

Lock in gas rate? Decision difficult

Robert Luke
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It could cost twice as much -- or more -- to heat your home this winter than last.

That prospect is causing many Atlantans to wonder:

Should I lock in today's record-high natural gas prices because they could go even higher?

Or should I wait and continue to pay a variable market-based price, banking that prices will retreat eventually?

Ronald J. Domanico and Richard Wilson, two professionals who deal with volatile energy prices, would wait.

"In my personal situation, I have chosen to go with the variable rate with the belief that, over time, natural gas prices will be lower in the future than they are today," says Domanico, the chief financial officer of Caraustar Industries. The Austell-based maker of paper products is a heavy user of energy. It anticipates spending about 43 percent more this year than last on natural gas, fuel oil, coal and electricity.

Part of the reason why natural gas prices are at or near all-time peaks is that hurricanes have temporarily knocked out nearly three-quarters of natural gas production in the Gulf of Mexico.

"Over the next six months, absent any other natural disasters, that capacity will be restored," Domanico says. "Now, we don't believe energy prices will go back to where it was a year ago. But we believe they will come down from where they are today."

Wilson, director of energy services at Meteorlogix, which provides energy and weather-related forecasts to businesses such as Atlanta-based Southern Co., agrees that natural gas supplies will catch up with time.

He cites another factor that also could moderate prices, as well as dampen demand for natural gas.

"The forecast through fall to the onset of winter is calling for warmer-than-normal temperatures throughout most of the major metropolitan areas of the East Coast and the Southeast," Wilson says.

October should have near-normal temperatures, while November and December are likely to be above normal.

"It's enough to have an impact on prices," Wilson says.

But, as with all forecasts, there are caveats.

In hindsight, Domanico says his crystal ball was cloudy and he earlier should have locked in a price to heat his home.

"I didn't believe we would have a Category 5 hurricane in the Gulf of Mexico," he says. "I will not lock in now because I don't think we'll have another one in the near future."

Late Wednesday, natural gas marketers filed their October variable- and fixed-rate prices with the Georgia Public Service Commission.

In many cases, they show a doubling of the year-ago price. For example, Georgia Natural Gas, the largest provider, now has a variable per-therm price of \$1.76 and a fixed 12-month rate of \$1.739. That compares with 88.9 cents for both variable and fixed rates last October. The per-therm price doesn't include all charges, such as customer service fees and Atlanta Gas Light Co.'s base charges to distribute that gas.

Walton EMC, historically one of the lowest-cost providers, is now charging \$1.629 for its variable- and fixed-rate plans. That compares with 79.9 cents (variable) and 89.9 cents (fixed rate) last October.

The average residential customer uses 880 therms annually, according to the PSC.

That can produce a hefty bill. The PSC calculates that a Georgia Natural Gas customer locking in this month's fixed-rate price of \$1.739 would face a total annual bill of just over \$1,880, including all charges. That compares with nearly \$1,138 at last October's fixed price.

At Walton EMC, customers locking in at \$1.629 would face a total annual bill of about \$1,756. That compares with about \$1,111 at last October's fixed price.

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ENERGY SAVINGS TAX HOLIDAY

Through Sunday at midnight, the state will not tax many goods that carry the stamp of approval from the U.S. Environmental Protection Agency or Department of Energy.

- What you can buy: Any dishwasher, clothes washer, air conditioner, ceiling fan, incandescent or fluorescent light bulb, dehumidifier, programmable thermostat or refrigerator that carries the seal.
- What you can't: The exemption only applies to items bought for personal use, and it does not apply to purchases made for resale, business use, lease or rental.
- Maximum price: \$1,500

Source: State Department of Revenue

BY THE NUMBERS

\$2.44

Average* cost of variable-rate therm in Georgia, October 2005

\$1.65

Average cost of variable-rate therm in Georgia, October 2004

72%

Percentage of Gulf of Mexico gas production that remains down

* Does not include Scana Energy

Sources: Georgia Public Service Commission, Associated Press