

Press Release

October 1, 2001

Reductions Expected in Natural Gas Heating Costs

Massena, N.Y. -- Home heating costs in St. Lawrence County will be a lot lower this winter compared to last year. Natural gas prices are expected to be at their lowest point in the last 20 months. Because of excesses in supply and wholesale prices that St. Lawrence Gas has locked in, residential customers are expected to see a savings this winter. These savings can fluctuate on a monthly basis but can be as high as 38% from January of last year when gas prices reached their highest point.

Natural gas prices for a residential customer begin with the wholesale price that distribution companies like St. Lawrence Gas must pay. The North American wholesale price of natural gas is determined by trading on the New York Mercantile Exchange (NYMEX) -- like a stock exchange for commodities (which include aluminum, oil, corn and beef). Last winter, the wholesale price skyrocketed. The end result was customers were paying as much as 99 cents per therm. For the next 12 months, St. Lawrence Gas has been able to lock in a lower wholesale price. Beginning in October, customers are expected to pay less than 65 cents per therm. (A therm is a measure of the heating value of natural gas. One therm equates to approximately seven-tenths of a gallon of heating oil or 1.1 gallons of propane.)

"Natural gas prices have been affected by the slowdown in economic activity in North America," explained Dick Rewbotham, President of the gas company. "Further, going into last winter, the gas industry had less than optimal reserves in inventory. The economic decline coupled with increased production has enabled the industry to store adequate supplies for the coming winter. Prices last winter were driven to unprecedented levels by the expectation of a shortage to get through the winter. The cold weather experienced early in the winter season did not continue and the industry comfortably survived the expected crisis. No such crisis is expected this winter season."

The rates charged by St. Lawrence Gas last year were much higher than in previous years due to the shortage in supply of natural gas across North America last winter. The dramatic increase in supply costs, however, did not change the economic advantage of natural gas. Even when gas prices were at their highest level the rates charged by St. Lawrence Gas were much lower than those of oil, propane, or electricity. This winter, the advantage of heating with natural gas will be strengthened because of our success in locking in the price for the majority of our supply.

For existing gas customers, whether residential, commercial or industrial, the gas company's news is welcome. A reduction in the cost of any product at this time of economic pressure is very welcome indeed. Lower costs to industry can mean survival in these times of slower economic activity.

For new gas customers, the Company's construction period will be coming to an end. "There's still time, however, to sign-up for natural gas service," states Dave Napolitan, Director of Marketing & Sales. "Given this great news about the reduction in gas prices, we hope customers will take advantage of the remaining window of opportunity to convert and enjoy the savings and many other benefits that come with natural gas."

