

ERC

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RE: Residential Natural Gas and Oil Price Update -2004

Attached is a brief summary report of recent residential oil and gas prices. This update is based on publications by the U.S. Department of Energy showing residential natural gas and oil prices. Some of the data for 2003 are based on partial years and unweighted averages. 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 2003 based on U.S. Department of Energy publications. Key points include the following:

- Over the past **5 years** oil prices have been **37 percent** lower than gas
- Over the past **10 years** oil prices have been **44 percent** lower than gas
- Over the past **15 years** oil prices have been **36 percent** lower than gas

Attachment 2 plots these oil and gas prices and shows:

- Oil prices have been much lower than natural gas from 1983 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.
- The historic price advantage for oil compared to natural gas has been sustained for the past 20 years.

Attachment 3 is a chart comparing the average prices of natural gas and home heating oil over the past 5 year, 10 year, and 15 year time periods.

- The average price of oil has increased from about \$1.02 to \$1.16 over the period shown.
- Natural gas prices have increased from \$1.39 to \$1.60 over the same period.
- Oil has been substantially lower in cost than natural gas for a heating value equivalent to one gallon of oil.

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 increased from \$680 to \$1629 over the past 24 years.
- Home heating costs with oil varied from a low of \$721 to a high of \$1136 over the same period.

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

- Over the past **five years** oil cost **\$1006**, and gas costs **\$1381**
- Over the past **ten years** oil cost **\$895**, and gas costs **\$1286**
- Over the past **fifteen years** oil cost **\$883**, and gas costs **\$1199**

Attachment 6 shows fuel cost savings by using all oil instead of natural gas in Connecticut homes over the past 5, 10, and 15 years.

- Five-year savings with oil totaled **\$1873**
- Ten years savings with oil totaled **\$3909**
- Fifteen years savings with oil totaled **\$4743**

Clearly, home heating oil continues to offer substantial heating cost savings to consumers in Connecticut when compared to natural gas. While residential fuel prices vary from year to year, the cost savings with oil has been substantial over the past 20 years.

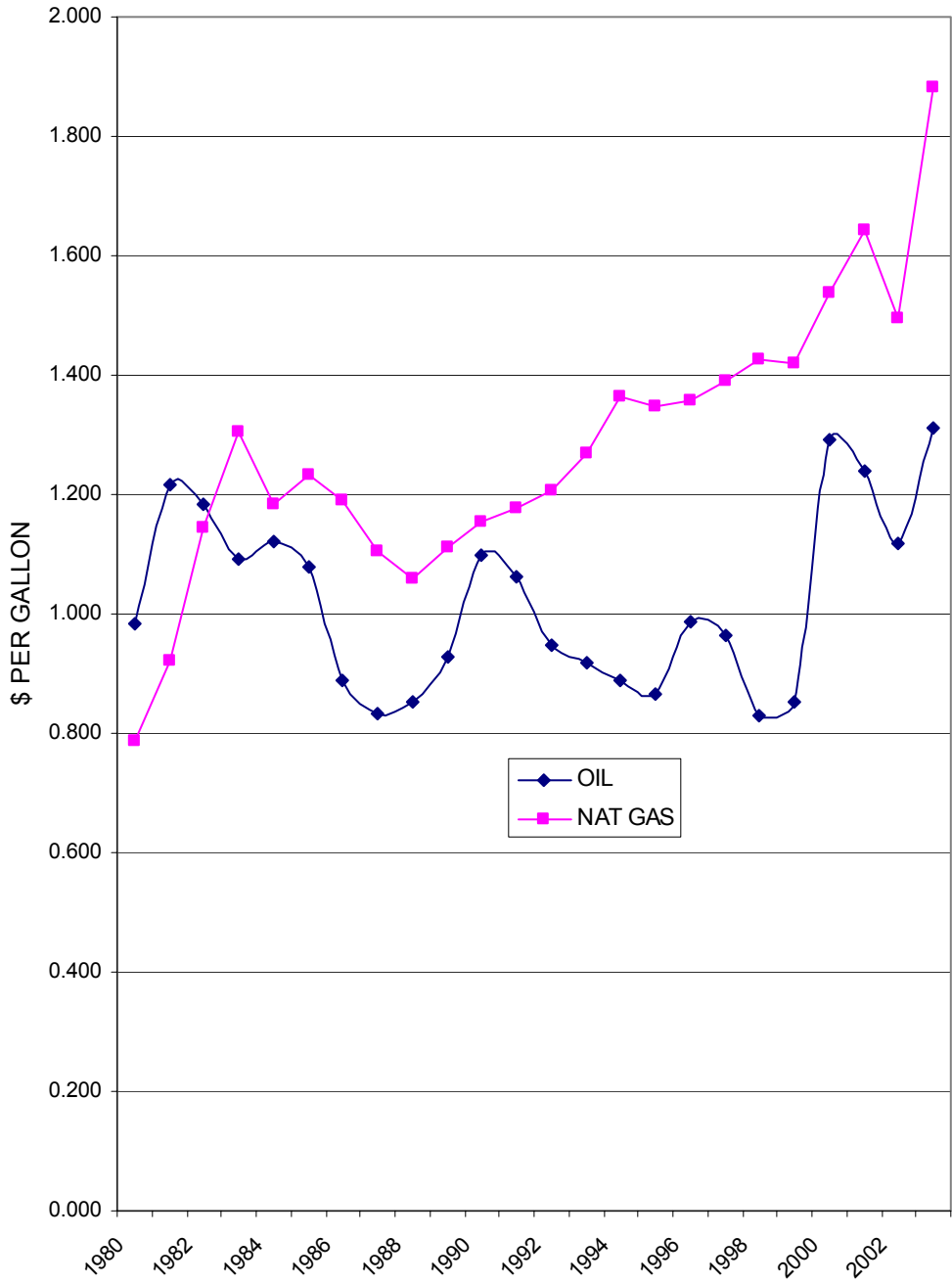
**RESIDENTIAL OIL AND NATURAL GAS PRICES - 1980 TO 2003
CONNECTICUT**

YEAR	NAT GAS		OIL	DIFF
	\$/MCF	\$/GALEQ	\$/GAL	%
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	11.11	1.50	1.12	-34
2003	13.99	1.88	1.31	-43
AVG	9.51	1.280	1.023	-25
5 YR	11.85	1.60	1.163	-37
10 YR	11.04	1.49	1.035	-44
15 YR	10.29	1.39	1.020	-36

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
 2003 OIL PRICES ARE UNWEIGHTED PARTIAL YEAR

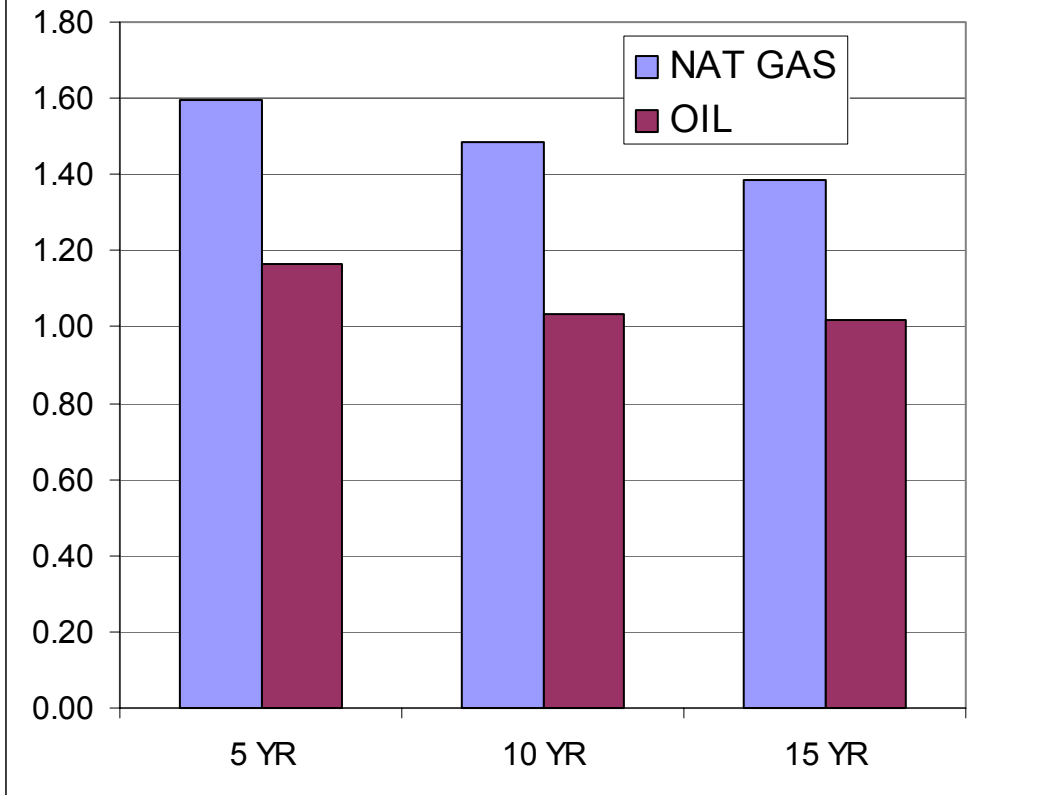
ATTACHMENT 1

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



ATTACHMENT 2

AVERAGE OIL AND GAS PRICES \$ PER GALLON



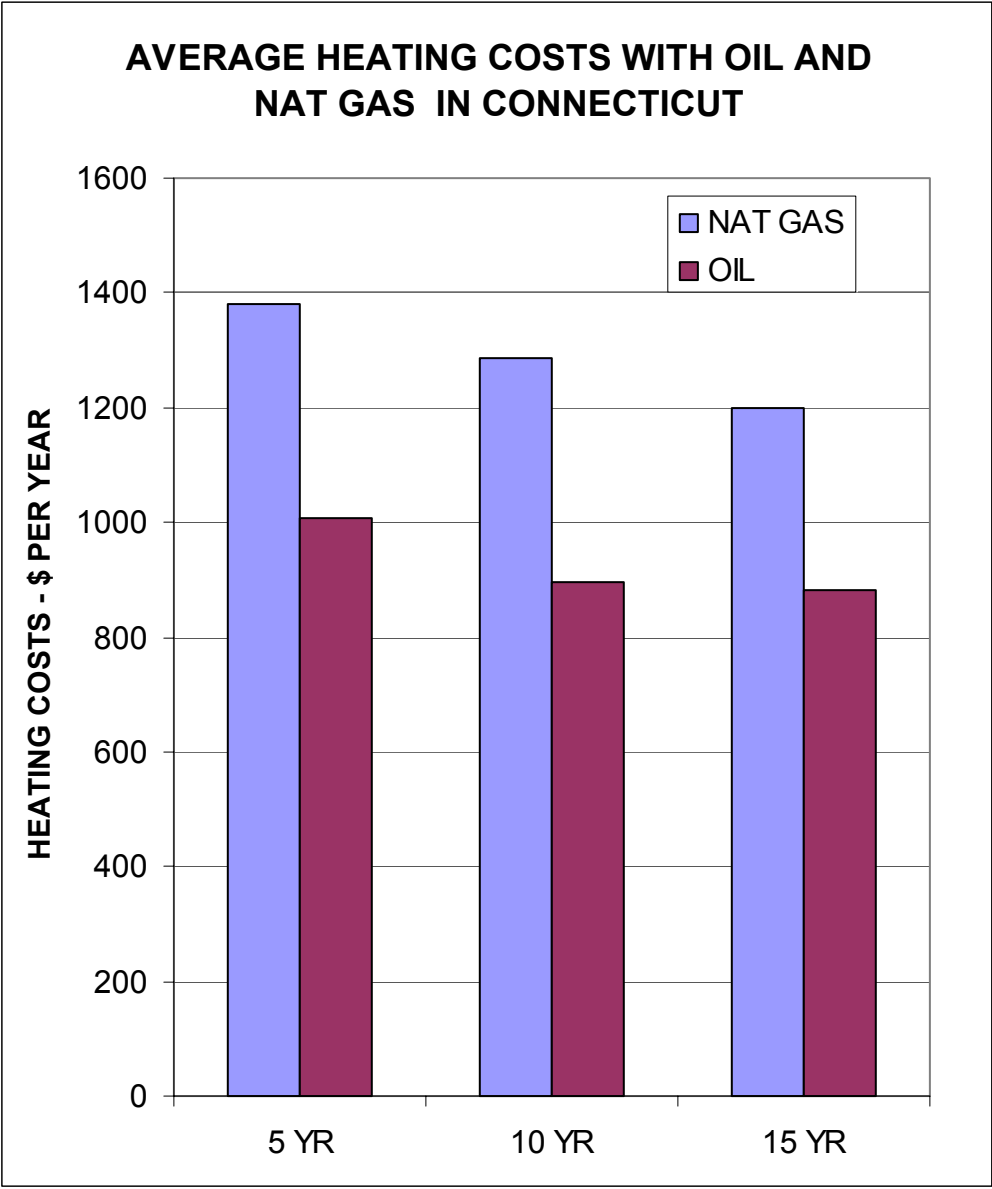
ATTACHMENT 3

**RESIDENTIAL HEATING COST ESTIMATES - 1980 TO 2003
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	12.20	1.64	1421	1.239	1072	-33	
2002	11.11	1.50	1294	1.118	967	-34	
2003	13.99	1.88	1629	1.313	1136	-43	
AVG	9.31	1.224	1075	1.011	874	-21	DIFF \$ 4418
5 YR	11.85	1.60	1381	1.163	1006	-37	1873
10 YR	11.04	1.49	1286	1.035	895	-44	3909
15 YR	10.29	1.39	1199	1.020	883	-36	4743

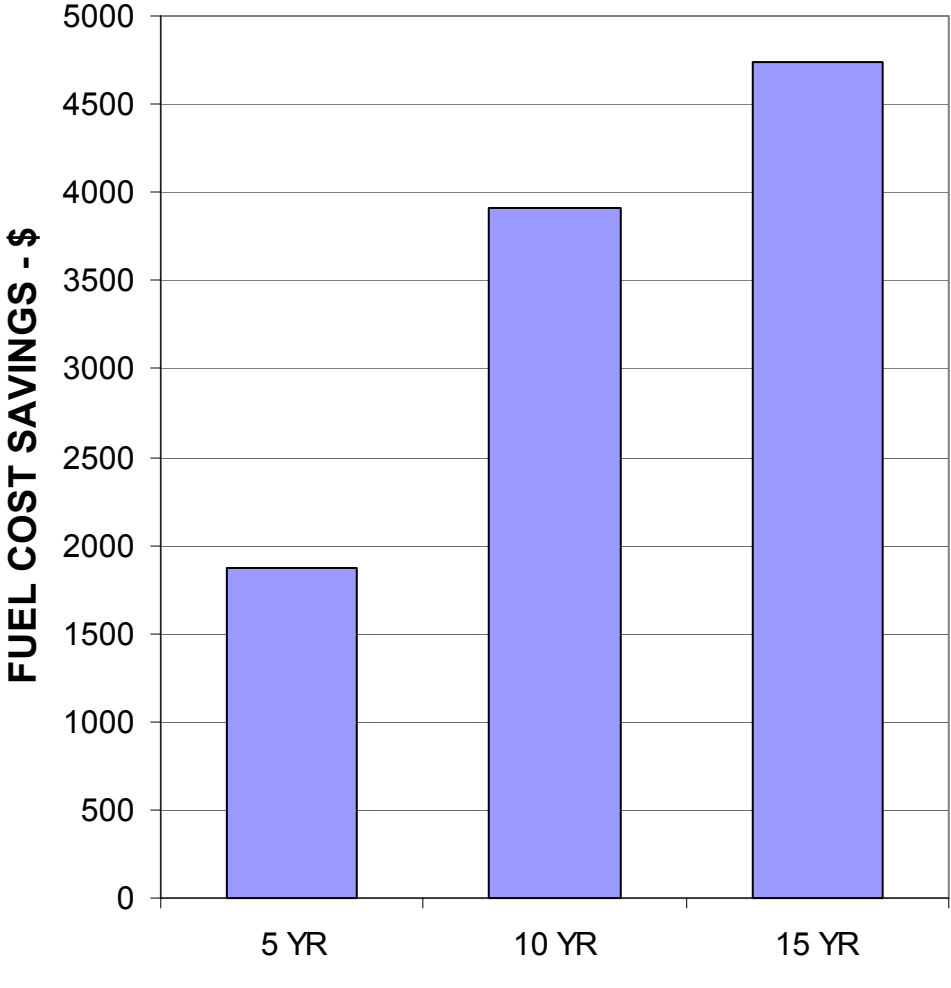
NOTES: ASSUMES ANNUAL FUEL USE OF 865 GALS OR EQUIVALENT
DIFF IS COST SAVINGS IN \$

ATTACHMENT 4



ATTACHMENT 5

**COST SAVINGS WITH OIL - \$
CONNECTICUT**



ATTACHMENT 6