

High home winter heating bills making some Hoosiers hot

By Congressman Baron Hill

After gas prices for cars rose to such high levels this summer, the last thing Hoosiers need is an increase in their natural gas, heating oil and propane bills. As I travel around southern Indiana these days, many people are telling me about heating bills that are more than 70 percent higher than at this time last year. This situation is particularly difficult for seniors on fixed incomes, and it is having a big impact on small businesses and farmers.

I read one news story about a man whose wood burning stove-one he

bought in anticipation of a Y2K disaster-is helping him avoid the high heating fuel prices. You know something needs to be done when these heating bills are the real Y2K crisis!

Heating your home in the winter is not a luxury. It is a necessary service that states, local governments and utilities should help provide to citizens at affordable prices. This system does not seem to be working very well this year. Even middle class people are struggling to keep their utilities from being turned off. Many of the high costs we are seeing this year could have been

avoided if some of the heating fuel companies planned more carefully for this winter.

A good example of this year's problems in the heating fuel business is the natural gas industry. Representatives from the natural gas industry claim that higher demand for a small supply of gas is one of the factors driving up the price we are paying for natural gas. Demand for natural gas is usually lower in the summer. But many suppliers and utilities say that a heat wave in parts of the United States unexpectedly increased demand and drained their supplies.

The big gas companies also claim that in the last few years, gas prices have been so low that it was not profitable to drill new wells and produce additional supplies of gas. Even though companies are now exploring and producing natural gas more quickly these days, it will take them months for that natural gas to reach the market and make a difference in our heating bills.

These are some of the explanations you will hear from gas company executives and economists, but these "experts" may not be telling the whole story.

It is time to take a serious look at how gas companies produce natural gas and are

buying the gas they sell to consumers. Last summer, testimony before Congress predicted that this crisis was coming, but gas companies and utilities did not take some necessary precautions. I don't believe consumers should have to suffer because gas companies and utilities made questionable business decisions last year.

We depend on utilities to acquire natural gas at low rates because states have only limited controls on natural gas prices. Natural gas companies have to charge state-approved rates for the gas they sell to consumers, but states generally allow them to pass on added costs to the consumers. I am afraid that some gas utilities have not done a good job of buying gas at the lowest prices.

For example, earlier this year, Indiana Gas Company had the option of buying gas at a fixed price of just over three dollars per dekatherm (Dth)—a unit used to measure quantities of natural gas. Buying at fixed rates is supposed to protect the company and consumers from price volatility, rapidly increasing and decreasing prices. Now the price of natural gas is about nine dollars per Dth. Instead of contracting with its supply company earlier this year to buy gas at the lower rate, Indiana Gas

took a risk. The company bet that the price would go down and it didn't. The company thought that it could wait and pay a lower market price later in the year. In fact, prices went up to record highs. And who may get stuck with the higher prices? Us, the consumers.

Recently, the Indiana Utility Regulatory Commission (IURC), the state agency that regulates natural gas prices, sent a strong message to utilities like Indiana Gas. The Indiana Office of the Utility Consumer Counselor (OUCC), another state agency which provides information and represents consumers before state agencies like the IURC, argued that Indiana Gas paid too much for the gas it is currently selling consumers.

The IURC penalized Indiana Gas for not doing enough to ensure it was purchasing natural gas at the lowest possible prices.

This IURC decision may only yield some small price reductions for consumers. But it is important for utilities to know that they must do all they can to deliver affordable heating fuels to their customers.

Unfortunately, there are some shaky links in the chain between when natural gas is first produced and when it

reaches consumers. Some producers, suppliers and utilities make bad business decisions and raise their prices. These corporations should act more responsibly and ensure that Hoosier consumers have affordable energy options. Record high prices may be good for industry profits, but they are not good for working families. Why should we assume that the cost of bad planning should come out of consumers' pockets?

During his campaign, President George W. Bush talked often about the need for a national energy policy. He's right. Congress needs to look at how we can better protect consumers from awful price increases like the ones we have been seeing for the past few months. We should investigate not only how our current crisis occurred, but also how to avoid future problems.

A better energy plan should include more dependable supplies of time-tested products like natural gas, as well as new sources of energy. It should also include testing new technologies and improving the efficiency of our old engines and heating systems. I hope Hoosier families and businesses never have to spend another winter paying so much for their heating fuels.

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