

COMMODITY NATURAL GAS CHARGES (QUESTIONS AND ANSWERS)

How Much Have Natural Gas Commodity Charges Changed?

- WGL's natural gas commodity charge (called the Purchased Gas Charge (PGC) for March 2016 bills stood at 41.95 cents per therm, up 26 percent from February 2016, for its residential customers. WGL's PGC can change each month.
- The March 2016 PGC is down 34 percent from the March 2015 PGC of 63.91 cents per therm.
- Washington Gas Light Energy Services (WGL Energy), an unregulated subsidiary of WGL, commodity charge in March 2016 is 52.58 cents per therm, up 1 percent from the previous month.
- NOVEC's commodity charge stood at 55.48 cents per therm for March 2016 and is down 1 percent from the previous month. Customers who sign contracts with NOVEC commit to this price for 12 months.

What Are Natural Gas Commodity Charges And How Are They Regulated?

Commodity natural gas charges cover the costs to WGL to procure natural gas as well as the costs to store the natural gas and transport the gas to the District area.

If you look at your WGL bill, you will see three charges: a customer charge, a distribution service charge, and a natural gas commodity charge. (If you buy your natural gas commodity from WGL, it is called the PGC.) The District of Columbia Public Service Commission (Commission) sets the customer and distribution service charges through rate case proceedings. In contrast, market forces determine natural gas commodity charges and not the Commission. The Commission audits WGL's PGC at least twice a year and WGL is not allowed to earn a profit on its PGC.

What Is The Impact on Your Residential Heating Bills?

The impact of the changes in the natural gas commodity charges on your bills depends on the amount of your natural gas usage. The more you use, the greater will be the bill impact.

For example, the average residential natural gas heating customer used roughly 130 therms for the March 2015 billing month. Assuming this same level of usage for the March 2016 billing month, the average residential bill will be about \$134 down 14 percent compared to the same month a year ago.

How Can You Estimate Your Bill Impact So You Can Determine If The Cost Is Affordable?

The Commission has established a spreadsheet that will enable you to estimate your bill impact based on your own usage as shown on your WGL bill. The spreadsheet is also available on the Commission's website (www.dcpsc.org). If you don't have Internet access, you can call the Commission on 202-626-5120 and someone will calculate it for you after you give them your usage.

If you want to use a very quick rule of thumb, at WGL's PGC of 41.95 cents per therm for March 2016 bills, the average residential household will pay about \$134 for 130 therms. Alternatively, each therm will cost about \$1.03, whereas a year ago each therm cost \$1.20.

The \$1.03 per therm includes:

7.62 cents per therm – Customer Charge
38.33 cents per therm – Distribution Service Charge
41.95 cents per therm – PGC
3.99 cents per therm – Rights of Way Fee
3.79 cents per therm – Sustainable Energy Trust Fund, Energy Assistance Trust Fund, and Accelerated Pipeline Replacement Plan Charges
<u>7.07 cents per therm – Delivery Tax</u>
102.75 cents or \$1.03 per therm

What If You Think That You Can't Afford Higher Bills?

Since WGL provides billing for all natural gas commodity customers, consider joining WGL's budget payment plan. It allows you to spread the costs and hence payments over 12 months and pay a fixed amount each month. This means you will pay less than the actual monthly cost in the high usage winter months and you will pay more than the actual monthly cost in the off-season. The Company will assess your usage and payment information towards the end of the 12 month billing period to determine if an adjustment to your monthly payment is required.

Even if you choose this approach, it is still in your interest to keep your costs and bills as low as possible to minimize the amount of the monthly charges because at the end of the 12-month period there is a true-up which will have to be paid or will increase future monthly payments.

If you are low-income, there is additional help. You can apply to the District Department of Energy and the Environment's (DOEE) for a discount on your winter (November through April) bills through WGL's Commission-mandated Residential Essential Service (RES) and for the Low Income Home Energy Assistance Program (LIHEAP). DOEE also has other energy efficiency programs, including the installation of conservation measures in your home. Call DOEE's Hotline on 202-673-6750 for more information.

What Are Your Choices?

Since January 1999, consumers have been able to choose their natural gas commodity supplier. While WGL still sells natural gas service, it remains the sole natural gas distribution company. Currently, there are seven (7) natural gas commodity suppliers accepting new residential customers. They include:

Ambit Energy (1-877-282-6248)
Constellation Energy (1-866-938-2140)
Deca Energy (202-670-5558)
NOVEC (1-888-627-7283)
Viridian Energy (1-866-663-2508)
Washington Gas Light Energy Services (WGL Energy) (1-888-236-9437)
WGL (703-150-1000)

The prices of alternative natural gas commodity suppliers should be compared to WGL's PGC since the adjustment in charges reflect a national trend. We have also included the phone numbers for each natural gas commodity supplier so you can check their charges yourself.

What Can You Do To Keep Your Winter Natural Gas Bills Affordable?

The Commission urges consumers to seek ways to use natural gas wisely by considering the implementation of a number of energy efficiency measures, some of which can be relatively low cost. These measures will be all the more cost effective if the winter is colder than normal.

No Cost Tips

- Lower thermostat to 68 degrees during the day if the home is occupied. Set back the temperature at night and when not at home.
- Dress warmly when at home.
- Fix leaky faucets and bleed radiators.
- Change and clean furnace filters on a monthly basis or as per the maintenance manual.
- Keep shades and draperies open during the day.
- Turn gas water heater down to 120 degrees.
- Remove window air conditioners; if this is not feasible, put a cover on the unit.

Low Cost Tips

- Install a setback thermostat.
- Install plastic over windows and doors to minimize leaks of warm air.
- Seal leaks around windows, doors, and other openings such as pipes and ducts with caulking or weather-stripping.
- Wrap hot water heater in a fire resistant cover.
- Replace broken or cracked glass.

Medium to High Cost Tips

- Install high efficiency natural gas boiler or furnace.
- Install new high efficiency windows and/or doors.
- Install storm windows.
- Install attic insulation.
- When replacing a water heater, choose an energy efficiency model.

Natural Gas Safety Tip – Never use burners or ovens for home-heating purposes because they can lead to the production of carbon monoxide and fire hazards.

Will There Be an Adequate Supply of Natural Gas This Winter?

Yes. WGL has procured or has contracts for an adequate supply of natural gas from 4 pipelines to serve all of its customers this winter so that there will not be any shortage.¹

Are Other WGL Customer Classes Facing Changing Natural Gas Prices?

Yes. WGL is adjusting the PGC for all of its customer groups, including small and large commercial customers.

Are Maryland and Virginia Customers Experiencing Similar Changes?

Yes. WGL is adjusting the PGC in its service territories in Maryland and Virginia. The current PGC in D.C. (41.95 cents per therm) is lower than the PGC in Maryland (43.97 cents per therm) and higher than the PGC in Virginia (39.38 cents per therm).

In addition, the bill impacts in D.C. vary from WGL's service territories in Maryland and Virginia, because the District Government (but not the Commission) imposes a rights-of-way fee, Sustainable Energy Trust Fund and Energy Assistance Trust Fund charges, and a delivery tax. In Maryland, a 2% gross receipts is already included in the distribution service charge.

What Is The Commission Doing To Assist Customers?

The Commission is taking the following steps to inform the public of the trend in natural gas prices and to help customers find ways to save energy. They include:

- Working with DDOE in providing free energy efficiency workshops for District residents.

¹ WGL procures its natural gas on the open market from 4 pipelines whose gas originates in the southwest, the Gulf of Mexico, the Appalachia, and Maryland.

- Preparing and distributing fact sheets and energy savings tips throughout the District including a special mailing to Advisory Neighborhood Commissions (ANC) and civic associations.
- Speaking at community forums including ANCs and civic associations meetings. Call 202-626-5120 if you would like to engage a speaker from the Commission.
- Publicizing prices and energy savings information on the Commission's website – www.dcpsc.org so consumers can make informed choices.