

ERC

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RE: Residential Natural Gas and Oil Price Update -2008

Attached is a summary report of average residential oil and gas prices in Connecticut over the past 29 years. This update is based on publications by the U.S. Department of Energy showing average annual residential natural gas and oil prices, and average prices un-weighted for volume for January through April 2008. The attached summary represents the best information available at this time, and shows important trends in home heating oil and natural gas prices.

The following are key points concerning the attached price comparisons and plots.

Attachment 1 shows the prices of residential natural gas and home heating oil from 1980 to 2008 based on U.S. Department of Energy publications. Key points include the following:

- Over the past **5 years** oil prices have been lower than natural gas in two of the five years, higher in two of the five years, and about even in one of the five years. The last five years, as a result, has been generally even overall.
- Over the past **10 years** oil prices have been **6 percent** lower than gas
- Over the past **15 years** oil prices have been **15 percent** lower than gas
- Over the past **20 years** oil prices have been **16 percent** lower than gas

Attachment 2 plots these oil and gas prices and shows:

- Oil prices have, on average, been lower than natural gas from 1980 to the present
- While natural gas prices have experienced a steady upward trend, oil prices

have varied up-and-down, maintaining a lower average value, until the last two years.

- An historic price advantage for oil compared to natural gas is observed for 24 of the past 26 years

Attachment 3 is a chart comparing the average prices of natural gas and home heating oil over the past 10 years, 15, and 20 year time periods.

- Oil prices have been lower than natural gas in two of the five years, higher in two of the five years, and about even in one of the five years. Oil has been lower in price over the past, 10, 15, and 20 years.
- Oil has been 16 percent lower in cost than natural gas over the past 20 years which is the expected lifetime of a new heating system.

Attachment 4 tabulates the annual heating costs for a typical home and Connecticut that uses 865 gallons of oil per year, based on U.S. Department of Energy oil and gas prices.

- Home heating costs with natural gas have averaged \$1,240 a year over the past 29 years, compared to oil at \$1,085 for the same time period.
- Home heating costs with oil were \$4,517 lower than for natural gas from the study period from 1980 to 2008.

Attachment 5 is a bar chart showing average oil and gas heating costs for a typical home in Connecticut over the past 10, 15, and 20 years.

- Over the past **10 years** oil cost **\$1525**, and gas costs **\$1631 a year on average**
- Over the past **15 years** oil cost **\$1278**, and gas costs **\$1484 a year**
- Over the past **20 years** oil cost **\$1173**, and gas costs **\$1369 a year**

Attachment 6 shows fuel cost savings by using all oil instead of natural gas in Connecticut homes over the past 10, 15, and 20 years.

- 10-year savings with oil totaled **\$1,059**
- 15-year savings with oil totaled **\$3,094**
- 20-years savings with oil totaled **\$2,946**

Clearly, home heating oil has offered significant heating cost savings to consumers in Connecticut when compared to natural gas over the past three decades. While oil prices have recently increased at a rate faster than natural gas, history has shown that those changes are short-term, and oil remains the lower cost option for homeowners in Connecticut over the long run.

**RESIDENTIAL OIL AND NATURAL GAS PRICES - 1980 TO 2008
CONNECTICUT**

| YEAR | NAT GAS | | OIL \$/GAL | DIFF % |
|--------------|---------|----------|---------------|------------|
| | \$/MCF | \$/GALEQ | | |
| 1980 | 5.84 | 0.79 | 0.983 | 20 |
| 1981 | 6.85 | 0.92 | 1.217 | 24 |
| 1982 | 8.51 | 1.15 | 1.183 | 3 |
| 1983 | 9.70 | 1.31 | 1.091 | -20 |
| 1984 | 8.80 | 1.18 | 1.121 | -6 |
| 1985 | 9.15 | 1.23 | 1.080 | -14 |
| 1986 | 8.83 | 1.19 | 0.890 | -34 |
| 1987 | 8.21 | 1.11 | 0.834 | -33 |
| 1988 | 7.87 | 1.06 | 0.853 | -24 |
| 1989 | 8.25 | 1.11 | 0.929 | -20 |
| 1990 | 8.58 | 1.16 | 1.098 | -5 |
| 1991 | 8.74 | 1.18 | 1.062 | -11 |
| 1992 | 8.96 | 1.21 | 0.947 | -27 |
| 1993 | 9.43 | 1.27 | 0.919 | -38 |
| 1994 | 10.14 | 1.37 | 0.890 | -53 |
| 1995 | 10.00 | 1.35 | 0.864 | -56 |
| 1996 | 10.08 | 1.36 | 0.986 | -38 |
| 1997 | 10.33 | 1.39 | 0.963 | -44 |
| 1998 | 10.60 | 1.43 | 0.831 | -72 |
| 1999 | 10.54 | 1.42 | 0.854 | -66 |
| 2000 | 11.43 | 1.54 | 1.291 | -19 |
| 2001 | 12.20 | 1.64 | 1.239 | -33 |
| 2002 | 11.15 | 1.50 | 1.118 | -34 |
| 2003 | 12.77 | 1.72 | 1.355 | -27 |
| 2004 | 14.06 | 1.89 | 1.518 | -25 |
| 2005 | 16.24 | 2.19 | 2.012 | -9 |
| 2006 | 17.71 | 2.38 | 2.357 | -1 |
| 2007 | 16.39 | 2.21 | 2.614 | 16 |
| 2008 | 16.42 | 2.21 | 3.268 | 32 |
| AVG | 10.61 | 1.429 | 1.254 | -14 |
| 5 YR | 16.16 | 2.18 | 2.354 | 8 |
| 10 YR | 13.89 | 1.87 | 1.763 | -6 |
| 15 YR | 12.67 | 1.71 | 1.477 | -15 |
| 20 YR | 11.70 | 1.58 | 1.36 | -16 |

NOTE:

PETROLEUM MARKETING MONTHLY, DOE/EIA-0380

NATURAL GAS MONTHLY, DOE/EIA-0130

USDOE, HISTORIC NATURAL GAS ANNUAL - 1930 THROUGH 1998

NAT GAS: 1,030 BTU PER CUBIC FOOT

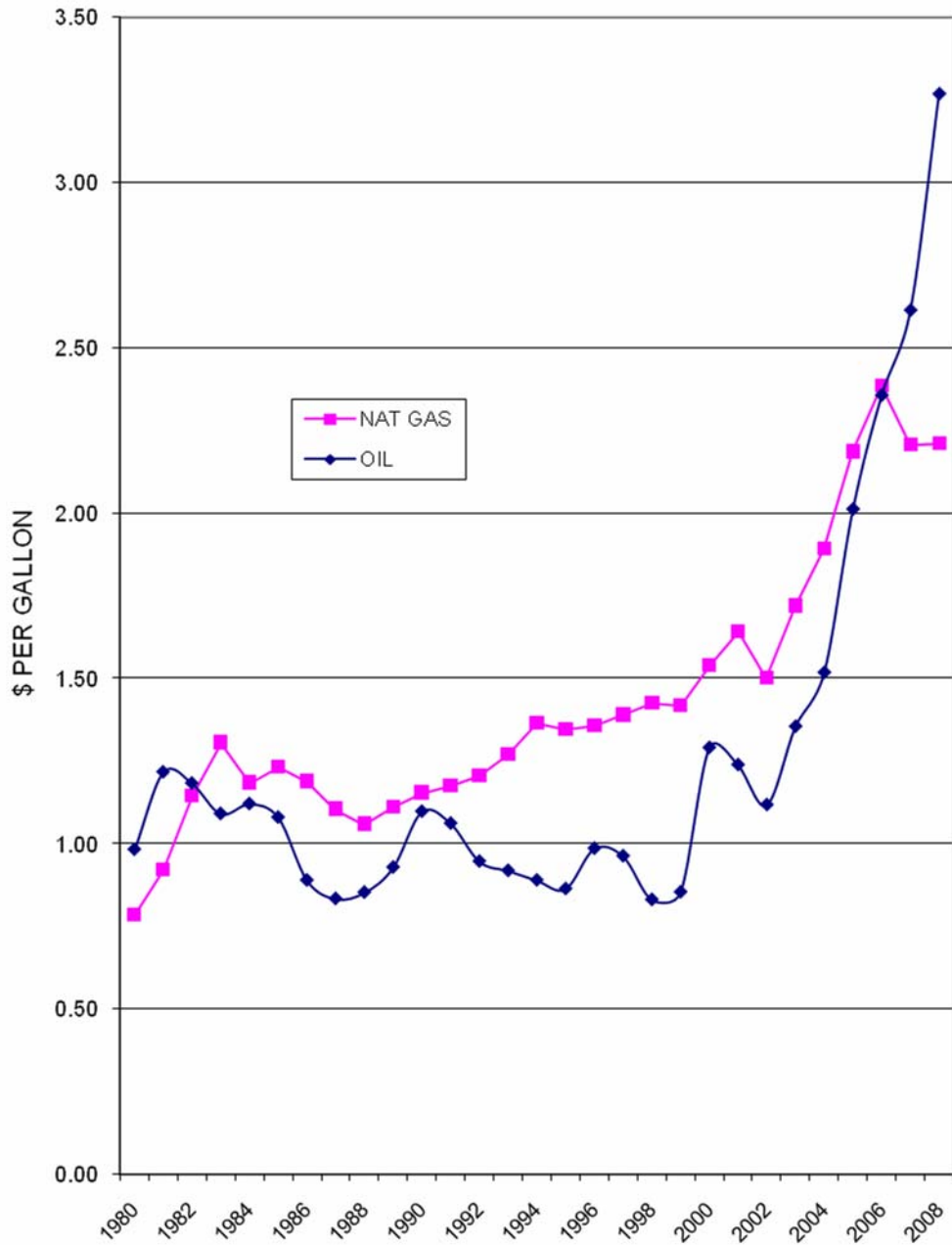
FUEL OIL: 138,690 BTU PER GALLON

2008 OIL PRICES THROUGH APRIL

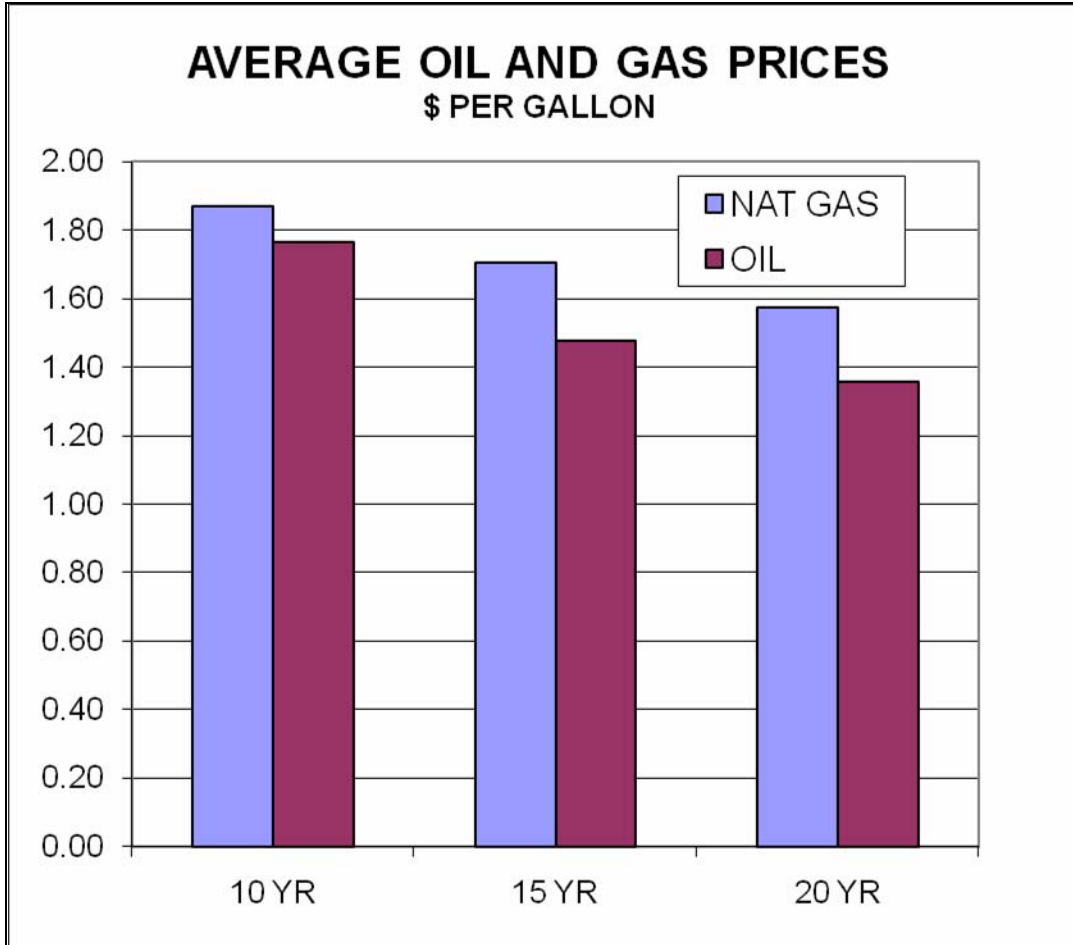
2008 NAT GAS PRICES THROUGH APRIL

ATTACHMENT 1

RESIDENTIAL OIL AND GAS PRICES - CT \$ PER GALLON OR EQUIVALENT



ATTACHMENT 2



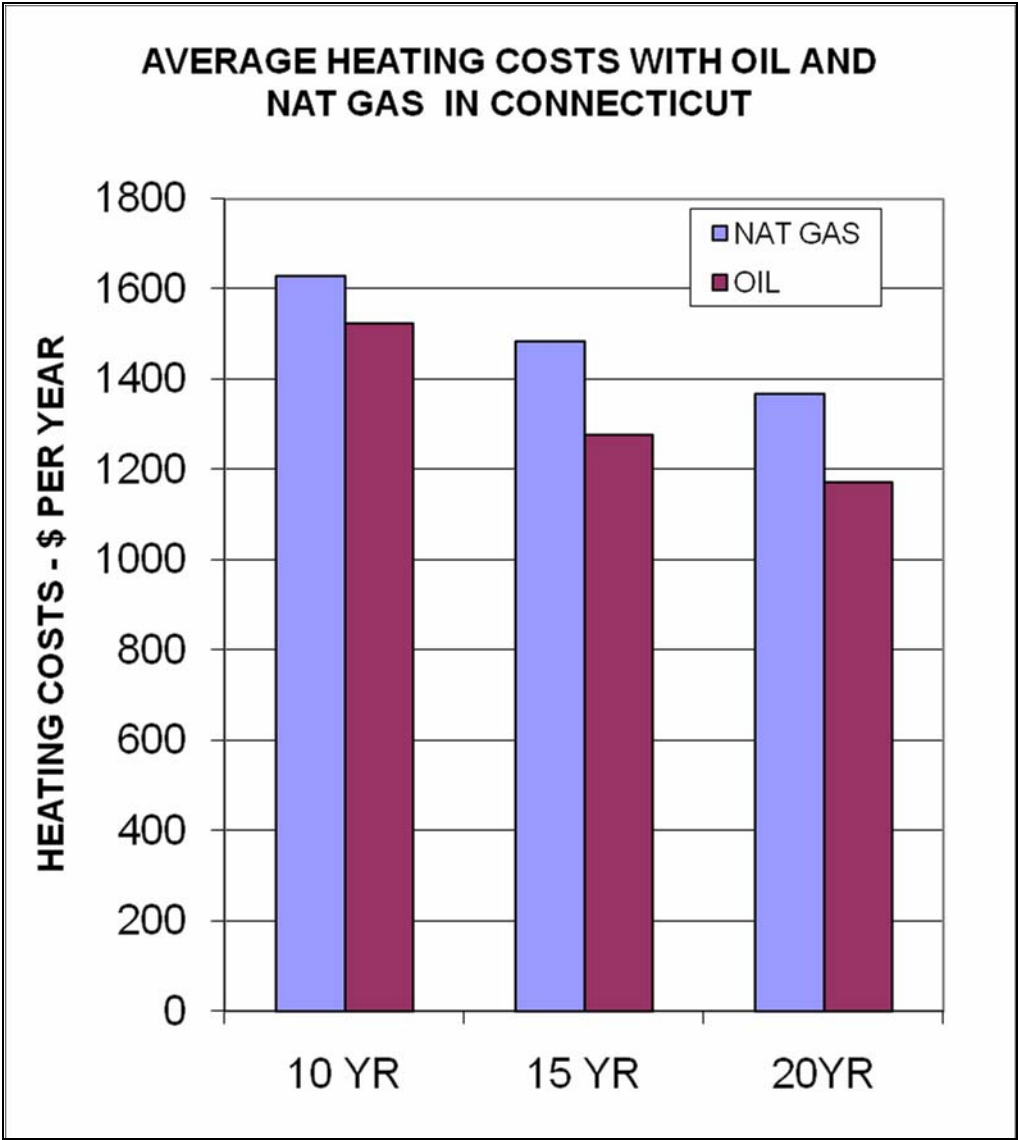
ATTACHMENT 3

**RESIDENTIAL HEATING COST ESTIMATES - 1980 TO 2008
CONNECTICUT**

| YEAR | NAT GAS | | EST'D HTG COST \$/YR | OIL \$/GAL | EST'D HTG COST \$/YR | DIFF % | |
|--------------|--------------|--------------|-------------------------------|---------------|-------------------------------|------------|---------|
| | \$/MCF | \$/GALEQ | | | | | |
| 1980 | 5.84 | 0.79 | 680 | 0.983 | 850 | 20 | |
| 1981 | 6.85 | 0.92 | 798 | 1.217 | 1053 | 24 | |
| 1982 | 8.51 | 1.15 | 991 | 1.183 | 1023 | 3 | |
| 1983 | 9.70 | 1.31 | 1130 | 1.091 | 944 | -20 | |
| 1984 | 8.80 | 1.18 | 1025 | 1.121 | 970 | -6 | |
| 1985 | 9.15 | 1.23 | 1066 | 1.080 | 934 | -14 | |
| 1986 | 8.83 | 1.19 | 1028 | 0.890 | 770 | -34 | |
| 1987 | 8.21 | 1.11 | 956 | 0.834 | 721 | -33 | |
| 1988 | 7.87 | 1.06 | 917 | 0.853 | 738 | -24 | |
| 1989 | 8.25 | 1.11 | 961 | 0.929 | 804 | -20 | |
| 1990 | 8.58 | 1.16 | 999 | 1.098 | 950 | -5 | |
| 1991 | 8.74 | 1.18 | 1018 | 1.062 | 919 | -11 | |
| 1992 | 8.96 | 1.21 | 1044 | 0.947 | 819 | -27 | |
| 1993 | 9.43 | 1.27 | 1098 | 0.919 | 795 | -38 | |
| 1994 | 10.14 | 1.37 | 1181 | 0.890 | 770 | -53 | |
| 1995 | 10.00 | 1.35 | 1165 | 0.864 | 747 | -56 | |
| 1996 | 10.08 | 1.36 | 1174 | 0.986 | 853 | -38 | |
| 1997 | 10.33 | 1.39 | 1203 | 0.963 | 833 | -44 | |
| 1998 | 10.60 | 1.43 | 1235 | 0.831 | 719 | -72 | |
| 1999 | 10.54 | 1.42 | 1228 | 0.854 | 739 | -66 | |
| 2000 | 11.43 | 1.54 | 1331 | 1.291 | 1117 | -19 | |
| 2001 | 13.29 | 1.79 | 1548 | 1.239 | 1072 | -44 | |
| 2002 | 11.15 | 1.50 | 1299 | 1.118 | 967 | -34 | |
| 2003 | 12.77 | 1.72 | 1487 | 1.355 | 1172 | -27 | |
| 2004 | 14.06 | 1.89 | 1638 | 1.518 | 1313 | -25 | |
| 2005 | 16.24 | 2.19 | 1892 | 2.012 | 1740 | -9 | |
| 2006 | 17.71 | 2.38 | 2063 | 2.357 | 2039 | -1 | |
| 2007 | 16.39 | 2.21 | 1909 | 2.614 | 2261 | 16 | |
| 2008 | 16.42 | 2.21 | 1912 | 3.268 | 2827 | 32 | |
| AVG | 10.65 | 1.434 | 1240 | 1.254 | 1085 | -14 | |
| | | | | | | | DIFF \$ |
| | | | | | | | 4517 |
| 5 YR | 16.16 | 2.18 | 1883 | 2.354 | 2036 | 8 | -767 |
| 10 YR | 14.00 | 1.89 | 1631 | 1.763 | 1525 | -7 | 1059 |
| 15 YR | 12.74 | 1.72 | 1484 | 1.477 | 1278 | -16 | 3094 |
| 20YR | 11.76 | 1.58 | 1369 | 1.356 | 1173 | -17 | 2946 |

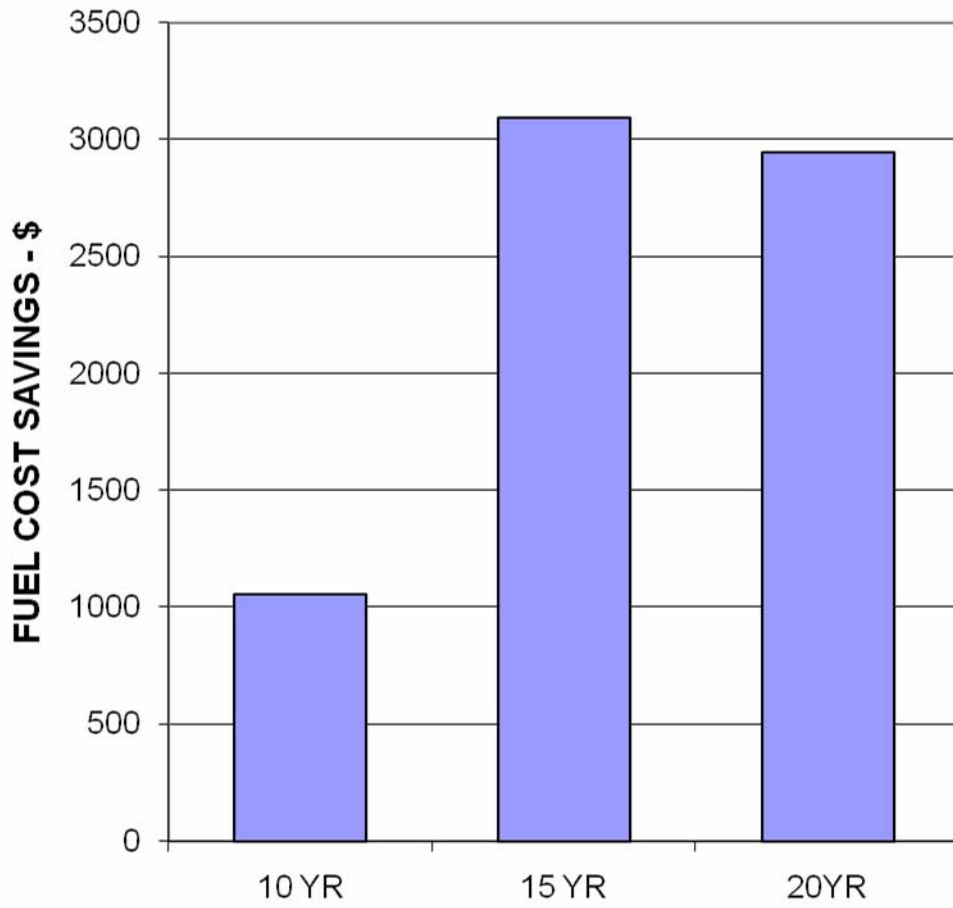
NOTES: ASSUMES ANNUAL FUEL USE OF 865 GALS OR EQUIVALENT
DIFF IS COST SAVINGS IN \$

ATTACHMENT 4



ATTACHMENT 5

COST SAVINGS WITH OIL - \$
CONNECTICUT



ATTACHMENT 6