
AVERAGE	\$106.48	\$ 83.74	- \$22.74 (- 21%)

AVERAGE MONTHLY BILL IN 2008: \$150.78 (unadjusted for inflation)

Duke Energy Kentucky adjusts gas costs on a monthly basis; the other four large distribution companies adjust gas costs every three months

Columbia Gas of Kentucky adjusts gas costs on a different quarterly cycle than Atmos Energy, Delta Gas and Louisville Gas & Electric. Columbia Gas will next adjust costs in December

*Louisville Gas & Electric received a base rate increase in June 2015

COPING WITH HOME HEATING COSTS

Information for consumers

Kentucky consumers can take a number of steps to reduce their natural gas usage or to soften the impact of gas costs. They include:

Budget billing: This option allows customers to pay the same amount each month, based on their average monthly usage during the year. Customers should contact their utility for more information.

Energy conservation measures: Simple steps such as turning down thermostats on furnaces (most people are comfortable at 68 degrees) and water heaters (120 degrees is hot enough for nearly all uses) can be big energy savers.

Energy audits: Many local utilities offer home energy audits at little or no cost to consumers. These audits can identify energy-wasting trouble spots and provide information on how to correct the problems.

Weatherization: Consumers can do a number of things to reduce inflows of cold air and leakage of warm air, particularly around windows and doors. Some basic weatherization steps include:

- Use caulk or weatherstripping to seal cracks around windows, doors, pipes and other points where cold air can enter the home. This alone can reduce heating costs by 10 percent or more.
- Install energy-efficient doors and windows.
- Add insulation in attics, crawl spaces and walls.
- Cover windows, especially those with single-pane glass, with storm windows or plastic sheeting before the onset of cold weather.
- Clean or replace furnace filters monthly to improve airflow and efficiency.

Advice on conserving energy, including links to a wide range of information, also is available from the Kentucky Department for Energy Development and Independence on the Web at: <http://energy.ky.gov/efficiency/>.

General information on energy programs to assist low-income Kentuckians can be found on the Community Action Kentucky website at:

<http://www.communityactionky.org/energy-assistance.html>

-more-

COPING WITH HOME HEATING COSTS – Page 2

Weatherization assistance for low-income families is available in Kentucky. Many utilities offer weatherization assistance in conjunction with local social service agencies. Local social service agencies also offer assistance through a state program administered by the Kentucky Cabinet for Health and Family Services. For information on weatherization assistance, go to:

<http://www.communityactionky.org/weatherization.html>

Low-income consumers may qualify for assistance with their heating bills through the Low-Income Home Energy Assistance Program (LIHEAP). It is administered at the local level by community action agencies. Consumers who do not qualify for LIHEAP may be eligible for assistance through programs sponsored by their utility company or programs operated by local social service organizations. Consumers should contact their utility for more information. Information about LIHEAP is available on the Web at:

<http://chfs.ky.gov/dcbs/dfs/LIHEAP.htm>

For general information about cutting heating costs, utility issues or for assistance with resolving consumer disputes with utilities, contact the PSC by calling 800-772-4636 or go to the PSC Web site at:

<http://psc.ky.gov>

-30-

FOLLOW THE PSC ON TWITTER @KYPSC