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Natural gas bills to stay above normal

Homeowners will pay more this summer when using gas for cooking, heating water

By The Associated Press

INDIANAPOLIS — A long, pricey winter for Indiana's natural gas customers has come to a close, but even the return of mild readings won't settle the volatile natural gas market, market experts say.

In fact, customers are likely to see above-normal natural gas bills this summer, when homeowners mainly use the gas for cooking and hot water.

And prices are also expected to remain above normal next winter — although probably not as high as the sky-high prices of recent months.

According to the federal Energy Information Administration, a robust increase in demand coupled with only modest increases in supply mean prices won't return to record low levels any time soon.

"For the last 15 years, there really has been plenty of natural gas on the market, and that resulted in terrific bargains for consumers. Now the supply is tighter, and it's going to be tighter for the foreseeable future," said Peggy Laramie, a spokeswoman for the American Gas Association.

Assuming normal weather conditions, Indiana Gas Co. customers who use natural gas to cook, heat water or power outdoor grills will likely see bills in June, July and August about 20 percent higher than last summer.

A typical homeowner who used 2.4 decatherms of natural gas — a measure of volume — paid nearly \$27 last June. The cost this year

probably will be about \$32.50, said Mike Roeder, spokesman for Indiana Gas.

Indiana Gas projected its 20 percent increase in this summer's bills in part because it expects to receive additional compensation for the high prices it paid to buy gas throughout the winter.

The Indiana Utility Regulatory Commission adjusts the rates that natural gas utilities can charge customers based on the fluctuating wholesale market.

In general, the utilities pass along the changing cost of fuel.

But because the state's adjustment doesn't keep pace with a volatile market companies often collect too little or too much money from customers to pay for the wholesale purchases.

Over the winter, Indiana Gas charged customers between \$5 and \$6 a decatherm of natural gas, even it was buying about half the gas supply it needed for winter at a much higher price — as much as \$9.50 a decatherm.

The company also used gas from storage that it had purchased in advance at \$4 to \$5 a decatherm.

The result was an under-recovery of \$100 million for Indiana Gas, Roeder said.

The Indiana Utility Regulatory Commission will decide how much of that the company can recover.

Utilities are usually allowed to recover the difference between their purchase price and the amount they charge customers, but the commission recently began taking a closer look at the companies' buying practices.

The IURC ruled this winter that Indiana Gas had not done all it could to buy gas as cheaply as possible and could not recoup nearly \$4 million it had already spent to acquire fuel for the winter.

Mike Leppert, the IURC's executive director, said the agency will scrutinize the company's purchases before setting rates for the summer.

If it allows the company to begin gradually recovering winter fuel costs this summer, customers who

use natural gas only to heat their homes won't have to help make up the entire difference.

That means customers who use gas throughout the summer will pay a disproportionately higher amount of the recovery.

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