

DID YOU KNOW...

Natural gas bills expected to rise in wake of Katrina

Hurricane Katrina wreaked havoc in the Gulf States, and businesses and homeowners in Colorado Springs may feel the effects this winter with higher heating bills. The Gulf of Mexico accounts for about 23 percent of total U.S. production of natural gas. As of Sept. 2, nearly three-quarters of the daily natural gas production in the Gulf was shut down.

With some processing facilities not expected to go on-line for weeks, the nation's natural gas storage levels will dwindle. Reduced supply and increased demand are causing an increase in wholesale prices, and Katrina's effect on natural gas prices could last a year or longer.

The Energy Information Administration (EIA) estimates that natural gas customers could pay 52 percent more nationally for home-heat this winter than last winter. Fortunately, customer rates in Colorado Springs are not expected to increase quite as much due to our location in the Rockies and Springs Utilities' financial tools designed to minimize price volatility.

Q: Where does our natural gas come from?

A: Like most utilities, Colorado Springs Utilities doesn't own any natural gas fields and we are therefore subject to national market prices. The natural gas we use is produced in the Rocky Mountain region, not in the Gulf. This protects us to some degree from the volatile situation caused by Katrina. However, the hurricane has caused prices to increase dramatically nationwide.

Q: What does that mean for natural gas rates in Colorado Springs?

A: Colorado Springs Utilities is thoroughly evaluating the situation and looking for ways to minimize the impact to our customers. However, if wholesale natural gas prices increase close to EIA projections, an increase in the Gas Cost Adjustment, or GCA, is likely this winter.

Q: What is Colorado Springs Utilities doing to help keep rates low?

A: Colorado Springs Utilities uses several financial tools to help reduce the volatility of wholesale fuel costs:

- We use a hedging program to help stabilize costs. This allows us to lock-in a portion of our natural gas prices throughout the year. The remaining volume is left to be purchased on the spot market and therefore is subject to market volatility.
- We purchase extra natural gas supplies when prices are lower, usually in the summer, and store it underground for use when prices are higher.
- On cold days when natural gas use is at its peak, we mix propane and air with the natural gas to meet the high demand. This practice saves our customers about \$2.5 million per year.
- Because we have the ability to provide four utility services, we are able to leverage economies of scale to increase cost efficiency.

Follow further developments with rates and impacts from other outside factors online at www.csu.org.

Article courtesy of Colorado Springs Utilities: First Source, A Utility Update for Our Commercial and Industrial Customers, Third Quarter 2005.

OCTOBER LUNCHEON

DATE: Tuesday, November 9, 2005
11:30 Registration
11:45 Lunch

LOCATION: Kissing Camel's Golf Club
4500 Kissing Camel's Way

COST: \$30.00 for Members who RSVP; \$35.00 for non-members and walk-ins

TOPIC: Sara Michel, speaker, trainer, facilitator and author of Perfecting Connecting Networking for Life will join us to discuss Management Techniques and ways to better improve our productivity.

Also, we will be presenting the proceeds from September's Golf Tournament to the Assistance League of Colorado Springs.

Please RSVP to Sherry Daniels by Friday, November 5, 2005 at 575-0075, or email at sherry@diamante-re.com

