

New York's Natural Gas Outlook

Winter 2008-2009

This Year's Outlook

New York's utilities have made arrangements to have enough natural gas to meet expected customer demands under severe winter weather conditions. For the 2008-09 heating season, customers' natural gas bills are expected to be about 7%-16% higher, depending on the utility. Most of this projected increase is due to an increase in natural gas supply prices, but the other contributing factor is weather. Last year was warmer than normal, so less gas was used. A return to normally cold temperatures this winter — and higher usage — will result in higher bills compared to last year.

Factors That Affect the Price of Natural Gas

The price of natural gas rises and falls based on many factors, including the weather, the balance between supply and demand, the amount and cost of natural gas in storage, and the extent and success of natural gas exploration and drilling.

Supply and Demand

During the 1990s, natural gas customers enjoyed relatively stable prices because supplies of natural gas exceeded market demand. More recently, however, supply and demand have been tightly balanced, and any disruptions in the available supply or in demand are reflected in prices. For the past seven years, market conditions have generally pushed natural gas prices up.

The demand for natural gas continues to grow as more homes, schools, and businesses use gas for their energy needs. More factories and electric power generation facilities are using natural gas because it produces fewer emissions than coal or fuel oil.

Weather

Weather plays a significant role in determining the cost of natural gas. Colder weather means an increase in the amount of natural gas used by the average household.

Understanding Your Natural Gas Bill

Your gas bill has two main parts: Supply (the cost of the gas itself) and Delivery (the cost of delivering the gas throughout the utility's system). On average, supply costs make up about 70-80% of your bill, depending on your local utility, so any change in the cost of the gas itself can have a large impact on your overall natural gas bill.

The supply price of gas is set by national and international markets and is not controlled by utilities or the NYS Public Service Commission. The delivery price is set by the Commission.

About 98% of the natural gas we use in New York comes from outside the state, mostly from wells in the Gulf of Mexico and Alberta, Canada.

Retail suppliers of natural gas — utilities and Energy Service Companies (ESCOs) — buy the gas and then arrange with interstate and international pipeline companies to have the gas delivered to utility distribution systems and eventually to you.

If you have questions about your heating bill or need assistance with paying your utility bill, contact HeatSmartNY at 1-877-NY-SMART or HeatSmartNY.org



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