



Matthew G. Bevin  
Governor

Charles G. Snaveley  
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

Michael J. Schmitt  
Chairman

Robert Cicero  
Vice Chairman

Talina S. Mathews  
Commissioner

## NEWS RELEASE

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

# Natural Gas to Cost Less Than a Year Ago

## *Energy efficiency improvements can help reduce bills, PSC says*

**FRANKFORT, Ky. (Nov. 1, 2018)** – Kentucky residents who heat their homes with natural gas will see somewhat lower prices at the start of the 2018-2019 heating season than they did a year ago, the Kentucky Public Service Commission (PSC) advised today.

Natural gas prices have fallen, on average, about 13 percent from this time last year, and are now about 64 percent below their level ten years ago.

When base rates – which include monthly customer charges and delivery fees – are factored in, Kentucky residential customers can, on average, expect their total gas bills to be about 6 percent lower this November than last, based on heating season consumption of 10,000 cubic feet of natural gas per month. The average total bill for 10,000 cubic feet – including gas costs and base rates, but not miscellaneous charges and credits – is projected to be about \$93.71.

That is down \$5.92 from last year and a decrease of about \$57 since November of 2008, when the average price per 1,000 cubic feet was \$11.70. The figures are not adjusted for inflation. The lower cost of natural gas has more than offset increases in base rates over that time and now represents less than half of the average total residential bill, or \$42.40 of the \$93.71 total.

“Ample production of natural gas is continuing to forestall any sharp increases in prices,” said PSC Chairman Michael Schmitt. “Even with higher demand due to greater use of natural gas to generate electricity and rising gas exports, the supply has more than kept pace.”

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 bills, Schmitt said.

“Kentucky is forecast to have normal winter temperatures this year,” said Schmitt. “That would be a welcome change from last winter, when several months of colder-than-normal weather pushed energy bills higher.”

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

“Low natural gas prices present an opportunity to turn those savings into investments in permanent improvements, such as weatherization, that will insulate homeowners against higher energy costs in the future,” Schmitt noted.

-more-

## Natural Gas to Cost Less Than a Year Ago – Page 2

The lower cost of gas means that base rates are now a larger portion of the total bill. Only one of Kentucky's five large natural gas distribution companies received a base rate increase in the last 12 months.

Consumers also will be helped by credits that pass through the savings that the five natural gas distribution utilities are seeing as the result of a reduction in federal corporate income taxes that took effect this year, Schmitt said. The PSC recently completed its review of the rate impacts of the tax reduction and ordered utilities to return the savings to their customers.

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

Wholesale prices over the last nine 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 stabilized at a much lower level due to an increase in supplies.

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 utilities are entitled to recover the wholesale cost of the gas delivered to their customers, including the fees they pay to interstate pipelines to transport the gas to their retail distribution systems. However, gas utilities 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 actual 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, \$4.24 per 1,000 cubic feet (mcf). That is down 63 cents (13 percent) from an average of \$4.87 per mcf a year ago. In August 2008, the average adjusted wholesale cost peaked at \$15.17 per mcf, or more than three times the current cost.

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.

The five major natural gas distribution companies in Kentucky are Atmos Energy, Columbia Gas of Kentucky Inc., Delta Natural Gas Co. Inc., Duke Energy Kentucky Inc., and Louisville Gas and Electric Co. 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. Those who heat with propane (10 percent) should see stable prices, while users fuel oil (3 percent) will see an increase of about 20 percent over last year, according to the U.S. Energy Information Administration.

-more-

## **Natural Gas to Cost Less Than a Year Ago – Page 3**

For the 39 percent of Kentuckians who use electric heat, changes in heating costs are likely to be driven by fluctuations in fuel costs, environmental compliance costs and other items that change on a monthly basis, as well as base rate adjustments for several utilities over the last year.

Although fuel prices have been relatively stable in recent years, many Kentuckians still struggle to pay their heating bills, Schmitt noted. 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 a crisis and in danger of losing utility service,” Schmitt 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 1,100 gas, water, sewer, electric and telecommunication utilities operating in Kentucky.

-30-

***FOLLOW THE PSC ON TWITTER @KYPSC***

***QUESTIONS OR PROBLEMS REGARDING YOUR UTILITY SERVICE?***

***CALL THE PSC CONSUMER HOTLINE: 800-772-4636***

**GAS COST CHART AND CONSUMER INFORMATION SHEET FOLLOW**

# NATURAL GAS COSTS AND BILLS IN 2017 & 2018

## Wholesale gas costs

Utility	Nov. 2017 cost per 1000 ft <sup>3</sup>	Nov. 2018 cost per 1000 ft <sup>3</sup>	Change
Atmos Energy	\$ 4.91	\$ 4.32	- \$ 0.59
Columbia Gas##	\$ 5.66	\$ 4.11	- \$ 1.55
Delta Gas	\$ 5.50	\$ 4.56	- \$ 0.94
Duke Energy#	\$ 3.94	\$ 4.25	+ \$ 0.31
Louisville Gas & Electric	\$ 4.34	\$ 3.99	- \$ 0.35
<b>AVERAGE</b>	<b>\$ 4.87</b>	<b>\$ 4.24</b>	<b>- \$ 0.63</b> <b>(- 13%)</b>

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

## Monthly bill – for customer using 10,000 ft<sup>3</sup>

Utility	Nov. 2017	Nov. 2018	Change
		Base rate + gas cost = total	
Atmos Energy*	\$ 81.99	\$ 34.80 + \$ 43.23 = \$ 78.03	- \$ 3.96
Columbia Gas## *	\$ 108.30	\$ 51.70 + \$ 41.14 = \$ 92.84	- \$ 15.46
Delta Gas	\$ 118.85	\$ 63.90 + \$ 45.56 = \$ 109.46	- \$ 9.39
Duke Energy#	\$ 92.60	\$ 53.20 + \$ 42.49 = \$ 95.69	+ \$ 3.09
Louisville Gas & Electric	\$ 96.08	\$ 52.65 + \$ 39.86 = \$ 92.51	- \$ 3.57
<b>AVERAGE</b>	<b>\$99.57</b>	<b>\$ 51.25 + \$ 42.40 = \$ 93.71</b>	<b>- \$ 5.86</b> <b>(- 6%)</b>

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

**Calculations include base rates and gas costs only.**

# 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

\* Atmos Energy was granted an increase in its base rates in May 2018.

# 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 Energy and Environment Cabinet on the Web at:

<http://energy.ky.gov/resources/Pages/TipsfortheHome.aspx>

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

<https://capky.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. The federally funded weatherization program is also administered by local community social service agencies. For information on weatherization assistance, go to:

<https://capky.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:

<https://capky.org/low-income-home-energy-assistance-program-liheap.html>

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>